

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury yields moved higher on the back of solid data i.e. jobless claims and hawkish tilt from Fed President Williams. A risk-on sentiment was also seen in Europe. The UST yields spiked 2-3 bps across the yield spectrum with the UST 10y closing 3bps higher at 2.35%. The Fed Funds futures currently indicate 74% odds of a Fed rate hike in December. Investors will scrutinize tonight's nonfarm payroll job data for more clues on the Fed policy normalization.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.49	2
5-yr UST	1.95	3
10-yr UST	2.35	3
30-yr UST	2.89	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.53	0
5-yr	3.57	-6	3.75	0
7-yr	3.89	3	4.01	-3
10-yr	3.90	-1	4.13	12
15-yr	4.36	-1	4.62	-1
20-yr	4.53	0	4.68	0
30-yr	4.80	-1	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.62	0
5-yr	3.74	1
7-yr	3.85	0
10-yr	3.98	2

Source: Bloomberg

MGS/GII

- Heavy volume registered on the local govies scene with trades done across all tenures. Interestingly, the short-end saw brisk activities by offshore investors with yields done lower. The MGS 9/24 auction drew a relatively weak BTC ratio of only 1.60x; weakest seen for an auction since April 2017. On the contrary, yields were generally 1-2 bps lower with the 10Y benchmark MGS i.e. 11/27 closing 1bps lower at 3.90%. We note the rather unusual 7-10Y spread of less than 5 bps which prices the 7Y benchmark MGS 9/24 attractively. GII's also saw brisk activity in the 3Y space. On the data front we have the external trade numbers and foreign reserves out today.

Upcoming Government Bond Tenders

Nil

PDS/Sukuk

- Trading in MYR corporate bond was focused on AAA and AA papers with the DANA 3/24 being the only GG to be traded at 4.27%. Total volume on both GG and Corporate bonds was higher at RM503m with yields ending mixed. SEB 1/27 and 7/29 continued to be traded with a total volume of RM115m with yields closing somewhat unchanged between 4.72-4.89%.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	3.002	30	3.268	03/10/2017	-27
MGS 02/18	3.133	135	3.136	03/10/2017	0
MGS 03/18	3.075	320	3.016	02/10/2017	6
MGS 03/19	3.147	20	3.166	03/10/2017	-2
MGS 11/19	3.340	11	3.331	03/10/2017	1
MGS 03/20	3.352	1	3.386	03/10/2017	-3
MGS 02/21	3.389	0	3.424	03/10/2017	-4
MGS 07/21	3.520	3	3.546	03/10/2017	-3
MGS 09/21	3.572	7	3.587	03/10/2017	-2
MGS 11/21	3.593	2	3.593	03/10/2017	0
MGS 03/22	3.573	60	3.608	03/10/2017	-4
MGS 08/22	3.713	56	3.689	03/10/2017	2
MGS 07/24	3.895	1	3.826	03/10/2017	7
MGS 09/24	3.890	573	3.878	03/10/2017	1
MGS 11/26	3.964	0	3.952	03/10/2017	1
MGS 11/27	3.902	261	3.947	03/10/2017	-4
MGS 09/28	4.287	1	4.235	03/10/2017	5
MGS 06/31	4.349	13	4.369	03/10/2017	-2
MGS 04/32	4.373	1	4.372	29/09/2017	0
MGS 04/33	4.362	2	4.376	28/09/2017	-1
MGS 05/35	4.460	1	4.502	02/10/2017	-4
MGS 03/46	4.802	98	4.739	03/10/2017	6
GII 09/19	3.408	130	3.523	17/08/2017	-12
GII 04/20	3.494	184	3.526	03/10/2017	-3
GII 05/20	3.550	50	3.554	13/09/2017	0
GII 04/22	3.749	5	3.814	02/10/2017	-6
GII 08/24	4.007	13	4.039	03/10/2017	-3
GII 09/26	4.218	123	4.212	03/10/2017	1
GII 07/27	4.130	1	4.014	03/10/2017	12
GII 08/33	4.617	17	4.635	02/10/2017	-2
		<u>2118</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*	
DanaInfra Nasional Berhad	03/24	GG	4.271	30	4.210	06/07/2017	6	47
AI Dzahab Assets Berhad	09/23	AAA	4.799	2	5.447	24/11/2016	-65	100
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.380	90	4.379	28/09/2017	0	40
Telekom Malaysia Berhad	09/27	AAA	4.360	0	4.360	28/09/2017	0	38
Projek Lebuhraya Usahasama Berhad	01/19	AAA	3.941	5	4.027	08/08/2017	-9	43
Rantau Abang Capital Berhad	08/19	AAA	3.938	10	3.950	14/09/2017	-1	37
Cagamas Berhad	10/20	AAA	3.974	10	3.959	18/09/2017	2	35
Rantau Abang Capital Berhad	12/20	AAA	4.015	10	4.077	28/08/2017	-6	39
Putrajaya Holdings Sdn Berhad	07/23	AAA	4.370	30	4.339	20/09/2017	3	57
Putrajaya Holdings Sdn Berhad	09/23	AAA	4.380	30	4.339	02/02/2017	4	58
Malaysia Building Society Berhad	05/18	AA1	4.130	10	4.144	02/10/2017	-1	62
Sepangar Bay Power Corporation Sdn Berhad	07/18	AA1	3.974	5	4.102	08/09/2017	-13	46
Sarawak Energy Berhad	01/27	AA1	4.720	40	4.690	28/07/2017	3	74
YTL Power International Berhad	05/27	AA1	4.750	2	4.889	02/10/2017	-14	77
Sarawak Energy Berhad	07/29	AA1	4.889	75	4.891	20/07/2017	0	91
Kesas Sdn Berhad	10/21	AA2	4.399	1	4.410	23/05/2017	-1	73
IJM Corporation Berhad	04/21	AA3	4.395	1	4.398	15/09/2017	0	73
AmBank Islamic Berhad (fka Amlslamic Bank Berl	12/22	AA3	3.831	2	3.916	28/08/2017	-9	9
CIMB Thai Bank Public Company Limited	07/24	AA3	4.833	10	4.829	25/09/2017	0	97
QSPS Green SRI Sukuk	04/25	AA3	5.200	5	-	-	-	131
QSPS Green SRI Sukuk	10/25	AA3	5.240	5	-	-	-	135
QSPS Green SRI Sukuk	04/26	AA3	5.280	5	-	-	-	139
QSPS Green SRI Sukuk	10/26	AA3	5.320	5	-	-	-	134
QSPS Green SRI Sukuk	04/27	AA3	5.360	5	-	-	-	138
QSPS Green SRI Sukuk	10/27	AA3	5.400	5	-	-	-	142
QSPS Green SRI Sukuk	04/28	AA3	5.440	15	-	-	-	146
QSPS Green SRI Sukuk	10/28	AA3	5.480	5	-	-	-	150
QSPS Green SRI Sukuk	04/33	AA3	5.840	5	-	-	-	168
QSPS Green SRI Sukuk	10/33	AA3	5.880	5	-	-	-	172
Kapar Energy Ventures Sdn Berhad	07/19	AA+	4.170	2	4.207	29/08/2017	-4	61
Celcom Networks Sdn Berhad [fka Celcom Transn	08/19	AA+	4.486	30	4.476	21/06/2017	1	92
MMC Corporation Berhad	11/20	AA-	4.868	5	4.868	03/10/2017	0	124
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/21	AA-	4.529	1	4.499	09/06/2017	3	86
Malakoff Power Berhad	12/25	AA-	4.777	30	4.780	28/06/2017	0	88
CIMB Group Holdings Berhad	05/16	A1	4.819	11	4.950	03/10/2017	-13	66
Mah Sing Berhad	-	-	6.475	1	6.472	04/10/2017	0	-
			<u>503</u>					

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

Market/Corporate News: What's Brewing

A slew of contracts for the **Light Rail Transit Line 3 (LRT3)** was awarded to three listed companies totalling RM4.15bil in value. The awards will beef up the order books of these companies and boost the construction sector as a whole. Earlier this year Prasarana Malaysia Bhd, the project owner of LRT3, awarded close to RM1.8bil worth of jobs related to LRT3. Of yesterday's awards, the largest package was secured by construction giant **Sunway Construction Group Bhd** for RM2.308bil, followed by **Gabungan AQRS Bhd**, a mid-cap construction player, which bagged a RM1.205bil package. **WCT Holdings Bhd** was the third recipient, which was awarded a contract of RM640mil. The awards are for the construction of guideways, stations, iconic bridges and parks and ancillary buildings, among others. SunCon's award was for works for Package GS07-08 from Bandar Utama to Johan Setia in Klang. "The project is for a period of 36 months and is expected to be completed by the fourth quarter of 2020. The project is expected to contribute positively to the earnings of SunCon from the financial year ending Dec 31, 2017 (FY17) onwards," the company said in a filing with Bursa Malaysia. SunCon added that the contract was its fourth elevated rail project and its largest single project in 36 years. Group managing director Chung Soo Kiong said: "The award brings our order book replenishment to RM3.75bil for the year. Our total outstanding order book now stands at RM6.5bil, the highest ever since our inception, with a high visibility for future earnings." Gabungan AQRS, meanwhile, said that its unit Gabungan Strategik Sdn Bhd was awarded Package GS04 involving the construction and completion of guideways, stations, park and ride, ancillary buildings and other associated works. "The project is for a period of 38 months and is expected to contribute positively to group earnings for FY17 onwards." Upon the award of the project, Gabungan AQRS' outstanding order book as at to-date amounts to RM2.6bil," the company said. Notably, the award is the largest won by Gabungan AQRS since its new chief executive officer Datuk Azizan Jaafar took over the helm in April 2016. The win also indicates that the company is one of the fastest-growing locally listed construction companies. WCT's win for works valued at RM640mil (excluding GST) comes after the construction group had earlier secured another two packages under LRT3 totalling just over RM1bil. Last month, TRC Synergy Bhd secured a RM760.55mil depot package from Prasarana for the construction and completion of the Johan Setia depot (Phase 2). The LRT3 is a double-track rail alignment of 37km with 26 stations covering the areas of Bandar Utama, Shah Alam and Klang before ending at Johan Setia. The rail link envisages to connect two million people between Bandar Utama and Klang by 2020 and is developed in line with the Greater Kuala Lumpur/Klang Valley Land Public Transport Masterplan. The project is touted to cost RM9bil, but some reckon that the value could rise to RM12bil based on contract awards. (Source: The Star)

Kuala Lumpur Kepong Bhd's (KLK) subsidiary KLK Oleo has launched its fourth Reactor Specialty Ester Plant (EP4) and a research and development (R&D) centre in Klang, Selangor. KLK Oleo's EP4, commissioned this year, produces ingredients that are used in cosmetics and bio-lubricants, said KLK in a statement yesterday. The R&D centre, meanwhile, was set up as KLK Oleo's international research, development and technology hub to service and support its global oleochemical business. The R&D team is specialised in organic synthesis, spearheading advanced analytical support, driving the innovation of high-value applications for oleochemical derivatives. Through the establishment of this R&D centre, KLK Oleo has been able to leverage on partner relationships on numerous collaboration projects, the statement read. "With this additional plant, we will be able to increase the capacity and hence the efficiency. "The increasing demand for specialty esters reaffirms the necessity of continuous investments and initiatives that we have embarked upon in line with the vision of our government under the Palm Oil National Key Economic Area Entry Point Project 6, where the palm oil industry is targeted to contribute RM178 billion to Malaysia's gross national income and the creation of 41,600 jobs by

2020,” said KLK chief executive officer Tan Sri Lee Oi Hian. “We believe more research and commercialisation efforts on palm based downstream products are important to make sure the commodities sector remains sustainable and competitive in the long run. “Therefore, the centralised R&D centre is an important milestone in bringing cutting-edge technology and innovation in the development of oleo-based products and solutions,” he added. KLK Oleo’s downstream journey started in 1991, with a fatty acid and glycerine plant in Rawang producing 45,000 tonnes a year, which has expanded to the current three million tonnes capacity worldwide. KLK is presently one of the leading global oleochemical producers with presence in Malaysia, China, Indonesia and Europe. formula, the same cannot be said for IBs”, the source said. (Source: Edgemarkets)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Malaysia Building Society Berhad (MBSB)	RM495 million Tranche 1 Structured Covered Sukuk (Tranche 1 Sukuk)	AA1	Reaffirmed
	RM700 million Tranche 2 Structured Covered Sukuk (Tranche 2 Sukuk)	AA1	Reaffirmed
	RM900 million Tranche 3 Structured Covered Sukuk (Tranche 3 Sukuk)	AA1	Reaffirmed
	RM900 million Tranche 4 Structured Covered Sukuk (Tranche 4 Sukuk)	AA1	Reaffirmed

Source: RAM Ratings; MARC

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