

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended within 1bps from prior day's close as price action was very much dictated by equities instead which gapped higher last Friday. The 2Y closed at 2.85% whilst the much-watched 10Y edged 1bps higher to 3.16% levels. Meanwhile US Treasury will provide the opportunity for investors to purchase 2-month T-bill this week; as the government adds another security to fund its growing budget deficit. Investors pulled more than \$6b from HY bonds the past week (largest since February) on concerns of highly-leveraged companies after US rates rose. The strong US data, rising commodity prices, tight monetary trajectory and brewing wage pressures have been seen to push yields higher. Up next on the data front are the Retail Sales figures for September out tonight.

MGS/GII

- Trading momentum in Govvies dipped with volume at RM1.81b last Friday as investors were seen active in both off-the-run 19's and 23's. Overall benchmark yields ended mixed between -2 to + 2bps save for the 20Y MGS which saw muted demand on BTC ratio of 1.66x; averaging 4.759% amid slight concerns over traction government's debt and fiscal position. The 7Y MGS 3/25 ended unchanged at 3.99% whilst the 10Y MGS 6/28 edged 1bps lower at 4.13% levels. GII bond trades formed a tepid 11% of overall trades.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk however saw improvement in momentum as volume rose to RM476m with interest seen across the curve on 31 different bonds compared to prior day's 26. Overall yields ended mostly lower last Friday. The long Govt-Guaranteed DANA 22-23's closed unchanged compared to previous-done levels between 4.00-4.04% levels on RM120m nominal trades. AAA-rated AMAN 22 and 24's however ended 1-2bps higher at 4.32% and 4.44% levels respectively. The AA-segment saw infra-cum-energy bonds rally 1-6bps; with SEB 12/32 at 4.85% and BGSM 21-23's closing at 4.42% and 4.53% respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.85	0
5-yr UST	3.02	1
10-yr UST	3.16	1
30-yr UST	3.34	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	1	3.73	0
5-yr	3.77	0	3.88	0
7-yr	3.99	0	4.08	0
10-yr	4.13	-1	4.19	-1
15-yr	4.55	-1	4.56	2
20-yr	4.73	4	4.77	-1
30-yr	4.91	-1	4.94	-2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.78	0
5-yr	3.87	0
7-yr	3.98	0
10-yr	4.18	0

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
MGS 03/19	3.259	64	3.261	11/10/2018	0
MGS 10/19	3.436	292	3.441	11/10/2018	0
MGS 07/20	3.479	5	3.518	10/10/2018	-4
MGS 02/21	3.584	47	3.574	04/10/2018	1
MGS 09/21	3.630	20	3.645	11/10/2018	-2
MGS 11/21	3.619	255	3.607	11/10/2018	1
MGS 03/22	3.676	9	3.661	10/10/2018	2
MGS 08/22	3.748	3	3.778	10/10/2018	-3
MGS 09/22	3.759	4	3.776	09/10/2018	-2
MGS 03/23	3.815	153	3.826	10/10/2018	-1
MGS 04/23	3.769	101	3.774	11/10/2018	0
MGS 08/23	3.845	28	3.845	11/10/2018	0
MGS 03/25	3.989	27	3.989	11/10/2018	0
MGS 09/25	4.003	23	4.005	11/10/2018	0
MGS 09/26	4.148	10	4.195	26/09/2018	-5
MGS 11/26	4.111	63	4.111	11/10/2018	0
MGS 11/27	4.145	5	4.152	11/10/2018	-1
MGS 06/28	4.125	4	4.134	11/10/2018	-1
MGS 11/33	4.551	44	4.559	11/10/2018	-1
MGS 06/38	4.727	452	4.689	04/10/2018	4
MGS 03/46	4.903	1	4.930	11/10/2018	-3
MGS 07/48	4.908	1	4.921	10/10/2018	-1
GII 04/19	3.313	149	3.313	11/10/2018	0
GII 09/19	3.449	23	3.446	28/09/2018	0
GII 08/21	3.664	1	3.660	11/10/2018	0
GII 04/22	3.782	1	3.773	08/10/2018	1
GII 07/23	3.909	2	3.914	04/10/2018	-1
GII 11/23	3.876	10	3.877	02/10/2018	0
GII 10/25	4.109	3	4.114	11/10/2018	0
GII 06/27	4.269	5	4.299	22/02/2017	-3
GII 10/28	4.190	2	4.201	11/10/2018	-1
GII 06/33	4.563	3	4.582	11/10/2018	-2
GII 05/47	4.944	1	4.961	10/10/2018	-2
		<u>1808</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
DanaInfra Nasional Berhad	11/22	GG	3.998	35	4.000	26/09/2018	0	28
DanaInfra Nasional Berhad	05/23	GG	4.039	85	4.038	24/09/2018	0	26
DanaInfra Nasional Berhad	07/29	GG	4.430	2	4.525	24/07/2018	-10	31
Prasarana Malaysia Berhad	09/37	GG	4.832	6	4.919	06/08/2018	-9	11
Aman Sukuk Berhad	04/22	AAA	4.320	10	4.307	08/03/2018	1	60
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.403	2	4.541	03/05/2018	-14	62
Aman Sukuk Berhad	04/24	AAA	4.441	30	4.423	03/10/2018	2	52
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.387	2	4.439	14/08/2018	-5	46
Putrajaya Bina Sdn Berhad	09/24	AAA	4.440	2	4.590	11/07/2018	-15	51
Aman Sukuk Berhad	03/25	AAA	4.525	5	4.647	07/06/2018	-12	60
GENM Capital Berhad	08/25	AAA	4.882	5	5.083	17/08/2018	-20	87
Danga Capital Berhad	02/26	AAA	4.472	6	4.452	02/10/2018	2	46
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.540	9	4.628	04/04/2018	-9	42
Batu Kawan Berhad	06/23	AA1	4.505	20	4.618	09/01/2018	-11	72
Northern Gateway Infrastructure Sdn Berhad	08/23	AA1	4.472	5	4.467	28/09/2018	1	69
Malayan Banking Berhad	12/23	AA1	4.095	10	4.012	02/08/2018	8	31
Northern Gateway Infrastructure Sdn Berhad	08/25	AA1	4.524	5	4.521	10/10/2018	0	52
Sarawak Energy Berhad	12/32	AA1	4.850	100	4.914	19/09/2018	-6	29
Celcom Networks Sdn Berhad	08/27	AA+	4.827	10	4.810	28/09/2018	2	71
Imtiaz Sukuk II Berhad	11/19	AA2	4.270	2	4.393	26/06/2018	-12	88
Imtiaz Sukuk II Berhad	05/22	AA2	4.506	2	4.593	17/07/2018	-9	79
UMW Holdings Berhad	09/23	AA2	4.564	20	4.576	04/10/2018	-1	78
CIMB Bank Berhad	08/26	AA	4.626	30	4.669	05/09/2018	-4	55
Fortune Premiere Sdn Berhad	03/23	AA	4.784	10	4.776	10/10/2018	1	106
BGSM Management Sdn Berhad	09/21	AA3	4.419	20	4.426	11/10/2018	-1	81
BGSM Management Sdn Berhad	09/23	AA3	4.529	20	4.536	11/10/2018	-1	75
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.638	2	4.716	14/08/2018	-8	56
Tanjung Bin Energy Issuer Berhad	09/27	AA3	4.768	10	4.818	28/02/2018	-5	65
UEM Sunrise Berhad	05/23	AA-	4.717	10	4.722	21/08/2018	-1	94
CIMB Group Holdings Berhad	05/16	A1	4.844	1	5.071	09/10/2018	-23	12
Mah Sing Perpetual	-	-	6.500	1	6.309	02/10/2018	19	#VALUE!
			<u>476</u>					

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

Market/Corporate News: What's Brewing

The Pan Borneo Highway in Sabah and Sarawak will remain toll-free, said Works Minister Baru Bian. He said that from early on since Pakatan Harapan took over the Federal Government, the coalition had clearly stated that there would be no toll collection for the Pan Borneo Highway. "I wish to reassure that there will be no tolls for the Pan Borneo Highway. This is our promise (by the federal government)," he told a press conference on the progress of the Pan Borneo Highway in Sabah, here today. He was asked to comment on recent remarks by Prime Minister Tun Dr Mahathir Mohamad that it would be difficult to build toll-free highways. He said the prime minister was referring to Peninsular Malaysia, and according to him, the development model and construction of the Pan Borneo Highway were not the same as those used in the peninsula. He added that the federal government was committed to continue construction of the PBH in Sabah and Sarawak and see it completed on schedule. In Sabah, Baru said 12 of 15 packages under the first phase had taken off and that the remaining would be built in stages based on the financial situation of the country. He said his ministry would discuss with the finance ministry to re-evaluate the cost of the entire highway but the discussions would not broach on the alignment. He noted that land acquisition was among the reasons for delays in construction in Sabah and that the ministry would be working with the state government to overcome this. (Source: *The Edge Markets*)

The much-speculated taxes on capital gains and inheritance will not be introduced in Budget 2019. Sources said both capital gains tax (CGT) and inheritance tax may only be introduced over the next few years if found feasible. With only less than three weeks before the national budget is unveiled, the source also said that the additional tax measures to be announced would likely focus on the digital economy and tax incentives. "The study on both CGT and inheritance tax need more time to be completed to assess the potential implications on the economy. It is not possible to decide on these taxes before the tabling of the upcoming budget. "While the government is looking at raising more revenue to cover its income shortfall post-abolishing the Goods and Services Tax, the introduction of new taxes should not be rushed. I think the government understands this as well," the sources said. Towards this end, the government had set up a Tax Reform Committee on Sept 12 to look at the current tax structure and how to broaden tax base. On the potential digital tax to be introduced by the government, the source said it would not be an entirely new tax. Instead, it will likely be an extension of the existing Sales and Service Tax (SST) on online businesses, particularly on foreign digital service content providers. "For now at least in Budget 2019, there will be no dramatic introduction on the taxation of the digital economy. "Maybe in the next few years, the government will look at imposing tax on the income of online players if it is feasible. The process may be more complex. "It makes sense to tax these businesses similar to the traditional brick-and-mortar ones and it is only fair to do so," said the sources. The Institute for Democracy and Economic Affairs (Ideas) has previously said that the introduction of a digital tax could increase prices for consumers and businesses, particularly for new start-ups and small and medium enterprises. The think-tank said an "indirect digital tax" – applying SST to digital purchases from abroad – is less controversial than a new "direct tax" and many countries have already taken this approach. "Doing so in Malaysia would also level the playing field between foreign and Malaysian companies, as local digital firms are already subject to SST. It would, however, still increase the cost of digital goods and services in Malaysia and drive up prices," it said in an earlier report. The source said that the Tax Reform Committee is also currently reviewing all the existing tax incentives in Malaysia. He pointed out that any changes to the tax incentive structure will be gradual and progressive over the next few years. "Certain types of tax incentives that are no longer needed or are no longer effective should be abolished. Instead, the committee is looking

at recommending new tax incentives that can stimulate private sector activities. “The best way to do this is to introduce tax incentives for new and innovative businesses of the future. The idea is to focus on the new sectors that the government would want to encourage,” he said. The government’s plan to introduce new taxes in order to pare down the national debt of RM1 trillion became the talking point after Prime Minister Tun Dr Mahathir Mohamad, Finance Minister Lim Guan Eng and Bank Negara governor Datuk Nor Shamsiah Mohd Yunus all spoke about it during the Malaysia: A New Dawn conference on Oct 9. Incidentally, Bursa Malaysia saw a bloodbath the next day, with the FBM KLCI shedding 39 points, falling the most in nearly five months. While there has been no indication from the government, the market fears the implementation of the CGT – a tax usually imposed on gains made from the stock market. Former prime minister Datuk Seri Najib Tun Razak has also criticised the CGT, warning about investors exodus if a tax is imposed on shares trading. Former Inland Revenue Board director-general Tan Sri Hasmah Abdullah has been appointed as the chairperson of the Tax Reform Committee. The committee is joined by finance and tax experts, namely Dr Verinderjeet Singh, Datuk Chua Tia Guan and Amardeep Singh. Tax Department secretary Datuk Khodijah Abdullah, Tax Department deputy secretary Mohd Sakeri Abdul Kadir and Fiscal and Economic Department deputy secretary Mohd Hassan Ahmad represent the Finance Ministry. (Source: *The StarOnline*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tadau Energy Sdn Bhd	RM250 million SRI Sukuk Programme (2017/2033)	AA3/Stable	Reaffirmed

Source: RAM, MARC

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