

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries sold-off on concerns that the tax bill which was passed aims to boost economic growth and threatens to increase the deficit further. Along with the projection of a rate hike by the Fed next month, it seems like a “perfect storm” in the making for now. UST’s spiked by 3-6bps across most tenures with the 10Y closing at 2.38% whereas the 2Y closed 2bps higher at 1.71%. Concerns over the market underpricing the Fed’s trajectory are causing some “whipsaw” reaction of late as investors weigh the potential impact of strong economic and wage growth.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.71	2
5-yr UST	2.07	4
10-yr UST	2.38	5
30-yr UST	2.83	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.51	1	3.57	-1
5-yr	3.74	-2	3.88	-1
7-yr	3.95	-1	4.11	1
10-yr	3.95	-6	4.30	-1
15-yr	4.61	0	4.75	0
20-yr	4.80	0	4.79	0
30-yr	4.97	-1	4.99	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	2
3-yr	3.76	2
5-yr	3.84	2
7-yr	3.97	2
10-yr	4.08	2

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

MGS/GII

- Trading volume in Local Govvies was maintained at about RM2.15b with activity seen mainly on the 10Y benchmark GII 7/27 closing 1 bps lower at 4.30%, representing a huge premium of almost 35bps over its conventional counterpart. The 7Y MGS 9/24 and 10Y MGS 11/27 both erased premiums; closing 1-6 bps lower at 3.95%. However with the MYR Interest rate swaps trending higher and possibility of an outperformance in GDP figures out today, we anticipate a softer market for local govovies.

PDS/Sukuk

- Trading seen in Corporate bonds was commendable as volume increased to RM887m. Stripping the new issuances of Puncak Wangi and Alpha Circle; the total volume of RM 632m were centered on recently-issued names like Danainfra and Southern Power Generation. In the AA-rated space we saw infra-related names like MEX 4/29,4/31 and 4/34 done 5-11bps higher compared to previous done levels whereas JEP 29’s closed between 4.92-95% levels. IJM 4/25 saw RM80m done at 4.72% moving 18bps lower. In the AAA-rated space, TNB 8/37 and Inverfin 2/19 closed lower changing hands at 5.17% and 4.00%. We expect investors to gauge sentiment post-announcement of GDP data before commencing bargain-hunting on yields.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.971	85	2.629	15/11/2017	34
MGS 03/18	2.953	193	2.645	15/11/2017	31
MGS 10/19	3.412	6	3.360	15/11/2017	5
MGS 11/19	3.387	4	3.377	15/11/2017	1
MGS 03/20	3.402	3	3.424	14/11/2017	-2
MGS 07/20	3.488	6	3.438	14/11/2017	5
MGS 10/20	3.468	41	3.531	15/11/2017	-6
MGS 02/21	3.522	130	3.499	15/11/2017	2
MGS 07/21	3.687	10	3.673	15/11/2017	1
MGS 09/21	3.761	60	3.781	15/11/2017	-2
MGS 03/22	3.729	0	3.757	15/11/2017	-3
MGS 08/23	3.976	11	4.055	15/11/2017	-8
MGS 07/24	4.033	10	4.051	15/11/2017	-2
MGS 09/24	3.949	297	3.966	15/11/2017	-2
MGS 09/25	4.258	16	4.235	15/11/2017	2
MGS 11/26	4.250	34	4.249	15/11/2017	0
MGS 03/27	4.259	18	4.312	15/11/2017	-5
MGS 11/27	3.954	41	4.009	15/11/2017	-6
MGS 06/31	4.622	3	4.621	13/11/2017	0
MGS 05/35	4.727	31	4.692	15/11/2017	4
MGS 03/46	4.967	6	4.975	13/11/2017	-1
GII 11/17	3.010	110	3.312	15/11/2017	-30
GII 08/18	3.274	230	3.235	15/11/2017	4
GII 04/20	3.567	210	3.579	15/11/2017	-1
GII 08/20	3.587	40	3.607	15/11/2017	-2
GII 08/21	3.771	13	3.799	01/11/2017	-3
GII 07/22	3.970	0	3.900	25/10/2017	7
GII 07/23	4.060	124	4.089	15/11/2017	-3
GII 08/24	4.113	10	4.101	10/11/2017	1
GII 07/27	4.302	410	4.313	15/11/2017	-1
		<u>2153</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	04/22	GG	4.159	20	4.056	13/09/2017	10	50
DanaInfra Nasional Berhad	03/27	GG	4.512	10	4.498	27/10/2017	1	47
DanaInfra Nasional Berhad	07/27	GG	4.519	10	4.482	01/08/2017	4	52
DanaInfra Nasional Berhad	11/42	GG	5.222	20	5.220	11/15/2017	0	-
DanaInfra Nasional Berhad	11/47	GG	5.351	30	5.350	11/15/2017	0	-
DanaInfra Nasional Berhad	11/27	GG	4.500	20	4.500	11/15/2017	0	-
DanaInfra Nasional Berhad	11/32	GG	4.900	25	4.900	11/15/2017	0	-
Inverfin Sdn Berhad	02/19	AAA	4.000	32	4.361	16/03/2017	-36	93
Tenaga Nasional Berhad	08/37	AAA	5.170	40	5.200	14/11/2017	-3	38
TRIpIc Medical Sdn Berhad	10/22	AA1	4.671	10	4.700	20/10/2017	-3	92
TRIpIc Medical Sdn Berhad	10/23	AA1	4.709	10	4.750	23/10/2017	-4	83
Malayan Banking Berhad	05/24	AA1	4.610	8	4.547	20/10/2017	6	73
TRIpIc Medical Sdn Berhad	10/24	AA1	4.750	5	-	-	-	-
TRIpIc Medical Sdn Berhad	10/25	AA1	4.821	5	4.880	23/10/2017	-6	80
Krung Thai Bank Public Company Limited	07/25	AA2	4.445	10	4.456	14/11/2017	-1	42
UMW Holdings Berhad	10/26	AA2	4.988	10	4.984	13/11/2017	0	94
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.371	50	4.346	31/10/2017	3	130
BGSM Management Sdn Berhad	12/18	AA3	4.197	10	4.203	09/11/2017	-1	112
Tanjung Bin Energy Issuer Berhad	09/23	AA3	4.653	10	4.778	09/12/2016	-13	77
Tanjung Bin Energy Issuer Berhad	03/24	AA3	4.673	10	4.730	16/01/2017	-6	79
IJM Corporation Berhad	04/25	AA3	4.721	80	4.900	20/04/2015	-18	75
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.163	20	5.161	09/11/2017	0	47
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.438	5	4.433	16/08/2017	0	108
Alpha Circle Sdn Bhd	11/18	AA-	5.000	110	-	-	-	-
Alpha Circle Sdn Bhd	11/18	AA-	5.000	20	-	-	-	-
Alliance Bank Malaysia Berhad	10/25	A2	4.894	1	4.901	15/11/2017	-1	87
UEM Edgenta Berhad [fka Faber Group Berhad]	04/22	AA-	4.650	5	4.625	11/10/2017	3	99
Konsortium Lebuh raya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.850	10	4.809	24/08/2017	4	85
MEX II Sdn Berhad	04/29	AA-	5.189	20	5.139	12/10/2017	5	119
Jimah East Power Sdn Berhad	06/29	AA-	4.919	30	4.829	26/04/2017	9	92
Jimah East Power Sdn Berhad	12/29	AA-	4.949	20	4.894	06/09/2017	5	95
MEX II Sdn Berhad	04/31	AA-	5.401	10	5.290	28/08/2017	11	71
Southern Power Generation Sdn Berhad	04/33	AA-	5.404	10	-	00/01/1900	0	-
Southern Power Generation Sdn Berhad	10/33	AA-	5.444	10	-	00/01/1900	0	-
MEX II Sdn Berhad	04/34	AA-	5.591	20	5.545	10/08/2017	5	90
Southern Power Generation Sdn Berhad	04/34	AA-	5.484	10	5.480	10/11/2017	-	-
Southern Power Generation Sdn Berhad	10/34	AA-	5.524	10	-	00/01/1900	0	-
Southern Power Generation Sdn Berhad	04/35	AA-	5.564	10	-	00/01/1900	0	-
Southern Power Generation Sdn Berhad	10/35	AA-	5.604	10	5.598	31/10/2017	-	-
EKVE Sdn Berhad	01/32	AAA	5.050	6	4.889	25/09/2017	16	36
Puncak Wangi Sdn Bhd	11/19	AAA	4.550	125	-	-	-	-
				<u>887</u>				

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

Market/Corporate News: What's Brewing

The US House of Representatives **approved a package of tax cuts** affecting businesses, individuals and families on Thursday, moving Republicans and President Donald Trump an important step closer to the biggest tax code overhaul in a generation. The largely party-line 227-205 vote shifted the tax debate to the US Senate, where that chamber's separate plan has already encountered resistance from some Republicans. No decisive Senate action was expected until after next week's Thanksgiving holiday. Trump, who is looking for his first major legislative win since he took office in January, went to the US Capitol just before the vote to urge Republicans to pass the tax measure, which Democrats call a give-away to the wealthy and businesses. "Passing this bill is the single biggest thing we can do to grow the economy, to restore opportunity, to help these middle-class families that are struggling," House Speaker Paul Ryan told lawmakers before the vote. Congress has not thoroughly overhauled the sprawling US tax code since Republican Ronald Reagan was president. The House measure is not as comprehensive as Reagan's 1986 sweeping package, but it is more ambitious than anything since then. Its path forward in the Senate, where Republicans have a narrow majority, is fraught with political obstacles involving the federal deficit, healthcare and the distribution of tax benefits. Republicans can lose no more than two Senate votes. Senate Republican tax writers made the

risky decision to tie their plan to a repeal of the mandate for people to get healthcare insurance under former President Barack Obama's Affordable Care Act, exposing the tax initiative to the same political forces that wrecked their anti-Obamacare push earlier this year. The House bill, which would be estimated to increase the federal deficit by nearly US\$1.5 trillion over 10 years, would consolidate individual and family tax brackets to four from seven and reduce the corporate tax rate from 35% to 20%. It also would scale back or end some popular tax deductions, including one for state and local income taxes, while preserving a capped deduction for property tax payments. Democrats have pointed to analyses showing millions of Americans could end up with a tax hike because of the elimination of popular deductions. Repealing or cutting some deductions is a way to offset the revenue lost from tax cuts. (Source: The Star Online)

S P Setia Bhd, which will get a 78% land bank boost from its acquisition of I&P Group Sdn Bhd from Permodalan Nasional Bhd (PNB), is in no rush to start developing the new sites. S P Setia president and chief executive officer Datuk Khor Chap Jen said it will not be developing the land aggressively in the first half of 2018, but instead will meticulously plan its developments in order to add value. The country's biggest listed developer by sales is set to increase its land bank in the Klang Valley and Johor from 5,452 acres (2,206.34ha) to 9,728 acres, following the completion of its acquisition of I&P by year end — which will propel it to become the country's third largest property developer by land bank after Sime Darby Property Bhd and UEM Sunrise Bhd. "The first thing that we will do is to review all the plans that they (I&P) have, and we definitely want to add value ... we think we can add more value to their land. For example, some of their land is located in matured areas such as [Bandar] Kinrara [in Puchong, Selangor], we want to sweat the land more," Khor told a news conference after the group's extraordinary general meeting (EGM) yesterday. "This would be our area of focus for the next few months and once we get the plans in place, we will push ahead with the execution. So, the first half of 2018 would be [about] planning and the second half through 2019 would see us rolling out a lot of projects," he added. S P Setia on June 22 entered into a conditional share purchase agreement to acquire I&P from PNB for RM3.65 billion. In conjunction with the acquisitions, the group proposed a fundraising exercise to raise up to RM3.6 billion. Earlier at the EGM, S P Setia shareholders gave the nod for the acquisition and fundraising exercise. As for manpower allocation after the acquisition, Khor said a reorganisation structure in terms of job allocation had already been put in place for 2018. "From the beginning of next year, certain units will be spearheaded by the I&P team and certain units by the S P Setia team, with staff of I&P coming in for I&P projects and certain I&P staff will be incorporated into the main Setia team. All these have been discussed, thought through and ready for implementation," he added. S P Setia shareholders also gave the nod for the group's acquisition of a 342.5-acre piece of land in Bangi, Selangor from Seriemas Development Sdn Bhd, an indirect subsidiary of PNB, for RM447.58 million. For clarity, the Bangi land is already included in the group's 9,728 acres of land bank. The proposed development in Bangi is expected to generate an estimated gross development value of RM2.74 billion. Meanwhile, Khor said it is too early to discuss the group's sales target for 2018. "It is too early to say as we are focusing on achieving this year's sales target of RM4 billion, but we will not do less than this year," he said. For the first nine months of this year, S P Setia has secured RM2.82 billion in sales. Currently, S P Setia has a total unbilled sales of RM7.05 billion, anchored by 31 ongoing projects. On the outlook for the property market, Khor believes it will pick up in 2018. "Whether it's a very slow or strong pickup that depends on whether there are catalysts to drive the market. "A lot of people are saying that [property purchases] have been held back due to the [imminent] elections and after elections there could be a strong pickup. I think these are the catalysts or factors affecting the market," he said. "At the moment, [the market] is quite flat, but every time we launch any landed properties with mid-range [pricing] the demand is there," added Khor.. (Source: The Star Online)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Maybank Islamic Berhad	long-term and short-term financial institution (FI) ratings .	AAA and MARC-1	Affirmed

Source: RAM Ratings; MARC

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