

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries exhibited some strength as it generally bull-flattened; led by long-end gains amid slight weakness in oil and Dollar. Yields across tenures were about 2-4bps lower with the 10Y closing lower at 2.37%. The 5s30s hit a low of 76bps, level not seen since 2007 and we expect further volatility in this spread going forward. The 2Y; a direct proxy of interest rate hike moved 1bps higher at 1.69% as the implied odds of a 3rd rate hike this year continue to stay elevated at about 92%. The stronger PPI numbers out yesterday and the projected stronger numbers for the upcoming data this week i.e. Inflation, retail sales and manufacturing may however keep investors sidelined as USTs weaken with yields possibly moving higher.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.69	1
5-yr UST	2.06	-2
10-yr UST	2.37	-3
30-yr UST	2.83	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.52	3	3.54	0
5-yr	3.78	-5	3.89	0
7-yr	3.99	-7	4.10	0
10-yr	4.04	-4	4.35	4
15-yr	4.73	6	4.75	0
20-yr	4.80	1	4.79	0
30-yr	4.98	0	4.99	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	-3
3-yr	3.74	-3
5-yr	3.84	-1
7-yr	3.95	-1
10-yr	4.07	-1

Source: Bloomberg

MGS/GII

- Local Govvies trading volume improved to RM2.56b with action seen in the 5-10Y benchmarks with yields lower by 4-7bps. The 7Y MGS 9/24 closed at 3.99% whereas the 10Y ended 4bps lower at 4.04%. Investors continue to dabble in the shorter-end 18's with yields closing between 0-8 bps lower in the 2.75-95% range. The auction for the 10Y GII 7/27 yesterday saw decent interest with a BTC of 1.832x with an average yield of 4.347%; chalking a huge premium over its conventional counterpart. We expect levels to hold or improve as investors look to pick-up from beaten-down levels following the recent hawkish policy statements arising from the last MPC meeting for the year on 9th Nov. On the data front we have the release of 3Q GDP growth numbers this Friday that will show growth accelerated in 3Q.

PDS/Sukuk

- Trading in corporate bonds improved with interest mainly seen on bank papers with names like HSBC Amanah, CIMB, AmBank, Alliance Bank and Affin bank traded mixed on yields; representing some 50% of total volume of RM302m done yesterday. We also note LPPSA 4/27 closing 2 bps higher at 4.52%. There was lack of interest beyond the 10Y duration as investors mull on the direction of Govvies and UST's for now.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.749	127	2.754	43052	0
MGS	03/18	2.708	185	2.751	43052	-4
MGS	09/18	2.952	202	3.036	43052	-8
MGS	03/19	3.291	6	3.292	43052	0
MGS	10/19	3.440	146	3.387	43052	5
MGS	11/19	3.430	4	3.410	43052	2
MGS	03/20	3.424	66	3.473	43052	-5
MGS	07/20	3.438	32	3.478	43052	-4
MGS	10/20	3.483	58	3.484	43052	0
MGS	02/21	3.522	10	3.489	43049	3
MGS	07/21	3.732	8	3.717	43052	2
MGS	09/21	3.767	46	3.740	43049	3
MGS	11/21	3.800	14	3.795	43052	0
MGS	03/22	3.780	128	3.800	43052	-2
MGS	08/22	3.817	4	3.859	43052	-4
MGS	09/22	3.862	6	3.885	43052	-2
MGS	08/23	4.064	4	4.065	43052	0
MGS	07/24	4.102	82	4.094	43052	1
MGS	09/24	3.991	91	4.042	43052	-5
MGS	09/25	4.204	199	4.227	43052	-2
MGS	11/26	4.215	1	4.290	43049	-8
MGS	05/27	4.317	0	4.372	43052	-5
MGS	11/27	4.040	100	4.083	43052	-4
MGS	04/30	4.549	8	4.500	43052	5
MGS	04/33	4.728	39	4.634	43052	9
MGS	05/35	4.727	5	4.676	43052	5
MGS	04/37	4.802	3	4.795	43052	1
MGS	09/43	5.004	10	4.935	43052	7
GII	11/17	3.000	70	3.036	43048	-4
GII	05/18	3.099	10	3.055	43046	4
GII	04/20	3.552	137	3.618	43052	-7
GII	03/21	3.795	50	3.636	43046	16
GII	07/27	4.351	703	4.310	43052	4
			<u>2555</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*	
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	4.524	60	4.500	27/10/2017	2	42
HSBC Amanah Malaysia Berhad	03/20	AAA	4.256	90	4.197	06/09/2017	6	91
Tenaga Nasional Berhad	08/37	AAA	5.200	4	5.099	17/10/2017	10	40
Malaysia Building Society Berhad	05/19	AA1	4.456	5	4.424	08/09/2017	3	111
Maybank Islamic Berhad	04/24	AA1	4.746	1	4.450	08/11/2017	30	83
Hong Leong Bank Berhad	06/24	AA1	4.436	8	4.590	26/09/2017	-15	43
YTL Power International Berhad	05/27	AA1	4.881	11	4.882	08/11/2017	0	78
CIMB Bank Berhad	09/23	AA+	4.231	10	4.595	24/10/2017	-36	31
Krung Thai Bank Public Company Limited	07/25	AA2	4.456	4	4.453	02/11/2017	0	39
AmBank (M) Berhad	12/23	AA3	4.470	20	5.106	17/10/2017	-64	55
Special Power Vehicle Berhad	05/21	A1	5.042	2	5.111	07/06/2017	-7	139
Affin Bank Berhad	02/27	A1	4.887	20	4.878	07/11/2017	1	78
Affin Bank Berhad	09/27	A1	4.930	4	4.926	03/11/2017	0	85
Alliance Bank Malaysia Berhad	12/25	A2	4.941	10	5.207	25/08/2017	-27	88
Bank Muamalat Malaysia Berhad	11/21	A	5.227	9	5.219	02/11/2017	1	157
DRB-Hicom Berhad	11/18	A+	5.438	9	5.420	08/11/2017	2	235
Southern Power Generation Sdn Berhad	10/27	AA-	5.000	6	5.007	06/11/2017	-1	92
Southern Power Generation Sdn Berhad	04/32	AA-	5.305	1	0.000	00/01/1900	531	62
Celcom Networks Sdn Berhad [fka Celcom Transmission	08/24	AA+	4.907	1	4.849	15/09/2017	6	90
Celcom Networks Sdn Berhad [fka Celcom Transmission	10/26	AA+	5.026	2	5.019	31/10/2017	1	92
Celcom Networks Sdn Berhad [fka Celcom Transmission	08/27	AA+	5.058	1	5.049	01/11/2017	1	98
Samalaju Industrial Port Sdn Berhad	12/28	AA1	5.057	1	5.008	23/10/2017	5	97
KT Kira Sertifikatari Varlik Kiralama A.S.	05/20	AA3	5.486	9	5.474	08/11/2017	1	198
TNB Western Energy Berhad	07/24	AAA	4.547	4	4.416	07/02/2017	13	54
Aman Sukuk Berhad	05/26	AAA	4.643	10	4.609	01/08/2017	3	54
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Seeking to unlock the value of its property in the Klang Valley, **Keretapi Tanah Melayu Bhd (KTMB)** may venture into property development as early as next year. The state-owned rail operator said its land bank could generate projects worth some RM6 billion. Its chief executive officer (CEO) Mohd Rani Hisham Samsudin said this is part of the state-owned rail operator's initiatives to increase income from its non-fare segment. "We are looking at various pockets of opportunities for the pieces of land neighbouring our stations, to unlock this value and subsequently improve contribution to our revenue from the non-fare segments," Mohd Rani told a press conference after the launch of the 39th Asean Railways CEO's Conference yesterday. He said the venture into property development, on the concept of transit-oriented development and partnering with strategic developers, will not be immediate, as it is still subject to obtaining the relevant development orders from the local authorities and pending finalisation. "However, if all goes well and subject to relevant approvals, we could kick off the property projects as early as next year," said KTMB's independent non-executive director Datuk Ahmad Zainuddin Jamaluddin at the press conference. Mohd Rani said KTMB must be mindful of the type of development as each location has a distinct market. "We can't simply develop any projects as we like, as we need to be mindful of the market that each location can capture. Some stations are located at routes that pass through residential and township areas, while some stations are closer to industrial zones. Different stations serve different markets and that is where we have to be careful in the grand design of the development." As for the overall strategy to boost non-fare revenue, Mohd Rani said KTMB is studying various ways to improve earnings from the advertising segment. "This is another way that we can boost non-fare revenue and I believe, we can capitalise on this method to ramp up earnings from non-core segments." Currently, Mohd Rani said KTMB's fare revenue is generated by its two business segments: passenger and cargo. "Within the Klang Valley, KTMB's routes are competing with other operators such as Prasarana Malaysia Bhd, Mass Rapid Transit Corp Sdn Bhd and Express Rail Link Sdn Bhd. It is not easy to capture ridership within the Klang Valley. "But for interstate and long distances, it is undeniable we are the market leader in this segment. There is also a lot of work to be done to further improve our ridership and cargo services," he said, adding that growth in ridership tracks the country's economic growth, hovering 4.5% to 6% annually. By December, Mohd Rani said KTMB will be undertaking a double tracking project to expand its railway network from Gemas in Negeri Sembilan to Johor Baru, with the construction work spanning over four years. "Once this is completed, all of KTMB's railway network from north to south [of Peninsular Malaysia] will boast a double track." In the third quarter of 2018, Mohd Rani said KTMB is due to receive the first of 22 rolling stocks in the form of electric multiple units (EMUs) that it had ordered from CRRC Zhuzhou Locomotive Co, and manufactured at the latter's plant in Batu Gajah, Perak. In April, KTMB signed a €180 million contract with CRRC to buy 22 rolling stocks, of which 13 are four-car diesel multiple units and the remaining nine are six-car EMUs. Themed "Rail Unites Asean", the three-day Asean Railways CEO's Conference is organised by KTMB in collaboration with the national railway operators from six other countries: State Railway of Thailand, PT Keretapi Indonesia, Cambodia's ministry of public works and transport, Myanmar Railway, Lao Railway Authority, and Vietnam Railway. (The Edge)

Mudajaya Group Bhd has proposed to issue Islamic bonds worth up to RM245 million to partly finance the development of a solar photovoltaic (PV) energy-generating facility of 49MWac in Sungai Siput, Perak. In a filing with Bursa Malaysia yesterday, Mudajaya said the Green SRI Sukuk Wakalah will be issued on a one-off basis, where it may comprise one or more series having the same issue date but different maturity dates. The tenure of each series of the proposed sukuk will be up to 18 years from the date of its issuance. Mudajaya said its indirect wholly-owned power generation subsidiary, Sinar Kamiri Sdn Bhd (SKSB), last Tuesday made the lodgement with the Securities Commission Malaysia for the proposed sukuk. SKSB is a wholly-owned subsidiary of Mudajaya RE Sdn Bhd, which is an indirect wholly-owned unit of Mudajaya through its wholly-owned subsidiary, Mudajaya Energy Sdn Bhd. In March, SKSB inked a power purchase agreement (PPA) with Tenaga Nasional Bhd to build the solar PV energy-generating facility, expected to commence operations on Aug 31, 2018. The PPA's tenure of 21 years will be effective from the facility's commercial operation's commencement. In

September, Mudajaya announced it had completed a private placement of 9.84% of its issued shares at RM1.15 per placement share, raising RM60.95 million. The proceeds will be used to fund the construction of the new power concession asset. In a separate statement yesterday, Malaysian Rating Corp Bhd said it has assigned a preliminary rating of AA-IS to SKSB's proposed sukuk, with a stable outlook. The estimated total development cost of the solar project is RM306.25 million, it added. (The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Sinar Kamiri Sdn Bhd (SKSB)	Proposed Green SRI Sukuk Wakalah of up to RM245.0 million	AA-IS	Assigned preliminary rating
Senari Synergy Sdn Bhd (Senari Synergy)	RM380 million Islamic Medium-Term Notes (IMTN) Programme	AAAIS(FG)	Affirmed
Purple Boulevard Berhad	RM250 million Sukuk Ijarah		
	Senior Class A	AAA/Stable	Reaffirmed
	Senior Class B	AA3/Stable	Reaffirmed
	Senior Class C	A3/Stable	Reaffirmed
	Guaranteed Class D	AAA(FG)/Stable	Reaffirmed

Source: RAM Ratings; MARC

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