

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.67	2
5-yr UST	2.77	3
10-yr UST	2.88	3
30-yr UST	3.03	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	0	3.50	0
5-yr	3.70	1	3.80	-2
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	-1	4.75	0
30-yr	4.89	0	4.91	-3

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.74	1
5-yr	3.83	1
7-yr	3.96	2
10-yr	4.16	1

Source: Bloomberg

Upcoming Government Bond Tender

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

US Treasuries

- US Treasuries fell again driven partly by supply sell-off in German bunds. Overall benchmark yields moved 2-4bps higher across the curve with the 2Y inching higher at 2.67% whilst the much-watched 10Y UST rose another 3bps higher at 2.88%. The 5Y auction of \$37b notched 2.765% amid lower BTC ratio of 2.49x (six previous auction average: 2.52x). The US-Mexico trade agreement is seen favoring the US whilst there still seems to be no headway in US-China trade matters. The relentless narrowing of the gap between the 2 and 10Y bond is causing concern among the investing fraternity and central bank officials as it has in the past been a reliable precursor to recession. Nevertheless with other indicators such as the equities benchmark setting new highs, the yield curve's message can be down-played for now.

MGS/GII

- Trading momentum in Govvies improved with volume at RM2.87b as investor interest returned seen in the shorter 18-20's and also the 10Y benchmark GII bonds. Overall benchmark yields were mostly within 1bps of prior day's close save for the seldom-traded long 30Y GII 5/47. We note GII trades as a whole rose further to 61% of total trades. Both the benchmark 7Y MGS and 10Y MGS 6/28 were untraded or unchanged at 3.93% and 4.03% respectively. The final auction for the month for the reopening of RM3.5b of 5Y GII 11/23 is scheduled for this morning.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume sustain at RM693m yesterday with focus along the GG to AA part of the curve involving 44 different bonds versus 27 prior day. Overall yields generally were mixed to lower on strong demand. Govt-guaranteed MKD Kenchana 25's and 32 saw RM200m nominal amounts traded between 5-6bps lower at 4.24% and 4.74% levels compared to previous-done levels. In the AAA-space TENAGA 8/33 and 8/37 made its debut at 4.78% and 4.98% respectively whilst PLUS 28 ended unchanged at 4.59%. in AA-rated many tranches of JEP i.e. 25-31's exchanged hands between 0-3bps lower save for JEP 6/26 which rallied 21bps at 4.71% levels.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.276	71	3.103	27/08/2018	17
MGS 03/19	3.326	191	3.328	27/08/2018	0
MGS 07/19	3.382	102	3.370	24/08/2018	1
MGS 10/19	3.352	48	3.408	23/08/2018	-6
MGS 11/19	3.367	111	3.345	27/08/2018	2
MGS 03/20	3.399	1	3.399	27/08/2018	0
MGS 07/20	3.399	49	3.425	23/08/2018	-3
MGS 10/20	3.476	27	3.481	24/08/2018	0
MGS 07/21	3.550	48	3.606	27/08/2018	-6
MGS 04/23	3.704	130	3.699	27/08/2018	1
MGS 08/23	3.789	14	3.794	27/08/2018	0
MGS 07/24	3.929	2	3.929	27/08/2018	0
MGS 04/26	4.145	20	4.145	23/08/2018	0
MGS 11/26	4.159	20	4.152	27/08/2018	1
MGS 11/27	4.158	2	4.158	27/08/2018	0
MGS 06/28	4.028	60	4.025	24/08/2018	0
MGS 06/31	4.501	20	4.553	27/08/2018	-5
MGS 04/33	4.527	1	4.522	27/08/2018	0
MGS 11/33	4.468	160	4.472	27/08/2018	0
MGS 05/35	4.697	25	4.674	27/08/2018	2
MGS 03/46	4.882	10	4.906	27/08/2018	-2
GII 04/19	3.347	430	3.356	24/08/2018	-1
GII 09/19	3.352	162	3.579	22/05/2018	-23
GII 09/19	3.352	386	3.475	27/08/2018	-12
GII 05/20	3.549	180	3.574	20/08/2018	-2
GII 06/20	3.555	50	3.608	20/08/2018	-5
GII 04/22	3.730	25	3.748	24/08/2018	-2
GII 07/22	3.845	20	3.915	18/07/2018	-7
GII 07/22	3.759	10	3.810	24/08/2018	-5
GII 04/23	3.910	10	3.930	20/08/2018	-2
GII 11/23	3.796	110	3.810	27/08/2018	-1
GII 05/24	3.970	70	3.986	27/08/2018	-2
GII 08/24	3.988	50	3.997	27/08/2018	-1
GII 08/25	4.008	10	4.010	24/08/2018	0
GII 09/26	4.164	21	4.158	21/08/2018	1
GII 07/27	4.156	40	4.143	23/08/2018	1
GII 10/28	4.136	138	4.138	27/08/2018	0
GII 12/28	4.192	30	4.229	16/08/2018	-4
GII 05/47	4.914	20	4.947	20/08/2018	-3
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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*	
DanaInfra Nasional Berhad	08/23	GG	4.064	20	4.080	17/08/2018	-2	36
MKD Kencana Sdn Berhad	02/25	GG	4.241	50	4.300	13/08/2018	-6	36
MKD Kencana Sdn Berhad	04/25	GG	4.251	100	4.310	07/08/2018	-6	31
Jambatan Kedua Sdn Berhad	05/25	GG	4.258	15	4.270	17/08/2018	-1	32
Pengurusan Air SPV Berhad	09/25	GG	4.212	5	4.250	03/08/2018	-4	27
Pengurusan Air SPV Berhad	02/26	GG	4.253	10	4.270	15/08/2018	-2	32
GovCo Holdings Berhad	02/32	GG	4.830	25	4.839	16/08/2018	-1	36
GovCo Holdings Berhad	09/32	GG	4.850	5	4.859	16/08/2018	-1	38
MKD Kencana Sdn Berhad	10/32	GG	4.742	50	4.791	08/08/2018	-5	27
DanaInfra Nasional Berhad	02/48	GG	5.070	10	5.110	07/08/2018	-4	40
Cagamas Berhad	12/18	AAA	3.667	3	3.722	02/08/2018	-6	30
Cagamas Berhad	07/19	AAA	3.804	15	3.931	07/08/2017	-13	44
Telekom Malaysia Berhad	09/21	AAA	4.146	10	4.197	15/03/2018	-5	67
Cagamas Berhad	05/23	AAA	4.170	10	4.191	27/08/2018	-2	47
Putrajaya Holdings Sdn Berhad	09/23	AAA	4.371	5	4.471	07/05/2018	-10	67
Projek Lebuh raya Usahasama Berhad	01/28	AAA	4.589	10	4.639	14/03/2018	-5	54
GENM Capital Berhad	07/33	AAA	5.416	20	5.416	20/08/2018	0	95
Tenaga Nasional Berhad	08/37	AAA	4.980	10	5.055	20/08/2018	-7	31
Tenaga Nasional Berhad	08/33	AAA	4.780	10	-	-	-	-
Tenaga Nasional Berhad	08/38	AAA	4.980	5	-	-	-	-
YTL Power International Berhad	03/23	AA1	4.750	2	4.630	08/08/2018	12	105
Celcom Networks Sdn Berhad	08/27	AA+	4.796	5	4.824	27/08/2018	-3	74
Benih Restu Berhad	06/25	AA2	4.589	20	4.598	20/08/2018	-1	65
Konsortium ProHAWK Sdn Berhad	06/33	AA2	5.046	2	5.078	10/08/2018	-3	58
PBFIN Berhad	06/59	AA2	4.321	10	4.556	23/08/2018	-24	-35
Bumitama Agri Ltd	03/19	AA3	4.322	10	4.334	23/08/2018	-1	95
Bumitama Agri Ltd	09/19	AA3	4.459	10	4.537	30/07/2018	-8	109
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.852	45	4.882	20/08/2018	-3	137
Konsortium Lebuh raya Utara-Timur (KL) Sdn Berhad	12/21	AA-	4.485	10	4.548	09/08/2018	-6	101
UEM Edgenta Berhad	04/22	AA-	4.909	1	4.597	21/08/2018	31	129
Jimah East Power Sdn Berhad	12/23	AA-	4.607	1	4.698	30/04/2018	-9	91
Jimah East Power Sdn Berhad	06/25	AA-	4.663	10	4.898	21/05/2018	-23	73
MMC Corporation Berhad	11/25	AA-	5.469	10	5.468	28/03/2018	0	153
Jimah East Power Sdn Berhad	12/25	AA-	4.689	20	4.718	14/08/2018	-3	75
Jimah East Power Sdn Berhad	06/26	AA-	4.708	20	4.919	06/07/2018	-21	67
Jimah East Power Sdn Berhad	12/26	AA-	4.725	20	4.730	21/08/2018	-1	69
Jimah East Power Sdn Berhad	06/27	AA-	4.745	20	4.769	14/08/2018	-2	69
Tanjung Bin O&M Berhad	06/28	AA-	4.829	1	4.899	18/12/2017	-7	80
Jimah East Power Sdn Berhad	12/29	AA-	4.849	5	4.851	27/08/2018	0	82
Jimah East Power Sdn Berhad	06/30	AA-	4.861	5	4.870	20/08/2018	-1	83
Jimah East Power Sdn Berhad	12/31	AA-	4.968	10	4.968	27/08/2018	0	50
Tan Chong Motor Holdings Berhad	11/21	A1	6.349	20	5.946	09/08/2018	40	287
UMW Holdings Berhad	04/18	A1	5.748	10	5.999	27/08/2018	-25	108
Jimah East Power Sdn Berhad	12/27	AA-	4.769	30	4.780	21/08/2018	-1	72
Mah Sing Perpetual	-	-	6.421	9	5.807	24/08/2018	61	-
			<u>693</u>					

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

Market/Corporate News: What's Brewing

IJM Corp Bhd is putting off its plans to list its toll division pending greater clarity from the government, said CEO and managing director Datuk Soam Heng Choon (pic). "With the new Pakatan Harapan government in place, there have been plenty of discussions on whether tolls would still be there ... so we need to get some clarity on this front before anything else. But for us, there is also no requirement to list the toll business and it has been there for quite a while," Soam said at a press conference after IJM's AGM yesterday. "In Malaysia, there is no advantage of listing the toll business. It's treated just like other businesses. Like in India, they have this infrastructure trust where there is a tax incentive like for REITs," he added. It was reported that the company had a number of years ago considered listing its toll business. The company also said it has not been approached by the new government pertaining to its toll business thus far and only read statements pertaining to tolled roads in the public domain. "What you know, we know. We have not been approached," he said. Locally, IJM currently owns and operates three tolled highways: the 28.9-km Besraya Highway and the 19.6-km New Pantai Expressway with concession periods of 44 and 34 years, respectively. The company also said in its annual report that it owns 50% of the 44.3-km Kajang Seremban Highway with a concession period of 33 years. The tolled highway division or infrastructure business segment recorded a pre-tax profit margin of 12% in its financial year 2018 ended March 31. The pre-tax profit for this division doubled to RM120.12mil from RM62.31mil a year ago. On a related matter, Soam said there would be a slight delay in the completion of the West Coast Expressway (WCE) that connects Banting and Taiping due to issues with land acquisition. "Some of the sections of the WCE have acquisition issues. This involves certain sections such as Section 7 near Tanjung Karang and this is taking a bit of time because of disagreements on the alignment. The government will make a decision very soon on the alignment. Once this is confirmed, it will be the last package that will be tendered out," he said. "Different stretches have different completion dates. Some stretches will complete by the first half of 2019, some in 2020 and others in 2021. This highway is taking a bit longer because it is traversing soft ground, so we need time to let the ground settle (surcharge)," he added. Soam said the entire highway is expected to be completed by the end of 2021, and the Meru to Klang stretch in 2019. Meanwhile, Soam did not confirm nor deny reports that the company was looking to hive off its plantation business. "The board in its strategy always goes through our investments and what we can do with our assets to enhance shareholder returns and this is always being looked at. There is nothing in writing or anything of that sort that requires us to make an announcement for the time being," he said. "It is always in our strategy to consider these (issues). When the time is right, if there are any divestments that we may do, we will always comply with listing requirements by making the appropriate announcements," he added. Soam said that if any offer should materialise, it would have to be evaluated by the board of directors in its entirety. "There is no proposal on the table now. If there is, we will announce it. We (the board) may all disagree so I won't comment on any offer price for the time being," he said. While the subject of whether the plantation business would be sold is still being speculated about, Soam said that IJM remains committed to building up this business. "If there are parcels of land nearby our plantations where the owners may want to sell, we are always on the lookout. We definitely will look into it because this business is cyclical: we cannot only acquire when the prices are high," he said. "If you ask us to buy a few thousand acres of land that is located very far away from where we are situated, we are definitely not interested, but if it's nearby where we're operating, then yes," he added. He said that the plantation business, which the company has been involved in for more than 30 years, remains its commitment and priority.. (Source: *The Star*)

Perplexed, wounded, indignant or still optimistic. The Chinese developer Country Garden Holdings Co. can put any spin it wants on its Forest City project, a \$100 billion Malaysian township whose fate suddenly has been thrown into doubt after Mahathir Mohamad's pointed refusal to let foreigners buy apartments or live in them long-term. One thing is clear, though: The prime minister is not acting impulsively. The project claims to be a "new global cluster of commerce and culture," and a "dream paradise for all mankind." However, in Malaysian political discourse, Forest City is just a gigantic Chinatown of 700,000 residents. Taking on the developer is part of Mahathir's broader plan to redefine Malaysia's relationship with Beijing, pulling Kuala Lumpur away from the client-state mindset introduced by his predecessor. Already, the 93-year-old leader has canceled the Chinese-funded East Coast Rail Link, dealing a blow to China Communications Construction Co., which was building the \$20 billion belt-and-road route. Najib Razak, ousted in May, claimed the link would bring prosperity to eastern Malaysia. But Mahathir, who spoke bluntly in Beijing this month against "a new version of colonialism," took a very different view of the railway, which would have connected areas near the Thai border along the South China Sea to busy port cities on Malaysia's western coast, near the Strait of Malacca. He also shelved a natural-gas pipeline in Sabah, a Malaysian state on the island of Borneo. Mahathir justified the cancellations on the grounds that they were too expensive. However, the abrupt message to Country Garden, which is neither linked to the Chinese state nor would add a dollar to Malaysia's national debt, shows that sovereignty — and Malaysia's racial politics — are Mahathir's real concerns. Two-thirds of the homebuyers in Forest City are from China. Last year, as a trenchant critic of Najib's policies, Mahathir flagged the risk that anybody living in Malaysia for 12 years would be able to vote. Country Garden should have seen the political risk in marketing the flats to mainland Chinese, who were separately lapping up long-stay visas under Najib's Malaysia My Second Home program. Najib's generosity toward the mainland wasn't the natural state of affairs. In 1965, the country expelled Singapore from the Malaysian federation out of fear that the peninsula's majority Muslim Malays could lose their political dominance to the island's ethnic Chinese. If Country Garden misread the political tea leaves, it's also wrong to bark up the legal tree after Mahathir's outburst. So what if Malaysia's national land code permits foreign ownership? Approval of global investors may not matter all that much to a politician who has, in his previous innings, trapped their money at the height of a financial crisis. The new prime minister isn't as reliant on Beijing as his predecessor. If anything, he has to reward local businessmen and contractors for switching their allegiance from Barisan Nasional, the erstwhile ruling coalition that suffered its first loss of power in six decades. It's a given then that Malaysia under Mahathir will have little appetite either for One Belt, One Road — or, for that matter, three- and four-bedroom apartments that could create a new political constituency. Forest City could still be salvaged, but as a predominantly local project. If Donald Trump can unilaterally change the rules of game for China and Chinese businesses, so can, in his limited sphere, Mahathir. As far as Country Garden is concerned, he just has

(Source: *The Edge*)

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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