

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### Chang Wai Ming

Fixed Income Strategist

Hong Leong Bank Berhad, Global Markets

Fixed Income & Economic Research

[WMChang@hlbb.hongleong.com.my](mailto:WMChang@hlbb.hongleong.com.my)

(603) 2773 0532

#### US Treasuries

- UST markets closed yesterday in conjunction with US Labour Day celebration. Meanwhile US NFP release for the month of August came in below estimates, with 156K gain versus market expected level of 180K last Friday. Despite the modest gain in job data, we opine sentiments may not deter the Fed from embarking on its balance sheet reduction plan which is expected to start soon.

#### MGS/GII

- Local govies ended supported, with bond yields easing lower across the curve. 10-year MGS 11/27 seen traded tighter to close at 3.90% level. Total MGS/GII traded last Wednesday was over RM4b amid a shorter business week. All eyes on upcoming BNM MPC and trade data release this week. We expect the central bank to maintain the OPR unchanged at 3.00%.

#### PDS/Sukuk

- MYR corporate bonds/sukuk saw thinner trading volume with RM268m traded. We saw a slew of DanaInfra traded with long-dated '11/35 and '5/36 traded at 4.89% and 4.91% level respectively. Power sector credits SEB '7/24 and '4/31 traded at 4.49% and 4.99% level. Whilst Northern Gateway '8/33 seen changing hands at 5.46% level.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.34	0
5-yr UST	1.74	0
10-yr UST	2.17	0
30-yr UST	2.78	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	0	3.49	0
5-yr	3.56	0	3.71	-1
7-yr	3.86	0	3.97	-1
10-yr	3.90	-1	4.05	-2
15-yr	4.31	-2	4.53	0
20-yr	4.53	0	4.89	0
30-yr	4.71	-1		

\*Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.49	0
3-yr	3.62	0
5-yr	3.73	0
7-yr	3.83	0
10-yr	3.96	0

Source: Bloomberg

#### 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 9/17	2.998	240	3.035	28/08/2017	-4
MGS 10/17	2.983	150	2.988	29/08/2017	0
MGS 2/18	3.004	24	2.997	25/08/2017	1
MGS 3/18	3.010	113	2.991	29/08/2017	2
MGS 9/18	3.087	458	3.085	29/08/2017	0
MGS 3/19	3.204	91	3.199	29/08/2017	1
MGS 10/19	3.351	31	3.373	28/08/2017	-2
MGS 11/19	3.367	21	3.366	29/08/2017	0
MGS 7/20	3.431	2	3.449	29/08/2017	-2
MGS 10/20	3.470	22	3.451	25/08/2017	2
MGS 2/21	3.363	30	3.357	28/08/2017	1
MGS 7/21	3.530	15	3.519	25/08/2017	1
MGS 9/21	3.568	17	3.568	29/08/2017	0
MGS 11/21	3.598	1	3.619	28/08/2017	-2
MGS 8/22	3.697	2	3.692	29/08/2017	0
MGS 9/22	3.718	4	3.696	29/08/2017	2
MGS 3/23	3.806	100	3.813	25/08/2017	-1
MGS 8/23	3.847	291	3.860	28/08/2017	-1
MGS 7/24	3.904	28	3.896	25/08/2017	1
MGS 9/24	3.853	236	3.847	29/08/2017	1
MGS 9/25	3.948	136	3.955	28/08/2017	-1
MGS 11/26	3.883	49	3.893	29/08/2017	-1
MGS 11/27	3.893	553	3.887	29/08/2017	1
MGS 6/28	4.162	4	4.292	18/08/2017	-13
MGS 4/30	4.347	10	4.357	29/08/2017	-1
MGS 6/31	4.393	527	4.397	28/08/2017	0
MGS 4/33	4.314	80	4.314	29/08/2017	0
MGS 5/35	4.447	4	4.434	29/08/2017	1
MGS 4/37	4.529	24	4.537	25/08/2017	-1
MGS 3/46	4.723	20	4.729	25/08/2017	-1
GII 11/17	2.99	30	3.01	29/08/2017	-2
GII 4/20	3.49	350	3.49	29/08/2017	-1
GII 8/21	3.82	6	3.80	28/08/2017	2
GII 7/23	3.96	30	3.97	29/08/2017	-1
GII 8/24	3.97	280	3.97	29/08/2017	1
GII 7/27	4.05	10	4.04	29/08/2017	1
GII 5/47	4.89	20	4.89	28/08/2017	0
		<u>4009</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**	
Danalnra Nasional Berhad	11/21	GG	3.998	80	4.040	22/08/2017	-4	33
Danalnra Nasional Berhad	3/32	GG	4.829	35	4.829	25/08/2017	0	70
Danalnra Nasional Berhad	11/35	GG	4.899	10	4.949	04/05/2017	-5	77
Danalnra Nasional Berhad	5/36	GG	4.908	10	4.994	27/07/2017	-9	78
Cagamas Berhad	12/18	AAA	3.742	15	3.884	29/03/2017	-14	25
Pengurusan Air SPV Berhad	11/19	AAA	4.119	15	4.169	01/08/2017	-5	56
Gulf Investment Corporation G.S.C	6/22	AAA	5.032	1	5.057	31/07/2017	-3	130
Putrajaya Holdings Sdn Berhad	5/25	AAA	4.448	10	4.502	15/08/2017	-5	58
Putrajaya Holdings Sdn Berhad	5/26	AAA	4.540	5	4.579	08/08/2017	-4	68
SDB	9/20	AA1	4.850	25	-	-	-	123
Sarawak Energy Berhad	7/24	AA1	4.499	5	4.548	28/08/2017	-5	67
Sarawak Energy Berhad	4/31	AA1	4.994	30	5.043	28/08/2017	-5	86
Northern Gateway Infrastructure Sdn Berhad	8/33	AA1	5.460	5	-	-	-	133
Celcom Networks Sdn Berhad	8/24	AA+	4.899	10	5.000	28/08/2017	-10	107
AmBank (M) Berhad	10/17	AA3	3.793	10	3.909	01/06/2017	-12	30
Gamuda Berhad	10/18	AA3	4.184	1	4.193	24/08/2017	-1	69
UEM Sunrise Berhad	5/23	AA-	4.794	0	4.798	11/08/2017	0	102
Mah Sing	-	NR	6.476	1	-	-	-	-
				<u>268</u>				

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

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

The Sarawak state government is going ahead with plans to set up its own oil exploration company called Petroleum Sarawak (Petros), which will be wholly owned by the state, despite the low oil price environment. However, it is unclear how this will impact the activities of national oil company, Petroliaam Nasional Bhd (Petronas), which has long operated in Sarawak, where it garners the bulk of its Malaysian revenue from gas fields there. Petronas president and group chief executive officer Datuk Wan Zulkiflee Wan Ariffin had said recently that he welcomes any involvement by state government entities in the oil and gas (O&G) business, but it has to be within the Petroleum Development Act (PDA). "We have a strong relationship with the Sarawak government, as such, we welcome its participation in the O&G industry. "But we also have regulations in place, of which under the PDA, Petronas is the custodian and manager of the O&G resources in Malaysia," he told reporters at a briefing on Petronas' mid-year results recently. Wan Zulkiflee added that the partnership with Petros could be similar to other Petronas partnerships, either as service providers or as a partner under the production sharing contract (PSC). "Discussions are ongoing with the Sarawak state government," he said when asked about the potential partnership between Petronas and Petros. Chief Minister Datuk Amar Abang Johari Tun Openg officially announced last month the formation of Petros, with a target for the company to be operational in the first quarter of next year. "The formation of Petros is an unprecedented step taken by the state government to enable Sarawak to actively participate in the extraction of oil and gas in Sarawak while still pursuing its request for a 20% royalty from Petronas," he said. However, there has been no clear indication on whether Petros is going to be a partnering with Petronas or carry its own oil extraction activities. Petros is currently head-hunting a chief executive officer and other key management positions to start operation by the first quarter next year, according to a Bernama report. There has been growing dissatisfaction in the Sabah and Sarawak governments over the years on oil royalties, despite the fact that the bulk of Petronas' hydrocarbons are derived from the two states. Sabah and Sarawak currently receive royalties of some 5% from Petronas for O&G revenues. Sabah and Sarawak have also been looking to have a bigger say in the decisions made by Petronas when it comes to its activities in those states. This has led to appointments of two board members in Petronas last year, namely Sarawak state secretary Tan Sri Amar Mohamad Morshidi Abdul Ghani and Datuk Hassanel Mohd Tahir (permanent secretary in the Sabah government's finance ministry) to represent Sarawak and Sabah. Sarawak, which has been especially vocal on the issue of higher oil royalty, had also issued a moratorium on all new applications for work permits of Petronas personnel from outside Sarawak last year. (Source : The Star)

### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 6, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
Tel: 603-2773 0469  
Fax: 603-2164 9305  
Email: HLMarkets@hlbb.hongleong.com.my

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