

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury yields nudged lower by 2-4bps across most tenures with the 10Y closing at 2.27% i.e. 4bps lower. This was driven by CPI data resulting in some initial bull-steepening followed by some easing as the longer-end remained well-supported. The Fed Funds futures indicative rate hike odds in Dec 2017 remains elevated at 73%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.50	-2
5-yr UST	1.90	-4
10-yr UST	2.27	-4
30-yr UST	2.81	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	-4	3.49	-4
5-yr	3.59	-4	3.76	0
7-yr	3.88	-4	4.01	0
10-yr	3.89	-4	4.13	0
15-yr	4.35	-4	4.63	0
20-yr	4.51	-4	4.80	0
30-yr	4.77	-4	4.85	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	0
3-yr	3.63	0
5-yr	3.74	0
7-yr	3.85	0
10-yr	3.97	0

Source: Bloomberg

MGS/GII

- Local Govvies volume remained healthy last Friday at RM2.13b with trades mainly done on the short-end reputedly by offshore investors. Generally not much movement on the benchmarks. However yields for the 17's were higher whilst the 18's were lower compared to previously done levels. The 3Y GII papers saw ~ RM430m of trades done between 3.47-55% levels. The benchmark 10Y MGS 11/27 closed unchanged at 3.89% reflecting a mere 1bps premium over the 7Y MGS 9/24 benchmark. On the data front we have the September CPI and Foreign Reserves out end of the week.

PDS/Sukuk

- Strong interest also seen in MYR corporate bond with focus centered on both AAA and AA papers. Triple-A rated Aquasar 28 and 29 closed at 4.67% and 4.75% some 4 bps lower from last done levels whereas RM100m trades were done on Danga 9/27 which closed 20bps higher at 4.58%. AA-rated SEB 26 and 27 changed hands at 4.62% and 4.79% respectively; about 2 bps higher. We expect new maiden PR1MA (GG issuance) pipeline to hit the streets sometime this week with an estimated size of RM2.5b for 5-15Y maturities.

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 10/17		3.264	28	3.043	11/10/2017	22
MGS 02/18		2.962	28	2.979	11/10/2017	-2
MGS 03/18		2.977	1263	3.077	11/10/2017	-10
MGS 09/18		3.093	71	3.056	11/10/2017	4
MGS 03/19		3.210	4	3.217	12/10/2017	-1
MGS 10/19		3.296	34	3.311	12/10/2017	-2
MGS 11/19		3.302	20	3.292	12/10/2017	1
MGS 07/20		3.380	4	3.386	11/10/2017	-1
MGS 02/21		3.398	27	3.402	12/10/2017	0
MGS 07/21		3.541	62	3.538	12/10/2017	0
MGS 03/22		3.594	17	3.587	12/10/2017	1
MGS 08/22		3.668	35	3.668	11/10/2017	0
MGS 03/23		3.789	5	3.789	12/10/2017	0
MGS 07/24		3.886	20	3.900	12/10/2017	-1
MGS 09/24		3.875	2	3.877	12/10/2017	0
MGS 11/26		4.005	8	3.981	12/10/2017	2
MGS 04/30		4.362	1	4.315	12/10/2017	5
MGS 06/31		4.340	6	4.374	11/10/2017	-3
GII 04/20		3.471	120	3.479	12/10/2017	-1
GII 04/20		3.490	110	3.528	03/10/2017	-4
GII 08/20		3.546	200	3.542	12/10/2017	0
GII 08/24		4.009	2	4.011	11/10/2017	0
GII 09/26		4.205	50	4.205	06/10/2017	0
GII 08/33		4.626	20	4.626	10/10/2017	0
			<u>2137</u>			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS*
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	4.826	1	4.826	28/09/2017	0	66
Manjung Island Energy Berhad	11/21	AAA	4.221	20	4.219	24/08/2017	0	56
Manjung Island Energy Berhad	11/29	AAA	4.705	1	4.699	28/06/2017	1	74
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.953	40	4.929	28/08/2017	2	78
Tenaga Nasional Berhad	08/32	AAA	4.837	54	4.845	10/10/2017	-1	67
Cagamas Berhad	03/21	AAA	4.026	10	4.159	25/06/2015	-13	40
Cagamas Berhad	11/21	AAA	4.068	10	4.091	03/08/2017	-2	40
GENM Capital Berhad	03/22	AAA	4.599	5	4.534	10/10/2017	7	93
Danga Capital Berhad	09/27	AAA	4.578	100	4.380	05/10/2017	20	61
Aquasar Capital Sdn Berhad	07/28	AAA	4.670	20	4.718	15/06/2017	-5	70
Aquasar Capital Sdn Berhad	07/29	AAA	4.751	21	4.799	01/08/2017	-5	78
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.879	30	4.550	11/11/2016	33	71
Sarawak Energy Berhad	08/25	AA1	4.619	50	4.599	21/09/2017	2	73
Sarawak Energy Berhad	06/26	AA1	4.693	60	4.668	25/09/2017	2	80
YTL Power International Berhad	05/27	AA1	4.880	10	4.750	09/10/2017	13	91
First Resources Limited	06/20	AA2	4.490	1	4.549	28/07/2017	-6	86
Imtiaz Sukuk II Berhad	05/22	AA2	4.535	5	4.541	24/08/2017	-1	80
IJM Corporation Berhad	06/22	AA3	4.487	1	4.484	27/09/2017	0	75
AmBank (M) Berhad	12/23	AA3	4.453	30	4.472	03/10/2017	-2	66
RHB Islamic Bank Berhad	05/24	AA3	4.404	1	4.599	21/09/2017	-20	56
RHB Islamic Bank Berhad	04/27	AA3	4.835	0	4.837	09/10/2017	0	87
Ambank Berhad	10/27	AA3	4.900	300	-	-	-	-
Alpha Circle Sdn Berhad	11/19	AA-	4.655	1	4.805	16/06/2016	-15	109
Malakoff Power Berhad	12/19	AA-	4.372	10	4.408	11/09/2017	-4	81
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.485	1	4.478	20/09/2017	1	92
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/22	AA-	4.675	1	4.678	06/10/2017	0	101
Malakoff Power Berhad	12/29	AA-	4.962	0	4.939	27/09/2017	2	99
Jimah East Power Sdn Berhad	06/31	AA-	5.009	1	5.036	03/08/2017	-3	84
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/31	AA-	5.077	31	5.078	11/10/2017	0	91
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	5.077	1	5.050	21/09/2017	3	91
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/32	AA-	5.169	30	5.169	06/07/2017	0	100
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/33	AA-	5.239	30	5.239	25/09/2017	0	107
CIMB Group Holdings Berhad	05/16	A1	4.820	0	4.821	12/10/2017	0	65
				<u>873</u>				

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

Market/Corporate News: What's Brewing

Oil markets opened up strong into the new week, with Brent crude up by one percent as concerns over renewed U.S. sanctions against Iran drove prices up. A falling U.S. rig count also supported prices there. Brent crude futures, the international benchmark for oil prices, were at \$57.79 at 0033 GMT, up 62 cents, or 1.1 percent, from the previous close. Traders said that concerns over renewed U.S. sanctions against Iran were pushing prices up. U.S. President Donald Trump struck a blow against the 2015 Iran nuclear deal on Friday, defying both U.S. allies and adversaries by refusing to formally certify that Tehran is complying with the accord even though international inspectors say it is. Under U.S. law, the president must certify every 90 days to Congress that Iran is complying with the deal. The U.S. Congress will now have 60 days to decide whether to reimpose economic sanctions on Tehran that were lifted under the pact. During the previous round of sanctions against Iran, some 1 million barrels per day (bpd) of crude oil supplies were cut off global markets. While analysts said they did not expect renewed sanctions to have such a big impact again, especially as the United States would likely act alone, they did warn that such a move would be disruptive. "If Iran (were) found breaching their nuclear agreement and had their trade agreement revoked, (that) would be the biggest catalyst for upward momentum on crude prices," said Shane Chanel, equities and derivatives adviser at ASR Wealth Advisers. Within the United States, crude prices were also up as drillers cut back the number of rigs tapping new production. (Source: The Star)

Indonesia is on track to become a trillion-dollar economy and should be the envy of Southeast Asia. Yet on some key measures, the region's biggest economy is falling behind. The nation lags its neighbors on infrastructure development, faces a fiscal shortfall that's heaping pressure on the state budget and still has 28 million people living in poverty. That's even after reforms saw the economy's value more than double over the past decade to US\$932 billion, with President Joko Widodo's government forecasting growth this year of about 5%. Size isn't everything. Even after eight rate cuts since the beginning of last year, the economy is struggling to fire up: loan growth remains muted, while the central bank expects low inflation to linger for some time. The picture is made more complex by a wide divergence in growth across the archipelago of more than 17,000 islands, with rates ranging from negative to more than 7%. This is a pretty large economy that has a lot of potential but the trick really is how to get to that place where growth becomes more sustainable at relatively elevated levels. Sustaining growth is crucial to luring overseas investors, who are returning to Indonesia 20 years after the Asian financial crisis. Foreign reserves are at a record high of US\$129 billion while bond market inflows are near record levels. S&P Global Ratings in May joined the other two main rating companies in awarding Indonesia investment grade status, citing a more prudent approach to budgets. Graduation into the trillion dollar club "signifies how Indonesia now is laddering up in the middle-income group," said Perry Warjiyo, deputy governor at Bank Indonesia. "Under the leadership of President Joko Widodo, moving in that direction also signifies the fundamentals of the economy are quite strong and resilient." The following three charts show the challenges the president — known as Jokowi — and his government now face in matching quantity with quality. Jokowi is ramping up spending on roads, rail and seaports as he targets economic growth of 5.4% in 2018, the fastest rate in five years. But a massive infrastructure deficit — estimated by the World Bank at US\$1.5 trillion — is frustrating his efforts. The global lender says another US\$500 billion in infrastructure spending is needed over the next five years. After years of under-investment, the rate of growth in government spending per capita in Indonesia has fallen behind Vietnam, China, India and Malaysia, the World Bank says. Public investments grew at half the pace of the economy from 2005 to 2015 and the quality of infrastructure lags the region and other emerging markets... Indonesia's tax revenue as a portion of GDP remains one of the lowest in the region with the OECD estimating it at around 12% two years ago. It has since fallen to 10.3%, which

Finance Minister Sri Mulyani Indrawati in July described as “low and unacceptable.” She’s aiming to boost that ratio to 16% by 2019. The shortfall is putting a strain on the budget deficit, which the government is mandated to keep under 3% of GDP. The president flagged spending cuts in July when this year’s deficit was revised to 2.9% of GDP from 2.4%. The government collected more than US\$11 billion in penalty payments in a tax amnesty that ended this year, giving citizens a chance to declare assets previously undisclosed to tax authorities. Since then, it’s stepped up efforts to enforce tax rules, which may be also partly responsible for recent weak consumer spending. (Source: Edgemarkets)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Rantau Abang Capital Berhad	RM7.0 billion Islamic MTN Programme	AAA(s)/stable	Reaffirmed
Danga Capital Berhad	RM20.0 billion Multi-currency Islamic Securities Programme	AAA(s)/stable	Reaffirmed
Ihsan Sukuk Berhad	RM1.0 billion Sukuk Ihsan Programme	AAA(s)/stable	Reaffirmed

Source: RAM Ratings; MARC

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