

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.64	-3
5-yr UST	2.64	-3
10-yr UST	2.79	-2
30-yr UST	3.03	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.66	2	3.72	-2
5-yr	3.80	-1	3.86	-1
7-yr	4.00	0	4.07	-1
10-yr	4.09	1	4.21	-2
15-yr	4.49	-1	4.61	0
20-yr	4.68	-2	4.78	0
30-yr	4.91	0	4.96	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.74	-1
5-yr	3.85	1
7-yr	3.95	1
10-yr	4.15	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasury reversed prior day's move by ending stronger as the curve ended lower and steeper last Friday whilst oil and equities were pressured lower. Overall benchmark yields ended 2-3bps lower with the 2Y rallying at 2.64% whilst the 10Y moved 2bps lower at 2.79%. Policy makers and investors worry about the re-emergence of the looming government shutdown again. This last week of 2018 will test the recent bond bulls as another flurry of UST issuances i.e. 2Y, 5Y, 7Y and FRN's amounting to \$131b take place. As of to-date UST's have seen one of the worst returns since 2013 at a mere 0.3%. Meanwhile the parish yield spreads between the 2Y, 3Y and 5Y remain a concern. Nevertheless the 2s10s spread remains steady at 15bps; averting indication of any recession.

MGS/GII

- Trading sentiment in local govies lowered by a gear with volume at RM1.82b yesterday with interest focused again mainly in the off-the-run MGS/GII 19-20's and also the 25's. Overall benchmark MGS yields were largely mixed between -2 to +2bps across whilst GII bond yields saw better buying interest. The 5Y benchmark MGS 4/23 edged 1bps lower at 3.80% whilst the 10Y MGS 6/28 ended the opposite at 4.09% levels. GII trades formed 23% of overall trades. Meanwhile latest foreign reserves data reveal a pullback from \$600m to \$101.4b as at 14th Dec. Declining liquidity may exacerbate price-swings heading into the year-end.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to notch steady volume of RM472m with interest across the curve again. Govt-guaranteed PRASA ended mixed on yields i.e. the 9/29 (+6bps) at 4.47%, the 12/32 (-4bps) at 4.68% and the long end 3/43 (unchanged) at 5.04% compared to previous-done levels. AAA-rated PLUS 19 and 32 edged 1-2bps lower at 3.78% and 4.77% respectively. In the AA-space SEB saw several tranches traded. Both the SEB 1/22 and 7/29 ended 1bps lower at 4.33% and 4.69% respectively whilst BGSM 24-26 closed within 1bps from prior day's close between 4.56-68% area. The banking sector saw RM50m nominal amounts traded 3bps lower at 4.97%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.297	97	3.335	20/12/2018	-4
MGS	11/19	3.445	190	3.459	20/12/2018	-1
MGS	03/20	3.530	10	3.529	19/12/2018	0
MGS	10/20	3.530	150	3.530	20/12/2018	0
MGS	02/21	3.582	28	3.585	17/12/2018	0
MGS	07/21	3.642	42	3.608	20/12/2018	3
MGS	09/21	3.691	1	3.680	20/12/2018	1
MGS	11/21	3.656	9	3.637	20/12/2018	2
MGS	03/22	3.647	33	3.565	20/12/2018	8
MGS	08/22	3.740	31	3.743	20/12/2018	0
MGS	09/22	3.751	4	3.751	20/12/2018	0
MGS	03/23	3.842	17	3.836	20/12/2018	1
MGS	04/23	3.799	120	3.814	20/12/2018	-2
MGS	08/23	3.877	80	3.858	20/12/2018	2
MGS	07/24	3.968	30	3.978	20/12/2018	-1
MGS	09/24	3.980	10	3.980	19/12/2018	0
MGS	03/25	4.002	65	4.006	19/12/2018	0
MGS	09/25	4.002	166	4.052	19/12/2018	-5
MGS	11/27	4.159	2	4.163	20/12/2018	0
MGS	06/28	4.086	45	4.073	19/12/2018	1
MGS	04/30	4.401	60	4.384	18/12/2018	2
MGS	06/31	4.475	2	4.470	20/12/2018	0
MGS	04/32	4.572	7	4.514	07/12/2018	6
MGS	04/33	4.493	80	4.533	20/12/2018	-4
MGS	11/33	4.493	67	4.502	18/12/2018	-1
MGS	06/38	4.681	2	4.688	20/12/2018	-1
MGS	03/46	4.913	59	4.954	19/12/2018	-4
GII	04/19	3.297	2	3.281	20/12/2018	2
GII	04/20	3.501	21	3.513	18/12/2018	-1
GII	05/20	3.507	10	3.530	19/12/2018	-2
GII	03/22	3.721	170	3.739	20/12/2018	-2
GII	03/23	3.935	30	3.914	20/08/2018	2
GII	04/23	3.941	20	3.910	28/08/2018	3
GII	11/23	3.865	140	3.878	20/12/2018	-1
GII	08/24	4.014	1	4.046	19/12/2018	-3
GII	08/25	4.068	20	4.062	19/12/2018	1
			<u>1819</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yy yy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Pengurusan Air SPV Berhad	02/19	GG	3.616	75	3.542	28/11/2018	7	16
Prasarana Malaysia Berhad	09/29	GG	4.468	40	4.410	27/09/2018	6	38
Prasarana Malaysia Berhad	12/32	GG	4.680	10	4.719	12/12/2018	-4	18
Prasarana Malaysia Berhad	03/43	GG	5.039	40	5.039	20/12/2018	0	35
Projek Lebuhraya Usahasama Berhad	01/19	AAA	3.782	15	3.807	17/12/2018	-2	33
Sarawak Hidro Sdn Berhad	08/23	AAA	4.318	15	4.323	20/12/2018	-1	50
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.769	20	4.779	23/10/2018	-1	27
Sabah Development Bank Berhad	08/19	AA1	4.501	30	4.520	18/12/2018	-2	105
Sarawak Energy Berhad	01/22	AA1	4.332	10	4.341	19/10/2018	-1	68
Sarawak Energy Berhad	07/29	AA1	4.694	20	4.704	19/12/2018	-1	61
Sarawak Energy Berhad	11/33	AA1	4.929	30	4.950	26/11/2018	-2	43
Fortune Premiere Sdn Berhad	03/23	AA	4.688	1	4.704	11/12/2018	-2	94
Bumitama Agri Ltd	03/19	AA3	4.158	4	4.158	20/12/2018	0	71
Bandar Serai Development Sdn Berhad	11/19	AA3	4.245	13	4.253	19/12/2018	-1	79
BGSM Management Sdn Berhad	06/24	AA3	4.562	30	4.569	26/10/2018	-1	61
BGSM Management Sdn Berhad	03/26	AA3	4.675	20	4.669	17/12/2018	1	67
Edra Energy Sdn Berhad	01/27	AA3	5.600	4	5.528	23/11/2018	7	153
UEM Sunrise Berhad	05/19	AA-	4.263	5	4.308	04/12/2018	-4	81
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.493	10	4.503	19/12/2018	-1	104
Jimah East Power Sdn Berhad	12/31	AA-	4.899	10	4.904	20/12/2018	0	40
Affin Islamic Bank Berhad	10/28	A1	4.971	50	4.999	20/12/2018	-3	89
Eco Botanic Sdn Berhad	03/23	-	6.570	20	-	-	-	-
				<u>472</u>				

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

Market/Corporate News: What's Brewing

Malaysia's corporate earnings is a concern as it continues to disappoint, said Permodalan Nasional Bhd President and Group Chief Executive Officer Datuk Abdul Rahman Ahmad. As at Dec 20 this year, the FBM KLCI declined 8.1 per cent year-to-date, making it four out of five years that the index recorded a negative price return. "In reality basis, this is not too bad given (as) other global markets declined even more. "But it reflected that the Malaysian corporate earnings continue to disappoint, of which over the five-year period, growth has declined by about 1.5 per cent compared to other developed markets such as the US which grew by nearly 11 per cent and the United Kingdom (which) rose by six per cent," he told reporters after the announcement on the Amanah Saham Bumiputera and Amanah Saham Nasional income distribution here today. Abdul Rahman said after a strong 2017, the Malaysian corporate value was affected by uncertain economic environment and volatile commodity prices. "Our own strategic company actually declined by nearly 11.8 per cent after 2017, when we grew in terms of market capitalisation by about 25.2 per cent. "The other big challenge is on the other corporate Malaysia across all sectors, especially within the telecommunications side and construction and utilities, we saw a significant decline in the market capitalisation of some of our strategic companies," he said. On the corporate sector outlook, Abdul Rahman said it would depend on the economic and commodity price cycle in 2019. He said if the prices of crude palm oil and other commodities were to improve and the oil price remained resilient, corporate growth could recover. "We would also like to see Malaysian companies grow their revenue and optimise their costs to expand. We believe that despite the challenges, there is an opportunity to look at operationally in the areas of technology development or utilisation of technology to become more efficient," he said. Meanwhile, Abdul Rahman clarified that all PNB's divestment decisions were based on its own investment requirements as its assets were owned substantially by the public and did not have any impact on government finances unlike other entities. He cited strategic government investment fund Khazanah Nasional Bhd whose divestment decision would depend on the government prerogative. On the same note, PNB Group Chairman Tan Sri Dr Zeti Akhtar Aziz said having PNB as a huge investor in the country's financial markets and economy, the government-linked investment company would not be allowed to be disruptive. "Therefore there will be gradualism in any steps to be taken by PNB to diversify our portfolio so that we do not become a disruptive entity to our financial markets and our overall economy," she added. (Source: *The Edge*)

President Donald Trump's decision to force a government shutdown over his demand for border wall funding is part of an all-in bet that immigration is the singular issue that will keep his political base intact and carry him to re-election.

Trump won the White House in part by depicting the nation as beset by uncontrolled immigration that was the root of a complex set of problems, from lost jobs, to crime, to the opioid epidemic, that drove the economic and cultural grievances of his voters. Critics dismiss that portrayal as inaccurate and xenophobic, but it's taken root. The border wall -- whether it's a concrete barrier or "artistically designed steel slats," as Trump recently described it -- has become a potent symbol of that for the president and his supporters. "Immigration is the policy issue that most immediately connects to national identity issues. And that's the identity crisis we're going through in the West," said Mark Krikorian, executive director of the Center for Immigration Studies, which advocates cutting immigration to the U.S. "Talking about the wall was a shorthand way for Trump to say he was actually committed to enforcing immigration laws, unlike his predecessors." It's clearly a defining issue for core Republican voters. In 2016, the 13 percent of voters who cited it as their top concern favored Trump by 31 points, according to exit polls. In 2018 House races, the 23 percent of voters who ranked immigration as their No. 1 issue backed Republican candidates by a 52-point margin. That advantage contributed to

Republican Senate wins in states like Indiana, Missouri and North Dakota. “A wall is tangible,” said Jack Pitney, a political science professor at Claremont McKenna College. “To the base, bad things come from other countries: crime, drugs, cheap labor. They think that the wall will keep bad things out.” Representative Mark Meadows, a North Carolina Republican and member of the conservative House Freedom Caucus, said Sunday on Fox News that Trump’s re-election prospects would be hurt if he failed to keep his promise about building the wall. Yet in the midterm elections in November, Trump’s singular focus on the issue and his relentless attacks on a caravan of migrants heading to the U.S. from Central America backfired in states crucial to his hopes for a second term. In Pennsylvania, Wisconsin and Michigan -- the three states that elevated him to the White House by a collective margin of 80,000 votes -- Democrats swept all six races for governor and Senate and picked up multiple House seats. Democrats gained control of the House by picking off Republicans in suburban and ethnically diverse House districts, such as Jeff Denham and David Valadao in California, and Florida’s Carlos Curbelo. “Our polling took a big hit around the time where the caravan became a prominent issue and birthright citizenship became a prominent issue, so certainly I think that had a negative impact in my diverse district,” Curbelo said. The issue also binds Trump. He told Nancy Pelosi and Chuck Schumer, the top Democrats in the House and Senate, at a White House meeting Dec. 11 that he’d be “proud to shut down the government for border security.” But a week later, Trump’s aides signaled the White House was backing down, and the Senate passed a compromise government funding bill -- without the wall money -- by a unanimous voice vote. That launched a torrent of criticism from conservative media figures including Rush Limbaugh and Ann Coulter, who accused the president of betraying his supporters. Conservatives in the House piled on as well, prompting Trump to dig in on wall funding. The Republican-controlled House then attached \$5 billion in wall money to the stopgap spending bill passed by the Senate. The result is a standoff that triggered a partial government shutdown now its second day that could last into January. “I think he got the message that he had to put up a fight here,” Krikorian said. “That whatever political damage Republicans take from the government shutdown, if any, it will be less than if the president just surrenders on this.” If Democrats were able to deny Trump the wall funding, “that could potentially undermine his credibility with his own voters,” Krikorian said. Senator Bob Corker, a retiring Tennessee Republican, called Trump’s reversal “juvenile.” “This is tyranny of talk radio. How do you deal with that?” he said. “Two talk radio hosts completely flipped a president.” On Sunday Corker told CNN that Trump’s battle for border wall funding is a “made-up fight so the president can look like he’s fighting.” (Source: *The Star/Bloomberg*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malayan Banking Berhad	ASEAN and Malaysian National-scale Financial Institution ratings	seaAAA/Stable/seaP1 AAA/Stable/P1	Reaffirmed
RHB Islamic Bank Berhad	Financial Institution ratings	AA2/Stable/P1	Reaffirmed

Source: RAM, MARC

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