

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US treasuries came under pressure amid reducing risk aversion following news Catalonia is suspending its Independence Referendum pending further talks. UST pared gains pushing yields to end the day little changed at 1.96% for the 5Y and 2.36% for the 10Y. Markets will likely stay on the sideline ahead of FOMC minutes release, keeping yields in rangetrading mode. A hawkish minutes will likely heighten the odds of a December Fed rate hike, exerting downward pressure on UST.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.51	1
5-yr UST	1.96	0
10-yr UST	2.36	0
30-yr UST	2.90	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	0	3.51	0
5-yr	3.60	-2	3.76	0
7-yr	3.89	0	4.02	0
10-yr	3.90	0	4.12	0
15-yr	4.34	-3	4.61	0
20-yr	4.51	-2	4.74	0
30-yr	4.78	0		

\*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.62	0
5-yr	3.75	0
7-yr	3.87	0
10-yr	3.99	0

Source : Bloomberg

#### Upcoming Government Bond Tenders

RM1.5bn Reopening of 20Y GII 8/37 and RM1.0bn via private placement (12 October)

##### MGS/GII

- Trading activities in local govies picked up again yesterday, with RM1.3bn dealt. We continue to see a lot of interests in the front end to the belly of the curve. Yields ended little change for shorter-dated bonds except for the 5Y (-2bps) whilst 15Y and 20Y saw yields trading inner by 2-3bps. MGS 09/24 attracted RM258m deals done at 3.89%. Trading in GII also gained traction in line with MGS, with RM313m changed hands but yields remained flat across the curve. GII 09/19 alone dominated, with RM300m done, at 3.41%. We expect markets to stay cautious as investors look for more cues from upcoming release of FOMC minutes at 2am Thursday Malaysia time. The reopening of 20Y GII 8/37 (RM1.5bn) and private placement (RM1.0bn) will be another key event to watch in the local bond space.

##### PDS/Sukuk

- Trading in MYR corporate bonds gained some traction, registering RM434m done, up from RM350m a day ago. We saw renewed interests in the GG space with names like Prasarana, Pengurusan Air SPV, and DanaInfra back on the radar. There were also interests in the AA-rated segment, with RM189m transacted. MMC Corp '11/25, '4/27 and '11/27 saw a combined RM80m changed hands, at 5.282%, 5.364%, and 5.388% respectively. Other notable trades include Gamuda '3/18 and Bandar Serai '10/20 with RM20m dealt each.

**Daily Trades : Government Bonds**

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	3.036	161	3.036	10/10/2017	0
MGS 02/18	3.021	60	3.021	10/10/2017	0
MGS 03/18	3.040	4	3.040	10/10/2017	0
MGS 09/18	3.078	115	3.078	10/10/2017	0
MGS 11/19	3.297	7	3.323	10/10/2017	-3
MGS 03/20	3.385	3	3.394	06/10/2017	-1
MGS 07/20	3.397	12	3.397	10/10/2017	0
MGS 10/20	3.412	0	3.396	03/10/2017	2
MGS 07/21	3.542	6	3.571	10/10/2017	-3
MGS 09/21	3.571	1	3.571	10/10/2017	0
MGS 03/22	3.597	116	3.597	10/10/2017	0
MGS 08/22	3.725	11	3.702	10/10/2017	2
MGS 03/23	3.809	0	3.809	09/10/2017	0
MGS 08/23	3.847	1	3.828	06/10/2017	2
MGS 07/24	3.858	4	3.892	10/10/2017	-3
MGS 09/24	3.890	258	3.889	10/10/2017	0
MGS 09/25	3.999	0	3.999	09/10/2017	0
MGS 04/26	4.063	3	4.063	10/10/2017	0
MGS 11/26	3.965	11	3.965	10/10/2017	0
MGS 11/27	3.902	59	3.902	10/10/2017	0
MGS 04/30	4.372	89	4.393	10/10/2017	-2
MGS 06/31	4.391	56	4.369	10/10/2017	2
MGS 04/32	4.409	0	4.373	05/10/2017	4
MGS 04/33	4.335	20	4.312	10/10/2017	2
MGS 05/35	4.502	1	4.502	10/10/2017	0
MGS 04/37	4.513	7	4.529	09/10/2017	-2
GII 11/17	3.046	1	3.046	10/10/2017	0
GII 09/19	3.412	300	3.412	10/10/2017	0
GII 04/22	3.748	10	3.748	10/10/2017	0
GII 08/24	4.006	0	4.006	10/10/2017	0
GII 08/33	4.626	0	4.626	10/10/2017	0
GII 10/35	4.677	2	4.677	10/10/2017	0
		<u>1318</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**	
Small Medium Enterprise Development Bank Malaysia Berhad (fka Bank Perusahaan Kecil & Sederhana)	03/22	GG	4.069	20	4.080	21/06/2017	-1	41
Pengurusan Air SPV Berhad	02/23	GG	4.107	10	4.097	04/10/2017	1	36
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	4.979	10	4.979	10/10/2017	0	-
Danahira Nasional Berhad	05/47	GG	5.179	5	5.179	09/10/2017	0	99
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/47	GG	5.180	20	5.191	10/10/2017	-1	-
Putrajaya Holdings Sdn Berhad	09/20	AAA	4.138	10	4.148	16/05/2017	-1	51
GENM Capital Berhad	03/22	AAA	4.534	5	4.534	10/10/2017	0	87
DiGi Telecommunications Sdn Berhad	04/22	AAA	4.210	10	4.210	10/10/2017	0	-
Manjung Island Energy Berhad	11/22	AAA	4.329	10	4.329	10/10/2017	0	58
Putrajaya Holdings Sdn Berhad	07/24	AAA	4.400	100	4.395	20/09/2017	1	53
Putrajaya Bina Sdn Berhad	11/26	AAA	4.551	20	4.551	10/10/2017	0	56
EKVE Sdn Berhad	01/30	AAA	4.744	10	4.744	10/10/2017	0	75
Tenaga Nasional Berhad	03/32	AAA	4.845	10	4.845	10/10/2017	0	65
Country Garden Real Estate Sdn Berhad	12/17	AA3	5.299	4	5.991	27/10/2016	-69	180
Gamuda Berhad	03/18	AA3	3.999	20	3.999	10/10/2017	0	50
Perbadanan Kemajuan Negeri Selangor	05/18	AA3	4.182	3	4.182	10/10/2017	0	68
Gamuda Berhad	10/18	AA3	4.144	10	4.144	10/10/2017	0	64
BGSM Management Sdn Berhad	12/18	AA3	4.221	10	4.221	10/10/2017	0	72
CIMB Thai Bank Public Company Limited	07/19	AA3	4.596	1	4.833	05/10/2017	-24	104
Bandar Serai Development Sdn Berhad (fka Temasek Eksklusif Sdn Berhad)	10/20	AA3	4.385	20	4.385	10/10/2017	0	76
BGSM Management Sdn Berhad	03/26	AA3	4.898	15	4.898	10/10/2017	0	99
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/17	AA-	4.064	16	4.064	10/10/2017	0	56
Malakoff Power Berhad	12/21	AA-	4.527	10	4.527	10/10/2017	0	87
MMC Corporation Berhad	11/25	AA-	5.282	20	5.282	10/10/2017	0	138
MMC Corporation Berhad	04/27	AA-	5.364	20	5.364	10/10/2017	0	137
MMC Corporation Berhad	11/27	AA-	5.388	40	5.388	10/10/2017	0	140
CIMB Group Holdings Berhad	05/21	A1	4.799	1	4.822	06/10/2017	-2	114
Alliance Bank Malaysia Berhad	10/20	A2	4.598	1	4.880	29/09/2017	-28	97
Mah Sing Group Berhad	03/15	-	6.474	3	6.585	09/10/2017	-11	-
				<u>434</u>				

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

### Market/Corporate News: What's Brewing

Fitch Ratings expects higher earnings at Genting's Malaysian leisure and hospitality (L&H) and oil-palm plantation businesses, which together contributed around 40% of its consolidated earnings before interest, tax, depreciation and amortisation (Ebitda) in 1H17. In its rating announcement on Tuesday, Fitch pointed out Resorts World Genting (RWG) has opened several new facilities as part of its 10-year RM10bil redevelopment masterplan launched in 2013. Other key attractions, including a new theme park and the remaining floors at its new mall and casino, are scheduled to open progressively from 2017. "We expect these developments to result in a sustained increase in visitor arrivals over the next three years, from 20 million in 2016, and drive revenue growth for Genting's L&H business. "The plantation business should benefit from a rebound in yields on fresh-fruit bunches in 2017 due to better weather conditions. "We expect earnings to be supported over the longer term by a sustained yield improvement, as Genting's Indonesian oil-palm acreage matures, and healthy palm-oil prices," it said. Fitch also expects Genting's consolidated capital expenditure (capex) to increase over the next three years to an average of around RM7bil per year, against the RM4bil spent in 2016. Genting is investing in its Resorts World Las Vegas project and expects full-scale construction to commence by end-2017, with opening targeted for 2020. "This is in addition to its continued investment in RWG, of which around RM4bil has been spent up to 2016. Our capex estimates do not factor in potential investment by Genting Singapore PLC (GENS) in Japan due to significant uncertainties," it said. It pointed out Genting was in a net cash position as of end-2016, "which we expect to turn into a net debt position in the next three years due to higher capex". However, leverage should remain low, with net adjusted debt/operating EBITDAR less net income attributable to minorities at below 0.5 times for 2019. The group's management has a record of prudent capital management, evidenced by GENS' sale of its stake in a South Korean venture in late 2016 to bolster cash reserves. "Our estimates factor in likely equity inflows from the exercise of Genting's warrants, which expire in December 2018," it said. (Source: The Star Online)

A group controlled by Thailand's third richest man, Charoen Sirivadhanabhakdi is said to be looking to taking control of the Kentucky Fried Chicken and Pizza Hut restaurant chain in Malaysia. Charoen, through his majority controlled Thai Beverage PCL, which brews and markets Chang beer, is in the process of taking over the entire KFC chain of operations in Thailand. Sources said he is keen to expand his footprint into the Malaysian chain of quick service restaurants. At the moment, QSR Brands (M) Holdings Sdn Bhd owns and operate the chain of quick service restaurants. The major shareholder of QSR Brands is Johor Corp with a 51% stake while the Employees Provident Fund (EPF) and private equity firm CVC Capital Partners own 25% and 24% respectively. Sources said Charoen is looking to take up a majority stake in QSR Brands. "They are looking at acquiring the stakes held by the EPF and CVC and 2% from JCorp. So they are looking at 51%," said a source. JCorp took KFC private in 2012 through QSR Brands in a deal that was listed at RM5.1bil. The deal was only completed in early 2013. Since last year, KFC was touted for a listing on Bursa Malaysia but this as of now, the listing exercise has not taken place. Most private equity firms such as CVC have a five-year timeframe to exit their investment. In this case, the five years period is due early next year. However, so far there are no indications about the re-listing of KFC anytime soon. Charoen's interest in KFC stems from his wide business ownership of companies in the food and beverage businesses. Apart from ThaiBev, Charoen also owns Fraser and Neave Ltd (F&N) in Singapore, a company that he took over in January 2013. F&N Singapore owns the Malaysian leading beverage producer. In August this year, Charoen's ThaiBev purchased 240 KFC chain of restaurants located across Thailand for 11.3bil baht (RM1.43bil). It was reported that the deal will be completed by end of the year. Meanwhile QSR Brands, which is much bigger than the Thailand franchise, has seen a change in its top management. On Aug 1, it appointed Datuk Mohamed Azahari Kamil as managing director. QSR Brands has over 775 KFC restaurants in Malaysia, Singapore, Brunei and Cambodia. It is also the operator of Pizza Hut in Malaysia and Singapore, with more than 390 restaurants. Apart from its restaurant operations, QSR Brands is involved in breeder and contract broiler farming, hatchery, poultry processing as well as a host of ancillary businesses. (Source: The Star Online)

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<b>Rating Actions</b>			
<b>Issuer</b>	<b>PDS Description</b>	<b>Rating/Outlook</b>	<b>Action</b>
Nil			

Source: RAM Ratings; MARC

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