

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries yields ended within 1 bps of last Friday's close with the belly of the curve seeing decent demand despite strong numbers out of ISM data. The flattening of the curve subsided slightly as the UST 5s30s steepened back by 1 bps to ~ 93bps. The 10Y closed up 1bps at 2.34%. Japanese investors may be seen to boost holdings as levels near 2.40-2.50% region. On the data front, significant announcement comes only tomorrow and Thursday, with focus on ADP employment, initial jobless claims and trade balance.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.49	0
5-yr UST	1.94	0
10-yr UST	2.34	1
30-yr UST	2.87	1

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.41	<div><div></div></div> 2	3.53	<div><div></div></div> 3	
5-yr	3.59	<div><div></div></div> 2	3.81	<div><div></div></div> 4	
7-yr	3.85	<div><div></div></div> 1	4.04	<div><div></div></div> 1	
10-yr	3.96	<div><div></div></div> 4	4.11	<div><div></div></div> 0	
15-yr	4.38	<div><div></div></div> 0	4.63	<div><div></div></div> 3	
20-yr	4.52	<div><div></div></div> 1	4.72	<div><div></div></div> 0	
30-yr	4.79	<div><div></div></div> 1	4.85	<div><div></div></div> 0	

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	0
3-yr	3.62	0
5-yr	3.75	1
7-yr	3.86	2
10-yr	3.97	1

Source: Bloomberg

MGS/GII

- Overall volume was lower with a mere RM1.01b traded as investors were sidelined on the lack of data and news. The 10Y MGS 11/27 spiked 4 bps to end 3.96% with 5-7Y IRS seen slowly edging higher. Yields were generally higher across most tenures on the back of a slightly softer MYR this week. Local data continues to be light this week (exports data on Friday), hence expect markets to continue look upon overseas newsflows for leads.

PDS/Sukuk

- Trading in MYR corporate bond was also lighter with mere RM372m done as some interest was seen on GG papers i.e. LPPSA, PASB and Danainfra which closed slightly weaker. There was however some strong interest in Public Islamic 6/24 and 8/27 which closed 1-3 bps lower on volume of RM160m. UMW 19, 22 and 26 also saw some interests on the back of decent yields within 4.0-5.0%.

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	10/17	3.025	8	2.996	27/09/2017	3
MGS	03/18	3.016	10	2.941	27/09/2017	8
MGS	09/18	3.102	33	2.945	27/09/2017	16
MGS	03/19	3.110	13	3.085	27/09/2017	2
MGS	07/19	3.282	48	3.241	27/09/2017	4
MGS	10/19	3.326	47	3.238	27/09/2017	9
MGS	11/19	3.357	26	3.268	27/09/2017	9
MGS	03/20	3.336	11	3.324	26/09/2017	1
MGS	10/20	3.396	0	3.356	27/09/2017	4
MGS	02/21	3.408	4	3.361	27/09/2017	5
MGS	07/21	3.518	35	3.478	27/09/2017	4
MGS	09/21	3.519	0	3.535	27/09/2017	-2
MGS	11/21	3.554	2	3.549	26/09/2017	0
MGS	03/22	3.594	50	3.563	27/09/2017	3
MGS	09/22	3.695	3	3.652	26/09/2017	4
MGS	08/23	3.838	5	3.780	27/09/2017	6
MGS	07/24	3.869	0	3.818	27/09/2017	5
MGS	09/24	3.848	83	3.805	27/09/2017	4
MGS	09/25	3.925	6	3.925	27/09/2017	0
MGS	04/26	4.049	14	4.002	27/09/2017	5
MGS	11/26	3.945	21	3.919	27/09/2017	3
MGS	03/27	4.117	3	4.072	27/09/2017	4
MGS	11/27	3.959	138	3.881	27/09/2017	8
MGS	04/30	4.341	7	4.280	26/09/2017	6
MGS	06/31	4.374	39	4.315	27/09/2017	6
MGS	05/35	4.502	22	4.426	25/09/2017	8
MGS	04/37	4.521	43	4.506	26/09/2017	1
MGS	09/43	4.783	0	4.753	26/09/2017	3
MGS	03/46	4.794	3	4.771	27/09/2017	2
GII	05/18	3.008	40	3.036	18/09/2017	-3
GII	04/19	3.379	19	3.322	26/09/2017	6
GII	04/20	3.525	40	3.487	27/09/2017	4
GII	08/21	3.770	72	3.673	26/09/2017	10
GII	04/22	3.814	0	3.742	27/09/2017	7
GII	08/24	4.039	40	3.969	26/09/2017	7
GII	09/26	4.207	4	4.178	27/09/2017	3
GII	08/33	4.635	120	4.510	20/09/2017	13
			1008			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS*
Lembaga Pembiayaan Perumahan Sektor Awam	09/19	GG	3.796	20	3.791	27/09/2017	0	23
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.271	20	4.268	27/09/2017	0	41
Pengurusan Air SPV Berhad	06/24	GG	4.248	20	4.235	14/08/2017	1	38
DanaInfra Nasional Berhad	04/25	GG	4.341	20	4.250	13/06/2017	9	45
Gulf Investment Corporation G.S.C	06/22	AAA	5.011	1	5.020	08/09/2017	-1	126
Manjung Island Energy Berhad	11/22	AAA	4.258	6	4.249	14/09/2017	1	51
Malaysia Building Society Berhad	05/18	AA1	4.144	30	4.320	07/08/2017	-18	63
Sarawak Energy Berhad	01/22	AA1	4.336	10	4.334	21/09/2017	0	66
Public Islamic Bank Berhad	06/24	AA1	4.298	60	4.325	22/08/2017	-3	43
YTL Power International Berhad	05/27	AA1	4.889	10	4.856	27/09/2017	3	91
Public Islamic Bank Berhad	08/27	AA1	4.518	100	4.529	18/09/2017	-1	54
UMW Holdings Berhad	10/19	AA2	4.414	10	4.443	12/09/2017	-3	84
UMW Holdings Berhad	06/22	AA2	4.661	10	4.667	18/09/2017	-1	91
UMW Holdings Berhad	10/26	AA2	4.949	10	4.967	14/09/2017	-2	97
Tan Chong Motor Holdings Berhad	11/21	A1	5.941	1	5.994	27/09/2017	-5	226
CIMB Group Holdings Berhad	05/16	A1	5.179	0	5.217	28/08/2017	-4	102
CIMB Group Holdings Berhad	05/16	A1	4.822	0	4.998	26/09/2017	-18	66
Mah Sing Berhad	-	-	6.473	3	#N/A	09/28/2017	-	-
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/17	AA-	4.020	1	4.151	28/08/2017	-13	51
MMC Corporation Berhad	11/27	AA-	5.394	30	5.389	26/09/2017	0	141
Celcom Networks Sdn Berhad [fka Celcom Transcom]	10/26	AA+	4.980	9	5.000	27/07/2017	-2	100
				372				

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

Market/Corporate News: What's Brewing

Johor ruler Sultan Ibrahim Ibni Almarhum Sultan Iskandar, who in August emerged as the second largest shareholder in 7-Eleven Malaysia Holdings Bhd. This follows his acquisition of 80 million shares in BAssets - which owns and manages Berjaya Times Square - boosting his stake to 10.09% or 120 million shares, according to a filing with Bursa Malaysia on Monday. The acquisition, which was done via direct transaction on Wednesday last week, is valued at RM93.6mil based on that day's closing price of RM1.17. The counter closed 2 sen lower at RM1.13 on Monday. In Johor Baru, BAssets owns Berjaya Waterfront Hotel, Shopping Complex and Ferry Terminal as well as office units at Menara MSC Cyberport. Through its wholly owned subsidiary Berjaya Assets Food Sdn Bhd, BAssets has a licence agreement with Greyhound Café Co Ltd for exclusive rights to establish and operate restaurants under the trademark Greyhound Café in Malaysia. The first Greyhound Café is located at ANSA Kuala Lumpur and the second restaurant was recently opened in Mid Valley Megamall Kuala Lumpur. BAssets' largest shareholder, Tan Sri Vincent Tan, said in a media statement that the Johor ruler's increase in BAssets stake reflected his positive outlook for BAssets' long-term prospects. "His Majesty's stature as the second largest substantial shareholder definitely augurs well for BAssets in the expansion of its businesses," Tan said. Sultan Ibrahim has gradually increased his shareholding in 7-Eleven Malaysia after he emerged as a substantial shareholder in the operator of the country's largest convenience store chain with an 8.44% stake. Today the ruler's stake in 7-Eleven has reached nearly 10% (9.764% as at Sept 28. (Source : The Star)

Cheap oil and ambitious infrastructure-building programs have set the scene for a record year for Islamic bond sales. The top arranger of the notes says these dynamics will keep driving issuance into 2018. Persian Gulf governments have tapped Shariah-compliant debt markets to plug revenue shortfalls caused by persistently low crude prices. Saudi Arabia led the way with a \$9 billion global offer in April, while Oman and Bahrain have also sold sukuk. In Malaysia, the world's biggest market for the bonds, funding for rail and other projects is driving ringgit issuance by state-owned companies. Sukuk sales have reached \$41.9 billion so far this year, closing in on the all-time high of \$51.6 billion in 2012, according to data compiled by Bloomberg. CIMB Islamic Bank Bhd., which has arranged the most Islamic note sales by value this year, is anticipating a record year and "this momentum will be continued through to 2018," said Mohamed Rafe Mohamed Haneef, the lender's Kuala Lumpur-based chief executive officer. With energy prices still relatively low, governments in the Gulf are facing issues balancing their budgets," said Apostolos Bantis, a credit strategist at Commerzbank AG in Dubai. In Malaysia, state-owned companies DanaInfra Nasional Bhd. and Prasarana Malaysia Bhd. -- which are building MRT and LRT projects in Kuala Lumpur -- have been among the biggest corporate issuers this year. Fakrizzaki Ghazali, head of fixed income at Sedco Capital in Jeddah, said he was forecasting total sales of \$55 billion to \$60 billion for 2017. Supply dynamics should remain favorable in 2018, but issuance may drop if oil prices recover and the Federal Reserve turns more aggressive in raising U.S. interest rates, he said. The travails of Dana Gas PJSC -- a U.A.E. company that stunned investors and the Islamic finance community when it announced in June that it had reviewed its own bonds and found they were not Shariah-compliant -- could also sap demand, Fakrizzaki said. Islamic bonds use a variety of structures to link returns to assets to comply with the religion's ban on interest. The securities were pioneered in Malaysia in the 1980s and in recent years their popularity has seen them spread beyond Muslim-majority countries with the U.K. and Luxembourg selling the notes. Malaysia has accounted for around two-thirds of worldwide sales this year, said Angus Salim Amran, head of financial markets at RHB Investment Bank Bhd. in Kuala Lumpur, who is forecasting full-year issuance of \$56.3 billion. "A higher number of Malaysian asset managers increasing their fund allocation into Shariah-compliant

investments will also act as a strong pull factor for sukuk and anchor higher issuance going forward," he said. (Source: The EdgeMarkets)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Bank of China (Malaysia) Berhad	Financial Institution rating	AA2/Stable/P1	Reaffirmed
West Coast Expressway Sdn Bhd	RM1 billion Guaranteed Sukuk Murabahah Programme (2015/2036)	AAA(bg)/Stable and AAA(fg)/Stable	Reaffirmed

Source: RAM Ratings; MARC

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