

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.65	0
5-yr UST	2.62	-3
10-yr UST	2.76	-6
30-yr UST	2.98	-9

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.65	-2	3.74	0
5-yr	3.82	-1	3.87	0
7-yr	4.01	1	4.06	-1
10-yr	4.07	-1	4.20	-1
15-yr	4.50	0	4.61	0
20-yr	4.71	-1	4.78	0
30-yr	4.91	0	4.96	3

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.75	-1
5-yr	3.85	-1
7-yr	3.96	-1
10-yr	4.15	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasury curve saw aggressive flattening-bias yesterday as bonds rallied led by tenures extending out as the Fed's median dot plot was cut by one(1) rate hike for 2019 following the 4th and final rate hike for 2018. Overall benchmark yields ended 0-9bps sharply lower with the 2Y almost unchanged at 2.65% whilst the 10Y rallied 9bps at 2.76%. Policy makers are aware that the financial landscape has altered as markets slump and global risks emanating from unresolved trade issues continue to linger as doubts are cast over the sustainability of the economic cycle. Hence, the Fed is expected to be more cautious about raising rates next year. Meanwhile the inversion of yield spreads between the 2Y, 3Y and 5Y remain a concern as investors expect curve flattening to re-emerge.

MGS/GII

- Trading sentiment in local govies remained steadfast with volume at RM2.30b yesterday with interest focused again mainly in the off-the-run 19-21's and also the various GII bond tenures. Overall benchmark MGS and GII yields ended mostly 1-2bps lower save for the 7Y MGS and 30Y GII papers. The 5Y benchmark MGS 4/23 edged 1bps lower at 3.82% whilst the 10Y MGS 6/28 edged almost 2bps lower at 4.07% levels. GII trades rose to form 42% of overall trades. Following the subdued frequency of US rate hikes and Malaysia's lower November's Y-O-Y inflation data of 0.2% (compared to the estimated 0.4%), Ringgit Bonds may find some relief. Nevertheless, the weaker crude oil prices may eventually dampen demand for Ringgit and financial assets.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see solid volume of RM720m with interest across the entire curve. Both PRASA and Khazanah bonds saw several tranches traded with the Khazanah 21-22's rallying 6-8bps lower between 3.91-4.02% levels whereas the 8/23 tranche closed unchanged at 4.13% compared to previous-done levels. Meanwhile the long-end PRASA 9/37 closed 3bps lower at 4.90% The AAA-rated TNB 8/38 saw RM90m nominal amounts done 2bps lower at 4.97% levels whilst MANJUBG 26-27's closed 2-4bps lower between 4.51-55% area in the AA-space SEB 287-32's also moved 0-2bps lower between 4.68-88% levels whilst DUKE 8/35 returned unchanged at 5.29%. The banking sector was equally active with various names traded. Sabah Dev Bank 4/23 edged 1bps lower at 4.91% whereas RHB 39NC19 ended 6bps lower at 4.43%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.335	341	3.276	18/12/2018	6
MGS	07/19	3.450	57	3.452	18/12/2018	0
MGS	10/19	3.470	62	3.460	18/12/2018	1
MGS	11/19	3.470	10	3.484	18/12/2018	-1
MGS	03/20	3.529	88	3.513	18/12/2018	2
MGS	10/20	3.537	54	3.531	18/12/2018	1
MGS	07/21	3.645	115	3.658	14/12/2018	-1
MGS	09/21	3.685	21	3.678	18/12/2018	1
MGS	11/21	3.648	2	3.659	18/12/2018	-1
MGS	09/22	3.759	65	3.771	13/12/2018	-1
MGS	03/23	3.828	20	3.856	18/12/2018	-3
MGS	04/23	3.817	173	3.837	18/12/2018	-2
MGS	07/24	3.975	25	3.981	18/12/2018	-1
MGS	09/24	3.980	1	3.992	18/12/2018	-1
MGS	03/25	4.006	30	4.000	18/12/2018	1
MGS	09/25	4.052	6	4.040	18/12/2018	1
MGS	11/26	4.132	13	4.131	18/12/2018	0
MGS	11/27	4.163	21	4.156	18/12/2018	1
MGS	06/28	4.073	113	4.095	18/12/2018	-2
MGS	06/31	4.438	1	4.475	18/12/2018	-4
MGS	04/33	4.528	5	4.498	18/12/2018	3
MGS	05/35	4.644	7	4.648	18/12/2018	0
MGS	06/38	4.711	100	4.719	17/12/2018	-1
MGS	09/43	4.942	11	4.935	18/12/2018	1
MGS	03/46	4.954	1	4.923	18/12/2018	3
GII	02/19	3.469	10	3.440	13/12/2018	3
GII	05/20	3.530	50	3.560	11/12/2018	-3
GII	05/20	3.530	30	3.446	27/09/2018	8
GII	06/20	3.523	20	3.535	22/11/2018	-1
GII	11/20	3.651	8	3.623	22/10/2018	3
GII	03/22	3.744	110	3.744	18/12/2018	0
GII	04/22	3.785	10	3.786	18/12/2018	0
GII	07/22	3.770	80	3.790	12/12/2018	-2
GII	11/22	3.865	30	3.862	09/11/2018	0
GII	08/25	4.062	118	4.075	18/12/2018	-1
GII	07/27	4.191	11	4.195	13/12/2018	0
GII	10/28	4.196	450	4.312	18/12/2018	-12
GII	12/28	4.271	20	4.291	12/12/2018	-2
GII	05/47	4.961	10	4.934	13/12/2018	3
			<u>2297</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*
Khazanah Nasional Berhad	03/21	GG	3.905	10	3.981	07/09/2018	-8	36
Khazanah Nasional Berhad	06/22	GG	4.016	20	4.076	20/09/2018	-6	36
DanaInfra Nasional Berhad	02/23	GG	4.052	5	4.113	09/08/2018	-6	29
Khazanah Nasional Berhad	08/23	GG	4.125	30	4.123	30/11/2018	0	29
Prasarana Malaysia Berhad	09/23	GG	4.102	20	-	-	-	27
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.220	10	4.208	17/12/2018	1	39
Prasarana Malaysia Berhad	08/26	GG	4.320	20	4.342	18/12/2018	-2	25
Prasarana Malaysia Berhad	09/27	GG	4.378	10	4.342	04/10/2018	4	28
DanaInfra Nasional Berhad	11/27	GG	4.383	40	4.347	24/10/2018	4	28
GovCo Holdings Berhad	09/32	GG	4.742	10	4.729	21/11/2018	1	24
Prasarana Malaysia Berhad	09/37	GG	4.899	30	4.929	23/11/2018	-3	18
Aman Sukuk Berhad	05/19	AAA	3.879	5	4.002	23/10/2018	-12	43
GB Services Berhad	11/19	AAA	4.317	2	4.329	08/11/2018	-1	87
GB Services Berhad	11/19	AAA	4.313	2	4.317	18/12/2018	0	87
Public Islamic Bank Berhad	07/21	AAA	4.266	40	0.000	00/01/1900	427	61
Sarawak Hidro Sdn Berhad	08/22	AAA	4.249	5	4.384	17/01/2018	-14	49
Purple Boulevard Berhad	05/24	AAA	4.651	10	4.793	21/09/2016	-14	82
Al Dzahab Assets Berhad	03/25	AAA	4.848	9	4.950	24/10/2018	-10	90
Manjung Island Energy Berhad	11/27	AAA	4.510	10	4.531	16/02/2017	-2	41
Manjung Island Energy Berhad	11/28	AAA	4.550	10	4.589	09/05/2016	-4	47
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.819	2	4.820	17/12/2018	0	31
Danga Capital Berhad	09/33	AAA	4.836	30	4.753	22/10/2018	8	33
Tenaga Nasional Berhad	08/38	AAA	4.967	90	4.985	30/11/2018	-2	25
Sabah Development Bank Berhad	04/23	AA1	4.911	30	4.918	12/12/2018	-1	115
Malayan Banking Berhad	05/24	AA1	4.099	10	4.206	12/11/2018	-11	27
Hong Leong Islamic Bank Berhad	06/24	AA1	4.149	10	4.186	19/11/2018	-4	32
Celcom Networks Sdn Berhad	08/24	AA+	4.591	20	4.651	13/11/2018	-6	64
Celcom Networks Sdn Berhad	08/27	AA+	4.723	30	4.739	11/12/2018	-2	62
Sarawak Energy Berhad	11/28	AA1	4.679	10	4.698	12/12/2018	-2	60
Sarawak Energy Berhad	07/29	AA1	4.704	20	4.711	12/12/2018	-1	62
Sarawak Energy Berhad	12/32	AA1	4.878	10	4.879	17/12/2018	0	37
Imtiaz Sukuk II Berhad	05/20	AA2	4.200	5	4.261	15/11/2018	-6	75
Konsortium ProHAWK Sdn Berhad	12/20	AA2	4.317	10	4.530	29/01/2015	-21	78
UMW Holdings Berhad	10/26	AA2	4.771	10	4.773	14/12/2018	0	70
Hong Leong Bank Berhad	09/39	AA2	4.596	2	4.865	01/10/2018	-27	-12
Bandar Serai Development Sdn Berhad	11/19	AA3	4.253	7	4.261	05/12/2018	-1	81
CIMB Thai Bank Public Company Limited	07/24	AA3	4.581	0	4.550	23/11/2018	3	63
AmBank (M) Berhad	03/28	AA3	5.100	4	0.000	00/01/1900	510	100
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.503	10	4.574	08/11/2018	-7	106
Malakoff Power Berhad	12/19	AA-	4.189	2	4.189	18/12/2018	0	74
UEM Sunrise Berhad	04/20	AA-	4.511	20	4.591	27/11/2018	-8	106
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.285	50	5.289	18/12/2018	0	78
RHB Bank Berhad	12/39	A1	4.430	20	4.486	30/11/2018	-6	-29
CIMB Group Holdings Berhad	05/16	A1	4.987	0	5.304	14/12/2018	-32	27
Alliance Bank Malaysia Berhad	10/25	A2	4.738	20	5.031	18/12/2018	-29	74
Affin Bank Berhad	07/18	A3	5.701	1	5.801	14/12/2018	-10	98
				<u>720</u>				

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

Market/Corporate News: What's Brewing

Tenaga Nasional Bhd (TNB) will announce the details of its plan to enter the broadband services market in January. President and chief executive officer Datuk Seri Ir Azman Mohd said TNB was in the process of communicating its plan to the relevant ministries. "I think you will hear more about this (the project details) in January," he told reporters after the launch of the TNB Integrity Day 2018 here today. TNB is planning to enter broadband market by utilising its existing fibre optic network across the nation and it is currently running a pilot project in Melaka. Azman said the pilot project would be completed by end-December and the company would evaluate the results. "I will say that the project, technically, has been very successful. However, there will be no more pilot projects," he said. Meanwhile, TNB also launched its TNB corporate integrity management system (TCIMS) handbook as part of its efforts to strengthen integrity among its employees. The handbook was launched by deputy minister of Energy, Technology, Science, Climate Change Isnaraissah Munirah Majilis in conjunction with the TNB Integrity Day. "The government is proud of TNB's initiative in developing TCIMS to enhance integrity and governance among its employees and all parties it is engaged with," she said. (Source: *The Star*)

Malaysian Resources Corporation Bhd (MRCB) has received RM1.07 billion from the Employees Provident Fund (EPF) for its 80% subscription in Bukit Jalil Sentral Property Sdn Bhd (BJSP), the special purpose joint venture company undertaking the development of Bukit Jalil Sentral. Bukit Jalil Sentral, which measures 76.14 acres, is a mixed development project with a GDV of RM21 billion. The 80% equity interest in BJSP will reside with the EPF's unit Tanjung Wibawa Sdn Bhd, and MRCB's subsidiary Rukun Juang Sdn Bhd will retain a 20% equity interest. The land will be developed over the course of 20 years, ensuring a sustainable pipeline of construction contracts for the group in the long term. Recently, MRCB also received the settlement sum of RM1.32 billion from the Malaysian government over the termination of its concession for the Eastern Dispersal Link Expressway (EDL). In a statement today, the group said the payments have further strengthened the group's balance sheet, reducing net gearing to 24%. "During the 4-year transformation, MRCB has successfully reduced its net gearing from 172% to 24%, and it has increased its urban land bank 4-fold to 282 acres, with GDV increasing almost 3-fold to RM31 billion." It said MRCB's external construction order book has also grown exponentially during this time, from only RM2 billion to RM21 billion, and is currently ranked as the highest in the industry. (Source: *The Edge*)

The National Mortgage Corporation of Malaysia, Cagamas Bhd, today announced the combined issuance of RM1.4 billion bonds and sukuk for 2018. They comprised RM800 million Conventional Medium-Term Notes (CMTNs), RM400 million Islamic Medium Term-Notes (IMTNs), RM100 million Conventional Commercial Papers (CCPs) and RM100 million Islamic Commercial Papers (ICPs). The CMTN and IMTNs issued would mature in one year, while the CPs and ICPs issued are tenured 6-months. Proceeds from the respective issuances would be used to fund the purchases of mortgage loans and Islamic home financing from the domestic financial system. "We are pleased to have concluded the issuances as it brings the company's total aggregate issuances for the year to RM15.8 billion, marking the company's highest in the past decade. "Despite a reduction in the primary supply of local currency corporate bonds within the domestic market of more than 10 per cent, year-on-year, the overall amount issued by the company also marked an increase of more than RM400 million from the year before," said Chief Executive Officer Datuk Chung Chee Leong in a statement today. He said 2018 was filled with many significant events and surprises, domestically, as well as, globally with a change in the ruling Malaysian government for the first time in six

decades and continued geopolitical uncertainties that caused spikes in volatility throughout the year. Despite some concerns of Malaysia's debt levels, the company's issuances were well absorbed at competitive levels, which was evident of continued resilience and strength of the domestic market, as well as, investors' confidence in the company's credit profile. "We remain optimistic as we usher 2019 and will continue to fulfil our mandate as intermediation between the capital market and the Malaysian housing sector," Chung added. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Lebuhraya Kajang-Seremban Sdn Bhd's (LEKAS)	RM633 million Junior Sukuk Istisna' (Junior Sukuk) (2007/2025).	C2/Stable	Reaffirmed
ORIX Leasing Malaysia Berhad	CP/MTN Programme of up to RM500 million (2013/2020)	AA2/Stable/P1	Reaffirmed
	MTN Programme of up to RM500 million (2016/2031).	AA2/Stable	Reaffirmed
AMMB Holdings Berhad	Corporate Credit rating	From AA3/Stable/P1 to AA2/Stable/P1	Upgraded
AmBank (M) Berhad	Financial Institution rating	AA2/Stable/P1	Reaffirmed
AmBank Islamic Berhad	Financial Institution rating	AA2/Stable/P1	Reaffirmed
	RM3 billion Senior Sukuk Musyarakah Programme (2010/2040)	AA2/Stable	Reaffirmed
	RM3 billion Subordinated Sukuk Murabahah Programme (2014/2044)	AA2/Stable	Reaffirmed
AmInvestment Bank Berhad	Financial Institution rating	AA2/Stable/P1	Reaffirmed

Source: RAM, MARC

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