

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	-1
5-yr UST	2.51	-4
10-yr UST	2.69	-3
30-yr UST	3.02	-1

MGS		GII*			
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.62		0	3.68	-3
5-yr	3.76		-3	3.83	-1
7-yr	3.99		1	4.07	0
10-yr	4.07		-1	4.24	0
15-yr	4.44		-3	4.61	0
20-yr	4.66		0	4.77	0
30-yr	4.86		-2	4.93	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.69	-1
3-yr	3.73	0
5-yr	3.82	-1
7-yr	3.95	-1
10-yr	4.15	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries steepened on the last trading day of 2018 as 5Y and 10Y yields saw low levels last seen in February with the biggest rally seen in the penultimate month of the year. Overall benchmark yields ended 1-4bps lower with the 2Y edging almost 1bps at 2.49% whilst the much-watched 10Y moved 3bps lower at 2.69%. Risk-averse trading in December saw bonds benefit amid a rout in equities with the 10Y almost 50bps off its peak in October. Nevertheless traders are expected to monitor the yield curve closely in 2019 following the flattening trend for last year. The current 2s10s spread i.e. a precursor of a potential recession remains steady at 20bps. Up next on the data front is the Markit US Manufacturing PMI out tonight.

MGS/GII

- Trading sentiment in local govies was steady with volume at RM1.1b on the last trading year of 2018 with some interest focused mainly in the benchmark 10Y bonds and also the off-the-run MGS/GII 19's. Overall benchmark MGS yields were mostly lower between 0-3bps across. The 5Y benchmark MGS 4/23 ended 3bps lower at 3.76% whilst the 10Y MGS 6/28 edged 1bps lower at 4.07% levels. GII trades formed a third of overall trades. The declining liquidity in December is expected to reverse with the return of portfolio managers and traders for the New Year. Up next on the data front are the trade figures expected out on the 4th following the weaker Nikkei Malaysia PMI released this morning.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk continued to see paltry volume with investors either away on leave or sidelined on the last trading day of 2018. Govt-guaranteed Jambatan Kedua 7/26 edged 1bps lower at 4.33% compared to previous-done levels. In the AA-space SAJ Capital 1/28 also nudged 2bps lower at 5.17% whilst the single A-rated SPV 11/21 ended a whopping 18bps lower at 4.84% level. The banking sector saw nil trades. Expect healthy volumes to emerge in the coming week.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.260	59	3.317	28/12/2018	-6
MGS	10/19	3.438	150	3.465	27/12/2018	-3
MGS	11/19	3.448	20	3.459	27/12/2018	-1
MGS	07/20	3.525	18	3.567	13/12/2018	-4
MGS	10/20	3.534	10	3.518	28/12/2018	2
MGS	11/21	3.623	33	3.623	28/12/2018	0
MGS	03/23	3.830	1	3.842	21/12/2018	-1
MGS	04/23	3.756	62	3.781	28/12/2018	-3
MGS	09/24	3.989	3	3.993	27/12/2018	0
MGS	03/25	3.988	41	3.977	28/12/2018	1
MGS	09/25	4.023	17	4.032	28/12/2018	-1
MGS	11/26	4.109	20	4.139	28/12/2018	-3
MGS	05/27	4.251	10	4.273	28/12/2018	-2
MGS	06/28	4.070	132	4.083	28/12/2018	-1
MGS	11/33	4.440	85	4.466	28/12/2018	-3
MGS	05/35	4.602	3	4.578	24/12/2018	2
MGS	07/48	4.857	70	4.876	28/12/2018	-2
GII	04/20	3.481	1	3.502	27/12/2018	-2
GII	03/21	3.568	1	3.648	24/12/2018	-8
GII	08/21	3.642	1	3.690	27/12/2018	-5
GII	03/22	3.678	20	3.711	27/12/2018	-3
GII	11/23	3.834	95	3.857	28/12/2018	-2
GII	08/25	4.065	55	4.065	28/12/2018	0
GII	10/28	4.239	190	4.238	28/12/2018	0
			1097			

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*
Jambatan Kedua Sdn Berhad	07/26	GG	4.331	10	4.342	02/08/2018	-1	27
GENM Capital Berhad	07/28	AAA	4.890	2	4.773	14/11/2018	12	81
SAJ Capital Sdn Berhad	01/28	AA-	5.168	20	5.190	20/12/2018	-2	108
Special Power Vehicle Berhad	11/21	A1	4.838	10	5.016	24/01/2018	-18	121
				42				

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

Market/Corporate News: What's Brewing

Malaysia will require three years to restore its fiscal health and take its position as “the most promising emerging economy” to achieve high-income status, said Finance Minister Lim Guan Eng. He noted that Bloomberg had already placed Malaysia at No. 1 among the top 20 emerging economies in the world and all three international credit rating agencies, despite the need to clean up the “financial mess” caused by the previous government, maintained the country’s ratings. The new Pakatan Harapan (PH) government under the firm and reform-minded leadership of Prime Minister Tun Dr Mahathir Mohamad had notched up some clear successes, Lim said. “Malaysia liberated itself from being the symbol of global kleptocracy by seeking full accountability for the 1MDB (1Malaysia Development Bhd) scandal, pursuing the return of stolen monies and prosecuting those responsible,” Guan Eng said in DAP’s 2019 New Year message in his capacity as the party’s secretary-general and MP for Bagan. He said 2019 would be a better year for Malaysia if the people “stay together for a brighter future for our children.” “Being stronger together, our economy can roar again and Malaysians (can) be once more respected globally,” said Lim, adding that economic growth and prosperity enjoyed by all was the best antidote to the “poisonous politics of polarisation, exploiting racism and religious extremism that threatens Malaysian polity.” He cited encouraging economic indicators such as the resurgent growth in exports in October 2018 to a historic high in a single month of RM96.4 billion, leading to a record trade surplus of RM16.3 billion. Another indicator was the 379% growth in approved foreign direct Investments (FDI) in the manufacturing sector to RM35 billion in May-September 2018 compared with RM7.3 billion in the corresponding period in 2017. Guan Eng said the PH government, undeterred by the funds shortfall resulting from the removal of the goods and services tax (GST), and financial damage caused by the 1MDB scandal and its RM1 trillion debt, still managed to continue its welfare assistance programme to those in need. “Petrol prices and highway toll hikes were not allowed to increase, and for the first time, government civil servants got their special year-end payments in the same year, and not the following year,” he said. The B40 (low-income) group, he noted, would also enjoy free health insurance protection in the form of a one-off payout of RM8,000 spread over a yet-to-be-determined time frame, and yearly 14-day hospitalisation income of RM50 per day or RM700 annually. The PH government had managed to find extra savings of RM1.6 billion at the end of the year, which has been disbursed and shared with civil servants, rubber tappers and small-holders, FELDA settlers and parents earning less than RM3,000, he added. Guan Eng also said RM19.4 billion in unpaid GST refunds would finally be returned to taxpayers in 2019, after a two-year delay when the previous government “refused to pay back the money.” The GST was replaced by the sales and service tax effective Sept 1, 2018. (Source: *The Edge*)

Public Bank Bhd’s wholly-owned subsidiary, Public Mutual, has declared distributions amounting to more than RM86 million for 10 of its funds. Total gross distributions per unit, declared for the financial year ending Dec 31, 2018, were 1.25 sen for Public Savings Fund; Public Focus Select Fund (0.5 sen); Public Strategic Bond Fund (4.25 sen); Public Islamic Savings Fund (0.25 sen); Public Islamic Growth and Income Fund (0.25 sen). Others were Public Islamic Enhanced Bond Fund at 3.25 sen per unit, Public Islamic Strategic Bond Fund (4.25 sen), PB Asia Pacific Enterprises Fund (1 sen), PB Mixed Asset Conservative Fund (0.7 sen) and PB Aiman Sukuk Fund (4.75 sen). As at end-November 2018, the total fund size managed by the company stood at RM80.15 billion. Public Mutual is Malaysia’s largest private unit trust company and an approved private retirement scheme provider with more than 130 unit trust funds under its management. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Bank Islam Malaysia Berhad	Financial Institution rating	AA3/Stable/P1	Reaffirmed

Source: RAM, MARC

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