

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.86	-1
5-yr UST	2.94	-2
10-yr UST	3.11	-1
30-yr UST	3.36	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.71	2	3.77	0
5-yr	3.86	3	3.93	0
7-yr	4.01	0	4.17	-1
10-yr	4.15	2	4.29	0
15-yr	4.57	0	4.58	0
20-yr	4.79	0	4.79	0
30-yr	4.94	0	4.96	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.78	0
5-yr	3.88	0
7-yr	3.99	0
10-yr	4.20	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries rallied before giving up slight gains on positive expectations of ongoing US-China trade fears with the curve seen shifting lower. The impact of Gilts performance was also a factor as risk-off sentiment gained traction on the back of UK cabinet resignations over the Brexit withdrawal discounted. Overall benchmark UST yields fell 1-2bps across the curve with both the 2Y and 10Y edging 1bps lower at 2.86% and 3.11% respectively. Meanwhile some investors are seen expecting 10Y yields to peak within 3.25-50% levels by mid-2019 before falling back below 3.00% area; with inversion of the curve taking place.

#### MGS/GII

- Trading in local govies tapered off as trading volume ended at RM1.64b yesterday with interest seen across off-the-run 19's and 27's. Overall benchmark yields ended mixed between -1 to +3 bps. The 5Y benchmark MGS 4/23 rose 3bps at 3.86% whilst the 10Y MGS 6/28 ended 2bps higher at 4.15%. GII trades formed a mere 10% of overall bond trades. Markets may continue to stay cautious amid lingering concerns over the recent pullback in oil prices as the nation's budget deficit swells. Meantime the 3Q GDP data is expected out at noon today.

#### Corp Bonds/Sukuk

- Trading momentum in Corporate bonds/Sukuk space improved with total volume at RM393m yesterday with interest seen across the GG-AA part of the curve. Govt-guaranteed PASB 6/20 and 6/23 ended 0-1bps higher compared to previous-done levels at 3.84% and 4.05% respectively. AAA-rated DANGA 2/26 rose 2bps at 4.49%. AA-rated UMW 10/26 closed unchanged at 4.76% levels whilst UEM Sunrise 19 and 22's saw RM35m in total trades closing at 4.41% and 4.82% respectively. However Southern Power 29-30 rallied 2-3bps between 4.74-77% levels the same space. Expect selective interest to persist in the Corporate Bond/Sukuk space for now.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yy)	Chg (bp)
MGS 03/19	3.264	6	3.277	14/11/18	-1
MGS 07/19	3.408	20	3.406	14/11/18	0
MGS 10/19	3.425	239	3.470	14/11/18	-5
MGS 11/19	3.478	110	3.484	14/11/18	-1
MGS 03/20	3.535	11	3.535	14/11/18	0
MGS 07/20	3.562	19	3.511	01/11/18	5
MGS 10/20	3.592	19	3.576	14/11/18	2
MGS 02/21	3.627	9	3.621	09/11/18	1
MGS 07/21	3.680	7	3.669	14/11/18	1
MGS 09/21	3.713	97	3.698	13/11/18	2
MGS 11/21	3.707	5	3.690	13/11/18	2
MGS 09/22	3.864	67	3.828	14/11/18	4
MGS 04/23	3.856	45	3.823	14/11/18	3
MGS 08/23	3.953	2	3.950	14/11/18	0
MGS 07/24	4.027	143	4.021	14/11/18	1
MGS 09/24	4.078	1	4.078	14/11/18	0
MGS 09/25	4.129	4	4.107	13/11/18	2
MGS 11/26	4.181	54	4.196	14/11/18	-1
MGS 11/27	4.250	261	4.243	14/11/18	1
MGS 06/28	4.150	84	4.128	12/11/18	2
MGS 09/28	4.302	1	4.272	01/11/18	3
MGS 06/31	4.577	5	4.579	07/11/18	0
MGS 04/33	4.620	115	4.630	14/11/18	-1
MGS 05/35	4.802	38	4.760	09/11/18	4
MGS 04/37	4.861	96	4.832	14/11/18	3
MGS 06/38	4.790	5	4.786	14/11/18	0
MGS 09/43	4.974	20	4.999	12/11/18	-2
GII 04/20	3.567	25	3.571	14/11/18	0
GII 11/23	3.928	2	3.933	14/11/18	0
GII 08/25	4.170	90	4.184	14/11/18	-1
GII 09/26	4.327	7	4.285	14/11/18	4
GII 07/27	4.223	3	4.195	05/11/18	3
GII 05/47	4.958	30	4.954	01/11/18	0
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## Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS*
Pengurusan Air SPV Berhad	06/20	GG	3.838	85	3.834	21/09/18	0	10
Pengurusan Air SPV Berhad	06/23	GG	4.050	55	4.042	24/10/18	1	18
GovCo Holdings Berhad	02/24	GG	4.169	25	4.334	10/07/18	-17	29
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.171	25	4.170	07/09/18	0	30
Prasarana Malaysia Berhad	03/28	GG	4.370	10	4.388	25/10/18	-2	17
DanaInfra Nasional Berhad	05/28	GG	4.370	10	4.340	02/10/18	3	17
Danga Capital Berhad	02/26	AAA	4.485	5	4.470	22/10/18	2	48
YTL Power International Berhad	05/27	AA1	4.832	10	4.878	14/11/18	-5	78
TRIplic Medical Sdn Berhad	10/30	AA1	4.809	15	4.805	14/11/18	0	61
TRIplic Medical Sdn Berhad	10/33	AA1	4.920	15	4.999	24/07/18	-8	52
Imtiaz Sukuk II Berhad	05/20	AA2	4.261	15	4.318	17/10/18	-6	53
UMW Holdings Berhad	10/26	AA2	4.759	20	4.758	13/11/18	0	70
Malaysia Airport Holdings Berhad	12/14	AA2	4.850	10	4.851	13/11/18	0	44
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.610	20	4.625	29/10/18	-1	56
Tanjung Bin Energy Issuer Berhad	03/32	AA3	4.969	20	4.987	29/10/18	-2	56
UEM Sunrise Berhad	06/19	AA-	4.408	30	4.413	13/11/18	0	69
UEM Sunrise Berhad	12/22	AA-	4.818	5	4.701	31/10/18	12	100
Southern Power Generation Sdn Berhad	04/29	AA-	4.742	5	4.760	25/09/18	-2	54
Jimah East Power Sdn Berhad	06/30	AA-	4.829	5	4.825	30/08/18	0	63
Southern Power Generation Sdn Berhad	10/30	AA-	4.769	5	4.799	23/10/18	-3	57
CIMB Group Holdings Berhad	05/16	A1	4.481	1	4.823	07/11/18	-34	8
Affin Bank Berhad	07/18	A3	5.427	1	5.294	03/10/18	13	102
Mah Sing Group Berhad	04/17	-	6.641	1	6.523	01/11/18	12	224
				<u>393</u>				

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

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

**The government will undertake an open tender next year for the third round of the 500MW large-scale solar (LSS3) projects worth an estimated value of RM2 billion.**

Energy, Science, Technology, Environment and Climate Change Minister Yeo Bee Yin said yesterday this is part of the country's plans to achieve 20% of energy production from renewable sources by 2025. She said details of the project's work packages will be announced in January 2019. "The LSS3 project, together with the upgraded net energy metering (NEM) mechanism and the supply agreement for renewable energy programme, will drive the growth of the solar industry in Malaysia," said Yeo in her written reply to a parliamentary question by member of parliament for Kota Melaka Khoo Poay Tiong, who asked about the government's plans to increase the LSS power generation project to achieve the 20% target. Renewable energy (RE) currently constitutes 2% of the country's total energy generation mix. In order to achieve the 20% target, Yeo said 3,991MW (about 4GW) of new energy capacity is required to be added to the national electricity supply system. "So far, the government has implemented two cycles of LSS projects with a total installed capacity of 958MW. Out of the total, three projects with capacities of 32.5MW have reached commercial operation status. "The other projects are expected to begin generating energy between the end of the year and 2020," she said, adding that more LSS projects are needed to achieve the 20% target. "In the government's electricity supply planning, the increase in the proportion of RE in electricity generation would not only reduce carbon emission intensity in the electricity supply sector by 49%, but could also result in a system cost savings of RM270 million for the period from 2018 to 2037," she added. Besides LSS power generation, Yeo said the government plans to increase electricity generation through the Feed-in-Tariff (FiT) and NEM mechanisms. The FiT mechanism involves RE, namely biogas, biomass, geothermal mini-hydro as well as solar. Under the FiT capacity permitted by the Sustainable Energy Development Authority (Seda) previously, some 566MW has been connected to the grid, with 70% or 380MW coming from solar projects. "A total of 114MW of FiT RE quota will be reopened by Seda at the end of this month," Yeo said. (Source: *The Edgedaily*)

Maybank Investment Bank Research sees Hong Leong Financial Group's (HLFG) 70% owned Hong Leong Assurance (HLA) moving up the value chain, tapping into investment-linked products. It said on Friday that with investment-linked premiums growing at a double-digit pace, management hopes to sustain new business value growth of more than 20% per annum in the coming years for HLA and this will be positive in bolstering HLA's overall embedded value. While HLFG's insurance units account for less than 10% of group earnings, they account for almost 20% of Maybank Research's sum-of-parts valuation. To recap, the research house said the recent meeting with HLA's management was a fruitful one, the key takeaway being the company's conscientious push the value chain towards more non-participating/investment-linked products as well as increased contributions from bancassurance. Non-par products are said to be six to 10 times more profitable than traditional ordinary life products and investment-linked premiums have been growing at a double-digit pace over the past five years, such that HLA's non-par/par ratio now stands at 89:11 (FY18) versus just 22:78 in FY13. Maybank Research said as such, management hopes to sustain new business value growth of more than 20% p.a. in the coming years, which would be positive in bolstering the company's embedded value. HLA management's other focus is on improving the productivity levels of its agents while maintaining overall efficiency levels – HLA is one of the most efficient life insurance companies in the industry with a management expense ratio of just 5.9% in FY18. This effectively provides it with more leeway to invest more in digitalisation. "HLFG's current market cap of RM21.6bil is a hefty 20% discount to the market cap of RM27bil for its 64.4% stake in HL Bank (HLB, HOLD, TP: MYR19.45). This compares against a historical discount of about 7%. "HLFG would undoubtedly provide cheaper exposure to HL Bank while offering the rest of its businesses (life insurance, general insurance and investment banking) for free," Maybank Research said. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Berjaya Land Berhad	Outstanding RM500.0 million Medium-Term Notes (MTN) Programme guaranteed by Danajamin Nasional Berhad (Danajamin)	AAA <sub>(fg)</sub> (Stable)	Affirmed
	RM150.0 million MTN Programme guaranteed by OCBC Bank (Malaysia) Berhad (OCBC Malaysia)	AAA <sub>(bg)</sub> . (Stable)	Affirmed
Bank Muamalat Malaysia Berhad	Financial institution ratings	A/MARC-1 (Stable)	Affirmed
	Islamic Senior Notes programme (Senior Sukuk) of up to RM2.0 billion	A <sub>IS</sub> (Stable)	Affirmed

Source: RAM, MARC

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