

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued to strengthen for 2nd day as bull-flattening was seen with 5s30s spread tightened to 74bps. Yields were 3-6bps lower across most tenures save for the 2Y which closed unchanged at 1.69%. The somewhat firm data out yesterday i.e. CPI and retail sales may prove as justification for a December rate hike. We anticipate UST yields to move mildly higher amid reports on China and Japan's lower treasury holdings of \$1.18 trillion and \$1.10 trillion respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.69	0
5-yr UST	2.03	-3
10-yr UST	2.32	-5
30-yr UST	2.77	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.50	-2	3.54	0
5-yr	3.76	-2	3.89	0
7-yr	3.96	-3	4.10	0
10-yr	4.01	-3	4.31	-4
15-yr	4.61	-12	4.75	0
20-yr	4.80	0	4.79	0
30-yr	4.98	0	4.99	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.63	0
3-yr	3.74	-1
5-yr	3.82	-2
7-yr	3.94	-1
10-yr	4.06	-1

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

MGS/GII

- Local Govvies trading volume sustained at about RM2.36b with activity continuing in the shorter-end off-the-runs i.e. 18-19's. Overall, yields were lower by 2-3bps mirroring UST's with the benchmark 7Y MGS 9/24 and 10Y MGS 111/27 closing at 3.96% and 4.01% respectively. With IRS retracing mildly by 1-2 bps we foresee some interest in MGS along with the 10Y benchmark GII 7/27 which is trading at a decent premium over its conventional cousin. On the data front we have the release of 3Q GDP growth numbers this Friday that may show stronger numbers; thus capping further gains in local govvies.

PDS/Sukuk

- Trading in corporate bonds was muted at about RM236m as the issuance of the recent RM3.0b GG bonds i.e. Danainfra garnered attention. Otherwise we note some trades on AA-rated papers with WCT 12/18 closing unchanged from previous-done levels at 4.59%. Alliance bank 25nc20 also traded at 4.90% as some interests were seen more on yield than liquidity requirements. We anticipate some interests on AA-rated papers by end-investors on the back of more stable levels seen for local govvies. Meanwhile, we have the all-important GDP figures out tomorrow.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.629	161	2.749	43053	-12
MGS	03/18	2.649	162	2.708	43053	-6
MGS	09/18	3.008	65	2.952	43053	6
MGS	03/19	3.329	43	3.291	43053	4
MGS	10/19	3.360	122	3.414	43053	-5
MGS	11/19	3.377	52	3.430	43053	-5
MGS	03/20	3.469	0	3.424	43053	4
MGS	10/20	3.530	36	3.483	43053	5
MGS	02/21	3.499	30	3.522	43053	-2
MGS	07/21	3.673	13	3.732	43053	-6
MGS	09/21	3.766	114	3.768	43053	0
MGS	03/22	3.757	63	3.780	43053	-2
MGS	09/22	3.874	36	3.862	43053	1
MGS	03/23	3.941	22	3.962	43052	-2
MGS	08/23	4.055	25	4.065	43053	-1
MGS	07/24	4.068	49	4.102	43053	-3
MGS	09/24	3.963	133	4.000	43053	-4
MGS	09/25	4.227	28	4.204	43053	2
MGS	11/26	4.222	20	4.215	43053	1
MGS	03/27	4.312	10	4.248	43048	6
MGS	11/27	4.009	44	4.034	43053	-2
MGS	04/30	4.594	20	4.500	43052	9
MGS	04/33	4.612	9	4.728	43053	-12
MGS	05/35	4.675	21	4.727	43053	-5
GII	11/17	3.312	25	3.046	43053	27
GII	08/18	3.230	300	3.152	43052	8
GII	08/18	3.228	10	3.121	43041	11
GII	04/20	3.579	189	3.566	43053	1
GII	08/20	3.607	108	3.553	43039	5
GII	07/23	4.089	56	4.069	43052	2
GII	07/27	4.312	362	4.351	43053	-4
GII	09/30	4.651	32	4.501	43014	15
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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 Berhad	11/42	GG	5.220	25	-	-	-	
Danainfra Berhad	11/47	GG	5.350	55	-	-	-	
Danainfra Berhad	11/27	GG	4.500	5	-	-	-	
Danainfra Berhad	11/32	GG	4.900	35	-	-	-	
Manjung Island Energy Berhad	11/23	AAA	4.477	5	4.279	42905	20	57
YTL Power International Berhad	05/27	AA1	4.879	1	4.883	43053	0	79
Widad Capital Sdn Berhad	09/18	AA2	4.815	5	4.698	42984	12	175
Widad Capital Sdn Berhad	09/19	AA2	4.900	5	4.797	42900	10	157
Al-Aqar Capital Sdn Berhad	05/20	AA2	4.829	4	5.015	42908	-19	150
UMW Holdings Berhad	02/21	AA2	4.567	2	4.544	43024	2	107
UMW Holdings Berhad	06/22	AA2	4.687	2	4.688	43033	0	94
RHB Investment Bank Berhad	04/25	AA3	4.750	10	4.999	42998	-25	79
Al Dzahab Assets Berhad	09/25	AA3	5.837	20	5.839	43032	0	179
WCT Holdings Berhad	12/18	AA-	4.591	40	4.589	42962	0	153
Alliance Bank Malaysia Berhad	10/25	A2	4.900	10	4.898	43042	0	85
Westports Malaysia Sdn Berhad	04/25	AA+	4.605	2	4.381	42682	22	64
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.448	10	4.404	43045	4	54
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

The **ringgit climbed to one-year high**, buoyed by the higher price of crude oil and rising prospect of an interest rate hike happening next year. The ringgit was traded at 4.1757 yesterday against the US dollar. The sustained interest in crude oil prices on the international markets has seen traders anticipate that the ringgit could soon recouple its correlation with crude oil. Second Finance Minister Datuk Seri Johari Abdul Ghani said in Parliament yesterday that for every US\$1 per barrel increase in world crude oil price, the government would earn an additional income of about RM300mil. "The ringgit's positive correlation with Brent crude will probably return and strengthen, especially where the government's projection for Brent is particularly conservative at US\$52 per barrel," Peter Chia, a foreign-exchange strategist at United Overseas Bank Ltd told Bloomberg. "If the current growth momentum continues, together with increasing hawkishness from Bank Negara, we are fairly confident USD/MYR will gravitate toward our end-2018 target of 4," he said. The local currency was traded mixed against the other currencies as at press time. It would cost RM3.08 to buy one Singapore dollar. One ringgit can be exchanged for 7.91 baht, 12.2 Philippine pesos and 3,242 rupiah. It would cost RM4.94 to get one euro and RM5.51 to purchase a British pound. Socio Economic Research Centre executive director Lee Heng Guie said that the ringgit's rise is also due to the dollar being on the defensive. "If economic conditions continue to strengthen with another quarter of strong gross domestic product growth of 6%, this could set the stage for a change in tone in monetary policy with prospects of interest rates locally possibly moving higher, depending also on growth prospects and the inflation outlook," Lee told StarBiz. "Oil prices have improved but buying flows in terms of foreign money buying into local assets such as stocks and bonds that will create demand for the ringgit is still not there. "As the general election is around the corner, there is still some cautiousness to be expected and the first half of next year is still uncertain for the ringgit," he added. Lee said that the ringgit could end on a stronger note by the end of the year on anticipation of a change in monetary policies by the Monetary Policy Committee, which will meet in January 2018. Brent crude oil last traded at US\$61.58, a shade lower from its two-year high of US\$64.27 price point that was seen early last week. Oil took a tumble after the International Energy Agency cut its oil demand growth forecast by 100,000 barrels per day (bpd) for this year and the next, to an estimated 1.5 million bpd in 2017 and 1.3 million bpd in 2018. However, oil is still hovering near its two-year highs, analysts commented adding that the commodity had risen from the depths and commodity-linked currencies such as the ringgit could soon play catch-up with the new trend. (Source: The Star Online)

Sime Darby Berhad will have an almost-completely revamped board of directors and senior management line-up from Dec 1, including a new chairman and a new chief executive officer. Deputy chairman Tan Sri Wan Abdul Aziz Wan Abdullah will replace Tan Sri Abdul Ghani Othman as chairman, and deputy group chief financial officer Jeffri Salim Davidson will become group chief executive officer in place of Tan Sri Mohd Bakke Salleh. In a statement, Sime Darby said the new board would comprise 11 directors, the majority of whom will be independent non-executive directors (currently 12). The company will be helmed by the new board and senior leadership after the listing of its plantation and property units, tentatively on Nov 30. The leaner Sime Darby Bhd will focus mainly on its trading businesses in the motors and heavy equipment sectors. It is also involved in other key growth sectors such as the logistics business and healthcare. Datuk Seri Lim Haw Kuang and Datuk Wan Selamah Wan Sulaiman will remain on the board, but the rest will be new members: Tan Sri Samsudin Osman, Datin Paduka Kartini Abdul Manaf, Tan Sri Mohamed Azman Yahya, Datuk Ahmad Pardas Senin, Datuk Seri Abdul Hamidy Abdul Hafiz and Thayaparan Sangara Pillai. Besides Jeffri Salim, the senior management will comprise Mustamir Mohamad (group chief financial officer), Datuk Thomas Leong Yew Hong (group chief strategy officer), Scott William Cameron (managing director, industrial division), Datuk Lawrence Lee Cheow Hock (managing director, motors division) and Timothy Lee Chi Tim (managing director, logistics division). Current chairman Abdul Ghani said: "This is a distinguished line up of individuals who will be able to take Sime Darby forward into the future." "The board and the senior management have, between them, the years of experience and expertise necessary to take the trading and logistics businesses to the next level." Sime Darby said an additional board member would be announced soon. Following the listings of Sime Darby Plantation and Sime Darby Property as separate entities, Sime Darby Bhd will focus

on its trading and logistics businesses consisting Sime Darby Industrial, Sime Darby Motors, Sime Darby Logistics and its healthcare business. Sime Darby Industrial is among the world's largest Caterpillar dealers with a history of nearly 90 years with Caterpillar. It has a presence in 18 countries and territories across the Asia-Pacific region. Sime Darby Motors is the world's second largest dealer of BMW cars, with over 40 years of experience in the industry. It is a major player in the Asia-Pacific region, representing 29 brands and has a presence in ten countries. Sime Darby Logistics, meanwhile, is involved in ports, logistics and water management in the province of Shandong, in the Eastern China region. Sime Darby Bhd also has a 50% stake in Ramsay Sime Darby Health Care, a joint venture with Ramsay Health Care, one of the world's leading healthcare providers. Ramsay Sime Darby Health Care has six hospitals, three each in Malaysia and Indonesia. In a circular to shareholders dated Nov 4, Sime Darby Bhd gave the indicative value of its market capitalisation will be between RM8.03bil and RM14.76bil. Sime Darby Plantation - the world's largest producer of certified sustainable palm oil - is expected to have a market capitalisation ranging from RM36.93bil to RM41.83bil. As for Sime Darby Property, the range is expected to be RM9.86bil to RM11.70bil. The EGM for Sime Darby shareholders to decide on its proposed demerger exercise will take place on Monday, Nov 20. (Source: The Star Online)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Central Impression Sdn Bhd's (CISB)	11-year Fixed Rate Serial Bonds of RM120.0 million.	AA-	Affirmed
Mecuro Properties Sdn Bhd	RM900 million Nominal Value Bonds consisting of:		
	Senior Class A2	AAA/Stable	Reaffirmed
	Senior Class B	AAA/Stable	Reaffirmed
	Senior Class C	AAA/Stable	Reaffirmed
	Guaranteed Class D1	AA2(BG)/Stable	Reaffirmed
	Guaranteed Class D2	AA2(FG)/Stable	Reaffirmed
	Guaranteed Class E	AA2(FG)/Stable	Reaffirmed

Source: RAM Ratings; MARC

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