

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bear-steepened yesterday as US equities continued its earlier downfall following reports that US may impose further tariffs by December if talks between US and China presidents falter in November. Overall benchmark yields ended higher between 1-2bps with the benchmark 2Y @ 2.82% whilst 10Y also edged higher to close at 3.09%. Despite the Treasury's lower expected issuance from \$440b to \$425b in this 4th Quarter; total borrowings for 2018 will literally double to \$1.34 trillion from 2017 in order to finance the rising budget deficit. Nevertheless market participants may argue the Fed's policy tightening projections following the tanking of US equities of late with some predicting 2 instead of 3 rate hikes for 2019. Despite the prospects of further policy tightening on the back of solid growth and inflation outlook; safe haven bids are expected to partly-neutralize the upward move in UST yields.

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Tenure	Closing (%)	Chg (bps)
2-yr UST	2.82	1
5-yr UST	2.92	1
10-yr UST	3.09	1
30-yr UST	3.33	2

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.68	-2	3.77	0	
5-yr	3.84	0	3.91	2	
7-yr	4.06	0	4.11	0	
10-yr	4.16	-2	4.28	0	
15-yr	4.60	0	4.58	0	
20-yr	4.85	5	4.82	0	
30-yr	4.95	4	4.95	0	

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.79	0
5-yr	3.89	0
7-yr	4.00	-1
10-yr	4.20	0

Source : Bloomberg

Upcoming Government Bond Tender

RM4.0b Reopening of 10Y GII 10/28 @ Tue, 30th Oct

MGS/GII

- Trading momentum in Govvies continued to dwindle on low ebbs of flows with volume at RM900m yesterday. Some sparse interest were seen in the off-the-run 19 and 21's. Overall benchmark yields generally mixed between -2 and +5bps with several odd-lot trades possibly skewing closing levels. The 5Y MGS 4/23 was untraded at 3.84% while the 10Y MGS 6/28 similarly closed unchanged at 4.16% levels. GII bond trades accounted for only 11% of overall trades compared to 34% prior day. Malaysia is open to offering either a US dollar or Japanese Yen bond to help pare down debts. Attention will be focused on the upcoming auction of 10Y benchmark GII today; ahead of the unveiling of the 2019 Budget this Friday, the 2nd November.

Corp Bonds/Sukuk

- Corporate bonds/sukuk volume equally saw less interest as volume eased to RM231m with investor interest mainly seen in the AA-part of the curve. A total of 28 different bonds were traded compared to 18 the prior day with overall yields ending mixed-to-lower. The sole standard lot trade in the GG segment was the short-end JOHOR Corp 6/19 which closed 7bps lower compared to previous-done levels at 3.70%. The AA-rated GAMUDA 3/19 which was in the media spotlight off late rallied 5bps to 4.15% whilst energy-related bonds i.e. BGSM 9/21 and TBEI 3/32 ended 0-1bps higher at 4.43% and 4.99% respectively. The banking sector saw RM60m of OCBC 39NC19 traded; closing lower on yields at 4.31%.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.282	34	3.274	24/10/2018	1
MGS 10/19	3.469	100	3.424	25/10/2018	4
MGS 11/19	3.471	21	3.416	24/10/2018	6
MGS 07/20	3.548	53	3.478	24/10/2018	7
MGS 10/20	3.488	9	3.500	24/10/2018	-1
MGS 02/21	3.595	18	3.608	23/10/2018	-1
MGS 11/21	3.682	170	3.609	25/10/2018	7
MGS 03/22	3.728	51	3.690	24/10/2018	4
MGS 08/22	3.789	42	3.773	23/10/2018	2
MGS 09/22	3.842	42	3.767	24/10/2018	8
MGS 03/23	3.860	28	3.841	22/10/2018	2
MGS 08/23	3.898	25	3.845	25/10/2018	5
MGS 07/24	4.004	2	3.992	25/10/2018	1
MGS 09/24	4.030	7	4.020	25/10/2018	1
MGS 03/25	4.056	2	4.025	24/10/2018	3
MGS 09/25	4.055	35	4.017	25/10/2018	4
MGS 11/26	4.164	3	4.134	23/10/2018	3
MGS 11/27	4.256	12	4.234	25/10/2018	2
MGS 06/28	4.162	65	4.158	25/10/2018	0
MGS 04/30	4.532	12	4.470	25/10/2018	6
MGS 04/33	4.623	9	4.603	24/10/2018	2
MGS 06/38	4.853	17	4.807	23/10/2018	5
MGS 09/43	4.984	21	4.935	24/10/2018	5
MGS 03/46	4.969	17	4.930	22/10/2018	4
MGS 07/48	4.953	5	4.918	24/10/2018	4
GII 10/28	4.280	20	4.245	25/10/2018	4
GII 11/23	3.907	38	3.918	25/10/2018	-1
GII 10/25	4.148	5	4.108	16/10/2018	4
GII 04/20	3.509	4	3.508	25/10/2018	0
GII 04/21	3.705	5	3.712	24/10/2018	-1
GII 11/18	3.281	20	3.298	18/10/2018	-2
GII 03/21	3.671	8	3.658	23/10/2018	1
		<u>900</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
Johor Corporation	06/19	GG	3.696	5	3.769	20/03/2018	-7	26
Malaysia Airports Capital Berhad	12/22	AAA	4.289	10	4.291	19/10/2018	0	51
Putrajaya Holdings Sdn Berhad	04/24	AAA	4.356	10	4.400	20/01/2017	-4	52
EKVE Sdn Berhad	01/30	AAA	4.730	4	4.893	18/04/2018	-16	55
Tenaga Nasional Berhad	08/37	AAA	4.909	5	4.910	23/10/2018	0	8
Sabah Credit Corporation	10/19	AA1	4.273	5	4.394	27/08/2018	-12	84
Sabah Credit Corporation	05/20	AA1	4.335	2	4.466	05/02/2018	-13	80
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.710	6	4.825	04/07/2018	-12	64
Public Bank Berhad	04/27	AA1	4.595	20	4.606	01/10/2018	-1	47
Sarawak Energy Berhad	08/35	AA1	4.952	10	4.949	03/10/2018	0	35
Celcom Networks Sdn Berhad	08/19	AA+	4.180	5	4.166	25/10/2018	1	75
Konsortium ProHAWK Sdn Berhad	06/33	AA2	4.991	2	5.046	28/08/2018	-6	39
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.313	60	4.380	16/10/2018	-7	-51
Fortune Premiere Sdn Berhad	12/22	AA	4.764	10	4.745	06/09/2018	2	99
Gamuda Berhad	03/19	AA3	4.152	10	4.205	23/08/2018	-5	72
Besraya (M) Sdn Berhad	07/19	AA3	4.409	5	4.427	24/10/2018	-2	98
BGSM Management Sdn Berhad	09/21	AA3	4.427	10	4.419	12/10/2018	1	73
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.625	2	4.638	12/10/2018	-1	50
Tanjung Bin Energy Issuer Berhad	03/32	AA3	4.987	10	4.992	27/09/2018	0	38
Southern Power Generation Sdn Berhad	04/32	AA-	4.808	2	4.809	25/10/2018	0	21
Southern Power Generation Sdn Berhad	04/33	AA-	4.920	2	4.921	25/10/2018	0	32
TF Varlik Kiralama A. S	06/19	A1	6.221	1	6.386	01/08/2018	-17	279
Tan Chong Motor Holdings Berhad	11/21	A1	6.335	10	6.349	02/10/2018	-1	264
Bank Islam Malaysia Berhad	12/25	A1	4.578	10	4.575	22/10/2018	0	51
AMMB Holdings Berhad	03/27	A1	5.113	1	5.244	18/10/2018	-13	99
UMW Holdings Berhad	04/18	A1	5.791	10	5.789	11/10/2018	0	96
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	4.552	5	4.590	21/08/2018	-4	78
Eco World International Berhad	10/21	-	5.936	1	5.937	26/10/2018	0	-
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Export-Import Bank of Malaysia (Exim Bank) has served a notice of demand on subsidiaries of Scomi Group Bhd for allegedly failing to pay US\$19.13 million (RM80 million) due under bank facilities. Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd (STPB), a wholly-owned unit of Scomi Engineering Bhd (SEB), which is in turn a wholly-owned unit of Scomi Group, was the borrower, while SEB acted as its guarantor. "STPB and SEB are still in the process of negotiating with Exim, have sought an extension of time and are still awaiting a decision from Exim," Scomi Group said in a stock exchange filing yesterday. On top of that, the default of payment will give rise to an event of default, by virtue of the cross-default provision under the financing documents and in respect of a leasing facility amounting to RM1.29 million. Scomi Group said that there is no business, financial or operational impact of the default on the group as it has no liability in respect of obligations incurred under the bank facilities. However, it said that "Exim has the right to proceed with legal proceedings against STPB as the borrower and SEB as the guarantor". "By virtue of the cross-default provision of the financing documents, the respective financiers shall have the right to declare the financing facilities therein be cancelled and shall become due and payable immediately," Scomi Group said. The group added that STPB and SEB are not major subsidiaries of the company. (Source: *The EdgeMarkets*)

The Energy Commission (EC) has rescinded the proposed 300MW power plant project in Sandakan that was awarded to Ranhill Holdings Bhd's unit. In a filing with Bursa Malaysia yesterday, Ranhill said the EC had issued a letter to the consortium consisting of Sabah Development Energy (Sandakan) Sdn Bhd (SDESB) and Ranhill's unit, SM Hydro Energy Sdn Bhd (SMHE), informing them of the cancellation of the proposed project. "In its letter, the EC stated that it was informed by the Energy, Science, Technology, Environment and Climate Change (ESTECC) Ministry through a letter dated Oct 25, 2018 that the government had decided to rescind its decision on the implementation of the project." To recap, Ranhill, via wholly-owned SMHE, which has a 30% stake in the consortium received a conditional letter of award in February from the EC to develop a combined-cycle gas turbine plant in Sandakan, Sabah. The consortium was also instructed to commence negotiations with Petronas and the company identified by the government to develop the Trans-Sabah Gas Pipeline (now cancelled) to ascertain terms and conditions of gas supply for the project. MIDF Research in a recent note said the plant was originally intended to partly address the severe power under-capacity in East Sabah. "The change in government brought uncertainty to the project, as the new ESTECC Minister instead prefers to strengthen the West-to-East grid to enable a more efficient supply of power from west (oversupplied) to east Sabah (undersupplied). "The grid upgrade (targeted to complete at end-2019 involving the Segaliud-Dam Road-Kalumpang transmission) will enable an additional 200MW to be dispatched from west Sabah," it said. The research house added that it sees no impact on the valuation of Ranhill. "Given the uncertainties surrounding the project, we had already conservatively excluded the project from our forecasts and valuations for Ranhill," it said. (Source: *The StarOnline*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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