

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries advanced as Oct employment showed weaker NFP data of 261k vs 313k estimate but quickly pared gains as overall payrolls rebounded from September's hurricane-related slump. Yields closed -1 to +2 bps last Friday across most tenures with the 2Y unchanged at 1.62% whilst the 10Y closed 2 bps higher at 2.35%. The potential odds for a Dec rate hike elevated to 92% with another 2 hikes priced-in for 2018. Data seems light for this week with upcoming consumer credit and initial jobs claims scheduled for the next few days.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.62	0
5-yr UST	1.99	-1
10-yr UST	2.35	2
30-yr UST	2.81	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.49	0	3.50	2
5-yr	3.71	5	3.82	0
7-yr	3.97	0	4.04	0
10-yr	3.96	-4	4.15	1
15-yr	4.54	-5	4.67	0
20-yr	4.67	0	4.79	0
30-yr	4.98	0	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.52	-1
3-yr	3.65	0
5-yr	3.78	1
7-yr	3.89	0
10-yr	4.03	-1

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

MGS/GII

- Volume for local govies was tepid at RM890m with yields on the belly-of-the curve higher between 0-5 bps. However the 7Y MGS 9/24 and 10Y MGS 11/27 saw support closing 0-4 bps lower at 3.97% and 3.96% respectively. Half the trading volume was contributed by GIIs with both the 3Y and 15Y closing 0-2 bps higher at 3.502% and 4.672% respectively. We project a quiet trading session today in the absence of new leads. On the data front we have the announcement of foreign reserves out on 7th Nov followed by Industrial, Production and finally OPR decision on the 9th Nov.

PDS/Sukuk

- Corporate Bonds fared better with RM578m volume traded. Danainfra 2/23 was traded 9bps higher from previously last done levels at 4.17%. Interest was seen mainly on bank papers with names like CIMB, Maybank, Affin, Alliance and Bank Pembangunan traded mixed on yields. The AA2-rated Maybank 68NC18 closed 7bps lower at 4.366% on RM200m worth of trades. We foresee end-investors continuing to scout for yield-enhancing papers.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.999	31	2.922	43041	8
MGS	03/18	2.951	265	3.001	43041	-5
MGS	09/18	3.038	10	3.011	43041	3
MGS	10/19	3.323	1	3.304	43040	2
MGS	11/19	3.374	1	3.290	43041	8
MGS	03/20	3.438	21	3.416	43041	2
MGS	10/20	3.482	0	3.496	43041	-1
MGS	09/21	3.728	29	3.687	43041	4
MGS	11/21	3.713	8	3.753	43041	-4
MGS	03/22	3.705	2	3.655	43041	5
MGS	08/22	3.822	2	3.857	43040	-4
MGS	09/22	3.794	2	3.794	43041	0
MGS	03/23	3.939	0	3.938	43040	0
MGS	07/24	4.025	2	4.025	43041	0
MGS	09/24	3.970	82	3.967	43041	0
MGS	09/25	4.165	1	4.173	43041	-1
MGS	11/26	4.140	15	4.147	43041	-1
MGS	11/27	3.960	25	3.997	43041	-4
MGS	04/33	4.543	1	4.510	43041	3
MGS	03/46	4.981	23	4.983	43041	0
GII	08/18	3.125	60	3.121	43041	0
GII	11/18	3.205	16	3.270	42984	-6
GII	04/20	3.502	100	3.488	43041	1
GII	04/21	3.737	10	3.737	43041	0
GII	07/23	4.060	9	4.031	43040	3
GII	08/33	4.672	174	4.672	43041	0
			<u>890</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*
DanaInfra Nasional Berhad	02/23	GG	4.170	60	4.082	16/08/2017	9	47
Cagamas Berhad	09/20	AAA	3.991	5	3.988	23/10/2017	0	52
Manjung Island Energy Berhad	11/20	AAA	4.179	5	4.091	08/06/2017	9	71
Manjung Island Energy Berhad	11/21	AAA	4.269	10	4.221	13/10/2017	5	66
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.374	60	4.299	27/09/2017	7	77
Cagamas Berhad	04/22	AAA	4.126	50	4.120	25/10/2017	1	52
Manjung Island Energy Berhad	11/22	AAA	4.400	5	4.329	10/10/2017	7	70
YTL Power International Berhad	08/18	AA1	4.086	29	4.086	02/11/2017	0	103
Public Bank Berhad	09/23	AA1	4.233	3	4.226	26/10/2017	1	38
Malayan Banking Berhad	01/24	AA1	4.648	20	4.734	01/11/2017	-9	79
UniTapah Sdn Berhad	12/32	AA1	5.106	10	5.079	19/10/2017	3	58
CIMB Islamic Bank Berhad	09/24	AA+	5.151	0	5.148	02/11/2017	0	118
Malayan Banking Berhad	09/68	AA2	4.366	200	4.435	12/10/2017	-7	-33
Imtiaj Sukuk II Berhad	05/22	AA2	4.535	10	4.535	13/10/2017	0	83
Anih Berhad	11/23	AA	4.513	5	4.588	07/08/2017	-8	66
AmBank Islamic Berhad (fka Amlslamic Bank Berhad)	03/24	AA3	4.518	10	4.539	29/09/2017	-2	66
RHB Bank Berhad	07/24	AA3	4.496	10	4.511	28/09/2017	-1	53
CIMB Group Holdings Berhad	04/60	AA3	4.779	20	5.699	02/11/2017	-92	8
Affin Bank Berhad	02/27	A1	4.882	40	4.891	24/10/2017	-1	86
Affin Bank Berhad	09/27	A1	4.926	40	4.900	02/11/2017	3	94
CIMB Group Holdings Berhad	05/16	A1	5.190	6	4.816	02/11/2017	37	49
Mudajaya Corporation Berhad	01/19	A2	5.872	10	6.215	31/03/2017	-34	281
Alliance Bank Malaysia Berhad	10/25	A2	4.898	30	4.598	10/10/2017	30	89
				<u>578</u>				

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

Market/Corporate News: What's Brewing

PMB Technology Bhd announced that its subsidiary, PMB Silicon Sdn Bhd, has today executed a Power Purchase Agreement (PPA) for the supply of electricity at its metallic silicon facility in Sarawak. In a filing with the stock exchange, the aluminium product manufacturer said **Sarawak Energy Bhd's wholly-owned Syarikat Sesco Bhd** will be supplying 52mW for its silicon facility located in Samalaju Industrial Park under the PPA, which is expected to commence operations by the last quarter of 2018. The facility has an annual production capacity of 36,000 metric tonnes. It did not elaborate, saying only that the PPA is commercially confidential in nature. A connection agreement will subsequently be entered into, to include technical operational provisions, the filing added. (*Source: TheEdge*)

Non-bank lender **Malaysia Building Society Bhd (MBSB)** is expected to ink a sales and purchase agreement on its proposed merger with **Asian Finance Bank Bhd (AFB)** today, according to sources. "The two parties are also understood to be meeting analysts today as well," said one source. Last Friday, Bursa Malaysia approved MBSB's request for suspension in the trading of its securities today, pending the release of a material announcement. On Aug 18, MBSB received notification from Bank Negara Malaysia that the finance minister had granted approval for its proposed acquisition of a 100% interest in AFB pursuant to the Islamic Financial Services Act 2013. A merger of the two entities would create the country's second-largest stand-alone Islamic bank with total assets of RM47.81 billion, after Bank Islam Malaysia Bhd. The proposed acquisition of AFB is MBSB's third attempt to acquire an Islamic banking unit, which is in line with its goal to become a full-fledged Islamic bank as opposed to its current status as a non-bank lender. Its two previous failed attempts to acquire Bank Muamalat Malaysia Bhd and the Islamic banking units of CIMB Group Holdings Bhd and RHB Capital Bhd were reportedly due to disagreement over pricing valuation. Once merged, the entity will be one of only three listed syariah-compliant companies in the financial services sector, with the other two being BIMB Holdings Bhd and Syarikat Takaful Malaysia Bhd. The Edge Malaysia weekly in its June 12 issue cited sources as saying that the proposed merger involves MBSB buying AFB's assets and liabilities in a deal that values the latter at a price-to-book value of between 1.2 times and 1.5 times. The total consideration is about RM650 million, with more than half of that comprising a cash portion. The weekly's Sept 4 issue reported MBSB president and chief executive officer Datuk Seri Ahmad Zaini Othman as saying that the non-bank lender has taken steps to convert its conventional loans to Islamic. He shared that as at June 30, only about 15% of MBSB's RM36.06 billion gross financing/loan book was conventional. They comprised mortgages and corporate loans. The group's personal financing business, which makes up about 63% of its financing book, is 100% Islamic. The Employees Provident Fund is the largest shareholder of MBSB with a 65.6% stake. Last Friday, MBSB shares rose one sen or 0.91% to RM1.11, with a market capitalisation of RM6.5 billion. (*Source: TheEdge*)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & 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@hlbb.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.