

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.54	4
5-yr UST	1.95	5
10-yr UST	2.30	3
30-yr UST	2.82	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40		3.48	1
5-yr	3.58	-2	3.76	0
7-yr	3.87	-1	4.01	0
10-yr	3.89	0	4.10	-3
15-yr	4.33	-2	4.63	0
20-yr	4.51	0	4.80	0
30-yr	4.80	3	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	-1

Source: Bloomberg

- US Treasury yields spiked across most tenures by 2-5 bps as odds on higher rates increased as speculation on the next potential Fed chairperson i.e. “Hawkish Taylor” escalated. The 10Y benchmark rose 3bps to settle at 2.30%. Bear-flattening seemed the order of the day as the sell-off extended. Next on the data front are the industrial production figures out later today followed by housing starts and building permits. The Fed Funds futures indicative rate hike odds in Dec 2017 topped 80% as at the time of writing.

MGS/GII

- Local govies trading volume was subdued at only RM983m as investors were seen side-lined on lack of leads and also ahead of the Diwali break tomorrow. Interest was skewed on certain tenors only with the 7Y benchmark MGS 9/24 being a beneficiary of flows as it settled 1bps lower at 3.868%. The 10Y benchmark continues to trade tight closing unchanged at 3.893%. Very little interest seen on the GIIs with a mere RM30m traded. On the data front, we only have the September CPI and foreign reserves out this Friday.

PDS/Sukuk

- Decent volume traded on MYR corporate bonds with about one-third volume centered on GG papers i.e. PTP 9/20, Prasarana 2/23, 9/27 and MDV 3/23. PTP 9/20 traded 8 bps lower from previous levels done to close at 3.98%. The AAA-rated Putrajaya 20 and 21’s also saw some RM100m traded in total with levels settling 0-3bps lower. The newly-issued PR1MA primary GG issuance saw strong response by investors with both 5Y and 7Y closing at 4.08% and 4.34% respectively.

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)	Spread Against IRS*
MGS	10/17	3.143	1	3.095	12/10/2017	5	-37
MGS	02/18	2.994	60	2.935	13/10/2017	6	-52
MGS	03/18	3.013	27	2.977	13/10/2017	4	-50
MGS	09/18	3.004	88	3.029	13/10/2017	-2	-51
MGS	03/20	3.384	6	3.385	12/10/2017	0	-19
MGS	07/21	3.526	123	3.541	13/10/2017	-2	-15
MGS	09/21	3.596	6	3.596	12/10/2017	0	-8
MGS	11/21	3.611	8	3.632	12/10/2017	-2	-6
MGS	03/22	3.576	85	3.594	13/10/2017	-2	-10
MGS	08/22	3.703	2	3.714	13/10/2017	-1	-4
MGS	09/22	3.667	1	3.683	12/10/2017	-2	-8
MGS	03/23	3.799	1	3.789	13/10/2017	1	6
MGS	08/23	3.848	5	3.857	12/10/2017	-1	5
MGS	07/24	3.883	3	3.886	13/10/2017	0	3
MGS	09/24	3.868	336	3.875	13/10/2017	-1	2
MGS	09/25	4.007	15	3.999	12/10/2017	1	12
MGS	09/26	4.085	0	4.149	03/10/2017	-6	20
MGS	11/26	3.992	1	3.981	13/10/2017	1	2
MGS	11/27	3.893	18	3.893	12/10/2017	0	-8
MGS	04/30	4.362	0	4.362	13/10/2017	0	19
MGS	06/31	4.350	0	4.399	13/10/2017	-5	18
MGS	04/33	4.326	162	4.349	11/10/2017	-2	16
MGS	05/35	4.502	3	4.502	12/10/2017	0	33
MGS	03/46	4.795	1	4.768	12/10/2017	3	63
GII	04/20	3.480	10	3.471	13/10/2017	1	-9
GII	08/24	4.010	10	4.009	13/10/2017	0	16
GII	09/26	4.212	0	4.205	13/10/2017	1	32
GII	07/27	4.097	10	4.130	05/10/2017	-3	13
			<u>983</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*
Pelabuhan Tanjung Pelepas Sdn Berhad	09/20	GG	3.978	60	4.054	12/07/2017	-8	35
Prasarana Malaysia Berhad [fka Syarikat Prasarana Malaysia Debt Ventures Berhad	02/23	GG	4.100	20	4.084	18/09/2017	2	36
Prasarana Malaysia Berhad [fka Syarikat Prasarana Tenaga Nasional Berhad	03/23	GG	4.116	20	3.901	27/09/2016	22	37
Prasarana Malaysia Berhad [fka Syarikat Prasarana Tenaga Nasional Berhad	09/27	GG	4.455	40	4.490	06/09/2017	-4	49
Putrajaya Holdings Sdn Berhad	08/32	AAA	4.676	3	4.837	13/10/2017	-16	51
Putrajaya Holdings Sdn Berhad	09/20	AAA	4.137	50	4.138	10/10/2017	0	51
Putrajaya Holdings Sdn Berhad	12/21	AAA	4.227	50	4.257	17/08/2017	-3	55
TNB Western Energy Berhad	07/25	AAA	4.498	10	4.479	08/03/2017	2	61
Danga Capital Berhad	02/26	AAA	4.527	15	4.480	26/09/2017	5	64
EKVE Sdn Berhad	01/34	AAA	5.029	10	5.038	04/10/2017	-1	86
EKVE Sdn Berhad	01/36	AAA	5.129	50	5.137	27/09/2017	-1	96
Public Bank Berhad	10/23	AA1	4.261	10	4.300	12/09/2017	-4	47
Maybank Islamic Berhad	04/24	AA1	4.828	0	4.588	06/10/2017	24	103
Malayan Banking Berhad	05/24	AA1	4.720	0	4.482	27/09/2017	24	87
CIMB Bank Berhad	08/26	AA+	5.501	0	5.501	11/10/2017	0	161
UMW Holdings Berhad	02/21	AA2	4.544	40	4.577	14/09/2017	-3	91
Krung Thai Bank Public Company Limited	07/25	AA2	4.406	10	4.420	29/09/2017	-1	52
Gamuda Berhad	03/18	AA3	4.025	35	4.065	11/10/2017	-4	52
Gamuda Berhad	10/18	AA3	4.154	20	4.144	11/10/2017	1	64
BGSM Management Sdn Berhad	12/23	AA3	4.729	10	4.728	26/09/2017	0	93
Quantum Solar Park (Semenanjung) Sdn Berhad	10/19	AA-	4.702	5	-	-	-	113
MMC Corporation Berhad	11/20	AA-	4.858	2	4.863	06/10/2017	-1	123
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.791	10	4.790	03/10/2017	0	100
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/25	AA-	4.691	10	4.669	11/09/2017	2	80
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/32	AA-	5.169	10	5.169	13/10/2017	0	100
CIMB Group Holdings Berhad	05/16	A1	5.350	2	4.820	13/10/2017	53	118
Golden Assets International Finance Limited	11/17	A1	4.794	4	4.813	14/09/2017	-2	128
				<u>491</u>				

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

Market/Corporate News: What's Brewing

Just over a week out from revelations of a cheating scandal that plunged **Kobe Steel Ltd** in crisis and ensnared hundreds of firms, the embattled steelmaker's shares skidded to five-year lows on Monday as investors worried about the financial and legal fallout. Kobe Steel said the problems had gone beyond the borders of Japan with data falsification found in subsidiaries in Malaysia, Thailand and China. Kobe Steel Chief Executive Hiroya Kawasaki on Friday said about 500 companies had received its falsely certified products, more than double its earlier count, confirming widespread wrongdoing at the steelmaker. Shares of Japan's third-biggest steelmaker hit 774.0 yen in the morning, the lowest since Dec. 11, 2012. They managed to recover and rise 2.7 percent by the close to 827.0 yen, but remain well off the pre-crisis level of 1,368 yen. The broader Tokyo stock market ended 0.47 percent, touching a 21-year high. No safety problems have surfaced as the Japanese steelmaker attempts to get a grip on the data tampering that it earlier said may go back as far as 10 years. The revelations over the past week rippled through supply chains across the world as companies from operators of Japan's famous bullet trains to the world's biggest aircraft maker, Boeing Co., were ensnared in the scandal. The company's finances could come under increasing pressure as Kawasaki has promised to compensate customers for any costs arising from replacements. The impact appears limited, said an analyst, who attended a briefing by executives late on Monday that was not open to media. "Obviously, Kobe Steel cannot rule out the risk of future impact, but so far so good, in our view," Thanh Ha Pham, an analyst at Jefferies in Tokyo, wrote in a note after the briefing. The company told analysts and investors it had nearly 368 billion yen on hand in cash, short-term securities and unused credit from banks, and is seeking to generate cash by cutting working capital or selling assets, he said. Executives told the meeting that it may not be able to assess the impact on earnings by the time it reports its first-half results on Oct. 30. Kobe Steel is forecasting profit of 35 billion yen (\$313 million) in the year through March 2018, after two annual losses, mostly recently because of falling margins in its steel business and a one-off loss related to its China construction machinery unit. Sales are forecast to rise a bit more than 10 percent to 1.88 trillion yen. The company is forecasting a third year of negative free cash flow, according to the Nikkei newspaper. Kobe Steel has been investing in upgrading facilities in the area most hard hit by the revelations, its aluminum business, as it tries to diversify away from the steel business. The company said in May it plans to spend 55 billion yen to expand its aluminum business to meet rising demand for carmakers that are turning to the lighter metal to meet stricter environmental rules. While the immediate impact from the cheating scandal exposes 500 companies to potential safety issues, Kobe Steel's total client base is far larger. In Japan alone, more than 6,100 companies deal with the company, according to credit research firm Teikoku Databank. The majority of these firms, 56 percent, are the small to medium enterprises which make up the backbone of Japan's economy. "Many of the big Japanese companies have been struggling to cope with fast-changing society, especially without strong leadership of managers to steer it around to a new phase of growth," a fund manager at an independent asset management firm in Japan said. His firm, which focuses on growth companies, does not own shares in Kobe Steel. Japanese companies are run by managers who have moved up through corporate bureaucracy, he said, adding that these managers tend not to take big risks during their terms of about four to six years. The scale of the misconduct at the steelmaker hammered its shares as investors, worried about the financial impact and legal fallout, wiped about \$1.8 billion off its market value last week. Kobe Steel said the problems had gone beyond the borders of Japan with data falsification found in subsidiaries in Thailand, China and Malaysia. Kobe Steel initially said on Oct. 8, 200 companies were affected when it admitted at the weekend it had falsified data about the quality of aluminum and copper products used in cars, aircraft, space rockets and defense equipment. (Source: The Star)

Malaysia Vehicle sales dropped 14.8% to 40,981 units in September from 48,125 units in the same month a year ago, says the Malaysian Automotive Association (MAA). Compared with August sales of 51,720 units, the September sales represented a decline of 10,739 units or 20.8%, MAA said in a statement. The association cited “short working month and more stringent hire-purchase loan approvals” as the reason for the drop in vehicle sales. Despite the monthly drop, MAA said cumulative vehicle sales from January to September at 425,711 units were still 1.78% higher compared with the 418,277 units recorded in the same period last year. As for vehicle production, MAA said 38,213 units were manufactured in September, a 7.82% decline from 41,453 units in the same month last year. Year to date, vehicle manufacturing in Malaysia came in at 381,171 units, a 1.5% drop compared with 386,965 units in the same period last year. (Source: Edgemarkets)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Pendidikan Industri YS Sdn Bhd	RM150 million Bai' Bithaman Ajil Islamic Debt Securities (2008/2022) (BaIDS)	AA1(s)/Stable	Reaffirmed

Source: RAM Ratings; MARC

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