

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US treasuries markets were closed yesterday for Veteran Day holiday. Taking cue from growing jitters in the market triggered by concerns over growth outlook and trade conflicts, as well as political risks across the Atlantic namely Brexit deal and Italian budget plan resubmission today, we expect UST to stay biddish when markets reopen tonight unless European headlines turn surprisingly positive. That aside, this week's economic releases on first tier data led by CPI, retail sales, and industrial production will be scrutinized for further clues on economic health of the US economy, hence the pace of the Fed rate hike path going forward.

MGS/GII

- Trading momentum in Govvies softened further yesterday, witnessing a mere RM757m transacted, down significantly from RM1.98bn last Friday. Investor interest was seen concentrated on the front to mid end of the curve, predominantly in MGS 11/21, and 7/24, with RM186m and RM150m changed hands respectively, last dealt at 3.71% and 4.01%. Overall benchmark yields ended largely higher by 1-4bps save for the 30Y MGS that shed 2bps to 4.94%. The benchmark 7Y MGS edged up a bp to 4.01% whilst the 10Y MGS 6/28 added 3bps to close at 4.13%. MGS made up almost all trading in local govies as only a mere RM9m was seen traded in the GII space. Markets is expected to stay edgy amid negative headlines from global events. We will also see the reopening of RM5.5bn GII 8/25 tomorrow, comprising RM3.0bn open tender and RM2.5bn private placement, its biggest this year, ahead of the release of Malaysia's 3Q GDP growth this Friday.

Corp Bonds/Sukuk

- Trading in the Corporate bonds/Sukuk space remained subdued although volume picked up slightly from RM207m on Friday to RM247m yesterday but the number of papers traded was a tad lower at 18 compared to 22 on Friday trading. GG names were absent once again while the AA-rated bonds continued to garner the most interests. Various tenors of Southern Power Generation saw a combined RM83m changed hands with yields ended mixed between -16bps to +1bp. SAJ Capital 1/24, 1/25, and 1/26 came next with RM80m dealt inner by 3-14bps. Banking names MBB 5/24 and AmBank 8/39 was last dealt at 4.206% and 4.375% respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.93	0
5-yr UST	3.04	0
10-yr UST	3.18	0
30-yr UST	3.39	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.71	4	3.75	0
5-yr	3.82	1	3.90	0
7-yr	4.01	1	4.14	0
10-yr	4.13	3	4.26	0
15-yr	4.57	0	4.58	0
20-yr	4.75	0	4.79	0
30-yr	4.94	-2	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	3.88	0
7-yr	3.99	1
10-yr	4.20	1

Source : Bloomberg

Note: UST levels as at 9-Nov

Upcoming Government Bond Tender

Reopening of GII 8/25 via RM3.0bn tender and RM2.5bn private placement on 14-Nov (Wednesday)

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.31	16	3.28	9/11/2018	3
MGS	11/19	3.47	99	3.47	8/11/2018	0
MGS	03/20	3.52	51	3.53	9/11/2018	-1
MGS	10/20	3.56	50	3.52	9/11/2018	4
MGS	09/21	3.68	50	3.68	9/11/2018	0
MGS	11/21	3.71	186	3.67	9/11/2018	4
MGS	04/23	3.82	31	3.81	9/11/2018	1
MGS	08/23	3.92	24	3.91	8/11/2018	0
MGS	07/24	4.02	150	4.04	8/11/2018	-1
MGS	09/24	4.06	0	4.06	9/11/2018	0
MGS	03/25	4.01	26	4.00	9/11/2018	1
MGS	09/25	4.09	0	4.06	9/11/2018	3
MGS	11/26	4.19	10	4.17	8/11/2018	2
MGS	06/28	4.13	17	4.10	9/11/2018	3
MGS	04/33	4.65	1	4.63	8/11/2018	1
MGS	04/37	4.83	0	4.81	8/11/2018	2
MGS	06/38	4.75	1	4.75	9/11/2018	0
MGS	09/43	5.00	7	5.01	8/11/2018	-1
MGS	03/46	4.96	18	4.96	8/11/2018	-1
MGS	07/48	4.94	11	4.95	5/11/2018	-2
GII	04/20	3.52	4	3.52	8/11/2018	-1
GII	04/22	3.75	5	3.75	1/11/2018	1
			<u>757</u>			

Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS*
Malayan Banking Berhad	05/24	AA1	4.206	45	4.208	08/11/2018	0	33
Celcom Networks Sdn Berhad	10/26	AA+	4.763	20	4.767	31/10/2018	0	72
Edra Energy Sdn Berhad	07/25	AA3	5.362	1	5.303	7/8/2018	6	137
WCT Holdings Berhad	10/23	AA-	5.169	5	5.160	8/10/2018	1	129
SAJ Capital Sdn Berhad	01/24	AA-	5.045	40	5.187	2/3/2018	-14	117
SAJ Capital Sdn Berhad	01/25	AA-	5.098	10	5.140	5/9/2018	-4	117
SAJ Capital Sdn Berhad	01/26	AA-	5.153	30	5.179	5/9/2018	-3	116
Southern Power Generation Sdn Berhad	10/27	AA-	4.709	3	4.788	13/9/2018	-8	66
Southern Power Generation Sdn Berhad	10/28	AA-	4.737	10	4.739	26/10/2018	0	54
Southern Power Generation Sdn Berhad	10/29	AA-	4.758	10	4.780	25/9/2018	-2	56
Southern Power Generation Sdn Berhad	04/30	AA-	4.766	10	4.924	13/8/2018	-16	57
Southern Power Generation Sdn Berhad	04/33	AA-	4.926	10	4.920	29/10/2018	1	53
Southern Power Generation Sdn Berhad	10/33	AA-	4.980	10	4.994	16/10/2018	-1	58
Southern Power Generation Sdn Berhad	04/34	AA-	5.032	20	5.023	25/10/2018	1	63
Southern Power Generation Sdn Berhad	10/34	AA-	5.083	10	5.073	25/10/2018	1	68
UMW Holdings Berhad	04/18	A1	5.789	1	5.792	30/10/2018	0	139
Golden Assets International Finance Limited	08/19	A1	4.788	2	4.874	4/9/2018	-9	107
AmBank (M) Berhad	08/39	A1	4.375	10	4.505	16/10/2018	-13	-3
				<u>247</u>				

*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

IOI Corporation Bhd's net profit fell to RM143.8 million for the first quarter ended Sept 30, 2018 (Q1) from RM360 million in the same period a year ago. Revenue, however, was higher at RM1.88 billion from RM1.87 billion previously. In a filing to Bursa Malaysia, the company attributed the weaker profit to lower operating profit and total net foreign currency translation loss on foreign currency denominated borrowings and deposits. It said the plantation

segment's profit was 51 per cent lower year-on-year at RM149.5 million during the quarter under review, due to lower fresh fruit bunches production and lower crude palm oil (CPO) price realised. The resource-based manufacturing segment, on the other hand, registered a higher profit of RM129.2 million in the first quarter of the 2019 financial year (FY19) from RM106.6 million in the same period in FY18. Moving forward, IOI Corp expects the plantation segment's financial performance in the second quarter to be lower than the first quarter given the lower palm oil price. For the resource-based manufacturing segment, the company expects the oleochemical sub-segment to continue to perform well in the next quarter, with the low palm kernel price and steady demand for fatty acids and fatty esters. The refining sub-segment is expected to perform better in the next quarter due to improvement in refining and fractionation margins. "Overall, the group expects its financial performance for the next quarter to be satisfactory, albeit slightly lower than the previous quarter, due to the lower CPO price," it said. (Source: *The Star Online*/Bernama)

Malaysian Resources Corporation Bhd's (MRCB) unit has inked a termination and settlement agreement with the government over the concession for the Eastern Dispersal Link Expressway (EDL) in Johor. MRCB said on Monday under the agreement the government would pay it RM1.325bil, as announced in the Nov 2 Budget 2019. Its unit MRCB Lingkaran Selatan Sdn Bhd (MLSSB) had signed the agreement with the government for the termination and settlement and it would be backdated to Jan 1, 2018. MLSSB was awarded the EDL concession by the government under a 34-year concession agreement signed on June 26, 2007. Under the concession agreement, MLSSB was granted the right to design, construct, manage, operate and maintain the EDL, as well as collect toll. As part of the financing for the construction and development of the EDL, MLSSB's unit MRCB Southern Link Bhd had on June 23, 2008, issued senior sukuk of RM845mil and junior sukuk of RM199mil. MSLB had also obtained a RM220mil term loan to build the EDL. The term loan was fully settled during the financial year ended Dec 31, 2017. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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