

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.76	-1
5-yr UST	2.76	-1
10-yr UST	2.91	0
30-yr UST	3.17	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.64	-3	3.78	0
5-yr	3.84	0	3.88	0
7-yr	3.99	0	4.07	0
10-yr	4.09	0	4.19	-1
15-yr	4.46	-4	4.59	1
20-yr	4.73	0	4.78	0
30-yr	4.91	0	4.93	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	1
5-yr	3.88	2
7-yr	3.97	2
10-yr	4.17	2

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasury yields ended mixed led by the longer-ends as the curve continued to steepen following the solid 30Y auction. Overall benchmark yields ended mixed between -1 to +2bps with the 2Y edging 1bps lower at 2.76% and the 10Y almost unchanged at 2.91% levels. The final auction for the week consisting of \$16b 30Y reopening drew strong opening as BTC ratio notched 2.31x; averaging 3.165% surprising market expectations. Following the current inversion in yields between both the 2s5s and 3s5s spread; the Fed-dated OIS is currently pricing in less than two(2) full rate hikes for 2019 (after taking into account an expected December rate hike next week) as doubts are cast over the sustainability of the economic cycle on potentially slowing global growth. Up next on the data front are the Retail Sales numbers for November.

#### MGS/GII

- Trading sentiment in local govies improved with volume at RM2.32bn yesterday as interest was focused mainly in the off-the-run 19's, 22's and also 3Y GII bond trades. Overall benchmark MGS and GII yields ended between 0-4bps lower especially on odd-lot trades for the 3Y and 15Y bonds. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 were untraded at 3.84% and 4.09% respectively. GII trades formed a huge 59% of overall bond trades due to the capture of GII 3/22 auction trade. The final auction for the year yesterday consisting of the 3Y GII 3/22 notched strong BTC ratio of 2.43x; averaging 3.775%. Meanwhile the recent Bloomberg EM Asia Pacific Sovereign scorecard lists A3/A/A- Malaysia as overall neutral based on several macroeconomic and structural indicators.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume fizzle out to RM176m with some interest sporadically seen across the curve. Govt-Guaranteed PTPTN 2/28 closed unchanged at 4.45% compared to previous-done levels. AAA-rated AL-Dzahab 3/24 and 3/26 saw a rare increase in volume traded; closing 5bps lower at 4.53% and 4.76% respectively. In the AA-space; UEM Sunrise saw several tranches exchange hands as the 23-25's ended mixed on yields between 4.81-90% whereas Southern Power 4/27 and 10/34 closed between 0-6bps lower. Meanwhile the banking sector was quiet overall.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.251	293	3.287	12/12/2018	-4
MGS	07/19	3.424	30	3.421	12/12/2018	0
MGS	10/19	3.462	130	3.453	11/12/2018	1
MGS	11/19	3.481	112	3.489	12/12/2018	-1
MGS	07/20	3.567	2	3.510	12/12/2018	6
MGS	02/21	3.561	5	3.598	10/12/2018	-4
MGS	07/21	3.643	10	3.660	12/12/2018	-2
MGS	11/21	3.637	1	3.663	12/12/2018	-3
MGS	03/22	3.692	10	3.699	12/12/2018	-1
MGS	08/22	3.771	178	3.776	12/12/2018	0
MGS	09/22	3.771	12	3.794	12/12/2018	-2
MGS	03/23	3.842	35	3.852	12/12/2018	-1
MGS	08/23	3.846	6	3.858	12/12/2018	-1
MGS	09/24	3.994	53	3.998	12/12/2018	0
MGS	09/25	4.031	1	4.040	12/12/2018	-1
MGS	11/26	4.158	1	4.161	12/12/2018	0
MGS	11/27	4.176	20	4.197	12/12/2018	-2
MGS	04/30	4.413	2	4.413	12/12/2018	0
MGS	06/31	4.507	50	4.475	12/12/2018	3
MGS	11/33	4.464	1	4.502	11/12/2018	-4
MGS	04/37	4.712	10	4.725	12/12/2018	-1
GII	02/19	3.440	70	3.448	14/09/2018	-1
GII	04/19	3.290	170	3.265	10/12/2018	2
GII	08/19	3.362	10	3.411	28/11/2018	-5
GII	09/19	3.340	50	3.425	13/11/2018	-9
GII	03/22	3.780	694	3.780	12/12/2018	0
GII	05/24	4.001	170	4.032	05/12/2018	-3
GII	08/24	4.064	1	4.121	09/11/2018	-6
GII	07/27	4.195	37	4.204	12/12/2018	-1
GII	10/28	4.188	5	4.203	12/12/2018	-2
GII	06/33	4.592	50	4.586	10/12/2018	1
GII	08/37	4.777	40	4.779	11/12/2018	0
GII	05/47	4.934	60	4.938	05/12/2018	0
			<u>2318</u>			

## Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Perbadanan Tabung Pendidikan Tinggi Nasional	02/28	GG	4.448	20	4.451	14/02/2017	0	34
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.084	10	4.078	06/12/2018	1	25
Pengurusan Air SPV Berhad	06/20	GG	3.926	4	3.834	21/09/2018	9	40
AI Dzahab Assets Berhad	03/24	AAA	4.525	30	4.576	20/08/2018	-5	69
AI Dzahab Assets Berhad	03/26	AAA	4.759	30	4.809	16/11/2018	-5	76
Putrajaya Bina Sdn Berhad	03/28	AAA	4.558	10	4.579	27/11/2018	-2	45
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.269	1	4.135	12/12/2018	13	82
Southern Power Generation Sdn Berhad	04/27	AA-	4.645	10	4.709	23/10/2018	-6	57
Southern Power Generation Sdn Berhad	10/34	AA-	5.066	10	5.071	07/12/2018	0	56
UEM Sunrise Berhad	05/23	AA-	4.809	10	4.729	22/10/2018	8	105
UEM Sunrise Berhad	12/24	AA-	4.866	10	4.874	05/12/2018	-1	91
UEM Sunrise Berhad	10/25	AA-	4.896	10	4.959	30/11/2018	-6	90
UMW Holdings Berhad	04/18	A1	5.816	1	5.789	07/12/2018	3	109
Special Power Vehicle Berhad	11/20	A1	4.717	20	4.841	26/07/2018	-12	119
Eco World International Berhad	04/23	-	6.249	1	6.581	06/12/2018	-33	-
				<u>176</u>				

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

### Market/Corporate News: What's Brewing

**Cagamas Bhd (Cagamas) has announced the aggregate issuance of RM500 million conventional debt instruments comprising RM150 million one-year Floating Rate Notes (FRNs) and RM350 million three-month Conventional Commercial Papers (CCPs).** The national mortgage corporation said proceeds from the respective issuances would be used to fund the purchase of mortgage loans from the financial system. The ringgit has inched on gains against the US dollar, demonstrating strength and resilience of the domestic bond market which contributed greatly to the success of our issuances, said President/Chief Executive Officer Datuk Chung Chee Leong in a statement today. The issuance was priced competitively at spread against the onshore benchmark three-month Kuala Lumpur Interbank Offer Rate (KLIBOR) which currently stood at 3.69 per cent. "The FRNs marked the company's second FRN issuance for the year and underscores efforts in developing onshore capital markets through the issuance of diversified structures catering for various investment needs," he said. The three-month CCPs were well received by financial institutions (FIs), as well as foreign FIs, which comprised almost 29 per cent of the subscription rate, he added. The papers, which would be redeemed at their full nominal value upon maturity, are unsecured obligations of the company, ranking pari passu among themselves and with all other existing unsecured obligations of the company. (Source: *The Edge*)

**Pasukhas Group Bhd's wholly-owned unit, Pasukhas Green Assets Sdn Bhd, has proposed to establish an Islamic Medium Term Note Programme of RM200 million in nominal value to fund its acquisitions and capital requirement needs.** In an exchange filing today, Pasukhas said the programme, which will be established under the syariah principle of Wakalah Bi Al-Istithmar together with Murabahah, will have a tenure of 20 years from the date of its first issuance. Proceeds raised will be used to finance Pasukan Green's acquisitions of projects, which may include a company, and to fund its working capital needs, it added. The group lodged the required information and relevant documents relating to the sukuk programme with the Securities Commission Malaysia today. Shares in Pasukhas finished unchanged at six sen today, valuing the construction group at RM44.64 million. (Source: *The Edge*)

**Declining global economic growth rates will boost defensive stocks and could lead to opportunities in emerging market currencies and mortgage bonds in the year ahead, asset manager Pacific Investment Management Co (Pimco) said in its 2019 outlook on Thursday.** Higher interest rates and fading fiscal stimulus will leave the U.S. economy at a 30 percent chance of falling into a recession, the highest probability at any point during the nine-year economic expansion, Pimco said. "The models are flashing orange rather than red," the firm noted. A slowing economy will bring the U.S. growth rate closer to the stalled economies of China, Europe and Japan and limit inflation, making mortgage-backed securities an attractive alternative to investment-grade credit, Pimco wrote. "While the expansion has been aging gracefully, we believe the global economy is past peak growth in the cycle," the firm wrote. Falling growth expectations will depress valuations in the U.S. stock market and leave equity markets volatile in 2019, Pimco expects. There is also little likelihood of a breakthrough in the simmering trade war between the U.S. and China, the firm predicted. "The conflict between the U.S. and China is more deep-rooted and about much more than trade alone, and would thus continue to be a source of uncertainty and volatility even if there were a deal on trade," the firm said. In Europe, UK financial bonds continue to look attractive given the low probability of a chaotic, no-deal Brexit, the firm noted. At the same time, the firm remains "cautious" on both sovereign credits and corporate bonds in peripheral Europe given Italy's budget deficit (Source: *The Star/Reuters*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Hong Leong Assurance Berhad's (HLA)	Insurer Financial Strength (IFS) ratings	AA2/Stable/P1	Reaffirmed
Media Chinese International Limited's	RM500 million MTN Programme (2014/2029)	AA3/Negative	Reaffirmed
Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd's (PLSUKE)	Sukuk Wakalah Programme (Sukuk Wakalah) of up to RM2.0 billion	A+IS(s)	Affirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

\*.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.