

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries gained, pushing yields down by less than 2bps across the curve on the back of favorable supply dynamics; led by the 30Y which notched its lowest level seen at 2.80% since 26th Sep. The much-watched 10Y UST was lower by 2bps, closing at 2.32%. The upcoming auction cycle this week consisting of \$24b, \$23b and \$15b for the 3Y, 10Y and 15Y respectively may put some steepening pressure in an otherwise dull data front today and tomorrow.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.62	1
5-yr UST	1.98	-1
10-yr UST	2.32	-2
30-yr UST	2.80	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.51	2	3.54	0
5-yr	3.71	0	3.82	0
7-yr	3.98	1	4.04	0
10-yr	4.00	4	4.15	0
15-yr	4.55	1	4.67	0
20-yr	4.71	4	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	0
7-yr	3.90	0
10-yr	4.03	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

MGS/GII

- Local govies continued to see tame volumes of RM428m with interest mainly on the off-the-run short-ends i.e. MGS 18-20's. Benchmark yields were higher with both the 7Y MGS 9/24 and 10Y MGS 11/27 closing 1-4 bps higher at 3.98% and 4.00% respectively. We project another quiet trading session today in the absence of new leads as market seen to be "offered" at this juncture. On the data front we have the announcement of foreign reserves out today followed by industrial production and finally OPR decision on the 9th Nov.

PDS/Sukuk

- Corporate Bonds interest waned as well with volume halved to RM247m compared to the previous day. Govt-guaranteed papers were untraded with interest mainly in the AA-rated space as BGSM 23-26 chalked RM70m in total closing -2 to +1 bps at 4.75%, 4.84% and 4.89% respectively. The recently issued AA1-rated Danajamin 10/27 closed 2bps lower at 4.78% whereas PLUS papers were traded higher yesterday. We foresee end-investors cautiously scouting for yields in current environment.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	3.026	52	2.999	03/11/2017	3
MGS	03/18	2.900	66	2.951	03/11/2017	-5
MGS	03/19	3.230	31	3.253	02/11/2017	-2
MGS	07/19	3.320	70	3.308	02/11/2017	1
MGS	11/19	3.354	4	3.290	02/11/2017	6
MGS	03/20	3.434	30	3.438	03/11/2017	0
MGS	07/20	3.519	2	3.462	02/11/2017	6
MGS	10/20	3.485	39	3.482	03/11/2017	0
MGS	02/21	3.505	5	3.485	02/11/2017	2
MGS	07/21	3.633	7	3.691	02/11/2017	-6
MGS	09/21	3.727	7	3.687	02/11/2017	4
MGS	11/21	3.740	1	3.713	03/11/2017	3
MGS	03/22	3.705	0	3.705	03/11/2017	0
MGS	08/22	3.834	1	3.822	03/11/2017	1
MGS	09/22	3.840	2	3.794	03/11/2017	5
MGS	07/24	4.068	3	4.025	03/11/2017	4
MGS	09/24	3.978	67	3.975	03/11/2017	0
MGS	09/25	4.165	2	4.165	03/11/2017	0
MGS	04/26	4.200	4	4.196	01/11/2017	0
MGS	11/26	4.174	0	4.167	03/11/2017	1
MGS	03/27	4.218	0	4.291	02/11/2017	-7
MGS	11/27	3.997	3	3.960	03/11/2017	4
MGS	04/33	4.553	2	4.543	03/11/2017	1
MGS	04/37	4.706	12	4.671	01/11/2017	4
MGS	09/43	4.928	4	4.952	02/11/2017	-2
GII	11/17	2.995	11	3.191	02/11/2017	-20
GII	04/20	3.506	2	3.502	03/11/2017	0
			428			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Projek Lebuhraya Usahasama Berhad	01/23	AAA	4.310	10	4.275	08/08/2017	3	61
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.400	10	4.339	19/10/2017	6	54
Aman Sukuk Berhad	02/26	AAA	4.604	5	4.601	26/10/2017	0	60
Aquasar Capital Sdn Berhad	07/28	AAA	4.672	5	4.671	26/10/2017	0	67
Aquasar Capital Sdn Berhad	07/29	AAA	4.750	5	4.751	26/10/2017	0	75
Danjamin Nasional Berhad	10/27	AA1	4.780	30	4.797	23/10/2017	-2	78
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.770	10	4.673	21/06/2017	10	76
Samalaju Industrial Port Sdn Berhad	12/26	AA1	4.860	10	4.799	12/10/2017	6	83
Anih Berhad	11/18	AA	4.050	5	4.084	27/09/2017	-3	99
Anih Berhad	11/24	AA	4.560	5	4.568	26/10/2017	-1	59
Anih Berhad	11/25	AA	4.630	5	4.638	26/10/2017	-1	62
Jimah Energy Ventures Sdn Berhad	11/18	AA3	4.085	2	4.239	08/08/2017	-15	102
Bumitama Agri Ltd	09/19	AA3	4.530	20	4.484	12/10/2017	5	124
BGSM Management Sdn Berhad	12/23	AA3	4.750	10	4.739	01/11/2017	1	89
BGSM Management Sdn Berhad	08/25	AA3	4.840	40	4.817	27/10/2017	2	83
BGSM Management Sdn Berhad	03/26	AA3	4.890	20	4.906	25/10/2017	-2	88
Besraya (M) Sdn Berhad	07/27	AA3	4.803	5	4.804	26/10/2017	0	80
CIMB Group Holdings Berhad	04/60	AA3	4.750	0	4.779	03/11/2017	-3	5
Sports Toto Malaysia Sdn Berhad	07/18	AA-	4.300	15	0.000	00/01/1900	430	124
Malakoff Power Berhad	12/18	AA-	4.190	5	4.320	28/08/2017	-13	113
Southern Power Generation Sdn Berhad	10/27	AA-	5.010	10	0.000	00/01/1900	501	101
Southern Power Generation Sdn Berhad	10/28	AA-	5.050	10	0.000	00/01/1900	505	105
CIMB Group Holdings Berhad	05/16	A1	4.970	1	5.190	03/11/2017	-22	27
Mah Sing Perpetual	-	-	6.450	2	6.682	01/11/2017	-23	-
Alliance Bank	08/17	BBB1	6.170	8	-	-	-	147
				247				

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

Market/Corporate News: What's Brewing

Genting Berhad chairman and chief executive Tan Sri Lim Kok Thay has asserted that he is a major shareholder of the group with direct and indirect stakes totalling 44.38%. In filings with Bursa Malaysia on Monday, Genting said on review of Sections 8(2) and 8(4) of the Companies Act 2016 and based on a legal opinion, Lim has "reasonable grounds" for believing that he has deemed interest in Genting Bhd shares and warrants owned by Kien Huat Realty Sdn Bhd, Inverway Sdn Bhd and Golden Hope Ltd. Accordingly, in addition to his direct equity stake of 1.78%, the 65-year-old also has deemed equity interest of 42.62%, or 1.63 billion shares, in Genting. Lim, who holds directly 17.03 million warrants, is also now said to have deemed interest in 407.6 million warrants. The announcement followed a recent report inferring that Lim may not be a substantial shareholder of the diversified group, whose businesses range from gaming to plantation. The report stated that Lim was not listed as a substantial shareholder in the company's 2016 annual report. Kien Huat Realty Sdn Bhd is the major shareholder of Genting with 39.44% direct equity interest, while Parkview Management Sdn Bhd, as trustee, holds 39.68%. Genting remarked that Parkview Management, as trustee of a discretionary trust, owns 100% of the voting shares of Kien Huat International Ltd, which in turn owns 100% of the voting shares of Kien Huat Realty. Inverway, meanwhile, is a wholly-owned subsidiary of Kien Huat Realty. "As such, PMSB (Parkview Management) as trustee of the discretionary trust is deemed interested in the Genting Bhd shares held by KHR (Kien Huat Realty) and Inverway by virtue of its controlling interest in KHR and Inverway," Genting said, adding that Lim is a beneficiary of the discretionary trust. Genting said Golden Hope Ltd, as trustee of the Golden Hope Unit Trust, is a private unit trust whose voting units are ultimately owned by First Names Trust Co (Isle of Man) Ltd as trustee of a discretionary trust. Lim is also a beneficiary of such discretionary trust, it added. The latest review also extends to the deemed interest of Lim's son Lim Keong Hui, who is Genting Bhd executive director (chairman's office) and chief information officer. While his deemed interest in Genting is exactly the same as his father's, the 32-year-old does not hold direct shares or warrants in Genting. (Source: *The Star*)

Malaysia's second largest pension fund Kumpulan Wang Persaraan (Diperbadankan) (KWAP) expects to invest more into the corporate bond and sukuk market in 2018 following the setting up of the **Bond and Sukuk Information Exchange (BIX) platform**. KWAP chief executive officer Datuk Wan Kamaruzaman Ahmad said the diversification to include corporate bonds would fall under its RM2 billion trading book portfolio. "Our trading book for bonds and sukuk is RM2 billion, and the criterion is that the bonds must be liquid. So the choice is often Malaysian Government Securities (MGS) and Government Investment Issues (GII). "But from next year we will include corporate bonds particularly with BIX because it gives us ease of doing business as all the information is in one place," he said. Wan Kamaruzaman was speaking on the centralised bond and sukuk platform launched by the Securities Commission Malaysia (SC) today, at the Synergistic Collaborations by SC (SCxSC) 2017 digital finance conference 2017. He said previously the information for bond and sukuk was "all over the place". "If you want information on trust deed, you need to go to SC, for primary market especially on currencies you go to Bank Negara Malaysia, for last traded price to Bursa Malaysia and credit ratings to credit ratings agency websites," he said. Parallel to the platform, SC would liberalise the rules to enable greater retail access in the corporate bond and sukuk market that has reached RM1.3 trillion in size, making it the third largest market in Asia and largest sukuk market in the world, by the first quarter of next year. It includes the review of the primary market issuance processes and disclosure requirements and expanding the range of corporate bonds and sukuks offered to retail investors. The secondary market would also be reviewed to enable the introduction of a 'seasoning framework' to facilitate retail access to existing corporate bonds and sukuk that are currently traded in the wholesale market. SC chairman Tan Sri Ranjit Ajit Singh said the platform is the first of its kind to consolidate bond and sukuk price and credit information combined with an advanced search function and other useful tools to help investors make effective investment decisions. BIX chairman Datuk Lee Kok Kwan, who is also CIMB Group director, said the liberalised rules for retail investor participation was timely because savings rate in Malaysia is high, where demand far outstrips supply. "Typically, the bond market is inaccessible to retail

investors anywhere in the world and for a country like Malaysia where savings rate is high, it is imperative that the asset classes are widened beyond property and equity," he added. Lee noted that the fixed income market is the largest asset class in the world at US\$110 trillion compared to the equity market at US\$80 trillion. "In Malaysia, there has to be education and awareness to retail investors. To give an example — take the Danainfra Nasional Bhd bond issued few years ago to build the mass rapid transit. It is 30 years with a 5.25% yield. Look at the absolute returns. "The retail investor buys into the bond, and assuming the coupon can be reinvested at 8%, the total return could be 261% plus 100% of the principle that is guaranteed by the issuer, therefore the government. "So if the investor puts in RM100,000 today, in 30 years, the person can get RM381,000 back. There are not many asset classes where the principle is 100% guaranteed by issuers at perpetuity. "That is why fixed income investment is very good for medium to long term financial planning due to good investment yield," he said. According to SC executive director Kamarudin Hashim, a two-part review — primary market issuance, and seasoning framework, would be made to liberalise the rules to encourage retail investment. The primary market issuance requires further refinement in terms of the issuance process, and disclosure requirement relating to prospectus for the bond market would be slightly less onerous. "It would take into account the feature of the market itself to show bonds are fairly safe and to ensure sufficient economies of scale for issuers via the primary market," he said. (Source: *TheEdge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad	USD500 million Multi-Currency Sukuk Wakalah Bi Al-Istithmar Programme	AAA(bg)/Stable	Reaffirmed
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad	Financial Institution rating	AA1/Stable/P1	Reaffirmed
Prime Glory Capital Limited, a funding conduit of Sinarmas Land Limited (SML)	Proposed RM2.0 billion 20-year Sukuk Musharakah Programme	AA3(s)/stable	Assigned

Source: RAM Ratings; MARC

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