

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.53	-3
5-yr UST	1.95	-4
10-yr UST	2.32	-3
30-yr UST	2.84	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	1	3.49	0
5-yr	3.59	0	3.76	0
7-yr	3.88	0	4.01	0
10-yr	3.91	2	4.11	0
15-yr	4.34	-2	4.64	0
20-yr	4.51	0	4.78	-1
30-yr	4.80	0	4.85	0

*Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	-1
3-yr	3.64	1
5-yr	3.73	-2
7-yr	3.84	-2
10-yr	3.99	1

Source: Bloomberg

- UST's jumped as yields were lower across most tenures by 2-5 bps at the close. Some form of bull-flattening was seen as names like Jerome Powell (touted someone who would cause minimal market disruption) were bandied about. The "merry-go-round" prediction on the next person helming the Fed chair continues. The UST 10Y benchmark fell 3bps at 2.32% whilst the 5s30s steepened again by another 2 bps to close 87bps. The risk-off mode was seen lending support for the session. This was in contrast with the good data on initial jobless claims out denoting a 44.5-year low. The data front is light with existing home sales out tonight.

MGS/GII

- Local govies trading volume was slightly better post mid-week break with RM1.37b traded versus RM1.05b the previous day. Interest was again seen skewed towards the shorter-end and belly of the curve with MGS 3/18 closing 2bps lower at 3.036% whereas the MGS 10/20 closed 1bps higher at 3.41%. Giis also saw interest on the short-end with Gii 4/19 and the ex-benchmark Gii 7/23 seeing decent volume of RM100m each. On the data front, we have the September CPI number out shortly with survey at 4.3% versus 3.7% the previous month.

Upcoming Government Bond Tenders

Nil

PDS/Sukuk

- The newly-issued 5Y and 7Y PR1MA GG bonds made their debut closing 4.08% (unchanged) and 4.32 (2bps lower than coupon) respectively. Stripping out these bonds, MYR corporate bonds overall recorded a healthy RM676m with continued interest seen on AA-rated papers. SEB 6/26 and 7/29 saw RM60 each traded closing within 1bps of previous done levels at 4.69% and 4.89% respectively. Huge volumes were also seen on Malakoff papers 2019-2026 as investors bid up for yield-carry purposes.

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	2.990	58	3.143	16/10/2017	-15	-52
MGS 02/18	3.066	10	3.043	17/10/2017	2	-44
MGS 03/18	3.036	348	3.052	17/10/2017	-2	-47
MGS 09/18	3.106	2	3.036	17/10/2017	7	-40
MGS 03/19	3.159	24	3.170	17/10/2017	-1	-35
MGS 07/19	3.296	0	3.279	17/10/2017	2	-28
MGS 10/19	3.303	2	3.294	17/10/2017	1	-27
MGS 11/19	3.289	4	3.298	17/10/2017	-1	-29
MGS 03/20	3.397	21	3.397	17/10/2017	0	-18
MGS 07/20	3.373	36	3.407	17/10/2017	-3	-26
MGS 10/20	3.410	120	3.396	17/10/2017	1	-23
MGS 02/21	3.405	40	3.398	13/10/2017	1	-23
MGS 07/21	3.561	10	3.539	17/10/2017	2	-12
MGS 09/21	3.581	51	3.601	17/10/2017	-2	-10
MGS 11/21	3.633	17	3.619	17/10/2017	1	-5
MGS 03/22	3.588	30	3.583	17/10/2017	0	-10
MGS 08/22	3.703	21	3.691	17/10/2017	1	-5
MGS 09/22	3.712	20	3.705	17/10/2017	1	-4
MGS 03/23	3.789	6	3.806	17/10/2017	-2	4
MGS 08/23	3.848	13	3.819	17/10/2017	3	4
MGS 07/24	3.894	26	3.866	17/10/2017	3	3
MGS 09/24	3.876	44	3.880	17/10/2017	0	2
MGS 09/25	4.014	22	3.999	17/10/2017	2	12
MGS 04/26	4.082	5	4.059	17/10/2017	2	19
MGS 11/26	4.005	23	3.992	16/10/2017	1	2
MGS 03/27	4.131	4	4.088	17/10/2017	4	15
MGS 11/27	3.911	4	3.893	17/10/2017	2	-7
MGS 04/30	4.398	7	4.362	16/10/2017	4	42
MGS 04/32	4.477	4	4.409	10/10/2017	7	32
MGS 04/33	4.335	1	4.354	17/10/2017	-2	18
MGS 05/35	4.481	11	4.456	17/10/2017	2	32
MGS 09/43	4.836	3	4.846	11/10/2017	-1	68
GII 04/19	3.350	100	3.379	02/10/2017	-3	-23
GII 08/19	3.373	30	3.378	12/10/2017	0	-20
GII 04/20	3.485	20	3.480	16/10/2017	0	-9
GII 08/20	3.567	40	3.546	13/10/2017	2	-7
GII 07/23	3.984	100	4.002	12/10/2017	-2	18
GII 08/24	4.012	78	4.010	17/10/2017	0	15
GII 09/26	4.226	3	4.212	16/10/2017	1	33
GII 08/37	4.782	10	4.803	12/10/2017	-2	62
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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 IRS*
PR1MA	10/24	GG	4.320	1040	-	-	-
PR1MA	10/22	GG	4.080	450	-	-	-
Al Dzahab Assets Berhad	06/19	AAA	4.403	4	4.452	06/10/2017	-5 83
Cagamas Berhad	11/20	AAA	3.998	100	4.029	15/06/2017	-3 36
Telekom Malaysia Berhad	12/24	AAA	4.325	10	4.328	28/09/2017	0 47
Tenaga Nasional Berhad	08/32	AAA	4.675	1	4.676	17/10/2017	0 52
Puncak Wangi Sdn Berhad	11/17	AAA	3.864	3	4.064	17/10/2017	-20 35
Senari Synergy Sdn Berhad	08/18	AAA	4.282	2	4.304	25/09/2017	-2 77
Danga Capital Berhad	04/20	AAA	4.089	40	4.091	11/10/2017	0 51
Cagamas Berhad	04/22	AAA	4.115	20	4.071	24/08/2017	4 37
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.339	20	4.321	18/07/2017	2 53
Danga Capital Berhad	02/26	AAA	4.529	20	4.527	16/10/2017	0 63
Sepangar Bay Power Corporation Sdn Berhad	07/18	AA1	3.909	5	3.929	17/10/2017	-2 40
Sabah Credit Corporation	05/22	AA1	4.639	5	4.678	04/08/2017	-4 89
Sabah Credit Corporation	06/23	AA1	4.728	2	4.750	17/07/2017	-2 92
Malayan Banking Berhad	01/24	AA1	4.377	0	4.151	09/10/2017	23 57
Sarawak Energy Berhad	06/26	AA1	4.681	60	4.693	13/10/2017	-1 79
UniTapah Sdn Berhad	06/27	AA1	4.740	5	4.763	14/07/2017	-2 76
Sarawak Energy Berhad	07/29	AA1	4.903	60	4.889	05/10/2017	1 92
UniTapah Sdn Berhad	12/32	AA1	5.079	5	6.186	17/02/2015	-111 92
Lafarge Cement Sdn Berhad	01/18	AA2	3.863	10	3.929	17/10/2017	-7 35
Konsortium ProHAWK Sdn Berhad	06/18	AA2	3.989	5	4.017	17/10/2017	-3 48
Konsortium ProHAWK Sdn Berhad	12/18	AA2	4.109	5	4.124	17/10/2017	-1 60
Hong Leong Bank Berhad	06/24	AA2	4.484	10	5.764	17/10/2017	-128 62
Imtiaz Sukuk Berhad	11/17	AA2	3.645	5	3.798	17/10/2017	-15 14
Anih Berhad	11/27	AA	4.778	10	4.830	06/07/2017	-5 80
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/18	AA-	4.286	5	4.298	17/10/2017	-1 78
Quantum Solar Park (Semenanjung) Sdn Berhad	10/19	AA-	4.685	5	4.691	17/10/2017	-1 111
Malakoff Power Berhad	12/19	AA-	4.365	70	4.372	13/10/2017	-1 79
Malakoff Power Berhad	12/21	AA-	4.517	20	4.520	12/10/2017	0 83
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/23	AA-	4.629	10	4.630	11/08/2017	0 82
Malakoff Power Berhad	12/23	AA-	4.677	20	4.678	17/10/2017	0 87
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	4.658	10	4.639	21/06/2017	2 80
Malakoff Power Berhad	12/24	AA-	4.751	4	4.940	23/12/2016	-19 89
Malakoff Power Berhad	12/26	AA-	4.819	70	4.878	19/04/2017	-6 84
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/28	AA-	4.839	20	4.819	08/09/2017	2 86
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.231	5	5.199	25/09/2017	3 107
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.299	5	5.269	26/09/2017	3 114
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.430	10	5.418	17/10/2017	1 127
Country Garden Real Estate Sdn Berhad	12/17	AA3	5.181	15	5.275	17/10/2017	-9 167
			<u>2166</u>				

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

Market/Corporate News: What's Brewing

US jobless claims hit 44.5 year low. The number of Americans filing for unemployment benefits dropped to its lowest level in more than 44-1/2 years last week, pointing to a rebound in job growth after a hurricane-related decline in employment in September. The labor market outlook was also bolstered by another report on Thursday showing a measure of factory employment in the mid-Atlantic region racing to a record high in October. The signs of labor market strength could cement expectations that the Federal Reserve will raise interest rates in December. "It doesn't take one hundred PhD economists at the Fed to figure out that the labor market is on the tight side of normal," said John Ryding, chief economist at RDQ Economics in New York. "At this point, we would expect a sharp bounce-back in employment growth in October." Initial claims for state unemployment benefits fell 22,000 to a seasonally adjusted 222,000 for the week ended Oct. 14, the lowest level since March 1973, the Labor Department said. But the decrease in claims, which was the largest since April, was probably exaggerated by the Columbus Day holiday on Monday. Claims are declining as the impact of Hurricanes Harvey and Irma washes out of the data. The hurricanes, which lashed Texas, Florida and the Virgin Islands, boosted claims to an almost three-year high of 298,000 at the start of September. A Labor Department official said claims for the Virgin Islands and Puerto Rico continued to be impacted by Irma and Hurricane Maria, which destroyed infrastructure. As a result the Labor Department was estimating claims for the islands. Nonfarm payrolls dropped by 33,000 jobs in September as Hurricanes Irma and Harvey left more than 100,000 restaurant workers temporarily unemployed. The Virgin Islands and Puerto Rico are not included in nonfarm payrolls. Economists had forecast claims slipping to 240,000 in the latest week. The dollar briefly pared losses against a basket of currencies after the data. Stocks on Wall Street fell as investors booked profits after a recent rally that lifted shares to record highs. Prices for U.S. Treasuries rose. (Source: The Star)

Malaysia's business and consumer sentiment was not robust in the third quarter of 2017 (3Q17), as manufacturing sales and orders declined while real household income weakened. According to a survey by the Malaysian Institute of Economic Research (MIER), the Business Conditions Index (BCI) fell to 103.1 points in 3Q17, from 114.1 points in 2Q17. However, MIER executive director Emeritus Professor Dr Zakariah Abdul Rashid highlighted that the BCI remained above the 100-point threshold level, indicating that manufacturing activities were still expanding. Meanwhile, MIER's Consumer Sentiment Index (CSI) declined by 3.6 percentage points (ppts) quarter-on-quarter to 77.1 points in 3Q17. Speaking at the press conference on Malaysian economy's 3Q performance and outlook yesterday, Zakariah said the lower BCI was due to slower sales orders and production. "The manufacturers told us [they] experienced poor sales, slowdown in production and lower domestic and export orders during 3Q17, but they are expecting some recovery in 4Q17," he said. Zakariah said after surveying over 300 manufacturers in Peninsular Malaysia, 29% of the respondents reported increases in their new export orders, a drop of 6ppts compared with the preceding quarter, while most of the remaining reported decreases in export sales. "Only three sectors reported relatively better quarter-on-quarter export orders — textile and clothing, wood and wood products, and paper and paper products. The other sectors reported export orders of either declining or unchanged in 3Q17," he said. Zakariah said the weaker sales performance resulted in overall inventory build-up in 4Q17. "Across sectors, inventory levels are noticeably high in the chemical products, followed by textile and clothing, non-metallic, and electrical and electronic (E&E) products," he said. Moving forward, Zakariah said orders are likely to improve with the expected export sales of the BCI sub-index trending higher. "Manufacturing of wood and wood products, non-metallic, paper and paper products, metal and heavy machinery and transport sectors are expected to lead the external demand in 4Q17," he said. Zakariah said although Malaysia is expected to report strong export

momentum, imports are growing at a similar pace, if not faster. “What happens is Malaysian exporters are importing to export. Take the E&E sector as an example; businesses in the industry are importing high-value machinery and parts to ramp up production. “The next question is, whether the value added to exports [is] enough to cover the value of importing the machinery,” he said, adding that MIER is forecasting an export growth of 13.4% this year, versus 13.6% growth in import of goods and services. On consumer spending, Zakariah said consumer sentiment remained subdued in 3Q17 because of concerns over jobs and income security arising from economic uncertainties. “Escalating prices remains a concern for the majority of the households surveyed. With the labour market looking fatigued, a faster income growth looks quite unlikely anytime soon, and this could be a bane to consumer spending,” he said. However, Zakariah said the survey shows consumers are not slowing down their spending during festive seasons like Deepavali and Christmas in 4Q17. “This shopping euphoria is likely due to the year-end mega sale carnivals and festive celebrations. But with jobs and income growth expected to slow, it is likely that the spending spree, if materialises, would be financed either by households dipping into their savings or year-end bonus payouts,” he said. (Source: The Edgemarkets)

Digi.Com Bhd recorded a 12% drop in net profit for the third quarter ended Sept 30, 2017 to RM384.62 million from RM438.38 million a year earlier, as the mobile telecommunication network provider's prepaid service revenue declined. Digi.Com also said its prepaid subscriber base shrank. Revenue was lower at RM1.57 billion versus RM1.62 billion. For 3QFY17, Digi.Com declared a tax-free dividend of 4.9 sen a share. The ex and payment dates fall on Nov 21 and Dec 22, 2017 respectively. For the first cumulative nine months of FY17, Digi.Com said net profit dropped to RM1.12 billion from RM1.26 billion a year earlier, while revenue came in lower at RM4.7 billion compared with RM4.93 billion.

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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