

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries lost ground yesterday despite the lifting of risk sentiment following earlier reports on Trump's intention to impose further tariffs by December if talks between US and China presidents falter in November. Overall benchmark yields ended higher between 3-5bps with the benchmark 2Y up at 2.85% whilst 10Y similarly rose to close at 3.12%. 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 against the Fed's policy tightening projections lately following weaker US equities with 2 rate hikes predicted instead of 3 for 2019. Meanwhile month-end extension flows may surface today.

MGS/GII

- Trading momentum in Govvies throttled upwards with volume at RM3.22b yesterday largely due to the 10Y GII auction trades and strong interest in the off-the-run 19's and 24's. Overall benchmark yields generally ended mixed between -1 and +4bps with some odd-lot trades on the long-end done at closing levels. The 5Y MGS 4/23 edged 1bps lower at 3.83% while the 10Y MGS 6/28 closed within 1bps at 4.16% levels. GII bond trades improved to 42% of overall trades compared to 11% prior day. The auction of 10Y benchmark GII 10/28 saw solid demand on BTC ratio of 2.235x; averaging 4.313%. Expect a quiet session ahead of the tabling of the 2019 Budget tomorrow.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.85	3
5-yr UST	2.96	4
10-yr UST	3.12	4
30-yr UST	3.36	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	1	3.78	1
5-yr	3.83	-1	3.93	2
7-yr	4.05	0	4.11	0
10-yr	4.16	0	4.32	4
15-yr	4.61	2	4.58	0
20-yr	4.85	0	4.82	0
30-yr	4.95	0	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	0
10-yr	4.20	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Corp Bonds/Sukuk

- Corporate bonds/sukuk saw a relatively quiet session yesterday ahead of the 2019 Budget as volume dwindled to RM184m with investor interest mainly seen in the AA-part of the curve. A total of 16 different bonds were traded compared to 28 the prior day with overall yields ending unchanged-to-lower. There were nil GG transactions. The AA-rated GENM 3/22 rallied 6bps compared to previous-done levels to 4.65%. Both AA-rated UMW 9/23 and Fortune Premier 9/23 closed unchanged at 4.56% and 4.84% respectively. The banking sector saw Bank Islam 25NC20 trade unchanged at 4.57% levels.

Daily Trades : Government Bonds

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 03/19	3.329	39	3.312	29/10/2018	2
MGS 07/19	3.340	1	3.384	26/10/2018	-4
MGS 10/19	3.480	356	3.459	29/10/2018	2
MGS 11/19	3.505	577	3.461	26/10/2018	4
MGS 03/20	3.505	89	3.483	24/10/2018	2
MGS 07/20	3.548	15	3.530	26/10/2018	2
MGS 10/20	3.514	62	3.500	24/10/2018	1
MGS 07/21	3.657	2	3.658	26/10/2018	0
MGS 09/21	3.683	8	3.668	29/10/2018	1
MGS 11/21	3.689	109	3.695	29/10/2018	-1
MGS 03/22	3.769	1	3.728	29/10/2018	4
MGS 08/22	3.817	17	3.788	26/10/2018	3
MGS 03/23	3.886	20	3.860	29/10/2018	3
MGS 04/23	3.830	90	3.843	26/10/2018	-1
MGS 08/23	3.914	35	3.880	26/10/2018	3
MGS 07/24	4.031	145	3.992	26/10/2018	4
MGS 09/24	4.068	44	4.030	26/10/2018	4
MGS 03/25	4.052	74	4.056	29/10/2018	0
MGS 11/26	4.187	4	4.164	29/10/2018	2
MGS 05/27	4.257	5	4.203	23/10/2018	5
MGS 11/27	4.241	18	4.241	26/10/2018	0
MGS 06/28	4.159	138	4.165	29/10/2018	-1
MGS 06/31	4.525	6	4.560	26/10/2018	-3
MGS 04/33	4.643	5	4.610	26/10/2018	3
MGS 11/33	4.613	1	4.596	25/10/2018	2
MGS 05/35	4.768	6	4.800	26/10/2018	-3
MGS 06/38	4.849	3	4.853	29/10/2018	0
MGS 09/43	5.020	1	4.963	29/10/2018	6
GII 04/19	3.333	200	3.356	25/10/2018	-2
GII 04/20	3.574	4	3.509	29/10/2018	6
GII 03/22	3.776	20	3.766	26/10/2018	1
GII 04/22	3.745	2	3.756	23/10/2018	-1
GII 11/23	3.929	144	3.918	29/10/2018	1
GII 08/24	4.044	189	4.019	11/10/2018	2
GII 10/25	4.191	13	4.148	29/10/2018	4
GII 10/28	4.319	777	4.280	29/10/2018	4
GII 08/33	4.673	1	4.647	26/10/2018	3
		<u>3218</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*	
GENM Capital Berhad	03/22	AAA	4.647	10	4.704	18/09/2018	-6	96
GENM Capital Berhad	07/23	AAA	4.607	2	4.756	16/10/2018	-15	77
Aman Sukuk Berhad	05/30	AAA	4.678	5	4.822	14/03/2018	-14	50
Sabah Credit Corporation	10/19	AA1	4.260	5	4.394	27/08/2018	-13	83
Celcom Networks Sdn Berhad	08/19	AA+	4.169	5	4.166	25/10/2018	0	74
UMW Holdings Berhad	09/23	AA2	4.564	20	4.568	24/10/2018	0	73
Fortune Premiere Sdn Berhad	09/23	AA	4.835	60	4.832	24/10/2018	0	100
Besraya (M) Sdn Berhad	07/19	AA3	4.394	5	4.427	24/10/2018	-3	96
Perbadanan Kemajuan Negeri Selangor	10/23	AA3	4.980	20	-	-	-	114
Tanjung Bin Energy Issuer Berhad	03/24	AA3	4.649	10	4.666	09/03/2018	-2	81
AI Dzahab Assets Berhad	03/26	AA3	5.625	5	5.680	13/07/2018	-5	157
SPR Energy (M) Sdn Berhad	07/27	AA3	5.004	2	5.004	25/10/2018	0	84
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.869	10	4.886	18/10/2018	-2	69
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	4.550	5	4.590	21/08/2018	-4	78
Bank Islam Malaysia Berhad	12/25	A1	4.572	10	4.575	22/10/2018	0	52
UMW Holdings Berhad	04/18	A1	5.792	10	5.791	29/10/2018	0	96
			<u>184</u>					

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

Market/Corporate News: What's Brewing

Mudajaya Group Bhd said the group's 26%-owned Indian associate, RKM Powergen Pvt Ltd, has entered into a pilot agreement for procurement of power with PTC India Ltd. The deal involves the supply of 550 megawatts (MW) of power for a period of three years, Mudajaya said in a filing with Bursa Malaysia today. RKM is expected to commence power supply generated from units 2 and 3 of the coal-fired thermal power plant in Chhattisgarh State with effect from February 2019, after obtaining the approvals from various agencies and authorities, it added. In 2016, RKM had executed a 25-year power purchase agreement for the supply of 350 MW of power from the same plant with several power distribution companies in Uttar Pradesh state. The much-delayed power plant has a total capacity of 1,440 MW, consisting of four generating units of 360 MW each.. (Source: *The EdgeMarkets*)

The prices of homes within a 1km radius surrounding the mass rapid transit (MRT) stations of the Sungai Buloh-Kajang MRT line (SBK-MRT) are unaffordable even for the M40 income group, according to the Centre for Governance and Political Studies (Cent-GPS). Not surprisingly, the research found that houses around Pusat Bandar Damansara station in the high-end enclave of Bukit Damansara, Kuala Lumpur were the most unaffordable as houses there have a median price of around RM4 million making them only affordable to only 1% of the Malaysian population. With stations located among the upscale neighbourhoods of Bangsar, Bukit Damansara and Pavilion, it comes as no surprise that most of the high-end units and landed homes in these areas are unaffordable to the M40 group. "Perhaps what stood out the most was that the median prices in Sungai Buloh and Taman Mutiara were illogically very high. These stations are not considered traditional upscale neighbourhoods but the new developments around the stations are semi-dee and bungalow homes that are highly unaffordable," noted Cent-GPS director of strategy and alliance Zaidel Baharuddin while presenting "The MRT Report: The affordability of homes surrounding MRT stations" at a media briefing today. The study found that only eight out of 31 stations (most of them near Kajang are deemed affordable for the M40), namely Kajang, Stadium Kajang, Batu Sebelas Cheras, Bandar Tun Hussein Onn, Sri Raya, Taman Connaught, Taman Pertama, Maluri are below the affordability line (for M40). New developments from Sungai Buloh to Bandar Utama are well beyond being affordable. When considering price psf of the properties around the MRT stations, it was found that none of the stations have properties that are affordable for the B40. "New developments close to the MRT stations, it seemed, are not built to suit the median income or the common man. The M40 and B40 groups do not benefit," Zaidel said. He hoped that the third MRT line will offer more affordable housing initiatives as the current SBK MRT line hardly has any affordable housign schemes near a station. The primary focus of the research was to see whether homes around MRT stations are accessible to the M40 and B40 groups with the assumption that in urban economies, high-income households are less likely to take public transport and that rail public transport in Malaysia best serves the middle- or low-income groups. "We analysed a total of 5,200 properties' located around each station of the line and looked at their average and median prices as listed on property portals, with the exception of five stations namely Muzium Negara, Pasar Seni, Merdeka, Bukit Bintang and Tun Razak Exchange. "We also looked into income groups and types of families who are likely to live near those stations to see whether the MRT stations are suitable for the B40 and M40 group," said Zaidel. The Centre for Governance and Political Studies (Cent-GPS) is a KL based behavioral and social science research firm. (Source: *The StarOnline*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Lingkaran Trans Kota Sdn Bhd's (Litrak)	Sukuk Musharakah IMTN I and II Programmes (2008/2023) with a combined value of up to RM1.45 billion	AA2/Stable	Reaffirmed
Central Impression Sdn Bhd's (CISB)	11-year Fixed Rate Serial Bonds of RM120.0 million	AA-	Affirmed

Source: RAM, MARC

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