

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.80	-5
5-yr UST	2.88	-6
10-yr UST	3.06	-5
30-yr UST	3.32	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.68	-3	3.77	0
5-yr	3.86	0	3.93	0
7-yr	4.06	5	4.17	0
10-yr	4.15	0	4.27	-2
15-yr	4.57	0	4.58	0
20-yr	4.79	0	4.79	0
30-yr	4.94	0	4.95	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.77	0
5-yr	3.89	0
7-yr	3.99	0
10-yr	4.20	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries rallied as the curve shifted lower as investors assessed the impact on the economy and Fed policy from equities to oil. Overall benchmark UST yields rallied 4-6bps across the curve with both the 2Y and 10Y ending 5bps lower at 2.80% and 3.06% respectively. Surprisingly the geopolitical turmoil and global growth concerns have merged and may cause the Fed to re-look its aggressive policy tightening stance based on interpretations from the recent Fed speak. Meanwhile foreign holdings of UST's fell to ~41% in September; the lowest level since 2003. China's holdings remained somewhat steady at \$1.15 trillion.

#### MGS/GII

- Trading volume for local Govvies ended at RM1.42b Friday with interest seen across off-the-run 19's and benchmark 5Y bonds. Overall benchmark yields ended mixed between -3 to +5 bps. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 closed unchanged at 3.86% and 4.15% respectively. GII trades formed a mere 31% of overall bond trades. Meanwhile investors are divided as to the expected performance of Ringgit bonds as the nation's budget swells especially with oil slumping over the month. Meantime the weaker 3Q GDP data of 4.4% was not unexpected.

#### Corp Bonds/Sukuk

- Trading momentum in Corporate Bonds/Sukuk space improved last Friday as total volume notched R512m with interest seen across the GG-AA part of the curve. Govt-guaranteed bonds ended mixed on yields with PTPTN 3/24 and 3/37 closing between +3 to -5bps compared to previous-done levels at 4.20% and 4.89% respectively. Both AAA-rated DANGA and RANTAU 20's saw RM110m traded' closing 1-2bps higher at 4.05% levels. However the AA-rated UMW 10/26 Southern Power 10/34 closed unchanged at 4.76% and 5.08% respectively. In the banking space HLBB 24nc19 rallied 5bps to close at 4.15%.

## Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.293	81	3.264	15/11/2018	3
MGS 10/19	3.424	230	3.458	15/11/2018	-3
MGS 11/19	3.453	159	3.478	15/11/2018	-3
MGS 03/20	3.505	2	3.535	15/11/2018	-3
MGS 10/20	3.570	60	3.592	15/11/2018	-2
MGS 09/21	3.680	10	3.713	15/11/2018	-3
MGS 11/21	3.683	32	3.707	15/11/2018	-2
MGS 03/22	3.751	10	3.761	14/11/2018	-1
MGS 03/23	3.892	7	3.884	14/11/2018	1
MGS 04/23	3.856	220	3.856	15/11/2018	0
MGS 09/24	4.068	22	4.049	14/11/2018	2
MGS 03/25	4.057	2	4.008	12/11/2018	5
MGS 09/25	4.110	51	4.129	15/11/2018	-2
MGS 11/26	4.188	2	4.194	15/11/2018	-1
MGS 11/27	4.250	3	4.250	15/11/2018	0
MGS 06/28	4.148	64	4.148	15/11/2018	0
MGS 04/37	4.807	10	4.869	15/11/2018	-6
MGS 09/43	4.981	9	4.974	15/11/2018	1
MGS 03/46	4.951	1	4.957	12/11/2018	-1
GII 04/19	3.256	25	3.273	08/11/2018	-2
GII 04/20	3.593	1	3.567	15/11/2018	3
GII 08/25	4.168	280	4.170	15/11/2018	0
GII 10/25	4.192	10	4.237	14/11/2018	-4
GII 10/28	4.270	132	4.293	14/11/2018	-2
		<u>1422</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.200	5	4.169	18/10/2018	3	36
Pengurusan Air SPV Berhad	09/25	GG	4.220	5	4.230	07/11/2018	-1	17
GovCo Holdings Berhad	02/27	GG	4.403	10	4.484	27/07/2018	-8	28
Malaysia Debt Ventures Berhad	09/28	GG	4.408	150	4.389	19/09/2018	2	26
GovCo Holdings Berhad	09/32	GG	4.720	5	4.850	28/08/2018	-13	13
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.890	5	4.939	01/08/2018	-5	10
Danga Capital Berhad	04/20	AAA	4.045	50	4.038	24/09/2018	1	61
Rantau Abang Capital Berhad	12/20	AAA	4.052	65	4.035	02/10/2018	2	49
Putrajaya Bina Sdn Berhad	03/25	AAA	4.428	5	4.652	04/07/2018	-22	45
Danga Capital Berhad	01/33	AAA	4.799	10	4.735	28/09/2018	6	21
Malayan Banking Berhad	01/24	AA1	4.396	10	4.385	13/11/2018	1	55
Hong Leong Bank Berhad	06/24	AA1	4.147	20	4.195	28/09/2018	-5	17
Sarawak Energy Berhad	04/31	AA1	4.766	20	5.079	25/07/2018	-31	62
TRIpIc Medical Sdn Berhad	10/32	AA1	4.879	10	5.009	26/06/2018	-13	29
Sarawak Energy Berhad	12/32	AA1	4.838	20	4.849	26/10/2018	-1	25
UniTapah Sdn Berhad	06/33	AA1	4.923	20	5.108	18/11/2016	-19	34
TRIpIc Medical Sdn Berhad	10/34	AA1	5.019	10	5.110	26/07/2018	-9	43
UMW Holdings Berhad	10/26	AA2	4.757	10	4.759	15/11/2018	0	64
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.281	20	4.313	29/10/2018	-3	-51
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.748	10	4.739	25/10/2018	1	63
IJM Corporation Berhad	08/28	AA3	4.919	10	4.929	16/10/2018	-1	77
AmBank (M) Berhad	11/28	AA3	4.980	2	4.980	13/11/2018	0	84
UEM Sunrise Berhad	12/24	AA-	4.977	10	4.839	08/08/2018	14	100
Southern Power Generation Sdn Berhad	10/34	AA-	5.081	10	5.083	12/11/2018	0	50
RHB Bank Berhad	12/39	A1	4.579	10	4.534	26/10/2018	4	-21
UMW Holdings Berhad	04/18	A1	5.759	10	5.789	12/11/2018	-3	97
DRB-Hicom Berhad	12/14	A-	7.578	1	7.621	04/09/2018	-4	279
			<u>512</u>					

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

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

**Lafarge Malaysia Bhd saw its net loss widen 2.6 times to RM109.29 million in the third quarter ended Sept 30, 2018 (3QFY18) from RM42.01 million a year ago, on higher operating loss from the cement segment due to weaker demand which led to lower sales volume, and a more competitive environment with a decline in selling prices.** This was compensated partially by higher export contribution. This resulted in higher loss per share of 12.9 sen for 3QFY18 compared with 4.9 sen for 3QFY17. Quarterly revenue fell 14.5% to RM495.12 million from RM578.85 million in 3QFY17 on lower sales from the cement segment caused by the soft market demand and continuing domestic pricing pressures. In a filing with Bursa Malaysia today, the country's largest cement manufacturer said the increase in production cost due to the higher energy prices, lower production output and timing of scheduled plant maintenance further added to the group's loss for 3QFY18. "In addition, the loss in the current quarter under review includes a one-off inventory write-off of RM22 million resulting from management's uncovering of inventory discrepancies relating to prior periods. "Following a restructuring exercise towards a leaner organisation and vigorous cost-cutting measures, we achieved significant reduction in selling, general and administrative [costs] during the quarter, which partly compensated for the higher production costs," it added. The weaker quarterly results increased its net loss for the cumulative nine months (9MFY18) by 93.9% to RM261.81 million from RM135.04 million a year ago, while revenue dropped 5.9% to RM1.57 billion from RM1.67 billion. On prospects, Lafarge Malaysia said domestic market condition for the rest of 2018 is expected to remain challenging. "However, demand for clinker in the export markets is expected to be strong with improving prices and our Langkawi plant is well-positioned to benefit from this. The group will continue its focus on cost reduction and further [enhance] operational efficiency," it said. (Source: *The Edgedaily*)

**The effective restructuring of companies under the Armed Forces Fund Board (LTAT) to see that its assets return better yields is expected to be a long haul exercise.** Although LTAT has a new chief executive in Nik Amlizan Mohamed effective September this year, the organisation and the people managing the subsidiary are still very much the old guards, sources said. Even Tan Sri Lodin Wok Kamaruddin, who Nik Amlizan replaced, remains on the boards of the listed and unlisted companies under LTAT. "The old guards are very much in LTAT group of companies even though there is a new CEO. "The assets under LTAT can yield better returns. But it would take time and needs new people in strategic positions. "The new people come without any baggage and can make the necessary changes. Because LTAT is an armed forces linked entity, contracts are generally given to ex-servicemen. However it can be managed better," said a source. Nik Amlizan replaced Lodin at the helm of the fund, which is one of many changes that has taken place within government-linked investment companies (GLICs) since May 9 this year. Lodin resigned on Sept 7 after having led the fund for 36 years. "Lodin has left LTAT, but he is still on the board of some of the companies under LTAT. He did not resign from any of the boards of companies under LTAT unlike the other GLIC heads," said a source. Apart from Lodin, Tan Sri Abdul Wahid Omar and Tan Sri Azman Mokhtar were replaced at Permodalan Nasional Bhd and Khazanah Nasional. Wahid and Azman resigned from the listed companies after they left the GLICs. The public-listed companies under LTAT are Boustead Holdings Bhd , Boustead Plantations Bhd , Boustead Heavy Industries Corp Bhd, and Pharmaniaga Bhd . A fund manager said it would be a difficult job for Nik Amlizan to bring about an effective change because the old guards are still very much at every level of decision making. "Lodin's resignation makes good headlines. But it seems more like a symbolic move," said the fund manager. Lodin is known to be a loyalist of former prime minister Datuk Seri Najib Tun Razak. Recall that Lodin took over as chairman of 1Malaysia Development Bhd (1MDB) in

December 2009 and stayed on until May 31, 2016, when the Finance Ministry took over the fund. In a recent Bursa Malaysia filing, Nik Amlizan was appointed as a non-independent director of Boustead Holdings on Nov 1. LTAT owns a 60% stake in Boustead Holdings. To date, there has not been any public announcements of Lodin's resignation from his other directorship roles. This would mean that Lodin is still the deputy chairman and group managing director of Boustead Holdings. Notably, he directly owns a 2.58% stake or 52.26 million shares in Boustead Holdings, as of Feb 15, 2018. According to Boustead Holdings' 2017 annual report, Lodin serves as chairman for both Boustead Heavy Industries and Pharmaniaga. He is also the vice-chairman of Boustead Plantations. LTAT has equities of 47% in Boustead Heavy Industries, 46% in Boustead Plantations and 44% in Pharmaniaga. As for private companies, Lodin holds directorship positions in Boustead Properties Bhd, UAC Bhd and Minority Shareholders Watch Group. In addition, Lodin is the chairman of Affin Hwang Asset Management Bhd and MHS Aviation Bhd.. (Source: *The Star Online*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Manulife Holdings Berhad	Corporate Credit ratings	AA3/Stable/P1 A1	Reaffirmed
Bright Focus Berhad	RM1.35 billion Sukuk Musharakah (2014/2031	From AA2/Negative to A1/Negative	Downgraded

Source: RAM, MARC

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