

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.49	3
5-yr UST	1.94	4
10-yr UST	2.33	2
30-yr UST	2.86	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.53	1
5-yr	3.57	-1	3.75	1
7-yr	3.84	-1	4.11	9
10-yr	3.92	-2	4.11	1
15-yr	4.38	0	4.60	-1
20-yr	4.51	0	4.75	3
30-yr	4.79	2		

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	1
3-yr	3.62	2
5-yr	3.74	3
7-yr	3.84	4
10-yr	3.96	2

Source : Bloomberg

Upcoming Government Bond Tenders

Nil

- US treasuries were under pressure with yields mostly higher (except 30s) across the curve amid lingering expectations that the Fed will deliver another quarter-point rate hike come December, taking little hit from moderation in August core PCE print to 1.3% YOY. 2-year yields climbed 3bps higher to 1.49% while the 10s added 2bps to 2.33%. Fed rate hike prospects will continue to be the key influence over UST yields, more so if tonight's ISM manufacturing points to more robust manufacturing activities in the US. As we move through the week, we expect markets to turn more cautious ahead of crucial nonfarm payroll report this Friday.

MGS/GII

- Trading in local govies turned lighter with RM2.3bn transacted, about half of RM4.2bn the preceding day. Interests remained focus on the shorter tenure and the belly of the curve. MGS 03/22 saw RM448m dealt at 3.57% while maturing MGS 10/17 saw RM170m transacted at 3.03%. Yields at the belly of the curve fell 1-2bps while the long-tenured 30-year MGS climbed 2bps to 4.79%. Trading in the GII space was relatively thin vs MGS, with only RM224m done. GII 09/26 dominated with RM122m changed hands with yields closing unchanged at 4.23%. Trading in the local govies will continue to take cue from MYR movement and foreign newsflows, as domestic data is only limited to Nikkei PMI today and exports on Friday.

PDS/Sukuk

- MYR corporate bonds saw more subdued trading interests last Friday, with only RM294m changed hands, substantially lower vs RM893m a day ago. Relatively quiet in the GG and AAA space with only Pengurusan Air SPV '4/21 and Caga '7/24 dealt, at 3.97% and 4.32% respectively. AA-rated papers received the most interests, followed by the single-A sector. CIMB '5/21 attracted RM40m deals at 4.99% while Alliance '10/20 saw RM30m changed hands.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	3.034	170	3.034	29/09/2017	0
MGS 02/18	3.049	143	3.049	29/09/2017	0
MGS 03/18	3.030	150	3.030	29/09/2017	0
MGS 09/18	3.113	169	3.073	29/09/2017	4
MGS 03/19	3.117	118	3.133	29/09/2017	-2
MGS 07/19	3.295	0	3.241	27/09/2017	5
MGS 10/19	3.311	22	3.291	29/09/2017	2
MGS 11/19	3.310	53	3.310	29/09/2017	0
MGS 03/20	3.323	12	3.365	29/09/2017	-4
MGS 07/20	3.405	4	3.412	29/09/2017	-1
MGS 10/20	3.396	37	3.292	29/09/2017	10
MGS 02/21	3.393	90	3.393	29/09/2017	0
MGS 07/21	3.546	3	3.504	29/09/2017	4
MGS 09/21	3.533	16	3.539	29/09/2017	-1
MGS 11/21	3.580	8	3.541	29/09/2017	4
MGS 03/22	3.574	448	3.574	29/09/2017	0
MGS 08/22	3.666	15	3.673	29/09/2017	-1
MGS 09/22	3.662	160	3.662	29/09/2017	0
MGS 03/23	3.766	5	3.766	29/09/2017	0
MGS 08/23	3.780	81	3.780	29/09/2017	0
MGS 07/24	3.851	26	3.851	29/09/2017	0
MGS 09/24	3.835	126	3.797	29/09/2017	4
MGS 09/25	3.955	74	3.955	29/09/2017	0
MGS 04/26	4.015	32	4.056	29/09/2017	-4
MGS 11/26	3.978	7	3.978	29/09/2017	0
MGS 03/27	4.111	22	4.091	29/09/2017	2
MGS 11/27	3.917	57	3.919	29/09/2017	0
MGS 04/30	4.316	21	4.311	29/09/2017	0
MGS 06/31	4.369	4	4.354	29/09/2017	1
MGS 04/32	4.372	5	4.372	29/09/2017	0
MGS 05/35	4.561	0	4.561	29/09/2017	0
MGS 04/37	4.510	6	4.506	26/09/2017	0
MGS 09/43	4.826	5	4.766	29/09/2017	6
MGS 03/46	4.788	7	4.788	29/09/2017	0
GII 11/17	3.053	2	2.902	26/09/2017	15
GII 05/18	3.061	2	3.061	29/09/2017	0
GII 10/18	3.084	30	3.084	29/09/2017	0
GII 04/20	3.496	40	3.496	29/09/2017	0
GII 08/21	3.756	8	3.756	29/09/2017	0
GII 07/23	3.978	1	3.978	29/09/2017	0
GII 09/26	4.232	122	4.232	29/09/2017	0
GII 09/30	4.480	8	4.429	28/09/2017	5
GII 08/33	4.609	11	4.609	29/09/2017	0
		<u>2320</u>			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**
Pengurusan Air SPV Berhad	04/21	GG	3.973	10	3.973	29/09/2017	0	31
Cagamas Berhad	07/24	AAA	4.319	10	4.319	29/09/2017	0	48
Sarawak Energy Berhad	01/22	AA1	4.341	10	4.341	29/09/2017	0	68
YTL Power International Berhad	03/27	AA1	4.889	40	4.889	29/09/2017	0	93
PBFIN Berhad	06/19	AA2	4.481	1	4.481	29/09/2017	0	92
UMW Holdings Berhad	10/19	AA2	4.424	10	4.424	29/09/2017	0	86
Krung Thai Bank Public Company Limited	07/20	AA2	4.420	10	4.420	29/09/2017	0	80
UMW Holdings Berhad	10/21	AA2	4.611	20	4.611	29/09/2017	0	95
UMW Holdings Berhad	06/22	AA2	4.666	10	4.666	29/09/2017	0	93
UMW Holdings Berhad	10/26	AA2	4.947	10	4.947	29/09/2017	0	99
CIMB Bank Berhad	10/18	AA	4.398	20	4.398	29/09/2017	0	90
AmBank Islamic Berhad (fka AmIslamic Bank Berhad)	03/19	AA3	4.539	10	4.539	29/09/2017	0	104
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.778	20	4.778	29/09/2017	0	100
MMC Corporation Berhad	11/25	AA-	5.278	10	5.278	29/09/2017	0	140
MMC Corporation Berhad	04/27	AA-	5.365	10	5.365	29/09/2017	0	141
UEM Edgenta Berhad [fka Faber Group Berhad]	04/22	AA-	4.645	10	4.645	29/09/2017	0	-
Golden Assets International Finance Limited	08/18	A1	5.119	10	5.119	29/09/2017	0	162
CIMB Group Holdings Berhad	05/21	A1	4.990	41	4.990	29/09/2017	0	133
Tan Chong Motor Holdings Berhad	11/21	A1	5.997	2	5.997	29/09/2017	0	233
Alliance Bank Malaysia Berhad	10/20	A2	4.880	30	4.880	29/09/2017	0	126
				294				

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

Market/Corporate News: What's Brewing

Petronas Chemicals Bhd has disposed of a 50% stake in its unit PRPC Polymers Sdn Bhd to Saudi Arabian Oil Company (Saudi Aramco) for US\$900mil or RM3.8bil. Petronas Chemicals said on Monday it had inked an agreement with Saudi Aramco's unit Aramco Overseas Holdings Coöperatief U.A.(AOHC) to divest half of its 100% stake last Friday. PRPC Polymers' principal activities are to develop, construct, commission and operate polymers and glycol plants for the production and sale of products. PRPC Polymers has not started operations since the date of incorporation. Based on the latest audited financial statements of PRPC Polymers for FY ended Dec 31, 2016 it has not generated any operating income, and recorded net loss of RM57mil. PRPC Polymers's net assets are RM1.3bil. "Petronas Chemicals will share the project and operation risk with Saudi Aramco upon divesting 50% of the equity interest and 50% of the shareholder loans in PRPC Polymers to AOHC," it said. Saudi Aramco will supply up to 70% of crude supply to PRPC RC, which eventually will lead to the sustainability of feedstock supply from PRPC RC to PRPC Polymers. "Petronas Chemicals will have a positive cash flow impact by decreasing its capex commitment as a result of Saudi Aramco's 50% participation in PRPC Polymers. Subsequently, it will provide PCG with the financial flexibility to pursue other strategic growth projects. "Petronas Chemicals will be able to leverage on Saudi Aramco's experiences in execution, implementation and operation of similar large scale and integrated petrochemical projects, e.g., Sadara Chemical Company. "The divestment will also provide Petronas Chemicals with the potential opportunity to pursue future strategic collaborations with Saudi Aramco," it said. (Source: The Star)

Carimin Petroleum Bhd has secured a contract for the provision of maintenance, construction and modification (MCM) services from Petronas Carigali Sdn Bhd. The contract will be effective for a primary period of five years from Sept 20, 2017, to Sept 19, 2022, following which there will be an option for a one-year extension. "The details of the scope of works in relation to the Contract will be addressed in a work order which will be issued by Petronas Carigali and shall include any or all other work and services which is generally related to Topside Structural Maintenance, Workover Preparation and Facilities Improvement Project," said Carimin in its announcement. Carimin, an oil and gas engineering services company, posted net earnings of RM1.48mil in its fourth quarter ended June 30, 2017, as compared to RM342,000 in the previous corresponding quarter. For the entire financial year, it recorded a loss of RM4.37mil, compared to earnings of RM3.45mil the previous year. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Danajamin Nasional Berhad	Senior and Subordinated Sukuk Murabahah under the RM2.0 billion Sukuk Murabahah Programme	AAA/Stable and AA1/Stable	Assigned final rating
Sarawak Energy Berhad	RM15 billion <i>Sukuk Musyarakah</i> Programme (2011/2036)	AA1/Stable	Reaffirmed
Premium Commerce Berhad	RM 204.0 million Class A Notes and RM4.5 million Class B Notes (collectively, the 2016-A Notes)	AAA and AA2	Placed on Rating Watch on negative outlook
Cendana Sejati Sdn Bhd	RM360 million Senior <i>Sukuk Murabahah</i> MTN Programme (2015/2025)	AA1	Placed on Rating Watch on negative outlook
Kenanga Investment Bank Berhad	Long-term and short-term financial institution (FI) ratings	A+ and MARC-1	Assigned

Source: RAM Ratings; MARC

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