

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.64	2
5-yr UST	2.74	3
10-yr UST	2.85	3
30-yr UST	2.99	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	-2	3.50	0
5-yr	3.70	0	3.81	1
7-yr	3.93	0	4.01	0
10-yr	4.03	0	4.14	0
15-yr	4.47	0	4.51	0
20-yr	4.67	0	4.75	-1
30-yr	4.89	0	4.95	0

\*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.73	0
5-yr	3.82	0
7-yr	3.95	0
10-yr	4.15	2

Source : Bloomberg

#### Upcoming Government Bond Tender

RM3.5b of 5Y GII 11/23 on Wed, 29<sup>th</sup> August 2018

#### US Treasuries

- US Treasuries fell driven partly by relief from the US-Mexico trade agreement to replace the NAFTA. Overall benchmark yields moved 2-3bps higher across the curve with the 2Y inching higher at 2.64% whilst the much-watched 10Y UST rose 3bps higher at 2.85%. The auction of \$36b of 2Y notes at 2.655% denotes decent demand on a BTC ratio of 2.89x despite increase in its issue size, Fed policy outlook and lack of short-end positioning to ignite demand. With US and Mexico reaching a trade agreement; pressure is next on Canada. Despite the narrowing gap between the 10Y bond and 3Y note; investors may be skewed to believe that the current 75bps difference in comfortable and far from actual yield curve inversion.

#### MGS/GII

- Trading momentum in Govvies grinded lower to notch a mere volume of RM762m with some interest seen in the 18-19's and also the long-end 33's and 37's. Overall benchmark yields were within 1bps of prior day's close save for the 3Y MGS 11/21. We note GII trades as a whole rose to 48% of total trades with many institutional investors sidelined. Both the benchmark 7Y MGS and 10Y MGS 6/28 were untraded at 3.93% and 4.03% respectively. The final auction for the month for the reopening of 5Y GII will be tomorrow.

#### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume sustain at RM538m yesterday with focus along the AAA to AA part of the curve involving 27 different bonds versus 24 prior day. Overall yields generally continued to move lower on investor demand. Govt-guaranteed PASB 23's moved 7-8bps lower 4.08% levels compared to previous-done levels. In the AAA-space DANGA 33's ended 0-1bps lower between 4.79-83% levels whilst the newly-issued TELEKOM 8/23 traded 2bps lower at 4.30%. In AA-rated JEP 129-31's saw total RM110m nominal amounts trade 2-6bps lower between 4.85-97% levels. Another debut by Bandar Serai Development Sdn Bhd saw its 5Y bonds rally ~4bps lower at 4.65% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.195	20	3.267	23/08/2018	-7
MGS	03/19	3.328	20	3.302	24/08/2018	3
MGS	07/19	3.374	1	3.370	24/08/2018	0
MGS	11/19	3.400	1	3.349	24/08/2018	5
MGS	07/21	3.606	5	3.569	24/08/2018	4
MGS	11/21	3.445	2	3.472	23/08/2018	-3
MGS	04/23	3.699	10	3.702	24/08/2018	0
MGS	08/23	3.794	5	3.789	23/08/2018	0
MGS	07/24	3.929	7	3.912	23/08/2018	2
MGS	09/25	4.060	17	4.078	23/08/2018	-2
MGS	11/26	4.152	1	4.162	24/08/2018	-1
MGS	11/27	4.158	7	4.149	24/08/2018	1
MGS	06/31	4.553	10	4.516	23/08/2018	4
MGS	04/33	4.522	34	4.515	24/08/2018	1
MGS	11/33	4.472	130	4.475	24/08/2018	0
MGS	05/35	4.674	7	4.687	23/08/2018	-1
MGS	04/37	4.729	1	4.735	23/08/2018	-1
MGS	09/43	4.855	35	4.831	24/08/2018	2
MGS	03/46	4.906	41	4.899	24/08/2018	1
MGS	07/48	4.894	44	4.895	24/08/2018	0
GII	08/18	3.270	120	3.262	21/08/2018	1
GII	08/18	3.440	5	3.292	04/07/2018	15
GII	08/19	3.362	5	3.427	20/08/2018	-6
GII	09/19	3.475	63	3.488	31/07/2018	-1
GII	11/23	3.810	20	3.801	23/08/2018	1
GII	05/24	3.986	10	3.990	24/08/2018	0
GII	08/24	3.997	10	4.001	23/08/2018	0
GII	09/26	4.152	1	4.158	21/08/2018	-1
GII	10/28	4.138	20	4.138	24/08/2018	0
GII	08/33	4.615	1	4.568	24/08/2018	5
GII	08/37	4.751	110	4.759	17/08/2018	-1
			<u>762</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*	
Prasarana Malaysia Berhad	03/19	GG	3.680	2	3.698	03/08/2018	-2	33
Pengurusan Air SPV Berhad	06/23	GG	4.020	15	4.101	15/08/2018	-8	32
Pengurusan Air SPV Berhad	06/23	GG	4.020	15	4.091	16/08/2018	-7	32
Prasarana Malaysia Berhad	03/28	GG	4.340	5	4.398	08/08/2018	-6	31
Danainfra Nasional Berhad	05/28	GG	4.345	25	-	-	-	32
Cagamas Berhad	05/23	AAA	4.190	90	4.251	15/08/2018	-6	49
Telekom Malaysia Berhad	08/23	AAA	4.300	30	-	-	-	60
TNB Western Energy Berhad	07/24	AAA	4.480	10	4.621	18/06/2018	-14	61
Danga Capital Berhad	02/26	AAA	4.500	10	4.521	14/08/2018	-2	57
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.824	30	4.849	20/08/2018	-3	36
Danga Capital Berhad	01/33	AAA	4.790	30	4.790	24/08/2018	0	32
Danga Capital Berhad	09/33	AAA	4.820	10	4.830	20/08/2018	-1	35
Sabah Credit Corporation	10/19	AA1	4.400	4	4.492	07/06/2018	-9	105
YTL Power International Berhad	08/23	AA1	4.615	40	4.616	24/08/2018	0	92
Celcom Networks Sdn Berhad	10/21	AA+	4.480	5	4.654	04/07/2018	-17	101
Celcom Networks Sdn Berhad	08/27	AA+	4.820	10	4.849	16/08/2018	-3	77
BEWG (M) Sdn Berhad	07/23	AA	4.960	10	5.188	27/04/2018	-23	126
Gamuda Berhad	11/22	AA3	4.630	10	4.648	16/08/2018	-2	101
Danainfra Nasional Berhad	08/23	AA3	4.650	30	-	-	-	-
WCT Holdings Berhad	04/20	AA-	4.820	2	4.853	30/04/2018	-3	139
Tanjung Bin O&M Berhad	07/21	AA-	4.450	10	4.425	21/09/2017	3	98
UEM Sunrise Berhad	12/22	AA-	4.670	30	4.697	08/08/2018	-3	105
WCT Holdings Berhad	04/26	AA-	5.540	4	5.558	06/08/2018	-2	151
Jimah East Power Sdn Berhad	12/29	AA-	4.850	10	4.901	17/08/2018	-5	82
Jimah East Power Sdn Berhad	12/30	AA-	4.900	90	4.961	17/08/2018	-6	87
Jimah East Power Sdn Berhad	12/31	AA-	4.970	10	4.991	17/08/2018	-2	50
CIMB Group Holdings Berhad	05/16	A1	4.720	1	5.103	21/08/2018	-38	5
			<u>538</u>					

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

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

**Property consultants are petrified by Prime Minister Tun Dr Mahathir Mohamad's statement that foreigners will not be allowed to buy residential units in Forest City, one of four islands being reclaimed by Chinese developer Country Garden Holdings Co in a multi-billion venture.** Three of them said such a move would have wide-ranging negative implications for Johor and the larger property sector and how foreign companies viewed Malaysia. Dr Mahathir said yesterday that Malaysia would not allow foreigners to buy residential units in the US\$100bil (RM410bil) Forest City project in Johor. "One thing is certain, that city that is going to be built cannot be sold to foreigners. "We are not going to give visas for people to come and live here," he was quoted as saying by Reuters. His comment whipped up a wave of responses from property experts and economists, warning that the new policy would have serious ramifications. "What will happen to the value of the condos in Forest City? Who would want to rent and who can now afford to buy them off me if foreigners cannot? The majority of the current owners of Forest City are mainland Chinese and to a small extent Singaporeans. They will be bitterly disappointed," said an industry source from Singapore. "The group's project at Country Garden Danga Bay will also be affected. It now faces a more daunting task of selling the balance units at Danga Bay of about 2,000 units. So, will other key Chinese developers like R&F Princess Cove and Greenland Group in Iskandar be affected?" he said. VPC Alliance Malaysia managing director James Wong said there may be legal suits against the government and Forest City would come to a standstill. That may force Country Garden to scale down because it has invested a lot in the country with its industrial building systems factory and an international school, among other investments. "It will impact Country Garden and Malaysia's property sector negatively," Wong said. Although a lot of leeway was given to Country Garden, this is a backlash by the Malaysian government against a private sector foreign company and would send a negative message to other countries. "Foreign buyers and other foreign companies will shy away," Wong said. KGV Property Consultants executive director Samuel Tan said up to a third of the first island of about 1,477 acres had been reclaimed. High-rise residential units, an international school and a hotel have already been built. "Forest City will come to a halt with such a policy. The other developers, both local and foreign, will be fearful because many of them are essentially building for foreigners," Tan said. He said the SP Setia group, Eco World Development Group Bhd and Eastern & Oriental Bhd were essentially targeting foreigners. "Singaporeans are foreigners," he said. Bruce Lee, an international property consultant specialising in Iskandar Malaysia from VPC Alliance Johor Baru is sanguine about the fiasco. "Once again, two issues are important to Malaysia, namely, foreigners buying property here and Malaysia My Second Home (MM2H) are being confused. These are two separate issues. If you buy a property here, it does not mean you will automatically get a MM2H visa, or a visa to live here. "Secondly, foreigners are allowed to buy properties within a certain pricing threshold. In Johor, any foreigner can buy properties priced RM1mil and above, landed or high-rise. "This country is run by the rule of law, and the previous laws and regulations cannot be repudiated," Lee said. Country Garden Pacificview Sdn Bhd, in a statement, said like all property development projects in Malaysia, Forest City had complied with all laws and regulations with the necessary approvals to sell to foreign purchases. Under the national land code, a foreigner or a foreign company may buy land in Malaysia subject to the prior approval of the state authorities. "We do not issue any permanent residency or PR to foreign buyers of Forest City," the statement said. Socio-Economic Research Centre executive director Lee Heng Guie, when contacted, said more clarity was needed on the move. "The announcement is lacking details – if this is to tackle high property prices, there are already measures in place for this. "More clarity is needed to prevent negative sentiment among foreign investors. "We also do not want to create an impression that we are targeting Chinese

investors,” he said. He added that the reaction to the announcement needed to be monitored if there was a spillover effect into other areas of investment. He also questioned the move in relation to the MM2H programme, and questioned whether the move contradicted the programme. According to a Bloomberg report, Chinese nationals were the largest group of participants in the programme, which allows foreigners to live in Malaysia on a long-stay visa. It said Chinese citizens accounted for almost 30% of successful applicants since the programme was launched in 2002. Another economist said while there may be an impact on Chinese investment into Malaysia initially, he expected this to stabilize after a short period. He saw it as a positive move overall, as it would benefit Malaysians in the long term. “Foreign investors, particularly Chinese investors, may not be happy with the move, but they will ultimately have to respect the decision that has been made. This move sends the message that Malaysia wants a level playing field for Malaysians, and not lopsided deals or properties that only foreigners can afford,” he told StarBiz. He did not expect tourism from China to be affected, and investors interested in other Malaysian projects were unlikely to go elsewhere due to the decision on Forest City. “In the short-term, there may be a negative ripple effect, but I don’t expect it to be significant,” he said. On the impact on the property, it is likely that the developers would have to redesign the Forest City project, and drop prices to cater to Malaysian buyers. “We expect a knock-on effect on prices of the property. Prices are likely to drop, and the developers may have to redesign the remaining part of the project. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Murud Capital Sdn Bhd	Senior Commercial Papers/Medium-Term Notes (Senior CP/MTN) programme of up to RM290.0 million	MARC-1/AA changed from MARCwatch negative to Negative Outlook	Removed

Source: RAM, MARC

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