

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended little changed on Monday within 1bps from prior day's close amid active IG issuance that included food manufacturer & packager, Conagra's \$7b offering of 7Y papers. The 2Y closed at 2.86% whilst the much-watched 10Y edged 1bps lower at 3.16% levels. Meanwhile the US budget deficit grew to \$779b; the highest since 2012 amid tax cuts and spending increases as spending rose 3.2% whilst revenue gained just 0.4% in the 12-month period (the government's fiscal year runs from 1st Oct to 30th Sep). Strong US data, rising commodity prices, tight monetary trajectory and brewing wage pressures have been seen to push yields higher.

MGS/GII

- Trading momentum in Govvies nose-dived with volume at RM889m yesterday as investors were mainly side-lined. Some interest however were seen in the off-the-run 23's. Overall benchmark yields ended mixed within 1bps save for the 20Y MGS which ended 4bps higher on odd-lot trades. The 7Y MGS 3/25 ended at 4.00% whilst the 10Y MGS 6/28 edged 1bps lower at 4.12% levels. GII bond trades formed 22% of overall trades. Despite weaker sentiments towards EM debt; Malaysia has been able to withstand recent sell-offs fueled by the drop in UST's amid slight concerns over the government's debt and fiscal position.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk however maintained improvement in momentum with volume etched in the RM500m region with interest seen mainly along the AAA to AA-part of the curve on a mere 16 bonds compared to prior day's 31. Overall yields ended mostly mixed-to-lower yesterday. Khazanah 8/23 was the sole Govt-Guaranteed bond traded; closing unchanged at 4.15% levels compared to previous-done levels. AAA-rated CAGAMAS 2/19 formed bulk of volume; edging 1bps higher at 3.70% whilst TELEKOM 12/24 and TENAGA 8/33 closed unchanged at 4.39% and 4.71% levels respectively. The AA-segment saw infra-cum-energy bonds i.e. BGSM 18,23 and also TBEI 9/30 close mixed at 4.06%, 4.53% and 4.92% each. In the banking sector both Amlslamic 24NC19 and RHB Bank 24NC19 closed 6-15bps lower between 4.23-28% levels.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.86	0
5-yr UST	3.01	-1
10-yr UST	3.16	-1
30-yr UST	3.34	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	-1	3.73	0
5-yr	3.77	0	3.88	0
7-yr	4.00	1	4.08	0
10-yr	4.12	-1	4.19	-1
15-yr	4.56	0	4.56	0
20-yr	4.77	4	4.77	0
30-yr	4.91	0	4.94	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.77	0
5-yr	3.87	0
7-yr	3.98	0
10-yr	4.18	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bonds

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	07/19	3.372	105	3.400	11/10/2018	-3
MGS	10/19	3.430	2	3.436	12/10/2018	-1
MGS	07/21	3.618	20	3.615	11/10/2018	0
MGS	09/21	3.634	20	3.630	12/10/2018	0
MGS	11/21	3.609	1	3.619	12/10/2018	-1
MGS	08/22	3.754	85	3.748	12/10/2018	1
MGS	09/22	3.753	30	3.759	12/10/2018	-1
MGS	03/23	3.817	324	3.815	12/10/2018	0
MGS	08/23	3.852	15	3.845	12/10/2018	1
MGS	07/24	3.939	3	3.925	12/10/2018	1
MGS	03/25	3.998	2	3.989	12/10/2018	1
MGS	09/25	4.008	41	4.003	12/10/2018	0
MGS	11/26	4.089	1	4.111	12/10/2018	-2
MGS	11/27	4.118	1	4.145	12/10/2018	-3
MGS	06/28	4.117	28	4.125	12/10/2018	-1
MGS	04/30	4.487	1	4.425	12/10/2018	6
MGS	11/33	4.555	3	4.551	12/10/2018	0
MGS	04/37	4.782	7	4.717	11/10/2018	7
MGS	06/38	4.770	3	4.727	12/10/2018	4
GII	10/18	3.308	50	3.512	11/10/2018	-20
GII	08/19	3.372	5	3.347	25/09/2018	2
GII	11/20	3.503	13	3.671	28/09/2018	-17
GII	11/22	3.832	2	4.026	24/04/2018	-19
GII	10/25	4.111	128	4.109	12/10/2018	0
			<u>889</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*	
Khazanah Nasional Berhad	08/23	GG	4.153	30	4.151	11/10/2018	0	38
Cagamas Berhad	02/19	AAA	3.702	250	3.694	03/10/2018	1	32
Putrajaya Bina Sdn Berhad	09/24	AAA	4.438	10	4.440	12/10/2018	0	51
Telekom Malaysia Berhad	12/24	AAA	4.387	5	4.389	09/10/2018	0	46
Putrajaya Bina Sdn Berhad	09/27	AAA	4.609	10	4.718	02/05/2018	-11	50
Telekom Malaysia Berhad	09/27	AAA	4.528	70	4.720	24/05/2018	-19	41
Rantau Abang Capital Berhad	03/29	AAA	4.570	5	4.558	04/09/2018	1	44
Tenaga Nasional Berhad	08/33	AAA	4.710	30	4.709	10/10/2018	0	15
BGSM Management Sdn Berhad	12/18	AA3	4.056	15	4.201	03/08/2018	-15	67
Jimah Energy Ventures Sdn Berhad	05/19	AA3	4.092	3	4.166	06/04/2018	-7	71
BGSM Management Sdn Berhad	12/23	AA3	4.532	15	4.553	11/10/2018	-2	76
AmBank Islamic Berhad	03/24	AA3	4.225	20	4.288	05/10/2018	-6	45
RHB Islamic Bank Berhad	05/24	AA3	4.227	9	4.258	05/10/2018	-3	30
RHB Bank Berhad	07/24	AA3	4.277	10	4.426	12/09/2018	-15	35
Tanjung Bin Energy Issuer Berhad	09/30	AA3	4.919	20	4.901	27/09/2018	2	79
Eco World International Berhad	04/23	-	6.600	1	6.418	08/10/2018	18	-
			<u>503</u>					

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

Market/Corporate News: What's Brewing

Vehicle sales fell in September after the Goods and Services Tax (GST) tax holiday ended on Aug 31 while stocks of some vehicle distributors were depleted, according to the Malaysian Automotive Association (MAA). It said on Monday sales volume in September fell 23% or 9,715 units from a year ago to 31,241 units. They comprise of 27,022 passenger vehicles and 4,219 commercial vehicles. "Sales volume in September 2018 were depleted following the overwhelming demand during the GST tax holiday period," it added. The MMA said the total industry vehicles (TIV) from January to September were up 7% at 454,971 units from the 426,678 units in the previous corresponding period. It said 37,000 vehicles rolled off the assembly lines, of which 33,436 were passenger vehicles in September. A year ago, the number was 38,213 units. Year-to-date, the number of vehicles manufactured was 420,498 units compared with 381,171 units in the previous corresponding period. On the outlook for October, the MAA said sales volume was expected to be maintained at the September level. "Much of the demands was fulfilled during the GST tax holiday period and also adjustment to post-tax holiday environment," it said.. (Source: *The Edge Markets*)

The Government will set off RM10.4 billion or 61% of the RM17 billion lost tax revenue for 2018 through additional oil revenue and dividends from Government-Linked Companies (GLCs), the Dewan Rakyat was told yesterday. Finance Minister Lim Guan Eng said there will be an estimated RM5.4 billion of additional petroleum-related income thanks to the rise in crude oil price to above US\$70 per barrel, as against the US\$52 average price used in Budget 2018. "The additional dividends from GLCs, including Petroliaam Nasional Bhd and Khazanah Nasional Bhd, is projected to be RM5 billion," he added. The Minister was replying to a question from Datuk Seri Ismail Sabri Yaakob (BN-Bera) on the revenue lost from the scrapping of the GST and the measures taken to cover the shortfall. Lim said subsequent to the abolishment of the Goods and Services Tax (GST), the Government's tax revenue is expected to decline by RM21 billion for 2018. "The expected collection from the Sales and Services Tax (SST) between September and December this year is RM4 billion. Hence, the net impact to tax revenue for 2018 is RM17 billion," he said. On top of that, Lim said the government will ensure tax compliance through auditing and investigation by the Inland Revenue Board and Royal Customs Department. "The Government will also explore new income sources, particularly from online transactions, and review tax incentives to generate economic activities while ensuring that the impact of the lower revenue does not get worse," he said. Lim said the Government has also rationalised public spending and streamlined government operations to increase efficiency and transparency. "These efforts are expected to result in savings of RM10 billion. Hence, the Government is committed to the Pakatan Harapan election manifesto pledge of reducing the people's burden due to the rising cost of living," he said. This is why the Government has maintained the subsidised retail petrol prices, which is expected to cost Putrajaya RM3 billion this year.. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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

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