

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries bear-flattened following losses in German bunds and Italian bonds being downgraded one notch lower by Moody's but shifted the outlook to stable. The 2Y rose 3bps to 2.91% whilst the much-watched 10Y edged 1bps higher at 3.19%. Meanwhile US Treasury supply is expected to flood the market this week which includes four bill auctions and \$108b of 2, 5 and 7Y notes. The strong US data, rising commodity prices, tight monetary trajectory and threatening wage pressures may be seen to push UST yields higher. Minutes from the Fed's last meeting reveal continued lifting of rates. Meanwhile the market is edgy over Italy's budget standoff, Brexit and the recent death of prominent Saudi journalist; Jamal Khashoggi.

##### MGS/GII

- Trading momentum in Govvies eased further with volume down at RM836m yesterday amid selective interest in the 10Y benchmark. Overall benchmark yields ended were 0-3bps higher from prior day's close. The 7Y MGS 3/25 remains untraded at 4.01% whilst the 10Y MGS 6/28 saw the highest volume; rising 2bps to 4.15% levels. GII bond trades formed a mere 3% of overall trades. Weaker sentiments may prevail temporarily following the announcement of higher budget deficit target of 3.0% for 2020 based on the mid-term review of the 11<sup>th</sup> Malaysia Plan. However Malaysia has been able to withstand major sell-offs for now ahead of the much anticipated 2019 Budget tabling on 2-November. BNM expects growth and core inflation to be stable; hence rates are expected to be on hold for the remainder of the year. Up next on the data are the foreign reserves numbers for period ending 15<sup>th</sup> October.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.91	3
5-yr UST	3.05	2
10-yr UST	3.19	1
30-yr UST	3.38	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.63	2	3.74	2
5-yr	3.79	2	3.91	0
7-yr	4.01	0	4.08	0
10-yr	4.15	2	4.20	0
15-yr	4.54	0	4.56	2
20-yr	4.81	3	4.80	0
30-yr	4.91	0	4.95	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.79	0
5-yr	3.88	0
7-yr	4.00	0
10-yr	4.20	1

Source : Bloomberg

##### Upcoming Government Bond Tender

Nil

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk however maintained solid investor interest across the GG to AA-part of the curve on volume of RM808m. There were total 28 bonds traded compared to prior day's 23 with overall yields ending mostly mixed-to-lower yesterday. Govt-Guaranteed MKD KENCHANA 23's saw ~RM70m nominal amounts traded; closing 0-4bps lower between 4.10-11% levels compared to previous-done levels. Both AAA-rated GB Services 11/19 and DANGA 30 also ended 2-4bps lower at 4.34% and 4.60% respectively. The banking space was active with CIMB 25NC20 closing markedly lower on yields at 4.49% whilst its perpetual securities traded 20bps lower at 5.00% handl. SABAH DEV 8/21 made its maiden trade at 4.86% whilst PUBLIC Islamic 24NC19 rose 3bps at 4.18%.

## Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.272	37	3.288	18/10/2018	-2
MGS 10/19	3.432	70	3.420	17/10/2018	1
MGS 11/19	3.432	62	3.443	17/10/2018	-1
MGS 03/20	3.484	4	3.491	18/10/2018	-1
MGS 10/20	3.527	10	3.490	18/10/2018	4
MGS 07/21	3.626	15	3.598	18/10/2018	3
MGS 09/21	3.614	22	3.621	18/10/2018	-1
MGS 11/21	3.633	2	3.609	17/10/2018	2
MGS 03/22	3.683	3	3.653	18/10/2018	3
MGS 09/22	3.772	46	3.753	17/10/2018	2
MGS 04/23	3.794	70	3.762	18/10/2018	3
MGS 08/23	3.879	13	3.868	17/10/2018	1
MGS 07/24	3.954	50	3.954	17/10/2018	0
MGS 09/24	3.998	4	3.992	18/10/2018	1
MGS 09/25	4.030	18	4.013	18/10/2018	2
MGS 11/26	4.135	12	4.104	18/10/2018	3
MGS 11/27	4.152	10	4.152	18/10/2018	0
MGS 06/28	4.151	207	4.119	18/10/2018	3
MGS 04/30	4.487	36	4.481	17/10/2018	1
MGS 05/35	4.754	37	4.745	18/10/2018	1
MGS 06/38	4.813	75	4.777	17/10/2018	4
MGS 09/43	4.949	1	4.856	11/10/2018	9
MGS 03/46	4.916	5	4.900	17/10/2018	2
GII 04/20	3.520	1	3.505	18/10/2018	2
GII 03/22	3.735	10	3.715	17/10/2018	2
GII 04/22	3.744	15	3.784	17/10/2018	-4
		<u>836</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*	
Pengurusan Air SPV Berhad	06/19	GG	3.677	10	3.801	03/04/2018	-12	28
Small Medium Enterprise Development Bank Malaysia	08/19	GG	3.760	10	3.897	30/07/2018	-14	37
MKD Kencana Sdn Berhad	02/23	GG	4.102	50	4.102	11/10/2018	0	38
MKD Kencana Sdn Berhad	04/23	GG	4.107	20	4.151	17/08/2018	-4	32
Pengurusan Air SPV Berhad	06/23	GG	4.050	15	4.021	27/08/2018	3	26
DanaInfra Nasional Berhad	11/27	GG	4.352	30	4.360	26/09/2018	-1	23
Cagamas MBS Berhad	08/19	AAA	3.987	5	4.142	31/03/2017	-16	59
GB Services Berhad	11/19	AAA	4.344	40	4.380	26/09/2018	-4	95
Berjaya Land Berhad	12/21	AAA	5.003	2	4.994	22/03/2018	1	138
Putrajaya Bina Sdn Berhad	09/22	AAA	4.329	5	4.447	24/07/2018	-12	60
Malaysia Airports Capital Berhad	12/22	AAA	4.291	20	4.349	07/09/2018	-6	57
Danga Capital Berhad	01/30	AAA	4.600	100	4.619	16/10/2018	-2	46
GENM Capital Berhad	07/33	AAA	5.225	2	5.245	11/10/2018	-2	66
Sabah Development Bank Berhad	08/21	AA1	4.858	80	-	-	-	123
Sarawak Energy Berhad	01/22	AA1	4.341	5	4.340	01/10/2018	0	72
Sabah Development Bank Berhad	04/22	AA1	4.880	20	5.240	05/05/2017	-36	115
Public Islamic Bank Berhad	06/24	AA1	4.176	30	4.142	25/09/2018	3	25
Sarawak Energy Berhad	12/32	AA1	4.839	10	4.849	16/10/2018	-1	27
CIMB Bank Berhad	12/25	AA+	4.489	90	4.821	26/09/2018	-33	48
Jimah Energy Ventures Sdn Berhad	11/21	AA3	4.429	10	4.437	14/09/2018	-1	80
AmBank Islamic Berhad	03/24	AA3	4.149	30	4.225	15/10/2018	-8	36
RHB Islamic Bank Berhad	05/24	AA3	4.217	10	4.227	15/10/2018	-1	29
CIMB Thai Bank Public Company Limited	03/28	AA3	5.105	1	5.157	28/09/2018	-5	98
AmBank Islamic Berhad	10/28	AA3	4.878	10	4.881	16/10/2018	0	74
SAJ Capital Sdn Berhad	01/20	AA-	4.880	2	4.892	11/10/2018	-1	149
CIMB Group Holdings Berhad	05/16	A1	5.055	2	4.597	18/10/2018	46	26
CIMB Group Holdings Berhad	05/16	A1	5.056	0	5.058	15/10/2018	0	27
CIMB Perpetual Securities	#N/A	-	5.000	200	5.200	17/10/2018	-20	#N/A
			<u>808</u>					

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

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

**Malaysia's PetroliaM Nasional Berhad (Petronas) said on Sunday its subsidiary would buy a 10 percent stake in Oman's Al Khazzan gas field, following a bidding exercise held by the exploration arm of state-owned Oman Oil Company.** The Petronas unit, PC Oman Ventures Ltd, would acquire the stake in Block 61 of the field, which is expected to produce around 1.5 billion cubic feet of natural gas per day by 2020. "Completion of the transaction is subject to closing conditions," Petronas said in a statement. "Further information will be made available, as and when appropriate." Oman Oil Company Exploration and Production (OOCEP) said in a statement on Twitter that the sale was "subject to approval from the Sultanate of Oman's government and other closing conditions". OOCEP holds a 40 percent stake in the block, while Britain's BP holds the remaining 60 percent. - Reuters. (Source: *The StarOnline/Reuters*)

**The Pakatan Harapan (PH) government has managed to grow the consolidated revenue account by seven-fold within four months, to RM3.7 billion as at Aug 31 from RM450 million as at April 30, Finance Minister Lim Guan Eng said.** He attributed the country's current account balance surplus of RM3.25 billion, which was achieved over the four-month period from May to August this year, to helping the federal government to record the increased consolidated revenue account balance. "The seven-fold increase in the consolidated revenue account from May to August 2018 explains how the PH government managed to secure sufficient funds to run the administration of the federal government including paying the monthly RM8 billion salaries and pensions," he said in a statement. "The PH government is intent on proving that a clean government can not only liberate Malaysia from being known as a global kleptocracy but also help us to find new sources of revenue," Guan Eng added. The revenue for the May-August 2018 period has increased by 2.4% to RM73.58 billion from RM71.88 billion in the January-April 2018 period, while the operating expenditure has declined substantially by 15.6% to RM70.33 billion from RM83.29 billion during the same period. On Sept 17, the finance minister had revealed that his predecessor Datuk Seri Najib Razak had left the Treasury with only RM450 million to repay RM11.86 billion owed to taxpayers after the 14th general election on May 9. The RM450 million figure was confirmed by Accountant-General Datuk Saat Esa on Sept 25. There was a drastic decline of RM11.41 billion or 96% in the consolidated revenue account over four months from Dec 31, 2017 to April 30, 2018. Only monies in the consolidated revenue account can be spent on government expenditure. "Some questioned whether these figures were true even though they were revealed and confirmed by Saat. Others asked how was it possible for the PH government to continue to pay monthly salaries and pensions of RM8 billion with only RM450 million," said Guan Eng in the statement. "Due to the alarming fiscal position of the federal government, we were left with no choice but to implement stringent measures to control the operating expenditure and practise prudent spending. Furthermore, PH's clean administration of Competency, Accountability and Transparency (CAT) has allowed not only savings from eliminating corrupt practices but. (Source: *The Edge*)

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

Source: RAM, MARC

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