# Global Markets Research
# Fixed Income

## Fixed Income Daily Market Snapshot

| UST | | |
|---|---|---|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 2.56 | -8 |
| 5-yr UST | 2.58 | -6 |
| 10-yr UST | 2.74 | -5 |
| 30-yr UST | 2.99 | -4 |

| | MGS | | GII* | |
|---|---|---|---|---|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.66 | 0 | 3.72 | 0 |
| 5-yr | 3.80 | 0 | 3.86 | -1 |
| 7-yr | 4.00 | 0 | 4.07 | 0 |
| 10-yr | 4.09 | 0 | 4.21 | 0 |
| 15-yr | 4.49 | 0 | 4.61 | 0 |
| 20-yr | 4.68 | 0 | 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 | 0 |
| 5-yr | 3.85 | 0 |
| 7-yr | 3.95 | -1 |
| 10-yr | 4.15 | 0 |

*Source : Bloomberg*

### *Upcoming Government Bond Tender*

*Nil*

### US Treasuries

- US markets were closed for Christmas holiday yesterday. On the eve of Christmas, flight to safety persisted with the UST curve bull steepened. 2-year note yields fell 8bps to 2.56% while 10-year note yields shed 5bps to 2.74%, widening the 2/10 spread by 3bps to 18bps, further soothing concerns over an inverted yield curve, hence recession fear for the time being. With little fresh leads and a quieter markets as the year draws to a close, we expect prevailing risk aversion to continue keep demand for UST supported.

### MGS/GII

- Trading momentum in local govvies was substantially softer ahead of Christmas holiday with only RM230m dealt on Monday, a sharp pullback from RM1.8bn last Friday. Numerous odd lots trade were done across the curve with yields ended hardly changed across both the MGS and GII spectrums, save for benchmark 5Y GII that ended 1bp lower at 3.86%. MGS 8/22 garnered the most interests with RM71m dealt at 3.738% (-2bps) while in the GII space, 2Y GII 3/21 stole the limelight. A total of RM150m changed hands at 3.648%, 8bps wider from previous done level. GII picked up to form 66% of total trades for the day. Subdued trading with most traders away for festive holidays and declining liquidity may exacerbate price-swings heading into the year-end.

### Corp Bonds/Sukuk

- Mirroring overall softer momentum in local govvies, trading in Corporate Bonds/Sukuk also pulled back to a mere RM55m on Friday, representing approximately a tenth of trading activities in the preceding day. The AA-rated segment dominated the trading list led by DUKE '8/35 that saw RM20m changed hands flat at 5.284%. Other notable trades were Edra '1/27 and '1/34, also traded unchanged at 5.600% and 5.862% from previous done levels. Meanwhile, single A-rated Special Power Vehicle '5/19 traded 26bps lower at 4.242% with RM10m dealt.

### Daily Trades : Government Bonds

| Securities | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|---|---|---|---|---|---|
| MGS 03/20 | 3.538 | 1 | 3.530 | 21/12/2018 | 1 |
| MGS 11/21 | 3.656 | 0 | 3.656 | 21/12/2018 | 0 |
| MGS 08/22 | 3.738 | 71 | 3.758 | 21/12/2018 | -2 |
| MGS 08/23 | 3.847 | 2 | 3.877 | 21/12/2018 | -3 |
| MGS 07/24 | 3.968 | 1 | 3.968 | 21/12/2018 | 0 |
| MGS 09/24 | 3.980 | 0 | 3.980 | 21/12/2018 | 0 |
| MGS 03/25 | 4.000 | 0 | 4.010 | 21/12/2018 | -1 |
| MGS 09/25 | 4.023 | 3 | 4.006 | 21/12/2018 | 2 |
| MGS 11/26 | 4.146 | 0 | 4.108 | 20/12/2018 | 4 |
| MGS 11/27 | 4.156 | 1 | 4.159 | 21/12/2018 | 0 |
| MGS 05/35 | 4.578 | 0 | 4.644 | 19/12/2018 | -7 |
| GII 03/21 | 3.648 | 150 | 3.565 | 18/12/2018 | 8 |
| GII 11/23 | 3.857 | 1 | 3.865 | 21/12/2018 | -1 |
| | | 230 | | | |

### 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* |
|---|---|---|---|---|---|---|---|---|
| Sabah Credit Corporation | 10/19 | AA1 | 4.166 | 2 | 4.260 | 30/10/2018 | -9 | 71 |
| UMW Holdings Berhad | 10/19 | AA2 | 4.180 | 3 | 4.213 | 01/11/2018 | -3 | 73 |
| SPR Energy (M) Sdn Berhad | 07/19 | AA3 | 4.185 | 2 | 4.452 | 30/11/2017 | -27 | 73 |
| Edra Energy Sdn Berhad | 01/27 | AA3 | 5.600 | 3 | 5.600 | 21/12/2018 | 0 | 153 |
| Edra Energy Sdn Berhad | 01/34 | AA3 | 5.859 | 10 | 5.862 | 06/12/2018 | 0 | 136 |
| UEM Sunrise Berhad | 05/19 | AA- | 4.233 | 5 | 4.263 | 21/12/2018 | -3 | 78 |
| Lebuhraya DUKE Fasa 3 Sdn Berhad | 08/35 | AA- | 5.284 | 20 | 5.285 | 19/12/2018 | 0 | 79 |
| Special Power Vehicle Berhad | 05/19 | A1 | 4.242 | 10 | 4.503 | 14/12/2018 | -26 | 79 |
| Hong Leong Financial Group Berhad | 11/17 | A1 | 5.249 | 0 | 5.252 | 14/12/2018 | 0 | 56 |
| | | | | 55 | | | | |

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

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

Malaysia is entering 2019 with unsold completed residential units rising to 30,115 units as at Sept 30, 2018, an increase of 48.35% from the 20,304 units a year ago. According to the Valuation and Property Services Department's (JPPH) latest figures released on Saturday, the total value was RM19.54bil, a 56.44% rise from RM12.49bil a year ago. Should serviced apartments and small offices home offices (SoHos) be included, the overhang value rose to 40,916 units, valued at RM27.38bil. JPPH defines an overhang as completed unsold units nine months after launching, and after the issuance of the certificate of fitness by local authorities. This signify a dwelling is fit for occupation.The unsold units are across the board from RM50,000 or less to more than RM1mil. The concentration begins even from the RM200,000-RM250,000 segment with about 3,500 unsold while the bulk of the overhang are priced RM500,000 and above, with more than 12,000 units. The government and the Real Estate Housing Developers Association are planning to launch a national home ownership campaign in January to resolve this blemish on the property sector. Individual developers are currently putting last minute tweaks to their campaigns. Among those looking forward to unveil their bags of goodies are the **Eco World** group, Sunway and Mah Sing, just to name a few. The overhang has been rising in terms of units and ringgit value for a few years now, with the exception of 2015 when the number of overhang units decreased to 8,804 units, valued at RM3.64bil. However, the numbers took off again a year later, with unsold units valued at RM8.27bil in the third quarter of 2016. The situation then and now is further complicated with the completion of serviced apartments and SoHos which are built on commercial land, but which are also used for residential purposes. Johor has the largest number of unsold completed serviced apartments and SoHo units at 7,714. It rose 191% from the 2,647 units recorded a year ago. The overhang in serviced apartments is valued at RM6.16bil compared with its residential overhang of RM4.44bil. This means the total overall value of its unsold serviced apartments are 1.5 times that of residential housing. This brings Johor's total overhang to about RM10.6bil, or more than a third of the national RM27.38bil figure, excluding other forms of unsold commercial properties like offices and retail in the state. Going by JPPH reports, Johor has the highest number of completed unsold units in the country, with 6,053, a 55% increase from the 3,901 units a year ago. A source from the JPPH said the country's overhang scenario has somewhat changed with thousands of unsold serviced apartments and SoHos, a feature of urban centre living. To circumvent high property prices, developers shifted their focus by building shoebox-sized units built in urban centres on commercial land which has a higher value than residential land. Local authorities also convert land to commercial status in order to get higher land premiums from developers. Owners of these units also pay high taxes to the local authorities. Developers "cut" the units smaller to bring the overall price down to give an illusion of affordability. The JPPH source said: "Buyers bought these units because they were priced at around RM500,000 but they did not know that they have to pay higher serviced charges, utility bills and other taxes because of their commercial status. "When they get the bills, they are shocked with the high charges," the source said. That is one of the reasons why buyers may be staying away from serviced apartments, he said. It is also difficult to bring up a family in such homes because of the small size of these units. A minimum size of 1,200 sq ft with three bedrooms would be more ideal, he said. Among the states that have a serious overhang are Johor, Selangor, Penang and surprisingly, Kedah. Known as the rice bowl of Malaysia with its paddy-farming community, Kedah with an estimated population of about 2 million, has an overhang of 3,450 units, reducing marginally by 2.38% from a year ago. Selangor's residential overhang rose to 4,524, up 25.81% while Penang, up 43.59% to 3,261 units. He said JPPH depends on data fed to them by developers. Developers holding back information will not give a true and fair view of the situation. According to JPPH's latest report, Kuala Lumpur has no unsold completed serviced apartments/SoHos. *(Source: The Star Online)*

Petroliam Nasional Bhd (Petronas), which has a 25% stake in the C$40bil (RM123bil) LNG Canada project, has been curtailing production by between 50 and 200 million cubic feet per day (cf/d) due to low liquified natural gas (LNG) prices. According to a report by The Canadian Press, the wells in northeastern British Columbia are capable of producing 700 million cf/d of LNG. Quoting Petronas Energy Canada Ltd (PECL) chief executive officer Mark Fitzgerald, it said the practice is one being adopted by a growing number of western Canadian producers to avoid selling their natural gas at prices that often don't even cover the cost of pipeline transportation. "We talk a lot about oil infrastructure. Gas is trapped as well and if you compare the prices that Canadian gas producers are receiving against our US peers, the differentials are significant and costing us a significant amount of money," Fitzgerald was quoted as saying. The Canadian Press said PECL invested heavily in natural gas exploration in northeastern British Columbia from 2012 to 2016, employing more than 25 drilling rigs at peak times to prove the resource potential as part of its longer-term plan to build a liquefied natural gas export terminal. The company is running only one rig now. Quoting Ian Archer, an associate director with IHS Markit, The Canadian Press reported that LNG Canada's first phase is expected to require about two billion cf/d of gas to produce about 14 million tonnes per year of LNG, but most of that gas is expected to come from the partners. Petronas joined the LNG Canada partnership led by Royal Dutch Shell in May. This is an about-turn of event for the national oil and gas company, which in July 2017 scrapped plans to invest in the C$36bil (RM111.5bil) Pacific NorthWest LNG gas pipeline project in British Columbia, Canada, due to prolonged depressed prices and unfavourable market conditions for the energy industry then. The proposed LNG Canada project would include the design, construction and operation of a gas liquefaction plant and facilities for the storage and export of LNG, including marine facilities. The plant would initially consist of two world-scale LNG processing units referred to as "trains", with an option to expand the project in the future to four trains. Upon signing the deal with Shell, Petronas said having an equity position in the project would enhance its business intent to develop its world-class natural gas resources in the North Montney, northeast British Columbia, through its wholly-owned subsidiary, Progress Energy Canada Ltd. Canada is Petronas' second largest resource holder after Malaysia, with vast unconventional gas and oil resources in the North Montney. Petronas and its North Montney joint-venture partners are one of the largest natural gas resource owners in Canada with over 52 trillion cu ft of reserves and contingent resources. *(Source: The Star Online)*

| Rating Action | | | |
|---|---|---|---|
| **Issuer** | **PDS Description** | **Rating/Outlook** | **Action** |
| Mydin Mohamed Holdings Berhad | RM350 million Danajamin-Guaranteed Islamic MTN Programme (2011/2024) | AAA(fg)/Stable | Reaffirmed |

*Source: RAM, MARC*

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