

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued to weaken with yields higher by 2-6 bps across most tenures amid concerns on tax reform jitters as investors anticipate delays. However the curve ended steeper for 2nd trading day with the 5s30s closing 2bps higher at 83bps. The 2Y closed at 1.66%; highest since 2008. Despite the weaker data from University of Michigan consumer sentiment; investors are hoping the proposed tax cut measures will find its way into household budgets. The data front has a number of key data from retail sales, industrial production and housing starts; ahead of the last FOMC meet in December.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.66	2
5-yr UST	2.05	4
10-yr UST	2.40	6
30-yr UST	2.88	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.49	-2	3.57	2
5-yr	3.76	5	3.89	-1
7-yr	4.01	3	4.10	6
10-yr	4.06	-9	4.25	2
15-yr	4.64	1	4.75	0
20-yr	4.70	0	4.79	0
30-yr	4.97	2	4.99	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.67	6
3-yr	3.78	2
5-yr	3.85	2
7-yr	3.97	2
10-yr	4.07	2

Source: Bloomberg

Upcoming Government Bond Tenders

Expected announcement of 10Y GII 7/27 auction this week

MGS/GII

- Local govies saw brisk trading with sustained volume of about RM3.46bn following the hawkish statement emanating out of the BNM MPC meet last Thursday. The knee-jerk reaction seen on Thursday somewhat abated with the 10Y MGS 11/27 closing lower at 4.06% whilst the 7Y MGS 9/24 was weaker at 4.01%. We note that interest rate swaps continue to edge upwards in anticipation of higher rates going forward mirroring the potentially robust economic growth expectations next year. Interest was also seen concentrated on the front end and belly of the curve as MGS 18-21's continued to dominate, making up approximately 50% of total volume for the day. With the last MPC meeting for the year out of the way, markets will focus on the release of 3Q GDP growth numbers next week.

PDS/Sukuk

- Trading in corporate bonds was lacklustre with a mere RM121m traded across the curve. Dana 4/25 closed 7bps higher at 4.41% compared to previous last-done levels whilst AA3-rated papers i.e. MMC 27's and Malakoff 12/18 closed -2 to +3bps range at 5.34-37% levels and 4.20% respectively. The longer-end lacked interest due to lingering concerns on duration. However as investors stay sidelined momentarily, we believe that bargain-hunting will get underway soon with yields looking attractive following the recent sell-off in local govies.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.848	574	2.881	09/11/2017	-3
MGS	03/18	2.801	1019	2.950	09/11/2017	-15
MGS	09/18	3.074	25	3.086	09/11/2017	-1
MGS	03/19	3.255	27	3.294	09/11/2017	-4
MGS	10/19	3.372	17	3.330	09/11/2017	4
MGS	03/20	3.403	38	3.413	09/11/2017	-1
MGS	10/20	3.422	60	3.387	09/11/2017	4
MGS	02/21	3.489	71	3.505	06/11/2017	-2
MGS	07/21	3.680	62	3.732	09/11/2017	-5
MGS	09/21	3.740	103	3.713	09/11/2017	3
MGS	11/21	3.781	3	3.746	08/11/2017	4
MGS	03/22	3.755	6	3.810	09/11/2017	-6
MGS	09/22	3.885	20	3.851	09/11/2017	3
MGS	03/23	3.983	2	3.929	09/11/2017	5
MGS	08/23	3.995	90	3.936	09/11/2017	6
MGS	07/24	4.102	5	4.027	09/11/2017	8
MGS	09/24	4.008	505	4.058	09/11/2017	-5
MGS	09/25	4.196	1	4.188	09/11/2017	1
MGS	04/26	4.263	3	4.196	09/11/2017	7
MGS	11/26	4.290	1	4.164	09/11/2017	13
MGS	11/27	4.058	196	4.109	09/11/2017	-5
MGS	04/33	4.640	30	4.577	09/11/2017	6
MGS	04/37	4.776	20	4.702	09/11/2017	7
MGS	09/43	4.887	6	4.935	09/11/2017	-5
MGS	03/46	4.971	120	4.981	09/11/2017	-1
GII	08/18	3.209	180	3.125	03/11/2017	8
GII	09/19	3.437	39	3.408	20/10/2017	3
GII	04/20	3.574	163	3.551	09/11/2017	2
GII	04/22	3.885	30	3.898	09/11/2017	-1
GII	07/23	4.083	6	4.050	07/11/2017	3
GII	08/24	4.101	30	4.044	08/11/2017	6
GII	09/26	4.302	1	4.274	09/11/2017	3
GII	07/27	4.250	10	4.226	09/11/2017	2
			<u>3462</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*
DanaInfra Nasional Berhad	04/25	GG	4.41	15	4.34	02/10/2017	7	39
Senari Synergy Sdn Berhad	08/18	AAA	4.28	2	4.28	19/10/2017	0	118
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.50	4	4.46	22/08/2017	4	44
CIMB Bank Berhad	08/26	AA+	5.50	0	4.63	30/10/2017	88	142
UMW Holdings Berhad	10/21	AA2	4.63	10	4.63	27/10/2017	0	98
Jimah Energy Ventures Sdn Berhad	05/18	AA3	4.03	10	4.37	13/03/2017	-34	94
Perbadanan Kemajuan Negeri Selangor	05/18	AA3	4.25	0	4.25	07/11/2017	0	116
Gamuda Berhad	10/18	AA3	4.12	8	4.15	07/11/2017	-3	102
Malakoff Power Berhad	12/18	AA-	4.20	10	4.17	08/11/2017	3	111
MMC Corporation Berhad	04/27	AA-	5.34	10	5.34	08/11/2017	0	125
MMC Corporation Berhad	11/27	AA-	5.37	20	5.39	10/10/2017	-2	130
Quantum Solar Park (Semenanjung) Sdn Berhad	10/29	AA-	5.57	4	0.00	00/01/1900	557	151
Southern Power Generation Sdn Berhad	04/34	AA-	5.48	4	5.49	09/11/2017	-1	83
CIMB Group Holdings Berhad	05/16	A1	5.23	20	5.21	07/11/2017	2	46
CIMB Group Holdings Berhad	05/16	A1	5.04	1	5.02	09/11/2017	3	27
Eco Capital	12/22	-	6.37	1	6.40	01/11/2017	-2	258
Mah Sing perpetual	-	-	6.58	2	6.34	09/11/2017	24	-
				<u>121</u>				

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

Market/Corporate News: What's Brewing

Malaysia's largest combined cycle gas turbine power plant in Alor Gajah, Melaka is expected to begin operations in 2021. **Edra Power Holdings Sdn Bhd** chief operations officer Datuk Mohamad Nor Ali said the 2,242MW combined cycle gas turbine power plant project was on track. "The amount of power generated can light up 10% of the country's electricity requirements," he said. He said the company commenced the preliminary work back in March this year and today, the site was ready for construction so it was on track and one month ahead of scheduled. As for financing of the project, he confirmed that Edra Power has hired three domestic banks to raise RM5.28bil through a sukuk programme. "CIMB Investment Bank is the sole principal adviser and financial adviser while Maybank Investment Bank and RHB Investment Bank are joint lead managers for the debt programme," he told Bernama. He said the project would be funded via the 80% debt financing raising exercise and 20% via Edra Power shareholders' funds. "In total the project cost would be RM6.5bil," he said. The site is about 90% ready for construction. Edra Power, Malaysia's second largest independent power producer, is a leading clean energy group in South-East Asia focusing on gas power generation. It is wholly-owned by China Solar Energy Investment Ltd, a subsidiary of China General Nuclear Power Corp Ltd. Mohamad Nor said: "The next critical milestone for us is to achieve financial close for the project by year-end and also issue the full notice to proceed for our APC (Assessment of Professional Competence) contractors so that they can go full scale and work towards achieving our commercial operation date of 2021." He also lauded the support from the Melaka state government for the project which potentially has immense spillover effects to the local economy, via the generation of some 1,000 job opportunities particularly for the local community. He pointed out that 30% of the project would comprise local contents, whereby a significant amount would actually benefit contractors in Melaka. The main contractor for this project is a consortium comprising Hyundai Engineering & Construction Co Ltd, Hyundai Engineering Co Ltd and Hyundai Engineering Malaysia Sdn Bhd. He said they were well-established contractors in power plant construction, with the main equipment coming from General Electric using its latest technology in the gas turbine sector. He said all the power generated from the plant would be supplied to the national grid. "Basically, we only have one customer, Tenaga Nasional Bhd, from whom we have secured a long-term power purchase agreement for 21 years from our commercial operation date of 2021," he said. (Source: The Star)

Malaysia's general election will take place in the next 180 days, Deputy Prime Minister Ahmad Zahid Hamidi said yesterday, and he indicated that it would be held next year. "The elections will take place no later than 180 days from now," he said, meaning it would take place by mid-May. "Those who say that the elections will take place later than that are out of touch with reality," he said at the opening of the annual conference of Parti Gerakan, a component party of the ruling Barisan Nasional (BN) coalition. The six-month period mentioned by Datuk Seri Zahid is not really a surprise as BN's five-year term will end on June 24, with Parliament automatically dissolved then. This means Prime Minister Najib Razak, as head of the ruling coalition, must call for the polls before that date. After Parliament is dissolved, it is the Election Commission - and not Datuk Seri Najib - that has the right to call for elections within 60 days of the dissolution. Mr Zahid said: "We must make all the necessary efforts. I believe it will only be called next year and if we work hard, we can empower our election machinery to deliver big wins throughout the country." His comments put paid to a lingering suspicion that Mr Najib might call for a rare monsoon election. This has happened only once before in 1999, when then Prime Minister Mahathir Mohamad called for national polls on Nov 29. To be sure, calling for elections during the monsoon period is risky, as several states are typically flooded during the rainy season, especially the east coast states. Last week, Penang unexpectedly suffered its worst flooding. Three years ago in December 2014, Kelantan state suffered its worst flooding. In 2007, Kelantan, Terengganu, Pahang, Kedah and northern Johor were heavily flooded. The rainy season usually tapers off around the end of January. Pundits say a popular election window next year is after mid-February and before the middle of May. The reason? The Chinese New Year falls on Feb 16 and the Muslim fasting month begins on May 16. Malaysia's biggest English language newspaper, The Star, on Saturday reported that the 14th general election is likely to be held between April and mid-May. While there was speculation that Mr Najib would hold the

polls around September or October this year, party officials have said he is keen to first address voter complaints on cost-of-living issues and high home prices.

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Edra Energy Sdn Bhd	Proposed Sukuk Wakalah of up to RM5.28 billion in nominal value (2017/2037)	AA3/Stable	Assigned preliminary rating
Media Chinese International Limited (MCIL)	RM500 million Medium-Term Notes Programme (2014/2029)	AA2/Negative	Downgraded
Media Prima Berhad (Media Prima)	RM500 million Commercial Papers/Medium-Term Notes Programme (2012/2019)	AA3/Negative/P1	Downgraded
Star Media Group Berhad	RM750 million Commercial Papers Programme (2011/2018)	P1	Downgraded
	RM750 million Medium-Term Notes Programme (2011/2026)	AA2/Negative	

Source: RAM Ratings; MARC

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