

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.38	2
5-yr UST	1.80	2
10-yr UST	2.21	2
30-yr UST	2.77	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.32	0	3.51	0
5-yr	3.49	-2	3.70	0
7-yr	3.76	-2	3.94	0
10-yr	3.85	0	4.02	0
15-yr	4.28	1	4.48	0
20-yr	4.49	1	4.67	0
30-yr	4.74	0	4.85	0

\* Market indicative levels

MYR IRS Levels		
IR S	Closing (%)	Chg (bps)
1-yr	3.48	0
3-yr	3.59	0
5-yr	3.70	0
7-yr	3.79	-1
10-yr	3.93	0

Source: Bloomberg

#### Upcoming Government Bond Tenders

Nil

- UST performance was little hit by disappointing retail sales and industrial production even though it will have an adverse impact on 3Q growth traction. Instead, UST yields generally ended 2bps higher on lingering effects of revived expectations of a faster pace of Fed rate hike following the release of higher than expected CPI last week. The 10-year yield edged 2bps higher to close at 2.21%. Upcoming data includes housing starts, building permits out tomorrow with the much-anticipated FOMC rate-decision on Thursday the 21<sup>st</sup>.

##### MGS/GII

- Local govovies saw volume spike to RM1.0b for GIIs as MGS volume remained at about RM3.0b. Interest was seen on the off-benchmark and shorter-tenured GII 17-19's. Generally not much changes in benchmark levels unlike for MGS which saw interest in 5Y 4/22 and 7Y 8/24 move lower circa 2 bps. Expectations are for BNM to keep rates low into next year to buttress the economy against any headwinds. Stable ringgit this week will most likely be the catalyst together with upcoming CPI data on Wednesday, the 20<sup>th</sup> September where reading is expected to show an uptick for the first time in five months due to quicker gains in transport costs.

##### PDS/Sukuk

- MYR corporate bonds continued to see relatively high volume of RM1.5b compared to previous trading sessions with 2/3<sup>rd</sup> of volume seen on new long-end Prasarana papers i.e. 37-47's as yields settled between 4.99-5.14% levels. Notable Interest continued to be seen on other GG papers i.e. JKSB 7/31, PASB 6/22, KHAZA 20 & 21 and together with Danainfra 4/24. We expect a cautious stance this week tracking the local govovies space especially if Malaysian CPI release surprise on the upside.

**Daily Trades : Government Bonds**

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	2.925	901	2.933	14/09/2017	-1
MGS 02/18	2.786	34	2.916	14/09/2017	-13
MGS 03/18	2.918	350	2.949	13/09/2017	-3
MGS 09/18	2.970	67	2.967	14/09/2017	0
MGS 03/19	3.047	1	3.082	14/09/2017	-3
MGS 10/19	3.234	3	3.234	14/09/2017	0
MGS 11/19	3.257	4	3.257	14/09/2017	0
MGS 03/20	3.264	4	3.326	12/09/2017	-6
MGS 10/20	3.392	10	3.410	14/09/2017	-2
MGS 03/22	3.485	1320	3.493	14/09/2017	-1
MGS 09/22	3.648	2	3.637	14/09/2017	1
MGS 08/23	3.790	54	3.790	14/09/2017	0
MGS 07/24	3.786	0	3.828	14/09/2017	-4
MGS 09/24	3.760	142	3.778	14/09/2017	-2
MGS 09/25	3.867	7	3.860	14/09/2017	1
MGS 04/26	3.941	20	3.962	11/09/2017	-2
MGS 11/26	3.886	4	3.867	14/09/2017	2
MGS 03/27	4.046	3	4.021	08/09/2017	3
MGS 11/27	3.853	25	3.857	14/09/2017	0
MGS 04/30	4.260	3	4.260	13/09/2017	0
MGS 06/31	4.260	9	4.266	14/09/2017	-1
MGS 04/33	4.283	0	4.260	14/09/2017	2
GII 11/17	2.780	500	3.021	13/09/2017	-24
GII 04/19	3.287	160	3.296	12/09/2017	-1
GII 04/20	3.459	140	3.455	14/09/2017	0
GII 04/22	3.696	40	3.703	13/09/2017	-1
GII 09/26	4.117	10	4.117	13/09/2017	0
GII 07/27	4.023	10	4.026	14/09/2017	0
GII 10/35	4.605	139	4.597	13/09/2017	1
		<u>3962</u>			

**Daily Trades: PDS / Sukuk**

			YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against IRS**
Khazanah Nasional Berhad	03/20	GG	3.850	20	3.902	12/09/2017	-5	27
Khazanah Nasional Berhad	02/21	GG	3.967	10	4.041	18/08/2017	-7	38
Pengurusan Air SPV Berhad	06/22	GG	4.000	60	4.068	24/08/2017	-7	31
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/24	GG	4.225	70	4.265	23/08/2017	-4	48
Danainfra Nasional Berhad	04/24	GG	4.270	40	4.268	14/09/2017	0	48
Bank Pembangunan Malaysia Berhad	09/24	GG	4.270	5	4.278	06/09/2017	-1	48
Jambatan Kedua Sdn Berhad	07/31	GG	4.710	20	4.749	25/08/2017	-4	58
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/42	GG	5.052	400	5.090	14/09/2017	-4	92
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/47	GG	5.140	420	5.159	14/09/2017	-2	-
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	4.990	245	4.990	14/09/2017	0	-
Danga Capital Berhad	04/20	AAA	4.060	25	4.096	09/08/2017	-4	48
Rantau Abang Capital Berhad	01/32	AAA	4.835	20	4.838	08/09/2017	0	71
YTL Power International Berhad	01/00	AA1	4.860	10	4.856	14/09/2017	0	138
Public Bank Berhad	09/18	AA1	4.150	0	4.147	11/09/2017	0	67
Malayan Banking Berhad	01/19	AA1	4.350	1	4.621	13/09/2017	-27	87
Malayan Banking Berhad	05/19	AA1	4.644	1	4.614	08/09/2017	3	110
Sarawak Energy Berhad	06/21	AA1	4.290	10	4.277	08/09/2017	1	67
Sarawak Energy Berhad	01/22	AA1	4.310	5	4.321	07/09/2017	-1	69
Sabah Development	09/20	AA1	4.930	7	4.929	14/09/2017	0	-
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berh	08/24	AA+	4.850	20	4.869	14/09/2017	-2	106
SPR Energy (M) Sdn Berhad	01/00	AA3	4.570	5	4.639	19/07/2017	-7	109
IJM Corporation Berhad	04/21	AA3	4.400	10	4.430	17/08/2017	-3	78
Gamuda Berhad	04/21	AA3	4.400	20	4.386	07/09/2017	1	78
BGSM Management Sdn Berhad	12/23	AA3	4.735	10	4.748	08/09/2017	-1	99
Malakoff Power Berhad	12/20	AA-	4.462	20	4.468	11/09/2017	-1	88
AMMB Holdings Berhad	03/27	A1	4.930	10	4.748	13/09/2017	18	-
				<u>1464</u>				

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

### Market/Corporate News: What's Brewing

**The local corporate bond market** is set to hit a five-year high with total projected issuance this year at between RM90bil and RM105bil. Some fixed income analysts and economists have upped their projections from their earlier forecasts owing to greater demand for infrastructure financing, normalisation of interest rates by central banks and the country's better economic prospect. Fixed income analysts at the Malaysian Rating Corp Bhd (MARC) have revised their projection upwards for corporate bond issuance for 2017 from between RM75bil and RM85bil to between RM90bil and RM100bil, the highest since 2012. Commenting on the upward projection, MARC chief economist Nor Zahidi Alias said: "The upward revision is due primarily to the higher-than-expected issuances of bonds in the unrated segment in the first half of this year. The primary market for corporate bonds in 2017 is largely supported by ongoing large infrastructure projects that drive issuances, especially in the unrated government-guaranteed bond segment, prospects of higher borrowing costs going forward amid monetary policy normalisations and more hawkish stance by central banks as well as better domestic economic outlook in the near term," he said. (Source: The Star)

The **Employees Provident Fund's (EPF)** second quarter investment income rose 36.36% to RM11.51 billion for the second quarter ended June 30, 2017 (2Q17), from RM8.44 billion a year earlier, on better performance in the equity market. "Market conditions have improved from a year ago and all asset classes in our portfolio have recorded healthy year-on-year growth, with Equities continuing as the main profit driver for the quarter," said EPF chief executive officer Datuk Shahril Ridza Ridzuan. Quarterly net impairment recorded fell 62.98% to RM1.34 billion from RM3.63 billion, in line with the better performance of the equities market. From the RM11.51 billion investment income recorded, Fixed Income Instruments contributed 37.29% of the income, Equities 53.72%, Real Estate and Infrastructure 6.23%, and Money Market Instruments 2.64%, the retirement fund said in a statement. "While we recorded significant improvements in year-on-year performance in both the preceding and current quarters, there is a slowdown in momentum which saw corporate profits normalising in 2Q17. We, therefore, expect a moderation in income growth for upcoming quarters," said Shahril. Equities, which made up 41.96% of EPF's total investment assets as at 2Q17, was 61.45% higher at RM6.18 billion, from RM3.83 billion a year ago. "In Equities, the banking sector has been outperforming since the beginning of the year while the bulk of our impairments recorded for the quarter came from the telecommunications and oil and gas sectors. If this continues, we expect that Simpanan Konvensional will benefit from the former and outperform in the short term," said Shahril. The value of EPF investment assets as at June 30 saw a 3.92% increase to RM759.78 billion, from RM731.11 billion as at Dec 31, 2016. EPF's overseas investments, which accounted for 29% of its total investment assets, contributed 32.5% to the total investment income during the period under review. "Our foreign investments have proved to be a significant revenue driver in recent years, despite making up less than 30% of total investment portfolio as at 2Q17. (Source: The Edge)

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<b>Rating Actions</b>			
<b>Issuer</b>	<b>PDS Description</b>	<b>Rating/Outlook</b>	<b>Action</b>
Nil	Nil	Nil	Nil

*Source: MARC and RAM ratings*

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