

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 1.81 | 4 |
| 5-yr UST | 2.14 | 3 |
| 10-yr UST | 2.37 | 1 |
| 30-yr UST | 2.77 | 1 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.39 | -1 | 3.45 | -3 |
| 5-yr | 3.59 | -2 | 3.88 | -1 |
| 7-yr | 3.88 | -3 | 4.07 | 1 |
| 10-yr | 3.85 | -4 | 4.26 | -1 |
| 15-yr | 4.42 | -3 | 4.68 | -3 |
| 20-yr | 4.59 | -1 | 4.79 | 0 |
| 30-yr | 4.85 | -1 | 4.98 | 0 |

*Market indicative

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 3.66 | 1 |
| 3-yr | 3.74 | 0 |
| 5-yr | 3.83 | 2 |
| 7-yr | 3.93 | 0 |
| 10-yr | 4.05 | 0 |

Source: Bloomberg

Upcoming Government Bond Tenders

Auction of RM2.0bn + RM0.5bn private placement
MGS 11/27 on 6-December (Wednesday)

US Treasuries

- US Treasury yields ended higher by 1-4bps across most tenures as US Senate passed the tax bill. The long-end was more resilient as the curve flattened; with the 5s30s spread reaching multi-year lows. However some respite seen as nervousness crept in over the "Washington scandals". The much-watched 10Y closed at 2.37%. On the data front we have a slew of data this week i.e. trade balance, Markit US services and composite PMI's, ISM non-manufacturing, change in NFP to name a few. We expect UST's to trade range-bound amid debates on frequency of Fed rate hikes next year.

MGS/GII

- Local govies continued saw marginal increase in total volume traded of RM2.54b; unchanged from previous session with attention scattered across the 18's and also the 7Y, 10Y and 15Y benchmarks. Yields were lower between 1-4bps across the curve. The benchmark 7Y MGS closed 3bps lower at 3.88% whilst MGS 11/27 ended 4bps lower at 3.85%. We expect a slightly positive stance with investor interest rising on the back of favorable momentum of the Ringgit.

PDS/Sukuk

- Transactions in Corporate bonds dropped to a mere RM154m with trades seen across the curve. The Govt-Guaranteed LPPSA 4/22 closed 1bps lower at 4.15% compared to previous-done levels whereas AAA-rated Putrajaya 12/21 saw spiked 4bps to 4.30%. UMW 10/21, 10/26 and also UEM 12/18 saw total RM60m traded closing mixed at 4.605, 4.96% and 4.35% levels respectively. We expect selective interest in the secondary space for Corporate Bonds whilst attention is skewed to local govies for now.

Daily Trades : Government Bonds

| Securities | | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|------------|-------|----------------|-----------------|-----------------|--|-------------|
| MGS | 02/18 | 2.446 | 12 | 2.411 | 43069 | 4 |
| MGS | 03/18 | 2.552 | 226 | 2.403 | 43069 | 15 |
| MGS | 09/18 | 2.597 | 149 | 2.554 | 43069 | 4 |
| MGS | 03/19 | 2.887 | 22 | 2.978 | 43069 | -9 |
| MGS | 07/19 | 3.055 | 9 | 3.100 | 43069 | -4 |
| MGS | 10/19 | 3.069 | 147 | 3.152 | 43069 | -8 |
| MGS | 11/19 | 3.136 | 13 | 3.174 | 43069 | -4 |
| MGS | 03/20 | 3.287 | 23 | 3.301 | 43068 | -1 |
| MGS | 07/20 | 3.340 | 2 | 3.335 | 43066 | 0 |
| MGS | 10/20 | 3.362 | 9 | 3.307 | 43069 | 6 |
| MGS | 07/21 | 3.484 | 12 | 3.461 | 43069 | 2 |
| MGS | 09/21 | 3.624 | 15 | 3.624 | 43069 | 0 |
| MGS | 11/21 | 3.579 | 61 | 3.598 | 43068 | -2 |
| MGS | 03/22 | 3.585 | 112 | 3.626 | 43069 | -4 |
| MGS | 08/22 | 3.733 | 31 | 3.792 | 43069 | -6 |
| MGS | 09/22 | 3.806 | 13 | 3.812 | 43069 | -1 |
| MGS | 03/23 | 3.838 | 5 | 3.838 | 43069 | 0 |
| MGS | 08/23 | 3.848 | 110 | 3.888 | 43069 | -4 |
| MGS | 07/24 | 3.972 | 38 | 3.981 | 43069 | -1 |
| MGS | 09/24 | 3.881 | 329 | 3.907 | 43069 | -3 |
| MGS | 09/25 | 4.098 | 61 | 4.091 | 43069 | 1 |
| MGS | 04/26 | 4.142 | 35 | 4.163 | 43069 | -2 |
| MGS | 11/26 | 4.142 | 23 | 4.142 | 43069 | 0 |
| MGS | 11/27 | 3.850 | 265 | 3.890 | 43069 | -4 |
| MGS | 04/30 | 4.508 | 72 | 4.498 | 43069 | 1 |
| MGS | 06/31 | 4.491 | 3 | 4.481 | 43069 | 1 |
| MGS | 04/33 | 4.422 | 217 | 4.447 | 43069 | -3 |
| MGS | 05/35 | 4.559 | 74 | 4.589 | 43069 | -3 |
| MGS | 04/37 | 4.585 | 80 | 4.600 | 43069 | -1 |
| MGS | 09/43 | 4.867 | 1 | 4.880 | 43069 | -1 |
| MGS | 03/46 | 4.850 | 7 | 4.867 | 43069 | -2 |
| GII | 08/18 | 3.031 | 20 | 3.000 | 43063 | 3 |
| GII | 11/18 | 3.087 | 1 | 2.992 | 43066 | 10 |
| GII | 04/20 | 3.447 | 16 | 3.473 | 43067 | -3 |
| GII | 08/21 | 3.791 | 17 | 3.829 | 43069 | -4 |
| GII | 04/22 | 3.884 | 95 | 3.887 | 43069 | 0 |
| GII | 07/23 | 4.010 | 37 | 4.057 | 43068 | -5 |
| GII | 08/24 | 4.068 | 60 | 4.061 | 43069 | 1 |
| GII | 09/26 | 4.172 | 17 | 4.268 | 43069 | -10 |
| GII | 07/27 | 4.260 | 38 | 4.272 | 43069 | -1 |
| GII | 08/33 | 4.677 | 60 | 4.706 | 43062 | -3 |
| GII | 05/47 | 4.983 | 4 | 4.966 | 43066 | 2 |
| | | | <u>2540</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* |
|---|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Lembaga Pembiayaan Perumahan Sektor Awam | 04/22 | GG | 4.149 | 25 | 4.159 | 16/11/2017 | -1 | 62 |
| Cagamas Berhad | 11/20 | AAA | 4.029 | 5 | 3.939 | 11/09/2017 | 9 | 62 |
| Cagamas Berhad | 04/22 | AAA | 4.150 | 10 | 4.148 | 09/11/2017 | 0 | 62 |
| Malayan Banking Berhad | 01/24 | AA1 | 4.768 | 5 | 4.653 | 27/11/2017 | 12 | 97 |
| Danajamin Nasional Berhad | 10/27 | AA1 | 4.779 | 2 | 4.778 | 28/11/2017 | 0 | 88 |
| UMW Holdings Berhad | 10/21 | AA2 | 4.601 | 20 | 4.616 | 21/11/2017 | -1 | 107 |
| UMW Holdings Berhad | 10/26 | AA2 | 4.959 | 10 | 4.964 | 24/11/2017 | -1 | 101 |
| CIMB Thai Bank Public Company Limited | 07/26 | AA3 | 5.401 | 0 | 5.129 | 20/10/2017 | 27 | 145 |
| CIMB Group Holdings Berhad | 05/16 | A1 | 4.812 | 1 | 4.976 | 29/11/2017 | -16 | 21 |
| UEM Sunrise Berhad (fka UEM Land Holdings Berhad) | 12/18 | AA- | 4.345 | 30 | 4.299 | 30/10/2017 | 5 | 170 |
| WCT Holdings Berhad | 05/22 | AA- | 5.118 | 10 | 5.119 | 27/11/2017 | 0 | 159 |
| MMC Corporation Berhad | 11/27 | AA- | 5.357 | 10 | 5.357 | 30/11/2017 | 0 | 146 |
| Westports Malaysia Sdn Berhad | 04/23 | AA+ | 4.467 | 1 | 4.459 | 16/02/2017 | 1 | 85 |
| Putrajaya Holdings Sdn Berhad | 12/21 | AAA | 4.300 | 15 | 4.262 | 09/11/2017 | 4 | 77 |
| Antara Steel Mills Sdn Berhad | 06/18 | AAA | 3.905 | 10 | 4.096 | 05/01/2012 | -19 | 126 |
| | | | | <u>154</u> | | | | |

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

Market/Corporate News: What's Brewing

The Istanbul Sabiha Gokchen International Airport (ISG), operated and owned by **Malaysia Airports Holdings Bhd (MAHB)**, is wooing national carrier, Malaysian Airlines Bhd, in the hope of receiving flights from Malaysia into the Turkish airport. ISG Executive Director Datuk Azmi Murad said the airport had been in constant talks with Malaysia Airlines and AirAsia to consider the ISG for its Istanbul route. "They are studying. They may have their own considerations (about flying to ISG) and priority," he said in Istanbul recently. ISG, is one of two international airports in Istanbul. The other airport in the Turkish capital is the Istanbul Ataturk Airport. The third airport, Istanbul Grand Airport, is currently under construction. ISG currently serves over 50 international airlines. It serves about 40 domestic networks. The major carriers in ISG now include Turkish Airlines and Pegasus Airlines. ISG has the capacity to handle 33 million passengers, annually. Expressing optimism to see a Malaysia carrier flying into ISG, Azmi said : "I will continue to talk to them (Malaysia carrier) and pursue them." Azmi said ISG has been pursuing to bring in more international airlines to the airport. ISG Chief Executive Officer Ersel Goral reported that Dubai-based Emirates would launch its flight to ISG in April 2018. Emirates will have daily flights out of Dubai, operating on Boeing 777. He also said there were on-going talks by ISG with several airlines from Europe and Middle East. Azmi, who is currently residing in Istanbul, said there were also plans to for Malaysian-made products to have a presence at ISG. "It will be such a shame if we don't promote Malaysia-made products, using this asset (ISG) belonging to Malaysia," he said. A Malaysian-based franchise group, including fast-food chain Marrybrown, recently visited ISG to explore partnership opportunities with Turkish players. A group of Malaysian-based companies, under the umbrella of the Malaysian Islamic Chamber of Commerce, also visited ISG with the intention of promoting beauty and healthcare products at the airport. Azmi said ISG could also install a dedicated Malaysian product kiosk to promote tourism products among travellers with the aim of luring more tourists to Malaysia.

(Source: The Star)

Petroleum Nasional Bhd (Petronas) has painted a sombre picture of the oil and gas (O&G) industry, stating that the requirement for assets such as rigs would be halved from three years ago. The report, which was made public for the first time to instil reality into the industry, outlined the requirements from the companies servicing Petronas for the next two years until 2020. Among the highlights of the report is that the need for jack-up rigs, used in exploration activities, has been reduced by half to about 10 rigs for the period 2018-2020, compared to 2013-2014. Petronas' demand for tender assisted drilling rigs (TADRs) is also down significantly by about 60% for the next two years compared to the peak period of oil between 2013 and 2014. Among the companies providing jack-up rigs and TADRs are UMW Oil & Gas Corp Bhd and Sapura Energy Bhd. The lower requirements are in tandem with the marginally lower output by Petronas. The national O&G company will produce 100,000 fewer barrels to 1.7 million barrels of oil equivalent per day (m/boe) in the next five years. In the report, called Petronas Activity Outlook (PAO) 2018-2020, the national oil company said the forecast activities were based on crude oil prices of between US\$50 and US\$60 per barrel. "Oil at US\$100 a barrel is a thing of the past," said Petronas in the PAO report yesterday. It added that Petronas would continue to adopt lower prices for the longer approach until it is confident that the current uptrend is sustainable. Benchmark Brent crude oil yesterday traded at US\$63.20 a barrel, still less than mid-2014 levels of more than US\$100 a barrel. The objective of Petronas making available the report is to enhance transparency on its future capital expenditure and help shape the industry into fewer but bigger players. Another reason for the transparency is to push further consolidation in the industry. "We need to reshape the Malaysian O&G ecosystem so that the companies that operate here will be more efficient, with the size and economies of scale that will also make them more resilient and competitive globally," said Petronas president and group chief executive officer Tan Sri Wan Zulkiflee Wan Ariffin in the report. Even before the downturn in oil prices that started in June 2014, Petronas had advocated for the industry players to scale down and consolidate. There are about 4,000 O&G companies that are registered with Petronas. Norway, which has similar-sized O&G deposits as Malaysia, has just around 700 players in this sector. Other areas highlighted by Petronas are in the supply of various kinds of marine vessels for offshore exploration and drilling activities. The vessels are generally anchor-handling tug

supply boats, platform supply vessels, straight supply vessels and fast crew boats. Petronas stated that in recent years, the marine vessel category has been faced with a critical oversupply situation and is unlikely to reach the historical high levels seen in 2013 and 2014. "Market self-correction is gradually driving towards supply-demand balance," it said. Petronas will continue to open up greenfield projects at a rate of more than 20 for the next three years. It is the same as the number of new fields it opened up between 2014 and 2016 and higher than the number of greenfield exploration projects the national oil company has planned for 2017 to 2019. Petronas stated it would require new facilities to cater for more than 20 greenfield O&G projects between 2019 and 2020, compared to 10-15 previously. (Source: The Edge)

| Rating Actions | | | |
|-------------------------|--|----------------|----------|
| Issuer | PDS Description | Rating/Outlook | Action |
| SAJ Capital Sdn Bhd | Proposed Sukuk Murabahah of up to RM650 million for up to 12 years | AA-IS | Assigned |
| SkyWorld Capital Berhad | RM50 million first issuance (Tranche 1 IMTN) under its RM600 million IMTN Sukuk Musharakah Programme (IMTN Programme). | AA3/Stable | Assigned |

Source: RAM Ratings; MARC

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