

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.60	3
5-yr UST	2.02	2
10-yr UST	2.38	1
30-yr UST	2.88	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	-5	3.49	-2
5-yr	3.67	-5	3.80	-9
7-yr	3.94	-6	4.04	-8
10-yr	3.90	-12	4.14	-4
15-yr	4.51	6	4.67	0
20-yr	4.66	-3	4.79	0
30-yr	4.97	0	4.85	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.65	-2
5-yr	3.77	-3
7-yr	3.89	-6
10-yr	4.03	-4

Source: Bloomberg

#### Upcoming Government Bond Tenders

Nil

- US Treasuries' relief rally took a breather as yields settled 1-3 bps higher across the curve; as a result of muted reaction to Oct Chicago PMI and Consumer Confidence data. The 10Y edged 1bps higher at 2.38% as a flatter curve was seen with the 5s30s flattened by 2bps. The quarterly refunding (borrowing plans) tonight may prove to be more influential than the upcoming Fed FOMC statement. Also we have the upcoming data on ISM manufacturing and ADP employment (tonight) together with the Fed Chair announcement and NFP data in the coming days.

##### MGS/GII

- Improved volume of RM3.57b was recorded in the local govies space as investors were seen nibbling on govies mainly in the shorter-end i.e. 17-20's. Benchmark yields were generally lower between 3-12 bps lower across all tenures (taking into account closing prices for both standard and odd-lots). The 10Y MGS 11/27 closed sharply lower at 3.90% with yields inverted against the 7Y MGS 9/24 which closed 6bps lower at 3.94%. Local players seen trading both the 3Y and 5Y GII benchmarks on decent volume which closed 2-9 bps lower at 3.492% and 3.795% respectively. We expect a quiet trading session for today following the weaker Nikkei PMI print of 48.6 versus prior 49.9 and also ahead of a slew of data and announcements from the US within the next 1-3 days.

##### PDS/Sukuk

- Corporate Bonds saw a slight increase in volume of RM173m yesterday with no trades reported on GG papers. Some interest was seen on the rather liquid DANGA 9/27 which closed 3bps lower at 4.67%. AA-rated papers such as UMW 10/23 and 10/26 were traded unchanged at 4.77% and 4.99% levels whereas short-tenured GAMUDA and PKNS bonds saw total RM40m traded closing at 4.12% and 4.35% respectively. Overall interest was muted as Govvies took center-stage in yesterday's session. We anticipate another quiet trading as investors await further news from the US.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.005	203	3.019	30/10/2017	-1
MGS 03/18	2.982	195	2.982	30/10/2017	0
MGS 09/18	3.035	27	3.072	30/10/2017	-4
MGS 03/19	3.237	157	3.150	30/10/2017	9
MGS 10/19	3.325	104	3.341	30/10/2017	-2
MGS 11/19	3.334	47	3.298	30/10/2017	4
MGS 03/20	3.447	92	3.382	30/10/2017	6
MGS 07/20	3.475	38	3.506	30/10/2017	-3
MGS 10/20	3.479	172	3.497	30/10/2017	-2
MGS 02/21	3.453	111	3.502	30/10/2017	-5
MGS 07/21	3.649	21	3.655	26/10/2017	-1
MGS 09/21	3.688	180	3.679	30/10/2017	1
MGS 11/21	3.721	11	3.710	26/10/2017	1
MGS 03/22	3.668	157	3.723	30/10/2017	-5
MGS 08/22	3.832	3	3.808	26/10/2017	2
MGS 09/22	3.828	61	3.794	30/10/2017	3
MGS 03/23	3.949	61	3.969	30/10/2017	-2
MGS 07/24	4.060	20	4.043	27/10/2017	2
MGS 09/24	3.937	200	3.992	30/10/2017	-6
MGS 09/25	4.150	72	4.120	27/10/2017	3
MGS 04/26	4.207	5	4.214	30/10/2017	-1
MGS 11/26	4.153	8	4.119	30/10/2017	3
MGS 03/27	4.237	13	4.224	26/10/2017	1
MGS 11/27	3.899	232	4.021	30/10/2017	-12
MGS 06/31	4.479	21	4.469	30/10/2017	1
MGS 04/33	4.505	63	4.445	30/10/2017	6
MGS 04/37	4.663	46	4.695	27/10/2017	-3
MGS 03/46	4.967	50	4.967	30/10/2017	0
GII 11/17	3.015	35	3.000	27/10/2017	2
GII 05/18	3.089	50	3.022	11/10/2017	7
GII 08/18	3.135	22	3.139	30/10/2017	0
GII 04/20	3.492	390	3.508	27/10/2017	-2
GII 08/20	3.553	250	3.636	27/10/2017	-8
GII 03/21	3.731	2	3.639	20/09/2017	9
GII 08/21	3.833	2	3.798	24/10/2017	4
GII 04/22	3.795	210	3.886	25/10/2017	-9
GII 07/23	3.957	12	4.061	26/10/2017	-10
GII 08/24	4.036	140	4.116	27/10/2017	-8
GII 09/26	4.329	51	4.340	27/10/2017	-1
GII 07/27	4.144	30	4.188	26/10/2017	-4
GII 10/35	4.746	1	4.828	27/10/2017	-8
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## Daily Trades: PDS / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Gulf Investment Corporation G.S.C	06/22	AAA	5.101	1	5.011	02/10/2017	9	143
Cagamas MBS Berhad	08/20	AAA	4.172	5	4.164	28/06/2016	1	72
Danga Capital Berhad	09/27	AAA	4.665	10	4.699	30/10/2017	-3	72
EKVE Sdn Berhad	01/34	AAA	5.065	3	5.029	16/10/2017	4	57
Batu Kawan Berhad	06/23	AA1	4.617	10	4.557	12/10/2017	6	78
Malayan Banking Berhad	01/24	AA1	4.224	1	4.500	30/10/2017	-28	38
TRIpIc Medical Sdn Berhad	10/26	AA1	4.898	5	4.950	23/10/2017	-5	90
UniTapah Sdn Berhad	12/30	AA1	4.959	2	4.949	24/10/2017	1	46
CIMB Bank Berhad	12/25	AA+	4.642	10	4.633	24/10/2017	1	65
UMW Holdings Berhad	02/19	AA2	4.722	1	4.365	12/09/2017	36	166
UMW Holdings Berhad	10/23	AA2	4.773	10	4.769	27/10/2017	0	93
Krung Thai Bank Public Company Limited	07/25	AA2	4.536	10	5.459	17/10/2017	-92	55
UMW Holdings Berhad	10/26	AA2	4.988	10	4.984	30/10/2017	0	99
Gamuda Berhad	10/18	AA3	4.120	20	4.154	16/10/2017	-3	105
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.346	20	4.350	26/10/2017	0	128
MMC Corporation Berhad	11/25	AA-	5.288	6	5.288	27/10/2017	0	130
Southern Power Generation Sdn Berhad	10/35	AA-	5.598	10	5.610	27/10/2017	-1	92
Westports Malaysia Sdn Berhad	05/25	AA+	4.599	10	4.511	12/07/2016	9	61
Celcom Networks Sdn Berhad [fka Celcom Transn	10/26	AA+	5.019	10	4.980	02/10/2017	4	102
Celcom Networks Sdn Berhad [fka Celcom Transn	08/27	AA+	5.039	20	4.999	08/09/2017	4	109
Special Power Vehicle Berhad	11/21	A1	5.173	4	5.188	11/10/2017	-1	157
CIMB Group Holdings Berhad	05/16	A1	5.179	1	5.179	02/10/2017	0	50
Eco Capital	12/22	-	6.396	20	6.459	03/10/2017	-6	272
Mah Sing Perp	-	-	6.895	10	6.345	25/10/2017	55	-
			<u>173</u>					

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

### Market/Corporate News: What's Brewing

**Proton Holdings Bhd** recorded a 12.5% increase in sales year-to-date with 56,297 cars sold with its Saga and Persona being the popular models. The national car maker said on Wednesday the sales since January were higher than the 50,091 units in the previous corresponding period. "This was despite the large decline in overall car sales in September 2017, due to the regular public holidays in Malaysia. The performance rides on an improved TIV year-to-date of 1.7% compared to the same period last year," said its vice president of sales and marketing, Abdul Rashid Musa. He said the upgrades done on both cars enable it to increase its sales. Saga made up 42.7% (24,061 units) and Persona 27.4% (15,448 units). Both these cars also performed much better than 2016 with an increase of 9,661 units. Persona recorded a 90% increase year-to-date compared to the same period last year, Abdul Rashid said. He also pointed out Proton's strategy to step up its roadshows more aggressively and going into more busy areas especially during weekends and the display of the key safety features of our cars had generated a lot of interest among the public. "This shows a positive sign for Proton and this is why we need a good partner with us to ensure that we can continue to remain competitive in the market. "We are aware there will be constant challenges coming our way and with our partner, we shall continuously work together for better outcome," Rashid added. Proton also extended its "Amazing 5" promotion, with five years free service and five years warranty for Proton car purchases nationwide. (Source: The Star Online)

Some of the **world's biggest palm oil players** will meet in Indonesia this week and just like two years ago, the weather will be a hot topic. But instead of the scorch of El Nino, this year the focus is on La Nina. The conference will feature predictions from industry heavyweights Dorab Mistry of Godrej International Ltd, LMC International Ltd's Chairman James Fry and Oil World Executive Director Thomas Mielke. It's been a year of two halves for palm oil. After slumping in the first half, futures have rebounded as a much-anticipated recovery in production missed expectations. The shortfall is especially apparent in No. 2 producer Malaysia where output in the second half, typically a high season, has also been stymied by a shortage of plantation workers. Still, expectations remain that a big supply rebound is on the horizon as plantations finally shake off the lagged effects of the 2015-16 El Nino. Global production may climb by about 6 million tons next year — most of that from Indonesia and Malaysia — and a big question is whether demand will be enough to absorb it, according to Ling Ah Hong, director of plantation consultant Ganling Sdn Bhd. "The market was caught off-guard when they saw third-quarter production was bad," Ling said. "Next year we'll see a very strong production of palm. Moving into April and May next year, prices may start to soften if production of palm oil starts to jump and stocks start to climb." He expects prices to ease to average at RM2,500 (US\$590) a ton in 2018, more than 10% less than the average of RM2,820 this year. La Nina-induced rain will be good for production because it will ensure sufficient water to trees, said Ling, who has 40 years of experience in the industry. The downside is that it could exacerbate monsoon rains and cause some flooding of low-lying areas. The Malaysian Meteorological Department told Bloomberg a weak La Nina doesn't cause significant impact to rainfall distributions during the northeast monsoon. "If the La Nina is just a very mild one, and production of soybean and palm are strong, then we'll see a more bearish situation," Ling said. "Prices may even drop down to RM2,400 a ton by the end of 2018." A stronger La Nina could hurt soybean production in the US and South America, and that's key to palm oil, its closest substitute. During the 2011-2012 La Nina, futures surged to a near three-year high of RM3,955 a ton as La Nina withered soy crops in Latin America. At the same time, swathes of plantations in Malaysia's key-producing states were inundated by flood waters, cutting production to the lowest in four years. "Heavy rainfall complicates harvesting because you'll have difficulty of evacuating crops," said Peter Benjamin, CEO of Malaysian-listed planter United Malacca Bhd. "Too much rainfall will also have an impact on pollination. We'll have to keep a close watch on the La Nina effect." The industry will also be watching a decision from the World Trade Organization on eliminating Europe's anti-dumping barriers on biodiesel, according to Sahat Sinaga, executive director at the Indonesian Vegetable Oil Industry Association. Removing the barriers could increase demand for fatty acid methyl esters and boost biofuel consumption. Meanwhile, higher crude oil prices could bolster

demand for biofuels in the coming months, said Barnabas Gan, an economist at Oversea-Chinese Banking Corp in Singapore. It's a problem that's plaguing the industry. In Malaysia, an estimated 10% of fruit bunches are left to rot each season because of worker shortages. While companies are turning to mechanization, harvesting still requires skilled labor that's quickly become scarce. Malaysian planters are especially at risk because of their high dependence on foreign laborers, especially from Indonesia which are said to be the best palm oil harvesters in the world. "Now we are looking to Bangladesh and Nepal to bring in workers, but compared to the Indonesians, it takes time for them to adapt to plantation life," United Malacca's Benjamin said. (Source: The EdgeMarkets )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Bank Muamalat Malaysia Berhad	RM150.0 million Islamic Commercial Papers (ICP) Programme	A/MARC-1	Affirmed
	Islamic Senior Notes Programme (Senior Sukuk) of up to RM2.0 billion	A-IS	Affirmed

Source: RAM Ratings; MARC

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