

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.68	1
5-yr UST	2.79	1
10-yr UST	2.88	0
30-yr UST	3.02	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.48	3	3.60	10
5-yr	3.70	0	3.82	2
7-yr	3.97	3	4.02	1
10-yr	4.03	0	4.14	0
15-yr	4.47	0	4.56	5
20-yr	4.67	0	4.76	1
30-yr	4.89	0	4.91	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.74	0
5-yr	3.84	0
7-yr	3.97	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries ended little changed with yields gyrating within 1bps as initial gains in UST were later reversed following the release of an upwardly revised 2Q GDP print to 4.2% QOQ. Overnight auction of US\$31bn 7-year bond attracted substantial demand at a high yield of 2.84%, with the bid-cover at 2.65x, its best since January. 10-year UST yields edged up a mere 0.4bps to 2.88% while the 2-year note yields rose 1bp to 2.68%, reinforcing protracted flattening in the curve with the 2/10 spread at 20bps. We believe risk of an inverted yield curve would continue to stir fear of a recession although such concerns appear to be taking a back seat for now. With debt sale coming to an end for the week, we expect investors to focus on revived US-Canada trade talks and US personal income/ spending as well as core PCE data due out tonight.

MGS/GII

- Trading volume in Govvies picked up to RM3.15b, from RM2.87b a day ago. Excluding the RM1.33b on reopening of GII 11/23, trading volume remained firm at RM1.82b. Yesterday's auction saw decent interest, with bid-cover slightly lower at 1.817x, compared to its recent new issuance in May at 1.989x. The reopening sale yielded an average yield of 3.816%, rather rich vs 4.094% from similar tender in May. Other than this, interests were seen on MGS 11/33, 7/21, and 4/23. Benchmark yields traded generally higher within 0-3bps for MGS and 1-10bps for GII. Expect trading interests to turn subdued today ahead of the long weekend.

Corp Bonds/Sukuk

- Tracking increased momentum in local govvies, corporate bonds/sukuk saw volume picking up to RM1.14bn yesterday, from RM693m the day before with focus remaining on the GG to AA part of the curve. Overall yields generally were lower on continued strong demand. In the GG space, PASB '2/23 saw RM85m changed hands at 4.037%, 6bps lower from previous done level. PTPTN 21 also saw a combined RM85m done at 3-5bps lower at 3.931-3.949%. We also noted substantial interests in energy issuance, led by various papers of Jimah East Power which saw a combined RM360m dealt.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/19	3.239	5	3.326	28/08/2018	-9
MGS 10/19	3.404	3	3.408	23/08/2018	0
MGS 11/19	3.408	28	3.343	28/08/2018	6
MGS 03/20	3.425	8	3.399	28/08/2018	3
MGS 07/21	3.558	102	3.557	28/08/2018	0
MGS 11/21	3.477	7	3.445	27/08/2018	3
MGS 04/23	3.702	167	3.704	28/08/2018	0
MGS 08/23	3.784	10	3.789	28/08/2018	-1
MGS 09/24	3.986	27	4.006	24/08/2018	-2
MGS 03/25	3.970	40	3.934	24/08/2018	4
MGS 09/25	4.040	0	4.060	27/08/2018	-2
MGS 04/26	4.144	20	4.145	28/08/2018	0
MGS 11/26	4.160	83	4.159	28/08/2018	0
MGS 11/27	4.149	35	4.153	28/08/2018	0
MGS 06/28	4.032	60	4.028	28/08/2018	0
MGS 06/31	4.501	0	4.501	28/08/2018	0
MGS 04/33	4.527	21	4.527	28/08/2018	0
MGS 11/33	4.472	590	4.468	28/08/2018	0
MGS 04/37	4.721	5	4.729	27/08/2018	-1
MGS 09/43	4.862	26	4.855	27/08/2018	1
MGS 03/46	4.873	0	4.882	28/08/2018	-1
GII 10/18	3.290	100	3.250	16/08/2018	4
GII 04/19	3.321	125	3.355	28/08/2018	-3
GII 04/20	3.544	2	3.496	23/08/2018	5
GII 08/20	3.579	53	3.587	14/08/2018	-1
GII 04/22	3.745	1	3.748	24/08/2018	0
GII 11/23	3.823	1335	3.796	28/08/2018	3
GII 08/24	3.980	20	3.988	28/08/2018	-1
GII 10/25	4.074	50	4.071	21/08/2018	0
GII 07/27	4.149	30	4.156	28/08/2018	-1
GII 10/28	4.136	200	4.136	28/08/2018	0
		<u>3153</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/21	GG	3.931	25	3.985	43175	-5	45
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	3.949	60	3.977	43333	-3	47
Pengurusan Air SPV Berhad	02/23	GG	4.037	85	4.100	43319	-6	41
Turus Pesawat Sdn Berhad	11/24	GG	4.199	20	4.310	43299	-11	32
MKD Kencana Sdn Berhad	04/25	GG	4.251	50	4.251	43340	0	31
DanaInfra Nasional Berhad	05/27	GG	4.319	20	-	-	-	27
GovCo Holdings Berhad	09/27	GG	4.429	20	-	-	-	38
DanaInfra Nasional Berhad	04/30	GG	4.470	2	4.470	43336	0	44
Prasarana Malaysia Berhad	09/42	GG	4.964	20	5.029	43329	-6	29
Cagamas Berhad	02/19	AAA	3.701	25	3.809	43322	-11	33
Cagamas Berhad	03/20	AAA	3.950	20	4.020	43327	-7	52
Cagamas Berhad	09/20	AAA	3.972	15	4.081	43307	-11	54
Genting Capital Berhad	06/22	AAA	5.038	1	4.751	43335	29	141
GENM Capital Berhad	07/23	AAA	4.865	5	4.881	43335	-2	116
Telekom Malaysia Berhad	03/24	AAA	4.296	40	4.529	43251	-23	42
Aman Sukuk Berhad	05/24	AAA	4.503	10	4.620	43298	-12	62
Telekom Malaysia Berhad	10/24	AAA	4.353	20	4.588	43243	-24	47
GENM Capital Berhad	07/28	AAA	5.133	35	5.150	43335	-2	110
Tenaga Nasional Berhad	08/38	AAA	4.950	35	4.980	43340	-3	-
Tenaga Nasional Berhad	08/33	AAA	4.740	35	4.780	43340	-4	-
Sabah Development Bank Berhad	07/20	AA1	4.731	20	-	-	-	130
Sabah Development Bank Berhad	09/20	AA1	4.684	0	4.691	43328	-1	126
Public Bank Berhad	11/23	AA1	4.130	20	4.281	43299	-15	43
Public Islamic Bank Berhad	08/27	AA1	4.500	30	4.639	43256	-14	45
YTL Power International Berhad	08/28	AA1	4.903	25	4.921	43336	-2	87
Ranhill Powertron II Sdn Berhad	06/21	AA	4.665	20	4.236	41262	43	119
Ranhill Powertron II Sdn Berhad	06/22	AA	4.738	10	4.318	41261	42	111
CIMB Bank Berhad	10/38	AA	4.502	20	4.557	43272	-6	-17
Gamuda Berhad	03/23	AA3	4.698	15	4.706	43333	-1	100
SPR Energy (M) Sdn Berhad	07/23	AA3	4.758	20	4.899	42935	-14	106
IJM Corporation Berhad	10/24	AA3	4.648	10	4.650	43327	0	77
SPR Energy (M) Sdn Berhad	07/27	AA3	4.970	20	5.149	43214	-18	92
IJM Corporation Berhad	08/28	AA3	4.937	20	4.954	43336	-2	91
Jimah East Power Sdn Berhad	12/21	AA-	4.466	10	4.468	42955	0	99
Jimah East Power Sdn Berhad	06/26	AA-	4.698	20	4.708	43340	-1	66
Jimah East Power Sdn Berhad	06/28	AA-	4.792	5	4.789	42905	0	76
Jimah East Power Sdn Berhad	06/29	AA-	4.837	25	4.859	43327	-2	81
Jimah East Power Sdn Berhad	12/29	AA-	4.839	80	4.849	43340	-1	81
Jimah East Power Sdn Berhad	06/30	AA-	4.849	80	4.861	43340	-1	82
Southern Power Generation Sdn Berhad	04/31	AA-	4.871	10	4.929	43328	-6	40
Jimah East Power Sdn Berhad	06/31	AA-	4.909	60	4.979	43328	-7	44
Jimah East Power Sdn Berhad	12/32	AA-	5.008	80	5.021	43332	-1	54
				<u>1143</u>				

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

Market/Corporate News: What's Brewing

The Federal Government will set up two committees to help reduce the country's fiscal deficit to 2.8 per cent of the Gross Domestic Product, Finance Minister Lim Guan Eng said. He said the setting up of the Public Finance Committee and the Tax Reform Committee was also part of the continuous fiscal consolidation agenda without undermining the economic growth and prosperity of the people. "Yesterday, I chaired the first focus group discussion that dwelled on ways to improve the financial condition of the Federal Government. "Among the specific topics discussed were ways to diversify government revenues, optimise government spending and rationalise the debt and liabilities of the Federal Government which has soared to RM1.087 trillion due to irregularities and weakness of governance in the previous government. "To achieve the goal, the two new committees will be established by the government," he said in a statement today. Lim said the Public Finance Committee would provide a medium-term fiscal plan, while pursuing a fiscal

consolidation agenda by taking into account the government's needs to improve the well-being of the people and support economic growth through its expenditure. He said the committee would be chaired by him, as chairman, and joined by Economic Affairs Minister Datuk Seri Mohamed Azmin Ali and Bank Negara Malaysia Governor Datuk Nor Shamsiah Yunus as members. Lim said that the Tax Reform Committee would review the overall tax system to make it more efficient, neutral and progressive to help spur high-quality economic growth without burdening the people. "Among the measures to be taken are ways to minimise tax leakages and evasion," he said. He said the government was considering several proposals such as releasing its stakes in some non-critical and non-strategic companies without compromising market stability, while conducting public land auctions through a planned system and open tender. Public lands had been sold at very low prices to parties with political connections by the previous government and this act has reduced the government revenues, he said. In terms of macroeconomics, he said the government would always ensure that the economy and local markets would be developed in a stable manner. "However, it need to be emphasised that, as with other countries, the performance of the local capital market, as well as the strength of the ringgit is affected by global development," he said. On Budget 2019, Lim asked all Malaysians to participate in its preparation process by posting their proposals on belanjawan2019.treasury.gov.my website, or by sharing their ideas with the government on Facebook, Instagram and Twitter by using hashtag #budgetbudget2019 from Aug 28 until Sept 30. Budget 2019 will be tabled in Parliament on Nov 2. (Source: The Star Online/ Bernama)

Rising competition in the fixed broadband market and the mandatory lowering of prices are hurting **Telekom Malaysia Bhd (TM)** earnings. The telecommunication company's (telco) operating profit fell 3.7% to RM248.7mil in the second quarter ended June 30, it said in a filing with Bursa Malaysia on Wednesday. Revenue slipped 1.5% to RM2.98bil due to decrease in voice and data services which was affected by the provision recognised for reduction in revenue in view of regulatory mandated access pricing. "The first six months of 2018 has been very challenging for us, from rapid developments in the market to increasing regulatory pressures," acting group CEO Datuk Bazlan Osman said in a statement today. "Given the current landscape, these events further add challenges to our financial performance," he added. Communications and Multimedia Minister Gobind Singh Deo had made compulsory for telcos to drop broadband prices by at least 25% by year end. He had also made it mandatory for players to adopt the mandatory standard on access pricing (MSAP). With the MSAP, reports suggested, overall high-speed internet service prices should fall by up to 80%. Maxis, last week, slashed its broadband pricing from RM179 per month for 30Mbps to RM89 per month, and 100Mbps to RM129 per month from RM299 per month. TM is offering RM79 per month for 30Mbps to the B40 households and is raising speeds for the RM139 per month package from 30Mbps to 300Mbps, and RM329 per month plan from 100Mbps to 800Mbps. Meanwhile, TM was also hit by unfavourable currency exchange rate during the quarter. Net profit dropped 52% to RM101.9mil due to unrealised foreign exchange loss on the group's borrowings in the current quarter compared to a net gain recorded in same quarter last year. (Source: The Star Online)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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