

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed mostly weaker with the curve reverting to a flattening mode as appetite was seen in the long bond. Overall benchmark yields ended within 1bps from prior day's close with the 2Y edging 1bps higher at 2.81% whilst the much-watched 10Y maintained at 3.06% levels. Worries over a global trade spat is seen subsiding for now as markets monitor the impact of potential Fed rate hikes this month on UST's. Pension funds and lifers demand for long-term debt are expected to keep rates anchored in this space despite the deadline for tax-deductions having passed. On the data front we have the release of Markit US Manufacturing, Services and Composite PMI data today.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	1
5-yr UST	2.95	1
10-yr UST	3.06	0
30-yr UST	3.20	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	1	3.49	0
5-yr	3.77	-3	3.89	-1
7-yr	3.95	-2	4.03	0
10-yr	4.09	-3	4.17	0
15-yr	4.50	-1	4.62	0
20-yr	4.70	-2	4.76	1
30-yr	4.91	0	4.97	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	0
7-yr	3.99	0
10-yr	4.17	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Trading volume in Govvies reflected continued investor interest amid volume of RM3.67b yesterday with interest across most tenures. The off-the-run 19's and 23's were equally sought after by both offshore and onshore players. Overall benchmark yields were generally 0-3bps lower across the curve with the 7Y MGS 3/25 settling 2bps lower at 3.95% whilst the 10Y MGS 6/28 rallied 3bps lower at 4.09% levels. GII trades dipped to 20% of total trades. The auction of RM3.0b 10Y MGS 6/28 saw solid interest as BTC ratio notched 2.67x following the lowest CPI data of 0.2% y-o-y in three and a half years and also ongoing efforts taken by the present government to address budget deficits and improve overall economy.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw momentum ease with volume down to RM285m with interest seen in 22 different bonds compared to prior trading day's whopping 34. Investors were still seen nibbling for papers across the GG-AA part of the curve. The Govt-guaranteed DANA and KHAZA 22-23's saw decent interest moving 1-22bps lower on yields between 3.99%-4.11% area compared to previous-done levels. AAA-rated CAGA 10/20 and TNB Northern 11/30 moved 10bps lower at 3.95% and 4.74% respectively. In the AA-space UMW 9/23 and 9/26 saw total RM40m nominal amounts traded; ending 0-8bps lower at 4.57% and 4.72% respectively. In the banking space we note CIMB THAI 24nc19 and 28nc23 close mixed at 4.60% and 5.19% levels each. Expect investor interest to taper off slightly ahead of the weekend.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.338	54	3.261	19/09/2018	8
MGS	03/19	3.201	232	3.249	19/09/2018	-5
MGS	07/19	3.281	116	3.298	19/09/2018	-2
MGS	10/19	3.400	50	3.401	19/09/2018	0
MGS	11/19	3.415	587	3.404	19/09/2018	1
MGS	03/20	3.464	34	3.478	19/09/2018	-1
MGS	02/21	3.572	50	3.571	19/09/2018	0
MGS	07/21	3.592	5	3.583	19/09/2018	1
MGS	03/22	3.643	89	3.634	19/09/2018	1
MGS	08/22	3.745	121	3.751	19/09/2018	-1
MGS	09/22	3.746	12	3.741	19/09/2018	0
MGS	03/23	3.529	36	3.835	19/09/2018	-31
MGS	04/23	3.769	329	3.797	19/09/2018	-3
MGS	08/23	3.845	4	3.824	19/09/2018	2
MGS	07/24	3.966	220	3.966	19/09/2018	0
MGS	09/24	3.984	40	3.965	19/09/2018	2
MGS	03/25	3.953	160	3.970	19/09/2018	-2
MGS	09/25	4.063	3	4.071	19/09/2018	-1
MGS	04/26	4.151	9	4.171	19/09/2018	-2
MGS	11/26	4.183	14	4.176	19/09/2018	1
MGS	11/27	4.177	3	4.190	19/09/2018	-1
MGS	06/28	4.087	628	4.120	19/09/2018	-3
MGS	04/30	4.459	8	4.487	19/09/2018	-3
MGS	06/31	4.470	10	4.491	19/09/2018	-2
MGS	04/33	4.539	40	4.554	19/09/2018	-2
MGS	11/33	4.503	50	4.512	19/09/2018	-1
MGS	04/37	4.728	6	4.717	18/09/2018	1
MGS	06/38	4.695	30	4.711	19/09/2018	-2
MGS	03/46	4.869	1	4.909	19/09/2018	-4
MGS	07/48	4.911	10	4.914	19/09/2018	0
GII	04/19	3.283	300	3.303	19/09/2018	-2
GII	08/19	3.346	1	3.603	03/09/2018	-26
GII	04/22	3.775	17	3.754	18/09/2018	2
GII	11/23	3.891	50	3.900	19/09/2018	-1
GII	08/24	3.971	50	3.975	19/09/2018	0
GII	08/25	4.027	70	4.027	19/09/2018	0
GII	07/27	4.189	52	4.197	19/09/2018	-1
GII	10/28	4.168	40	4.167	19/09/2018	0
GII	08/37	4.763	5	4.755	19/09/2018	1
GII	05/47	4.970	130	4.978	13/09/2018	-1
			<u>3665</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	04/22	GG	3.990	5	4.083	07/08/2018	-9	29
DanaInfra Nasional Berhad	05/22	GG	3.991	25	3.998	13/09/2017	-1	29
Khazanah Nasional Berhad	06/22	GG	4.076	15	4.100	07/09/2018	-2	37
Khazanah Nasional Berhad	08/23	GG	4.107	45	4.321	09/07/2018	-21	33
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.830	10	5.049	25/06/2018	-22	12
Manjung Island Energy Berhad	11/19	AAA	4.096	5	4.284	15/05/2018	-19	73
Al Dzahab Assets Berhad	09/20	AAA	4.520	5	4.628	06/04/2018	-11	104
Cagamas Berhad	10/20	AAA	3.947	25	4.050	15/08/2018	-10	47
Aman Sukuk Berhad	05/29	AAA	4.728	10	4.773	11/12/2017	-4	63
TNB Northern Energy Berhad	11/30	AAA	4.739	10	4.839	15/08/2017	-10	64
Tenaga Nasional Berhad	08/33	AAA	4.729	20	4.750	05/09/2018	-2	23
Encorp Systembilt Sdn Berhad	11/18	AA1	4.000	5	4.026	04/01/2018	-3	63
Celcom Networks Sdn Berhad	10/26	AA+	4.779	10	4.801	12/09/2018	-2	69
UMW Holdings Berhad	09/23	AA2	4.568	20	-	-	-	79
Krung Thai Bank Public Company Limited	07/25	AA2	4.699	1	4.778	14/08/2018	-8	73
UMW Holdings Berhad	10/26	AA2	4.719	20	4.799	30/07/2018	-8	63
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.184	5	4.180	13/09/2018	0	81
Edra Energy Sdn Berhad	07/23	AA3	5.253	2	5.246	19/09/2018	1	147
CIMB Thai Bank Public Company Limited	07/24	AA3	4.595	20	4.573	14/09/2018	2	68
CIMB Thai Bank Public Company Limited	03/28	AA3	5.187	10	5.433	12/06/2018	-25	109
Southern Power Generation Sdn Berhad	10/34	AA-	5.120	15	5.258	24/07/2018	-14	62
Affin Bank Berhad	07/18	A3	5.245	1	5.106	05/09/2018	14	54
				<u>285</u>				

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

Market/Corporate News: What's Brewing

Malaysian palm oil futures fell to a three-year low on Thursday, weighed down by expectations of rising production and end-stocks in producer nations Indonesia and Malaysia. The benchmark palm oil contract for December delivery on the Bursa Malaysia Derivatives Exchange closed down 0.6 percent at 2,146 ringgit (\$519) a tonne. It had touched an intraday low of 2,173 ringgit, its weakest level since Sept. 21, 2015. Trading volumes totalled 54,988 lots of 25 tonnes each on Thursday. "Sentiment continues to be clouded with high stocks, as higher exports are unable to offset the rising output," said a Kuala Lumpur-based futures trader. "The market is expecting production to peak later in the year." In Malaysia, the world's second-largest producer and exporter, palm oil shipments during Sept. 1-20 jumped over 70 percent from a month earlier, reported cargo surveyors AmSpec Agri Malaysia, Intertek Testing Services and Societe Generale de Surveillance on Tuesday. Production however is expected to rise towards the year end in line with seasonal trends. Indonesia's palm oil production likely rose in August from a month earlier and was at its highest level in at least four years as weather conditions helped cultivation, while exports saw a small dip, a Reuters survey showed. In other related oils, the Chicago September soybean oil contract edged down 0.2 percent, while the January soybean oil contract on the Dalian Commodity Exchange dropped 0.7 percent. The Dalian January palm oil contract declined 1.5 percent. Palm oil prices are affected by movements of other edible oils, as they compete for a share in the global vegetable oils market. (Source: *The StarOnline/Reuters*)

China is planning to cut average tariff rates on imports from the majority of its trading partners as soon as next month, two people familiar with the matter said, in a move that would lower costs for consumers as a trade war with the U.S. deepens. The two people asked not to be named because the matter isn't public yet. Premier Li Keqiang said Wednesday that China would reduce tariffs, though he didn't elaborate. It's not yet clear how the planned reduction would affect imports from the U.S., if at all, including Chinese retaliatory tariffs on American products amid the trade war. Those details may only emerge once the government outlines which products will enjoy lower tariffs. Any reduction of tariffs usually must be offered to all countries equally under World Trade Organization rules. The move comes as the nation is trying to stimulate domestic consumption to support a slowing economy, and follows similar cuts to tariffs in July on a wide range of consumer goods. It's also in step with China's pledge to support more imports. "This is in line with China's longstanding strategy of opening," said Nicholas Lardy, a China expert at the Peterson Institute for International Economics in Washington. "It has the additional advantage that it will make U.S. firms complain more loudly that Trump's strategy is blocking their access to the China market." Government ministers have said they will proceed with their own reform agenda, regardless of developments in the trade standoff with the U.S. The timing of the cut would suggest the tariff tool is being used as a tactic in the trade war, taking into account both domestic and international considerations. Cuts across most trading partners, including the U.S., would signal an effort by China to ease tensions.-- Chang Shu, Bloomberg Economics "By further cutting import taxes, China is sending a message that it will keep opening up and reform no matter how the trade war goes. It's more like a commitment to both domestic and international audience. It's a gesture," said Tommy Xie, an economist at Oversea-Chinese Banking Corp Ltd in Singapore. Neither China's Ministry of Finance nor the U.S. Trade Representative's office immediately responded to requests for comment on the matter. China's most-favored nation average tariff stands at 9.8 percent. The MFN rule requires all countries to be treated equally unless specific exceptions are agreed, and the U.S. is also covered by MFN status. China still has a higher average tariff rate than many developed economies. The U.S.' average applied MFN rate was 3.4 percent in 2017, and in general the Trump administration has accused China of being a protectionist

economy. On Wednesday, Premier Li said that his government wouldn't devalue the currency in order to boost its exports amid the trade war. Cutting tariffs is just a start for China in addressing its unfair trading practices, said Dan DiMicco, the former Nucor Corp. chief executive officer who led Trump's trade team during the transition. (Source: *The Edge Markets*)

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

Source: RAM, MARC

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