

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.82	1
5-yr UST	2.14	0
10-yr UST	2.35	-2
30-yr UST	2.73	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	-3	3.46	1
5-yr	3.58	-1	3.88	0
7-yr	3.86	-2	4.06	-1
10-yr	3.86	1	4.26	0
15-yr	4.40	-2	4.66	-2
20-yr	4.59	0	4.79	0
30-yr	4.85	0	4.98	0

* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	-1
3-yr	3.74	0
5-yr	3.82	-1
7-yr	3.92	-1
10-yr	4.05	0

Source: Bloomberg

Upcoming Government Bond Tenders

Auction of RM2.0bn + RM0.5bn private placement
MGS 11/27 today i.e. 6th Dec (Wednesday)

US Treasuries

- US Treasury yields ended mixed with the long-end lower by 2-3bps against the resilient 2Y and 5Y. The much-watched 10Y closed lower at 2.35%. Whilst the Trump tax plan take shape, the curve continues to flatten; the 5s30s spread reached new lows. Latest consensus reveals market pricing-in another 1.5 hikes for 2018. On the data front we have a slew of data for the remainder of the week i.e. trade balance, initial jobless claims, unemployment rate and NFP figures. We expect some appetite in longer-dated UST's as the 30Y swap spread is seen to maintain its width for now.

MGS/GII

- Local govovies printed trades of about RM2.87b; somewhat unchanged from previous session with attention scattered across off-the-runs MGS i.e. the 18-19's and also the 7Y and 15Y papers. Overall yields were lower across the curve with both benchmark 7Y MGS 9/24 and MGS 11/27 closing at 3.86%. Worth noting was the surge in GII trades forming almost half the total volume with the 5Y-15Y GII's moving 0-4bps lower. We expect a slightly positive stance with investor interest rising on the back of favorable momentum of the Ringgit as attention will be focused on the 10Y MGS 11/27 auction.

PDS/Sukuk

- Transactions in Corporate bonds jumped to RM359m with trades seen across the curve. The Govt-Guaranteed PASB 4/21 and 6/24 closed mixed at 3.97% and 4.26% respectively compared to previous-done levels. In the AAA-space we saw demand for Putrajaya 5/26 and DANGA 9/27 which moved 2-4bps lower to close at 4.53% and 4.63% respectively. JEV papers (AA-rated) were also traded on the back of sustained demand moving yields lower. We expect continued interest in the secondary space for Corporate Bonds following the positive move in local govovies.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.005	101	-	04/12/2017	-
MGS 03/18	2.931	10	-	04/12/2017	-
MGS 09/18	2.693	224	2.597	04/12/2017	9
MGS 03/19	2.915	2	2.887	04/12/2017	3
MGS 10/19	3.160	300	3.069	04/12/2017	9
MGS 10/20	3.343	46	3.362	04/12/2017	-2
MGS 07/21	3.446	4	3.475	04/12/2017	-3
MGS 09/21	3.623	15	3.624	04/12/2017	0
MGS 11/21	3.585	215	3.579	04/12/2017	1
MGS 03/22	3.625	4	3.585	04/12/2017	4
MGS 09/22	3.794	53	3.806	04/12/2017	-1
MGS 07/24	3.963	0	3.972	04/12/2017	-1
MGS 09/24	3.856	380	3.881	04/12/2017	-2
MGS 09/25	4.037	22	4.098	04/12/2017	-6
MGS 04/26	4.129	2	4.142	04/12/2017	-1
MGS 11/26	4.101	8	4.142	04/12/2017	-4
MGS 03/27	4.253	16	4.240	30/11/2017	1
MGS 11/27	3.860	14	3.850	04/12/2017	-1
MGS 04/30	4.498	44	4.498	04/12/2017	0
MGS 04/33	4.399	246	4.422	04/12/2017	-2
GII 05/18	3.031	90	3.002	27/11/2017	3
GII 08/18	3.083	10	3.031	04/12/2017	5
GII 10/18	3.052	90	3.048	30/11/2017	0
GII 04/19	3.261	20	3.263	29/11/2017	0
GII 04/20	3.461	20	3.447	28/11/2017	1
GII 04/22	3.882	370	3.884	04/12/2017	0
GII 08/24	4.055	131	4.096	04/12/2017	-4
GII 07/27	4.256	251	4.260	04/12/2017	0
GII 08/33	4.655	190	4.672	04/12/2017	-2
		<u>2876</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*	
Pengurusan Air SPV Berhad	02/21	GG	3.973	10	4.028	18/08/2017	-5	57
Pengurusan Air SPV Berhad	06/24	GG	4.256	10	4.248	04/10/2017	1	38
Prasarana Malaysia Berhad [fka Syarikat Prasarana Ne	09/24	GG	4.341	5	4.258	19/09/2017	8	46
Danalinfra Nasional Berhad	07/27	GG	4.483	5	4.519	16/11/2017	-4	60
Danalinfra Nasional Berhad	04/30	GG	4.700	8	4.358	30/09/2016	34	82
Danalinfra Nasional Berhad	11/30	GG	4.720	5	4.753	15/08/2017	-3	32
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.532	30	4.554	23/11/2017	-2	61
Aman Sukuk Berhad	05/26	AAA	4.629	10	4.643	14/11/2017	-1	71
Aman Sukuk Berhad	10/26	AAA	4.619	10	4.619	07/08/2017	0	67
Danga Capital Berhad	09/27	AAA	4.629	30	4.665	31/10/2017	-4	75
Cagamas Berhad	10/20	AAA	4.030	10	4.072	28/11/2017	-4	63
YTL Power International Berhad	08/18	AA1	4.112	20	4.111	20/11/2017	0	141
Sabah Development Bank Berhad	05/22	AA1	5.225	10	5.228	23/11/2017	0	170
Malayan Banking Berhad	09/68	AA2	4.501	25	4.366	03/11/2017	14	-10
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.397	4	4.366	21/11/2017	3	169
Jimah Energy Ventures Sdn Berhad	05/19	AA3	4.193	10	4.199	20/09/2017	-1	149
Jimah Energy Ventures Sdn Berhad	11/20	AA3	4.359	10	4.447	19/07/2017	-9	96
Jimah Energy Ventures Sdn Berhad	11/20	AA3	4.359	10	4.662	18/01/2017	-30	96
AmBank (M) Berhad	12/23	AA3	4.488	10	4.452	28/11/2017	4	71
Tadau Energy Sdn Berhad	07/28	AA3	5.484	10	5.495	23/11/2017	-1	160
Anih Berhad	11/26	AA	4.694	4	4.730	09/11/2017	-4	74
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/23	AA-	4.670	10	4.629	19/10/2017	4	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31	AA-	5.099	2	4.999	19/09/2017	10	70
Southern Power Generation Sdn Berhad	10/34	AA-	5.489	10	5.493	24/11/2017	0	109
Special Power Vehicle Berhad	11/21	A1	5.112	20	5.154	09/11/2017	-4	159
Affin Bank Berhad	09/27	A1	4.950	1	4.782	27/11/2017	17	107
CIMB Group Holdings Berhad	05/16	A1	5.241	10	4.812	04/12/2017	43	64
Mudajaya Corporation Berhad	01/19	A2	5.828	10	5.872	03/11/2017	-4	312
Alliance Bank Malaysia Berhad	10/25	A2	4.851	51	4.875	29/11/2017	-2	93
			<u>359</u>					

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

Market/Corporate News: What's Brewing

Gamuda Berhad faces real challenge for the PDP job. For the first time, Malaysia is seeing real competition for the job of a Project Delivery Partner (PDP). And the winner gets to oversee the civil works of the most prestigious project in the country — the high-speed rail (HSR) link between Kuala Lumpur and Singapore. Except for the light rail transit three (LRT3) project, all previous mandates for the job of PDP were awarded on directly negotiated basis. In the case of the HSR project, MyHSR Corp, the government-owned company called for competitive bids for the PDP. So far, the response has been good. The consortium of IJM Corp Bhd, Sunway Construction Bhd (SunCon), Jalinan Rejang Sdn Bhd and Maltimur Resources Sdn Bhd represents a formidable force to challenge the might of the early favourites – the Gamuda Bhd-Malaysian Resources Corp Bhd (MRCB) joint venture (JV). IJM and SunCon are big names in the local construction industry. Both have earned a track record of completing the most difficult of jobs on time and within cost. For all the major infrastructure works in the country, from the construction of the LRT infrastructure to the mass rapid transit (MRT) projects, IJM and SunCon have been awarded large packages, underlining their experience in large rail jobs. IJM has also undertaken extensive railway track jobs as the principal contractor for the construction of the stretch between Seremban and Gemas. The IJM-SunCon prowess in construction capabilities is complemented by the strength of Maltimur Resources and Jalinan Rejang, the JV, which was awarded the PDP for the Sarawak portion of the Pan Borneo Highway. Lebuhraya Borneo Utara Sdn Bhd, which is 55% owned by Maltimur Resources and Jalinan Rejang owning the rest, was awarded the Sarawak portion of the Pan Borneo Highway estimated to cost about RM14bil. Maltimur Resources is a company linked to Tan Sri Bustari Yusof, who is well-connected to Putrajaya because of his influence in Sarawak. Bustari owns Petra Energy Bhd and his brother is Works Minister Datuk Fadhilah Yusof. Rafulin Holdings wholly owns Jalinan Rejang and has a strong background in managing highway projects since the late 1990s. The Latar Expressway connecting Kuala Selangor to Kuala Lumpur is among the projects that it constructed and still manages. The PDP track record of Maltimur Resources-Jalinan Rejang coupled with the construction prowess of IJM-SunCon is a formidable competition to the Gamuda-MRCB JV. When MyHSR called for bid for the PDP of the HSR project two weeks ago, Gamuda started out as favourites because of its experience as the PDP for the MRT phase one and two projects. Gamuda teamed up with MRCB, adding weight to its bid. MRCB, which is managed by Tan Sri Mohamad Salim Fateh Din, has the Employees Provident Fund as a major shareholder. It also won the competitive bid as the PDP for the LRT3 line between Bandar Utama and Klang. It seemed plain sailing for the Gamuda-MRCB JV until Monday evening when IJM announced its bid for the PDP job with its array of consortium partners. On Monday, MyHSR Corp held a briefing for the prospective bidders for the PDP. Apart from representatives from the IJM-SunCon-Maltimur-Jalinan consortium and the Gamuda-MRCB JV, among others said to be present at the briefing were representatives from MMC Corp Bhd and UEM Group Bhd. UEM and MMC, companies that are part of the PDP handling the Sabah portion of the Pan Borneo Highway, are not expected to put up a strong bid to manage the civil works in the HSR project. Essentially, as the PDP of the civil works portion of the HSR project, the mandate is to ensure that the job is done within cost and on time. When things go wrong, the PDP steps in to ensure the project is completed without hiccups. In return, the PDP gets a fee of 5.5% to 6% of the total project cost. If there are cost savings, they are shared between the Government and the PDP. In the case of the Pan Borneo Highway, all cost savings go back to the Government. As of now, the contest boils down to the IJM-SunCon-Maltimur-Jalinan consortium versus the Gamuda-MRCB JV. Gamuda has the edge being the PDP for MRT one and the ongoing MRT two works. However IJM and SunCon are heavyweights in the construction sector and able to carry out any job required of a PDP. In addition, the IJM-SunCon-Maltimur Resources-Jalinan Rejang consortium has a strong personality in Bustari to steer its bid clear from any political interference. For the first time, the Government has real competition on hand for the PDP of the civil works of the HSR project that is estimated at between RM30bil and RM35bil. A 6% fee comes up to nothing less than RM1.8bil. It is not so much the fee that is at stake here. The competitive bid gives an opportunity for others to show their capabilities as PDP. The winning party will probably be the one that is most comfortable in delivering the project within cost and on time.

(Source: The Star)

The **government has softened its stance on the controversial freeze** on approval for luxury projects with units above RM1 million each, but it still needs to be convinced why the developments should move forward. In an about-turn, Second Finance Minister Datuk Seri Johari Abdul Ghani said property developers can now go ahead with their plans to build offices and malls if they have good justification. "If developers find places short of office spaces or malls, they can approach the relevant minister [with their plans]," Johari told reporters after the topping-up ceremony of the 27-storey Menara Prudential at the Tun Razak Exchange (TRX) here yesterday. However, Johari cautions eager developers to take stock of the existing overhang of office spaces and malls. "Anybody can build an office provided you know how to market it," he said, pointing to IJM Corp Bhd's success in securing Prudential Assurance Malaysia Bhd as the anchor tenant for the new office tower at TRX. On Nov 17, Johari announced that the cabinet had frozen developments of all high-end projects to address the mismatch between supply and demand in the luxury property segment. This followed a Bank Negara Malaysia report revealing a huge amount of serviced apartments, small offices/home offices, retail and office spaces coming on stream in four years. Johari also said TRX is exempted from the freeze as the entire master plan for the development had been approved. "Almost 80% of the TRX development has been taken up," he added. "If offices are built in the right locations, the projects should be given the necessary approvals," IJM Corp chief executive officer and managing director Datuk Soam Heng Choon said. He noted many companies are keen to move into energy-efficient offices such as Menara Prudential — a Grade A, Leadership in Energy and Environmental Design Gold-certified office building. The RM500 million Menara Prudential, built and owned by IJM Corp, has secured tenants for 84% of its lettable 560,000 sq ft to date. It is one of IJM Corp's three projects at the TRX and is slated to be handed over to Prudential in the first quarter of 2019. IJM also holds a design and build contract worth RM392 million for HSBC Malaysia's new headquarters at the TRX, and it had last week secured a RM30 million contract to construct the foundation and substructure of Affin Bank Bhd's new office tower there. Although Affin Bank has yet to call for tenders for the construction of the new office tower, Soam said IJM Corp will submit its bid to be "part of the action" in building the 43-storey superstructure. IJM Corp has an order book of RM2.9 billion year to date, Soam said, adding that it is just RM100 million short of its internal target of RM3billion of job wins for the financial year ending March 31, 2018. On participating in the tender to become the project delivery partner (PDP) for the Kuala Lumpur-Singapore high-speed rail project, Soam said the group expects the result of its pre-bid application to be announced by early 2018. IJM Corp on Monday signed a pre-bid agreement with Sunway Construction Sdn Bhd, Jalinan Rejang Sdn Bhd and Maltimur Resources Sdn Bhd to form a consortium with equal shareholding of 25% each for the application. Although Jalinan Rejang and Maltimur Resources do not have experience in rail infrastructure projects, Soam said they would contribute via their experience as the PDP for the Pan Borneo Highway. Jalinan Rejang and Maltimur Resources are shareholders of Lebuhraya Borneo Utara Sdn Bhd (LBU), appointed the PDP for the 1,090km toll-free stretch of the Sarawak side of the highway. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Sabah Development Bank Berhad (SDB)	Commercial Papers (CP) Programme of up to RM1.5 billion in nominal value (2014/2021) and Medium-Term Notes (MTN) Programme of up to RM1.5 billion in nominal value (2013/2033)	AA1/Stable/P1	Reaffirmed
	CP Programme of up to RM1.0 billion in nominal value (2013/2020) and MTN Programme of up to RM1.0 billion in nominal value (2012/2032)*	AA1/Stable/P1	Reaffirmed
	CP Programme of up to RM3.0 billion (2012/2019) and MTN Programme of up to RM3.0 billion (2011/2036)^	AA1/Stable/P1	Reaffirmed
	RM1.0 billion MTN Programme (2008/2028)	A1(s)/stable	Reaffirmed
Golden Assets International Finance Limited (Golden Assets)	RM5.0 billion Islamic MTN Programme (2012/2027)	AA3/Stable	Assigned
Ranhill Capital Sdn Bhd's (RCSB)	RM300 million bank-guaranteed (Tranche 1)	AAA-IS(BG)	Affirmed
	RM500 million Danajamin-guaranteed (Tranche 2) Sukuk Musharakah facilities	AAA-IS(FG)	Affirmed

Source: RAM Ratings; MARC

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