

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.78	-5
5-yr UST	2.11	-7
10-yr UST	2.34	-6
30-yr UST	2.73	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	-2	3.47	0
5-yr	3.62	-5	3.90	0
7-yr	3.91	-2	4.08	-1
10-yr	3.97	0	4.30	0
15-yr	4.43	1	4.67	0
20-yr	4.60	0	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	3.75	1
5-yr	3.84	1
7-yr	3.96	0
10-yr	4.07	1

Source: Bloomberg

Upcoming Government Bond Tenders

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

US Treasuries

- US Treasuries rallied sending yields lower by 5-7bps across most tenures as the Federal Reserve followed through with a 7-2 vote for a 0.25% expected rate hike at the FOMC. The target range is now at 1.25-1.50%. The curve steepened with the 5s30s rising by 2bps. The much-watched 10Y rallied to close 6bps lower at 2.35%. The rate-path is seen to be unchanged for 2018-9 with the Fed eyeing three (3) rate hikes next year. Investors are expected to digest the policy statement especially on the revised forecast of GDP to 2.5% next year along with the increase in the monthly pace of balance sheet shrinkage from \$10b to \$20b.

MGS/GII

- Local Govvies continued to see dwindling volumes of RM870m yesterday with some interest in short-end MGS 18's and 20-21's. Overall yields were lower by 2-5bps especially in the 3-7Y tenures with the benchmark 7Y MGS 9/24 and MGS 11/27 closing higher at 3.91% and 3.97% respectively compared to previous-done levels. Following the FOMC rate hike, investors are expected to adopt a "wait-and-see" attitude ahead of the auction of the new 15.5Y GII benchmark today amid continued strength of the Ringgit.

PDS/Sukuk

- Trading interest in Corporate Bonds improved to RM396m with almost half the volume done in the AAA-space. CAGAMAS 18-20's saw total print of RM65m with yields moving 5-22bps lower ending between 3.40-4.00% levels whereas PLUS 24-31 papers also drew demand. PLUS 31 closed 2bps lower at 4.90% on the back of RM40m volume whilst PLUS 37 closed at 4.62%. In the AA-space we continue to see trades done on names like YTL Power 3/23, which closed 1bps higher at 4.57% whereas UEM Sunrise 12/18 (closed 4.34%) and long-end DUKE 33-35 papers (range 5.20-5.31%) saw active trades. We note emerging interest in long-tenured Corporate Bonds.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.802	68	2.898	08/12/2017	-10
MGS 03/18	2.802	1	2.721	12/12/2017	8
MGS 09/18	2.800	179	2.672	12/12/2017	13
MGS 03/19	2.946	17	2.896	12/12/2017	5
MGS 07/19	3.128	0	3.000	06/12/2017	13
MGS 10/19	3.097	1	3.101	11/12/2017	0
MGS 11/19	3.155	1	3.157	12/12/2017	0
MGS 03/20	3.308	20	3.217	12/12/2017	9
MGS 02/21	3.383	125	3.403	12/12/2017	-2
MGS 07/21	3.501	0	3.496	11/12/2017	0
MGS 09/21	3.621	0	3.624	12/12/2017	0
MGS 08/22	3.771	1	3.747	12/12/2017	2
MGS 09/22	3.776	3	3.783	12/12/2017	-1
MGS 03/23	3.797	45	3.808	12/12/2017	-1
MGS 08/23	3.823	17	3.845	11/12/2017	-2
MGS 07/24	3.989	29	3.972	12/12/2017	2
MGS 09/24	3.914	18	3.915	12/12/2017	0
MGS 09/25	4.038	64	4.032	12/12/2017	1
MGS 04/26	4.141	20	4.120	12/12/2017	2
MGS 11/27	3.966	89	3.968	12/12/2017	0
MGS 04/30	4.521	0	4.524	12/12/2017	0
MGS 04/33	4.428	0	4.430	12/12/2017	0
MGS 09/43	4.863	0	4.843	12/12/2017	2
GII 05/18	3.014	2	3.099	12/12/2017	-9
GII 08/21	3.800	58	3.742	11/12/2017	6
GII 04/22	3.901	80	3.901	12/12/2017	0
GII 07/27	4.296	30	4.300	12/12/2017	0
		<u>870</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	07/29	GG	4.610	5	4.599	06/12/2017	1	65
Cagamas Berhad	03/18	AAA	3.396	40	3.450	07/09/2017	-5	54
Cagamas Berhad	08/18	AAA	3.629	1	3.650	27/11/2017	-2	78
Cagamas Berhad	02/19	AAA	3.670	20	3.888	23/05/2017	-22	82
Cagamas Berhad	10/20	AAA	4.000	5	4.071	06/12/2017	-7	59
Sarawak Hidro Sdn Berhad	08/30	AAA	4.859	2	4.809	14/09/2017	5	44
Malaysia Airports Capital Berhad	12/22	AAA	4.475	2	4.477	11/12/2017	0	87
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.436	30	4.448	15/11/2017	-1	63
TNB Western Energy Berhad	01/25	AAA	4.563	20	4.488	07/02/2017	7	65
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.549	20	4.700	28/11/2017	-15	61
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.618	10	4.625	11/12/2017	-1	64
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.900	40	4.919	27/11/2017	-2	49
YTL Power International Berhad	03/23	AA1	4.573	10	4.562	12/12/2017	1	97
Sepangar Bay Power Corporation Sdn Berhad	07/25	AA1	4.713	15	4.537	15/08/2016	18	77
YTL Power International Berhad	05/27	AA1	4.899	2	4.896	12/12/2017	0	92
Sarawak Energy Berhad	04/36	AA1	5.429	7	5.299	11/10/2017	13	81
CIMB Islamic Bank Berhad	09/24	AA+	4.384	6	4.383	07/12/2017	0	47
Benih Restu Berhad	06/25	AA2	4.609	6	4.618	28/11/2017	-1	70
Cahaya Mata Sarawak Berhad	05/22	AA3	4.548	3	4.538	23/11/2017	1	102
CIMB Thai Bank Public Company Limited	07/24	AA3	4.891	8	5.129	28/11/2017	-24	98
SPR Energy (M) Sdn Berhad	07/26	AA3	5.046	1	5.038	08/09/2017	1	107
SPR Energy (M) Sdn Berhad	07/31	AA3	5.435	1	5.369	26/09/2017	7	102
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/18	AA-	4.340	40	4.346	12/12/2017	-1	149
Malakoff Power Berhad	12/19	AA-	4.407	10	4.392	22/11/2017	1	122
Malakoff Power Berhad	12/20	AA-	4.460	9	4.455	17/11/2017	0	105
Tanjung Bin O&M Berhad	07/27	AA-	4.828	5	4.783	29/06/2017	4	86
Tanjung Bin O&M Berhad	06/29	AA-	4.974	5	4.950	25/10/2016	2	101
Southern Power Generation Sdn Berhad	04/30	AA-	5.158	1	5.159	28/11/2017	0	119
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.199	10	5.195	06/12/2017	0	78
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.251	10	5.139	25/09/2017	11	84
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.309	20	5.305	06/12/2017	0	69
Southern Power Generation Sdn Berhad	10/35	AA-	5.564	10	5.610	17/11/2017	-5	95
Bank Islam Malaysia Berhad	04/25	A1	4.525	10	4.627	21/02/2017	-10	62
CIMB Group Holdings Berhad	05/16	A1	4.971	2	4.971	12/12/2017	0	36
CIMB Group Holdings Berhad	05/16	A1	4.812	2	4.811	08/12/2017	0	20
DRB-Hicom Berhad	11/18	A+	5.400	10	5.438	14/11/2017	-4	255
			<u>396</u>					

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

Market/Corporate News: What's Brewing

The Federal Reserve raised interest rates on Wednesday but left its rate outlook for the coming years unchanged even as policymakers projected a short-term jump in U.S. economic growth from the Trump administration's proposed tax cuts. In an early verdict on the tax overhaul, Fed policymakers judged it would boost the economy next year but leave no lasting impact, with the long-run potential growth rate stalled at 1.8 percent. The White House has frequently said its tax plan would produce annual GDP growth of 3 percent to 4 percent. The expected fiscal stimulus, coming on the heels of a flurry of relatively bullish data, cleared the way for the U.S. central bank to raise rates by a quarter of a percentage point to a range of 1.25 percent to 1.50 percent. It was the third rate hike this year. But the Fed's forecast of three additional rate increases in 2018 and 2019 was unchanged from its projections in September, a sign the tax legislation moving through Congress would have a modest, and possibly fleeting, effect. The rate increase represented a victory for a central bank that has struggled at times to deliver on its promised pace of monetary tightening. It also allowed Fed Chair Janet Yellen, at her final press conference before her term ends in February, to signal an all-clear for the U.S. economy a decade after the onset of the 2007-2009 recession. "At the moment the U.S. economy is performing well. The growth that we're seeing, it's not based on, for example, an unsustainable buildup of debt ... The global economy is doing well, we're in a synchronized expansion," Yellen said. "There is less to lose sleep about now than has been true for quite some time, so I feel good about the economic outlook." But the central bank's projections also contained some potential dilemmas for incoming Fed chief Jerome Powell. The Fed now envisions a burst of growth, ultra-low unemployment of below 4 percent in 2018 and 2019 and continued low interest rates - yet little movement on inflation. Yellen said the persistent shortfall of inflation from the Fed's 2 percent goal was the major piece of "undone work" she was leaving for Powell to figure out. In its justification for Wednesday's rate increase, which was widely expected by financial markets, the Fed's policy-setting committee cited "solid" economic growth and job gains. U.S. stocks extended gains after the release of the policy statement before ending mixed, while Treasury yields dropped. The dollar fell against a basket of currencies. Traders of U.S. short-term interest rate futures kept bets the Fed would raise rates only twice next year. The Fed now sees gross domestic product growing 2.5 percent in 2018, up from the 2.1 percent forecast in September. The pace of growth is expected to cool to 2.1 percent in 2019, slightly higher than the prior forecast of 2.0 percent. "Changes in tax policy will likely provide some lift to economic activity in coming years," Yellen said, adding that "the magnitude and timing of the macroeconomic effects of any tax package remain uncertain." The impact would "mainly" work to raise aggregate demand as households and companies have more money to spend, Yellen said, with "some potential" to raise investment and the economy's longer-term growth. The Fed also said on Wednesday it expected the nation's unemployment rate would fall to 3.9 percent next year and remain at that level in 2019, well below what is considered to be full employment. It previously had forecast a jobless rate of 4.1 percent for those two years. But inflation is projected to remain shy of the central bank's goal for another year, with weakness on that front still enough of a concern that policymakers saw no reason to accelerate the expected pace of rate increases. "It shows at least some members of the Fed don't see any reason to keep hiking rates in an environment where the economy is growing more strongly but certainly not overheating and where inflation hasn't become a problem and doesn't look like it is going to be one," said Kate Warne, investment strategist at Edward Jones. Policymakers do see the federal funds rate rising to 3.1 percent in 2020, slightly above the 2.8 percent "neutral" rate they expect to maintain in the long run. That indicates possible concerns about a rise in inflation pressures over time. Chicago Fed President Charles Evans and Minneapolis Fed President Neel Kashkari dissented in the policy statement on Wednesday. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
KMCOB Capital Berhad	RM320 million Guaranteed Serial Bonds (2013/2020)	AAA(FG)	Assigned

Source: RAM Ratings; MARC

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