

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US treasuries gained for a 2nd straight day, pushing yields lower by 1-4bps across the curve. 30Y UST yields lost the most, by 4bps to 2.85% while 10Y lost 3bps to 2.32%. The curve flattened 3bps to 80bps as the 2s traded only 1bp inner at 1.52%. The gain in UST followed another well-received auction of USD12bn 30-year bonds that attracted a bid-cover of 2.53x at a high yield of 2.87% with continued interests seen from indirect bidders. Fed Powell reiterated that monetary policy normalization shall remain gradual as long as economic conditions evolve roughly as expected. All eyes will be on tonight's US CPI for more clues if inflation is moving closer to the Fed's 2% target.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.52	-1
5-yr UST	1.94	-2
10-yr UST	2.32	-3
30-yr UST	2.85	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	1	3.50	0
5-yr	3.60	0	3.75	0
7-yr	3.88	-2	4.01	0
10-yr	3.89	0	4.12	0
15-yr	4.35	0	4.62	0
20-yr	4.51	0	4.77	3
30-yr	4.77	-1		

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	0
3-yr	3.64	0
5-yr	3.75	0
7-yr	3.85	-1
10-yr	3.98	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

MGS/GII

- Trading activities in local govies picked up for a 2nd consecutive day, with trading volume pushing back up the RM2.0bn mark again for the first time in three days. MGS trading made up close to 60% of the RM2.3bn transacted and investors continued to favour shorter tenor of 7Y and below. Benchmark yields ended little changed with the biggest move seen in 7Y (-2bps to 3.88%). MGS 09/24 was the most heavily traded paper yesterday (RM822m), followed by MGS 03/22 (RM183m) which traded 1bps wider at 3.60%. Trading in GII also gained traction, with deals done nearly tripled to RM947m. Focus was on the reopening of 20Y GII 08/37 which saw RM367m changed hands. The tender was well-received with a bid-cover of 2.15x and an average yield of 4.785%. Upbeat IPI print yesterday pointing to sustained growth prospects is expected to be positive for MYR bonds.

PDS/Sukuk

- In tandem with increased trading interests in local govies, MYR corporate bonds also gained further traction, with total volume done increasing to RM553m. We saw a lot of interests in the AA-space led by Ambank '10/27 (RM60m), Celcom '8/19 (RM40m) and Batu Kawan '6/23 (RM40m). The GG and AAA-segments each saw more moderate deals of approx. RM100m with Turus Pesawat and Cagamas taking the lead.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date	Chg (bp)
MGS 10/17	3.095	1	3.043	11/10/2017	5
MGS 03/19	3.217	1	3.217	12/10/2017	0
MGS 07/19	3.293	50	3.293	12/10/2017	0
MGS 10/19	3.271	3	3.311	12/10/2017	-4
MGS 11/19	3.292	109	3.292	12/10/2017	0
MGS 03/20	3.385	2	3.363	12/10/2017	2
MGS 10/20	3.411	24	3.394	12/10/2017	2
MGS 02/21	3.402	47	3.402	12/10/2017	0
MGS 07/21	3.569	53	3.538	12/10/2017	3
MGS 09/21	3.596	0	3.596	12/10/2017	0
MGS 11/21	3.632	10	3.632	12/10/2017	0
MGS 03/22	3.596	183	3.587	12/10/2017	1
MGS 08/22	3.714	1	3.668	11/10/2017	5
MGS 09/22	3.683	6	3.683	12/10/2017	0
MGS 03/23	3.789	14	3.789	12/10/2017	0
MGS 08/23	3.857	5	3.857	12/10/2017	0
MGS 07/24	3.900	1	3.900	12/10/2017	0
MGS 09/24	3.877	822	3.877	12/10/2017	0
MGS 09/25	3.999	11	3.977	11/10/2017	2
MGS 11/26	3.981	9	3.981	12/10/2017	0
MGS 11/27	3.893	10	3.893	12/10/2017	0
MGS 04/30	4.315	0	4.315	12/10/2017	0
MGS 06/31	4.399	2	4.374	11/10/2017	3
MGS 05/35	4.502	3	4.502	12/10/2017	0
MGS 03/46	4.768	0	4.768	12/10/2017	0
GII 08/19	3.378	50	3.378	12/10/2017	0
GII 04/20	3.479	180	3.479	12/10/2017	0
GII 08/20	3.542	340	3.542	12/10/2017	0
GII 04/22	3.758	1	3.758	12/10/2017	0
GII 07/23	4.002	1	4.002	12/10/2017	0
GII 09/26	4.228	8	4.205	06/10/2017	2
GII 08/37	4.803	367	4.803	12/10/2017	0
		<u>2314</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**	
Bank Pembangunan Malaysia Berhad	09/21	GG	4.016	20	4.016	12/10/2017	0	34
DanInfra Nasional Berhad	04/22	GG	4.056	15	4.056	12/10/2017	0	38
Turus Pesawat Sdn Berhad	11/24	GG	4.305	60	4.341	13/07/2015	-4	46
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	4.440	20	4.440	12/10/2017	0	-
Berjaya Land Berhad	12/17	AAA	4.031	10	3.987	12/09/2017	4	52
Cagamas Berhad	10/18	AAA	3.640	45	3.640	12/10/2017	0	13
Cagamas Berhad	11/18	AAA	3.567	35	3.567	12/10/2017	0	6
Projek Lebuhraya Usahasama Berhad	01/19	AAA	3.959	10	3.959	12/10/2017	0	45
YTL Power International Berhad	08/18	AA1	4.116	30	4.116	12/10/2017	0	61
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/22	AA1	4.444	10	4.444	12/10/2017	0	69
Batu Kawan Berhad	06/23	AA1	4.557	40	4.557	12/10/2017	0	76
Encorp Systembilt Sdn Berhad	11/26	AA1	4.657	10	4.657	12/10/2017	0	68
Samalaju Industrial Port Sdn Berhad	12/26	AA1	4.799	10	4.799	12/10/2017	0	82
Samalaju Industrial Port Sdn Berhad	12/27	AA1	4.898	10	4.898	12/10/2017	0	92
Celcom Networks Sdn Berhad [fka Celcom Transmission	08/19	AA+	4.488	40	4.488	12/10/2017	0	92
Imtiaz Sukuk Berhad	11/17	AA2	3.817	10	3.817	12/10/2017	0	31
Malayan Banking Berhad	09/18	AA2	4.435	20	4.435	12/10/2017	0	93
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.268	20	4.268	12/10/2017	0	70
Tanjung Bin Power Sdn Berhad	08/23	AA2	4.528	10	4.528	12/10/2017	0	73
Bumitama Agri Ltd	09/19	AA3	4.484	3	4.484	12/10/2017	0	92
Jimah Energy Ventures Sdn Berhad	11/22	AA3	4.560	10	4.560	12/10/2017	0	81
Ambank (M) Berhad	10/27	AA3	4.900	60	-	-	-	-
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/17	AA-	3.999	2	3.999	12/10/2017	0	49
WCT Holdings Berhad	04/18	AA-	4.324	10	4.324	12/10/2017	0	81
Malakoff Power Berhad	12/21	AA-	4.520	20	4.520	12/10/2017	0	85
MEX II Sdn Berhad	04/26	AA-	4.948	10	4.906	19/06/2017	4	105
MEX II Sdn Berhad	04/29	AA-	5.139	10	5.139	25/08/2017	0	116
CIMB Group Holdings Berhad	05/21	A1	4.821	1	4.821	12/10/2017	0	115
Mah Sing Group Berhad	03/15	-	6.464	2	6.462	11/10/2017	0	-
			<u>553</u>					

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

Market/Corporate News: What's Brewing

The Malaysian Rubber Glove Manufacturers Association (Margma), in a statement yesterday, said it had increased this year's export sales target to RM16.2bil amid strong demand from overseas. The figure is almost RM3bil higher than what was achieved in 2016. "As of the present situation, all glove manufacturers are oversold and selling beyond their capacity to produce by over three or four months behind due to demand and labour shortage issues," Margma president Denis Low Jau Foo told *StarBiz* when contacted yesterday. A report by Maybank Investment Bank Bhd last month said that there was a "mild supply shortage" of rubber gloves due to the robust demand and supply cut from China. This favourable condition has enabled some producers to increase their average selling prices to mitigate the impact of higher production costs. Despite the challenges, Low said rubber glove exports from Malaysia are expected to reach close to 150 billion pieces this year. It is estimated that exports from Malaysia accounted for two-thirds of global consumption. "In terms of sales and volume, we are at an all-time high," Low said. Surging export sales are helping to whet investors' appetite for rubber glove producers. Low said the export volume and sales of rubber gloves could have gone even higher if not for the manpower shortage that has caused factories to operate below their optimum production capacity. "Nowadays, we are discouraged from relying too much on foreign labour and have to spend additional capital expenditure to automate and modernise our factories. So, in a sense, we are starting a new factory once again," Low said. He said the Government should step in to help the industry strengthen its grip on the global market. "It's like foreign direct investment. The Government gives plenty of incentives to foreign investors but should also look at domestic direct investment," Low said. "We hope the Government can consider extending and expanding the reinvestment allowance in line with the industry's aspirations to fully automate and modernise manufacturing plants across the country," he added. Low said one of the reasons for the recent surge in exports was due to production curbs in China. "This is the more recent factor apart from the continued increase in hygiene awareness among the population worldwide. In China, the government has been actively closing vinyl glove factories which do not comply with environmental regulations," Low said. "Due to this, there has been a vacuum over the past few months from the reduction of producers in China today. And I expect China's actions to continue further in the near future. Over there, it is the vinyl gloves while over here, we have the nitrile and latex rubber gloves," he added. He also said the increase in the adoption of gloves has caused demand to continually rise. (Source: The Star Online/ Bernama)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM Ratings; MARC

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