

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	1
5-yr UST	2.89	0
10-yr UST	3.06	0
30-yr UST	3.32	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	0	3.78	0
5-yr	3.89	7	3.93	1
7-yr	4.08	3	4.18	2
10-yr	4.16	1	4.27	0
15-yr	4.54	-3	4.58	0
20-yr	4.79	0	4.79	0
30-yr	4.94	0	4.95	0

* 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 held within a narrow channel in an otherwise mundane trading session with the front-end lagging slightly whilst US equities recovered ground. Overall benchmark UST yields ended within 1bps from prior day's close with the 2Y edging 1bps at 2.81% and the much-watched 10Y closing almost unchanged at 3.06% levels. The Fed is now thought of back-pedaling on its 2019 "three rate hike" march following an expected December hike due to weaker-than-expected reports on business environment, consumer confidence, and also home sales. Interestingly, Eurodollar contract spreads reveal that the market expects just over one rate hike next year. Hence investors may be tempted to re-look into EM's which saw significant outflows in recent months.

MGS/GII

- Trading sentiment in local govies improved as volume maintained at RM1.8b yesterday with interest seen across the shorter off-the-run MGS/GII 19's and also the longer-end bonds i.e. 28-35's. Overall benchmark yields ended generally higher between 1-7bps save for the 15Y MGS 11/33 as investors returned following the mid-week break. The 5Y benchmark MGS 4/23 rose 7bps at 3.89% whilst the 10Y MGS 6/28 edged 1bps higher at 4.16% levels. GII trades formed 25% of overall bond trades. Meanwhile investors may be attracted to the low volatility of MYR govies which is comparable to Singapore and South Korea; yet which offers higher yields instead. This is evident based on the appreciation of MYR bonds since May 2018 amid better transparency of government data despite the nation's swelling budget deficit. Up next on the data front are the release of foreign reserves for period ending 15th October today followed by October CPI numbers tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume inch higher to RM155m with interest mainly seen along the AA-part of the curve. The sole GG bond trade involved GOVCO 9/32 which edged 1bps to 4.73% compared to previous-done levels. In the AA-space, a slew of UNITAPAH 12/27, 6/28 and 6/33 bonds hogged the limelight moving between 0-19bps lower between 4.70-92% levels whilst MALAKOFF 18 and 31 also saw interest with yields moving lower at 3.92% and 4.75%. In the banking space Public Islamic 24NC19 rose 2bps to 4.16%.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.198	173	3.287	19/11/2018	-9
MGS 07/19	3.409	16	3.408	15/11/2018	0
MGS 10/19	3.431	32	3.423	19/11/2018	1
MGS 11/19	3.459	41	3.453	16/11/2018	1
MGS 03/20	3.520	93	3.505	16/11/2018	2
MGS 10/20	3.602	1	3.570	19/11/2018	3
MGS 02/21	3.651	7	3.627	15/11/2018	2
MGS 07/21	3.697	101	3.678	19/11/2018	2
MGS 09/21	3.700	65	3.694	19/11/2018	1
MGS 11/21	3.687	31	3.683	16/11/2018	0
MGS 03/22	3.747	14	3.783	19/11/2018	-4
MGS 09/22	3.850	16	3.822	19/11/2018	3
MGS 03/23	3.910	8	3.898	19/11/2018	1
MGS 04/23	3.893	80	3.826	19/11/2018	7
MGS 08/23	3.975	2	3.960	19/11/2018	2
MGS 09/25	4.124	75	4.110	19/11/2018	1
MGS 04/26	4.193	2	4.157	19/11/2018	4
MGS 11/26	4.222	4	4.219	19/11/2018	0
MGS 11/27	4.237	83	4.250	19/11/2018	-1
MGS 06/28	4.161	21	4.143	19/11/2018	2
MGS 04/30	4.515	40	4.490	19/11/2018	2
MGS 06/31	4.580	2	4.569	19/11/2018	1
MGS 04/33	4.591	15	4.620	15/11/2018	-3
MGS 11/33	4.544	426	4.574	19/11/2018	-3
MGS 04/37	4.836	1	4.807	16/11/2018	3
GII 04/19	3.275	100	3.266	19/11/2018	1
GII 04/20	3.545	2	3.593	16/11/2018	-5
GII 11/23	3.934	8	3.928	15/11/2018	1
GII 08/25	4.184	4	4.168	16/11/2018	2
GII 09/26	4.242	50	4.327	15/11/2018	-9
GII 10/28	4.272	268	4.270	16/11/2018	0
GII 10/35	4.803	20	4.848	13/11/2018	-4
		<u>1800</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
GovCo Holdings Berhad	09/32	GG	4.729	30	4.720	16/11/2018	1	17
Public Islamic Bank Berhad	06/24	AA1	4.156	20	4.138	09/11/2018	2	18
UniTapah Sdn Berhad	12/27	AA1	4.700	5	4.780	11/10/2017	-8	54
UniTapah Sdn Berhad	06/28	AA1	4.730	10	4.920	11/01/2017	-19	58
UniTapah Sdn Berhad	06/33	AA1	4.922	10	4.923	16/11/2018	0	36
Konsortium ProHAWK Sdn Berhad	12/18	AA2	3.901	5	4.171	12/02/2018	-27	47
UMW Holdings Berhad	10/26	AA2	4.756	10	4.757	16/11/2018	0	63
UEM Sunrise Berhad	12/22	AA-	4.814	10	4.818	15/11/2018	0	105
UiTM Solar Power Sdn Berhad	04/26	AA-	5.290	5	0.000	00/01/1900	529	122
Malakoff Power Berhad	12/31	AA-	4.747	10	5.034	16/08/2018	-29	19
UiTM Solar Power Sdn Berhad	04/33	AA-	5.911	5	0.000	00/01/1900	591	135
RHB Bank Berhad	12/39	A1	4.502	20	4.579	16/11/2018	-8	-29
Malakoff Power Berhad	12/18	AA-	3.921	15	3.991	23/10/2018	-7	49
			<u>155</u>					

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

Market/Corporate News: What's Brewing

A move by one of China's biggest corporate delinquents to include bonds sold by a healthier subsidiary in a workout proposal has stoked concerns about creditors' rights in a market still getting used to the concept of defaults. Coal miner Wintime Energy Co by mid-2018 found itself incapable of servicing debt that quadrupled in less than five years. Now it's proposing the inclusion of a US\$500mil note sold by Huachen Energy Co in a 70 billion yuan (US\$10bil) overall restructuring package. Huachen hasn't defaulted on those offshore notes, and bundling them together with the obligations of its sickly parent could appeal to Wintime creditors. The move is less appealing to investors who had considered subsidiaries as independent issuers – with their own balance sheets – when it came to creditworthiness. Should the plan go ahead, a greater degree of due diligence may be needed as fund managers grapple with the implications of a record run of defaults in the world's third-largest bond market. "If substantive consolidation was applied in China in the Wintime case, without the consent of the offshore bondholders, it would certainly be very surprising," said Kingsley Ong, a Hong Kong-based partner at Eversheds Sutherland. "Any attempt to apply the concept in a cowboy fashion, against the interests of the offshore bondholders, will almost certainly hurt foreign investors' confidence toward debt issued by Chinese entities." The official in charge of Wintime's information disclosure wasn't available to comment and calls to the deputy head of Huachen Energy's financial management department went unanswered. While Huachen itself has had challenges – missing a coupon payment on its 2020 dollar bonds in recent days – the company said in a statement late on Tuesday that it would make that payment by Dec 18, within the grace period. In a developed market such as the US, there's less focus on any parent company when considering the credit profile of a bond issuer, and any move by the parent that impinges on its unit could end up in court, market participants say. (Source: *TheStar/Bloomberg*)

Sunway Bhd's third quarter net profit grew by a marginal 0.21% to RM145.31 million, from RM145.01 million a year earlier, due to higher contributions from the property development and construction segments. Earnings per share for the quarter ended Sept 30, 2018, however, dropped to 2.99 sen from 3.04 sen, the group's filing with Bursa Malaysia showed. Sunway said its profit before tax would have been higher by 32.9% if not for the adoption of MFRS 15 on one of the group's Singapore and China property development projects, for which the group can only recognise the development profits upon completion. "The progressive profits of RM57.1 million from these projects, which could have been recognised in the current quarter under the progressive revenue recognition treatment, has to be deferred accordingly," said Sunway. Sunway said quarterly revenue was up 12.6% to RM1.44 billion from RM1.28 billion previously. For the cumulative nine months ended Sept 30, 2018, Sunway saw its net profit rise 4.18% to RM466.67 million or 9.57 sen per share from RM447.95 million or 9.36 sen per share a year ago. Revenue for the period rose 11.85% to RM4.04 billion from RM3.61 billion. On prospects, Sunway said the group will continue to deliver a satisfactory performance for the fourth quarter, barring any unforeseen circumstances. While the short-term outlook is still clouded by the trade war between the US and China, Sunway said the domestic economy is expected to remain resilient, underpinned by recovering consumer and business confidence going forward.. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Pendidikan Industri YS Sdn Bhd	RM150 million Bai' Bithaman Ajil Islamic Debt Securities (2008/2022) (BaIDS)	AA1(s)/Stable	Reaffirmed
Sunway Berhad	RM2.0 billion Commercial Papers/Medium-Term Notes (CP/MTN) programme	MARC-1/AA-	Affirmed
	Sunway Treasury Sukuk Sdn Bhd's (STSSB) RM2.0 billion Sukuk programme	MARC-1IS(cg)/AA-IS(cg)	Affirmed

Source: RAM, MARC

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