

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.83	1
5-yr UST	2.17	2
10-yr UST	2.40	1
30-yr UST	2.78	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	-1	3.47	0
5-yr	3.68	5	3.90	1
7-yr	3.93	1	4.18	9
10-yr	3.97	1	4.30	1
15-yr	4.42	0	4.67	0
20-yr	4.60	-2	4.79	0
30-yr	4.61	0	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	3.83	1
7-yr	3.93	0
10-yr	4.06	0

Source: Bloomberg

Upcoming Government Bond Tenders

Auction of RM2.0b + RM500m private placement
new benchmark 15Y GII on 14th Dec (Thursday)

US Treasuries

- US Treasury yields ended slightly higher by 1-2bps across most tenures as with PPI data-led sell-off and also following strong 30Y Treasury auction which drew a yield of 2.804% with BTC ratio of 2.48x; second-highest for the year. The curve was off its widest levels; pushing the 5s30s spread to about 62bps. The much-watched 10Y closed at 2.40%. 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 CPI and the all-important FOMC rate decision on 14th December.

MGS/GII

- Local govvnies saw muted interest with total volume traded lower at RM1.03b; with some nibbling seen on both short-end MGS and GII 18's. Overall yields were mixed between -2 to +1bps with the benchmark 7Y MGS 9/24 and MGS 11/27 closing higher at 3.93% and 3.97% respectively compared to previous-done levels. We expect investors to adopt a “wait-and-see” attitude ahead of the FOMC rate decision tomorrow (2am Malaysian time) despite the strength and stability of the Ringgit and recent positive economic indicators.

PDS/Sukuk

- Interest in Corporate Bonds mirrored local govvnies with a low volume of RM312m traded across the AAA and AA-space. There were nil interest on Govt-Guaranteed papers. Manjung 20 and 21 traded 4 bps higher to close at 4.22% and 4.31% respectively compared to previous-done levels. In the AA-space we continue to see trades done on names like YTL Power 5/27, UEMSunrise and Malakoff Power 18's closing 0-4 bps higher as well on total volume of RM45m. In the banking space Affin 27nc22, CIMB Group Perps, Public Islamic 24nc19 and Amislamic 25nc20 dominated trades. We expect continued interest in Corporate Bonds for 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	2.721	3	2.689	07/12/2017	3
MGS 09/18	2.672	186	2.835	08/12/2017	-16
MGS 03/19	2.896	3	2.893	07/12/2017	0
MGS 11/19	3.157	4	3.171	08/12/2017	-1
MGS 03/20	3.308	6	3.308	08/12/2017	0
MGS 07/20	3.347	2	3.307	07/12/2017	4
MGS 02/21	3.403	78	3.413	08/12/2017	-1
MGS 07/21	3.472	3	3.473	08/12/2017	0
MGS 09/21	3.624	17	3.622	08/12/2017	0
MGS 11/21	3.579	4	3.565	08/12/2017	1
MGS 03/22	3.675	71	3.650	08/12/2017	2
MGS 08/22	3.747	2	3.784	08/12/2017	-4
MGS 09/22	3.783	0	3.783	07/12/2017	0
MGS 03/23	3.808	1	3.765	08/12/2017	4
MGS 07/24	3.972	7	3.977	08/12/2017	0
MGS 09/24	3.931	23	3.940	08/12/2017	-1
MGS 09/25	4.032	45	4.060	08/12/2017	-3
MGS 04/26	4.120	2	4.128	08/12/2017	-1
MGS 11/26	4.122	12	4.108	07/12/2017	1
MGS 11/27	3.968	29	3.966	08/12/2017	0
MGS 04/30	4.524	56	4.508	08/12/2017	2
MGS 06/31	4.431	19	4.491	04/12/2017	-6
MGS 04/33	4.418	113	4.427	07/12/2017	-1
MGS 05/35	4.589	15	4.598	08/12/2017	-1
MGS 04/37	4.604	0	4.598	07/12/2017	1
MGS 09/43	4.843	4	4.901	08/12/2017	-6
Gil 05/18	3.099	70	3.031	05/12/2017	7
Gil 08/18	3.119	8	2.981	29/11/2017	14
Gil 09/19	3.502	1	3.437	10/11/2017	6
Gil 04/20	3.472	0	3.470	06/12/2017	0
Gil 04/22	3.901	70	3.891	07/12/2017	1
Gil 07/22	3.929	23	3.941	08/12/2017	-1
Gil 07/23	4.015	130	4.036	07/12/2017	-2
Gil 05/24	4.158	10	4.149	07/12/2017	1
Gil 08/24	4.183	2	4.096	08/12/2017	9
Gil 07/27	4.300	10	4.282	07/12/2017	2
		<u>1025</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*	
Manjung Island Energy Berhad	11/20	AAA	4.221	10	4.179	03/11/2017	4	81
Senari Synergy Sdn Berhad	08/18	AAA	4.291	1	4.271	28/11/2017	2	144
Aman Sukuk Berhad	10/21	AAA	4.372	4	4.361	01/08/2017	1	84
Manjung Island Energy Berhad	11/21	AAA	4.311	10	4.269	03/11/2017	4	78
Encorp Systembilt Sdn Berhad	11/21	AA1	4.361	10	4.351	21/07/2017	1	83
YTL Power International Berhad	03/23	AA1	4.562	3	4.564	08/12/2017	0	96
Public Bank Berhad	10/23	AA1	4.295	10	4.225	21/11/2017	7	49
UniTapah Sdn Berhad	12/23	AA1	4.504	10	4.564	25/07/2017	-6	70
Public Islamic Bank Berhad	06/24	AA1	4.311	10	4.273	07/11/2017	4	51
UniTapah Sdn Berhad	06/24	AA1	4.533	10	4.587	15/06/2017	-5	62
Sarawak Energy Berhad	07/24	AA1	4.558	5	4.556	27/11/2017	0	65
YTL Power International Berhad	05/27	AA1	4.896	20	4.901	07/12/2017	0	92
Danajamin Nasional Berhad	10/27	AA1	4.773	10	4.779	04/12/2017	-1	81
Sarawak Energy Berhad	08/35	AA1	5.389	4	5.260	30/11/2017	13	77
First Resources Limited	10/21	AA2	4.669	10	4.669	22/11/2017	0	114
Kesas Sdn Berhad	10/22	AA2	4.516	10	4.470	23/05/2017	5	91
Bright Focus Berhad	01/30	AA2	5.153	2	5.157	08/12/2017	0	119
Bright Focus Berhad	01/31	AA2	5.329	2	5.337	08/12/2017	-1	91
Konsortium ProHAWK Sdn Berhad	06/32	AA2	5.118	4	5.119	08/12/2017	0	70
Mukah Power Generation Sdn Berhad	12/19	AA2	4.464	1	4.471	29/06/2017	-1	127
BGSM Management Sdn Berhad	12/22	AA3	4.645	5	4.637	08/12/2017	1	104
BGSM Management Sdn Berhad	12/23	AA3	4.707	5	4.695	06/12/2017	1	90
Hong Leong Assurance Berhad	02/25	AA3	4.755	3	4.739	08/12/2017	2	85
AmBank Islamic Berhad (fka Amlslamic Bank Berhad)	12/25	AA3	4.786	10	4.815	29/08/2017	-3	84
Tadau Energy Sdn Berhad	07/28	AA3	5.472	10	5.484	05/12/2017	-1	151
Besraya (M) Sdn Berhad	07/28	AA3	4.897	1	4.899	08/12/2017	0	93
Tanjung Bin Energy Issuer Berhad	09/31	AA3	5.089	2	5.090	08/12/2017	0	67
Anih Berhad	11/29	AA	4.938	2	4.942	08/12/2017	0	97
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/18	AA-	4.346	15	4.342	08/12/2017	0	149
Malakoff Power Berhad	12/18	AA-	4.233	20	4.195	06/12/2017	4	138
Kimanis Power Sdn Berhad	08/22	AA-	4.506	5	4.517	13/11/2017	-1	90
Malakoff Power Berhad	12/22	AA-	4.580	5	4.578	08/12/2017	0	97
WCT Holdings Berhad	10/23	AA-	5.247	10	5.418	20/06/2017	-17	144
MMC Corporation Berhad	11/27	AA-	5.356	20	5.357	07/12/2017	0	139
Tanjung Bin O&M Berhad	06/28	AA-	4.901	5	4.860	26/10/2017	4	94
Southern Power Generation Sdn Berhad	10/33	AA-	5.421	1	5.422	08/12/2017	0	101
MEX II Sdn Berhad	04/34	AA-	5.561	7	5.573	08/12/2017	-1	115
Affin Bank Berhad	02/27	A1	4.845	20	4.844	07/12/2017	0	87
AMMB Holdings Berhad	03/27	A1	4.864	2	4.846	08/12/2017	2	89
CIMB Group Perpetual	-	A1	5.190	20	4.811	08/12/2017	38	57
			<u>312</u>					

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

Market/Corporate News: What's Brewing

Malaysia's deal activity saw a notable uptick in 2017, according to advisory firm Duff & Phelps, with deal value swelling by 30% year-on-year (y-o-y) to US\$20.3 billion (RM82.82 billion) from US\$15.6 billion last year. "This is the highest deal value we have seen for any year, since we started tracking Malaysian deals in 2013," Duff & Phelps Singapore Pte Ltd managing director Srividya C Gopalakrishnan said in its Transaction Trail Annual Issue for 2017, which was released yesterday. The report covers mergers & acquisitions (M&A), private equity (PE)/venture capital (VC) investments and initial public offerings (IPOs) in Singapore, Malaysia and Indonesia during the December 2016-to-November 2017 period. As at November this year, Duff & Phelps said there were 445 deals concluded in Malaysia, of which 408 were M&A, 23 were PE/VC deals and the remaining 14 were IPOs. Duff & Phelps said inbound deals led the M&A activity in Malaysia, accounting for 60% of the total 408 M&A deals valued at US\$17.6 billion during the year. "The M&A deal value is also the highest in the past five years," Duff & Phelps noted. According to Duff & Phelps, the energy sector continued to witness high deal value activity for inbound M&A for Malaysia, with real estate being the top sector for domestic M&A. "The two largest M&A transactions in 2017 for Malaysia were the acquisitions of 50% stakes in refinery and petrochemical integrated development (Rapid) and PRPC Polymers Sdn Bhd, both by Saudi Arabia's Aramco," it said. In February, Saudi Aramco bought a 50% stake in Rapid for US\$7 billion during Saudi Arabia's King Salman's visit to Malaysia, while Petronas Chemicals Group Bhd divested its 50% stake in PRPC to Saudi Aramco for US\$900 million in early October. The third largest M&A was S P Setia Bhd's acquisition of I&P Group Sdn Bhd for US\$851 million. PE/VC investments transacted in Malaysia amounted to 23 deals this year, with a combined deal value of approximately US\$1.04 billion. Out of the three countries, Malaysia was the smallest contributor, accounting for 4% of the PE/VC deal value of US\$26.2 billion in 2017. Singapore was the largest contributor with a total deal value of approximately US\$22.8 billion or 87% of the total PE/VC deal value in the region, followed by Indonesia at US\$2.4 billion or 9%. In terms of IPOs, Malaysia experienced significantly more capital raised in 2017 compared with 2016, said Duff & Phelps. This was due to the IPO of Lotte Chemical Titan Holding Bhd, which is the largest IPO in Malaysia in 2017 — raising total capital of US\$878 million or more than half of the US\$1.65 billion total capital raised on Bursa Malaysia. Other notable IPOs in Malaysia during the year were Eco World International Bhd (US\$580 million), Serba Dinamik Holdings Bhd (US\$91 million) and KIP Real Estate Investment Trust (US\$52 million). In terms of IPO deal value in the three countries, IPO listings in Singapore accounted for the largest share of 62%, followed by Malaysia at 28% and Indonesia at 10%. Duff & Phelps also noted that during 2017, Singapore, Malaysia and Indonesia witnessed a record level of deal activity at over US\$130 billion of value from M&A, PE/VC and IPO, surpassing the historic highs in 2015 of over US\$115 billion. "While the M&A market remains stable, the growth is driven by an increase in high-value PE buyouts and PE/VC investments, supported by recovery in the IPO market," it added. "With the strong regional demographics, globalisation and increased interest from Asian and global investors in the region, spur in technology penetration, and efforts by government bodies to encourage investments and more focus on intellectual property, we see the positive deal momentum continuing into the future," said Srividya. (Source: The Star)

Saudi Arabia plans to raise domestic petrol and jet fuel prices in January, part of a programme to gradually eliminate energy subsidies as the kingdom seeks to overhaul its economy and balance the budget, according to a person with knowledge of the matter. Petrol prices are set to increase by about 80%, while jet fuel prices would be raised to international levels in one go, the person said, asking not to be identified because the matter isn't public. Petrol and other fuels such as diesel, kerosene and heavy fuel oil would see incremental price increases over several years, the person said. Excluding jet fuel, prices won't reach international levels until 2023 at the earliest, and potentially by 2025. Electricity tariffs wouldn't be increased directly, but would rise gradually with other energy prices, the person said.

The Finance Ministry, which oversees the subsidy reform programme, did not immediately respond to a request for comment. The new plan represents a slower timeline for the removal of subsidies as the government tries to offset the impact of the measures on a struggling economy. Authorities first reduced subsidies in December 2015 after years of debate as oil prices plummeted. Officials later said they would eliminate them entirely by 2020, part of Crown Prince Mohammed bin Salman's Vision 2030 plan for the post-oil era. The world's biggest oil exporter is struggling to cope with low prices and spending cuts aimed to reducing a budget deficit that reached about 15% of gross domestic product in 2015. The economy contracted in the first two quarters this year. Finance Minister Mohammed Al-Jadaan said in an interview in October that prices of some subsidised domestic energy products would rise to international levels later than previously seen. Authorities would not rush to balance the budget by 2019 to avoid hurting growth, he said. Next year's budget will be announced on Dec 19. The Labour and Social Development Ministry will announce the details of a cash transfer programme, known as the Citizen's Account, according to state television. Officials have said that the payments, intended to compensate low and middle-income Saudis for austerity measures, would begin before the next round of subsidy cuts. Saudi Arabia would start a stimulus package for businesses "very soon," Fahad al-Sukait, president of local content and private sector development unit in the government, said yesterday at an event in Dhahran, eastern Saudi Arabia. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Bank Islam Malaysia Berhad	Financial Institution Rating	AA3/Stable/P1	Reaffirmed

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@hbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.