

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.87	1
5-yr UST	3.02	1
10-yr UST	3.16	1
30-yr UST	3.33	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	0	3.72	-1
5-yr	3.77	0	3.88	0
7-yr	4.00	0	4.08	0
10-yr	4.12	0	4.19	0
15-yr	4.56	0	4.56	0
20-yr	4.78	1	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	3.78	0
5-yr	3.87	0
7-yr	3.98	0
10-yr	4.18	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries again ended little changed on Tuesday i.e. within 1bps from prior day's close as the equities rally had limited downside impact. Both the 2Y and much-watched 10Y edged slightly higher at 2.87% and 3.16% respectively. Meanwhile, both China and Japan's UST holdings fell by \$5.6b and \$5.9b respectively to \$1.17 trillion and \$1.03 trillion each in August. Nevertheless foreign net buying of UST's was \$63.1b for the said month. The US budget deficit which grew to \$779b; the highest since 2012 amid tax cuts and spending increases (the government's fiscal year runs from 1st Oct to 30th Sep) along with strong US data, rising commodity prices, tight monetary trajectory and brewing wage pressures may be seen to push yields higher.

MGS/GII

- Trading momentum in Govvies saw slight improvement with volume at RM1.75b yesterday amid selective tenures on GII bonds i.e. the 19's and 25-28's. Overall benchmark yields ended largely unchanged save for the 20Y MGS and short 3Y GII. Both the 7Y MGS 3/25 and 10Y MGS 6/28 were unchanged at 4.56% respectively. GII bond trades jumped to 92% of overall trades. Despite weaker sentiments towards EM debt; Malaysia has been able to somewhat withstand major sell-offs fueled by the drop in UST's amid slight concerns over the government's debt and fiscal position along with the impact of ongoing global trade barriers. Markets will keep an eye on the mid-term review of the 11th Malaysia Plan tomorrow ahead of the much anticipated 2019 Budget tabling on 2-November.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk however saw strong investor interest across the GG to AA-part of the curve on rising volume of RM887m. There were total 39 bonds traded compared to prior day's 16. With overall yields ending mostly mixed-to-unchanged yesterday. Both Govt-Guaranteed DANA 5/41 and PRASA 9/42 were unchanged compared to previous-done levels at 4.95% and 4.97% respectively. AAA-rated DANGA 1/30 saw a whopping RM240m nominal amounts traded closing 2bps lower at 4.62% whilst the shorter tenures i.e 2/26 and 9/27 edged between 1-3bps higher between 4.48-53% levels. The AA-segment saw infra-cum-energy bonds dominate trades with a slew of Southern Power 2023-2033 tranches exchanging hands between 1-29bps lower between 4.795-5.20% levels. In the banking sector AA-rated Sabah Development Bank 9/20 also rallied; closing at 4.83%.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.265	3	3.259	12/10/2018	1
MGS 11/19	3.434	1	3.443	15/10/2018	-1
MGS 02/21	3.584	20	3.584	12/10/2018	0
MGS 09/21	3.646	1	3.630	12/10/2018	2
MGS 03/23	3.818	27	3.790	15/10/2018	3
MGS 08/23	3.827	4	3.852	15/10/2018	-2
MGS 09/25	4.021	9	4.008	15/10/2018	1
MGS 05/27	4.156	1	4.145	11/10/2018	1
MGS 04/30	4.448	5	4.487	15/10/2018	-4
MGS 04/32	4.573	1	4.581	15/10/2018	-1
MGS 04/33	4.597	3	4.582	15/10/2018	2
MGS 04/37	4.788	1	4.717	11/10/2018	7
MGS 06/38	4.782	65	4.727	12/10/2018	5
GII 04/19	3.290	920	3.313	12/10/2018	-2
GII 03/22	3.719	50	3.732	11/10/2018	-1
GII 04/22	3.794	3	3.782	12/10/2018	1
GII 10/25	4.108	120	4.111	15/10/2018	0
GII 07/27	4.168	290	4.216	11/10/2018	-5
GII 10/28	4.193	230	4.190	12/10/2018	0
		<u>1753</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*	
Pengurusan Air SPV Berhad	06/23	GG	4.051	10	4.056	13/09/2018	0	28
Bank Pembangunan Malaysia Berhad	09/24	GG	4.246	10	4.233	05/10/2018	1	33
DanaInfra Nasional Berhad	05/41	GG	4.949	30	4.950	03/10/2018	0	18
Prasarana Malaysia Berhad	09/42	GG	4.969	10	4.969	11/10/2018	0	20
HSBC Amanah Malaysia Berhad	03/20	AAA	4.015	2	4.014	03/10/2018	0	63
GENM Capital Berhad	07/23	AAA	4.756	10	4.764	10/10/2018	-1	98
Telekom Malaysia Berhad	12/24	AAA	4.381	30	4.387	15/10/2018	-1	46
Danga Capital Berhad	02/26	AAA	4.481	10	4.472	12/10/2018	1	48
Danga Capital Berhad	09/27	AAA	4.529	40	4.500	27/09/2018	3	41
Rantau Abang Capital Berhad	03/29	AAA	4.569	40	4.570	15/10/2018	0	44
Danga Capital Berhad	01/30	AAA	4.619	240	4.636	24/09/2018	-2	49
Rantau Abang Capital Berhad	05/31	AAA	4.661	30	4.887	19/06/2018	-23	10
Sabah Development Bank Berhad	09/20	AA1	4.826	60	5.103	08/10/2018	-28	133
Sarawak Energy Berhad	12/32	AA1	4.849	10	4.850	12/10/2018	0	29
Danajamin Nasional Berhad	10/27	AA+	4.668	10	4.672	10/10/2018	0	55
UMW Holdings Berhad	10/19	AA2	4.222	3	4.426	08/06/2018	-20	84
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.380	10	4.526	21/09/2018	-15	-
PBFIN Berhad	06/59	AA2	5.350	1	4.269	03/10/2018	108	58
CIMB Thai Bank Public Company Limited	07/24	AA3	4.534	120	4.520	05/10/2018	1	61
IJM Corporation Berhad	08/28	AA3	4.929	20	4.909	01/10/2018	2	80
AmBank Islamic Berhad	10/28	AA3	4.881	10	-	-	-	-
Malakoff Power Berhad	12/18	AA-	3.970	2	3.927	05/10/2018	4	58
Southern Power Generation Sdn Berhad	04/23	AA-	4.498	10	4.567	13/08/2018	-7	72
Southern Power Generation Sdn Berhad	10/23	AA-	4.518	10	4.547	25/09/2018	-3	74
WCT Holdings Berhad	04/26	AA-	5.499	10	5.517	04/09/2018	-2	142
Southern Power Generation Sdn Berhad	04/31	AA-	4.788	10	4.798	05/10/2018	-1	23
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31	AA-	5.079	10	5.140	25/04/2018	-6	52
Southern Power Generation Sdn Berhad	10/31	AA-	4.796	10	4.850	30/08/2018	-5	23
Southern Power Generation Sdn Berhad	04/32	AA-	4.819	20	5.109	12/07/2018	-29	26
Southern Power Generation Sdn Berhad	10/32	AA-	4.884	20	4.909	25/09/2018	-2	32
Southern Power Generation Sdn Berhad	04/33	AA-	4.934	10	5.149	23/07/2018	-22	37
Southern Power Generation Sdn Berhad	10/33	AA-	4.994	10	4.991	01/10/2018	0	43
Southern Power Generation Sdn Berhad	04/34	AA-	5.030	10	5.049	04/10/2018	-2	47
Southern Power Generation Sdn Berhad	10/35	AA-	5.199	10	5.207	11/10/2018	-1	64
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.329	20	5.338	20/08/2018	-1	77
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.579	10	5.557	20/08/2018	2	81
AMMB Holdings Berhad	03/27	A1	5.205	1	4.826	24/09/2018	38	113
AmBank (M) Berhad	08/39	A1	4.505	7	4.603	05/09/2018	-10	-
Eco World International Berhad	04/23	-	6.600	1	6.600	15/10/2018	0	282
			<u>887</u>					

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

Market/Corporate News: What's Brewing

Bank Negara Malaysia (BNM) governor Datuk Seri Nor Shamsiah Mohd Yunus has said Asian countries facing increased market volatility need the option to use capital controls to pre-empt financial crises. “Countries in this region should be allowed to use capital flow regimen policies as a legitimate policy tool that can be deployed in a pre-emptive manner to deal with potential risk to financial market stability,” Nor Shamsiah told the Financial Times today on the sidelines of the International Monetary Fund (IMF) and World Bank annual meetings in Bali, Indonesia. The British daily also quoted her as saying that “there is a lot of stigma in the use of capital flow” management. In-page MRec. The paper noted that Nor Shamsiah had said in a seminar that Malaysia had used some capital flow measures in 2016, when the central bank clamped down on ringgit trading in the offshore non-deliverable forwards market to stem the currency’s fall amid an emerging market sell-off following the election of Donald Trump as US president. In the same report, the Financial Times cited Bangko Sentral ng Pilipinas deputy governor Diwa Guinigundo as saying that using capital controls pre-emptively was frowned upon. Bank of Thailand governor Veerathai Santiprabhob, meanwhile, said managing capital flows could help stabilise Southeast Asian markets, especially following the heavy inflows over the past five years when investors have chased yield in a world of low interest rates. “Our markets tend to be small, so sometimes we need to be able to [use] preventive measures and throw sand in the wheels. We need to be able to combine the different policy tools — macroprudential, capital flow management measures and exchange rate,” Veerathai was quoted as saying. The Malaysian Government’s move to impose capital controls back in 1998 was not favoured by the IMF, which still advised countries to liberalise their capital accounts and avoid imposing capital controls. The Financial Times said that today the IMF is broadly seen as being more flexible, after announcing in 2012 that it accepted temporary controls on capital flows if they are used to stem a crisis and in conjunction with sound fiscal and monetary policies. However, the report noted that the IMF is still cautious on capital controls and believes that controlling capital outflows in “non-crisis situations” might actually exacerbate investor flight while tarnishing a country’s credibility. “In the mind of investors it is like breaking an implicit agreement,” the daily quoted Martin Kaufman, assistant director at the IMF’s strategy policy and review department, as saying. Kaufman said the IMF tended to be more comfortable with managing capital inflows rather than outflows, but deemed the policy fallible as investors were able to circumvent the rules. Malaysia fell out of favour with the international investing community when on Sept 1, 1998 the government imposed capital controls which prohibited the repatriation of funds. The ringgit was also pegged to the US dollar at a fixed exchange rate of 3.8 at that time. Markets were drastically impacted by the move, as the Kuala Lumpur Composite Index plunged to 262.7 points on Sept 1, 1998 from 1,271.57 on Feb 25, 1997 — a 79% decline in 18 months. Subsequently, the Government eased its capital controls measures in 2005, but the KLCI only returned to the 1997 level on Aug 22, 2007 when it reached 1,255.39. As a result of the capital controls, the world’s largest indices provider MSCI Inc on Sept 30, 1998 removed Malaysia from its developed market index as well as MSCI Emerging Markets Free (EMF) and MSCI All Country (AC) free indices. Malaysia was only readmitted into the EMF and AC indices in May 2000. In an interview with The Wall Street Journal in May, Prime Minister Tun Dr Mahathir Mohamad said Malaysia may consider imposing capital controls again if there are signs of currency manipulation. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Maybank Islamic Berhad	Financial institution (FI) ratings	AAA and MARC-1	Affirmed
KAF Investment Bank Berhad	Financial institution (FI) ratings	AA- and MARC-1	Affirmed

Source: RAM, MARC

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