

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.51	2
5-yr UST	1.96	1
10-yr UST	2.36	1
30-yr UST	2.89	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	-1	3.51	-1
5-yr	3.59	1	3.76	1
7-yr	3.89	0	4.02	1
10-yr	3.90	0	4.12	-1
15-yr	4.36	0	4.61	0
20-yr	4.53	0	4.74	5
30-yr	4.78	-3		

*Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.62	0
5-yr	3.74	-2
7-yr	3.84	-1
10-yr	3.96	-2

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

- US Treasury yields narrowed gains to close only 1-2bps higher across the curve, as renewed geopolitical threats from news on North Korea missile-firing prompted renewed flight to safety. The decline in nonfarm payroll data, its first in seven years, did little to derail market expectations for a third rate hike this year. 10Y UST yields closed a bp higher at 2.36% while the 2s inched 2bps higher to 1.51%. Markets will be looking for more clues of the Fed policy path from this week's FOMC minutes, due Thursday.

MGS/GII

- Trading in local govovies saw sustained interests with RM2.1bn dealt. The shorter tenor papers continued to be heavily traded, led by MGS 10/17 which saw RM351m done at 6bps wider at 3.06%. MGS 9/18 and MGS 11/19 also saw a combined RM501m changed hands at 3.12% and 3.32% respectively. Benchmark 10Y were last dealt flat at 3.90% with RM218m done. GII meanwhile saw RM443m transacted with interests rather well-spread across the curve. Despite lingering prospects of Fed rate hike, we expect local govovies yields to remain supported overall by onshore real money investors.
- In its latest release, foreign holdings of total debt securities snapped a three straight month of decline and increased RM9.3bn to RM200.1bn in September. Foreign holdings rose across the board, led by a RM5.8bn increase in MGS to RM156.7bn (its 2nd straight month of increase), and a RM2.1bn increase in GII to RM18.5bn, representing higher shares of 42.8% and 7.0% of total outstanding MGS and GII respectively in September.

PDS/Sukuk

- Mirroring interests in the local govovies space, trading in MYR corporate bonds continued to see RM462m changed hands, though moderating slightly from RM503m the preceding day. The GG sector saw renewed interests, with RM285m combined trades. Khazanah '8/23 alone saw RM200m dealt, at 4.26%. There were also aplenty interests in the AAA-AA space, with papers like YTLP '8/18 and SCC '12/21 attracted RM40m transactions each.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	3.059	351	3.002	05/10/2017	6
MGS 02/18	3.056	20	3.056	06/10/2017	0
MGS 03/18	3.056	60	3.056	06/10/2017	0
MGS 09/18	3.123	258	3.135	06/10/2017	-1
MGS 03/19	3.180	5	3.180	06/10/2017	0
MGS 10/19	3.293	75	3.283	06/10/2017	1
MGS 11/19	3.317	243	3.320	06/10/2017	0
MGS 03/20	3.394	40	3.394	06/10/2017	0
MGS 02/21	3.380	10	3.389	05/10/2017	-1
MGS 07/21	3.549	35	3.549	06/10/2017	0
MGS 09/21	3.558	3	3.572	06/10/2017	-1
MGS 03/22	3.585	18	3.573	05/10/2017	1
MGS 08/22	3.720	70	3.720	06/10/2017	0
MGS 09/22	3.684	17	3.673	06/10/2017	1
MGS 03/23	3.788	42	3.788	06/10/2017	0
MGS 08/23	3.828	9	3.861	06/10/2017	-3
MGS 07/24	3.900	1	3.900	06/10/2017	0
MGS 09/24	3.894	128	3.894	06/10/2017	0
MGS 09/25	3.996	4	3.996	06/10/2017	0
MGS 11/26	3.952	12	3.952	06/10/2017	0
MGS 03/27	4.146	36	4.146	06/10/2017	0
MGS 11/27	3.899	218	3.899	06/10/2017	0
MGS 06/31	4.398	16	4.379	06/10/2017	2
MGS 09/43	4.833	0	4.833	06/10/2017	0
MGS 03/46	4.776	33	4.776	06/10/2017	0
GII 05/18	3.000	30	3.000	06/10/2017	0
GII 09/19	3.418	120	3.418	06/10/2017	0
GII 04/20	3.490	20	3.490	06/10/2017	0
GII 05/20	3.543	50	3.543	06/10/2017	0
GII 08/20	3.581	70	3.581	06/10/2017	0
GII 09/26	4.205	103	4.205	06/10/2017	0
GII 09/30	4.501	10	4.501	06/10/2017	0
GII 08/33	4.631	40	4.631	06/10/2017	0
		<u>2147</u>			

Daily Trades: PDS / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**	
Pengurusan Air SPV Berhad	02/19	GG	3.647	5	3.647	06/10/2017	0	14.7
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	4.046	20	4.046	06/10/2017	0	36.85
Khazanah Nasional Berhad	08/23	GG	4.263	200	4.263	06/10/2017	0	46.3
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.277	30	4.277	06/10/2017	0	47.7
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/24	GG	4.319	20	4.319	06/10/2017	0	47.4
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.257	10	4.257	06/10/2017	0	-
Cagamas Berhad	10/18	AAA	3.588	5	3.588	06/10/2017	0	8.8
Al Dzhahab Assets Berhad	06/19	AAA	4.452	3	4.452	06/10/2017	0	89.2
GB Services Berhad	11/19	AAA	4.301	10	4.301	06/10/2017	0	74.1
Aman Sukuk Berhad	05/24	AAA	4.478	20	4.478	06/10/2017	0	63.3
Sepangar Bay Power Corporation Sdn Berhad	07/18	AA1	3.941	5	3.941	06/10/2017	0	44.1
YTL Power International Berhad	08/18	AA1	4.144	40	4.104	28/09/2017	4	64.4
Malayan Banking Berhad	01/19	AA1	4.153	0	4.153	06/10/2017	0	65.3
Maybank Islamic Berhad	04/19	AA1	4.588	1	4.588	06/10/2017	0	108.8
Sabah Credit Corporation	12/21	AA1	4.613	40	4.613	06/10/2017	0	93.55
YTL Power International Berhad	03/27	AA1	4.750	1	4.750	05/10/2017	0	77
Tanjung Bin Power Sdn Berhad	08/24	AA2	4.580	10	4.580	06/10/2017	0	73.5
BGSM Management Sdn Berhad	12/19	AA3	4.405	5	4.405	06/10/2017	0	84.5
IJM Corporation Berhad	04/21	AA3	4.370	5	4.395	05/10/2017	-2	69.25
CIMB Thai Bank Public Company Limited	07/21	AA3	5.128	10	4.831	15/08/2017	30	145.05
MMC Corporation Berhad	11/20	AA-	4.863	5	4.863	06/10/2017	0	123.85
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/22	AA-	4.678	10	4.678	06/10/2017	0	100.05
CIMB Group Holdings Berhad	05/21	A1	4.822	1	4.822	06/10/2017	0	114.45
Affin Bank Berhad	02/27	A1	5.260	1	5.260	06/10/2017	0	128
Mah Sing Group Berhad	02/17	-	6.680	1	-	-	-	250
Mah Sing Group Berhad	03/15	-	6.474	4	-	-	-	-
			<u>462</u>					

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

Market/Corporate News: What's Brewing

AIA Group Ltd, one of the leading pan-Asian life insurance groups, dispelled speculation that the company is reducing its stake in its operation in Malaysia. The leading insurer said it is not in discussion to reduce its stake in AIA Malaysia. "There is no conversation. That's all I can say. Obviously, we are very careful with any confidential conversation, not only in Malaysia but others as well. But in this case (on AIA Malaysia), there is no conversation. Anywhere we operate in, we want to own as much as we can," AIA Group chief executive and president Ng Keng Hooi told *StarBiz*. Ng said this when talking to individual foreign journalists at a two-day AIA media day here. The move to cap the shareholding of foreign insurers operating in Malaysia to 70% came about following a report that Bank Negara wanted insurers to have at least 30% of their stakes sold to local institutions. AIA Group has a 100% stake in AIA Malaysia and operates in 18 markets in the Asia-Pacific. In June, Bank Negara was reported to have sent letters requesting foreign insurers with wholly-owned operations in the country to cap their foreign requirement ownership to 70% by June next year in a bid to increase local participation in the sector. Various reports have indicated that potential buyers of stakes from foreign insurers would be local institutional funds such as the Employees Provident Fund, Permodalan Nasional Bhd and Retirement Fund Inc (KWAP). On the broad initiatives to boost its presence in the region, Ng said digital and technology are important enablers and it would continue to invest in such tools to improve the group's operations. "Our aspiration is to make ourselves fully automated. If you go to China today, you can make payment using your smart phones via WeChat. So, our big focus will be digital and automation," he said. (Source: The Star Online)

OPEC and other oil producers may need to take "some extraordinary measures" next year to rebalance the oil market, the OPEC secretary-general said on Sunday. "There is a growing consensus that ... a rebalancing process is under way. We are gradually but steadily achieving our common and noble objectives," Mohammad Barkindo told reporters at the India Energy Forum organized by CERAWEEK in New Delhi. "To sustain this into next year, some extraordinary measures may have to be taken in order to restore this stability on a sustainable basis going forward," he said, without elaborating. Saudi Arabia and Russia helped secure a deal between the Organization of the Petroleum Exporting Countries and 10 rival producers to cut output by about 1.8 million barrels per day (bpd) until the end of March 2018 in an effort to reduce a glut. Barkindo said consultations were under way for the extension of the OPEC-led pact beyond March 2018 and that more oil producing nations may join the supply pact, possibly at the next meeting of OPEC in Vienna on Nov. 30. He also said that Nigeria and Libya, who are exempted from the pact, "are making progress towards full recovery" of production, after which they could join the OPEC-led agreement. Oil futures fell more than 2 percent on Friday, ending Brent crude's longest multi-week rally in 16 months as oversupply concerns reappeared as producers have started hedging future drilling. But Barkindo said he was not worried about the rise in U.S. shale oil and gas output. "It is a big market and demand is very strong. Between the first half and second half this year, demand growth is almost about 2 million barrels (per day), which is very robust," he said. "So everybody has a role to play." On Friday, Saudi Energy Minister Khalid al-Falih said he hoped to reach a consensus with Russia and other major oil producers on the future of the deal before November's meeting. Falih was speaking in Moscow two days after Russian President Vladimir Putin said it was possible that the supply reduction deal could run to the end of next year, although Russia has not made any commitment. (Source: The Star Online/ Reuters)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
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**

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