

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.84	3
5-yr UST	2.16	2
10-yr UST	2.35	0
30-yr UST	2.69	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.34	-4	3.51	4
5-yr	3.62	-3	3.88	-2
7-yr	3.91	-1	4.18	0
10-yr	3.97	0	4.30	0
15-yr	4.41	0	4.67	0
20-yr	4.62	2	4.79	0
30-yr	4.85	0	4.98	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.75	0
5-yr	3.81	-2
7-yr	3.94	-2
10-yr	4.05	-2

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasury yields edged higher by 0–3bps across most tenures save for the 30Y which closed lower at 2.69. The curve flattened further as the 5s30s spread resumed its tightening to 52bps i.e. its lowest level since 2007. The much-watched 10Y was unchanged at 2.35% as data shows the narrowest trading range in years. China and Japan's UST holdings reveal net inflows of \$6.3b in October. Most investors are expected to be sidelined ahead of the upcoming festive season with light data on housing starts, permit and home sales for November to be released on 19th November.

MGS/GII

- Local Govvies saw improvement in sentiment with volume at RM2.13b mainly in MGS trades. Interest continues to be seen in the short-end off-the-runs MGS 18's and GII 19's by both offshore and local inter-bank players. Overall yields were lower in the 3-7Y tenors whilst the benchmark 7Y MGS 9/24 and MGS 11/27 closed 0-1bps lower at 3.91% and 3.97% respectively compared to previous-done levels. Following the strength in Ringgit, rebound in exports and widening current account surplus, investors are expected to be selective in purchases of local govvie bonds ahead of the month-end festive season.

PDS/Sukuk

- Corporate Bonds saw RM292m traded with almost half of volume traded in the AA-space. The Govt-Guaranteed LPPSA 4/22 saw yields end higher by 2bps at 4.17% whereas CAGAMAS 10/19 and 3/21 close at 3.88% and 4.07% respectively compared to previous-done levels. Bank papers saw some activity as CIMB Group 25nc20 and Alliance 25nc20 moves 1bps lower to close at 4.68% and 4.93% respectively. In the AA-space we note interest in the infra-related and power generation bonds i.e. JEV 2020-23, Southern Power Generation and Northern Gateway Infrastructure bonds. We expect selective interest to continue as investors re-assess their portfolios ahead of 2018.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.699	247	2.721	14/12/2017	-2
MGS	03/18	2.698	484	2.731	14/12/2017	-3
MGS	09/18	2.760	481	2.963	14/12/2017	-20
MGS	03/19	2.970	3	2.946	13/12/2017	2
MGS	07/19	3.103	5	3.112	14/12/2017	-1
MGS	11/19	3.149	50	3.129	14/12/2017	2
MGS	03/20	3.193	16	3.308	13/12/2017	-12
MGS	02/21	3.339	92	3.379	14/12/2017	-4
MGS	07/21	3.440	25	3.501	13/12/2017	-6
MGS	09/21	3.609	1	3.635	14/12/2017	-3
MGS	11/21	3.510	60	3.565	14/12/2017	-6
MGS	03/22	3.613	75	3.586	14/12/2017	3
MGS	09/22	3.801	4	3.817	14/12/2017	-2
MGS	03/23	3.798	32	3.797	13/12/2017	0
MGS	08/23	3.849	95	3.823	13/12/2017	3
MGS	07/24	3.963	1	3.954	14/12/2017	1
MGS	09/24	3.914	90	3.923	14/12/2017	-1
MGS	09/25	4.030	20	4.007	14/12/2017	2
MGS	04/26	4.140	7	4.141	13/12/2017	0
MGS	03/27	4.234	1	4.227	11/12/2017	1
MGS	06/31	4.431	10	4.431	14/12/2017	0
MGS	04/37	4.620	10	4.604	14/12/2017	2
GII	09/19	3.447	300	3.436	14/12/2017	1
GII	04/20	3.514	15	3.472	12/12/2017	4
GII	04/22	3.884	7	3.901	13/12/2017	-2
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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*
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	4.166	20	4.149	04/12/2017	2	63
Cagamas Berhad	10/19	AAA	3.880	5	3.908	16/08/2017	-3	69
Cagamas Berhad	03/21	AAA	4.073	20	4.026	13/10/2017	5	68
Berjaya Land	12/18	AAA	4.498	45	-	-	-	-
TNB Western Energy Berhad	07/24	AAA	4.536	3	4.547	14/11/2017	-1	62
Hong Leong Bank Berhad	06/24	AA1	4.548	1	4.830	13/12/2017	-28	63
YTL Power International Berhad	05/27	AA1	4.895	8	4.895	14/12/2017	0	90
Samalaju Industrial Port Sdn Berhad	12/28	AA1	5.051	2	5.057	14/11/2017	-1	108
Northern Gateway Infrastructure Sdn Berhad	08/27	AA1	4.852	10	-	-	-	-
Northern Gateway Infrastructure Sdn Berhad	08/28	AA1	4.891	5	-	-	-	-
Sarawak Energy Berhad	04/31	AA1	5.148	5	5.010	23/10/2017	14	74
UMW Holdings Berhad	10/19	AA2	4.406	10	4.405	08/12/2017	0	121
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.700	1	4.686	27/10/2017	1	151
Jimah Energy Ventures Sdn Berhad	11/20	AA3	4.356	12	4.907	07/04/2015	-55	96
Jimah Energy Ventures Sdn Berhad	05/21	AA3	4.398	10	4.404	02/11/2017	-1	100
Jimah Energy Ventures Sdn Berhad	05/23	AA3	4.595	2	4.696	15/08/2016	-10	98
AmBank Islamic Berhad (fka AmlIslamic Bank Berhad)	03/24	AA3	4.574	11	4.524	17/11/2017	5	77
RHB Islamic Bank Berhad	04/27	AA3	4.780	10	4.776	11/12/2017	0	79
SPR Energy (M) Sdn Berhad	07/33	AA3	5.551	6	5.478	12/09/2017	7	114
CIMB Group Holdings Berhad	12/25	AA	4.684	20	4.697	24/10/2017	-1	73
CIMB Bank Berhad	10/38	AA	5.050	1	4.386	03/10/2017	66	44
Southern Power Generation Sdn Berhad	10/27	AA-	5.009	10	5.011	28/11/2017	0	104
Southern Power Generation Sdn Berhad	10/29	AA-	5.119	10	-	-	-	-
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	5.078	5	5.079	09/11/2017	0	67
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.308	4	5.309	13/12/2017	0	70
Southern Power Generation Sdn Berhad	10/35	AA-	5.579	10	5.564	13/12/2017	1	97
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.482	1	5.481	06/12/2017	0	87
Bank Islam Malaysia Berhad	12/25	A1	4.573	12	4.575	11/12/2017	0	62
Alliance Bank Malaysia Berhad	10/25	A2	4.886	13	4.891	11/12/2017	0	93
Alliance Bank Malaysia Berhad	12/25	A2	4.927	20	4.941	14/11/2017	-1	97
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Khazanah, Saudi Aramco eye stake in Indonesia toll road builder. PT Waskita Karya, an Indonesian state-owned construction company, is in talks with a group of investors including Islamic Development Bank and Saudi Arabian Oil Co. to sell a stake in a unit that builds and operates toll roads. The consortium also includes Malaysia's Khazanah Nasional Bhd. and Waskita is aiming to conclude a deal early next year, President Director Muhammad Choliq said. PT Waskita Toll Road owns 18 toll roads, mostly in Java, and counts state pension fund PT Taspen and financing company PT Sarana Multi Infrastruktur as shareholders, he said. Waskita is seeking to raise funds by selling toll roads to finance future projects as Indonesia's President Joko Widodo pursues an aggressive infrastructure agenda to improve road, rail and port connectivity in the archipelago. The government will cease budgetary support to state companies from next year and is pushing them to fund infrastructure projects either through debt or equity. "We are still negotiating the price and hopefully we can reach an agreement early next year," Choliq said in an interview on Thursday. "Aramco wants to diversify its business because of weak oil prices and they are keen to invest in Indonesia's infrastructure projects." Aramco didn't respond to an email requesting comment, while Khazanah declined to comment. Nabil El Alami, head of marketing and communications for IDB's Islamic Corporation for the Development of the Private Sector in Jeddah, didn't respond to calls and an email requesting comment. Indonesia won pledges of \$1 billion in development finance from Saudi Arabia and signed agreements to cut trade barriers between the two countries during King Salman bin Abdulaziz's visit earlier this year. That's on top of a \$6 billion oil refinery deal between Saudi Aramco and Indonesia's PT Pertamina signed in December last year. Saudi Arabia is also planning an initial public offering for Aramco as it seeks to set up the world's biggest sovereign wealth fund and reduce the economy's reliance on hydrocarbons. The World Bank estimates Indonesia needs about \$500 billion over the next five years to bridge its infrastructure gap. The government has identified 245 projects worth about \$325 billion as a priority. Waskita is also talking to PT Astra Infra for selling a stake in the toll road projects, Choliq said. The company will pursue an initial public offering of shares in the second half of next year if it fails to find a strategic buyer by the end of the first quarter of 2018, he said. Waskita failed to get "acceptable offers" for 10 toll road projects it put up for auction in September. Waskita is targeting 60 trillion rupiah (\$4 billion) of new contracts in 2018, the same as this year, and sees net income rising to 7 trillion rupiah if it completes divestment of the toll roads, Choliq said. Net income may be lower at 5 trillion rupiah without the divestment, which would still be up from 4 trillion rupiah seen this year, he said. (Source: The Edge)

Bitcoin investors expect futures volumes to perk up when CME Group Inc, the world's largest derivatives exchange operator, launches its own contract to wager on the cryptocurrency on Sunday. The second U.S. bitcoin futures launch is seen as another step towards big institutional investors warming up to a volatile asset that had until recently been accessible only via largely unregulated markets. Like the futures contract launched last week by rival CBOE Global Markets, CME's will be cash settled. But it will be priced off an index of data from several cryptocurrency exchanges, instead of just one. "The CME contract is based on a broader array of exchanges," said Matt Osborne, chief investment officer of Altegris, a \$2.5 billion alternative investments provider based in San Diego, California. "So there is a possibility that the CME contract may generate more interest and more volume." The January CME contract will trade on. Bitcoin has drawn attention for its eye-popping price gains, but it is also notoriously volatile. Bitcoin exchanges and digital currency wallets meanwhile have struggled with issues like outages, denial-of-service (DDoS) attacks and hacks. Bitcoin hit another record high on Friday near \$18,000 on the Luxembourg-based BitStamp platform, and has soared roughly 1,700 percent so far this year. Chicago-based CBOE'S bitcoin futures surged nearly 20 percent in their debut on Monday, and more than 4,000 contracts changed hands by the end of the 4:15 p.m. EDT settlement. But the trading volume in the one-month contract, which expires in January, fell to just around 1,500 contracts the next day. By Friday, volume had stabilized at roughly more than 1,000 contracts. In contrast, trading volume in the Cboe volatility index futures typically runs in the tens of thousands to more than 100,000 contracts, market participants said. The decline in bitcoin futures volume had been expected, analysts said, given concerns about the cryptocurrency's underlying volatility. And discount brokerage TD Ameritrade said on Friday it

would allow certain clients to trade CBOE bitcoin futures from Dec. 18, pointing to a potential pickup. The futures contract price has declined more than 5 percent since its launch on Dec. 10. Some investors believe the CME bitcoin futures could attract more institutional demand because the final settlement price is culled from multiple exchanges. The Cboe futures contract is based on a closing auction price of bitcoin from the Gemini exchange, which is owned and operated by virtual currency entrepreneurs and brothers Cameron and Tyler Winklevoss. To be sure, the general sentiment in the market remains one of caution and this has been reflected in margin requirements for the contracts. In the futures market, margin refers to the initial deposit made into an account in order to enter into a contract. The margin requirement at CME is 35 percent, while at CBOE, it is 40 percent, reflecting the cryptocurrency's volatility. The margin for an S&P 500 futures contract, by contrast, is just 5 percent, analysts said. One futures trader said the average margin for brokers or intermediaries on bitcoin contracts is roughly twice the exchange margins. Andrew Busch, chief market intelligence officer of the U.S. Commodities Futures Trading Commission in an interview with CNBC last week pointed out that the underlying cash market for bitcoin is still not regulated. "It's important to keep that in mind when (investors) are trying to make a decision," he added. Some analysts believe it is going to take some time before bitcoin futures take off in a big way. Many professional traders use quantitative systems to identify trading opportunities and that requires a history of data which the bitcoin futures contracts do not yet have. "Volumes are going to slowly increase as professional traders get comfortable with the price action and more importantly get comfortable with the volatility and the margin usage," said Altegris' Osborne. Bitcoin was set up in 2008 by an individual or group calling themselves Satoshi Nakamoto, and was the first digital currency to successfully use cryptography to keep transactions secure and hidden, making traditional financial regulation difficult if not impossible. - Reuters (Source: Bloomberg; The Edge)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Malaysia Airports Holdings Berhad	RM2.50 billion Senior Sukuk Programme (2013/2033) (senior sukuk)	AAA/Stable	Reaffirmed
	RM2.50 billion Perpetual Subordinated Sukuk Programme (2014/2114) (perpetual sukuk)	AA2/Stable	Reaffirmed
	RM3.10 billion IMTN Programme (2010/2025)	AAA(s)/Stable	Reaffirmed
Indera Persada Sdn Bhd	RM280 million Fixed Rate Serial Bonds (2013/2028)	AA1/Stable	Reaffirmed
Premium Commerce Berhad (sponsored by Tan Chong Berhad)	2013-A Class A, B and C Notes	Class A and B AAA(s)/Stable	Reaffirmed, RW negative
	2014-A Class A, B and C Notes		
	2015-A Class A, B and C Notes	Class C unrated	Reaffirmed
	2016-A Class A, B and C Notes		

Source: RAM Ratings; MARC

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