

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.87	-2
5-yr UST	2.96	-3
10-yr UST	3.13	-1
30-yr UST	3.37	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	0	3.77	-1
5-yr	3.82	0	3.93	0
7-yr	4.01	0	4.18	2
10-yr	4.13	0	4.29	-1
15-yr	4.57	0	4.58	0
20-yr	4.79	4	4.79	0
30-yr	4.94	0	4.95	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.715	0
3-yr	3.775	0
5-yr	3.880	-1
7-yr	3.990	0
10-yr	4.200	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries continued to rally on extended jitters over further declines in US equities and its implications on overall growth and global financial markets, further supported by safety bids amid the Brexit deal decision and resubmission of Italian budget plan. While the UK Prime Minister Theresa May finally obtained backing from the Cabinet on a Brexit deal, it still need to cross the next hurdle at Parliament. Meantime, Italian budget woes seem to prevail or even escalate as Rome merely revised plans for quicker debt repayment but kept the key growth and deficit assumptions unchanged. Benchmark UST yields fell 1-3bps across the curve, save for the 30-year bonds that added 1bp to 3.37%, steepening the curve. The 2s and 10s shed 2bps and 1bps each to 2.87% and 3.13% respectively. Expect UST to remain biddish on the back of continued risk aversion in the markets.

MGS/GII

- Trading in local govies continued to pick up steam, as trading volume climbed further up to RM2.20bn yesterday, from RM1.29b a day ago. Action was rather well spread across the curve with MGS 3/19, MGS 7/24 and MGS 11/26 leading the pack whilst many other tenors were untraded on the day. Overall benchmark yields were unchanged except for the 20Y, which added 4bps to 4.79%. Tracking momentum in MGS, trading in GII also saw further improvement, with total deals done rising to RM943m or 43% of total trades, up significantly compared to RM221m a day before with yields ended mixed between -1 to +2bps. Markets may continue to stay cautious amid lingering risk-off sentiments.

Corp Bonds/Sukuk

- Trading in the Corporate bonds/Sukuk space however softened, with total volume reduced to only RM302m yesterday. GG papers made a return led by LPPSA'9/20 that traded 8bps lower at 3.849% seeing RM90m changed hands. MKD '2/23 followed with RM55m dealt flat at 4.115%. There were also substantial interests in the AAA-rated space, in names like GB Services '11/19, BPMB '3/22 and GENM Capital. In addition, we noted substantial interests in power and energy names namely Southern Power, Kapar Energy, Jimah Energy, YTLP, and Sarawak Energy.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/19	3.280	204	3.305	12/11/2018	-3
MGS 07/19	3.406	18	3.400	13/11/2018	1
MGS 11/19	3.484	68	3.481	13/11/2018	0
MGS 03/20	3.535	28	3.527	13/11/2018	1
MGS 10/20	3.576	11	3.560	13/11/2018	2
MGS 04/23	3.823	30	3.818	12/11/2018	0
MGS 07/24	4.001	331	4.060	13/11/2018	-6
MGS 09/24	4.049	61	4.049	13/11/2018	0
MGS 04/26	4.228	14	4.218	07/11/2018	1
MGS 11/26	4.196	285	4.185	12/11/2018	1
MGS 11/27	4.243	105	4.236	13/11/2018	1
MGS 04/33	4.630	59	4.645	12/11/2018	-1
MGS 04/37	4.819	25	4.839	13/11/2018	-2
MGS 06/38	4.790	22	4.750	12/11/2018	4
GII 03/22	3.766	11	3.776	13/11/2018	-1
GII 07/23	3.972	30	3.969	07/11/2018	0
GII 11/23	3.933	100	3.933	13/11/2018	0
GII 05/24	4.056	152	4.006	08/11/2018	5
GII 08/25	4.182	625	4.161	13/11/2018	2
GII 10/28	4.293	25	4.300	13/11/2018	-1
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Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS*	
Lembaga Pembiayaan Perumahan Sektor Awam	09/20	GG	3.849	90	3.930	26/12/2017	-8	12
MKD Kencana Sdn Berhad	02/23	GG	4.115	55	4.113	01/11/2018	0	29
Sarawak Hidro Sdn Berhad	10/28	GG	4.446	5	4.458	17/08/2018	-1	25
DanInfra Nasional Berhad	07/34	GG	4.721	2	4.880	17/10/2017	-16	31
Lembaga Pembiayaan Perumahan Sektor Awam	04/37	GG	4.854	10	4.980	12/05/2017	-13	44
GB Services Berhad	11/19	AAA	4.622	11	4.329	08/11/2018	29	91
Bank Pembangunan Malaysia Berhad	04/21	AAA	4.416	5	4.431	26/07/2018	-1	69
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.509	10	4.470	26/09/2018	4	73
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	4.398	2	-	-	-	57
GENM Capital Berhad	08/25	AAA	4.761	2	4.662	13/11/2018	10	77
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.608	0	4.589	17/10/2018	2	55
Sarawak Hidro Sdn Berhad	08/27	AAA	4.499	6	4.691	30/04/2018	-19	44
GENM Capital Berhad	07/28	AAA	4.773	2	5.180	02/11/2018	-41	57
Aquasar Capital Sdn Berhad	07/29	AAA	4.667	2	4.842	17/05/2018	-18	47
Sarawak Energy Berhad	06/21	AA1	4.285	0	4.293	25/10/2018	-1	51
YTL Power International Berhad	05/27	AA1	4.878	4	4.879	31/10/2018	0	82
First Abu Dhabi Bank PJSC	12/27	AA1	4.725	1	4.910	02/05/2018	-19	52
TRIpIc Medical Sdn Berhad	10/30	AA1	4.805	2	4.821	07/09/2018	-2	61
Kapar Energy Ventures Sdn Berhad	07/19	AA+	3.995	3	4.303	24/05/2018	-31	28
CIMB Islamic Bank Berhad	09/24	AA+	4.229	1	5.047	18/10/2018	-82	29
Celcom Networks Sdn Berhad	10/26	AA+	4.748	10	4.751	13/11/2018	0	69
Imtiaz Sukuk II Berhad	03/19	AA2	4.006	20	4.058	24/10/2018	-5	29
First Resources Limited	06/20	AA2	4.406	1	4.442	24/08/2018	-4	68
Konsortium ProHAWK Sdn Berhad	06/29	AA2	4.808	2	4.778	02/10/2018	3	61
PBFIN Berhad	06/59	AA2	4.281	10	4.318	26/10/2018	-4	-13
Sime Darby Plantation Sdn Bhd	03/16	AA	4.957	2	5.020	22/10/2018	-6	55
Besraya (M) Sdn Berhad	07/19	AA3	4.380	5	4.395	13/11/2018	-1	67
Cahaya Mata Sarawak Berhad	05/22	AA3	4.607	3	4.766	04/07/2018	-16	83
Jimah Energy Ventures Sdn Berhad	11/23	AA3	4.596	2	4.618	12/03/2018	-2	72
RHB Bank Berhad	07/24	AA3	4.299	10	4.225	01/11/2018	7	36
RHB Islamic Bank Berhad	04/27	AA3	4.560	1	4.560	09/11/2018	0	51
Serba Dinamik Holdings Berhad	10/23	AA-	4.958	2	4.960	13/11/2018	0	108
Southern Power Generation Sdn Berhad	04/30	AA-	4.758	10	4.766	12/11/2018	-1	56
Southern Power Generation Sdn Berhad	04/31	AA-	4.781	10	4.789	01/11/2018	-1	58
DRB-Hicom Berhad	03/22	A+	6.166	1	6.169	13/11/2018	0	239
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Malaysian palm oil futures fell below the 2,000 ringgit level for the first time in three years on Wednesday, weighed down by losses in related edible oils on China's Dalian Commodity Exchange and lower than forecast year-end inventory levels. The benchmark palm oil contract for January delivery on the Bursa Malaysia Derivatives Exchange closed down 1.7 percent at 1,973 ringgit (\$470.38) a tonne, its seventh consecutive day of losses. It earlier fell as much as 2.1 percent to 1,965 ringgit, its weakest level since August 2015. Trading volumes totalled 55,797 lots of 25 tonnes each on Wednesday. "Yesterday crude oil came down a lot... Dalian is also sharply down. All this not good for the palm market," said a Kuala Lumpur-based futures trader. He said prices could decline further as stockpiles in Malaysia, the world's second largest producer and exporter, could rise from current levels. Official data from the Malaysian Palm Oil Board on Monday showed end-October stockpiles grew 7.6 percent to 2.72 million tonnes, while production rose 6 percent to 1.96 million tonnes. The trader said a revision to a leading analyst's forecast for Malaysian inventories in December also contributed to the decline in palm. Malaysia's palm oil stocks at end-December are expected to climb to 3.5 million tonnes, said Dorab Mistry at an industry conference in China on Wednesday. He also raised his forecasts for Indonesia's 2018 palm oil output to 41 million tonnes from 38.5 million tonnes. Mistry previously forecast that Malaysian stocks are expected to finish this year at between 3 million and 3.3 million tonnes. In other related edible oils, the Chicago December soybean oil contract was down 0.2 percent, while the January soybean oil contract on the Dalian Commodity Exchange dropped 1.6 percent. Meanwhile, the January palm oil contract fell 2.2 percent. Palm oil prices are affected by movements of other edible oils as they compete for a share in the global vegetable oil market. Palm oil is expected to break a support at 1,996 ringgit per tonne, and fall into a range of 1,933-1,972 ringgit, according to Reuters market analyst for commodities and energy technicals Wang Tao. (Source: *The Star Online/Reuters*)

Kuala Lumpur Kepong Bhd (KLK) recorded a lower net profit of RM753.33mil in the financial year ended Sept 30, 2018 (FY18) against RM1.01bil chalked up in FY17. Revenue fell 12.4% to RM18.4bil from RM21bil previously. KLK said on a year-on-year basis, the plantations segment's profit dropped 45.9% to RM698.4mil while the properties segment decreased 6.6 per cent to RM37.8mil. "Manufacturing profits rose substantially to RM377.6mil but revenue from this segment only improved 2.1 per cent to RM10.13bil as a result of lower selling prices," it said in a filing with Bursa Malaysia. In the fourth quarter of FY18, KLK's net profit decreased to RM101.5mil from RM242.12mil versus the same quarter in FY17, while revenue shrank to RM4.19bil from RM5.16bil. On prospects, KLK said the current high crude palm oil inventory level has negatively impacted the prices of palm products. "While we expect fresh fruit bunches production to improve, the current uncertainty in palm product prices will pose a challenge to our plantation profit for FY19," it said. (Source: *The Star Online/Bernama*)

SP Setia achieved sales of RM3.21bil in the nine months ended Sept 30, 2018 and in the long run, the property developer's prospects remain positive with total unbilled sales of RM7.92bil. Announcing its nine-month results ended Sept 30, 2018 on Wednesday, it said of the RM3.21bil, local projects contributed RM2.32bil or 72% of the total sales. International projects contributed RM894mil or 28% of the total sales. In a statement, SP Setia group president and CEO Datuk Khor Chap Jen said: "In the long run, the group's prospects going forward remain positive with total unbilled sales of RM7.92bil, anchored by 46 ongoing projects and an effective remaining land bank of 9,548 acres with a gross development value (GDV) of RM155.26bil as at Sept 30, 2018". On the January-September sales, the local sales secured were largely from the central region with RM1.60bil, the southern region RM642mil and the northern region combined with the eastern region contributed RM78mil. As for the international projects, *UNO Melbourne* continued to outperform with a commendable take-up rate of 75% amounting to RM631mil. *Daintree Residence* in Singapore contributed a weaker than expected sales of RM108 million, largely due to the additional buyer's stamp duty which dampened sales. Khor said for SP Setia's international projects, the Singapore market was still adjusting to the unexpected imposition of higher additional buyer's stamp duty, and it will take some time for the sales to pick up. He said nevertheless, the contribution from *UNO Melbourne* proves

that there is still demand for properties in the right locations in the City of Melbourne and this reinforces the group's presence as a prominent property player in Australia. Khor said the sale of commercial assets of *Battersea Power Station - Phase 2* to Permodalan Nasional Bhd and Employees Provident Fund Board, was anticipated to be finalised imminently. The said transaction will enable more efficient application of equity in the Battersea Power Station project, he noted. "SP Setia is pleased to note that the on-going negotiation with PNB and EPF Board is making good progress while we remain committed and positive on the long-term prospects of the Battersea Power Station project," he said. Khor said as SP Setia goes into the remaining months of 2018, the group's launches will focus more on the local market with emphasis given to the launches of mid-range landed properties in the Klang Valley and Johor Bahru. Over at Penang, the much anticipated *Setia Fontaines* will be launched in November. Notable launches are planned in *Setia Alam*, *Setia Eco Templer*, *Setia Eco Park*, *Temasya Glenmarie*, *Bandar Kinrara*, *Taman Pelangi Indah* and *Taman Rinting* with a combined GDV of RM1.60bil. These launches are on top of the RM4.64bil GDV projects/phases launched in the first nine months, bringing the total launches for 2018 to RM6.24bil. On the outlook, Khor said the local property market will continue to be subdued as many potential buyers are finding difficulty to obtain their desired loan financing margin due to the stringent lending guidelines or are adopting a "wait and see" approach as the current economic uncertainties persist. "Even though the expected pick-up in sales has not been evident during the month of October 2018 and the economic conditions remain challenging, we are still committed to meet our sales target for the year. "We have seen a Budget 2019 which focuses on the lower and middle-income segments and many initiatives in place to help home buyers. We hope that these positive developments will uplift the market sentiments," he said. In the nine months ended Sept 30, SP Setia recorded profit before tax of RM786mil which was lower compared with RM879.36mil in the previous corresponding period. SP Setia said net profit was RM569.41mil compared with RM711.57mil. Revenue was RM2.57bil compared with RM2.95bil. In the third quarter, it reported profit before tax of RM156.99mil compared with RM460.54mil a year ago. Its net profit was RM65.19mil compared with RM348.89mil. EPS was 1.67 sen compared with 9.10 sen. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Lebuhraya DUKE Fasa 3 Sdn Bhd (DUKE 3)	RM3.64 billion Sukuk Wakalah	AA- <i>IS</i> (Negative)	Affirmed
Southern Power Generation Sdn Bhd	Sukuk Wakalah of up to RM4.0 billion	AA- <i>IS</i> (Stable)	Affirmed
Kuwait Finance House (Malaysia) Berhad	Long-term and short-term financial institution ratings	AA+/MARC-1 (Stable)	Affirmed

Source: RAM, MARC

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