

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries was range-bound, ending -2 to +1bps across the yield curve with the long-end showing demand as the 5s30s spread reaches an eye-catching low of 78bps. As the curve continues to flatten; we saw the \$24b 3Y auction closing at 1.75% a new-high since April 2010. The 10Y UST closed unchanged at 2.32% 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 other auctions for this week include the \$23b of 10Y and \$15b of 15Y papers. We foresee support ahead of a potential delay on Trump's Tax Plan as the data front generally reflects only peripheral data aside from Initial Jobless Claims out tomorrow.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.63	1
5-yr UST	1.99	1
10-yr UST	2.32	0
30-yr UST	2.78	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.51	0	3.49	-2
5-yr	3.72	1	3.82	0
7-yr	3.96	-2	4.04	0
10-yr	3.98	-1	4.15	0
15-yr	4.59	3	4.67	0
20-yr	4.68	-2	4.79	0
30-yr	4.97	-1	4.85	0

* Market indicative levels

M Y R IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.52	0
3-yr	3.65	0
5-yr	3.78	0
7-yr	3.89	0
10-yr	4.02	-1

Source: Bloomberg

Upcoming Government Bond Tenders

Expected announcement of 10Y GII 7/27 auction this week

MGS/GII

- Volume spiked as offshore real money seen dabbling on the short ends with the 18's closing at 2.92-2.98% levels. Total volume was RM2.13b as overall yields were slightly lower. Benchmark yields were mostly unchanged with both the 7Y MGS 9/24 and 10Y MGS 11/27 closing at 3.96% and 3.98% respectively. We anticipate another quiet trading session today as market digests the latest foreign shareholdings of Malaysian bonds which saw net outflows of about RM3.5b for MGS whilst GII's to 30Y saw a net inflow of RM1.3b. On the data front we have industrial production and OPR decision tomorrow.

PDS/Sukuk

- Corporate Bonds interest was supported with total volume improved to RM492m compared to the previous day. Interest continued to be skewed within the AA-rated space with names like BGSM 12/23, Sports Toto 7/18, Malakoff 12/19 closing 0-2bps lower at 4.74%, 4.30% and 4.38% respectively. However Gamuda 10/18 closed 3bps higher at 4.15% as news on construction and funding requirements for MRT3 filtered through taking a slight toll on its share price as well. We expect selective interests to continue on AAA and AA-rated papers as market awaits the proposed issuance of RM2.5b of Danainfra papers ranging from 7Y to 30Y.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.932	136	3.026	06/11/2017	-9
MGS	03/18	2.916	435	2.900	06/11/2017	2
MGS	09/18	2.977	52	3.038	03/11/2017	-6
MGS	03/19	3.274	40	3.231	06/11/2017	4
MGS	11/19	3.315	26	3.374	03/11/2017	-6
MGS	07/20	3.453	140	3.520	06/11/2017	-7
MGS	10/20	3.440	167	3.460	06/11/2017	-2
MGS	07/21	3.696	48	3.691	02/11/2017	1
MGS	09/21	3.714	120	3.728	03/11/2017	-1
MGS	03/22	3.717	85	3.705	03/11/2017	1
MGS	08/22	3.827	87	3.834	06/11/2017	-1
MGS	09/22	3.824	129	3.794	03/11/2017	3
MGS	03/23	3.918	33	3.939	03/11/2017	-2
MGS	08/23	3.940	10	3.955	02/11/2017	-2
MGS	07/24	4.025	25	4.068	06/11/2017	-4
MGS	09/24	3.958	50	3.980	06/11/2017	-2
MGS	09/25	4.161	21	4.165	03/11/2017	0
MGS	11/26	4.167	10	4.174	06/11/2017	-1
MGS	03/27	4.258	10	4.218	06/11/2017	4
MGS	05/27	4.255	0	4.272	01/11/2017	-2
MGS	11/27	3.985	10	3.997	06/11/2017	-1
MGS	04/30	4.487	17	4.435	02/11/2017	5
MGS	06/31	4.550	81	4.550	02/11/2017	0
MGS	04/33	4.587	0	4.543	03/11/2017	4
MGS	04/37	4.683	5	4.706	06/11/2017	-2
MGS	09/43	4.907	21	4.952	02/11/2017	-4
MGS	03/46	4.967	23	4.981	03/11/2017	-1
GII	05/18	3.055	103	3.100	02/11/2017	-4
GII	04/20	3.489	140	3.506	06/11/2017	-2
GII	03/21	3.636	4	3.731	31/10/2017	-9
GII	04/21	3.751	20	3.737	02/11/2017	1
GII	04/21	3.751	20	3.737	02/11/2017	1
GII	04/22	3.824	20	3.819	02/11/2017	0
GII	07/23	4.050	30	4.060	03/11/2017	-1
GII	08/24	4.044	10	4.044	02/11/2017	0
GII	09/26	4.315	1	4.260	01/11/2017	6
			<u>2130</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*
Johor Corporation	06/19	GG	3.770	2	4.007	10/01/2017	-24	48
Pengurusan Air SPV Berhad	06/19	GG	3.726	2	3.905	14/03/2017	-18	43
Pengurusan Air SPV Berhad	02/21	GG	3.958	3	4.018	24/08/2017	-6	48
Telekom Malaysia Berhad	09/21	AAA	4.131	10	4.220	22/03/2017	-9	52
Cagamas Berhad	07/24	AAA	5.518	15	4.351	25/10/2017	117	155
Genting Capital Berhad	06/22	AAA	4.645	10	4.639	30/10/2017	1	92
Rantau Abang Capital Berhad	10/22	AAA	4.210	40	4.137	19/09/2017	7	49
Manjung Island Energy Berhad	11/31	AAA	4.960	3	4.510	24/08/2016	45	42
Kapar Energy Ventures Sdn Berhad	07/19	AA+	4.197	10	4.149	01/11/2017	5	90
Westports Malaysia Sdn Berhad	10/25	AA+	4.613	5	4.615	27/10/2017	0	61
YTL Corporation Berhad	04/23	AA1	4.627	10	4.581	17/08/2017	5	90
Malayan Banking Berhad	01/24	AA1	4.800	9	4.648	03/11/2017	15	94
Public Islamic Bank Berhad	06/24	AA1	4.273	20	4.291	30/10/2017	-2	30
CIMB Bank Berhad	08/26	AA+	4.830	4	4.692	12/09/2017	14	80
UMW Holdings Berhad	10/19	AA2	4.413	10	4.414	02/10/2017	0	112
AmBank Islamic Berhad (fka Amlslamic Bank Berl	03/20	AA2	4.338	4	4.310	17/10/2017	3	105
BGSM Management Sdn Berhad	12/17	AA3	3.937	10	4.019	19/09/2017	-8	87
Perbadanan Kemajuan Negeri Selangor	05/18	AA3	4.250	1	4.182	10/10/2017	7	118
Gamuda Berhad	10/18	AA3	4.149	30	4.120	31/10/2017	3	108
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.342	10	4.238	28/09/2017	10	128
BGSM Management Sdn Berhad	12/19	AA3	4.390	10	4.368	26/10/2017	2	110
Gamuda Berhad	03/20	AA3	4.308	2	4.375	24/05/2017	-7	102
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.306	10	4.296	11/09/2017	1	83
BGSM Management Sdn Berhad	12/23	AA3	4.737	30	4.748	06/11/2017	-1	88
CIMB Thai Bank Public Company Limited	07/24	AA3	4.835	3	4.596	10/10/2017	24	87
RHB Bank Berhad	05/25	AA3	4.669	4	4.675	07/09/2017	-1	66
Sports Toto Malaysia Sdn Berhad	07/18	AA-	4.298	40	4.298	06/11/2017	0	123
Bandar Serai Development Sdn Berhad (fka Tema	10/20	AA3	4.405	20	4.379	17/10/2017	3	93
Malakoff Power Berhad	12/19	AA-	4.379	20	4.399	25/10/2017	-2	109
Northport (Malaysia) Berhad	12/24	AA-	5.020	15	5.024	27/10/2017	0	105
MMC Corporation Berhad	11/25	AA-	5.286	5	5.288	31/10/2017	0	128
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/25	AA-	4.691	5	4.692	27/10/2017	0	69
Affin Bank Berhad	02/27	A1	4.878	10	4.882	03/11/2017	0	84
CIMB Group Holdings Berhad	05/16	A1	5.214	60	4.971	06/11/2017	24	51
Alliance Bank Berhad	08/22	BBB1	5.950	50	6.170	06/11/2017	-22	223
				<u>492</u>				

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

Market/Corporate News: What's Brewing

The rising demand for crude oil that can more easily produce transportation fuels when refined has some Australian and Malaysian producers boasting cargoes valued at close to \$70 a barrel, a hefty premium to global benchmarks. Malaysia's state oil company Petronas sold last week a December-loading Miri Light cargo at a premium of about \$4.50 a barrel to dated Brent, equivalent to about \$69 at the latest prices, according to multiple traders that participate in the Asian regional crude market. Australian Barrow Island and Cooper Basin crudes are now close to \$70 a barrel currently, based on premiums for grades of about \$1.50 a barrel to Malaysian benchmark grade Kimanis, said the traders. Kimanis itself is priced at a premium of about \$4.40 a barrel to dated Brent, which was assessed at \$64.07 a barrel on Monday by price reporting agency S&P Global Platts. "Prices of domestic Australian grades are even higher than MCO (Malaysian Crude Oil)," an Asian trader said. "That would make them the most expensive crudes in the world." Demand for these grades is rising because of the short distances to Asian refineries, which prize the crude for their low sulphur content and higher yields of more valuable oil products such as diesel, the traders said. Demand for short-haul grades has increased after the Brent oil market structure <LCOc1-LCOc2> flipped into backwardation, when prompt prices are more than later prices. That means the value of the crude drops over the course of the voyage. The refiners are willing to pay up for the Australian and Malaysian crudes rather than incur the additional time and cost of shipping Brent supplies from the North Sea, the traders said. Typically, Asia-Pacific grades are sold to refineries in Southeast Asia and Australia or New Zealand that have a preference for low-sulphur oil. Values for these grades have risen because of their scarcity. Petronas and its partners Royal Dutch Shell, ConocoPhillips, Murphy Oil Corp, Pertamina sell about 6 million barrels of Kimanis each month. But volumes for other Malaysian

grades such as Kikeh and Labuan have fallen as output declines at the mature fields. Australia's crude and condensate production has been below 300,000 barrels per day (bpd) since September 2016, data from the country's Department of the Environment and Energy showed. In August it was 279,000 bpd. Santos Ltd produces about 30,000 bpd of Cooper Basin crude in southern Australia, according to its website. Santos and its partners, Chevron Corp and Mobil Australia Resources Co, a unit of Exxon Mobil Corp, produces 5,000 bpd of Barrow Island in western Australia, according to Santos. (Source: *The Star*)

Gas Malaysia Bhd and Sime Darby Bhd are partnering to set up a joint-venture (JV) company to provide electricity, steam, chilled water, hot water, hot air and/or any other utilities to customers. The partnership would diversify Gas Malaysia's business from gas distribution to the energy business in the future, Gas Malaysia said in a Bursa Malaysia filing yesterday. Gas Malaysia said the provision of services under the JV would be through a combined heat and power (CHP) system to industries in Malaysia. "The JV is in line with the group's overall strategy of maintaining its key position to be an innovative value-added energy solution provider," it added. Gas Malaysia said the JV is formed between its wholly-owned subsidiary Gas Malaysia Venture 1 Sdn Bhd (GMV1) and Sime Darby's indirect wholly-owned unit Sime Darby Offshore Engineering Sdn Bhd on a 70:30 ratio respectively. The JV is also expected to design, build, install, commission and operate the CHP on each customer's premises. GMV1 will fund its investment in the JV through a combination of internal funds and (Source: *TheEdge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Export-Import Bank of Malaysia Berhad (EXIM)	USD1 billion Multi-currency Sukuk Programme	gA2(s)/Stable (global-scale)	Reaffirmed

Source: RAM Ratings; MARC

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