

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries advanced yesterday amid continued risk-off in the markets (except in the FX space), with losses in US equities that failed to take cue from firmer European market and declines in commodities, all of which drove demand for refuge. Overall, yields were 2bps – 5 bps lower, with 5y maturities sliding most (down 5bps) to 2.98%, followed by 10y UST that fell 4bps to 3.14%. This continued to narrow the 2-10 spread for a fourth consecutive day to 25bps, smallest since early Oct. The US data front will be quiet today, thus focus will remain on performances of equities, as well as developments in Europe and is US-China trade relations.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.89	-3
5-yr UST	2.98	-5
10-yr UST	3.14	-4
30-yr UST	3.36	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	-2	3.78	2
5-yr	3.82	0	3.93	4
7-yr	4.01	0	4.16	2
10-yr	4.13	0	4.30	4
15-yr	4.57	0	4.58	0
20-yr	4.75	0	4.79	0
30-yr	4.94	0	4.95	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.78	0
5-yr	3.89	1
7-yr	3.99	0
10-yr	4.20	0

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)

MGS/GII

- Trading saw much improved interest as volume jumped to RM 1.29b yesterday, though still short of the high of RM 1.98b on Friday. Action was focused mostly on the shorter end and belly of the curve, with heavy trading in MGS 11/19 (+1bps to 3.48%), MGS 10/20 (+6bps to 3.58%) and MGS 07/24 (+2bps to 4.04%). Meanwhile, demand was geared on the belly, pushing yields of 9/24 and 04/26 down 1bps and 3bps respectively. Overall benchmark yields were unchanged except for the 3y, which fell 2bps to 3.69%. Trading was still tepid in GII but improved significantly compared to a day before, rising to RM 221m from RM 9m previously. GII was mostly sold, with benchmark yields rising between 2bps and 4bps, though GII 09/19 was the exception (-2bps to 3.43%). We expect markets to see slightly improved sentiment amid rising expectations of a near-term resolution of US-China trade spat.

Corp Bonds/Sukuk

- Trading in the Corporate bonds/Sukuk space also improved along with government bonds, led by new issuance by AmBank that garnered bulk of the trade volume (RM 400m), which yielded 4.98%. Otherwise, buying interest can be seen in higher rated issuances, such as Telekom Malaysia, Sarawak Energy and DanaInfra. Volume-wise, names such as Celcom Networks saw a combined traded of RM 100m, followed by Putrajaya Bina (RM 40m), and Tanjung Bin Energy Issuer (RM 40), all of which saw relatively firmer buying interest that drove yields 1bp to 17bps lower. Big movers include GENM Capital (-22bps to 4.66%), Alliance Bank Malaysia (+45bps to 5.02%) and Malayan Banking (-19bps to 4.39%).

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/19	3.40	3	3.40	08/11/2018	0
MGS 11/19	3.48	359	3.47	12/11/2018	1
MGS 03/20	3.53	93	3.52	12/11/2018	0
MGS 10/20	3.58	234	3.52	09/11/2018	6
MGS 09/21	3.70	91	3.68	12/11/2018	2
MGS 11/21	3.69	20	3.71	12/11/2018	-2
MGS 09/22	3.82	52	3.79	08/11/2018	3
MGS 08/23	3.96	21	3.92	12/11/2018	5
MGS 07/24	4.04	102	4.02	12/11/2018	2
MGS 09/24	4.05	0	4.06	12/11/2018	-1
MGS 09/25	4.11	2	4.09	12/11/2018	2
MGS 04/26	4.19	4	4.22	07/11/2018	-3
MGS 11/26	4.20	7	4.19	12/11/2018	1
MGS 11/27	4.24	6	4.22	09/11/2018	1
MGS 04/30	4.49	47	4.50	08/11/2018	-1
MGS 04/37	4.84	31	4.81	08/11/2018	3
GII 08/19	3.4	6	3.35	22/10/2018	5
GII 09/19	3.425	2	3.45	12/10/2018	-2
GII 03/22	3.776	40	3.75	08/11/2018	2
GII 11/23	3.933	50	3.90	09/11/2018	4
GII 08/25	4.161	5	4.14	07/11/2018	2
GII 09/26	4.258	5	4.24	07/11/2018	2
GII 10/28	4.3	110	4.26	09/11/2018	4
GII 10/35	4.848	3	4.79	17/10/2018	6
		<u>1293</u>			

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 IRS*
DanalFra Nasional Berhad	03/24	GG	4.09	16	4	26/9/2018	-1	21
Putrajaya Bina Sdn Berhad	03/23	AAA	4.31	10	4	24/10/2018	-1	48
Telekom Malaysia Berhad	06/24	AAA	4.39	20	4	8/10/2018	5	45
Putrajaya Bina Sdn Berhad	09/24	AAA	4.40	30	4	15/10/2018	-4	46
GENM Capital Berhad	08/25	AAA	4.66	6	5	12/10/2018	-22	67
Malayan Banking Berhad	12/23	AA1	4.06	10	4	12/10/2018	-4	17
Malayan Banking Berhad	01/24	AA1	4.39	10	5	2/10/2018	-19	50
Sarawak Energy Berhad	07/24	AA1	4.48	40	4	25/10/2018	-1	54
Celcom Networks Sdn Berhad	08/22	AA+	4.54	30	5	26/9/2018	0	72
Celcom Networks Sdn Berhad	08/24	AA+	4.65	20	5	8/11/2018	-1	71
Celcom Networks Sdn Berhad	10/26	AA+	4.75	30	5	31/10/2018	-2	70
Celcom Networks Sdn Berhad	08/27	AA+	4.79	20	5	22/10/2018	0	73
Imtiaz Sukuk II Berhad	10/22	AA2	4.51	10	-	-	-	68
UMW Holdings Berhad	10/26	AA2	4.76	20	5	20/9/2018	4	70
Konsortium ProHAWK Sdn Berhad	06/33	AA2	4.99	2	5	31/10/2018	-1	58
Malaysia Airport Holdings Berhad	12/14	AA2	4.85	22	5	2/8/2018	-5	44
Besraya (M) Sdn Berhad	07/19	AA3	4.40	5	4	31/10/2018	-2	69
Bandar Serai Development Sdn Berhad	11/19	AA3	4.26	10	4	26/10/2018	-1	55
Edra Energy Sdn Berhad	07/28	AA3	5.57	10	6	2/7/2018	-1	137
Tanjung Bin Energy Issuer Berhad	09/28	AA3	4.80	10	5	26/6/2018	-17	60
AmBank (M) Berhad	11/28	AA3	4.98	400	-	-	-	78
Edra Energy Sdn Berhad	01/29	AA3	5.59	10	6	27/7/2018	4	139
Edra Energy Sdn Berhad	07/29	AA3	5.61	10	5	5/10/2018	15	141
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.86	20	5	30/10/2018	-1	66
UEM Sunrise Berhad	06/19	AA-	4.41	20	4	5/10/2018	9	70
Serba Dinamik Holdings Berhad	10/23	AA-	4.96	2	-	-	-	108
Segi Astana Sdn Berhad	01/26	AA-	5.40	2	5	22/1/2018	9	141
Southern Power Generation Sdn Berhad	04/35	AA-	5.12	20	5	25/10/2018	1	71
DRB-Hicom Berhad	03/22	A+	6.17	1	6	1/10/2018	-1	239
Alliance Bank Malaysia Berhad	10/25	A2	5.02	0	5	5/11/2018	45	103
				<u>816</u>				

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

Market/Corporate News: What's Brewing

Petronas through its subsidiary, Malaysian Refining Company Sdn Bhd (MRCSB), plans to invest more than RM1.5bil to increase the production of Euro 5 diesel for domestic consumption. MRCSB chief executive officer and managing director Hashim Majid said the company, which supplies about 70% of petrol and diesel demand in the local market, aspired to become the main producer of Euro 5 diesel by 2020. MRCSB currently has a refining capacity of 300,000 barrels of refined petrol and diesel per day while for Euro 5 diesel, it expects to produce some 30,000 barrels this year. "The company targets higher production of Euro 5 diesel for local use by September 2020, whereby the project is 30% complete. For Euro 5 petrol, we expect to produce it fully by 2025, however, this would depend on government approval through the Ministry of Domestic Trade and Consumer Affairs," he told a press conference at the Back to School programme organised by MRCSB at a school uniform manufacturing company in Banda Hilir here today. Elaborating further, Hashim said the production of Euro 5 diesel refined by MRCSB at its refinery in Tangga Batu here is something that the people should be proud of as it is fully undertaken by a local company, whereas the Euro 5 products supplied by the other competitors are all imported. "Besides that, the utilisation of Euro 5 is guaranteed to be of higher quality as the sulphur content in the formulation produced by MRCSB is less than 10. In fact, it also uses the Petronas Fluid Technology Solutions expertise that is being used by the successful Mercedes-AMG Petronas Formula 1 team," he added. At the event, some 350 primary school students from 11 schools around Tangga Batu area received contributions worth RM100 each, including school uniforms, bags, shoes and socks, as well as school fees amounting to RM150.

(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 Malaysia Building Society Bhd's (MBSB) net profit for the third financial quarter ended Sept 30, 2018 (3QFY18) rose 21.07% to RM121.96 million from RM100.74 million a year ago, mainly due to lower impairment allowances on loans and financing. "The lower charge was mainly due to [an] improvement in staging in both Stage 1 and Stage 2 under MFRS 9 and higher 2017 impairment following the impairment programme," MBSB said in a filing with Bursa Malaysia yesterday. It was referring to a three-year impairment programme the group completed in December last year, and its compliance with the impairment model under the MFRS 9 reporting method. The stronger quarterly results pushed its earnings per share up to 1.97 sen from 1.7 sen, though quarterly revenue dipped 3.73% to RM786.41 million from RM816.87 million. MBSB said its gross loans and financing for 3QFY18 declined 0.6% year-on-year, mainly due to the proposed sale of personal financing, property financing and mortgages in 4QFY17 that amounted to RM1.51 billion. Its cost-to-income ratio rose to 35.7% from 23% in 3QFY17, mainly due to higher operating expenses from integration cost following its merger with Asian Finance Bank. For the cumulative first nine months of FY18, the group's net profit jumped 78.9% to RM524.44 million from RM293.14 million a year ago — though revenue slipped to RM2.4 billion from RM2.44 billion — for the same reasons that boosted its 3QFY18 earnings. Year to date, the group's gross loans and financing grew 4.83% to RM35.85 billion, mainly contributed by higher corporate financing disbursement. Total assets grew 3.55% to RM46.4 billion from RM44.81 billion as at end-2017, mainly on higher gross financing/loans and liquefiable assets. Total deposits retreated RM1.03 billion or 3.13% to RM32.76 billion from end-2017. On prospects, MBSB said it expects FY18 to be "satisfactory", while the group focuses on continuing the expansion of its corporate business to reach the desired corporate retail portfolio mix. "As a new Islamic banking group in the banking sector, the group is looking forward to expand its products and services, which include trade finance, wealth management and Internet and mobile banking to cater to various segments of our customers and depositors," it said. MBSB shares rose one sen or 1.04% to close at 97 sen yesterday, giving it a market capitalisation of RM6.26 billion. *(Source: The Edge Markets)*

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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