

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended mixed (-2 to +1bps) across the 2-30Y tenures somewhat after FOMC stayed pat on rates and kept prospects of a Dec rate hike well alive with odds rising to 92% at the time of writing. The 10Y benchmark closed 1bps lower at 2.37% as the 5s30s steepened slightly to 84bps. UST's also moved in tandem to news that Jerome Powell was rumored to be nominated to head the Fed. The 4Q refunding was a relief as Bond Auction size was maintained unchanged. On the data front we have the jobs data (initial jobless claims) out along with Markit composite PMI and trade balance numbers out on the 3rd Nov.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.61	1
5-yr UST	2.02	0
10-yr UST	2.37	-1
30-yr UST	2.86	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.47	1	3.49	0
5-yr	3.68	1	3.80	0
7-yr	3.95	1	4.04	0
10-yr	3.95	5	4.15	1
15-yr	4.51	1	4.70	3
20-yr	4.67	1	4.79	0
30-yr	4.97	0	4.85	0

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.63	-2
5-yr	3.77	0
7-yr	3.89	1
10-yr	4.04	1

Source: Bloomberg

MGS/GII

- Volume for local govies was tepid at RM1.75b as the recent surge fizzled out with yields range-bound between -2 to +1bps across most tenures. The 7Y and 10Y benchmark MGS 9/24 and 11/27 closed weaker by 1-5bps at 3.96% and 3.95% with about RM100m each traded respectively. We expect a quiet trading session as investors look to the US for leads emanating from a slew of data out of US.

PDS/Sukuk

- Corporate Bonds saw a higher volume of RM657m yesterday with Govt-Guaranteed papers untraded. Bulk of volume was due to the recently-issued 5Y Cagamas 11/22 at a coupon of 4.23%. Sabah Credit 8/20 and KEV 7/19 saw interest as they traded to close at 4.54% and 4.15%. We foresee investors adopting a "wait-and-see" attitude overall as the proposed new Danainfra issue is expected to take center-stage.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	3.050	17	3.002	31/10/2017	5
MGS	03/18	2.998	6	3.001	31/10/2017	0
MGS	09/18	3.035	31	3.067	31/10/2017	-3
MGS	03/19	3.251	111	3.207	31/10/2017	4
MGS	07/19	3.380	65	3.343	27/10/2017	4
MGS	10/19	3.304	167	3.314	31/10/2017	-1
MGS	11/19	3.364	2	3.335	31/10/2017	3
MGS	03/20	3.426	133	3.430	31/10/2017	0
MGS	07/20	3.464	20	3.464	31/10/2017	0
MGS	10/20	3.461	2	3.468	31/10/2017	-1
MGS	02/21	3.466	10	3.456	31/10/2017	1
MGS	07/21	3.666	17	3.649	31/10/2017	2
MGS	09/21	3.687	182	3.688	31/10/2017	0
MGS	11/21	3.742	5	3.726	31/10/2017	2
MGS	03/22	3.693	18	3.668	31/10/2017	2
MGS	08/22	3.857	11	3.809	31/10/2017	5
MGS	09/22	3.839	29	3.794	30/10/2017	4
MGS	03/23	3.938	0	3.949	31/10/2017	-1
MGS	08/23	3.975	12	3.944	31/10/2017	3
MGS	07/24	4.008	3	4.009	31/10/2017	0
MGS	09/24	3.950	103	3.937	31/10/2017	1
MGS	09/25	4.153	27	4.157	31/10/2017	0
MGS	04/26	4.196	1	4.186	31/10/2017	1
MGS	11/26	4.122	5	4.153	31/10/2017	-3
MGS	03/27	4.277	4	4.191	31/10/2017	9
MGS	05/27	4.272	5	4.245	31/10/2017	3
MGS	11/27	3.948	101	3.899	31/10/2017	5
MGS	09/28	4.395	0	4.351	31/10/2017	4
MGS	04/30	4.498	20	4.416	31/10/2017	8
MGS	06/31	4.505	106	4.479	31/10/2017	3
MGS	04/33	4.515	41	4.495	31/10/2017	2
MGS	05/35	4.605	1	4.609	30/10/2017	0
MGS	04/37	4.671	1	4.673	31/10/2017	0
MGS	03/46	4.968	50	4.967	31/10/2017	0
GII	08/18	3.122	20	3.181	26/10/2017	-6
GII	08/18	3.122	20	3.112	31/10/2017	1
GII	10/18	3.265	0	3.217	30/10/2017	5
GII	04/20	3.490	70	3.492	31/10/2017	0
GII	04/21	3.723	180	3.705	03/10/2017	2
GII	08/21	3.799	21	3.798	24/10/2017	0
GII	07/23	4.031	10	3.992	31/10/2017	4
GII	08/24	4.036	40	4.036	31/10/2017	0
GII	09/26	4.260	51	4.286	31/10/2017	-3
GII	07/27	4.150	12	4.144	31/10/2017	1
GII	08/33	4.699	20	4.672	27/10/2017	3
GII	10/35	4.746	1	4.746	31/10/2017	0
			<u>1750</u>			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
HSBC Amanah Malaysia Berhad	10/19	AAA	4.165	20	4.193	24/08/2017	-3	90
Cagamas IMTN	11/22	AAA	4.230	520	-	-	-	63
Sarawak Hidro Sdn Berhad	08/26	AAA	4.530	10	4.528	26/10/2017	0	53
Sabah Credit Corporation	08/20	AA1	4.540	10	4.478	03/10/2017	6	107
Kapar Energy Ventures Sdn Berhad	07/19	AA+	4.150	20	4.170	05/10/2017	-2	88
Celcom Networks Sdn Berhad [fka Celcom Transn	08/27	AA+	5.050	10	5.039	31/10/2017	1	111
BGSM Management Sdn Berhad	12/23	AA3	4.740	10	4.729	16/10/2017	1	90
WCT Holdings Berhad	10/21	AA-	5.087	26	5.008	09/05/2017	8	148
WCT Holdings Berhad	10/22	AA-	5.174	10	4.978	28/06/2016	20	149
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.700	2	4.948	04/10/2017	-25	70
CIMB Group Holdings Berhad	05/16	A1	4.820	2	4.817	30/10/2017	0	13
Golden Assets International Finance Limited	08/19	A1	5.250	2	6.010	18/08/2017	-76	198
Eco Capital	12/22	-	6.396	1	6.396	31/10/2017	0	272
Mah Sing Perp	-	-	6.700	14	6.464	10/12/2017	24	-
Mah Sing Perp	-	-	6.640	1	6.895	31/10/2017	-26	-
				<u>657</u>				

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

Market/Corporate News: What's Brewing

Berjaya Corp group founder and adviser Tan Sri Vincent Tan Chee Yioun has returned to BCorp's board after a hiatus of almost six years, assuming the executive chairman post with immediate effect. In a statement to Bursa Malaysia, BCorp said his eldest son, Datuk Seri Robin Tan Yeong Ching, 43, would give up his position as chairman but remain as chief executive officer. Vincent Tan announced his retirement from the board of BCorp on Feb 23, 2012 - two days before his 60th birthday - citing his wish to focus on his philanthropic work. "During this period, Tan Sri has embarked on various charitable and social programmes and initiatives but at the same time he has continued to explore new business opportunities for the BCorp group as its founder and adviser," the well-diversified group said. In a message to the BCorp board, Vincent Tan said: "As you all know, even during my retirement I have been active in looking for new business opportunities for the group. "Datuk Seri Robin has been an excellent chairman and CEO. He has strengthened the corporate organisation and best practices and the group has enjoyed steady growth and progress during his stewardship. However, I feel that after being away for five years, it is time I returned to the board to actively participate in the deliberation and decision-making at the board level in order to show my commitment and accountability to our stakeholders." Meanwhile, Robin Tan said it was appropriate that his father, being the major shareholder of BCorp, took his rightful place as executive chairman. "Tan Sri started his first business venture way back in 1972 during his early twenties with a car dealership and a construction equipment company while still pursuing his full-time occupation as a life insurance sales agent. With Tan Sri's more than four decades of entrepreneurial experience and his unwavering dedication and commitment to the group, we have no doubt that he will be able to take the BCorp group of companies to even greater heights." Based on BCorp's statement on Feb 23, 2012, Robin Tan was only to hold the chairman's post until the board identified and selected a suitable candidate to fill it. (Source: *The Star Online*)

Moody's Investors Service has downgraded the issuer rating for **Sime Darby Berhad** to Baa3 from Baa1. The rating outlook is stable whilst the rating action concludes Moody's review of the company's rating for downgrade, which was initiated on 3 February 2017, after Sime Darby announced a plan to create three standalone businesses, by retaining its motors, industrial, logistics and other businesses and listing its plantation and property divisions on Bursa Securities Malaysia. On 27 October 2017, Sime Darby received approval from Securities Commission Malaysia to list its plantation (Sime Darby Plantation Berhad, Baa1 stable) and property businesses (Sime Darby Property Berhad) as standalone entities. The company expects the demerger to be completed by end-2017, pending approval from Bursa Malaysia and Sime Darby's shareholders at an Extraordinary General Meeting. "The downgrade for Sime Darby reflects a significant reduction in its scale and cash flow, and in particular, a weakening in its business profile, because it can no longer benefit from the diversification afforded by its plantation and property businesses, which are more profitable than the rest of its operations," says Jacintha Poh, a Moody's Vice President and Senior Analyst. Nevertheless, Moody's believes Sime Darby's Baa3 rating will be supported by its strong global positioning within its motors and industrial businesses, where it has a long operating track record and enjoys a broad presence across Asia Pacific. According to management, the company has the second largest Bayerische Motoren Werke Aktiengesellschaft (BMW, A1 stable) dealership globally and the third largest Caterpillar Inc. (A3 stable) dealership globally. "Looking ahead, we expect that Sime Darby will maintain market leadership positions for its motors and industrial businesses, supporting stable leverage and interest coverage ratios within its Baa3-rating threshold," adds Poh. Over the next 12-18 months, Moody's expects Sime Darby's adjusted debt/EBITDA will register around 2.0x and adjusted EBIT/interest expense at around 6.0x. Moody's also expects that the company will maintain a heavy reliance on short-term funding. Nevertheless, refinancing risk is partially mitigated by Sime Darby's superior access to funding, given its ownership by government-linked shareholders. The stable outlook on the rating reflects Moody's expectation that Sime Darby's motors business will remain stable while its industrial business will improve on the back of stronger coal prices. Moody's also expects that the company will continue to demonstrate a disciplined financial policy, including low debt levels. Sime Darby's rating is

unlikely to be upgraded over the next 12-18 months given its small scale and inherent cyclicality in its operations. Nonetheless, a track record of maintaining stable cash flow and strong credit metrics with reduced reliance on short-term funding will lead to positive momentum for the rating. The rating could be downgraded if: (1) business conditions worsen, resulting in earnings decline, (2) there is an increase in reliance on short-term funding with limited access to funding, or (3) Sime Darby engages in aggressive expansion plans, which result in an over-extension of its management or financial resources. Credit metrics that could lead to negative rating actions are adjusted debt/EBITDA above 3.5x, and EBIT/interest expense below 5.0x on a sustained basis. Sime Darby Berhad is headquartered in Malaysia and listed on Bursa Securities Malaysia. It is one of Malaysia's largest listed conglomerates, with core businesses in the plantation, industrial, motors, property and energy & utilities sectors. However, it is undergoing a major demerger to list its plantation and property businesses on a standalone basis. At 30 September 2017, Sime Darby was 6% directly owned by Permodalan Nasional Berhad (PNB), 43% by Skim Amanah Saham Bumiputera, 7% by other PNB-managed funds, and 11% by Malaysia's Employees Provident Fund. (Source: Bloomberg)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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