

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.81	4
5-yr UST	2.14	3
10-yr UST	2.35	1
30-yr UST	2.71	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	0	3.47	0
5-yr	3.86	18	3.90	0
7-yr	3.92	1	4.18	0
10-yr	3.97	1	4.30	0
15-yr	4.41	-2	4.67	0
20-yr	4.60	0	4.79	0
30-yr	4.85	24	4.98	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.75	1
5-yr	3.84	0
7-yr	3.96	0
10-yr	4.07	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries ended mixed as the front-end saw selling with yields higher by 1-4bps whilst the 30Y rallied to end lower by 2bps at 2.71%; driven by strong retail sales data. The curve flattened as the 5s30s spread resumed its tightening. The much-watched 10Y edged 1bps higher to close at 2.35%. Investors are expected to be gradually sidelined ahead of the upcoming festive season amid light data today i.e. IPI figures for November.

MGS/GII

- Local Govvies saw slight improvement in sentiment with volume tripling to RM2.91b with interest in the short-end off-the-runs MGS 18's and GII 19-20's. Overall yields were little changed (save for some skewed odd-lot trades done on the 5Y and 30Y). The benchmark 7Y MGS 9/24 and MGS 11/27 closing 1bps higher at 3.92% and 3.97% respectively compared to previous-done levels. Following the strength in Ringgit, rebound in exports and widening current account surplus; investors are expected to continue their hunt for yields with MGS bonds potentially being a beneficiary.

PDS/Sukuk

- Corporate Bonds saw RM299m traded with bulk of interest seen in the AA-space. DANA 11/47 saw yields ending 2bps lower at 5.33% whereas the AAA-rated TNB Western 7/28 also rallied to close at 4.73%. Both YTL Corp and YTL Power papers saw RM48m traded with yields moving north instead. Also within the AA-space we note BGSM 12/23 and Malakoff Power 12/19 close unchanged at 4.71% and 4.41% respectively whilst Malakoff Power 12/20 closed at 4.46%. We expect some continued interest as investors evaluate and re-position their portfolios ahead of the new year.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.799	133	2.600	13/12/2017	20
MGS 03/18	2.731	150	2.721	12/12/2017	1
MGS 09/18	3.007	544	2.798	13/12/2017	21
MGS 07/19	3.112	0	3.128	13/12/2017	-2
MGS 10/19	3.125	18	3.097	13/12/2017	3
MGS 11/19	3.129	50	3.155	13/12/2017	-3
MGS 03/20	3.307	1	3.308	13/12/2017	0
MGS 02/21	3.379	31	3.383	13/12/2017	0
MGS 09/21	3.635	13	3.621	13/12/2017	1
MGS 11/21	3.565	95	3.579	12/12/2017	-1
MGS 03/22	3.586	4	3.675	12/12/2017	-9
MGS 08/22	3.747	29	3.771	13/12/2017	-2
MGS 09/22	3.817	0	3.776	13/12/2017	4
MGS 07/24	3.937	15	3.989	13/12/2017	-5
MGS 09/24	3.923	3	3.914	13/12/2017	1
MGS 09/25	4.007	258	4.038	13/12/2017	-3
MGS 11/26	4.115	11	4.122	12/12/2017	-1
MGS 11/27	3.974	96	3.965	13/12/2017	1
MGS 06/31	4.441	20	4.431	12/12/2017	1
MGS 04/32	4.538	1	4.567	11/12/2017	-3
MGS 04/33	4.410	31	4.428	13/12/2017	-2
MGS 04/37	4.604	15	4.604	12/12/2017	0
MGS 03/46	4.853	3	4.610	11/12/2017	24
GII 09/19	3.448	300	3.502	12/12/2017	-5
GII 04/20	3.517	400	3.543	24/10/2017	-3
GII 07/22	3.940	50	3.929	12/12/2017	1
GII 07/27	4.296	30	4.296	13/12/2017	0
GII 12/28	4.269	50	4.410	11/12/2017	-14
GII 10/35	4.765	2	4.740	08/12/2017	2
GII 06/33	4.746	552	-	-	-
		<u>2906</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	11/47	GG	5.332	20	5.355	29/11/2017	-2	72
Cagamas Berhad	08/18	AAA	3.520	5	3.629	13/12/2017	-11	63
GENM Capital Berhad	03/22	AAA	4.698	10	4.649	06/12/2017	5	116
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.633	10	4.618	13/12/2017	1	64
TNB Western Energy Berhad	07/28	AAA	4.730	20	4.759	20/05/2015	-3	76
Sarawak Energy Berhad	01/22	AA1	4.388	20	4.392	24/11/2017	0	85
Public Bank Berhad	10/23	AA1	4.287	10	4.295	12/12/2017	-1	47
Sarawak Energy Berhad	07/24	AA1	4.548	20	4.558	12/12/2017	-1	63
YTL Power International Berhad	10/24	AA1	4.689	10	4.671	03/07/2017	2	77
Sepangar Bay Power Corporation Sdn Berhad	07/26	AA1	4.806	10	5.050	15/03/2017	-24	82
YTL Corporation Berhad	11/26	AA1	4.864	18	4.600	09/11/2016	26	87
YTL Power International Berhad	05/27	AA1	4.895	20	4.899	13/12/2017	0	90
CIMB Bank Berhad	09/23	AA+	4.220	20	4.652	16/11/2017	-43	41
Mukah Power Generation Sdn Berhad	12/19	AA2	4.469	1	4.464	12/12/2017	0	128
First Resources Limited	10/21	AA2	4.677	10	4.669	12/12/2017	1	114
Bright Focus Berhad	01/30	AA2	5.158	10	5.153	12/12/2017	1	119
PBFIN Berhad	06/59	AA2	5.102	0	5.050	12/12/2017	5	49
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.403	6	4.397	05/12/2017	1	151
Jati Cakerawala Sdn Berhad	07/23	AA3	5.148	4	5.124	05/06/2017	2	133
BGSM Management Sdn Berhad	12/23	AA3	4.708	10	4.707	12/12/2017	0	89
Malakoff Power Berhad	12/19	AA-	4.405	10	4.407	13/12/2017	0	121
Malakoff Power Berhad	12/20	AA-	4.455	10	4.460	13/12/2017	0	105
MEX II Sdn Berhad	04/26	AA-	4.971	4	4.956	26/10/2017	1	102
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.304	10	5.305	06/12/2017	0	69
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.419	10	5.329	26/09/2017	9	81
Affin Bank Berhad	02/27	A1	4.841	20	4.845	12/12/2017	0	85
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

The **Employees Provident Fund (EPF)** is looking at investment opportunities in infrastructure projects in the US. "We already invested in the equities market, and now we are looking at infrastructure assets with good returns because as an institutional fund we are always looking at long-term investment opportunities. "For instance, in Malaysia, we have invested in Tenaga Nasional Bhd and highway operator PLUS Malaysia Bhd," said EPF chief executive officer Datuk Shahril Ridza Ridzuan told reporters at a briefing on Thursday. He also pointed out that the EPF has invested in infrastructure assets in the European region. He, however, noted that the potential investment in the US infrastructure projects would also depend on the tax structure.

EPF is also taking a cautious stance on the global equity markets, including Malaysia's in 2018, warning of a possible market reversal after the current bullish rally. Its chief executive officer Datuk Shahril Ridza Ridzuan said as an active participant in the equity market, it makes sense for the pension fund to adopt a more cautious approach, as it realises bull markets typically do not last forever. "For 2018, I think you have to take some caution on the global side, in an environment where central banks are starting to tighten their monetary policy and increase interest rates. Some of the euphoria in the equity market may start to disappear, (resulting in) the market coming (back down) to a valuation that is probably a bit more rational in the long term," he told a media briefing today. "In Malaysia, it's very dependant on the growth of corporate profits which has been relatively good for 2017. For 2018, we generally expect the market to continue to progress pretty well, but the worry is always there that it would not progress as well as the market would like it. Then, valuations will start to have to reflect those actual earnings as well," Shahril added. Earlier, the EPF announced four enhancements to its schemes and policies which will take effect on Jan 1, 2018, as the fund anticipates a majority of its members to face increasing challenges in preparing for their retirement, with the dramatic demographic shift facing both Malaysia and the world, as well as the advent of the next industrial revolution. "Therefore, these enhancements are to keep pace with changes in members' needs and expectations," Shahril added. One of the initiatives include an option to appoint Amanah Raya Bhd (ARB) as the nominee/administrator or trustee to their EPF savings. "This would be especially beneficial for members with children below 18 years old. This new option is in addition to members' existing right to appoint any individual persons as nominees," the EPF added. Another enhancement to its schemes and policies is that members with Age 55 and Age 60 withdrawal policies will be able to make partial withdrawals of any amount at any time, as opposed to the current policy that only allows withdrawals of a minimum of RM2,000 once every 30 days. "In addition, members who choose to make monthly withdrawals will be able to withdraw from as low as RM100 per month, as opposed to RM250 in the current policy," the EPF added. Meanwhile, the flexible withdrawal policy — which allows members to withdraw any amount at any time for partial withdrawals — has been extended up to age 100, from the current age cap of 75 years old. Members may also opt to make a combination of monthly and partial withdrawals. This enhancement is in line with the extension of dividend payment from age 75 to 100, the EPF said. The EPF has also extended the current death benefit of RM2,500 claimable if the member dies before age 55, until age 60, which is in line with the national retirement age at 60 years old. The EPF is also undertaking a reclassification exercise to distinguish between accounts with savings and dormant accounts, in order to present a clearer understanding of the makeup of the workforce in Malaysia. "Starting the third quarter of 2017 (3Q17), the total number of EPF members will be based on accounts with savings only. This will later be reflected in the upcoming EPF Annual Report 2017," Shahril said. All dormant accounts will remain open for members below 75 years old, in order to provide them with the opportunity to re-contribute to their account for their retirement well-being, Shahril added. As at Sept 30, 2017, there are 17.8 million EPF account holders, of which 13.73 million will be used in 3Q17 onwards, while the remaining 4.08 million are dormant accounts. Out of the 13.73 million EPF members, 7.06 million are active and the remaining 6.67 million are non-active. In terms of the number of employers, a total of 493,229 will remain registered under the 'employer' status from 3Q17, while 54,850 will be re-classified as self-employed. According to the EPF, total contributions recorded in 3Q17 rose 7.87% year-on-year to RM15.9 billion from RM14.74 billion, bringing total accumulated members' contributions to RM715.97 billion. The Age 60 Lump Sum Withdrawal saw a total of

12,811 applications approved, amounting to RM280.66 million, while the Age 60 Flexi Withdrawal recorded 29,712 approved applications, totalling RM662.05 million. (Source: The Star & The Edge)

The **executive chairman of Hong Leong Group** has been recognised for his efforts in opening up new frontiers of opportunity and growth and creating a new pipeline for economic expansion. Mr Kwek Leng Beng was given the Global Blue Ocean Shift Award on Wednesday by Malaysian Prime Minister Datuk Seri Najib Razak at the Global Entrepreneurship Community Summit in Kuala Lumpur. Other recipients of the inaugural Global Blue Ocean Shift Awards included senior Malaysian officials for their work in implementing the "blue ocean strategy". The awards also recognised the outstanding achievements made across the public, private and social sectors. Najib said that since its introduction in 2009, the National Blue Ocean Strategy had been a key pillar in Malaysia's transformation. It focuses on identifying untapped growth opportunities by moving from "red oceans" crowded with competition to "blue oceans" of uncontested market space and explosive growth. About 15,000 people from 89 countries attended the two-day conference. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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