

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries advanced pushing yields down by 2-3bps across 5-30Y tenures led by the long-end of the curve as market digested Powell's appointment as the next Fed Chairman. The capping of the proposed tax bill on interest rate deduction for newly-bought homes together with the lower initial jobs claims as unit labor costs rose marginally were also being analyzed as traders were weighing the possibility of the proposed tax bill to provide little benefit to lift the economy. The much-watched 10Y UST trended 3bps lower at 2.35%. The curve bull-flattened as the 5s30s dropped slightly by 1bps. On the data front we have additional jobs data i.e. the NFP, unemployment rate and also ISM and PMI figures out tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.61	0
5-yr UST	2.00	-2
10-yr UST	2.35	-3
30-yr UST	2.83	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.49	2	3.48	-1
5-yr	3.66	-2	3.82	2
7-yr	3.97	2	4.04	1
10-yr	4.00	5	4.15	0
15-yr	4.60	8	4.67	-3
20-yr	4.67	0	4.79	0
30-yr	4.98	1	4.85	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.65	-1
5-yr	3.77	0
7-yr	3.89	0
10-yr	4.04	0

Source : Bloomberg

##### MGS/GII

- Despite higher volume for local govies at RM3.28b; local govies were weaker as yields increased 2-8bps across 7-15Y tenures. However traders were actively seen trading the short-end i.e. MGS 2/18 and 3/18 which closed 2.922% and 3.001% respectively. Similarly the GII 18's also saw brisk trading to close between 3.100-3.121% levels The 7Y and 10Y benchmark MGS 9/24 and 11/27 closed weaker at higher yields of 3.97% and 4.00% respectively. We expect a quiet trading session as investors remain sidelined.

##### Upcoming Government Bond Tenders

Nil

##### PDS/Sukuk

- Corporate Bonds clocked RM200m yesterday with trades seen mainly in the AAA-space instead. Manjung 11/18 and Rantau 8/19 closed 0-1 bps lower at 3.87% and 3.924% whereas RM50m of transactions were recorded on PLUS 25 and PLUS 32 closing 6bps higher than previously done levels at 4.41% and 4.94% respectively. Government-Guaranteed papers were again untraded. We foresee majority of investors adopting a "wait-and-see" attitude overall as the proposed new Danainfra issue is expected to come on stream soon.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.922	266	3.051	01/11/2017	-13
MGS	03/18	3.001	422	2.957	01/11/2017	4
MGS	09/18	3.011	16	3.080	01/11/2017	-7
MGS	03/19	3.253	69	3.251	01/11/2017	0
MGS	07/19	3.308	91	3.266	01/11/2017	4
MGS	11/19	3.290	13	3.364	01/11/2017	-7
MGS	03/20	3.416	43	3.413	01/11/2017	0
MGS	07/20	3.462	124	3.464	01/11/2017	0
MGS	10/20	3.496	41	3.461	01/11/2017	4
MGS	02/21	3.485	10	3.466	01/11/2017	2
MGS	07/21	3.691	28	3.666	01/11/2017	2
MGS	09/21	3.687	3	3.696	01/11/2017	-1
MGS	11/21	3.753	1	3.742	01/11/2017	1
MGS	03/22	3.655	45	3.680	01/11/2017	-3
MGS	09/22	3.794	41	3.828	01/11/2017	-3
MGS	08/23	3.955	10	3.975	01/11/2017	-2
MGS	07/24	4.025	13	4.009	01/11/2017	2
MGS	09/24	3.967	493	3.950	01/11/2017	2
MGS	09/25	4.188	690	4.153	01/11/2017	4
MGS	11/26	4.208	111	4.122	01/11/2017	9
MGS	03/27	4.291	1	4.277	01/11/2017	1
MGS	11/27	3.997	33	3.899	31/10/2017	10
MGS	04/30	4.435	0	4.450	01/11/2017	-2
MGS	06/31	4.550	59	4.506	01/11/2017	4
MGS	04/33	4.596	111	4.514	01/11/2017	8
MGS	09/43	4.952	10	4.860	31/10/2017	9
MGS	03/46	4.983	110	4.968	01/11/2017	1
GII	11/17	3.191	13	3.015	31/10/2017	18
GII	05/18	3.100	200	3.089	31/10/2017	1
GII	08/18	3.121	300	3.122	01/11/2017	0
GII	08/18	3.121	20	3.122	01/11/2017	0
GII	04/20	3.484	220	3.490	01/11/2017	-1
GII	04/21	3.737	110	3.723	01/11/2017	1
GII	04/21	3.737	40	3.729	20/10/2017	1
GII	04/22	3.819	50	3.795	31/10/2017	2
GII	08/24	4.044	10	4.036	01/11/2017	1
GII	08/33	4.672	10	4.699	01/11/2017	-3
			<u>3828</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*	
Manjung Island Energy Berhad	11/18	AAA	3.870	20	3.871	31/10/2017	0	81
HSBC Amanah Malaysia Berhad	10/19	AAA	4.159	5	4.193	24/08/2017	-3	89
Rantau Abang Capital Berhad	08/19	AAA	3.924	30	3.938	09/10/2017	-1	66
Aman Sukuk Berhad	05/19	AAA	4.085	30	4.083	07/09/2017	0	82
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.414	30	4.354	14/09/2017	6	46
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.939	20	4.879	13/10/2017	6	43
YTL Power International Berhad	08/18	AA1	4.086	4	4.125	17/10/2017	-4	102
YTL Power International Berhad	05/27	AA1	4.750	1	4.878	24/10/2017	-13	77
Hong Leong Financial Group Berhad	11/18	AA	4.284	10	4.280	19/09/2017	0	122
Jimah Energy Ventures Sdn Berhad	05/21	AA3	4.404	4	4.389	20/09/2017	1	80
CIMB Group Holdings Berhad	04/60	AA3	5.699	21	5.699	26/10/2017	0	101
MMC Corporation Berhad	11/20	AA-	4.896	10	4.858	16/10/2017	4	143
Jimah East Power Sdn Berhad	06/21	AA-	4.321	2	4.404	27/10/2017	-8	71
Jimah East Power Sdn Berhad	12/31	AA-	5.078	4	5.020	20/09/2017	6	57
Bank Muamalat Malaysia Berhad	11/21	A	5.219	10	5.210	03/10/2017	1	161
			<u>200</u>					

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

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

**Hong Leong Financial Group Berhad (HFLG)** announced to Bursa Malaysia on Thursday that it has launched a multi-currency perpetual notes programme and a commercial papers (CP) programme that would allow it to raise up to RM25bil. In a separate filing with the exchange, its subsidiary Hong Leong Bank Bhd said it had set up a programme to issue multi-currency additional Tier-1 securities of up to RM10bil in nominal value (AT1 programme). HFLG said the perpetual notes programme would involve the issuance of senior notes, Tier-2 subordinated notes (sub-notes), and additional Tier-1 capital securities of up to RM25bil. The combined limit of the perpetual notes programme and the CP programme (which is for issuing up to RM3bil in nominal value) is RM25bil or its equivalent in other currencies. HFLG said RAM Rating Services Bhd had assigned an AA1 rating for the senior notes, AA2 rating for the sub-notes and A1 for the capital securities under the notes programme. It explained that the sub-notes were intended to qualify as Tier 2 capital for HFLG pursuant to the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia on Aug 4, 2017. HFLG's consolidated Common Equity Tier-1 capital ratio, Tier-1 capital ratio and total capital ratio as at June 30 were 10.004%, 10.516% and 12.235% respectively. Hong Leong Investment Bank Bhd (HLIB) is the principal adviser, lead arranger and lead manager for HFLG's notes programme and CP programme. Meanwhile, Hong Leong Bank said proceeds from its AT1 programme would be used, without limitation, for on-lending to its subsidiaries, for investment into its subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of the bank and/or any existing capital securities issued under the AT1 programme. RAM Rating Services has given an A1 rating to the AT1 programme. HLIB is the principal adviser, lead arranger and lead manager for the programme. (Source: *The Star Online*)

**Oil markets** firmed on Friday, supported by confident sentiment as OPEC-lead supply cuts help tighten the market, but analysts cautioned that the cuts would need to be extended to counter rising U.S. output. Brent futures, the international benchmark for oil prices, were at \$60.87 per barrel at 0013 GMT, up 25 cents or 0.4 percent from their last close. Brent has risen by some 37 percent since its 2017-lows last June. U.S. West Texas Intermediate (WTI) crude was at \$54.91 a barrel, up 37 cents, or 0.7 percent, from the last close. WTI is about 30 percent above its 2017-low in June. The bullish market sentiment has been fuelled by an effort this year by the Organization of the Petroleum Exporting Countries (OPEC) and Russia to hold back about 1.8 million barrels per day (bpd) in oil production to tighten markets. Trade data shows that global oil markets have been slightly undersupplied during the past quarters, resulting in fuel inventory drawdowns. The pact to withhold supplies runs to March 2018, but there is growing consensus to extend the deal to cover all of next year. Analysts say that without an extension of the cuts, a supply glut comparable to that of 2014 to 2016 could quickly re-emerge especially due to rising U.S. production. "Our oil balance numbers imply a modest global drawdown of inventories in 2017, not nearly enough to reverse the large builds seen from 2014 to 2016. What's more, our balance points to the resumption of global stock builds in 2018," said Harry Tchilinguirian of French bank BNP Paribas in a note to clients. Because of that, he said "we see no other option for OPEC and Russia than to agree to an extension of supply cuts past March 2018." Tchilinguirian said that rising U.S. output, which has jumped by more than 13 percent since mid-2016 to 9.6 million bpd <C-OUT-T-EIA>, was resulting in increased exports. The Energy Information Administration (EIA) said this week that the latest U.S. crude oil export figures had hit a record 2.1 million bpd. "With the U.S. oil surplus increasingly exported to Atlantic Basin markets and further ashore to OPEC's hitherto captive markets in Asia, it may be difficult for Brent to hold on to \$60 per barrel in 2018," he said. The French bank said it expected WTI and Brent to average \$50 per barrel and \$55 per barrel, respectively, in 2018. (Source: *TheEdge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Investment Bank Berhad	Long-term & Short-term financial institution ratings (FIRs)	AAA/P1	Upgraded

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hibb.hongleong.com.my](mailto:HLMarkets@hibb.hongleong.com.my)**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.