

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.76	1
5-yr UST	2.87	1
10-yr UST	2.97	1
30-yr UST	3.11	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.60	-2	3.50	-7
5-yr	3.82	-1	3.90	-5
7-yr	4.01	-4	4.06	-5
10-yr	4.11	-4	4.20	-4
15-yr	4.50	-6	4.62	0
20-yr	4.70	0	4.79	0
30-yr	4.90	-2	4.98	3

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	-1
5-yr	3.86	-1
7-yr	3.98	-1
10-yr	4.17	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US treasuries were little changed with overall benchmark yields generally within 1bps higher following soft August CPI print. Both the 2Y and much-watched 10Y edged 1bps higher at 2.76% and 2.97% respectively. Meanwhile the US Treasury's \$15b auction of 30Y notes notched 3.008% on strong BTC ratio of 2.34x (versus 2.27x at previous auction). The 5s30s spread of 31bps which was at its widest since June as at 6th September flattened since to ~24bps; just 5bps from its YTD low. Investors and strategists now expect the flattening bias to continue in view of Fed policy and Treasury supply concerns. Meanwhile the US has proposed another round of trade talks with China to avoid further escalation in its trade pursuant to threats on another \$267b of Chinese imports stacked behind the \$200b which is currently under discussion.

MGS/GII

- Trading volume in Govvies quadrupled to RM4.09b yesterday with interest mainly on GII 19's and 22-23's and also benchmark 7Y bonds. Overall benchmark yields were generally between 1-7bps lower cross the curve (save for the 30Y GII bond) with the 7Y MGS 3/25 rallying 4bps on decent volume at 4.01% levels whilst the 10Y MGS 6/28 ended a whopping 4bps lower at 4.11%. GII trades formed 43% of total trades whilst the auction of RM2.0b of 30Y GII 5/47 bonds saw decent BTC ratio of 1.94x; averaging 4.973% Investors who were expecting muted interest for local govies as outflows from EM were seen following contagion effects from countries like Turkey to Indonesia were pleasantly surprised as demand filtered in yesterday.

Corp Bonds/Sukuk

- Corporate bonds/sukuk saw momentum sustain with volume at RM421m on a 21 different bonds compared to prior day's 17 with some interest centered on the AAA-part of the curve followed by GG and AA bonds respectively. The Govt-Guaranteed PASB 23's were traded again between -1 and +4bps between 4.04-06% compared to previous-done levels. The AAA-rated DANGA 4/20 edged 1bps lower at 4.05% area whilst the long-end PLIUS 36 ended 410bps lower at 5.02%. In the AA-space a slew of SEB 19-22's exchanged hands some 5-9bps lower between 4.12-36% levels whereas the longer-tenured SEB 8/35 closed unchanged at 5.04%. Expect continued interest in the credit space going forward.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.341	44	3.524	07/09/2018	-18
MGS	03/19	3.303	533	3.288	07/09/2018	2
MGS	10/19	3.478	3	3.463	06/09/2018	2
MGS	11/19	3.440	40	3.438	07/09/2018	0
MGS	03/20	3.442	6	3.484	05/09/2018	-4
MGS	10/20	3.517	3	3.568	06/09/2018	-5
MGS	02/21	3.593	2	3.584	07/09/2018	1
MGS	07/21	3.614	3	3.598	07/09/2018	2
MGS	11/21	3.602	197	3.619	07/09/2018	-2
MGS	03/22	3.666	156	3.677	06/09/2018	-1
MGS	08/22	3.750	195	3.777	07/09/2018	-3
MGS	09/22	3.762	30	3.808	06/09/2018	-5
MGS	03/23	3.847	40	3.869	05/09/2018	-2
MGS	04/23	3.816	20	3.819	07/09/2018	0
MGS	08/23	3.874	76	3.890	06/09/2018	-2
MGS	07/24	3.996	80	4.064	07/09/2018	-7
MGS	09/24	4.021	45	4.068	07/09/2018	-5
MGS	03/25	4.006	390	4.050	07/09/2018	-4
MGS	09/25	4.143	51	4.133	07/09/2018	1
MGS	04/26	4.231	8	4.204	06/09/2018	3
MGS	11/26	4.256	135	4.223	06/09/2018	3
MGS	11/27	4.197	64	4.230	07/09/2018	-3
MGS	06/28	4.111	100	4.160	06/09/2018	-5
MGS	06/31	4.525	20	4.565	07/09/2018	-4
MGS	04/33	4.573	120	4.594	07/09/2018	-2
MGS	11/33	4.504	18	4.586	07/09/2018	-8
MGS	05/35	4.779	55	4.742	07/09/2018	4
MGS	04/37	4.729	1	4.758	06/09/2018	-3
MGS	03/46	4.916	1	4.896	05/09/2018	2
MGS	07/48	4.901	25	4.920	07/09/2018	-2
MGS	07/20	3.513	5	3.511	06/09/2018	0
GII	10/18	3.399	4	3.304	04/09/2018	10
GII	11/18	3.399	6	3.329	06/09/2018	7
GII	04/19	3.339	750	3.344	06/09/2018	0
GII	04/20	3.502	3	3.567	06/09/2018	-7
GII	04/21	3.687	50	3.686	20/08/2018	0
GII	08/21	3.713	60	3.690	21/08/2018	2
GII	04/22	3.764	71	3.776	07/09/2018	-1
GII	07/23	4.008	19	4.004	07/09/2018	0
GII	11/23	3.900	110	3.922	07/09/2018	-2
GII	05/24	3.986	20	4.026	07/09/2018	-4
GII	08/25	4.061	60	4.111	07/09/2018	-5
GII	09/26	4.222	35	4.202	05/09/2018	2
GII	07/27	4.278	20	4.237	06/09/2018	4
GII	10/28	4.199	180	4.234	07/09/2018	-4
GII	05/47	4.978	240	4.948	04/09/2018	3
			<u>4093</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 MGS*	
Pengurusan Air SPV Berhad	02/23	GG	4.041	50	4.049	04/09/2018	-1	31
Pengurusan Air SPV Berhad	06/23	GG	4.056	20	4.021	27/08/2018	4	21
Prasarana Malaysia Berhad	03/25	GG	4.242	10	4.332	13/07/2018	-9	17
Danalinfra Nasional Berhad	04/25	GG	4.250	15	4.191	30/08/2018	6	18
Cagamas Berhad	10/18	AAA	3.524	10	3.700	13/06/2018	-18	12
Danga Capital Berhad	04/20	AAA	4.045	100	4.059	05/09/2018	-1	54
Putrajaya Holdings Sdn Berhad	10/20	AAA	4.153	10	4.227	15/03/2017	-7	64
Manjung Island Energy Berhad	11/21	AAA	4.305	10	4.338	30/07/2018	-3	68
Projek Lebuhraya Usahasama Berhad	01/36	AAA	5.019	30	5.120	27/06/2018	-10	45
Sarawak Energy Berhad	07/19	AA1	4.117	10	4.208	11/04/2018	-9	71
Sarawak Energy Berhad	06/21	AA1	4.313	30	4.391	13/08/2018	-8	69
Sarawak Energy Berhad	01/22	AA1	4.363	45	4.416	14/08/2018	-5	74
Sarawak Energy Berhad	08/35	AA1	5.039	6	5.039	06/09/2018	0	47
Imtiaz Sukuk II Berhad	03/19	AA2	4.156	15	4.248	03/08/2018	-9	75
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.230	10	4.221	03/09/2018	1	82
Gamuda Berhad	10/18	AA3	4.070	10	4.158	17/08/2018	-9	66
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.180	10	4.222	05/09/2018	-4	77
Burnitama Agri Ltd	09/19	AA3	4.466	10	4.459	28/08/2018	1	106
AmBank (M) Berhad	12/23	AA3	4.318	10	4.354	05/09/2018	-4	47
Southern Power Generation Sdn Berhad	10/26	AA-	4.741	5	4.756	15/08/2018	-2	60
Southern Power Generation Sdn Berhad	10/27	AA-	4.788	5	4.899	03/05/2018	-11	62
			<u>421</u>					

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

Market/Corporate News: What's Brewing

A supertanker carrying the first crude oil cargo for a refinery joint-venture project between Petronas and Saudi Aramco is expected to reach Malaysia by end-September, according to trade sources and data from Thomson Reuters Oil Research and Forecast. The very large crude carrier (VLCC) Navarin carrying 1 million barrels each of Saudi Arab Medium crude and Iraqi Basra Light crude is scheduled to reach Malaysia on Sept. 20. The project, Refinery and Petrochemical Integrated Development (RAPID), is a \$27 billion complex located between the Malacca Strait and the South China Sea, conduits for Middle East oil and gas bound for China, Japan and South Korea. The RAPID complex will have a 300,000-barrel-per-day refinery and petrochemical units with a capacity of 7.7 million tonnes a year. Refinery operations are set to begin in 2019, with petrochemical production to follow in six to 12 months. (Source: *The Star Online / Reuters*)

Malaysia's sovereign wealth fund has new board and CEO that are in discussions about a possible change in investment mandate and a broad idea of the changes should be known by year end, Azmil Zahrudin Raja Abdul Aziz, Deputy Managing Director and Head of Investments at Khazanah Nasional Berhad tells Bloomberg at Milken Institute Asia Summit in Singapore. Some of the excerpts were as follows:

- * Khazanah's run rate since 2014 just under 10% internal rate of return
- * Khazanah has had no cash injections from government for more than 10 years
- * Khazanah says typical investment life cycle 8-10 years
- * Azmil says private equity investment market getting more crowded with greater competition for deals and rising valuations
- * Khazanah sees more investment partnerships in deal-making
- * Khazanah manages about US\$40b of assets

(Source: *The Edge Markets*)

SRating Action				
Issuer	PDS Description		Rating/Outlook	Action
Nil	Nil		Nil	Nil

Source: RAM, MARC

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