

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury advanced, pushing benchmark yields lower as another round of global equity selloff prompted flight to safety bids. Benchmark 2- and 10-year yields fell 3bps each to 2.88% and 3.17% respectively while the long bond 30-year closed 2bps down at 3.37%. Treasury's auction of US\$38bn 2-year notes yesterday was met with solid demand with a bid-cover of 2.67x, at a high yield of 2.88%, its highest in a decade. The Treasury have also lined up auctions of US\$39bn of 5-year bonds today and US\$31bn of 7-year bonds tomorrow which are expected to attract decent interests amid the current market backdrop. Prospects of further policy tightening on the back of solid growth and inflation outlook are expected to drive UST yields higher.

MGS/GII

- Trading momentum in Govvies softened again with volume dipping below the RM1.0bn mark again to RM919m yesterday as investors stayed on the sideline amid a jittery market spooked by geopolitical uncertainties and probably ahead of the tabling of Malaysia 2019 Budget next week. Overall benchmark yields ended mixed from prior day's close, swinging between -2 to +4bps. The 7Y MGS 3/25 was flat at 4.04% while the 10Y MGS 6/28 fell 2bps to 4.15% levels. GII bond trades pulled back rather substantially to account for only about a quarter of overall trades yesterday. Weaker sentiments are expected to prevail for the time being, potentially keeping a lid in demand for local govies. Up next on the data front is September CPI reading today which will likely reaffirm the case of subdued inflation.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.88	-3
5-yr UST	3.01	-4
10-yr UST	3.17	-3
30-yr UST	3.37	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.65	0	3.73	-1
5-yr	3.80	2	3.95	1
7-yr	4.04	0	4.09	1
10-yr	4.15	-2	4.23	0
15-yr	4.62	2	4.61	4
20-yr	4.81	-1	4.82	3
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	3.78	-1
5-yr	3.89	0
7-yr	4.01	0
10-yr	4.21	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Corp Bonds/Sukuk

- Contrary to the softer traction in local govies, corporate bonds/sukuk continued to garner investor interests across the GG to AA-part of the curve. Total trading volume more than tripled to RM1.3bn yesterday, from RM386m a day ago. There were a total of 47 bonds traded; an improvement over prior day's 34 with overall yields ending mostly lower. In the GG segment, LPPSA '4/22, '9/22 and '4/24 saw RM185m done, at 3.985%, 4.020% and 4.165% respectively. Other issuances that saw heavy trading interests include: Caga '2/19 and SEB '4/36 with RM200 transacted each at 3.680% and 4.994% respectively. Various tenors of AA- rated Southern Power Generation saw a combined volume of RM120m with yields ended -1 to -18bps lower.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.294	6	3.277	22/10/2018	2
MGS 07/19	3.392	20	3.372	15/10/2018	2
MGS 11/19	3.469	11	3.411	22/10/2018	6
MGS 10/20	3.484	3	3.508	22/10/2018	-2
MGS 02/21	3.608	204	3.580	18/10/2018	3
MGS 07/21	3.618	1	3.640	22/10/2018	-2
MGS 03/22	3.677	10	3.675	22/10/2018	0
MGS 08/22	3.773	15	3.752	18/10/2018	2
MGS 09/22	3.767	8	3.772	19/10/2018	0
MGS 04/23	3.798	60	3.801	22/10/2018	0
MGS 07/24	3.977	17	3.954	19/10/2018	2
MGS 09/24	4.001	10	3.982	22/10/2018	2
MGS 03/25	4.044	30	4.043	22/10/2018	0
MGS 09/25	4.027	3	4.030	19/10/2018	0
MGS 11/26	4.134	10	4.135	22/10/2018	0
MGS 06/28	4.145	52	4.164	22/10/2018	-2
MGS 05/35	4.727	42	4.754	19/10/2018	-3
MGS 06/38	4.807	170	4.813	19/10/2018	-1
MGS 09/43	4.949	20	4.949	19/10/2018	0
GII 08/20	3.649	80	3.567	17/10/2018	8
GII 03/21	3.658	7	3.623	21/09/2018	3
GII 04/22	3.756	1	3.744	19/10/2018	1
GII 07/22	3.803	2	3.829	22/10/2018	-3
GII 11/23	3.908	10	3.940	22/10/2018	-3
GII 05/24	4.039	14	4.002	04/10/2018	4
GII 09/26	4.177	17	4.150	18/10/2018	3
GII 07/27	4.175	1	4.171	19/10/2018	0
GII 10/28	4.233	50	4.221	22/10/2018	1
GII 06/33	4.610	30	4.563	12/10/2018	5
GII 08/37	4.810	15	4.795	43391	1
		<u>919</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*	
Small Medium Enterprise Development Bank Malays	03/19	GG	3.650	30	3.770	31/07/2018	-12	24
Khazanah Nasional Berhad	08/19	GG	3.840	1	3.788	22/03/2018	5	43
Small Medium Enterprise Development Bank Malays	03/20	GG	3.905	50	3.935	20/07/2017	-3	50
Danainfra Nasional Berhad	10/20	GG	3.910	10	4.022	09/07/2018	-11	40
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	3.985	60	4.066	30/07/2018	-8	36
Lembaga Pembiayaan Perumahan Sektor Awam	09/22	GG	4.020	120	4.000	18/10/2018	2	27
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.165	5	4.210	02/08/2018	-4	35
PR1MA Corporation Malaysia	10/24	GG	4.260	35	4.341	19/07/2018	-8	30
Manjung Island Energy Berhad	11/18	AAA	3.809	65	3.844	16/08/2018	-3	40
Cagamas Berhad	02/19	AAA	3.680	200	3.702	15/10/2018	-2	27
Aman Sukuk Berhad	05/19	AAA	4.000	5	4.034	06/09/2018	-3	59
Putrajaya Holdings Sdn Berhad	09/23	AAA	4.320	20	4.371	28/08/2018	-5	50
Tenaga Nasional Berhad	08/37	AAA	4.910	90	4.889	27/09/2018	2	10
Hong Leong Financial Group Berhad	11/18	AA1	3.840	2	4.099	17/08/2018	-26	43
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	05/19	AA1	4.266	10	4.382	16/08/2018	-12	86
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/19	AA1	4.424	10	4.427	18/10/2018	0	101
Maybank Islamic Berhad	04/24	AA1	4.750	2	4.743	11/10/2018	1	93
YTL Power International Berhad	05/27	AA1	4.883	10	4.879	22/10/2018	0	73
YTL Power International Berhad	08/28	AA1	4.930	20	4.910	27/09/2018	2	77
Samalaju Industrial Port Sdn Berhad	12/29	AA1	4.950	20	5.040	13/08/2018	-9	80
TRIplic Medical Sdn Berhad	10/31	AA1	4.830	15	4.835	27/09/2018	0	24
TRIplic Medical Sdn Berhad	10/35	AA1	5.130	15	5.139	26/09/2018	-1	54
Sarawak Energy Berhad	04/36	AA1	4.994	200	5.000	08/10/2018	-1	19
Projek Lebuhraya Usahasama Berhad	01/32	AA	4.780	10	4.748	17/10/2018	3	19
BGSM Management Sdn Berhad	12/18	AA3	4.020	10	4.056	15/10/2018	-4	61
Perbadanan Kemajuan Negeri Selangor	05/19	AA3	4.410	20	4.453	31/07/2017	-4	100
BGSM Management Sdn Berhad	12/23	AA3	4.540	25	4.518	17/10/2018	2	72
Southern Power Generation Sdn Berhad	04/22	AA-	4.440	10	4.456	10/10/2018	-2	70
Southern Power Generation Sdn Berhad	10/22	AA-	4.470	10	4.487	10/10/2018	-2	73
Southern Power Generation Sdn Berhad	04/23	AA-	4.490	10	4.498	16/10/2018	-1	67
Southern Power Generation Sdn Berhad	10/24	AA-	4.570	10	4.608	24/09/2018	-4	61
Southern Power Generation Sdn Berhad	04/25	AA-	4.610	10	4.759	17/07/2018	-15	56
Southern Power Generation Sdn Berhad	10/26	AA-	4.690	10	4.669	27/09/2018	2	58
Southern Power Generation Sdn Berhad	04/27	AA-	4.710	10	4.718	25/09/2018	-1	56
Southern Power Generation Sdn Berhad	04/28	AA-	4.750	10	4.926	03/05/2018	-18	60
Southern Power Generation Sdn Berhad	10/28	AA-	4.760	10	4.869	07/08/2018	-11	61
Southern Power Generation Sdn Berhad	10/30	AA-	4.800	10	4.939	10/08/2018	-14	65
Southern Power Generation Sdn Berhad	10/31	AA-	4.810	10	4.796	16/10/2018	1	22
Southern Power Generation Sdn Berhad	10/34	AA-	5.070	10	5.079	22/10/2018	-1	48
Affin Bank Berhad	09/27	A1	5.252	1	4.901	25/09/2018	35	110
CIMB Group Holdings Berhad	05/16	A1	4.849	1	5.056	19/10/2018	-21	4
Mah Sing Perpetual	-	-	6.150	4	6.500	12/10/2018	-35	-
Eco World International Berhad	10/21	-	6.200	88	-	-	-	-
MMC Corporation Berhad	11/25	AA-	5.490	20	5.498	18/10/2018	-1	144
UEM Sunrise Berhad	12/18	AA- IS	3.820	2	3.824	18/10/2018	0	41
Malakoff Power Berhad	12/18	AA- IS	4.000	2	3.970	16/10/2018	3	59
Mukah Power Generation Sdn Berhad	12/19	AA2 (S)	4.360	1	4.361	18/10/2018	0	95
				<u>1296</u>				

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

Market/Corporate News: What's Brewing

Oil prices plunged about 5 percent on Tuesday to two-month lows as a sell-off in global equity markets raised worries about demand growth and after Saudi Arabia said it could supply more crude quickly if needed, easing concerns ahead of U.S. sanctions on Iran. Brent crude futures fell 4.3 percent, or \$3.39, to settle at \$76.44 a barrel after plunging 5 percent to \$75.88, the lowest since Sept. 7. U.S. crude ended the session at \$66.43 a barrel, down \$2.93, after falling 5.2 percent to a session low of \$65.74, the lowest level since Aug. 20. If U.S. crude drops below \$65, a psychologically important figure, that could trigger further technical selling, traders said. Both contracts notched the biggest percentage drop since July. In post-settlement trade, prices extended losses as data from the American Petroleum Institute (API) showed a large increase in U.S. crude inventories. "The severity of the drop is pretty striking, but in today's trading world we have these kind of days a little more often. Now we have to wait and see if this continues to spiral out of control," said Gene McGillian, vice president of market research for Tradition Energy in Stamford, Connecticut. Oil followed Wall Street's early sell-off, founded on worries over profit growth and concern about Italy's budget that have sent investors scrambling out of stocks of late. MSCI's gauge of stocks across the globe at one point shed more than 2 percent and hit its lowest point since September 2017. "Concerns about what's going on in the stock markets and the worries about economic growth has spilled over into the oil markets," McGillian said, adding that investors will be watching closely to see if the increase in Saudi Arabia's output materializes quickly. Saudi Energy Minister Khalid al-Falih told a conference in Riyadh the oil market was in a "good place" and he hoped oil producers would sign a deal in December to extend cooperation to monitor and stabilize the market. "We will decide if there are any disruptions from supply, especially with the Iran sanctions looming," Falih said. "Then we will continue with the mindset we have now, which is to meet any demand that materializes to ensure customers are satisfied." Falih said he would not rule out the possibility that Saudi Arabia would produce between 1 million and 2 million barrels per day (bpd) more than current levels in future. U.S. sanctions on Iranian oil begin on Nov. 4 and Washington has said it wants to stop all of Tehran's fuel exports, but other oil producers are pumping more to fill any supply gaps. The oil market has been concerned that Saudi Arabia might cut crude supply in retaliation for potential sanctions over the killing of journalist Jamal Khashoggi. Falih said on Monday there was no intention of doing that. Economist Intelligence Unit energy analyst Peter Kiernan said it would be self-defeating for Saudi Arabia to cut oil supply, as it would risk losing market share to other exporters while losing its reputation as a stable player in the market. UBS analysts expect oil demand growth to slow to 1.2 million bpd in 2019, on higher oil prices and weaker economic growth, slightly above the long-term average, adding that demand is forecast to be flat in OECD countries, with China and India continuing to drive growth. Meanwhile, Russia's oil production is currently 150,000 bpd higher than the October 2016 level, the baseline for the global oil production deal, TASS news agency quoted Energy Minister Alexander Novak as saying. South Korea's crude imports from Iran fell to zero in September, data from state-run Korea National Oil Corp showed. However, U.S. crude oil production has climbed by almost a third since mid-2016, and the rising output could help to offset the loss of exports from Iran. U.S. crude inventories were expected to have risen for the fifth straight week last week, according to a Reuters poll ahead of weekly data from the Energy Information Administration (EIA) report on Wednesday morning. Data from API showed crude inventories rose 9.9 million barrels last week to 418.4 million, compared with analysts' expectations for an increase of 3.7 million barrels (Source: The Star Online/ Reuters)

Digi Telecommunications Sdn Bhd has increased its Digi Home Broadband plans by 50% for the new and current customers. Digi.com Bhd said on Tuesday total quota upgrades was increased from 15GB to 25GB for broadband monthly 45 plan and from 35GB to 50GB for the broadband monthly 65 plan. The upsize also involved an increase from 75GB to 100GB for the broadband monthly 105 plan. "All existing Digi postpaid subscribers will enjoy RM5 or RM10 lifetime discounts when they sign up for Digi home broadband, potentially bringing home internet access to an affordable price of RM40 monthly," it said. As for existing home broadband customers, the data quota upsizes will take effect at their next bill cycle. New customers will enjoy the larger data quotas upon sign-up. Digi's chief marketing officer Loh

Keh Jiat said Digi remains committed to boosting internet adoption by introducing a wide range of affordable connectivity services for different wallet sizes and needs in the country. "These home internet plans in essence offer customers 1GB of data for as low as RM1," he said. Customers will enjoy a seamless experience on these plans with consistent internet speeds of at least 10Mbps for 4G LTE, and 20 Mbps for 4G LTE-A. Loh said Digi was continuously improving its service quality and reliability to support the growing surge in data demand. "Last year, our network supported close to 150% growth in data traffic from more than half a million additional internet users in our base. "We will continue stimulating adoption with a strong mix of affordable connectivity, and relevant digital services and content, experienced over a high-quality network," he said. (Source: The Star Online)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Telekom Malaysia Berhad	Proposed Islamic MTN Programme and Islamic CP Programme with a combined aggregate nominal value of up to RM4 billion	AAA/Stable/P1	Assigned
Celcom Networks Sdn Bhd's (CNSB)	RM5.0 billion Sukuk Murabahah Programme. Concurrently	AA+-IS	Revision affirmed from Negative to Stable
EXIM Sukuk Malaysia Berhad	USD1 billion Multi-currency Sukuk Programme	gA2(s)/Stable	Reaffirmed
Export Import Bank of Malaysia Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

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