

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.59	0
5-yr UST	2.70	-1
10-yr UST	2.82	-1
30-yr UST	2.98	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.47	1	3.86	31
5-yr	3.67	-1	3.79	-2
7-yr	3.93	-1	4.00	-3
10-yr	4.03	-1	4.13	-1
15-yr	4.46	-2	4.53	-3
20-yr	4.67	-1	4.76	0
30-yr	4.89	0	4.95	0

\*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	1
3-yr	3.73	0
5-yr	3.84	0
7-yr	3.94	-1
10-yr	4.16	0

Source : Bloomberg

**Upcoming Government Bond Tender**

Nil

**US Treasuries**

- US Treasuries edged higher pursuant to a lukewarm reaction from the minutes of the August FOMC meeting with overall benchmark yields within 0-1bps lower across the curve. The 2Y ended within a bps lower at 2.59% whilst the much-watched 10Y UST moved 1bps lower at 2.82% levels. In the said minutes the Fed expected gradual rate hikes and also identified risks mainly pertaining to global trade tensions, slowdown in housing market along with worries on potential melt-down in emerging economies. Meanwhile US and China plan low-level talks tonight as US tariffs of 25% take effect on some \$16b of Chinese goods. On the local front investors continue to watch if Trump would face political setbacks on widening probes into his earlier conduct.

**MGS/GII**

- Trading momentum in Govvies was decent as volume notched RM3.34b with interest seen across the curve. Focus was seen along the short end off-the-run 18-19's, 22's and also both 10Y benchmark MGS and GII bonds. Overall benchmark yields were generally lower by 1-2bps save for the skewed odd-lot trade on the 3Y GII. We note GII trades as a whole fell again to 31% of total trades. Both the benchmark 7Y MGS 3/25 and 10Y MGS 6/28 edged 1bps lower at 3.93% and 4.03% levels respectively. MYR Interest rates swap movements edged slightly lower. Separately foreign reserves data for July was marginally lower at \$104.2b.

**Corp Bonds/Sukuk**

- Corporate Bonds/Sukuk saw volume edge higher at 280m yesterday with interest seen mainly along the AA-part of the curve involving 30 different bonds compared to prior day's 20. Overall yields generally ended lower on continued investor demand. GG trades were few with the significant trade being PRASA 12/27 closing 4bps lower at 4.34% compared to previous-done levels. AAA-rated CAGA 10/28 rallied to end at 4.57% levels. In the AA-rated space GAMUDA 4/21 and 3/23 edged 2bps lower at 4.50% and 4.71% levels respectively whilst KESTURI 22 and 27 saw strong demand; closing 7-10bps lower at 4.59% and 4.77% each. Expect demand to persist due to lack of fresh Govt-Guaranteed issuances.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.300	147	3.327	20/08/2018	-3
MGS	03/19	3.302	66	3.340	20/08/2018	-4
MGS	10/19	3.416	486	3.400	20/08/2018	2
MGS	11/19	3.404	9	3.466	20/08/2018	-6
MGS	03/20	3.393	50	3.374	20/08/2018	2
MGS	10/20	3.462	59	3.477	20/08/2018	-1
MGS	02/21	3.513	10	3.530	17/08/2018	-2
MGS	07/21	3.572	10	3.591	20/08/2018	-2
MGS	09/21	3.583	100	3.601	17/08/2018	-2
MGS	11/21	3.472	52	3.472	20/08/2018	0
MGS	03/22	3.594	213	3.630	20/08/2018	-4
MGS	08/22	3.677	103	3.745	17/08/2018	-7
MGS	04/23	3.674	110	3.695	20/08/2018	-2
MGS	08/23	3.800	14	3.822	20/08/2018	-2
MGS	03/25	3.925	40	3.925	20/08/2018	0
MGS	09/25	4.070	3	4.061	20/08/2018	1
MGS	04/26	4.107	5	4.184	15/08/2018	-8
MGS	11/26	4.125	18	4.166	17/08/2018	-4
MGS	03/27	4.158	2	4.197	17/08/2018	-4
MGS	06/28	4.025	240	4.044	20/08/2018	-2
MGS	09/28	4.273	14	4.309	20/08/2018	-4
MGS	06/31	4.506	4	4.522	20/08/2018	-2
MGS	04/33	4.501	108	4.506	20/08/2018	0
MGS	11/33	4.463	354	4.485	20/08/2018	-2
MGS	06/38	4.673	30	4.693	17/08/2018	-2
MGS	09/43	4.824	3	4.860	14/08/2018	-4
MGS	07/48	4.893	44	4.892	16/08/2018	0
GII	08/18	3.262	60	3.283	17/08/2018	-2
GII	04/20	3.858	10	3.545	17/08/2018	31
GII	08/21	3.690	40	3.715	16/08/2018	-2
GII	07/23	3.841	20	3.858	20/08/2018	-2
GII	10/23	3.901	10	3.996	07/12/2017	-10
GII	11/23	3.791	80	3.806	20/08/2018	-2
GII	05/24	4.020	42	4.013	16/08/2018	1
GII	08/24	4.007	20	4.035	20/08/2018	-3
GII	08/25	3.995	310	4.025	20/08/2018	-3
GII	10/25	4.071	42	4.079	20/08/2018	-1
GII	09/26	4.158	30	4.165	17/08/2018	-1
GII	07/27	4.144	74	4.154	20/08/2018	-1
GII	10/28	4.130	300	4.136	20/08/2018	-1
GII	06/33	4.532	10	4.563	17/08/2018	-3
			<u>3340</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	3.977	5	4.244	22/05/2018	-27	50
Prasarana Malaysia Berhad	12/21	GG	3.975	5	4.060	14/08/2018	-8	50
Prasarana Malaysia Berhad	12/27	GG	4.340	25	4.380	15/08/2018	-4	29
CIMB Bank Berhad	05/22	AAA	4.360	5	4.540	12/06/2018	-18	74
Genting Capital Berhad	06/22	AAA	4.751	1	5.027	03/08/2018	-28	113
GENM Capital Berhad	07/23	AAA	4.731	1	4.877	10/08/2018	-15	105
CIMB Bank Berhad	05/24	AAA	4.501	20	4.619	26/06/2018	-12	64
Cagamas Berhad	08/28	AAA	4.567	30	4.750	06/07/2018	-18	53
YTL Corporation Berhad	04/23	AA1	4.789	0	4.629	07/08/2018	16	111
TRIplic Medical Sdn Berhad	10/24	AA1	4.539	10	4.559	08/08/2018	-2	67
Celcom Networks Sdn Berhad	08/19	AA+	4.217	20	4.264	10/08/2018	-5	85
UMW Holdings Berhad	06/22	AA2	4.558	10	4.560	09/08/2018	0	94
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.323	5	4.331	20/06/2018	-1	95
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.432	5	4.442	01/06/2018	-1	106
Bumitama Agri Ltd	03/19	AA3	4.356	10	4.420	03/08/2018	-6	99
Gamuda Berhad	04/21	AA3	4.497	10	4.518	08/08/2018	-2	102
Gamuda Berhad	03/23	AA3	4.706	10	4.725	09/08/2018	-2	103
UEM Sunrise Berhad	04/20	AA-	4.506	10	4.588	23/07/2018	-8	107
UEM Edgenta Berhad	04/22	AA-	4.597	10	4.684	18/07/2018	-9	98
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	4.590	10	4.655	27/07/2018	-7	97
UEM Sunrise Berhad	05/23	AA-	4.722	10	4.758	30/07/2018	-4	104
Jimah East Power Sdn Berhad	12/26	AA-	4.730	5	4.761	17/08/2018	-3	70
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.773	10	4.869	07/08/2018	-10	72
Jimah East Power Sdn Berhad	12/27	AA-	4.780	5	4.840	31/07/2018	-6	73
MMC Corporation Berhad	03/28	AA-	5.601	15	5.786	17/05/2018	-19	157
AMMB Holdings Berhad	02/28	A1	5.003	20	4.957	20/06/2018	5	97
CIMB Group Holdings Berhad	05/16	A1	5.103	1	5.100	17/08/2018	0	43
UMW Holdings Berhad	04/18	A1	5.749	10	5.889	07/08/2018	-14	107
DRB-Hicom Berhad	12/14	A-	7.425	1	7.434	16/08/2018	-1	275
Mah Sing Perpetual	-	-	5.813	2	5.810	20/08/2018	0	-
				<u>280</u>				

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

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

**Maxis Bhd's revised fibre broadband plans may see Telekom Malaysia Bhd (TM) taking a hit to its unifi revenue.** The new plans are set to appeal to TM's small and medium enterprise (SME) customers and result in a 30% hit to the company's unifi revenue, according to CGSCIMB. "If Maxis is also able to price attractively for 500Mbps to 1Gbps packages, it may represent a risk for TM. "We estimate some around 20% to 25% of TM's unifi broadband subscribers are business customers, accounting for potentially 25% to 30% of unifi revenue, if not more," it said in a report yesterday. The research house anticipated TM's unifi home average revenue per user (arpu) to drop by a blended 15% over the next two years, given the timing of contract renewals; but expected no change to unifi business arpu. "If we assume the same 15% drop for the latter, our 2019 to 2020 core earnings per share may be reduced by 12% to 17% and our fair value by 13% to RM3.10." Maxis has launched its revised Home Fibre Broadband plans at RM89 and RM129 per month for 30Mbps and 100Mbps respectively. For business customers, the prices are just RM10 higher, at RM99 and RM139 per month, respectively. "For Business Fibre Broadband, Maxis' 100Mbps price is 30% cheaper and 10 times faster than TM's existing RM199 per month entry-level 10Mbps Biz Lite plan. In order to keep the price, TM will now have to upgrade speed by more than 10 times," said CGSCIMB. "We believe that most of TM's SME customers are on the RM329 per month Biz Pro plan, which we presume will see at least a 10 times speed upgrade." Some analysts say they may lower Maxis' 2018 to 2020 earnings by 6% to 7% from a 5% cut in the group's home fibre revenue assumptions. "This stems from Maxis repricing its fibre broadband plans for both consumers and businesses with unlimited data quotas and offering speeds of up to 100Mbps at prices 36% to 65%, lower than previous similar plans beginning from Sept 13 this year." With the new plans, CGSCIMB said Maxis has moved ahead of the finalisation of new access agreements with TM, which are still in the final stages of negotiations. "Maxis says it will offer higher speed plans in the coming months, once it secures access from TM." Access agreements between TM and access seekers are expected to be finalised by end-August, which should provide better clarity on revised broadband offerings (including for higher-speed packages) thereafter. (Source: *The Star*)

**Pacific Investment Management Co sees a 70% chance the world economy enters a recession over the next five years as ultra-loose monetary policy from the US to Europe comes to a halt.** Marc Seidner, chief investment officer of non-traditional strategies at Pimco, warned investors should expect increased volatility as monetary easing turns into monetary tightening. With traditional assets expensive, they can find some shelter in private markets, Seidner, who has more than 30-year investment experience, said at a conference in Sydney. "If you are thinking about global investing and global portfolios, you have to enter in a possibility of a recession in the next three to five years," Seidner said at the event organized by Portfolio Construction Forum. "Quantitative easing was a tide that lifted all boats. If we were trying to look for historic analogues to the current environment in terms of monetary policy and possible unwind in the period to come, there are none." The comments come as the world's biggest economy heads for its best growth since 2005, buoyed by robust domestic demand and the impact of tax cuts. The Federal Reserve remains on track for further interest-rate hikes this year, despite a meltdown in emerging markets, rising geopolitical risks and mounting political headaches for the Trump administration. Investors don't have much flexibility in their investment decisions in the current environment of low interest rates, unattractive credit spreads, high equity valuations and flat yield curves, Seidner said. One bright spot is private credit in areas such as direct lending, stressed and distressed corporate loans, as well as real-estate focused offerings including non-qualified US mortgages and commercial development loans in the US and Europe, according to

Seidner. “The opportunity set in private markets continues to expand and that we believe it to be a very significant, profitable and fruitful area for investors,” he said. “Instead of earning 5% or 6%, one can earn 10%, 11%, 12%.” New York-based Seidner, who helps run Pimco’s Dynamic Bond Fund and sits on Pimco’s investment committee, left the company briefly in 2014 before rejoining the bond titan later that same year. He also worked with fixed-income veteran Mohamed El-Erian at Harvard University’s endowment. The Newport Beach, California-based asset manager oversees US\$1.7 trillion in assets, according to its website. (Source: *The Edge*)

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

Source: RAM, MARC

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