





## Global Markets Research






### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.80	 0
5-yr UST	2.95	 0
10-yr UST	3.06	 0
30-yr UST	3.20	 0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	 0	3.48	 -1
5-yr	3.74	 -3	3.88	 -1
7-yr	3.94	 -1	4.04	 1
10-yr	4.10	 1	4.16	 -1
15-yr	4.50	 0	4.62	 0
20-yr	4.69	 -1	4.76	 0
30-yr	4.90	 -1	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	3.86	 -1
7-yr	3.99	 0
10-yr	4.18	 0

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries were mildly mixed with some mild losses seen in the longer end of the curve as market lacked any meaningful catalyst. Overall benchmark yields were confined within 1bps from prior day's close with the 2Y ending at 2.80% whilst the much-watched 10Y maintained at 3.06% levels. Worries over a global trade spat is seen taking center stage as markets monitor the significant escalation tariffs on \$200b of Chinese goods whilst in a tit-for-tat move \$60b of US goods will be also subject to Chinese tariffs. The impact of potential Fed rate hikes this month on UST's will be watched closely as pension funds and lifers demand for long-term debt are expected to keep rates anchored in the longer-end.

#### MGS/GII

- Trading volume in Govvies reflected continued investor interest amid solid volume of RM4.60b last Friday with interest across most tenures. The off-the-run 18-21's and 23-24's were equally sought after by both offshore and onshore players followed surprisingly by interest seen in the 30Y. Overall benchmark yields were generally 0-3bps lower across the curve save for the 10Y. The 7Y MGS 3/25 settled 1bps lower at 3.94% whilst the 10Y MGS 6/28 edged 1bps higher at 4.10% levels. GII trades rose to 32% of total trades. The ongoing efforts taken by the present government to address budget deficits and improve overall economy is seen positive in the medium-to-long term prospects for the country despite slight setback arising from some recent EM outflows.

#### Corp Bonds/Sukuk

- Corporate bonds/Sukuk saw momentum spike with volume rising to RM822m with interest seen in 30 different bonds compared to prior trading day's whopping 22. Overall trades were notched broadly across the yield curve. The Govt-guaranteed PASB 20's saw a whopping RM145m nominal amounts traded mixed on yields between -15 to +1bps at 3.83-88% compared to previous-done levels. The short-tenured GB Services 11/19 rallied 4bps to close at 4.40% area whilst GENM Capital 7/28 closed unchanged at 5.00%. PLUS 31 closed 9bps lower at 4.75% whilst the seldom-traded AL-Dzahab 20-22's exchanged hands between 4.52-70% levels. In the AA-space UEM Sunrise 12/18 closed unchanged at 4.08% whereas Benih Restu 6/25 moved 18bps sharply lower at 4.62%. Expect sustained investor interest in the credit space.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.277	303	3.338	20/09/2018	-6
MGS	03/19	3.261	4	3.337	20/09/2018	-8
MGS	07/19	3.316	2	3.293	20/09/2018	2
MGS	11/19	3.395	450	3.402	20/09/2018	-1
MGS	03/20	3.471	168	3.464	20/09/2018	1
MGS	02/21	3.559	30	3.572	20/09/2018	-1
MGS	07/21	3.587	1	3.583	19/09/2018	0
MGS	09/21	3.627	1	3.604	19/09/2018	2
MGS	11/21	3.605	235	3.602	19/09/2018	0
MGS	03/22	3.630	4	3.643	20/09/2018	-1
MGS	08/22	3.752	72	3.752	20/09/2018	0
MGS	09/22	3.760	33	3.746	20/09/2018	1
MGS	03/23	3.804	2	3.835	19/09/2018	-3
MGS	04/23	3.742	490	3.758	20/09/2018	-2
MGS	08/23	3.838	104	3.845	20/09/2018	-1
MGS	07/24	3.956	321	3.966	20/09/2018	-1
MGS	09/24	3.965	43	3.984	20/09/2018	-2
MGS	03/25	3.944	73	3.953	20/09/2018	-1
MGS	09/25	4.059	272	4.063	20/09/2018	0
MGS	04/26	4.158	31	4.151	20/09/2018	1
MGS	11/26	4.161	47	4.168	20/09/2018	-1
MGS	03/27	4.189	19	4.268	18/09/2018	-8
MGS	05/27	4.193	18	4.280	18/09/2018	-9
MGS	11/27	3.814	37	4.177	20/09/2018	-36
MGS	06/28	4.097	131	4.087	20/09/2018	1
MGS	04/30	4.478	7	4.464	20/09/2018	1
MGS	04/33	4.544	1	4.539	20/09/2018	0
MGS	11/33	4.499	26	4.503	20/09/2018	0
MGS	05/35	4.713	1	4.716	19/09/2018	0
MGS	06/38	4.688	63	4.695	20/09/2018	-1
MGS	07/48	4.901	150	4.911	20/09/2018	-1
GII	04/19	3.273	668	3.283	20/09/2018	-1
GII	04/20	3.478	30	3.490	19/09/2018	-1
GII	05/20	3.479	29	3.561	30/08/2018	-8
GII	03/21	3.623	30	3.715	05/09/2018	-9
GII	04/21	3.636	78	3.687	13/09/2018	-5
GII	08/21	3.633	49	3.688	19/09/2018	-6
GII	04/22	3.765	130	3.754	18/09/2018	1
GII	07/22	3.794	4	3.825	12/09/2018	-3
GII	11/23	3.878	10	3.891	20/09/2018	-1
GII	08/24	3.958	50	3.971	20/09/2018	-1
GII	08/25	4.037	2	4.027	20/09/2018	1
GII	07/27	4.189	1	4.196	20/09/2018	-1
GII	10/28	4.162	210	4.168	20/09/2018	-1
GII	05/47	4.967	170	4.970	20/09/2018	0
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## Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Pengurusan Air SPV Berhad	5 06/20	GG	3.834	80	3.823	30/08/2018	1	36
Pengurusan Air SPV Berhad	06/20	GG	3.834	55	3.958	23/08/2018	-12	36
Pengurusan Air SPV Berhad	09/20	GG	3.877	10	4.022	17/07/2018	-15	40
Danainfra Nasional Berhad	04/21	GG	3.910	100	3.969	12/09/2017	-6	31
GovCo Holdings Berhad	02/22	GG	4.001	100	4.097	15/08/2018	-10	40
Prasarana Malaysia Berhad	03/25	GG	4.233	20	4.242	13/09/2018	-1	27
Jambatan Kedua Sdn Berhad	05/25	GG	4.252	40	4.251	04/09/2018	0	29
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.831	15	4.830	20/09/2018	0	13
GB Services Berhad	11/19	AAA	4.395	80	4.431	05/09/2018	-4	104
AI Dzahab Assets Berhad	09/20	AAA	4.520	5	4.520	20/09/2018	0	104
AI Dzahab Assets Berhad	03/21	AAA	4.590	5	4.846	14/03/2018	-26	111
AI Dzahab Assets Berhad	09/22	AAA	4.699	10	4.754	06/04/2018	-5	100
GENM Capital Berhad	07/28	AAA	4.999	117	4.995	18/09/2018	0	91
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.749	40	4.840	12/07/2018	-9	66
Tenaga Nasional Berhad	08/33	AAA	4.750	5	4.729	20/09/2018	2	25
Tenaga Nasional Berhad	08/38	AAA	4.959	5	4.969	19/09/2018	-1	26
TRIplic Medical Sdn Berhad	10/35	AA1	5.139	10	5.319	02/07/2018	-18	64
Benih Restu Berhad	06/25	AA2	4.619	20	4.628	07/09/2018	-1	66
Krung Thai Bank Public Company Limited	07/25	AA2	4.651	0	4.699	20/09/2018	-5	69
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.526	3	4.448	17/07/2018	8	-18
UEM Sunrise Berhad	12/18	AA-	4.078	60	4.083	04/09/2018	0	72
IJM Corporation Berhad	04/19	AA3	4.161	10	4.350	01/06/2018	-19	80
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.927	10	5.029	24/08/2018	-10	117
SPR Energy (M) Sdn Berhad	07/26	AA3	4.939	10	4.960	15/08/2018	-2	86
Southern Power Generation Sdn Berhad	04/35	AA-	5.140	10	5.161	19/09/2018	-2	64
Alliance Bank Malaysia Berhad	10/25	A2	4.730	1	4.996	12/09/2018	-27	77
Bank Muamalat Malaysia Berhad	11/21	A	5.130	1	5.280	13/09/2018	-15	153
				<u>822</u>				

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

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

**Passengers will pay more to fly Malaysia Airlines as the national carrier has reinstated a fuel surcharge on its ticket price from Sept 18, 2018 as oil prices continue to rise.** The last time it imposed a fuel surcharge was in 2013 when it was still operating under the old company — Malaysian Airline System Bhd. In a statement posted on its website, Malaysia Airlines Bhd said it is reintroducing and implementing a fuel surcharge for tickets issued or re-issued for travel on all its flights originating from Malaysia effective Sept 18 in line with rising fuel prices and consistent with most international carriers across the globe. Under the changes, economy class passengers to destinations within Malaysia and Asean will be levied an extra RM4 per trip, while for destinations in the Middle East and South Asia the levy is RM8. For trips to North Asia and Greater China, and Australia, New Zealand and Europe, the surcharges are RM12 and RM16 respectively. For business passengers, the surcharge for domestic and Asean routes is RM8, while for long-haul destinations it ranges from RM12 to RM24. Earlier on Aug 13, Malaysia Airlines had re-introduced the fuel surcharges for its inbound flights by between US\$1 (RM4.13) and US\$12. Travellers on the airline's flights from Asean countries to Malaysia, for example, now pay a surcharge of US\$1 on economy class and US\$2 on business class, while the levy from North Asia and Greater China is US\$3 (economy) and US\$4 (business). For those flying from Australia, New Zealand to Malaysia, the surcharge is US\$4 (economy) and US\$6 (business/first). The surcharge for Malaysia Airlines flights from Australia, New Zealand to Europe, meanwhile, is US\$8 (economy) and US\$12 (business/first). The fuel surcharge comes as Singapore jet kerosene spot price closed at US\$88.46 as of last Friday. Year-to-date, it is up 14%. A fuel surcharge mechanism helps airlines to pass on part of their fuel bills — a major operating cost for airlines — to customers due to volatile oil price movements. Fuel surcharges are not part of the basic airfare and may be reduced or removed depending on the price of jet fuel in the market. Malaysia Airlines group chief executive officer Izhah Ismail had in a Sept 8, 2018 interview with *The Edge* Malaysia weekly identified rising fuel costs as one of the airline's top challenges, pushing back its profitability targets by another year. Fuel accounts for 36% of Malaysia Airlines' total costs. Apart from Malaysia Airlines, Cathay Pacific Airways and sister carrier Cathay Dragon have reportedly added a fuel surcharge of HK\$652 (RM344.78) to air tickets starting this month to cover rising jet fuel costs. However, tickets issued by Singapore Airlines and SilkAir no longer show a fuel component as the airlines had removed the surcharges as a separate fare component and folded them into base airfares since March 2017. In January 2015, Malaysian budget carrier AirAsia Group Bhd and its long-haul associate AirAsia X Bhd had introduced a no-fuel-surcharge policy across all of their airlines. (*Source: The EdgeMarkets/Reuters*)

The automotive sector is projected to more than double its contribution to the country's gross domestic product (GDP) from the 4% recorded in 2017, thanks to the re-introduction of the sales and services tax (SST), said Entrepreneur Development Deputy Minister Dr Mohd Hatta Ramli. He said the sector was on track to contribute 10% to the GDP by 2020. In 2016, the sector contributed 3.6% or RM40 billion to the GDP. "The current 4% contribution is not big but it is significant, and now with lower car prices, we expect to see the number of vehicles sold to increase, which will further benefit the industry," he told reporters at the launch of Malaysian Japanese Industrial Nurturing (MAJIN) programme by TOC Automotive College here today. Mohd Hatta said at least five carmakers, namely Perodua, Honda, Toyota, BMW and Volkswagen, had reduced their prices by up to RM4,900 following the implementation of the SST. He also said the development of the automotive vendor ecosystem in the country through human capital programmes and technology transfers would have a spillover effect to other high-value industries such as aerospace, shipping, rail and green technology. "This will ensure the

competitiveness and sustainability of local vendors without being too highly dependent on local original equipment manufacturers such as Proton and Perodua. “We also expect private domestic demand and exports to rise due to the improving global trade,” he added. On that note, Mohd Hatta said Malaysia faced a shortage of skilled workers, and urged the younger generation to acquire practical skills, attitudes, understanding and knowledge related to occupations in various economic sectors. (Source: *The Edge Markets/Bernama* )

SRating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kuala Lumpur Kepong Berhad	Global Corporate Credit ratings	gA3/Stable/gP2	Reaffirmed
	RM1.6 billion Multi-Currency IMTN Programme (2015/2027)	AA1/Stable	Reaffirmed
	RM1.0 billion Multi-Currency IMTN Programme (2012/2022)	AA1/Stable	Reaffirmed

Source: RAM, MARC

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