

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries bull-steepened following Fed Chairman Powell's dovish-like comment suggesting rates are "just below the neutral range". Overall benchmark yields were between -2 to +3bps with the 2Y rallying at 2.81% whilst the much-watched 10Y ended flattish at 3.06% levels. The last and final auction for the week consisting of \$32b worth of 7Y notes saw a solid demand (hot on the heels of the earlier issuance of 2Y and 5Y); drawing a lower average yield of 2.974% on a higher BTC ratio of 2.55x (previous sale was 2.39x). Whilst a December hike is largely priced in; the interest rate path for 2019 is now uncertain and has been dialed back to about 1-2rate hikes. Belly performance in the curve has outshone the long-end with the 5s30s spread at about 50bps; widest since March this year.

##### MGS/GII

- Trading sentiment in local govies was steady as volume maintained at RM2.49b yesterday. Interest was again seen mainly in the off-the-run MGS 19-20's and along with some 23's and benchmark GII 10Y bonds. Overall benchmark MGS and GII yields ended mixed between -2 to +2 bps. The 5Y benchmark MGS 4/23 was richer by 2bps at 3.88% whilst the 10Y MGS 6/28 ended within 1bps higher at 4.16% levels. GII trades formed a mere 15% of overall bond trades. Malaysia and Thailand meanwhile are among the region's vulnerable economies to capital flows and US-China global trade matters. Nevertheless interest rates are expected to stay pat on subdued inflation and moderating economic growth going forward. Attention is expected to be focused on the upcoming reopening of 5Y MGS today.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	-2
5-yr UST	2.87	-2
10-yr UST	3.06	0
30-yr UST	3.35	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.70	-1	3.77	0
5-yr	3.88	2	3.96	0
7-yr	4.06	0	4.16	0
10-yr	4.16	0	4.23	-2
15-yr	4.54	0	4.59	0
20-yr	4.76	1	4.79	0
30-yr	4.92	-1	4.94	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.77	-1
5-yr	3.88	-1
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, 29<sup>th</sup> Nov

##### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume fizzled out at RM173m with some interest seen in AAA-AA part of the curve. There were 16 various bonds traded yesterday against 23 prior day. The short-tenured Govt-guaranteed PASB 2/19 closed sharply lower on yields compared to previous-done levels at 3.54%. AAA-rated CAGA 11/25 also rallied to close at 4.38% whilst GENM Capital closed 9bps higher at 4.62% following recent corporate news impacting its operations. In the AA-space energy-related bonds JEP 12/29 and 12/32 closed 1-4bps lower at 4.80% and 4.96% respectively. The banking space saw decent activity with both UOB 25NC20 and AmBank Islamic 24NC19 closing mixed on yields at 4.36% and 4.13% each.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 07/19	3.428	115	3.407	27/11/2018	2
MGS 10/19	3.455	33	3.451	27/11/2018	0
MGS 11/19	3.449	464	3.455	27/11/2018	-1
MGS 03/20	3.513	191	3.513	27/11/2018	0
MGS 10/20	3.540	182	3.558	27/11/2018	-2
MGS 07/21	3.711	61	3.697	26/11/2018	1
MGS 09/21	3.692	32	3.692	27/11/2018	0
MGS 03/22	3.726	7	3.724	26/11/2018	0
MGS 03/23	3.926	101	3.894	23/11/2018	3
MGS 04/23	3.884	2	3.869	27/11/2018	1
MGS 08/23	4.010	288	3.928	27/11/2018	8
MGS 07/24	4.026	104	4.040	27/11/2018	-1
MGS 09/24	4.068	50	4.078	27/11/2018	-1
MGS 11/26	4.212	5	4.219	27/11/2018	-1
MGS 11/27	4.237	170	4.225	27/11/2018	1
MGS 06/28	4.156	37	4.157	27/11/2018	0
MGS 06/31	4.570	4	4.580	21/11/2018	-1
MGS 11/33	4.535	70	4.540	26/11/2018	0
MGS 05/35	4.728	30	4.743	27/11/2018	-2
MGS 06/38	4.762	110	4.753	27/11/2018	1
MGS 07/48	4.924	50	4.935	15/11/2018	-1
GII 08/19	3.411	30	3.400	13/11/2018	1
GII 07/22	3.829	30	3.559	19/11/2018	27
GII 10/28	4.234	239	4.250	27/11/2018	-2
GII 05/47	4.938	80	4.941	26/11/2018	0
		<u>2486</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	02/19	GG	3.542	10	3.736	23/03/2018	-19	9
GENM Capital Berhad	03/22	AAA	4.615	1	4.522	02/11/2018	9	91
Cagamas Berhad	11/25	AAA	4.380	10	4.700	11/06/2018	-32	32
Putrajaya Bina Sdn Berhad	09/27	AAA	4.549	10	4.602	25/10/2018	-5	39
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.358	20	5.098	25/10/2018	-74	36
Fortune Premiere Sdn Berhad	09/25	AA	4.938	30	4.938	27/11/2018	0	88
Bandar Serai Development Sdn Berhad	11/19	AA3	4.274	10	4.259	13/11/2018	1	83
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	4.948	10	4.902	11/10/2018	5	107
AmBank Islamic Berhad	03/24	AA3	4.128	20	4.103	07/11/2018	3	25
Serba Dinamik Holdings Berhad	10/23	AA-	4.956	5	4.958	14/11/2018	0	108
UEM Sunrise Berhad	10/25	AA-	4.978	5	0.000	00/01/1900	498	92
Jimah East Power Sdn Berhad	12/29	AA-	4.798	20	4.808	10/10/2018	-1	64
Jimah East Power Sdn Berhad	12/32	AA-	4.964	15	5.000	30/08/2018	-4	42
Affin Bank Berhad	02/27	A1	4.757	1	4.713	27/11/2018	4	63
MMC Corporation Berhad	11/20	AA-	4.950	6	4.994	06/09/2018	-4	140
Alliance Bank Malaysia Berhad	-	BBB	5.570	1	5.669	18/07/2018	-10	80
				<u>173</u>				

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

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

**Hong Leong Bank Bhd's net profit for the first quarter ended Sept 30, 2018 rose 10.63% to RM706.92 million from RM638.97 million a year earlier, on the back of robust growth in non-interest income.** In a bourse filing today, the bank said revenue for the quarter rose to RM1.25 billion from RM1.18 billion previously, while earnings per share was 34.55 sen versus 31.24 sen earlier. In a separate statement, Hong Leong Bank group managing director and chief executive officer Domenic Fuda said business momentum had gained pace with gross loans and financing expanding 4% year-on-year despite persistent challenges in the operating environment. "We maintained a very solid asset quality position with GIL (gross impaired loan) ratio of 0.81%, whilst loan impairment coverage (LIC) ratio at 128% is one of the strongest in the industry post adoption of MFRS9," he said. Fuda said key to the bank's growth was digital innovation in its products and services, and to this end, Hong Leong Bank has continued to roll out new and innovative solutions, including being the first bank in Malaysia to enable customers to bind their debit cards to WeChat Wallet and use WeChat Pay as an alternative payment option, and a Smart Terminal, a first-in-market point-of-sale payment solution for merchants which integrates and accepts all cards and e-payment/wallet transactions. On its outlook, Fuda said the Malaysian economy is expected to maintain a steady growth trajectory as domestic economic activities remain supportive of growth despite looming external risks arising from shift in monetary policies and ongoing trade and geopolitical tensions. While there could be short-term trade-offs between growth and fiscal restoration, increased governance and subsequent return of market confidence are expected to augur well with the longer-term growth prospects of the Malaysian economy. "By entrenching ourselves in the communities, leveraging on our branch footprint and digital capabilities, we continue to grow our domestic franchise and regional businesses. "We also take pride in leading the digital and innovation space to provide best-in-class experiences and engage with our customers through reimagined customer journeys," he said.. (Source: *The Star*)

**Malaysia remained at the top of the emerging-market list, thanks to its current-account surplus, relatively stable economic growth outlook and valuations.** According to a Bloomberg analysis on Wednesday, data last week showed inflation came in at 0.6% in October from a year earlier, compared with its 10-year government bond yield of about 4.17%. The scorecard includes metrics ranging from growth prospects to the state of the current account, sovereign credit ratings and stock and bond valuations. Bloomberg reported Asia's economies have stronger buffers against headwinds like Federal Reserve policy tightening and outshone the rest of the emerging markets, Malaysia holding on to the No. 1 spot. However, Turkey has tumbled to bottom of the pile. Ranked fifth out of 21 nations in a similar study six months ago. Turkey's economy is forecast to grow 0.8% in 2019, down from an estimated 3.5% this year, according to a Bloomberg survey of economists. Inflation reached 25.2% in October, the highest level since 2003, eroding real yields. Four of the top six economies on the scorecard are from Asia, including China, the Philippines and Thailand. China and Thailand are drawing support from current-account surpluses, relatively strong growth and benign inflation. The Philippines' current-account deficit and high inflation rates are partly offset by growth of more than 6%. "A closer attention is now paid to economic growth outlooks of each emerging economy amid successive rate hikes," said Tsutomu Soma, general manager of the investment trust and fixed-income department at SBI Securities Co. in Tokyo. "Investors are also deciphering how each country is impacted by the U.S.-China trade frictions. They will continue to be more selective with their investments given such circumstances." Selected economies are either in the MSCI Emerging Markets Index or a Bloomberg Barclays measure tracking EM local-currency government bonds. Valuations are computed based on real yields, price-to-earnings ratios for MSCI's equity

gauges and real effective exchange rates. The numbers are Z-scores that measure deviations from the average of the economies covered in the case of GDP, current-account balances, ratings and real yields. The Z-scores for real effective exchange rates and P/E are based on historical comparisons. For reserves, the economies that sufficiently meet the International Monetary Fund's adequacy ratio get a zero score and those that fall short receive minus 1. GDP growth and current account balances are from economist forecasts for 2018 and 2019 compiled by Bloomberg. Sovereign ratings are from S&P Global Ratings. Real effective exchange rates are based on JPMorgan Chase & Co. data. (Source: *The Edge/Bloomberg*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Rantau Abang Capital Berhad	RM7.0 billion Islamic MTN Programme, Danga Capital Berhad's RM20.0 billion Multi-Currency Islamic Securities Programme and Ihsan Sukuk Berhad's RM1.0 billion Sukuk Ihsan Programme	AAA(s)/Stable	Reaffirmed
TSH Sukuk Murabahah Sdn Bhd	RM50.0 million Sukuk Murabahah Commercial Papers (ICP) and RM150.0 million Sukuk Murabahah Medium-Term Notes (IMTN) programme	MARC-1IS/AA-IS	Affirmed
TSH Sukuk Ijarah Sdn Bhd	RM300.0 million Sukuk Ijarah Medium-Term Notes (Sukuk IMTN) programme	AA-IS	Affirmed
Bank Pembangunan Malaysia Berhad (Bank Pembangunan)	Financial Institution (FI) rating	AAA	Affirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

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.