Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.81	0
5-yr UST	2.85	-2
10-yr UST	3.03	-3
30-yr UST	3.33	-2

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.72	2	3.77	0
5-yr	3.88	-1	3.94	-2
7-yr	4.05	-1	4.16	0
10-yr	4.14	-2	4.24	0
15-yr	4.54	0	4.59	0
20-yr	4.75	-1	4.79	-1
30-yr	4.92	0	4.94	0

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	-1
5-yr	3.86	-2
7-yr	4.01	0
10-yr	4.19	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries saw yields richer extending in the belly to long-end as the curve embraced a somewhat flattening-bias following Fed Chairman Powell's dovish-like comment suggesting rates are "just below the neutral range", which was somewhat echoed by the FOMC minutes even though a December rate hike remains on the horizon. Overall benchmark yields were between 0-3bps lower as the 2Y stayed pat at 2.81% whilst the 10Y rallied briefly to below 3.0% before closing 3bps lower at 3.03% levels. Despite a December rate hike being largely priced in; the interest rate path for 2019 is now uncertain and has been dialed back to about 1-2rate hikes. Bond and money managers are seen reassessing the pace of tightening amid signs of faltering global growth. Meanwhile meeting between Trump and Xi on the sidelines of the G20 Summit in Argentina on Saturday would be crucial in providing clues on trade gridlock matters.

MGS/GII

- Trading sentiment in local govvies remained steady as volume improved to RM3.71b yesterday. Interest was again seen across the curve up to 15Y and also in the off-the-run MGS 19-20's. Overall benchmark MGS and GII yields ended generally lower between 0-2 bps. The 5Y benchmark MGS 4/23 edged 1bps lower at 3.88% whilst the 10Y MGS 6/28 ended 2bps down at 4.14% levels. GII trades formed a mere 19% of overall bond trades. The auction reopening of 5Y MGS 4/23 saw solid demand; averaging 3.874% as BTC notched 2.316x. 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.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume improve further to RM587m with interest seen mainly in the AAA-AA part of the curve. There were no Govt-guaranteed bonds traded. AAA-rated CAGA 22's rallied 3-11bps compared to previous-done levels to close between 4.19-20% levels whilst AMAN 7/22 and 7/24 also saw demand with yields moving lower at 4.34% and 4.46% respectively. In the AA-space; the longer-end energy-related bonds i.e. SEB 6/31, 12/32 and JEP 12/31 and Southern Power 10/32 closed within 1bps between 4.30-90% levels whereas TADAU 7/31 ended 27bps lower at 5.47% since it was last traded in April 2018. The banking space saw huge volumes on UOB 25NC20 which closed unchanged at 4.36%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.298	138	3.232	22/11/2018	7
MGS	07/19	3.382	72	3.407	27/11/2018	-2
MGS	10/19	3.448	37	3.454	28/11/2018	-1
MGS	11/19	3.475	352	3.432	28/11/2018	4
MGS	03/20	3.513	151	3.513	28/11/2018	0
MGS	07/20	3.530	1	3.550	27/11/2018	-2
MGS	10/20	3.540	128	3.546	28/11/2018	-1
MGS	02/21	3.678	8	3.651	21/11/2018	3
MGS	09/21	3.702	1	3.692	28/11/2018	1
MGS	11/21	3.716	217	3.694	28/11/2018	2
MGS	03/22	3.759	2	3.726	28/11/2018	3
MGS	08/22	3.834	4	3.825	27/11/2018	1
MGS	09/22	3.828	82	3.836	27/11/2018	-1
MGS	03/23	3.901	64	3.900	28/11/2018	0
MGS	04/23	3.878	409	3.884	28/11/2018	-1
MGS	08/23	3.959	5	3.951	28/11/2018	1
MGS	07/24	4.030	19	4.040	28/11/2018	-1
MGS	09/24	4.043	291	4.068	28/11/2018	-2
MGS	03/25	4.054	90	4.063	27/11/2018	-1
MGS	09/25	4.176	133	4.125	28/11/2018	5
MGS	11/26	4.209	17	4.212	28/11/2018	0
MGS	03/27	4.231	6	4.244	21/11/2018	-1
MGS	05/27	4.238	44	4.273	27/11/2018	-3
MGS	11/27	4.224	256	4.237	28/11/2018	-1
MGS	06/28	4.136	78	4.151	28/11/2018	-1
MGS	06/31	4.570	4	4.570	28/11/2018	0
MGS	04/33	4.591	72	4.591	26/11/2018	0
MGS	11/33	4.535	209	4.535	28/11/2018	0
MGS	05/35	4.729	14	4.728	28/11/2018	0
MGS	06/38	4.754	60	4.762	28/11/2018	-1
MGS	09/43	4.935	40	4.977	26/11/2018	-4
MGS	03/46	4.985	3	4.957	26/11/2018	3
GII	04/19	3.255	180	3.251	27/11/2018	0
GII	04/22	3.819	40	3.752	12/11/2018	7
GII	11/23	3.938	50	3.961	27/11/2018	-2
GII	08/25	4.158	100	4.163	27/11/2018	0
GII	07/27	4.234	1	4.243	22/11/2018	-1
GII	10/28	4.238	134	4.244	28/11/2018	-1
GII	08/37	4.786	200	4.791	01/11/2018	-1
			3711			

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*
KMCOB Capital Berhad	12/19	AAA	4.748	10	4.161	22/11/2017	59	130
Al Dzahab Assets Berhad	03/21	AAA	4.568	10	4.553	16/11/2018	1	102
Cagamas Berhad	04/22	AAA	4.193	5	4.300	11/04/2018	-11	49
Aman Sukuk Berhad	07/22	AAA	4.339	10	4.358	29/08/2017	-2	56
Cagamas Berhad	11/22	AAA	4.204	5	4.231	16/01/2018	-3	42
Malaysia Steel Works (KL) Berhad	11/23	AAA	5.100	15	-	-	-	-
Chellam Plantations (Sabah) Sdn Berhad	06/23	AAA	5.122	10	-	-	-	125
GENM Capital Berhad	07/23	AAA	4.599	1	4.820	23/11/2018	-22	73
Aman Sukuk Berhad	07/24	AAA	4.462	10	4.519	10/01/2018	-6	47
Putrajaya Bina Sdn Berhad	03/25	AAA	4.449	10	4.428	16/11/2018	2	45
Sarawak Hidro Sdn Berhad	08/31	AAA	4.607	10	4.985	17/05/2018	-38	7
Malayan Banking Berhad	11/31	AAA	4.103	10	4.199	29/06/2018	-10	-44
Malaysia Steel Works (KL) Berhad	11/21	AAA	4.900	25	-	-	-	-
Malaysia Steel Works (KL) Berhad	11/22	AAA	5.000	25	-	-	-	-
Sarawak Energy Berhad	06/21	AA1	4.295	20	4.285	14/11/2018	1	60
Sabah Development Bank Berhad	05/22	AA1	4.874	20	5.149	22/11/2018	-28	118
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.357	160	4.358	28/11/2018	0	36
Al Dzahab Assets Berhad	09/26	AA1	4.950	15	5.002	16/11/2018	-5	83
Sarawak Energy Berhad	12/32	AA1	4.899	40	4.898	27/11/2018	0	36
CIMB Islamic Bank Berhad	09/24	AA+	5.048	5	4.229	14/11/2018	82	105
Imtiaz Sukuk II Berhad	03/19	AA2	3.916	20	4.006	14/11/2018	-9	47
First Resources Limited	06/20	AA2	4.378	30	4.406	14/11/2018	-3	83
Bumitama Agri Ltd	03/19	AA3	4.198	40	4.229	08/11/2018	-3	75
Jimah Energy Ventures Sdn Berhad	11/19	AA3	4.167	10	4.267	27/11/2017	-10	72
RHB Islamic Bank Berhad	05/24	AA3	4.037	10	4.132	07/11/2018	-9	17
Tadau Energy Sdn Berhad	07/31	AA3	5.471	10	5.740	18/04/2018	-27	93
UEM Edgenta Berhad	04/22	AA-	4.569	10	4.607	30/08/2018	-4	87
Jimah East Power Sdn Berhad	12/31	AA-	4.921	10	4.924	27/11/2018	0	38
Southern Power Generation Sdn Berhad	10/32	AA-	4.860	10	4.869	19/11/2018	-1	32
Mah Sing Perpetual	-	-	6.393	1	6.384	01/11/2018	1	-
MMC Corporation Berhad	03/28	AA-	5.608	20	5.600	27/11/2018	1	145
				587				

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

Market/Corporate News: What's Brewing

Fitch Ratings has affirmed gaming conglomerate Genting Bhd's rating at 'A-' due to its monopoly position in gaming in Malaysia and robust market share in Singapore while the outlook is stable. The ratings agency said on Thursday the A- was for Genting's long-term foreign-currency issuer default rating (IDR) at 'A-'. Fitch has also affirmed the long-term foreign-currency IDR on Genting's unit Genting Overseas Holdings Limited (GOHL) at 'A-', which is equalised with Genting's rating. Genting's ratings reflect its monopoly position in gaming in Malaysia and robust market share of around 36% in the duopolistic Singapore market. "Its leisure and hospitality (L&H) business in these countries together accounts for around 80% of consolidated earnings before interest, tax, depreciation and amortisation (EBITDA)," it said. Fitch pointed out the gaming industry in these countries is subject to close regulatory oversight, and the resultant barriers to entry impart a degree of stability to Genting's cash flows over business cycles. Genting also enjoys some diversification benefits from L&H assets in the UK, the US and the Bahamas as well as businesses such as oil-palm plantations, power, property and oil and gas. Genting has a relatively conservative capital structure with a net cash position as of 1H18. Resorts World Las Vegas LLC, a unit of indirect subsidiary of Genting, is developing a multi-billion dollar integrated resort on the Las Vegas Strip (RWLV), which is targeted to open by end-2020. "We estimate that the project will increase Genting's capex in 2019-2020, which will raise Genting's leverage, measured by the ratio of consolidated adjusted net debt to operating EBITDAR less net income attributable to minorities, above 1.0 time, the level at which Fitch will consider negative rating action of, by 2020. "We have maintained a stable outlook based on our expectation that leverage will decline after 2020 with earnings contribution from RWLV and a moderation in capex. "However, any material adverse changes to Fitch's expectation of Genting's leverage profile may lead to a negative rating action," it cautioned. Fitch's key rating drivers are as follows: RWLV capex to drive leverage: Ficth estimates spending on RWLV to account for more than 60% of Genting's total capex of around RM19bil in 2019-2020. Genting's annual capex in 2019-2020 will be much higher than our estimate of around RM6bil in 2018 and the RM4bil annually in 2014-2017. "As a result, we estimate that Genting's leverage will increase to above 1.0x by 2020. We expect leverage to decline thereafter after RWLV opens. The group's track record of prudent capital management supports our expectation," it said. Healthy Malaysia performance to offset tax: The Malaysian government will increase casino duties by 10 percentage points from 2019, which Fitch estimates will cut Genting's EBITDA by around RM700mil a year. "Genting is reviewing its marketing strategy and cost structure to mitigate the impact and we expect rationalisation of rebates and commissions and potential payroll reductions to provide annual cost benefits of at least RM150mil on average over the next three years. "We also expect revenue growth, particularly from the non-gaming segment, at Genting's Malaysian complex, Resorts World Genting (RWG), to mitigate the impact of the tax increase. "Visitor arrivals at RWG rose 21% on-year in 1H18 and the resort aims to open more attractions, such as a new indoor theme park, to drive growth in 2019 and the medium term," Fitch says. Stable operations in Singapore: Genting Singapore, which accounted for about 50% of Genting's consolidated EBITDA and around 40% of consolidated cash in 2017, continued its strong operating performance in 9M18 with EBITDA growing by 6% (2017: 48%), supported by VIP rolling-chip volume growth. Fitch expects Genting Singapore to maintain stable EBITDA through continued cost discipline, a prudent credit policy and steady growth in Singapore visitor arrivals (9M18: 7.5%; 2017: 6.2%). Fitch does not expect competitive pressures in the Singapore market to intensify as the government is unlikely to issue another casino licence over the medium term. GOHL ratings equalised with parent's: GOHL's ratings are equalised with that of Genting due to Fitch's assessment of strong operational and strategic ties, in line with Fitch's Parent and Subsidiary Rating Linkage criteria. GOHL is 100% owned by Genting, and is the holding company for Genting's 52.8% stake in Genting Singapore, which owns 100% of Resorts World Sentosa, an integrated resort with a casino, hotels, theme parks, and retail outlets, in Singapore. *(Source: The Star)*

Malayan Banking Bhd (Maybank) reported today a 3% drop in third quarter net profit at RM1.96 billion from RM2.03 billion a year ago, on lower net operating income as a result of continued global market volatilities which dampened economic growth and demand in key segments. In a statement to Bursa Malaysia, Maybank said revenue rose to RM12.06 billion in the third quarter ended Sept 30, 2018 (3QFY18) from RM11.59 billion in 3QFY17. For 3QFY18, the group registered a net operating income of RM5.69 billion, down 3.3% from RM5.89 billion a year ago, impacted by a dip in fee based income owing mainly to lower investment and trading proceeds as well as foreign exchange fluctuations. "Notwithstanding this, operating profit for 3QFY18 was higher at RM2.61 billion from RM2.6 billion a year ago as the group benefitted from lower overhead expenses which declined 6.2% year-on-year (y-o-y), as well as lower impairment losses which fell 5.5% y-o-y," said Maybank. For the cumulative nine-month period (9MFY18), Maybank said net profit climbed to RM5.79 billion from RM5.39 billion a year earlier. Revenue was also higher at RM35.09 billion compared to RM33.79 billion. Maybank said key priorities for 2018 include maintaining pricing discipline across its products, focusing on attaining cheaper funding sources to support loan growth, growing its loan portfolio within its risk appetite while proactively managing its asset quality. "The group has implemented MFRS 9 (Malaysian Financial Reporting Standards 9) on Jan 1, 2018, of which the impairment assessment is based on the expected credit loss model that uses forward looking assumptions as opposed to an incurred loss model under the previous accounting standard. The group's capital and liquidity positions remain strong notwithstanding the implementation of MFRS 9. "Barring any unforeseen circumstances, the group expects its financial performance for 2018 to be satisfactory against the expected growth prospects of its key home markets. The group has set its headline key performance indicator for return on equity at approximately 11%," Maybank said. In a separate statement, Maybank chairman Datuk Mohaiyani Shamsudin said the period under review was marked by significant global uncertainty and market instabilities, which resulted in some measure of caution amongst customers, particularly corporates. “Nevertheless, we remained focused on sound risk management as well as maintaining a robust capital and liquidity position, which helped us withstand much of the headwinds that persisted, particularly in the third quarter. "We will continue to focus on risk and compliance monitoring to ensure that the group can sustain value creation for the benefit of all our stakeholders," she added. Maybank group president and chief executive officer Datuk Abdul Farid Alias said the prolonged geopolitical situation remains a key concern, as it would influence global growth, including Asia where Maybank has most of its operations. “However, we believe that our solid franchise in the region as well as our strong fundamentals can help buffer us from much of the uncertainties that could arise in the future. "We will remain agile to adjust to rapid market changes, while at the same time look for opportunities for growth, such as in infrastructure financing, wealth management, digital banking and Islamic banking. We will ensure that we grow responsibly, as well as maintain strict discipline in pricing and managing costs," said Abdul Farid. *(Source: The Edge)*

CIMB Group Holdings Bhd's net profit for the third quarter ended Sept 30, 2018 rose 4.2% to RM1.18 billion from RM1.13 billion a year earlier, largely attributed to all segments except wholesale banking. In a filing with Bursa Malaysia today, CIMB said revenue for the quarter slipped to RM4.14 billion from RM4.42 billion previously, due to a decline in non-interest income and net interest income. Earnings per share rose to 12.56 sen from 12.50 sen a year earlier. For the nine months ended Sept 30 (9MFY18), CIMB's net profit rose to RM4.47 billion from RM3.41 billion in the previous year, while revenue was higher at RM13.31 billion compared to RM13.11 billion a year ago. In a separate statement, CIMB group chief executive Tengku Datuk Seri Zafrul Aziz said the good 9MFY18 performance was underpinned by lower provisions and costs, continued improvement from consumer and commercial banking, as well as a recovery in wholesale banking revenue in 3QFY18. On its outlook, he said the banking group remains on track to meet its key T18 targets. "However, we remain cautious amidst weaker regional economies and global trade tensions."Against this backdrop, we will continue to control asset quality and cost across all businesses and geographies, while we finalise our next mid-term plan to propel CIMB onto a stronger growth trajectory," he said. *(Source: The Edge)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Exsim Capital Resources Berhad's (Exsim Capital)	RM290 million first issuance (Tranche 1 IMTN) under its proposed RM2 billion Sukuk Musharakah Programme (IMTN Programme)	Preliminary AA3/Stable	Assigned

Source: RAM, MARC

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