

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.47	0
5-yr UST	1.92	0
10-yr UST	2.32	0
30-yr UST	2.87	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	-3	3.49	-3
5-yr	3.64	3	3.75	4
7-yr	3.86	-2	4.04	0
10-yr	3.91	-3	4.01	0
15-yr	4.38	0	4.63	-1
20-yr	4.53	0	4.68	0
30-yr	4.81	8	4.85	0

*Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	0
3-yr	3.62	-1
5-yr	3.74	-1
7-yr	3.85	-2
10-yr	3.98	0

Source: Bloomberg

Upcoming Government Bond Tenders

RM3.0 billion 7Y MGS 9/24 auction Reopening on 5-October (Thursday)

- US Treasury yields stayed pat despite showing signs of edging higher as the ISM index of non-manufacturing activity revealed an accelerating US service sector that could lead to higher interest rates in December. Further speculation on the Fed Chair's replacement toyed with traders/investors as to where rates could be influenced. The much-watched UST 10y closed unchanged at 2.32%. Odds of a rate-hike now increased from 65% to 68%. A slew of data out of US tonight i.e. initial jobless claims, trade balance together with NFP and unemployment out tomorrow, 6th Oct is set to dominate the movements of UST's.

MGS/GII

- Volume centered around the 7-10Y benchmarks i.e. MGS 9/24, 11/27 and also the 3Y GII 4/20 as yields were generally lower by 1-3 bps as investors and inter-bank players searched for values. The 10s closed 3bps lower at 3.91%. We also noted an odd-lot trade skewing the 30Y benchmark which settled 8bps higher at 4.81% and also the 5Y GII which has adjusted back to previous levels on the back of standard lots traded. Lower levels on IRS also influenced the days' movement in govies yields. Attention will be focused on today's 7Y auction for now on further leads. On the data front we have the external trade numbers and foreign reserves out on 6th Oct.

PDS/Sukuk

- Trading in MYR corporate bond continued to be light with only RM258m done. GG papers hogged the limelight. PASB, DANA, PRASA, GOVCO and Khazanah exchanged hands but closed mixed compared to previously done levels. The PASB 2/19 and 6/24 closed 14 bps lower and unchanged respectively at 3.69% and 4.25% denoting interest by selected institutional end-clients. The AA-rated DUKE 8/27 closed unchanged at 4.81%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	3.064	50	3.136	03/10/2017	-7
MGS	09/18	3.109	40	3.141	03/10/2017	-3
MGS	03/19	3.179	9	3.166	03/10/2017	1
MGS	07/19	3.327	175	3.275	03/10/2017	5
MGS	10/19	3.300	21	3.315	03/10/2017	-2
MGS	11/19	3.306	86	3.331	03/10/2017	-2
MGS	07/20	3.381	65	3.405	29/09/2017	-2
MGS	02/21	3.392	93	3.424	03/10/2017	-3
MGS	07/21	3.545	146	3.546	03/10/2017	0
MGS	09/21	3.559	1	3.587	03/10/2017	-3
MGS	03/22	3.635	7	3.608	03/10/2017	3
MGS	08/22	3.712	40	3.689	03/10/2017	2
MGS	09/22	3.717	11	3.695	03/10/2017	2
MGS	03/23	3.808	19	3.832	03/10/2017	-2
MGS	08/23	3.857	3	3.838	03/10/2017	2
MGS	09/24	3.861	308	3.878	03/10/2017	-2
MGS	04/26	4.084	4	4.022	03/10/2017	6
MGS	11/26	3.945	29	3.952	03/10/2017	-1
MGS	11/27	3.911	279	3.947	03/10/2017	-4
MGS	04/30	4.347	3	4.341	02/10/2017	1
MGS	06/31	4.398	4	4.369	03/10/2017	3
MGS	04/37	4.525	0	4.521	02/10/2017	0
MGS	09/43	4.816	3	4.783	02/10/2017	3
MGS	03/46	4.814	2	4.739	03/10/2017	8
GII	04/20	3.493	220	3.526	03/10/2017	-3
GII	04/22	3.754	10	3.814	02/10/2017	-6
GII	09/26	4.203	70	4.212	03/10/2017	-1
GII	08/33	4.626	31	4.635	02/10/2017	-1
GII	05/47	4.850	1	4.850	13/09/2017	0
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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	02/19	GG	3.685	40	3.824	04/05/2017	-14	18
Pengurusan Air SPV Berhad	06/24	GG	4.248	30	4.248	02/10/2017	0	40
DanaInfra Nasional Berhad	07/21	GG	4.016	25	4.028	22/08/2017	-1	35
DanaInfra Nasional Berhad	03/24	GG	4.269	25	4.210	06/07/2017	6	48
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	12/25	GG	4.362	15	4.419	11/08/2017	-6	47
Govco Berhad	01/00	GG	4.857	10	4.838	28/09/2017	2	135
Khazanah Nasional Berhad	01/00	GG	4.317	10	4.189	20/02/2017	13	81
Khazanah Nasional Berhad	07/05	GG	4.342	10	4.247	20/07/2017	9	83
Pengurusan Air SPV Berhad	02/23	GG	4.097	10	4.080	28/09/2017	2	36
Hong Leong Bank Berhad	06/24	AA2	4.475	20	4.497	04/08/2017	-2	63
Affin Bank Berhad	09/27	A1	4.938	10	4.728	28/09/2017	21	-
PBFIN Berhad	06/59	AA2	4.453	1	4.278	03/10/2017	18	29
CIMB Thai Bank Public Company Limited	07/24	AA3	4.546	1	4.829	25/09/2017	-28	70
CIMB Bank Berhad	11/22	AA+	4.293	1	5.247	03/10/2017	-95	56
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/27	AA-	4.809	20	4.810	16/08/2017	0	83
EKVE Sdn Berhad	01/34	AAA	5.038	10	5.037	27/09/2017	0	88
UMW Holdings Berhad	10/23	AA2	4.756	10	4.764	28/09/2017	-1	97
Mah Sing Berhad	-	-	6.472	4	6.473	10/02/2017	0	-
Golden Assets International Finance Limited	08/18	A1	5.110	2	5.119	29/09/2017	-1	160
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.948	1	4.942	18/09/2017	1	105
YTL Power International Berhad	05/27	AA1	4.750	0	4.889	02/10/2017	-14	77
Purple Boulevard Berhad	05/24	AAA	4.520	5	4.521	27/09/2017	0	67
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*spread against nearest indicative tenured IRS (Source : BPAM)

Market/Corporate News: What's Brewing

Malaysian state energy firm **Petroleum Nasional Berhad, or Petronas**, is looking to sell some oil and gas assets owned by its Canadian unit Progress Energy, its adviser BMO Capital Markets said. The potential sale marks a further retreat by Petronas in Canada after it scrapped plans for a \$29 billion liquefied natural gas export project in British Columbia in July. "BMO Capital Markets has been engaged by Progress Energy to assist with the sale of its Deep Basin assets in Alberta," the bank said on its website under a section on deals it was working on. The data room for the sale opens on Oct. 10 and bids are expected in early November, BMO said. The asset on the block has a base production rate of about 5,500 barrels of oil equivalent per day (boepd) and includes more than 400,000 gross acres in the Deep Basin with a 63 percent working interest, BMO said. The sale would also include ownership in three gas plants and an extensive pipeline network, it said. It was not clear when BMO was hired by the Petronas unit, but a document detailing the asset was dated October 2017. After cancelling the Pacific NorthWest LNG export terminal project in British Columbia, Petronas had said it was looking at other ways to generate revenue from its North American gas assets. (Source: The Star)

Local Investment banks (IBs) should not take a short-term view on a property lending guideline, introduced in 1997, as it is still relevant today, Bank Negara Malaysia said in a statement yesterday. The central bank said this in response to an article entitled "IBs want property lending rule scrapped" published in Monday's edition of The Edge weekly. The Edge, citing sources, had reported that IBs wanted Bank Negara to do away with the "guideline on lending to the broad property sector (BPS)", as it is called, as they feel it was no longer practical and constrains their underwriting business. "IBs, in demanding for this guideline to be 'scrapped', are taking a short-term view and should consider the long-term systemic implications of an over-exposure to the property sector and not narrowly focus on their own commercial gains. We should not be oblivious to the many lessons learnt from the Asian and global financial crises," Bank Negara said in the statement. It said the BPS guideline was introduced in 1997 to avoid over-concentration of credit exposures to the property sector. "The guideline, therefore, is still relevant in curbing excessive systemic exposures to the sector, complementing other existing regulations," it added. Bank Negara said banking institutions should always be mindful of current property market conditions and not contribute to a situation where there is a mismatch between supply and demand. "There is currently an insufficient supply of affordable homes. This situation could worsen if these supply-demand conditions persist. Banks and property developers should focus on supporting the affordable housing segment and development projects that generate multiplier effects to the economy," it said. The guideline, introduced on April 1, 1997, is for all commercial, Islamic and investment banks. In short, it stipulates that a bank's credit facilities — meaning all forms of lending, including the issue of guarantees, private debt securities and commercial papers — to the BPS should not exceed 20% of its total outstanding loan base. Compliance to this requirement is calculated on a quarterly basis. The Edge had reported that for IBs, the guideline mainly affects their underwriting business. It is understood that Bank Negara has maintained this guideline, 20 years on, as a form of credit concentration limit. The cap on lending to the BPS, nevertheless, has exemptions. The guideline exempts credit facilities extended for the purchase or construction of affordable housing (RM250,000 and below), infrastructure projects and schools, as well as industrial buildings and factories. In short, the guideline attempts to maintain access to financing for developmental and growth purposes. However, investment bankers said it has been increasingly difficult to keep to the requirement that BPS underwriting must not exceed 20% of the previous quarter's total underwriting amount. "It is not practical as [the] underwriting business is market driven, ad-hoc in nature and temporary or short-term," an industry source had told The Edge. The source noted the quarterly computation formula for the BPS does not work for IBs as loans granted by IBs — to complement their capital market activities — are typically short-term and run off

quickly, thus diminishing the total loan base within a short period of time. This inhibits BPS loans to be granted when the need arises. "While commercial banks are able to sustain and maintain a sizeable loan base to enable BPS loans to be granted under the BPS formula, the same cannot be said for IBs", the source said. (Source: Edgemarkets)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Aman Sukuk Berhad (Aman)	Islamic Medium-Term Notes (IMTN) programme of up to RM10.0 billion	AAA-IS	Affirmed
Sime Darby Berhad (Sime Darby)	Islamic Commercial Papers/Islamic Medium-Term Notes (ICP/IMTN) Programme with a combined limit of RM4.5 billion	MARC-1-IS/AAA	Withdrawn (from previous negative outlook)

Source: RAM Ratings; MARC

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