

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.79	-1
5-yr UST	2.95	0
10-yr UST	3.06	1
30-yr UST	3.21	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.60	-1	3.49	-7
5-yr	3.80	1	3.90	-1
7-yr	3.97	-4	4.03	-3
10-yr	4.12	1	4.17	-3
15-yr	4.51	-2	4.62	0
20-yr	4.71	1	4.76	-3
30-yr	4.91	1	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	3.87	1
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 closed mixed with the curve continuing to bear-steepen for the 2nd consecutive session with both the 10Y and 30Y potentially seeing a substantial increase in short positions carried out in earlier sessions. Overall benchmark yields ended between -1 to +1bps with the 2Y edging lower at 2.79% whilst the much-watched 10Y continued to edge 1bps higher beyond the 3.00% psychological threshold last seen in May to end at 3.06% levels. Worries over a full-blown global trade war is seen subsidizing for now as markets factor in the twin impact on UST's i.e. Fed rate hikes this month coupled with burgeoning Treasury supply. On the data front we have the release of Markit US Manufacturing, Services and Composite PMI data tomorrow.

MGS/GII

- Trading volume in Govvies jumped to an impressive RM4.48b yesterday with interest mainly on both off-the-run 19-21's as offshore buying was seen up to 10Y bonds. Overall benchmark yields were mixed between -4 to +1bps across the curve with the 7Y MGS 3/25 rallying 4bps to 3.97% whilst the 10Y MGS 6/28 was almost 1bps higher at 4.12% levels. GII trades dipped to 32% of total trades. Attention is expected to be focused on today's RM3.0b 10Y reopening of MGS 6/28 following the Finance minister's positive comments on the resilient Malaysian economy. 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 similarly saw rising interest as volume notched RM681m with interest seen in 34 different bonds compared to prior trading day's mere 11. Investors were seen nibbling across the GG-AA part of the curve. The Govt-guaranteed DANA 22=24's saw RM110m nominal amounts traded 0-15bps lower compared to previous-done levels; ending between 3.97-4.15% levels. AAA-rated PLUS 26 however rose 7bps to 4.55% whilst TNB 8/38 saw chunky volume exchange hands; edging 1bps lower at 4.97%. In the AA-space we note trades on several infra-cum power related bonds i.e. SEB12/32, YTL Power8/28, Southern Power 24's-35's, JEV 12/24 and also SPR Energy 33-35's close mix on yields. Expect investor interest to persist in the credit space.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.261	44	3.520	18/09/2018	-26
MGS	03/19	3.249	6	3.173	18/09/2018	8
MGS	07/19	3.298	310	3.407	18/09/2018	-11
MGS	10/19	3.401	458	3.420	18/09/2018	-2
MGS	11/19	3.404	379	3.423	18/09/2018	-2
MGS	03/20	3.478	103	3.410	18/09/2018	7
MGS	10/20	3.496	47	3.506	18/09/2018	-1
MGS	09/21	3.604	50	3.619	18/09/2018	-2
MGS	11/21	3.602	198	3.609	18/09/2018	-1
MGS	03/22	3.634	11	3.604	18/09/2018	3
MGS	08/22	3.751	111	3.756	18/09/2018	0
MGS	09/22	3.741	72	3.760	18/09/2018	-2
MGS	03/23	3.835	19	3.815	18/09/2018	2
MGS	04/23	3.797	230	3.797	18/09/2018	0
MGS	08/23	3.824	191	3.845	18/09/2018	-2
MGS	07/24	3.966	70	4.005	18/09/2018	-4
MGS	09/24	3.965	67	4.025	18/09/2018	-6
MGS	03/25	3.970	148	4.006	18/09/2018	-4
MGS	09/25	4.071	238	4.143	18/09/2018	-7
MGS	11/26	4.176	27	4.205	18/09/2018	-3
MGS	11/27	4.190	1	4.217	18/09/2018	-3
MGS	06/28	4.120	43	4.122	18/09/2018	0
MGS	04/30	4.487	4	4.498	18/09/2018	-1
MGS	06/31	4.491	39	4.530	18/09/2018	-4
MGS	04/33	4.554	19	4.594	18/09/2018	-4
MGS	11/33	4.512	8	4.527	18/09/2018	-2
MGS	05/35	4.716	102	4.779	13/09/2018	-6
MGS	06/38	4.711	30	4.701	05/09/2018	1
MGS	09/43	4.900	1	4.893	18/09/2018	1
MGS	03/46	4.909	11	4.896	18/09/2018	1
MGS	07/48	4.914	10	4.921	14/09/2018	-1
GII	04/19	3.303	450	3.321	18/09/2018	-2
GII	04/20	3.490	70	3.535	14/09/2018	-4
GII	08/21	3.688	60	3.713	13/09/2018	-2
GII	07/23	3.927	38	3.946	14/09/2018	-2
GII	11/23	3.900	220	3.911	18/09/2018	-1
GII	08/24	3.975	219	3.991	18/09/2018	-2
GII	08/25	4.027	50	4.061	13/09/2018	-3
GII	09/26	4.173	43	4.222	13/09/2018	-5
GII	07/27	4.197	35	4.230	18/09/2018	-3
GII	10/28	4.168	220	4.197	18/09/2018	-3
GII	08/37	4.755	30	4.786	05/09/2018	-3
			<u>4482</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*
Danainfra Nasional Berhad	03/22	GG	3.969	40	4.117	22/02/2018	-15	27
Danainfra Nasional Berhad	05/22	GG	3.985	15	3.998	13/09/2017	-1	28
Danainfra Nasional Berhad	05/23	GG	4.051	25	4.050	14/09/2018	0	27
Danainfra Nasional Berhad	05/24	GG	4.147	30	4.189	31/07/2018	-4	23
Malaysia Debt Ventures Berhad	09/28	GG	4.389	150	0.000	00/01/1900	439	28
Danainfra Nasional Berhad	03/32	GG	4.609	30	4.710	16/08/2018	-10	10
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.548	10	4.480	30/08/2018	7	57
TNB Western Energy Berhad	07/29	AAA	4.687	20	4.838	27/06/2018	-15	58
GENM Capital Berhad	07/33	AAA	5.369	1	5.398	04/09/2018	-3	86
Tenaga Nasional Berhad	08/38	AAA	4.969	70	4.981	05/09/2018	-1	26
Hong Leong Financial Group Berhad	09/21	AA1	4.346	10	4.346	06/09/2018	0	75
Public Bank Berhad	09/23	AA1	3.974	15	4.919	12/09/2018	-94	19
Northern Gateway Infrastructure Sdn Berhad	08/25	AA1	4.521	5	4.823	04/05/2018	-30	55
Northern Gateway Infrastructure Sdn Berhad	08/27	AA1	4.640	5	4.844	10/01/2018	-20	53
YTL Power International Berhad	08/28	AA1	4.667	5	4.903	29/08/2018	-24	56
Sarawak Energy Berhad	12/32	AA1	4.914	68	4.908	14/09/2018	1	40
Celcom Networks Sdn Berhad	08/24	AA+	4.660	5	4.663	14/09/2018	0	74
CIMB Bank Berhad	08/26	AA+	5.351	0	4.874	07/09/2018	48	126
Celcom Networks Sdn Berhad	08/27	AA+	4.821	5	4.820	14/09/2018	0	71
Danajamin Nasional Berhad	10/27	AA+	4.687	10	4.698	14/09/2018	-1	57
Krung Thai Bank Public Company Limited	07/25	AA2	4.508	10	4.778	14/08/2018	-27	53
Hong Leong Financial Group Berhad	06/28	AA2	4.817	20	4.848	18/09/2018	-3	71
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.763	10	4.852	28/08/2018	-9	117
Edra Energy Sdn Berhad	07/23	AA3	5.246	4	5.244	14/09/2018	0	147
RHB Islamic Bank Berhad	04/27	AA3	4.686	2	4.687	14/09/2018	0	57
SPR Energy (M) Sdn Berhad	07/33	AA3	5.339	10	5.544	29/01/2018	-20	83
SPR Energy (M) Sdn Berhad	07/35	AA3	5.499	10	5.609	20/07/2018	-11	99
WCT Holdings Berhad	12/18	AA-	4.429	10	4.426	07/09/2018	0	106
Southern Power Generation Sdn Berhad	04/24	AA-	4.600	20	4.609	07/09/2018	-1	68
Jimah East Power Sdn Berhad	12/24	AA-	4.638	10	4.863	01/06/2018	-23	72
WCT Holdings Berhad	02/25	AA-	5.365	5	5.348	04/09/2018	2	145
Sinar Kamiri Sdn Berhad	01/27	AA-	5.711	2	5.749	10/08/2018	-4	162
Southern Power Generation Sdn Berhad	04/35	AA-	5.161	10	5.258	30/07/2018	-10	65
Southern Power Generation Sdn Berhad	10/24	AA-	4.619	40	4.728	18/07/2018	-11	70
				<u>681</u>				

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

Market/Corporate News: What's Brewing

Berjaya Sports Toto Bhd (BToto) posted higher earnings in the first quarter ended July 31, on lower prize payouts and increased contribution from its car dealership business in the UK. Net profit rose 17% to RM86.89mil, or 6.45 sen a share on revenue of RM1.5bil. The number forecast operator (NFO), in a filing with Bursa Malaysia on Wednesday, has announced an interim dividend of 4 sen a share. "The directors anticipate that Sports Toto's business performance will be satisfactory and are confident that the group will continue to maintain its market share in the NFO business for the remaining quarters of the financial year ending April 30, 2019," it said.. (Source: *The StarOnline*)

Economists expect the government to source for money within the country after Putrajaya announced yesterday it is considering new debt issuance as an option to meet its financing needs. Tapping local funds would fulfil the government's priority of finding the lowest financing cost, said the economists. Socio-Economic Research Centre executive director Lee Heng Guie said the government would likely avoid external borrowing and instead opt for measures like issuing Malaysian Government Securities, given that the interest rate for domestic borrowing is lower. Lee was responding to Finance Minister Lim Guan Eng's statement that Putrajaya would address its short-term financing needs through a combination of new debt issuance and asset monetisation, and ensure the move would not adversely impact growth. "The priority is towards finding the lowest financing cost," the minister said in his statement. "Secondly, the timing and size of fundraising will be guided by the ability of the financial markets to absorb it in an orderly manner and avoid unintended consequences. Thirdly, any form of strategy adopted will be focused on maintaining the overall confidence in fiscal sustainability and economic resiliency." Guan Eng assured Malaysians that the additional debt issuance will be gradual as well as transparent to the market via announcements through the auction calendar as is the practice now. "This will ensure that investors would be able to absorb the additional issuances without major adjustments in yields that could increase the borrowing cost of the government," he said. Lee, speaking to *The Edge Financial Daily*, said the government could increase taxes to boost its revenue. "But this is not likely because they are trying not to burden the people, especially in the current economic condition," he said. He added that the government would have to come out with a "responsible yet disciplined" budget that can "smoothen out" the impact of expenditure rationalisation on the economy. "It is indeed a tough balancing act. Some disposable government assets may be on the cards. We hope the minister adheres to his words of ensuring transparency in the monetisation of assets," he said. Lee stressed that debts and deficits are not good for the nation "as they potentially threaten our policy flexibility in the face of future downturns and distracts us from our long-term economic challenges." "They are also unfair to the future generations that will pay for them with lower growth, fewer jobs and higher taxes," he added. Debt issuance allows the government to finance expenditure at a lower cost given that the country has a good sovereign debt rating. Malaysia is A-rated sovereign and there is ample domestic liquidity. As such it is more cost-effective as opposed to seeking foreign loans. The government appears to be seeking revenue enhancements and hence the talk that new taxes could be considered. Whether new taxes are necessary depends on how well the government is able to adjust spending. Putrajaya's spending cuts may successfully trim wastage and unproductive expenditure without sacrificing growth and new taxes may not be necessary. However, Malaysia's government revenue is skewed towards direct taxes [over 50% of total revenue]. As such this makes it more challenging for Malaysia to lower income tax rates to improve the country's competitiveness. Therefore tax reforms to broaden the revenue base is encouraged. It will also help to reduce the pro-cyclicality of the tax base [meaning when economy contracts, tax revenue also declines]. The government is still having a

favourable debt composition with 97% denominated in ringgit with minimal foreign currency risk exposure. In his statement yesterday, the finance minister said the benefits of sovereign debt issuance are plenty. "This method is the simplest, most reliable, and easiest to manage due to the size of our institutional investors. Rest assured that the additional debt issuance will be gradual as well as transparent to the market via announcements through the auction calendar as per current practice," he said. In terms of monetising "non-critical and non-strategic" government assets, Guan Eng said the new administration will "ensure that this will be deployed in compliance with the highest standard of governance and transparency without disruption to the business community and the people". (Source: *The Edge Markets*)

SRating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.