

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	0
5-yr UST	2.87	-2
10-yr UST	3.04	-2
30-yr UST	3.30	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	0	3.77	0
5-yr	3.87	0	3.93	0
7-yr	4.06	-1	4.17	1
10-yr	4.13	-4	4.25	0
15-yr	4.54	0	4.58	0
20-yr	4.75	-4	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

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries were flat at the front-end but rallied further out on the curve as oil prices weakened; causing equities to be affected. Overall benchmark yields were between 0-2bps lower with the 2Y at 2.81% whilst the much-watched 10Y ended 2bps lower at 3.04%. Treasury plans to sell combined \$75b of three-month and six-month bills later today. Investors continue to weigh the possibility of the Fed back-pedaling on its 2019 "three rate hike" march following an expected upcoming December hike due to weaker-than-expected reports on business environment, consumer confidence, and also home sales. Futures are currently pricing in a little more than one price hike of a quarter-point instead of three for 2019.

MGS/GII

- Trading sentiment in local govies tapered off as volume dwindled to RM1.82b yesterday with many investors sidelined ahead of the weekend as interest was seen mainly in the off-the-run 19-21's and 20Y benchmark MGS bonds. Overall benchmark MGS yields ended generally lower between 0-4bps whilst GII bonds were richer between 0-1bps instead. The 5Y benchmark MGS 4/23 was untraded at 3.87% levels whilst the 10Y MGS 6/28 rallied 4bps to close at 4.13% levels. GII trades formed a mere 25% 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.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume jump to RM873m with interest seen across the curve. Govt-Guaranteed PASB 6/20 saw huge volumes exchange hands; ending 1bps higher compared to previous-done levels at 3.85% whereas a slew of PRASA 2026, 2033 and 2037 bonds closed mixed on yields. The AA-space was dominated yet again by energy-related bonds i.e. KEV, EDRA Energy, Kimanis Power, Malakoff and Southern Power names. UNITAPAH 6/27 and 12/28 ended mixed at 4.58% and 4.75% respectively. In the banking space, CIMB 24NC19 ended 4bps lower at 4.42%. Single-A rated SUKE 11/27 (Projek Lintasan Sungai Besi-Ulu Kelang) made its debut at 6.48%. Meantime Corporate bond issuance in 2019 may be expected to ease overall due to lower-than expected infrastructure-related bond issuances due to stringent government measures.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/19	3.410	10	3.345	22/11/2018	6
MGS 10/19	3.430	20	3.431	21/11/2018	0
MGS 11/19	3.439	70	3.457	22/11/2018	-2
MGS 03/20	3.528	613	3.524	22/11/2018	0
MGS 10/20	3.591	4	3.569	22/11/2018	2
MGS 07/21	3.696	232	3.697	21/11/2018	0
MGS 03/23	3.894	20	3.887	22/11/2018	1
MGS 04/23	3.874	20	3.878	22/11/2018	0
MGS 07/24	4.060	100	4.040	19/11/2018	2
MGS 03/25	4.063	15	4.054	22/11/2018	1
MGS 06/28	4.132	11	4.168	22/11/2018	-4
MGS 04/33	4.596	50	4.591	21/11/2018	0
MGS 06/38	4.754	192	4.790	15/11/2018	-4
GII 04/19	3.255	240	3.246	22/11/2018	1
GII 08/25	4.170	26	4.162	22/11/2018	1
GII 09/26	4.228	40	4.245	22/11/2018	-2
GII 10/28	4.247	160	4.247	22/11/2018	0
		<u>1823</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*	
Pengurusan Air SPV Berhad	06/20	GG	3.850	120	3.838	15/11/2018	1	30
Prasarana Malaysia Berhad	08/26	GG	4.300	5	4.277	25/09/2018	2	18
Prasarana Malaysia Berhad	03/33	GG	4.690	5	4.741	08/08/2018	-5	15
Prasarana Malaysia Berhad	09/37	GG	4.929	10	4.914	24/10/2018	2	16
GB Services Berhad	11/19	AAA	4.350	45	4.622	14/11/2018	-27	92
GENM Capital Berhad	07/23	AAA	4.820	1	4.918	09/11/2018	-10	94
CIMB Bank Berhad	05/24	AAA	4.423	20	4.459	26/09/2018	-4	55
Malayan Banking Berhad	01/24	AA1	4.351	10	4.396	16/11/2018	-4	48
YTL Power International Berhad	05/27	AA1	4.848	20	4.830	19/11/2018	2	73
UniTapah Sdn Berhad	06/27	AA1	4.680	5	4.824	31/05/2018	-14	52
UniTapah Sdn Berhad	12/28	AA1	4.750	5	4.770	10/08/2018	-2	60
Kapar Energy Ventures Sdn Berhad	07/23	AA+	4.481	2	4.937	30/11/2016	-46	61
CIMB Bank Berhad	08/26	AA+	5.350	1	5.349	08/10/2018	0	123
Sime Darby Plantation Sdn Bhd	03/16	AA	4.940	28	4.957	14/11/2018	-2	17
BGSM Management Sdn Berhad	12/19	AA3	4.215	50	4.301	27/09/2018	-9	78
BGSM Management Sdn Berhad	12/20	AA3	4.348	30	4.501	31/07/2018	-15	80
Edra Energy Sdn Berhad	01/22	AA3	5.195	10	5.154	08/05/2018	4	151
CIMB Thai Bank Public Company Limited	07/24	AA3	4.550	0	4.588	22/11/2018	-4	56
Edra Energy Sdn Berhad	01/26	AA3	5.479	6	5.411	07/02/2018	7	142
Edra Energy Sdn Berhad	01/27	AA3	5.528	10	5.509	27/06/2018	2	141
WCT Holdings Berhad	10/23	AA-	5.167	10	5.169	12/11/2018	0	129
Kimanis Power Sdn Berhad	08/25	AA-	4.618	10	4.748	14/02/2018	-13	56
Malakoff Power Berhad	12/31	AA-	4.746	10	4.747	21/11/2018	0	21
Southern Power Generation Sdn Berhad	04/33	AA-	4.919	10	4.926	12/11/2018	-1	38
Southern Power Generation Sdn Berhad	10/33	AA-	4.971	10	4.974	22/11/2018	0	43
CIMB Group Holdings Berhad	05/16	A1	4.968	1	4.481	15/11/2018	49	20
Southern Power Generation Sdn Berhad	04/25	AA-	4.588	30	4.609	23/10/2018	-2	60
Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd	11/27	A+	6.480	410	-	-	-	-
				<u>873</u>				

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

Market/Corporate News: What's Brewing

Malaysian Resources Corp Bhd (MRCB) said it had received the settlement sum of RM1.325 billion from the Malaysian government on the termination of its concession for the Eastern Dispersal Link Expressway (EDL). In a statement yesterday, MRCB said the sum had been received via its wholly-owned unit MRCB Lingkaran Selatan Sdn Bhd. "We would like to thank the government of Malaysia for the speedy conclusion of negotiations and the payment of [the] RM1.325 billion settlement sum, which considerably strengthens the company's balance sheet. This payment is a significant event as it marks the end of the non-core asset rationalisation programme in connection with MRCB's corporate transformation," said MRCB group chief financial officer Ann Wan Tee. The group said the sum received will immediately reduce its net gearing from 0.71 times to 0.46 times. "Net gearing is expected to fall significantly further to 0.22 times after the completion of [the] 80% disposal of MRCB's 76.14 acres (30.81 ha) of land in Bukit Jalil to the EPF (Employees Provident Fund), which is expected to be completed by the end of the year," MRCB said. On May 31 last year, MRCB announced that it was partnering the EPF to develop the land, which has a potential gross development value of RM20.67 billion over a 20-year period beginning 2019. The EPF would take up 80% of MRCB's unit Rukun Juang Sdn Bhd for a stake in the land for RM421 million. The vacant land is to be awarded to Rukun Juang as payment in exchange for its involvement in the project to refurbish and upgrade the National Sports Complex in Bukit Jalil at a cost of RM1.34 billion. (Source: *The Edge*)

YTL Corporation's core net profit for the first quarter ended Sept 30, 2018 (1Q 19) made up 15% of analysts FY6/19F forecast and 16% of consensus. The results were below expectations due to lower earnings from property development and utilities. Although construction revenue surged strongly on-year, pretax profit and margin contribution from construction was still miniscule. Overall operating cost also grew faster (+9.8% on-year) than revenue's +4.3% on-year. Overall EBITDA margin slipped from 29% in 1Q18 to 25% in 1Q19. 1Q19 net profit contracted 11% on-year. However, YTL Corp's cement's overseas operations bucked the trend. The biggest earnings contributors in 1Q19 were the cement, property/REIT and utilities segments though pretax profit for all three divisions dropped by 2.2%-54% on-year. The big decline in property/REIT was on account of weak property sales due to the scaling back of launches. China's supply side reform benefited cement's earnings in terms of higher domestic selling prices, which buffered the impact of price competition on the Malaysian cement operations (still profitable in spite of the sector's oversupplied state. The Gemas-Johor Bahru Electrified Double-Tracking (EDT) project would now cost 15%-20% less than the original RM9.4bil value awarded. "YTL-SIPP JV has emerged as the turnkey contractor. This remains positive for order book though we believe earnings contribution in FY19-20F would not be as strong as we previously forecasted, in light of the slow progress. In 1Q19, construction pretax profit stood at RM600,000 (up 29% on-year. Higher margin construction profit can be expected from Gemas-JB EDT to flow through earnings from FY21F onwards. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malaysia Steel Works (KL) Bhd	RM130.0 million Sukuk Ijarah Programme	AAAIS(FG)	Assigned
WCT Holdings Berhad	RM1.0 billion Medium-Term Notes (MTN) Programme	AA-	Affirmed
	RM1.5 billion Sukuk Murabahah Programme	AA-IS	Affirmed

Source: RAM, MARC

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