Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.80	2
5-yr UST	2.94	5
10-yr UST	3.06	7
30-yr UST	3.20	7

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	1	3.56	2
5-yr	3.79	-1	3.91	1
7-yr	4.01	0	4.06	0
10-yr	4.11	1	4.20	0
15-yr	4.53	2	4.62	0
20-yr	4.70	0	4.79	0
30-yr	4.90	0	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	3.86	0
7-yr	3.98	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

RM3.0b Reopening of 10Y MGS 6/28 on Thurs, 20th Sep

US Treasuries

- US Treasuries were sharply lower with the curve bear-steepening as the longer-end led losses arising partly due to a slew of IG deals. Overall benchmark yields jumped 2-7bps with the 2Y up 2bps at 2.80% whilst the much-watched 10Y swept past the 3.00% threshold again last seen in May to end at 3.06% levels. Trade worries were temporarily cast aside as markets feared the twin impact on UST's as the Fed is on track to hike interest rate this month coupled with burgeoning Treasury supply. The latest foreign holdings of UST's as at July reveal a drop of $7.7b by China to $1.17trillion which is partly offset by Japan's $5.1b rise to $1.04trillion. Meanwhile as President Trump imposes 10% tariffs on $200b Chinese goods come 24th September; China too has retaliated on $60b of goods with tariffs slated between 5-10%.

MGS/GII

- Trading volume in Govvies grinded to a mere RM1.50b yesterday with interest mainly on both off-the-run 21-23's. Overall benchmark yields were unchanged to generally 1-2bps higher across the curve with both the 7Y MGS 3/25 and 6/28 within 1bps at 4.01% and 4.11% levels respectively. GII trades rose to 40% of total trades. The Finance minister has outlined several positives on the Malaysian economy being resilient and this may continue to spur support in local govvies despite pullbacks seen in EM's of late. Some of these include strong GDP growth of ~5.0% for 2018, low unemployment rate and positive current account surpluses. Meanwhile attention is expected to be focused on tomorrow's RM3.0b 10Y reopening of MGS 6/28.

Corp Bonds/Sukuk

- Corporate bonds/sukuk saw drastic drop in momentum on tepid volume of RM272m as interest was seen only in 11 different bonds compared to prior trading day's 23. Focus continued to be centered on the AAA and AA part of the curve. The AAA-rated GENM Capital 22-23's and 28's saw RM105m nominal value traded altogether rallying between 8-13bps lower between 4.70-80% levels and 5.00% respectively compared to previous-done levels. DANGA 2/26 ended 2bps lower at 4.50% on decent volume as well. In the banking space, AA-rated Hong Leong 28nc23 similarly moved 8bps lower at 4.85% levels whist JEP 29 and 31 edged 1bps lower at 4.95 and 5.11% area respectively. Expect selective investor interest to persist.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.520	51	3.267	13/09/2018	25
MGS	03/19	3.262	91	3.242	13/09/2018	2
MGS	07/19	3.407	1	3.397	07/09/2018	1
MGS	10/19	3.420	43	3.474	12/09/2018	-5
MGS	11/19	3.451	104	3.440	13/09/2018	1
MGS	03/20	3.461	5	3.493	13/09/2018	-3
MGS	07/20	3.445	25	3.511	06/09/2018	-7
MGS	10/20	3.532	35	3.568	12/09/2018	-4
MGS	07/21	3.597	1	3.614	13/09/2018	-2
MGS	09/21	3.619	21	3.645	12/09/2018	-3
MGS	11/21	3.609	107	3.615	13/09/2018	-1
MGS	03/22	3.604	14	3.694	12/09/2018	-9
MGS	08/22	3.756	50	3.777	13/09/2018	-2
MGS	09/22	3.768	2	3.762	13/09/2018	1
MGS	03/23	3.800	20	3.847	13/09/2018	-5
MGS	04/23	3.792	70	3.816	13/09/2018	-2
MGS	08/23	3.845	30	3.919	13/09/2018	-7
MGS	07/24	4.005	3	3.996	13/09/2018	1
MGS	09/24	4.025	1	4.021	13/09/2018	0
MGS	03/25	4.006	80	4.013	13/09/2018	-1
MGS	09/25	4.146	14	4.138	13/09/2018	1
MGS	04/26	4.180	3	4.231	13/09/2018	-5
MGS	11/26	4.205	4	4.220	13/09/2018	-1
MGS	03/27	4.268	3	4.217	03/09/2018	5
MGS	11/27	4.190	22	4.277	12/09/2018	-9
MGS	06/28	4.109	30	4.111	13/09/2018	0
MGS	04/30	4.492	14	4.509	13/09/2018	-2
MGS	04/33	4.554	23	4.573	13/09/2018	-2
MGS	04/37	4.717	8	4.737	12/09/2018	-2
MGS	09/43	4.893	2	4.893	13/09/2018	0
MGS	03/46	4.896	3	4.903	12/09/2018	-1
MGS	07/48	4.901	19	4.908	13/09/2018	-1
GII	07/27	3.321	200	4.278	13/09/2018	-96
GII	08/24	3.556	62	4.035	05/09/2018	-48
GII	10/28	3.754	52	4.199	13/09/2018	-45
GII	04/22	3.911	200	3.757	13/09/2018	15
GII	11/23	3.991	40	3.900	13/09/2018	9
GII	04/20	4.230	40	3.567	06/09/2018	66
GII	04/19	4.197	10	3.347	13/09/2018	85
			1501			

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*
GENM Capital Berhad	03/22	AAA	4.704	40	4.895	05/07/2018	-19	98
Rantau Abang Capital Berhad	10/22	AAA	4.243	10	4.332	30/03/2018	-9	52
GENM Capital Berhad	07/23	AAA	4.797	40	4.880	06/09/2018	-8	99
Danga Capital Berhad	02/26	AAA	4.475	70	4.498	27/08/2018	-2	47
GENM Capital Berhad	07/28	AAA	4.995	25	5.078	04/09/2018	-8	87
Hong Leong Financial Group Berhad	06/28	AA2	4.848	50	4.730	21/06/2018	12	73
Malayan Banking Berhad	09/68	AA2	6.191	15	3.856	25/07/2018	234	148
Jimah East Power Sdn Berhad	12/29	AA-	4.825	10	4.839	29/08/2018	-1	70
Jimah East Power Sdn Berhad	12/31	AA-	4.945	10	4.958	05/09/2018	-1	42
CIMB Group Holdings Berhad	05/16	A1	5.114	1	4.735	13/09/2018	38	40
Mah Sing Perpetual	-	-	6.501	1	6.501	30/08/2018	0	-
				272				

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

Market/Corporate News: What's Brewing

The outlook for the rest of 2H18 remains positive for Genting Malaysia Bhd despite the likely delays of both theme parks, analysts said. Visitor count to the hill top increased by 21% year-on-year (y-o-y) to 12.8 million as of June, due to the new facilities opened under the Genting Integrated Transformation Plan (GITP) that include the SkyCasino, SkyAvenue mall and Awana Skyway cable car. It continues to anticipate a sturdy 2H18, as the improved facilities and amenities gain traction amongst visitors. Its visitor arrival assumptions may be revised to factor in the delay in both theme park openings and cut its earnings for FY18 marginally, but lifted FY19-FY20 estimates by 3.2%. Key risks to its call include fluctuations in luck factor and further delays in the completion of the theme parks. "While there could be some investor disappointment over the persistent theme park delays, we continue to see the opening of its 20th Century Fox outdoor theme park as a major visitation re-rating catalyst. "Although the theme park alone will not contribute significantly to earnings, its family appeal should spur patronage to the hilltop and boost earnings visibility," it added. *(Source: The EdgeMarkets / Bloomberg)*

"No one wins from a trade war," is a standard refrain among economists. Southeast Asian businesses are trying to prove that maxim wrong. The region is capitalizing on a rush of new orders and production moves as firms reconsider their business in the U.S. and China amid a deepening trade war. About one-third of more than 430 American companies in China have or are considering moving production sites abroad amid the tensions, according to survey results released Sept. 13 by AmCham China and AmCham Shanghai. Southeast Asia was their top destination. Vietnamese furniture producer Phu Tai Corp. is among those looking to cash in. The maker of home furnishings for Wal-Mart Stores Inc. outlets in the U.S. is planning for a 30 percent increase in its exports this year and in 2019, according to Deputy General Director Nguyen Sy Hoe. It'll invest about $10 million to expand two factories at its base in Binh Dinh province and to upgrade production lines in two other factories in Dong Nai further south. "We see this as a great chance to boost our exports to the U.S. as we're getting more orders from that market," Hoe said by phone Sept. 4. "Given the escalating trade war between China and the U.S., many American importers are switching to buy from Vietnam." The 10-economy bloc of the Association of Southeast Asian Nations, or Asean, is a natural magnet for new factories thanks to low production costs and well-trodden manufacturing plants, solid growth with the five biggest economies expanding at about 5.3 percent on average, and improving ease-of-doing-business rankings -- not to mention geographical proximity to China. The biggest container shipping firm on the trans-Pacific routes is adding capacity in Southeast Asia Nations like Cambodia and Vietnam are looking more attractive than ever for consumer-goods makers such as Steven Madden Ltd. and Tapestry Inc.'s Coach Manufacturing powerhouses behind much of the world's electronics are preparing to move chunks of production away from China and toward such locales as Eastern Europe, Mexico and Southeast Asia Producer sentiment indicators around the world have shown negative impact from the tariffs on $50 billion in goods the U.S. and China have imposed on each other since July. With another $200 billion in Chinese imports targeted and China announcing retaliatory tariffs against $60 billion of U.S. goods, trade-reliant Southeast Asia will also be exposed to that overall drag. But unlike many developed economies, the alternative production bases also stand to gain as companies shift orders to them to avoid levies. Koratak Weeradaecha, finance director for Star Microelectronics Thailand, has noticed fluctuations in orders that correlate with the trade tensions -- first, a delay as some adjusted to new tariffs, he said in an Aug. 24 interview. Orders have now increased by at least 15 percent from 2017 and "we expect the trend to be more apparent later this year." "Orders came from companies who moved their production lines here, which helped boost the supply chain in Thailand," said Koratak. "And we think there should be more as many companies should think about relocating their plants to neighbouring countries, as staying in China may be too risky." Electronics manufacturers aren't the only ones in Thailand bound for a boost. Malayan Banking Bhd. cites automobiles, seafood, rubber, and tourism all as markets that stand to benefit as Chinese goods become less attractive. The Thai government agrees that the seafood sector will win amid the U.S.-China disputes, with those goods being targeted on both American and Chinese tariff lists, said Pimchanok Vonkorpon, director general for the commerce ministry's trade policy and strategy office. "Canned tuna should be a prime beneficiary sector," she said. Thailand makes up about 21 percent of China's fruit imports, so that market stands to gain against U.S. competitors that hold an almost 8 percent share. Judging by the ability to offer substitute goods, Thailand is among the best-placed in the world to find opportunity amid the chaos, according to a July report from Krungsri Securities. While companies have been reluctant to act prematurely on production shifts, there have been some scouting areas in Thailand as potential factory sites, Nattapol Rangsitpol, director-general of the Ministry of Industry's Office of Industrial Economics, told reporters Aug. 28. It's a similar story in Malaysia. "We've got so many inquiries that our greatest problem is how to ramp up capacity," including in electronics, steel production and automation from both China and the U.S., Malaysian Finance Minister Lim Guan Eng told reporters Sept. 13 in Hong Kong. "Once they come in it is very hard to pull out." Malaysia could see the benefits both as a trans-shipment point and because it's a neutral country in which Chinese and American companies both would have an interest in investing. Malaysian billionaire Robert Kuok's Kerry Logistics Network Ltd. is seeing "numbers are looking up a bit more" as companies divert distribution centers from mainland China and into places like Hong Kong and Taiwan, and parts of Southeast Asia, according to the company's chairman, George Yeo. "They're thinking of the next factory, and they're less likely to put it in China," Yeo, a former trade and foreign minister in Singapore, told Bloomberg Television Sept. 14. He acknowledged that some firms already were planning to move business to lower-cost manufacturing sites outside of China. The complication of calculating aggregate benefits for some economies is evident in Malaysia, which could score wins in some areas while also taking a hit to its parts-makers that sell heavily to China. For now though, Southeast Asia is shaping up as the one region which may notch some gains as the U.S. and China exchange trade blows. Vietnam has "more opportunities than challenges" from the U.S.-China trade tensions, Prime Minister Nguyen Xuan Phuc told Bloomberg Television in a Sept. 10 interview. The premier views the dramas as helping push Vietnam toward enhancing other trade relationships and embarking on domestic reforms to keep its development apace amid turbulent times. *(Source: The Edge Markets)*

SRating Action

Issuer	PDS Description	Rating/Outlook	Action
Puncak Wangi Sdn Bhd	Guaranteed IMTN Programme of up to RM200 million (2014/2022).	AAA(FG)	Reaffirmed

Source: RAM, MARC

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