

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.93	-4
5-yr UST	3.04	-5
10-yr UST	3.18	-6
30-yr UST	3.39	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.67	-1	3.75	0
5-yr	3.81	2	3.90	-2
7-yr	4.00	-4	4.14	0
10-yr	4.10	2	4.26	2
15-yr	4.57	0	4.58	0
20-yr	4.75	-4	4.79	0
30-yr	4.95	0	4.95	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.72	0
3-yr	3.77	0
5-yr	3.87	1
7-yr	3.99	0
10-yr	4.19	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries reversed recent losses as correction in equities and massive decline in global crude oil prices triggered concerns over sustainability of US and China growth prospects prompted flight to safety bids. US treasuries advanced across the curve, pushing yields lower by 4-6bps. UST 2year note yields fell 4bps to 2.93% while the long dated 10s and 30s lost 6bps each to 3.18% and 3.39% respectively, bull flattening the curve. Investors will likely turn their heads on this week's CPI and retail sales numbers for further clues on economic health and inflation of the US economy that could influence the pace of the Fed rate hike path going forward although a December rate hike seems like a done deal.

MGS/GII

- Trading momentum in Govvies softened a tad last Friday but volume remained decent at RM1.98bn. Investor interest was seen concentrated on the front end of the curve, predominantly in MGS 3/19, 3/20, and 2/21, which collectively made up circa 40% of total govvies trade. Overall benchmark yields ended mixed between -4 to +2bps. The benchmark 7Y MGS fell 4bps to 4.00% whilst the 10Y MGS 6/28 rose 2bps to 4.10%. MGS made up the bulk of the interests on Friday as GII bond trades dropped to a tepid 8% of overall trades, dominated by 5Y GII 11/23 which traded 22bps inner at 3.896%. The release of IPI figure last Friday signaled a slower growth momentum in 3Q, which we expect to be reflected in this Friday's 3Q GDP growth number.

Corp Bonds/Sukuk

- Tracking softer traction in local govvies, trading in the Corporate bonds/Sukuk space also saw substantial pullback. Trading volume eased to RM207m on Friday, down from RM549m a day ago with a total of 22 papers traded. The debut of BBB-rated Senai Desaru Expressway took center stage, with a combined RM80m traded across various tenors within the 6.72% levels. UiTM Solar Power also made its first appearance with RM20m changed hands at 6.013 – 6.248%. On top of that, investors continued to concentrate on the AA-rated bonds amid sparse trade in AAA papers and absence of GG names.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/19	3.279	200	3.229	11/08/2018	5
MGS 10/19	3.409	51	3.441	11/08/2018	-3
MGS 03/20	3.527	390	3.535	11/08/2018	-1
MGS 10/20	3.517	0	3.523	11/08/2018	-1
MGS 02/21	3.621	200	3.643	11/08/2018	-2
MGS 07/21	3.647	10	3.690	11/08/2018	-4
MGS 09/21	3.678	40	3.716	11/08/2018	-4
MGS 11/21	3.665	140	3.672	11/08/2018	-1
MGS 03/22	3.735	5	3.736	11/08/2018	0
MGS 08/22	3.786	2	3.837	11/08/2018	-5
MGS 04/23	3.806	70	3.781	11/08/2018	2
MGS 08/23	3.927	20	3.910	11/08/2018	2
MGS 09/24	4.058	29	4.074	11/08/2018	-2
MGS 03/25	4.000	35	3.998	11/08/2018	0
MGS 09/25	4.059	3	4.107	11/08/2018	-5
MGS 11/26	4.161	8	4.177	11/08/2018	-2
MGS 11/27	4.222	581	4.210	11/07/2018	1
MGS 06/28	4.099	11	4.115	11/08/2018	-2
MGS 04/33	4.655	14	4.634	11/08/2018	2
MGS 05/35	4.760	1	4.718	11/01/2018	4
MGS 06/38	4.747	19	4.790	11/08/2018	-4
GII 11/22	3.862	2	3.881	11/07/2018	-2
GII 11/23	3.896	130	4.116	11/08/2018	-22
GII 08/24	4.121	2	4.044	10/30/2018	8
GII 10/28	4.263	21	4.246	11/08/2018	2
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Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Berjaya Land Berhad	12/19	AAA	4.456	4	4.495	09/25/2018	-4	102
GENM Capital Berhad	07/23	AAA	4.918	0	4.570	11/05/2018	35	109
Public Islamic Bank Berhad	06/24	AA1	4.138	20	4.135	11/08/2018	0	16
AmBank (M) Berhad	06/20	AA2	4.232	14	4.378	09/14/2018	-15	69
UMW Holdings Berhad	09/23	AA2	4.359	0	4.564	10/30/2018	-21	53
AMMB Holdings Berhad	08/19	AA3	4.198	14	4.419	09/03/2018	-22	76
RHB Islamic Bank Berhad	04/27	AA3	4.560	1	4.584	10/31/2018	-2	45
WCT Holdings Berhad	12/18	AA-	4.229	24	4.429	09/19/2018	-20	79
MEX II Sdn Berhad	04/32	AA-	5.274	30	5.276	11/01/2018	0	67
UiTM Solar Power Sdn Berhad	04/34	AA-	6.013	10	-	-	-	141
UiTM Solar Power Sdn Berhad	04/36	AA-	6.248	10	-	-	-	165
CIMB Group Holdings Berhad	05/16	A1	4.995	0	4.996	11/08/2018	0	19
Senai Desaru Expressway Berhad	12/38	BBB-	6.721	2	-	-	-	191
Senai Desaru Expressway Berhad	12/39	BBB-	6.721	4	-	-	-	191
Senai Desaru Expressway Berhad	12/40	BBB-	6.721	4	-	-	-	191
Senai Desaru Expressway Berhad	12/41	BBB-	6.721	4	-	-	-	191
Senai Desaru Expressway Berhad	12/42	BBB-	6.720	6	-	-	-	191
Senai Desaru Expressway Berhad	12/43	BBB-	6.720	10	-	-	-	191
Senai Desaru Expressway Berhad	12/44	BBB-	6.721	10	-	-	-	191
Senai Desaru Expressway Berhad	12/45	BBB-	6.720	10	-	-	-	191
Senai Desaru Expressway Berhad	12/46	BBB-	6.721	14	-	-	-	191
Senai Desaru Expressway Berhad	12/47	BBB-	6.721	16	-	-	-	191
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Saudi Arabia is discussing a proposal that could see OPEC and non-OPEC oil producers cut output by up to 1 million barrels per day, two sources told Reuters on Sunday, as the world's top oil exporter grapples with a drop in crude prices. The sources said any such deal would depend on factors including the level of Iranian exports after the United States imposed sanctions on Tehran but granted Iran's top oil buyers waivers to continue buying oil. Riyadh was surprised by the waivers granted to customers such as China and India, a move which hit oil prices, at least three industry and OPEC sources told Reuters. Now Saudi Arabia wants to act to prevent a further slide in prices which fell below \$70 a barrel on Friday, and is leading discussions on cutting oil output next year, the sources said. Under a deal set to expire at the end of the year, OPEC and non-OPEC producers agreed to curb output by around 1.8 million bpd. But producers ended up cutting more - partly due to unexpected outages in Venezuela, Libya and Angola - and so agreed in June to limit cuts to the agreed level, meaning restoring about 1 million bpd in output. OPEC and its allies will meet in Vienna on Dec. 6-7 to decide on output policy for 2019. "There is a general discussion about this (cut). But the question is how much is needed to be reduced by the market," one of the sources said ahead of a meeting by a monitoring committee in Abu Dhabi on Sunday attended by top producers Saudi Arabia and Russia. "No one expected the waivers. Saudi Arabia wants to at least put a floor under oil prices. No one wants a free fall in prices," the source added. Kazakh deputy energy minister Magzum Mirzagaliyev told reporters in Abu Dhabi that he understood Saudi Arabia was suggesting using August-October output levels as a baseline for determining cuts. Brent crude on Friday fell 47 cents, or 0.7 percent, to settle at \$70.18 a barrel. It lost about 3.6 percent on the week and has shed more than 15 percent this quarter. Washington gave 180-day waivers to eight Iranian oil buyers - China, India, South Korea, Japan, Italy, Greece, Taiwan and Turkey. This group takes as much as three-quarters of Iran's seaborne oil exports, trade data shows. The U.S. administration has vowed to reduce Iranian oil exports to zero and U.S. President Donald Trump has put pressure on Saudi Arabia to raise output to cool the market. Iran's crude exports could fall to little more than 1 million bpd in November, roughly a third of their mid-2018 peak. But traders and analysts say that figure could rise from December as importers use their waivers. Saudi Energy Minister Khalid al-Falih said last month the kingdom would pump 11 million bpd in November, up from 10.7 million bpd in October. He also said there could be a need for intervention to reduce oil stockpiles after increases in recent months. U.S. sanctions on Iran are aimed at curbing Tehran's nuclear and missile programs as well as its support for proxy forces in Yemen, Syria, Lebanon and other parts of the Middle East. – (Source: The Star Online/ Reuters)

Petroleum Nasional Bhd (Petronas) emphasises its declaration of dividends and also future dividends to the government will not impact its on-going operations due to its strong financial profile. The national oil company said on Sunday that "all its dividend payments, including the one-off special dividend and any future dividends, will take into account its ability to service debts, fund its ongoing operations and invest in future growth". It issued the statement after Moody's Investors Service changed its ratings outlook on Petronas from stable to negative. The rating agency had stated that the outlook change was due to Moody's view that the financial profile of Petronas would be at risk of deteriorating if dividend payments remain high in the future. To recap, S&P Global Ratings and Moody's Investors Service had affirmed Petronas' credit ratings of A- and A1 respectively, subsequent to the announcement of the RM30bil one-off special dividend payment in the 2019 Budget. S&P and Moody's credit ratings affirmation reflected Petronas' solid financial position that remains robust supported by strong fundamentals, sizeable net cash and ample liquidity position, driven by the transformation efforts in the past few years in the areas of operational efficiency, cost reduction and portfolio optimisation, and supported by improved oil prices. (Source: The Star Online)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Al Dzahab Assets Berhad	Class A Sukuk Class B Sukuk for all tranches of the <i>Sukuk Murabahah</i>	AAA/Stable AAA/Stable	Reaffirmed Upgraded

Source: RAM, MARC

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