

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.83	1
5-yr UST	2.89	1
10-yr UST	3.06	0
30-yr UST	3.32	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.71	0	3.77	0
5-yr	3.87	-1	3.96	1
7-yr	4.06	0	4.16	0
10-yr	4.15	-1	4.25	1
15-yr	4.54	0	4.59	1
20-yr	4.75	-1	4.79	0
30-yr	4.94	0	4.94	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	4.01	0
10-yr	4.20	0

Source : Bloomberg

Upcoming Government Bond Tender

RM3.5b reopening of 5Y MGS 4/23 and RM1.0bn private placement on Thursday, 29th Nov

US Treasuries

- US Treasuries were little changed as market digested the auction of 5Y whilst awaiting the issuance of 7Y notes later this week. Overall benchmark yields were within 1bps (albeit higher) with the 2Y at 2.83% whilst the much-watched 10Y ended flat at 3.06%. The second of the \$129b worth of note issuance offerings this week also saw a solid UST 5Y auction; hot on the heels of the earlier issuance of 2Y. The \$40b of 5Y auction drew a lower average yield of 2.88% on a higher BTC ratio of 2.49x (previous auction was 2.30x). Top foreign holder i.e. China has categorically denied that it will use UST's as a trade negotiating weapon and cause financial instability. Nevertheless its recent reduction in total foreign holdings is reminiscent of overall dwindling of foreign participation in recent auctions.

MGS/GII

- Trading sentiment in local govies improved as volume maintained at RM2.25b yesterday with local investors taking the lead as GII bonds bucked the trend. Interest was seen mainly in the off-the-run MGS 19-20's and along with some 27's. Overall benchmark MGS yields reversed prior day's rise as yields ended 0-1bps lower whilst GII bonds were ended the reverse. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 edged 1bps lower at 3.87% and 4.15% levels. GII trades formed a higher portion of overall bond trades @ 38%. 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. Interest rates are also expected to stay pat on subdued inflation and moderating economic growth going forward. Meanwhile attention is expected to be focused on the upcoming reopening of 5Y MGS tomorrow.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume maintained at RM310m with some interest seen in AAA-AA part of the curve. There were 23 various bonds traded yesterday against 18 prior day. The newly issued 15Y Govt-Guaranteed DANA 11/33 made its debut at 4.798%. AAA-rated PUTRAJAYA 3/28 closed unchanged compared to previous-done levels at 4.58% while the short BJLAND 12/18 rallied to close at 4.34% levels. In the AA-space Fortune Premier 9/25 saw huge RM130m nominal amounts traded; ending 5bps lower at 4.94%. Similarly a slew of energy-related bonds i.e. BGSM 9/23, TBEI 3/31 and EDRA Energy continued to exchange hands between 0-7bps lower.

Daily Trades : Government Bonds

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date	(bp)
					(dd/mm/yyyy)	
MGS	07/19	3.407	30	3.410	23/11/2018	0
MGS	10/19	3.451	270	3.452	26/11/2018	0
MGS	11/19	3.452	345	3.447	26/11/2018	0
MGS	03/20	3.513	142	3.528	23/11/2018	-2
MGS	07/20	3.550	25	3.579	22/11/2018	-3
MGS	10/20	3.558	10	3.563	26/11/2018	-1
MGS	09/21	3.692	190	3.700	21/11/2018	-1
MGS	11/21	3.709	150	3.709	26/11/2018	0
MGS	08/22	3.825	50	3.845	22/11/2018	-2
MGS	09/22	3.836	72	3.850	21/11/2018	-1
MGS	04/23	3.869	20	3.881	26/11/2018	-1
MGS	08/23	3.944	4	3.939	22/11/2018	0
MGS	07/24	4.040	64	4.060	26/11/2018	-2
MGS	09/24	4.078	100	4.078	22/11/2018	0
MGS	03/25	4.063	88	4.067	26/11/2018	0
MGS	09/25	4.128	1	4.142	26/11/2018	-1
MGS	11/26	4.219	41	4.219	26/11/2018	0
MGS	05/27	4.273	1	4.191	19/11/2018	8
MGS	11/27	4.223	301	4.236	26/11/2018	-1
MGS	06/28	4.150	46	4.160	26/11/2018	-1
MGS	04/30	4.507	2	4.484	26/11/2018	2
MGS	05/35	4.743	5	4.737	22/11/2018	1
GII	04/19	3.251	30	3.246	26/11/2018	0
GII	04/21	3.676	1	3.622	08/11/2018	5
GII	07/23	3.974	10	3.972	14/11/2018	0
GII	11/23	3.961	50	3.950	26/11/2018	1
GII	08/25	4.163	40	4.163	26/11/2018	0
GII	10/28	4.250	121	4.244	26/11/2018	1
GII	06/33	4.588	40	4.582	01/11/2018	1
			<u>2247</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Maturity	Rating	Closing	Vol	Previous	Previous	Chg	Spread
	(dd/mm/yy)		YTM	(RM mil)	YTM	Trade Date	(bp)	Against
						(dd/mm/yyyy)		MGS*
Pengurusan Air SPV Berhad	06/22	GG	4.015	4	4.030	09/08/2018	-2	23
Sarawak Hidro Sdn Berhad	08/28	GG	4.471	2	4.474	17/08/2018	0	32
Danainfra Nasional Berhad	11/33	GG	4.798	50	-	-	-	-
Berjaya Land Berhad	12/18	AAA	4.335	40	4.469	07/11/2018	-13	89
Putrajaya Bina Sdn Berhad	03/28	AAA	4.579	10	4.579	08/11/2018	0	42
Sarawak Energy Berhad	12/32	AA1	4.898	1	4.829	22/11/2018	7	36
Celcom Networks Sdn Berhad	08/19	AA+	4.074	20	4.084	22/11/2018	-1	63
AmBank Islamic Berhad	03/20	AA2	4.184	1	4.186	22/11/2018	0	74
Fortune Premiere Sdn Berhad	09/25	AA	4.938	130	4.988	31/10/2018	-5	88
Anih Berhad	11/25	AA	4.613	4	4.603	22/11/2018	1	55
Bumitama Agri Ltd	09/19	AA3	4.386	8	4.417	08/11/2018	-3	94
BGSM Management Sdn Berhad	09/23	AA3	4.534	10	4.529	12/10/2018	0	66
Edra Energy Sdn Berhad	07/24	AA3	5.399	1	5.399	22/11/2018	0	141
AmBank Islamic Berhad	12/25	AA3	4.527	3	4.766	10/07/2018	-24	47
Edra Energy Sdn Berhad	07/28	AA3	5.571	1	5.569	13/11/2018	0	142
Tanjung Bin Energy Issuer Berhad	03/31	AA3	4.858	10	4.931	27/09/2018	-7	71
UEM Sunrise Berhad	04/20	AA-	4.591	2	4.512	04/09/2018	8	115
UEM Sunrise Berhad	10/23	AA-	4.857	4	-	-	-	98
MMC Corporation Berhad	03/28	AA-	5.600	3	5.649	06/09/2018	-5	144
Jimah East Power Sdn Berhad	12/31	AA-	4.924	4	4.945	18/09/2018	-2	38
Affin Bank Berhad	02/27	A1	4.713	1	5.111	22/11/2018	-40	59
UMW Holdings Berhad	04/18	A1	5.818	1	5.759	16/11/2018	6	105
Mah Sing Perpetual	-	-	5.948	1	6.641	15/11/2018	-69	-
				<u>310</u>				

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

Market/Corporate News: What's Brewing

The opening of a new theme park based on the 20th Century Fox World design is supposed to boost the number of visitors to Genting Highlands for the next two years from June 2019. However, it is not going to happen – sparking a setback for Genting Malaysia Bhd in its efforts to boost visitor numbers. Shares in Genting Malaysia took a heavy beating yesterday as the opening of its theme park, that is under construction at Resorts World Genting, hit a snag. This came after Genting Malaysia said it had filed legal suits against 21st Century Fox Inc and Walt Disney Co for pulling out of an agreement to allow the group to build a theme park using the design and intellectual property rights owned by Fox Entertainment Group, LLC. The RM4.5bil 20th Century Fox World theme park was supposed to have been completed by the end of last year, but the opening was pushed back to the middle of next year. “Without the theme park, it is uncertain what the catalyst would be to increase the number of visitors to Genting Highlands. This is important for Genting Malaysia as it is the operator of the theme park,” said an analyst, adding that the company is expected to shed some light on the matter by the end of the week. In a filing with Bursa Malaysia yesterday, Genting Malaysia said it was claiming more than US\$1bil (RM4.2bil) for the cost of its investments, as well as consequential and punitive damages. Shares in Genting Malaysia plunged 60 sen or 16.7% to close at RM3, wiping out RM3.4bil from its market capitalisation. The counter topped the volume list with 276.3 million shares changing hands. The impact was also felt at the parent company level – Genting Bhd – that saw its share price falling 52 sen or 7.5% to close at RM6.38. Reuters, quoting the case file, reported that Disney wanted to end the contract because associating with a gaming company did not fit its “family-friendly” brand strategy. Disney won the fight to take control of a large chunk of 21st Century Fox’s entertainment and media assets for US\$71.3bil two months ago. This included the 20th Century Fox film and TV studio, which owns the intellectual rights to the design of the theme park. Disney’s takeover of 21st Century Fox’s assets is expected to be completed in the first quarter of 2019. Genting said Fox issued a default notice with the hope of terminating the contract, in a manner “entirely consistent with Disney wanting to kill the deal” to benefit itself. “Given that Fox Entertainment Group had no right to terminate the agreement, Fox and Disney are liable for what will exceed US\$1bil in damages attributable to the bad-faith behaviour of both Fox and Disney,” it said. The filing also revealed that Genting had already made a “US\$750mil-plus” investment in the Fox World. Genting Malaysia entered into a licensing agreement with Fox in 2013 for the development of what would be the first Fox-branded theme park in the world. Under the agreement, Genting Malaysia was granted a licence to utilise certain intellectual property rights associated with Fox theatrical motion pictures in the design, development, construction and operation of the theme park under the Genting integrated tourism plan. Analysts have started to take into consideration the delays in the opening of the theme park. Due to potential legal complications, analysts are concerned if Genting Malaysia could still open the theme park in the first-half of 2019. Genting Malaysia may seek other global partners to license the characters for its theme park. “There could also be additional costs incurred to redesign the outdoor theme park due to the termination of the collaboration,” it said. (Source: *The Star*)

Shares in utility giant Tenaga Nasional Bhd (TNB) fell 3.80% in early trade this morning after it reported lower net profit in 3QFY18 to RM501 million. TNB’s lower net profit was mainly due to further impairment of RM291.5 million for Gama Enerji in Turkey following the weakening of Lira which led to higher translation loss. In addition, there was also a one-off staff cost adjustment on staff salary amounting to RM220 million. Analysts said excluding one-off items, TNB’s core net PATAMI for 9MFY18 was RM5.0 billion, which was below house and consensus expectations, accounting for 65% and

70% of full year estimates respectively. The discrepancy was mainly due to higher-than-expected operating expenses. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Sinar Kamiri Sdn Bhd	Green SRI Sukuk Wakalah of up to RM245.0 million	AA-IS	Affirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

**

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.