

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US financial markets were closed yesterday for Thanksgiving holiday. Investors continue to debate whether the Fed will back-pedal 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. Nevertheless the various debates by various Fed officials followed by Powell’s speech before the Joint Economic Committee on 5th December will be watched closely for clues in the 2019 interest rate path. Meanwhile, November’s Markit US PMI data is expected to be released tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	0
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	3.77	-1
5-yr	3.87	-2	3.93	0
7-yr	4.07	-1	4.16	-2
10-yr	4.17	1	4.24	-3
15-yr	4.54	0	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	3.78	0
5-yr	3.89	0
7-yr	3.99	0
10-yr	4.20	0

Source : Bloomberg

Note: UST levels as at 21-Nov

Upcoming Government Bond Tender

Nil

MGS/GII

- Trading sentiment in local govies improved further as volume spiked to RM4.03b yesterday with strong interest seen in the off-the-run 19’s and 10Y benchmark MGS/GII bonds. Overall benchmark yields ended generally lower between 0-3bps save for the 10Y as both local and foreign investors turned keen buyers. The 5Y benchmark MGS 4/23 edged 2bps lower at 3.87% whilst the 10Y MGS 6/28 rose 1bps higher at 4.17% levels. GII trades jumped to form 55% of overall bond trades. 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. Foreign reserves for period ending 15th November ended US\$0.4b higher at \$102.1b. Up next on the data front are the CPI numbers for October

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume jump to RM459m with interest seen across the GG to AA-part of the curve. Both the Govt-Guaranteed PTPTN and MKD Kenchana 32’s saw RM40m nominal amounts traded each between -8 and +2bps compared to previous done levels at 4.65-66% levels. The AAA-rated TELEKOM 10/28 edged 2bps lower at 4.63%. In the AA-space, energy bonds dominated trading. A slew of SEB bonds i.e. 4/31 and 12/32 and 8/35 closed 0-1bps lower at 4.77%, 4.83% and 4.93% levels respectively. Meanwhile EDRA Energy 23-24’s saw these bonds end higher on yields instead between 5.33-40% levels. In the banking space AmBank Islamic 3/20 rallied 3bps at 4.19% on strong volume.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 07/19	3.345	2	3.409	21/11/2018	-6
MGS 11/19	3.457	359	3.452	21/11/2018	0
MGS 03/20	3.524	74	3.528	21/11/2018	0
MGS 07/20	3.579	45	3.562	15/11/2018	2
MGS 10/20	3.569	75	3.564	19/11/2018	0
MGS 11/21	3.687	130	3.694	21/11/2018	-1
MGS 03/22	3.750	25	3.747	21/11/2018	0
MGS 08/22	3.845	66	3.786	09/11/2018	6
MGS 03/23	3.894	60	3.910	21/11/2018	-2
MGS 04/23	3.874	151	3.893	21/11/2018	-2
MGS 08/23	3.939	39	3.911	21/11/2018	3
MGS 07/24	4.060	100	4.040	19/11/2018	2
MGS 09/24	4.078	150	4.097	19/11/2018	-2
MGS 03/25	4.070	75	4.085	21/11/2018	-1
MGS 09/25	4.135	94	4.141	21/11/2018	-1
MGS 04/26	4.232	35	4.157	19/11/2018	8
MGS 11/27	4.216	30	4.209	21/11/2018	1
MGS 06/28	4.168	62	4.155	21/11/2018	1
MGS 11/33	4.540	160	4.540	21/11/2018	0
MGS 05/35	4.737	30	4.802	15/11/2018	-6
MGS 03/46	4.954	40	4.951	16/11/2018	0
GII 11/18	4.249	79	3.287	08/11/2018	96
GII 04/19	3.246	1000	3.275	21/11/2018	-3
GII 06/20	3.535	210	3.572	01/10/2018	-4
GII 03/22	3.770	150	3.776	19/11/2018	-1
GII 08/25	4.162	270	4.184	21/11/2018	-2
GII 09/26	4.245	10	4.243	21/11/2018	0
GII 07/27	4.243	50	4.223	15/11/2018	2
GII 10/28	4.244	460	4.275	21/11/2018	-3
		<u>4032</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	03/32	GG	4.650	40	4.629	08/10/2018	2	11
MKD Kencana Sdn Berhad	10/32	GG	4.660	40	4.742	28/08/2018	-8	12
Danainfra Berhad	11/25	GG	4.320	35	-	-	-	-
Putrajaya Bina Sdn Berhad	09/26	AAA	4.508	2	4.624	08/08/2018	-12	39
Telekom Malaysia Berhad	10/28	AAA	4.630	20	4.650	02/11/2018	-2	48
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.879	10	4.850	27/09/2018	3	33
Tenaga Nasional Berhad	08/37	AAA	4.938	4	4.909	29/10/2018	3	15
Sabah Development Bank Berhad	05/22	AA1	5.149	1	5.498	22/05/2018	-35	146
UniTapah Sdn Berhad	12/27	AA1	4.698	5	4.700	21/11/2018	0	54
UniTapah Sdn Berhad	06/28	AA1	4.728	10	4.730	21/11/2018	0	58
Sarawak Energy Berhad	04/31	AA1	4.765	10	4.766	16/11/2018	0	61
Sarawak Energy Berhad	12/32	AA1	4.829	30	4.837	19/11/2018	-1	28
Sarawak Energy Berhad	08/35	AA1	4.929	30	4.939	19/11/2018	-1	39
Celcom Networks Sdn Berhad	08/19	AA+	4.084	30	4.146	08/11/2018	-6	66
Konsortium ProHAWK Sdn Berhad	12/18	AA2	3.738	5	3.901	21/11/2018	-16	31
Lingkar Trans Kota Sdn Berhad	04/19	AA2	3.943	10	4.496	28/12/2016	-55	52
AmBank Islamic Berhad	03/20	AA2	4.186	70	4.211	24/10/2018	-3	76
UMW Holdings Berhad	10/26	AA2	4.757	20	4.756	21/11/2018	0	64
Konsortium ProHAWK Sdn Berhad	06/33	AA2	4.974	1	4.988	13/11/2018	-1	43
Anih Berhad	11/25	AA	4.603	2	4.619	24/10/2018	-2	54
Jimah Energy Ventures Sdn Berhad	05/21	AA3	4.356	10	4.452	21/08/2017	-10	80
Edra Energy Sdn Berhad	07/23	AA3	5.327	10	5.253	20/09/2018	7	145
Edra Energy Sdn Berhad	01/24	AA3	5.368	10	5.291	05/02/2018	8	149
Edra Energy Sdn Berhad	07/24	AA3	5.399	10	5.387	17/05/2018	1	141
Malakoff Power Berhad	12/18	AA-	3.731	15	3.921	21/11/2018	-19	30
Malakoff Power Berhad	12/19	AA-	5.037	3	4.233	05/10/2018	80	161
UiTM Solar Power Sdn Berhad	04/26	AA-	5.288	5	5.290	21/11/2018	0	123
UiTM Solar Power Sdn Berhad	04/33	AA-	5.910	5	5.911	21/11/2018	0	137
Southern Power Generation Sdn Berhad	04/35	AA-	5.120	10	5.122	13/11/2018	0	58
Affin Bank Berhad	02/27	A1	5.111	1	4.790	25/09/2018	32	100
Alliance Bank Malaysia Berhad	10/25	A2	5.154	1	5.059	19/11/2018	9	110
Affin Islamic Bank Berhad	10/17	A3	5.507	4	5.647	24/10/2018	-14	72
			<u>459</u>					

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

Market/Corporate News: What's Brewing

Boustead Plantations Bhd slipped into the red for the third quarter of its financial period ended Sept 30, 2018 (3QFY18) with a net loss of RM21.9 million or 0.98 sen per share compared to a net profit of RM557.7 million or 24.9 sen per share during the corresponding period a year ago. The group booked gain on disposal of plantation assets of RM554.9 million recognized in the previous corresponding quarter. According to the filing with Bursa, the loss was attributed to the decline in palm product prices, lower crop production and increase in expenditure corresponding to a larger area under harvest. The group's quarterly revenue fell by 28.5% to RM131.1 million from RM183.4 million recorded in 3QFY17. In a separate filing, the directors have declared a third interim dividend of two sen per share in respect of the year ending Dec 31, 2018, which will be paid on Jan 4, 2019. For the first nine months of its financial period ended Sept 30 (9MFY18), the group also recorded a net loss of RM38.9 million or 1.74 sen per share compared to a net profit of RM598 million or 26.7 sen per share recorded during the corresponding period a year ago. "Besides the decline in crop production and selling prices, the start-up expenses for Pertama Estates had also impacted performance. Amortisation charge for bearer plants and revalued leasehold arising from the adoption of MFRS (Malaysian Financial Reporting Standards) amounted to RM59.5 million (2017: RM55.7 million)," the note filed with Bursa said. In a press release, the group said that the adoption of new MFRS effective Jan 1 also had an impact on its profitability. Similar to the group's decline in its bottom line, Boustead Plantations' revenue for 9MFY18 also fell by 21% to RM427.5 million from RM541.9 million recorded in the prior year's corresponding period. For 9MFY18, the average CPO selling price was RM2,391 per metric ton (MT), marking a 17% decline from the same period last year. Average PK price dropped by 22% to RM1,924 per MT. Meanwhile, fresh fruit bunches (FFB) production was lower by 5%, amounting to 660,088 MT. Oil extraction rate for the group improved to 21% compared with 20.9% in the previous year, while average kernel extraction rate was also marginally higher at 4.4%. "The industry continues to be impacted by declining palm product prices and weaker demand, as the purchasing power of India fell along with the depreciation of its currency against the US currency. The trade war between the United States and China also led to lower soybean oil prices, which further depressed CPO prices," a spokesperson for Boustead said in a press release. The spokesperson added that the group remains steadfast in its commitment to enhancing value for shareholders. "Moving forward, soft CPO prices are expected to persist for the remainder of the year, given the high palm oil inventories and slow export growth. The forecast of bumper soybean production in the 2018/19 growing season in Brazil is also expected to put further pressure on CPO prices. "However, over the long-term, the Group is optimistic that we will be able to deliver sustained earnings as crop production improves, particularly with contributions from the recently acquired Pertama estates," the spokesperson said. At closing, Boustead Plantations' share price was down by one sen or 1.07% to close at 92.5 sen with about 452,900 shares traded. At this level, the group is trading at a market capitalisation of RM2.1 billion and has seen a decline of about 16.4% over the last one-year period. (Source: *TheStar/Bloomberg*)

A fresh wave of change at government-linked outfits appears to be happening, with at least two chief executive officers (CEOs) being rumoured to leave their respective organisations in the near future. Among those that could go soon, according to sources, are from the banking industry, namely, RHB Bank Bhd managing director Datuk Khairussaleh Ramli and CIMB Group CEO Tengku Datuk Seri Zafrul Aziz. Other CEOs likely to leave are those currently serving at smaller financial institutions, and construction and property firms that are owned by government-linked entities. These changes come hot on the heels of Syed Hamadah Othman replacing Datuk Wan

Kamaruzaman Wan Ahmad at Kumpulan Wang Persaraan (Diperbadankan) early this month. "It appears that the corporate purge is far from over...the new government wants a clean sweep (of the old guards)," said a source. Wan Kamaruzaman, better known as Wan K, had led one of the country's biggest pension funds for five years. Just last Friday, Telekom Malaysia Bhd 's acting group CEO, Datuk Bazlan Osman, announced his resignation, which took effect immediately. Bazlan was appointed to the post in June following the departure of Datuk Seri Mohammed Shazalli Ramly. He will, however, remain as the company's executive director until Feb 28, 2019 as part of a transition deal. Earlier in September, Nik Amlizan Mohamed was appointed as the new CEO of Armed Forces fund LTAT, replacing Tan Sri Lodin Wok Kamaruddin, who had led the fund for 36 years. These changes follow the initial winds of change which occurred post-May 9 – the historic day which saw the first ever change of a ruling party in Malaysia. Following the formation of a new government, among the big names that were removed almost immediately were Tan Sri Abdul Wahid Omar and Tan Sri Azman Mokhtar, formerly of Permodalan Nasional Bhd and Khazanah Nasional Bhd, respectively. Other top brass who have left since include Bank Negara governor Tan Sri Muhammad Ibrahim (pic) and Malaysia Airports Holdings Bhd 's Datuk Badlisham Ghazali, whose contract was not renewed. Since May 9, there has been a disquiet that has been building up among government-linked companies (GLCs). Upon taking over, the new government had said that there was a need to review the role of GLCs and the remuneration paid out to their top executives and senior management. The Pakatan Harapan government is understood to have started mulling over making drastic changes in the appointment and remuneration of key directors at these entities, which include government agencies, right after taking over, and is still doing so. It is worthwhile to note that after much speculation, CIMB's ex-chairman Datuk Seri Nazir Razak – who is the brother of ousted premier Datuk Seri Najib Tun Razak – left the banking group in September after 29 years at the lender. More recently, the country's second-largest lender announced a slew of major changes among its key management, including the appointment of Khairulanwar Rifaie, who is currently the chief financial officer (CFO) of CIMB Malaysia and CIMB Islamic Bank Bhd, as group CFO. Current group CFO Shahnaz Jammal will relinquish his position to become CEO of the group's wholesale banking business. It is also understood that a couple of Tengku Zafrul's key lieutenants have recently vacated, or will soon leave, their positions to join other outfits. At RHB, there has also been a recent spate of management changes. Omar Siddiq recently resigned as RHB's head of group wholesale banking, joining CIMB as group chief operating officer. Earlier in the year, head of mergers and acquisitions (M&As) Soon Poh Lean and one of the lender's key M&A team members, Theresa Lim, resigned from the bank.. (Source: *The Edge*)

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

Source: RAM, MARC

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