

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.77	1
5-yr UST	2.77	3
10-yr UST	2.91	3
30-yr UST	3.15	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.66	1	3.78	3
5-yr	3.84	0	3.88	0
7-yr	3.99	0	4.07	1
10-yr	4.09	0	4.20	0
15-yr	4.50	0	4.59	0
20-yr	4.73	1	4.78	0
30-yr	4.91	0	4.94	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.75	0
5-yr	3.86	2
7-yr	3.95	0
10-yr	4.15	0

Source : Bloomberg

Upcoming Government Bond Tender

RM3.8b (RM3.3b auction + RM0.5b PP) of 3Y GII 3/22 on Thursday, 13th December 2018

US Treasuries

- US Treasury yields ended higher led by the belly and beyond as the curve shifted higher and reversed prior-flattening mode following purported easing of trade tensions by China's initiatives. Overall benchmark yields ended 1-3bps higher with the 2Y at 2.77% and the 10Y up 3bps at 2.91% levels. The auction of \$24b of 10Y notes produced average metrics as BTC ratio notched 2.35x (lowest since February); averaging 2.915% in line with market expectations. Investors continue to watch for further signs in the inversion of the yield curve following the current pattern in both the 2s5s and 3s5s spread. Despite December's rate hike being largely priced in; frequency of further hikes in 2019 are in question as doubts are cast over the sustainability of the economic cycle on slowing global growth.

MGS/GII

- Trading sentiment in local govies remained lukewarm despite volume at RM1.07bn yesterday as interest mainly in the belly of the curve with the off-the-run 20's and 26-27's being the main beneficiaries. Overall benchmark MGS and GII yields ended 0-1bps higher save for the long-bond. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 ended within 1bps at 3.84% and 4.09% respectively. GII trades formed a tepid 11% of overall bond trades. Following the lower foreign holdings in November as compared to prior month; investors are expected to monitor appetite for the penultimate auction for the year i.e. the 3Y GII 3/22 bond auction today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume taper off to RM339m with interest mainly across the AA part of the curve with some interest back in GG and AAA papers. Govt-Guaranteed PRASA 12/21 ended 5bps lower compared to previous-done levels at 3.93%. AA-rated GENM Capital 8/20 also rallied to 4.44% levels whilst the AA-space continued to see a slew of energy-related bonds especially SEB, Tadau, Mukah and Tanjung Bin Power dominate trades. SEB 28-35 closed unchanged between 4.70-99% levels. In the banking space, RHB Islamic 24NC19 continued to exchange hands 3bps lower at 4.00% whilst several other names like Alliance Bank 25NC20 and Affin Bank and CIMB Group ended mixed.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.287	162	3.287	11/12/2018	0
MGS	07/19	3.421	22	3.373	10/12/2018	5
MGS	11/19	3.478	110	3.459	11/12/2018	2
MGS	03/20	3.529	4	3.505	11/12/2018	2
MGS	07/20	3.510	1	3.511	11/12/2018	0
MGS	10/20	3.515	1	3.510	11/12/2018	1
MGS	07/21	3.681	108	3.645	11/12/2018	4
MGS	09/21	3.684	2	3.683	10/12/2018	0
MGS	11/21	3.663	20	3.656	11/12/2018	1
MGS	03/22	3.699	30	3.748	11/12/2018	-5
MGS	08/22	3.622	1	3.790	10/12/2018	-17
MGS	09/22	3.771	1	3.794	10/12/2018	-2
MGS	03/23	3.852	44	3.826	11/12/2018	3
MGS	04/23	3.837	30	3.832	11/12/2018	1
MGS	08/23	3.858	1	3.865	11/12/2018	-1
MGS	07/24	3.995	39	3.985	10/12/2018	1
MGS	09/24	3.974	22	3.990	11/12/2018	-2
MGS	03/25	3.994	2	3.991	11/12/2018	0
MGS	09/25	4.040	35	4.065	11/12/2018	-3
MGS	04/26	4.116	1	4.136	10/12/2018	-2
MGS	11/26	4.160	3	4.145	11/12/2018	2
MGS	06/28	4.094	1	4.092	11/12/2018	0
MGS	04/30	4.413	1	4.405	07/12/2018	1
MGS	06/31	4.459	22	4.480	10/12/2018	-2
MGS	04/33	4.512	1	4.514	11/12/2018	0
MGS	04/37	4.722	1	4.720	11/12/2018	0
MGS	03/46	4.904	1	4.940	07/12/2018	-4
GII	04/20	3.555	2	3.532	10/12/2018	2
GII	04/21	3.497	1	3.676	27/11/2018	-18
GII	04/21	3.615	1	3.685	02/08/2018	-7
GII	03/22	3.780	30	3.750	07/12/2018	3
GII	07/22	3.790	10	3.817	10/12/2018	-3
GII	11/23	3.875	3	3.880	07/12/2018	0
GII	08/25	4.072	190	4.058	10/12/2018	1
GII	07/27	4.204	1	4.195	07/12/2018	1
GII	10/28	4.201	165	4.199	11/12/2018	0
GII	12/28	4.291	1	4.303	01/11/2018	-1
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Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yy yy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Prasarana Malaysia Berhad	12/21	GG	3.930	30	3.980	03/10/2018	-5	27
Prasarana Malaysia Berhad	12/32	GG	4.720	10	4.968	31/05/2018	-25	22
GENM Capital Berhad	08/20	AAA	4.440	20	4.617	31/07/2018	-18	91
EKVE Sdn Berhad	01/35	AAA	4.950	10	4.949	07/12/2018	0	45
Sepangar Bay Power Corporation Sdn Berhad	07/19	AA1	3.900	10	3.919	11/12/2018	-2	46
Sabah Development Bank Berhad	05/22	AA1	4.870	4	5.299	05/12/2018	-43	121
Sabah Development Bank Berhad	04/23	AA1	4.920	20	5.065	13/08/2018	-15	116
Sarawak Energy Berhad	11/28	AA1	4.700	7	4.699	03/12/2018	0	61
Sarawak Energy Berhad	07/29	AA1	4.709	5	4.711	28/09/2018	0	62
Sarawak Energy Berhad	12/32	AA1	4.890	50	4.885	11/12/2018	0	39
Sarawak Energy Berhad	08/35	AA1	4.989	10	4.929	22/11/2018	6	48
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.135	10	4.136	05/12/2018	0	69
Mukah Power Generation Sdn Berhad	12/19	AA2	4.180	10	4.181	11/12/2018	-418	-344
UMW Holdings Berhad	10/26	AA2	4.780	2	4.776	04/12/2018	0	71
PBFIN Berhad	06/59	AA2	4.260	10	4.557	07/12/2018	-30	-46
Anih Berhad	11/26	AA	4.654	5	4.662	06/09/2018	-1	58
UEM Sunrise Berhad	12/22	AA-	4.799	70	4.806	26/11/2018	-1	104
RHB Islamic Bank Berhad	05/24	AA3	4.000	5	4.028	11/12/2018	-3	16
UEM Sunrise Berhad	06/19	AA-	4.360	5	4.377	11/12/2018	-2	92
SAJ Capital Sdn Berhad	01/20	AA-	4.810	5	4.823	11/12/2018	-1	137
CIMB Group Holdings Berhad	05/16	A1	4.964	10	5.122	19/11/2018	-16	24
Alliance Bank Malaysia Berhad	10/25	A2	4.743	10	4.648	10/12/2018	10	75
Affin Bank Berhad	07/18	A3	5.251	10	5.427	15/11/2018	-18	53
Bank Muamalat Malaysia Berhad	11/21	A	5.124	10	5.130	21/09/2018	-1	146
Mah Sing Perpetual	-	-	6.381	1	6.366	03/12/2018	2	-
				<u>339</u>				

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

Market/Corporate News: What's Brewing

BIMB Holdings Bhd has made an early partial redemption of RM609.94 million of a 10-year RM1.66 billion sukuk, which was issued at a discount and fully subscribed by Lembaga Tabung Haji. The maturity date of the sukuk is Dec 12, 2023. In a filing with Bursa Malaysia today, BIMB said the early partial redemption exercise will reduce the group's future payment obligations under the sukuk and is expected to have a positive impact on its future earnings. Based on its current cash flow position, BIMB said it has sufficient funds to make an early partial redemption under the sukuk. BIMB had issued the sukuk on Dec 12, 2013. (Source: *The Edge*)

Bermaz Auto Bhd (BAuto) has recorded a more than three-fold jump in net profit to RM73.92 million or 6.36 sen per share in the second quarter ended Oct 31, 2018 (2QFY19) owing to better sales during the 3-month tax holiday, improved vehicle sales mix and margins. Other contributing factors were the stronger ringgit against the Japanese Yen, and significantly higher share of profit contribution from its associate company, Mazda Malaysia Sdn Bhd, arising from the higher production volume for the new CX-5 model. Although the auto company anticipates a slowdown in the months ahead because of the front loading of consumer purchases, it believes the huge back orders collected during the GST tax holiday as a result of the group's absorption of the SST will put it in a competitive advantage. In the quarter, revenue spiked 46.34% to RM690.32 million on higher sales volume from its domestic operations as a result of the reduction in the 6% Goods and Services Tax (GST) to 0% for June to August this year, and the boost in consumer demand especially for the new CX-5 model following the Group's announcement it would absorb the sales tax for bookings received before Sept 1, 2018. In a filing with the local bourse today, the group declared a second interim single-tier dividend of 3.75 sen per share for the financial year ending April 30, 2019 (FY19), payable on Jan 25, 2019. For the cumulative six months, net profit jumped nearly three fold to RM124.2 million or 10.74 sen a share, against RM42.41 million or 3.68 sen a share in the same period last year, while revenue increased 36.25% to RM1.18 billion. Trading conditions ahead are expected to remain challenging however following the end of the tax holiday period, competitive trading environment, weakening ringgit and cautious consumer sentiment as a result of uncertainties in the local and global economy. "The sales volume reflected a dip after the implementation of the SST on Sept 1, 2018, in line with BAuto's expectations, as the surge in the demand from June to August 2018 has been neutralised with most customers having already forward purchased their vehicles during the tax holiday period," said BAuto. "Despite the challenging market trading conditions as mentioned above, BAuto noted that the bookings collected since the implementation of the SST on Sept 1, 2018 remains encouraging due to the upcoming festive seasons. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Bank Kerjasama Rakyat Malaysia Berhad	Financial Institution ratings	AA2/Stable/P1	Reaffirmed

Source: RAM, MARC

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