

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries ended as the front-end were sold-off whilst the longer-end rallied. Overall 2Y-5Y moved higher by 2-3 bps whilst the much-watched 10Y closed somewhat unchanged at 2.41%. The yield curve resumed its flattening mode; erasing the earlier reversal for past 2 days as LIBOR moved higher by 0.3bps to about 1.416% levels; impacting the front-end flows. Investors will look to a slew of data from the US economic calendar including PPI tonight followed by CPI, Retail Sales, Industrial Production and Housing Starts later this week.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.68	3
5-yr UST	2.08	2
10-yr UST	2.41	1
30-yr UST	2.87	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.49	0	3.62	4
5-yr	3.83	8	3.89	0
7-yr	4.06	5	4.10	0
10-yr	4.08	3	4.31	6
15-yr	4.67	-9	4.75	0
20-yr	4.80	2	4.79	0
30-yr	4.98	0	4.99	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.67	0
3-yr	3.78	0
5-yr	3.85	0
7-yr	3.96	0
10-yr	4.08	1

Source: Bloomberg

#### Upcoming Government Bond Tenders

Reopening of RM3.0b 10Y GII 7/27 today

##### MGS/GII

- Local govies were weaker with 5-10Y tenures seen selling-off; causing yields to spike 3-8 bps. The 7Y MGS 9/24 and 10Y MGS 11/27 ended higher at 4.06% and 4.08% respectively. Overall volume was lower at RM2.09b compared to the previous day with brisk activity in the 18's followed by the 22-24's. All eyes will be focused on the reopening of the 10Y GII 7/27 which traded 6bps higher to close at 4.31% yesterday. The BTC of the auction at the time of writing was a commendable 1.832x. Up next on the data front are the GDP Y-o-Y figures out on the 17<sup>th</sup> November.

##### PDS/Sukuk

- Trading in corporate bonds improved marginally to about RM255m in total volume with the AAA-rated BPMB 3/22 grinding higher by 4bps to close at 4.42% versus the previously done levels. Very little action seen in the GG-space as AAA (Aquasar 21 and 22) and also AA-rated papers (UMW Holdings And RHB bank and Investment Bank) were traded 0-7 bps lower against the trend of local govies. The longer-end continued to lack interest for now due to lingering concerns on duration. We expect bargain-hunting to emerge on value-hunting.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.754	155	2.848	10/11/2017	-9
MGS 03/18	2.799	911	2.801	10/11/2017	0
MGS 09/18	3.047	106	3.074	10/11/2017	-3
MGS 03/19	3.292	21	3.309	10/11/2017	-2
MGS 10/19	3.387	9	3.372	10/11/2017	2
MGS 11/19	3.410	14	3.280	09/11/2017	13
MGS 03/20	3.473	35	3.491	10/11/2017	-2
MGS 07/20	3.478	0	3.461	09/11/2017	2
MGS 10/20	3.476	56	3.513	10/11/2017	-4
MGS 07/21	3.717	52	3.680	10/11/2017	4
MGS 09/21	3.768	0	3.796	10/11/2017	-3
MGS 11/21	3.781	2	3.794	10/11/2017	-1
MGS 03/22	3.830	11	3.755	10/11/2017	8
MGS 08/22	3.859	1	3.834	09/11/2017	2
MGS 09/22	3.894	82	3.885	10/11/2017	1
MGS 03/23	3.962	19	4.004	10/11/2017	-4
MGS 08/23	4.065	50	3.995	10/11/2017	7
MGS 07/24	4.077	15	4.111	10/11/2017	-3
MGS 09/24	4.058	126	4.016	10/11/2017	4
MGS 09/25	4.227	5	4.196	10/11/2017	3
MGS 04/26	4.256	0	4.263	10/11/2017	-1
MGS 11/26	4.242	0	4.290	10/11/2017	-5
MGS 05/27	4.372	0	4.242	09/11/2017	13
MGS 11/27	4.083	17	4.058	10/11/2017	3
MGS 06/28	4.253	0	4.245	09/11/2017	1
MGS 09/28	4.248	0	4.243	09/11/2017	0
MGS 04/30	4.500	0	4.492	09/11/2017	1
MGS 06/31	4.621	6	4.601	09/11/2017	2
MGS 04/32	4.645	0	4.536	09/11/2017	11
MGS 04/33	4.669	42	4.669	10/11/2017	0
MGS 05/35	4.718	20	4.638	09/11/2017	8
MGS 04/37	4.795	0	4.702	09/11/2017	9
MGS 09/43	4.935	0	4.887	10/11/2017	5
MGS 03/46	4.975	1	4.974	10/11/2017	0
GII 08/18	3.152	179	3.125	03/11/2017	3
GII 04/20	3.618	80	3.574	10/11/2017	4
GII 07/23	4.069	0	4.083	10/11/2017	-1
GII 09/26	4.357	2	4.274	09/11/2017	8
GII 07/27	4.310	70	4.250	10/11/2017	6
		<u>2090</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*
Pengurusan Air SPV Berhad	06/19 GG	3.845	5	3.862	20/07/2017	-2	50
Bank Pembangunan Malaysia Berhad	03/22 AAA	4.418	90	4.374	03/11/2017	4	76
Cagamas Berhad	10/18 AAA	3.789	15	3.642	20/10/2017	15	69
CIMB Bank Berhad	05/22 AAA	4.449	5	0.000	00/01/1900	-	-
Aquasar Capital Sdn Berhad	07/21 AAA	4.294	10	4.393	06/04/2017	-10	64
Aquasar Capital Sdn Berhad	07/22 AAA	4.388	10	4.390	10/08/2017	0	60
Putrajaya Bina Sdn Berhad	09/22 AAA	4.399	10	4.309	17/10/2017	9	61
Public Islamic Bank Berhad	08/27 AA1	4.558	10	4.512	17/10/2017	5	46
UMW Holdings Berhad	10/21 AA2	4.624	10	4.627	10/11/2017	0	97
UMW Holdings Berhad	10/26 AA2	4.984	10	4.986	08/11/2017	0	89
RHB Bank Berhad	04/25 AA3	4.596	10	4.706	20/07/2016	-11	59
RHB Investment Bank Berhad	12/22 AA3	4.319	10	4.393	06/09/2017	-7	53
TF Varlik Kiralama A. S	05/20 AA3	5.810	9	5.805	08/11/2017	0	230
Kimanis Power Sdn Berhad	08/22 AA-	4.517	10	4.596	29/03/2017	-8	72
MMC Corporation Berhad	11/27 AA-	5.365	10	5.366	10/11/2017	0	127
Southern Power Generation Sdn Berhad	04/27 AA-	4.986	10	-	-	-	90
Tadau Energy Sdn Berhad	07/28 AA3	5.516	10	5.517	08/11/2017	0	142
Southern Power Generation Sdn Berhad	04/28 AA-	4.999	4	0.000	-	-	-
MMC Corporation Berhad	11/20 AA-	4.905	2	4.896	08/11/2017	1	139
BGSM Management Sdn Berhad	12/17 AA3	3.979	5	3.937	-	4	88
AMMB Holdings Berhad	03/27 A1	4.885	10	4.878	08/11/2017	1	80
			<u>255</u>				

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

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

Asian stocks wobbled on Tuesday as investors awaited developments in U.S. tax reform efforts, while contemplating if a **marked flattening in the U.S. yield curve** might ultimately be a harbinger of an economic slowdown there. MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.25 percent after two sessions of declines, while Australia fell 0.9 percent. Japan's Nikkei was choppy, down 0.1 percent to add to four sessions of losses. Investors were waiting for any signs of compromise on U.S. tax policy after U.S. Senate Republicans on Thursday unveiled a plan that would cut corporate taxes a year later than a rival House of Representatives' bill. In Asia, the highlight will be Chinese data on industrial output, retail sales and urban investment, while the United States releases its own retail sales figures later in the day. Also on the menu are no fewer than 13 central bank speakers, including the heads of the U.S., European, British and Japanese central banks. On Wall Street, a sharp drop in General Electric shares was offset by gains in high dividend-paying sectors including consumer staples and utilities. The Dow rose 0.07 percent, while the S&P 500 added 0.10 percent and the Nasdaq 0.1 percent. General Electric slashed its dividend by 50 percent and cut its profit forecast while unveiling a plan that narrowed its focus on aviation, power and healthcare. Currency markets were mostly quiet, with the dollar barely changed against a basket of counterparts at 94.495. The euro was up 0.03 percent at \$1.1668. Sterling hovered at \$1.3113, having fallen as far as \$1.3063 on Monday amid concerns British Prime Minister Theresa May was losing her grip on power. May's blueprint for Britain's departure from the EU faces a crucial test starting on Tuesday, when lawmakers try to win concessions on legislation to sever ties. The dollar was steady at 113.66 yen after bouncing from 113.25 support overnight. A rise in U.S. bond yields has generally made it more attractive to buy dollars with money borrowed in low-rate currencies like the yen and Swiss franc. Figures out on Monday from the Commodity Futures Trading Commission showed the speculative net short position in the Japanese yen had blown out to the largest since January 2014 and in the Swiss franc to the biggest since December 2016. Yields on Treasury two-year notes hit a fresh nine-year high on Monday, shrinking the spread to 10-year paper to near its smallest since 2007. The trend in part reflects market wagers the U.S. Federal Reserve's plans to hike rates in December and two or three times next year will prove all too successful in restraining inflation by ultimately slowing the economy. Tom Porcelli, chief U.S. economist at RBC Capital Markets, noted that a glance at history suggested a flatter, and particularly an inverted, yield curve was "compelling as an early warning sign" of recession. However, history also showed that the average amount of time it took the curve to go from flat to inverted was 18 months and the average time to go from inverted to recession was 18 months. "So even if we take the inverted curve as gospel, it suggests the expansion still has multiple years in it," said Porcelli. In commodity markets, gold was steady at \$1,277.55 an ounce. The metal has stayed broadly within \$15 an ounce of its 100-day moving average, currently at \$1,277 an ounce, for most of the last month. Oil prices held in a tight range as support from Middle East tensions and record long bets by fund managers balanced rising U.S. production. U.S. crude was off 4 cents at \$56.76, while Brent crude futures were yet to trade at \$63.16 a barrel. (Source: The Edge )

### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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](mailto: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.