

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.78	0
5-yr UST	2.89	-2
10-yr UST	2.99	-1
30-yr UST	3.13	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.60	0	3.54	3
5-yr	3.80	-1	3.90	0
7-yr	4.01	0	4.06	0
10-yr	4.10	-1	4.20	0
15-yr	4.50	0	4.62	0
20-yr	4.70	0	4.79	0
30-yr	4.92	2	4.98	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	0
5-yr	3.85	-1
7-yr	3.98	0
10-yr	4.16	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasury yields edged lower as technology stocks especially FAANG group on Wall Street took some beating. Overall benchmark yields were 0-2bps lower as market awaited the pricing of Nestle's huge \$8.0b debt deal. The 2Y ended at 2.78% whilst the much-watched 10Y edged 1bps lower at 2.99%; capped below the 3.0% threshold for now. Trade worries continue to dominate market chatter as President Trump decides to impose 10% tariffs on \$200b Chinese goods come 24th September. China has vowed to retaliate against any tariffs and will likely refuse to engage in further trade talks which were mooted by Treasury secretary, Mnuchin. Investors and strategists now assess the opposing impact on UST's in terms of Fed policy coupled with burgeoning Treasury supply versus flight to safety on global trade concerns.

MGS/GII

- Trading volume in Govvies dropped to RM2.81b yesterday with interest mainly on both MGS and GII 19's. Overall benchmark yields were generally mixed between -1 to +3bps across the curve with the 7Y MGS 3/25 within 1bps at 4.01% levels whilst the 10Y MGS 6/28 edged 1bps lower at 4.10%. GII trades fell to 30% of total trades. 4.973%. Meanwhile, the Finance minister has outlined several positives on the Malaysian economy being resilient and this may spur sporadic interest in local govvies. Some of these include strong GDP growth of ~5.0% for 2018, low unemployment rate and positive current account surpluses.

Corp Bonds/Sukuk

- Corporate bonds/sukuk saw momentum sustain with volume at RM409m on a 23 different bonds compared to prior trading day's 21 with focus centered on the AAA-AA part of the curve. The sole Govt-Guaranteed trade involved DANA 5/23 which rose 2bps at 4.05% compared to previous-done levels. The AAA-rated PUTRAJAYA 19's and 22's saw a slew of trades ending 0-3bps higher between 3.95-01% levels and 4.30% respectively. In the AA-space infrastructure cum power-related bonds i.e. SEB 12/32, JEV 20-22 and EDRA 7/23 dominated; closing mixed on yields. SEB 12/32 edged 1bps higher at 4.91% whereas JEV 20-22's ended between 4.34-53% levels. EDRA 7/23 meanwhile rallied 6bps at 5.24%. Expect continued interest in both GG and credits going forward.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.228	880	3.242	13/09/2018	-1
MGS	10/19	3.412	70	3.474	12/09/2018	-6
MGS	11/19	3.404	378	3.440	13/09/2018	-4
MGS	03/20	3.491	108	3.493	13/09/2018	0
MGS	07/21	3.565	41	3.614	13/09/2018	-5
MGS	11/21	3.602	135	3.615	13/09/2018	-1
MGS	03/22	3.635	10	3.694	12/09/2018	-6
MGS	08/22	3.749	90	3.777	13/09/2018	-3
MGS	09/22	3.749	76	3.762	13/09/2018	-1
MGS	03/23	3.835	6	3.847	13/09/2018	-1
MGS	04/23	3.804	56	3.816	13/09/2018	-1
MGS	08/23	3.847	55	3.919	13/09/2018	-7
MGS	09/24	4.016	3	4.021	13/09/2018	0
MGS	03/25	4.006	58	4.013	13/09/2018	-1
MGS	09/25	4.124	4	4.138	13/09/2018	-1
MGS	11/26	4.205	10	4.220	13/09/2018	-1
MGS	11/27	4.210	1	4.277	12/09/2018	-7
MGS	06/28	4.097	1	4.111	13/09/2018	-1
MGS	04/37	4.731	2	4.737	12/09/2018	-1
MGS	07/48	4.921	35	4.908	13/09/2018	1
GII	10/18	3.273	4	3.399	13/09/2018	-13
GII	02/19	3.448	70	3.503	08/08/2018	-6
GII	04/19	3.305	355	3.347	13/09/2018	-4
GII	04/20	3.535	46	3.567	06/09/2018	-3
GII	08/20	3.529	11	3.577	04/09/2018	-5
GII	04/22	3.757	50	3.757	13/09/2018	0
GII	07/23	3.946	34	4.008	13/09/2018	-6
GII	11/23	3.900	140	3.900	13/09/2018	0
GII	08/24	3.998	60	4.035	05/09/2018	-4
GII	07/27	4.244	2	4.278	13/09/2018	-3
GII	10/28	4.197	20	4.199	13/09/2018	0
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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 MGS*
DanaInfra Nasional Berhad	05/23	GG	4.050	90	4.030	30/08/2018	2	24
Putrajaya Holdings Sdn Berhad	04/19	AAA	3.951	15	3.940	17/04/2018	1	56
Putrajaya Holdings Sdn Berhad	07/19	AAA	4.013	10	3.978	19/05/2016	3	62
Rantau Abang Capital Berhad	12/20	AAA	4.044	40	4.048	04/09/2018	0	55
Putrajaya Holdings Sdn Berhad	07/22	AAA	4.303	10	4.307	27/04/2017	0	58
GENM Capital Berhad	07/28	AAA	5.087	20	5.078	04/09/2018	1	97
YTL Power International Berhad	05/27	AA1	4.878	57	4.897	16/08/2018	-2	75
United Overseas Bank (Malaysia) Berhad	07/28	AA1	4.687	10	4.760	23/07/2018	-7	57
Sarawak Energy Berhad	12/32	AA1	4.908	30	4.899	12/09/2018	1	39
Celcom Networks Sdn Berhad	08/24	AA+	4.663	10	4.660	24/08/2018	0	72
Celcom Networks Sdn Berhad	08/27	AA+	4.820	10	4.798	04/09/2018	2	69
Danajamin Nasional Berhad	10/27	AA+	4.698	10	4.697	07/08/2018	0	57
AmBank (M) Berhad	06/20	AA2	4.378	30	4.428	24/08/2018	-5	89
Jimah Energy Ventures Sdn Berhad	11/20	AA3	4.337	10	4.337	05/03/2018	0	85
Jimah Energy Ventures Sdn Berhad	11/21	AA3	4.437	20	4.590	24/05/2018	-15	83
Jimah Energy Ventures Sdn Berhad	11/22	AA3	4.530	10	4.520	14/03/2018	1	81
Edra Energy Sdn Berhad	07/23	AA3	5.244	4	5.305	02/07/2018	-6	144
Jati Cakerawala Sdn Berhad	07/23	AA3	5.324	7	5.148	14/12/2017	18	152
CIMB Thai Bank Public Company Limited	07/26	AA3	4.962	10	4.854	23/08/2018	11	86
RHB Islamic Bank Berhad	04/27	AA3	4.687	4	4.667	06/09/2018	2	56
CIMB Group Holdings Berhad	05/16	A1	5.070	1	5.272	12/09/2018	-20	36
Mah Sing Perpetual	-	-	5.413	1	6.349	12/09/2018	-94	-
Eco Capital	08/22	-	6.427	1	6.359	02/26/2018	7	-
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

President Donald Trump instructed aides on Thursday to proceed with tariffs on about \$200 billion more in Chinese products despite his Treasury secretary's attempt to restart talks with Beijing to resolve the trade war, according to four people familiar with the matter. But an announcement of the new round of tariffs has been delayed as the administration considers revisions based on concerns raised in public comments, the people said. Trump may be running low on products he can target without significant backlash from major U.S. companies and consumers, two of the people said. The threat of fresh tariffs roiled financial markets. U.S. stocks erased gains, dropping to session lows, while the dollar strengthened versus the Chinese offshore yuan by the most in two weeks. Technology shares led declines, with Apple Inc. falling as much as 1.7 percent. The iPhone maker last week warned that new tariffs could increase the cost of its products. The White House didn't immediately comment. Trump met with his top trade advisers on Thursday to discuss the China tariffs, including Treasury Secretary Steven Mnuchin, Commerce Secretary Wilbur Ross and U.S. Trade Representative Robert Lighthizer, the people said. Mnuchin has led a recent overture to the Chinese to re-start trade talks. Read more: [Can Trump Win If He Escalates His China Trade War?](#) Trump was asked during the meeting whether he was concerned about the impact of the new tariffs on negotiations with China. He responded that he wasn't, two of the people said. The public comment period for a list of tariffs on about \$200 billion in Chinese goods closed last week, and Trump said the duties would be imposed "soon." The new round would be in addition to \$50 billion in Chinese goods that already face a 25 percent duty. The Chinese have retaliated with tariffs on an equivalent amount of U.S. exports, and have promised to match future rounds of U.S. duties. Before his meeting on Thursday, which didn't appear on his public calendar, Trump boasted on Twitter that he has the upper hand in the trade feud with Beijing and feels "no pressure" to resolve the dispute. His comment tempered cautious optimism among investors over the U.S. government's proposal for another round of talks with Beijing. Disclosure on Wednesday that the U.S. sought to renew the talks rallied U.S. stocks and emerging-market assets. Trump threatened a third tranche of tariffs on another \$267 billion of Chinese imports last week, which would mean levying duties on nearly everything China exports to the U.S. Trump said at the time those tariffs were "ready to go on short notice," but the administration hasn't yet published a list for public comment. It has become tricky to find additional products for duties that won't more obviously impact American consumers, according to two people. There was no decision made during Thursday's meeting regarding when to issue the \$267 billion round. Apple said last week the \$200 billion round of tariffs could hit some of its most popular goods such as the Apple Watch and AirPods headphones. Retailers such as WalMart Inc. and Target Corp. risk being swept up in an escalating trade war if further tariffs hit a broad range of consumer goods, from TVs to sneakers. Efforts to end the trade dispute have fizzled so far. Officials from both countries have met four times for formal talks, most recently in August, when Treasury's undersecretary for international affairs, David Malpass, led discussions in Washington with Chinese Vice Minister Wang Shouwen. The White House has sought to pressure Beijing to reduce its trade surplus with America and protect intellectual property rights of U.S. companies, which it says are abused in China.. (Source: *The EdgeMarkets / Bloomberg*)

WHILE the departure of CEO Shaharuddin Zainuddin from Bank Pembangunan Malaysia Bhd (BPMB) has been confirmed, many questions about the development bank remain unanswered. First, why did the bank have three CEOs in the span of three years? What prompted these resignations? A couple of weeks ago, BPMB, in emailed responses to The Edge, confirmed that Shaharuddin had left on July 30 — barely 10 months after taking the helm at the bank, but it declined to divulge details. "At present,

the bank is not at liberty to disclose the reason [for Shaharuddin's departure]," BPMB said, adding that, "Formal notification and appropriate representation has been made to the respective shareholder and to the relevant authority." As a government-owned entity, the reason for the departure of BPMB's top management should be disclosed, especially in this case, with three changes of CEO in three years. The departure of Mohammed Rafidz Ahmed Rasiddi — Shaharuddin's predecessor — was not even announced. Questions on BPMB from The Edge to Minister of Finance Lim Guan Eng went unanswered. Secondly, BPMB, as a unit of the Ministry of Finance, should explain why its accounts and annual report have been delayed. BPMB has issued RM7 billion in debt paper — a conventional AAA medium-term notes programme and an Islamic murabahah medium-term notes programme. Shouldn't the delay in the release of its annual report raise a red flag to bondholders? Are they aware of what is going on at BPMB? It is worth noting that BPMB chairman Tan Sri Wan Abdul Aziz Wan Abdullah is also the chairman of rating agency RAM Holdings Bhd. Also of interest should be how BPMB has dished out loans. BPMB extended financing to Integrated Nautical Resort Sdn Bhd and Garuda Suci Sdn Bhd — two companies linked to Indonesian businessman Tan Sri Peter Sondakh — which built and operates the St Regis Langkawi and the Langkawi International Convention Centre. A check on Integrated Nautical Resort on RAM Credit Information reveals that it has an unsatisfied RM246.54 million facility with BPMB, while Garuda Suci has a RM57.75 million facility that is still due. Checks on RAM Credit indicate that Integrated Nautical Resort and Garuda Suci are both 40% controlled by Sondakh via Eagle Rock Capital (L) Bhd, 30% by Lembaga Pembangunan Langkawi (Lada) and 30% by Aset Tanah Nasional Bhd, a unit of the Ministry of Finance. Both Integrated Nautical Resort and Garuda Suci have been loss-making since 2013. Sondakh is said to wholly own the Westin Langkawi Resort and Spa, located not very far away from the St Regis. Considering that Lada and the Ministry of Finance are not hotel operators, the question is, why did BPMB lend money to an Indonesian businessman, let alone one who wholly owns another luxury hotel nearby? It would seem obvious that he would be more concerned about the Westin, which he wholly owns, than St Regis where he has 40%. In addition, certain quarters say that Asian Broadcasting Network (M) Sdn Bhd (ABN), a company linked to well-connected businessman Tan Sri Ketheeswaran Kanagaratnam, better known as KK Eswaran, which had a RM450 million facility with BPMB that is unsatisfied, has links to Quantum Medical Solutions Sdn Bhd, which was given the concession to maintain and manage biomedical equipment for the Ministry of Health. Quantum Medical Solutions has a RM476.84 million unsatisfied facility with BPMB. Checks on RAM Credit indicate that Quantum Medical Solutions is 40% controlled by Halaman Unggul Sdn Bhd and 30% each by Impak Dermaga Sdn Bhd and Gala Variasi Sdn Bhd. Gala Variasi wholly owns Halaman Unggul. Quantum Medical Solutions' directors are Datuk Khairuddin Mohd Sari and Datuk Mohd Ali Abd Samad. Gala Variasi is 90% controlled by Mohd Ali, while the remaining 10% is held by Khairuddin. Impak Dermaga is 90% controlled by Khairuddin and 10% by Nuranita Sulaiman, who also double up as directors of the private company. The link to KK Eswaran could stem from Datuk Nik Mohd Amin Nik Abu Bakar being a director of Halaman Unggul. Nik Mohd Amin is also a director of Pinehill Pacific Bhd, a plantation company that is 32.33% controlled by KK Eswaran. Other than the above, there does not seem to be any link. News reports last year had it that ABN had debt of RM400 million, with about half, or RM200 million, owing to BPMB. For its financial year ended December 2015, ABN suffered an after tax loss of RM60.58 million on RM4.88 million in revenue. It has been reported that ABN has been wound up. According to reports, BPMB's gross impaired loan ratio stood at 15.7% as at end-June 2017 (end-December 2015: 11.1%), mainly due to exposure to the technology, maritime and oil and gas sectors. This is way above the average gross impaired loan ratio of below 2%, which deserves some explanation as well. Another issue which would require explanation is how BPMB's 90% unit, Global Maritime Ventures Bhd (GMV), ended up wholly owning Syarikat Borcos

Shipping Sdn Bhd. Liquidators KPMG were appointed to Syarikat Borcos Shipping at end-December 2016, after the company went belly up. Syarikat Borcos Shipping had a RM62.7 million facility unsatisfied with BPMB. KPMG Deal Advisory Sdn Bhd is understood to have hived off as many as seven anchor-handling tugs controlled by Syarikat Borcos Shipping. GMV was involved in dispensing a shipping fund under BPMB, and only took associate stakes in companies to make sure the companies were properly run. (Source: *The Edge Markets*)

SRating Action			
Issuer	PDS Description	Rating/Outlook	Action
Sime Darby Plantation Berhad's (SD Plantation)	Corporate credit rating Perpetual Subordinated Sukuk Programme (Perpetual Sukuk) of up to RM3.0 billion	AAA AA-IS	Affirmed Affirmed
Kimanis Power Sdn Bhd	RM1,160.0 million Sukuk Programme	AA-IS	Affirmed

Source: RAM, MARC

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