

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.82	2
5-yr UST	2.16	2
10-yr UST	2.39	1
30-yr UST	2.78	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.43	2	3.47	0
5-yr	3.62	-3	3.89	0
7-yr	3.92	-2	4.09	0
10-yr	3.96	0	4.29	1
15-yr	4.42	1	4.67	0
20-yr	4.62	3	4.79	0
30-yr	4.61	-24	4.98	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.74	0
5-yr	3.82	0
7-yr	3.93	0
10-yr	4.06	0

Source: Bloomberg

#### Upcoming Government Bond Tenders

Auction of RM2.0b + RM500 private placement  
new benchmark 15Y GII on 14<sup>th</sup> Dec (Thursday)

#### US Treasuries

- US Treasury yields ended slightly higher by 1-2bps across most tenures as selling on the front-end intensified following soft 10Y auction which averaged 2.384% with weak BTC ratio of 2.37x. The curve bear-flattened; pushing the 2s10s and 5s30s spread tighter by 1-2bps. The much-watched 10Y closed at 2.39%. With the December Fed rate hike almost a “done-deal”; investors are expected to focus on the “dot-plot” i.e. official quarterly outlook for the path of interest rate policy. On the data front we have a slew of data this week i.e. PPI, CPI and the all-important FOMC rate decision on 14<sup>th</sup> December. We expect UST’s to trade range-bound amid debates on frequency of Fed rate hikes next year.

#### MGS/GII

- Local govvnies saw an increase in total volume traded of RM1.553b; with attention across the 2023-25 tenors. Yields were mixed with the benchmark 7Y MGS 9/24 and MGS 11/27 closing 0-2 bps lower at 3.92% and 3.96% respectively. There was also interest in off-the-runs GII 5/18 which closed 10bps higher at 3.135% compared to previous-done levels. We expect a slightly positive stance with offshore investor showing interest rising on the back of favorable momentum of the Ringgit and decent economic indicators.

#### PDS/Sukuk

- Transactions in Corporate bonds almost halved to RM274m with trades seen across the curve. The Govt-Guaranteed TPSB 11/24 and 11/32 closed 0-2 bps higher at 4.32% and 4.88% respectively compared to previous-done levels. TNB 8/37 grinded 1bps higher at 5.17% whilst the AA-rated space saw a YTL Power 5/27 and MMC Corp 11/27 end at 4.91% and 5.36%. There was some interest in bank papers with Alliance Bank 10/25 traded 4.89% on volume of RM40m. We expect continued interest in the secondary space for Corporate Bonds end-investors 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 03/18	2.814	1	2.689	07/12/2017	13
MGS 09/18	2.678	15	2.835	08/12/2017	-16
MGS 10/19	3.101	3	3.158	08/12/2017	-6
MGS 11/19	3.133	1	3.171	08/12/2017	-4
MGS 03/20	3.272	43	3.308	08/12/2017	-4
MGS 07/21	3.496	1	3.473	08/12/2017	2
MGS 09/21	3.636	1	3.622	08/12/2017	1
MGS 03/22	3.624	1	3.650	08/12/2017	-3
MGS 08/22	3.765	4	3.784	08/12/2017	-2
MGS 09/22	3.771	14	3.783	07/12/2017	-1
MGS 03/23	3.812	20	3.765	08/12/2017	5
MGS 08/23	3.845	39	3.766	07/12/2017	8
MGS 09/24	3.923	474	3.940	08/12/2017	-2
MGS 09/25	4.060	68	4.060	08/12/2017	0
MGS 11/26	4.102	3	4.108	07/12/2017	-1
MGS 03/27	4.227	1	4.253	05/12/2017	-3
MGS 11/27	3.960	56	3.966	08/12/2017	-1
MGS 06/28	4.367	1	4.253	13/11/2017	11
MGS 04/30	4.508	30	4.508	08/12/2017	0
MGS 06/31	4.511	1	4.491	04/12/2017	2
MGS 04/32	4.567	1	4.508	30/11/2017	6
MGS 04/33	4.423	1	4.427	07/12/2017	0
MGS 05/35	4.564	0	4.598	08/12/2017	-3
MGS 04/37	4.620	0	4.598	07/12/2017	2
MGS 09/43	4.866	3	4.901	08/12/2017	-4
MGS 03/46	4.610	2	4.853	08/12/2017	-24
GII 05/18	3.135	370	3.031	05/12/2017	10
GII 04/20	3.472	1	3.470	06/12/2017	0
GII 03/21	3.764	40	3.795	14/11/2017	-3
GII 08/21	3.742	89	3.844	06/12/2017	-10
GII 07/22	3.929	11	3.941	08/12/2017	-1
GII 11/22	3.992	1	3.958	06/12/2017	3
GII 05/24	4.158	1	4.149	07/12/2017	1
GII 08/24	4.093	1	4.096	08/12/2017	0
GII 06/27	4.247	1	3.886	06/12/2017	36
GII 07/27	4.290	80	4.282	07/12/2017	1
GII 12/28	4.410	10	4.420	30/11/2017	-1
GII 08/33	4.667	140	4.670	07/12/2017	0
		<u>1525</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*
Turus Pesawat Sdn Berhad	11/24	GG	4.320	4.305	12/10/2017	2	41
Turus Pesawat Sdn Berhad	11/32	GG	4.880	4.876	22/08/2017	0	47
Prasarana Malaysia Berhad	09/47	GA	5.299	5.179	17/10/2017	12	68
First Abu Dhabi Bank PJSC	12/20	AAA	4.262	4.548	30/11/2016	-29	85
Malaysia Airports Capital Berhad	12/22	AAA	4.477	4.415	31/10/2017	6	87
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.625	4.650	24/11/2017	-3	65
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.654	4.596	21/09/2017	6	68
Tenaga Nasional Berhad	08/37	AAA	5.165	5.179	27/11/2017	-1	55
Aman Sukuk Berhad	05/29	AAA	4.773	4.739	13/06/2017	3	81
Encorp Systembit Sdn Berhad	11/21	AA1	4.364	4.351	21/07/2017	1	83
Public Bank Berhad	10/23	AA1	4.295	4.225	21/11/2017	7	50
Public Islamic Bank Berhad	06/24	AA1	4.316	4.273	07/11/2017	4	52
Hong Leong Bank Berhad	06/24	AA1	5.003	4.839	06/12/2017	16	110
YTL Power International Berhad	05/27	AA1	4.911	4.901	07/12/2017	1	94
Sarawak Energy Berhad	12/32	AA1	5.279	-	-	-	-
Imtiaz Sukuk II Berhad	05/22	AA2	4.537	4.535	03/11/2017	0	101
RHB Investment Bank Berhad	04/25	AA3	4.741	4.742	07/12/2017	0	83
AmBank Islamic Berhad (fka Amlslamic Bank Berhad)	12/25	AA3	4.789	4.815	29/08/2017	-3	85
RHB Islamic Bank Berhad	04/27	AA3	4.776	4.779	08/12/2017	0	80
Tadau Energy Sdn Berhad	07/28	AA3	5.482	5.484	05/12/2017	0	152
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.520	4.493	20/10/2017	3	131
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	4.442	4.578	06/02/2017	-14	103
MMC Corporation Berhad	11/27	AA-	5.356	5.357	07/12/2017	0	139
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.700	4.699	01/11/2017	0	73
Hong Leong Financial Group Berhad	11/17	A1	5.096	4.886	08/12/2017	21	48
Golden Assets International Finance Limited	08/18	A1	5.027	5.040	06/12/2017	-1	217
Golden Assets International Finance Limited	08/19	A1	5.903	5.907	06/12/2017	0	269
Special Power Vehicle Berhad	11/21	A1	5.059	5.078	08/12/2017	-2	153
Bank Islam Malaysia Berhad	12/25	A1	4.575	4.590	17/11/2017	-1	64
Alliance Bank Malaysia Berhad	10/25	A2	4.891	4.851	05/12/2017	4	95
			<u>274</u>				

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

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

**Dutch company Jacobs Douwe Egberts Holdings Asia NL B.V. has launched a takeover of OldTown Bhd** for RM1.47bil or RM3.18 a share. CIMB Investment Bank, who is acting on behalf of JDE, said the takeover offer was 10.4% higher than the last traded price of RM2.88 on Dec 7. "The offeror (JED) intends to make the offer with a view to delisting and privatising OldTown.

"Based on the outstanding 463.239 million shares as at Dec 11 and the offer price of RM3.18 per OldTown share, the total outlay for the offer will be RM1.473bil," it said. In a separate statement, Oldtown said the major shareholders owning 51.4% of the shares have given their undertaking to accept the offer. JDE is a privately owned company incorporated in the Netherlands, which has a global coffee and tea business. Acorn Holdings B.V. has an indirect interest of approximately 73.07% in JDE. CIMB Investment Bank said to provide assurance of the funding required, US\$370mil (or approximately RM1.512bil) has been deposited by JDE into an escrow account with a bank in Singapore in accordance with the terms of an escrow arrangement. CIMB Investment Bank said the escrow fund cannot be released from the account other than for the permitted purposes of paying for the takeover of OldTown. Founded in 1999, OldTown's principal activities of OldTown Group are of café chain operations and the manufacturing, marketing and sales of coffee and other beverages, including instant coffee mix, instant milk tea mix, instant chocolate mix and roasted coffee powder. (Source: The Star)

**Kumpulan Wang Persaraan (KWAP)**, Malaysia's second-biggest pension fund, won't take controlling stake in foreign-owned insurers as it seeks to remain a financial investor, with even a 30% stake being too big, CEO Wan Kamaruzaman Wan Ahmad says in interview with BFM 89.9 radio station. Some salient points from news extracted on KWAP include:

- \* KWAP got approval from central bank to start talks with Prudential and Great Eastern, which is progressing "very well"; firm offer may be made to central bank by year-end
- \* KWAP manages RM137 billion of assets as of Sept. 30, and seeks to reach RM150 billion by 2018 and RM200 billion by 2021
- \* Fund's investments in local real estate still short of target; interested in office space, such as TRX area for centrality and connectivity
- \*\* KWAP recently increased investments in Australian property, while finding it hard to justify doing the same for the U.K. on low returns
- \* KWAP sees ringgit rising to 3.80-4.00/USD, allowing a good time to get central bank approval to invest overseas
- \* Fund started investing in listed U.S. equities this year and this has proven to be correct
- \* Fund set to raise allocation for alternative investments to as high as 16%, from 14% currently
- \* Fund trying to have foot in tech space, with view to have bigger exposure
- \* KWAP remains happy with Uber stake as recent purchase by Softbank shows its investment remains "in the money".
- \*KWAP won't look at cryptocurrencies as "we don't have the kind of risk appetite" ( Source: The Edge)

### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Maybank Islamic Berhad	proposed Islamic Additional Tier-1 Capital Securities Programme of up to RM10.0 billion (Proposed AT-1 Programme)	AA3/Stable	Assigned

Source: RAM Ratings; MARC

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