

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.80	0
5-yr UST	2.14	1
10-yr UST	2.36	2
30-yr UST	2.76	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	-2	3.46	-1
5-yr	3.64	4	3.89	1
7-yr	3.92	7	4.07	1
10-yr	3.95	1	4.28	2
15-yr	4.43	-1	4.67	1
20-yr	4.60	1	4.79	0
30-yr	4.89	0	4.98	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.74	0
5-yr	3.82	0
7-yr	3.93	0
10-yr	4.05	0

Source: Bloomberg

#### Upcoming Government Bond Tenders

Nil

#### US Treasuries

- US Treasuries bear steepened with yields 0-3bps higher as the long-end succumbed to Trump's proposed infrastructure plan to upgrade roads, airports and bridges. Both the 2s10s and 5s30s spreads widened about 2-3 bps with the much-watched 10Y edging higher to close at 2.36%. Latest consensus reveals December rate hike almost a done-deal with another huge potential rate hike in March 2018. On the data front we have the unemployment rate and NFP figures for November. We expect attention to focus on details by Treasury with regards to the suspension of debt limit which ends this Friday.

#### MGS/GII

- Volume for local govies was lower at RM1.18b; with attention focused on off-the-run 18's and GII's. Overall yields were mixed-to-higher by -1 to 7bps across the curve with benchmark 7Y MGS 9/24 and MGS 11/27 closing 3.92% and 3.95% respectively. Interest in GII bonds was seen across all tenures with the 15Y printing RM110m closing at 4.67%; resulting in a spread of 24bps versus the equivalent MGS. We expect a cautious stance going into the weekend with very little on the data front.

#### PDS/Sukuk

- Transactions in Corporate bonds remained high at RM595m with trades seen across the curve. Govt-Guaranteed papers were beneficiary of trades as DANAINFRA 24's and 7/29 closed unchanged at 4.27% levels and 4.60% on healthy volumes of RM70m. Investors rekindled interest in CAGAMAS 20-24 whereas the AA-rated YTL Power 5/27 closed 3bps higher at 4.90%. We expect more interest in the secondary space for Corporate Bonds on yield-carry requirements.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.687	31	3.005	05/12/2017	-32
MGS	03/18	2.689	212	3.049	06/12/2017	-36
MGS	09/18	2.936	25	2.778	06/12/2017	16
MGS	03/19	2.893	12	2.915	05/12/2017	-2
MGS	10/19	3.158	2	3.160	05/12/2017	0
MGS	11/19	3.145	57	3.136	04/12/2017	1
MGS	03/20	3.331	100	3.296	06/12/2017	4
MGS	07/20	3.307	0	3.340	05/12/2017	-3
MGS	10/20	3.324	5	3.324	06/12/2017	0
MGS	02/21	3.423	20	3.440	06/12/2017	-2
MGS	07/21	3.475	1	3.460	06/12/2017	2
MGS	09/21	3.622	39	3.595	06/12/2017	3
MGS	11/21	3.571	23	3.606	06/12/2017	-3
MGS	03/22	3.637	92	3.600	06/12/2017	4
MGS	09/22	3.783	72	3.794	05/12/2017	-1
MGS	03/23	3.765	49	3.785	06/12/2017	-2
MGS	08/23	3.766	30	3.829	06/12/2017	-6
MGS	07/24	3.972	5	3.972	06/12/2017	0
MGS	09/24	3.915	4	3.923	06/12/2017	-1
MGS	09/25	4.060	1	4.045	06/12/2017	1
MGS	11/26	4.108	2	4.068	06/12/2017	4
MGS	11/27	3.948	18	3.939	06/12/2017	1
MGS	04/30	4.501	1	4.466	06/12/2017	4
MGS	04/33	4.427	30	4.394	06/12/2017	3
MGS	05/35	4.564	4	4.602	06/12/2017	-4
MGS	04/37	4.598	1	4.585	04/12/2017	1
GII	04/19	3.237	17	3.261	05/12/2017	-2
GII	04/22	3.891	50	3.884	06/12/2017	1
GII	07/23	4.036	20	4.010	04/12/2017	3
GII	10/23	3.996	60	3.965	12/09/2017	3
GII	05/24	4.149	10	4.128	25/10/2017	2
GII	07/27	4.282	60	4.264	06/12/2017	2
GII	09/30	4.674	20	4.620	04/12/2017	5
GII	08/33	4.670	110	4.655	05/12/2017	1
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## 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	02/19	GG	3.639	10	3.647	06/10/2017	-1	81
Pengurusan Air SPV Berhad	06/20	GG	3.899	20	3.956	21/08/2017	-6	47
DanaInfra Nasional Berhad	03/24	GG	4.274	40	4.271	05/10/2017	0	46
DanaInfra Nasional Berhad	05/24	GG	4.272	10	4.269	29/08/2017	0	46
DanaInfra Nasional Berhad	07/29	GG	4.600	20	4.600	24/05/2017	0	63
Manjung Island Energy Berhad	11/18	AAA	3.911	20	3.870	02/11/2017	4	109
Cagamas Berhad	10/20	AAA	4.071	10	4.030	05/12/2017	4	64
Cagamas Berhad	11/22	AAA	4.229	10	4.230	01/11/2017	0	63
Cagamas Berhad	07/24	AAA	4.948	30	5.518	07/11/2017	-57	103
Suria KLCC Sdn Berhad	12/24	AAA	4.448	20	4.389	02/08/2017	6	53
CIMB Bank Berhad	05/27	AAA	4.696	10	-	-	-	-
Sarawak Hidro Sdn Berhad	08/27	AAA	4.678	1	4.687	25/07/2017	-1	71
Sabah Development Bank Berhad	08/19	AA1	4.770	5	4.800	01/08/2017	-3	160
Sabah Development Bank Berhad	08/19	AA1	4.770	10	4.599	28/09/2016	17	160
Malaysia Building Society Berhad	12/19	AA1	4.519	10	4.659	26/03/2015	-14	134
Malaysia Building Society Berhad	12/20	AA1	4.647	2	4.672	07/06/2017	-2	122
Sabah Development Bank Berhad	05/22	AA1	5.222	10	5.225	05/12/2017	0	169
Malaysia Building Society Berhad	12/22	AA1	4.848	4	4.850	30/11/2017	0	125
YTL Corporation Berhad	04/23	AA1	4.583	7	4.582	24/11/2017	0	98
Public Bank Berhad	09/23	AA1	4.245	21	4.320	30/11/2017	-8	44
Malayan Banking Berhad	01/24	AA1	4.770	15	4.776	05/12/2017	-1	96
YTL Power International Berhad	05/27	AA1	4.901	120	4.875	06/12/2017	3	91
TRIplic Medical Sdn Berhad	10/31	AA1	5.158	1	5.161	24/11/2017	0	74
CIMB Bank Berhad	10/23	AA+	4.229	10	4.686	14/12/2016	-46	42
UMW Holdings Berhad	10/23	AA2	4.739	10	4.745	23/11/2017	-1	93
Malayan Banking Berhad	09/68	AA2	4.541	12	4.501	05/12/2017	4	-7
Tanjung Bin Energy Issuer Berhad	09/19	AA3	4.319	10	4.345	15/02/2017	-3	114
IJM Corporation Berhad	06/22	AA3	4.489	4	4.491	30/11/2017	0	89
AmBank (M) Berhad	12/23	AA3	4.530	10	4.488	05/12/2017	4	72
RHB Bank Berhad	07/24	AA3	4.608	10	4.553	29/11/2017	5	69
RHB Investment Bank Berhad	04/25	AA3	4.742	7	4.749	15/11/2017	-1	82
Special Power Vehicle Berhad	05/20	A1	4.795	1	4.823	23/11/2017	-3	162
Affin Bank Berhad	02/27	A1	4.844	20	4.854	24/11/2017	-1	85
AMMB Holdings Berhad	03/27	A1	4.846	20	4.854	06/12/2017	-1	86
Hong Leong Financial Group Berhad	11/17	A1	4.884	1	4.884	06/12/2017	0	27
Sime Darby Plantation Sdn Bhd	03/16	AA	4.877	2	4.845	05/09/2017	3	26
MMC Corporation Berhad	11/20	AA-	4.909	15	4.908	28/11/2017	0	148
Malakoff Power Berhad	12/21	AA-	4.551	3	4.551	30/11/2017	0	102
TSH Sukuk Ijarah Sdn Berhad	03/22	AA-	4.905	20	4.910	22/11/2017	0	138
MMC Corporation Berhad	04/23	AA-	5.057	4	5.039	28/09/2017	2	146
MMC Corporation Berhad	11/27	AA-	5.357	10	5.355	06/12/2017	0	139
CIMB Islamic Bank Berhad	09/24	AA+	4.383	20	5.150	16/11/2017	-77	46
				<u>595</u>				

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

## Market/Corporate News: What's Brewing

**Permodalan Nasional Bhd (PNB)** has disposed off its 100% interest in Santos Place in Brisbane, Australia for A\$370mil to Singapore's sovereign wealth fund GIC. The property was acquired by listed funds management giant Charter Hall on behalf of Singaporean government sovereign wealth fund GIC. The six-star Green Star, Premium A-Grade 37-storey building at 32 Turbot Street – known as Santos Place – was acquired by PNB in 2010 for A\$290mil from the developer Nielson Properties. It was the fund PNB's first offshore property investment. The sales was reportedly be handled by commercial real estate company Colliers International. According to a report by Australian Financial Review in September, PNB had appointed Colliers International agents Tom Barr, Jason Lynch and John Marasco to market the asset exclusively. In a LinkedIn post, Barr, who is a member of the Colliers International Capital Markets team, said: "Congratulations to our valued client Malaysian government owned corporation PNB on the sale of a 100% interest in Santos Place, a new generation prime-grade office building at 32 Turbot Street Brisbane, for A\$370mil." He added that the sale represented the first highly competitive on-market test for Brisbane CBD prime-grade pricing benchmarks since the sale of Waterfront Place in 2015, and achieved the highest price of any single office asset to have traded in Brisbane over the last 2 years. "The purchaser was introduced and sale negotiated by the exclusive marketing agents Jason Lynch and myself Tom Barr of Colliers International," Barr said. (Source: The Star)

**Moody affirms Malaysia's A3 rating, stable outlook.** The outlook for Malaysia's local and foreign currency issuer and senior unsecured bond ratings is stable, according to Moody's Investors Service. In a statement today, Moody's said the stable outlook and A3 rating were affirmed based on expectations of a high but stable government debt burden, the relatively high exposure of the economy and financial system to a tightening in availability and cost of external financing, as well as Malaysia's healthy and resilient growth prospects. "At 50.9% of GDP as of June 2017, Malaysia's general government debt is significantly higher than the A-rated peer median (40.5% of GDP at end-2016). While we expect the debt ratio to remain stable in the next few years, it is also likely to stay above the median for A-rated sovereigns," read the statement. Moody's expects fiscal deficits to narrow slightly further to 2.8% in GDP in 2018, in line with the budget projections. It, however, noted that a balanced budget is not expected to be achieved by the government's original target of 2020. It also views Malaysia's debt affordability to be weak relative to peers, with interest payments accounting for 12.5% of revenues in 2016, much higher than the A-rated median of 5.6%, due to the continued trend of declining revenues as a proportion of GDP. Meanwhile, Moody's forecasts ratio of annual external liabilities due to reserves at 139.7% for 2018 and does not expect it to change significantly in the next few years. It noted that the active non-resident investor presence in Malaysia's financial markets has made it vulnerable to sudden swings in capital flows. Foreign currency reserves have climbed steadily from a recent trough, but remain lower than economy-wide cross-border debt due over the next year. "However, once currently maturing medium- and long-term debt is added, the ratio of annual external liabilities due to reserves — as measured by our external vulnerability indicator (EVI) — has been significantly above the 100% threshold for many years," Moody's said. On growth prospects, Moody's foresees Malaysia's GDP growth to average 5.1%, surpassed only by China and Ireland, and on par with Malta. It said that Malaysia's economy showed shock absorption capacity and resilience in the decline of commodity and oil prices, and a tumultuous political climate. Moody's highlighted material domestic imbalances as a risk to growth and the financial system. Household debt has moderated to 84.6% of GDP at the end of September 2017, down from 88.3% of GDP as of end 2016 but is still among the highest in the region. "Such debt could slow growth in the medium term if it constrains households' capacity and willingness to spend. It could also amplify the negative effects of a shock to the economy," it explained. However, Moody's said given the relatively well-diversified nature of the economy and its ability to withstand shocks in the past, growth performance can be expected to remain robust relative to similarly-rated peers, which is a key factor underpinning the stability of the debt burden. ( Source: The Edge )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Genting Plantations Berhad	RM1.5 billion Sukuk Murabahah Programme (2015/2030) issued by the Group's wholly owned funding conduit, Benih Restu Berhad	AA2(s)/Stable	Reaffirmed
Cendana Sejati Sdn Bhd's	RM360 million Senior Sukuk Murabahah MTN Programme (2015/2025)	from AA1 to BB2	Downgraded

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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@hbb.hongleong.com.my](mailto:HLMarkets@hbb.hongleong.com.my)**DISCLAIMER**

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