

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries gained traction especially on the longer-ends as yields were about 1-5bps lower across most tenures save for the 2Y which settled 1bps higher at 1.72%. The 5s30s spread were flatter at 73bps. The much-watched 10Y was back to 2.34% levels despite stronger data out on US housing starts. On the data front we have existing home sales out on the 21st and initial jobless claims on the 22nd of November. We do not foresee further rallies in USTs; ahead of a huge possibility of a rate hike in December.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.72	1
5-yr UST	2.06	-1
10-yr UST	2.34	-3
30-yr UST	2.78	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	6	3.61	4
5-yr	3.76	3	3.89	1
7-yr	3.98	3	4.02	-9
10-yr	3.98	2	4.33	-1
15-yr	4.65	4	4.75	0
20-yr	4.80	0	4.78	-2
30-yr	4.97	0	4.99	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.77	1
5-yr	3.86	2
7-yr	3.98	2
10-yr	4.09	1

Source: Bloomberg

Upcoming Government Bond Tenders

Reopening of RM2.0bn auction and RM1.0bn private placement of MGS 4/33 on Wednesday (22-Nov)

MGS/GII

- Trading volume in Local Govvies improved to about RM3.38b with main activity seen in the 18-20's sector. Generally yields were higher by 2-6bps across most tenures; diverging from UST's movements with the benchmarks 7Y MGS 9/24 and 10Y 11/27 both closing higher at 3.98%. The GII 7/27 continues to display a huge premium of 35bps over its conventional counterpart. With MYR Interest rate swaps trending slightly higher and strong GDP growth announced last Friday, we expect a quiet and softer session ahead the release of CPI numbers this week.

PDS/Sukuk

- Trading in corporate bonds was muted with volume at RM232m. There were literally no trades on Govt-Guaranteed papers. However, interest was seen on AAA-rated Tenaga and Telekom papers. Tenaga 8/32 and 8/37 closed at 4.97% and 5.17% respectively whereas Telekom 12/20 and 6/21 moved up 7-11bps compared to previously done levels closing at 4.14% and 4.18% respectively. In the AA-space we saw power-related papers i.e. Malakoff Power, Jimah Energy Power and Southern Power Generation done between RM5-10m. We expect investors to be selective ahead of the CPI numbers out this Wednesday.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.669	234	2.971	16/11/2017	-30
MGS	03/18	2.650	1313	2.621	16/11/2017	3
MGS	09/18	2.884	262	3.009	15/11/2017	-13
MGS	03/19	3.310	109	3.329	15/11/2017	-2
MGS	10/19	3.412	91	3.412	16/11/2017	0
MGS	11/19	3.413	352	3.387	16/11/2017	3
MGS	03/20	3.468	241	3.402	16/11/2017	7
MGS	07/20	3.515	4	3.488	16/11/2017	3
MGS	10/20	3.483	35	3.476	16/11/2017	1
MGS	02/21	3.536	100	3.473	16/11/2017	6
MGS	07/21	3.672	3	3.673	15/11/2017	0
MGS	09/21	3.800	59	3.761	16/11/2017	4
MGS	03/22	3.759	52	3.729	16/11/2017	3
MGS	08/22	3.884	1	3.817	14/11/2017	7
MGS	07/24	4.059	76	4.033	16/11/2017	3
MGS	09/24	3.983	48	3.949	16/11/2017	3
MGS	09/25	4.243	16	4.258	16/11/2017	-1
MGS	11/26	4.277	1	4.250	16/11/2017	3
MGS	03/27	4.299	1	4.259	16/11/2017	4
MGS	11/27	3.979	14	3.960	16/11/2017	2
MGS	06/31	4.622	9	4.622	16/11/2017	0
MGS	04/33	4.650	21	4.612	15/11/2017	4
MGS	05/35	4.724	12	4.701	16/11/2017	2
MGS	03/46	4.967	53	4.967	16/11/2017	0
GII	11/17	2.889	132	3.010	16/11/2017	-12
GII	05/18	3.086	50	3.099	14/11/2017	-1
GII	08/18	3.259	6	3.241	16/11/2017	2
GII	11/18	3.168	50	3.205	03/11/2017	-4
GII	04/20	3.607	7	3.567	16/11/2017	4
GII	07/23	4.068	2	4.060	16/11/2017	1
GII	07/27	4.328	33	4.338	16/11/2017	-1
			<u>3385</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*	
Telekom Malaysia Berhad	12/20	AAA	4.142	12	4.074	02/08/2017	7	61
Telekom Malaysia Berhad	06/21	AAA	4.175	10	4.069	29/08/2017	11	52
Tenaga Nasional Berhad	08/32	AAA	4.968	10	4.675	31/10/2017	29	28
Tenaga Nasional Berhad	08/37	AAA	5.170	10	5.170	16/11/2017	0	38
Public Bank Berhad	04/27	AA1	4.595	2	4.617	28/08/2017	-2	55
First Resources Limited	10/21	AA2	4.675	4	4.704	28/08/2017	-3	102
AmBank Islamic Berhad (fka Amlslamic Bank Berhad)	03/24	AA3	4.524	10	4.518	03/11/2017	1	62
RHB Islamic Bank Berhad	05/24	AA3	4.464	10	4.404	13/10/2017	6	56
Bank Islam Malaysia Berhad	12/25	A1	4.590	4	4.596	08/11/2017	-1	57
CIMB Group Holdings Berhad	05/16	A1	5.300	1	5.044	10/11/2017	26	51
Bank Muamalat Malaysia Berhad	11/21	A	5.215	4	5.227	14/11/2017	-1	156
Golden Assets International Finance Limited	08/18	A1	5.091	2	5.065	08/11/2017	3	204
Malakoff Power Berhad	12/20	AA-	4.455	10	4.462	15/09/2017	-1	92
Malakoff Power Berhad	12/21	AA-	4.518	10	4.517	19/10/2017	0	86
Southern Power Generation Sdn Berhad	10/28	AA-	5.060	5	5.048	06/11/2017	1	107
Jimah East Power Sdn Berhad	12/29	AA-	4.949	10	4.949	16/11/2017	0	96
Projek Lebuhraya Usahasama Berhad	01/30	AA-	4.868	10	4.719	27/09/2017	15	87
Jimah East Power Sdn Berhad	12/30	AA-	5.018	10	4.993	01/08/2017	2	33
Southern Power Generation Sdn Berhad	10/31	AA-	5.290	5	0.000	00/01/1900	529	61
Jimah East Power Sdn Berhad	12/32	AA-	5.228	10	5.179	07/08/2017	5	54
Southern Power Generation Sdn Berhad	04/33	AA-	5.410	5	0.000	00/01/1900	541	73
Southern Power Generation Sdn Berhad	10/35	AA-	5.610	5	5.598	31/10/2017	1	82
Alpha Circle Sdn Bhd	11/18	AA-	5.000	73	5.000	11/16/2017	0	-
			<u>232</u>					

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

Market/Corporate News: What's Brewing

SkyWorld Development Sdn Bhd is planning up to four projects worth RM2.2bil in gross development value (GDV) over the next two years. Its chief executive officer Lee Chee Seng said these projects comprise residential high-rise, integrated and commercial projects in the Klang Valley. Lee said in a recent interview that the company has a sales target of about RM1.3bil for the financial year ending March 31. He said while the company will focus on the Klang Valley projects, it will seek opportunities elsewhere too. "We are focusing on property development in Kuala Lumpur for the foreseeable future. "However, after 2020, should there be excellent investment opportunities outside Kuala Lumpur and overseas markets such as in Asia Pacific, it may be carried out via conventional methods of joint venture developments." Lee added that the company will be busy with several projects in the pipeline given the 130 acres of land it owns with a total estimated GDV of RM13bil. The projects include Ascenda Residences with phase one utilising 3.35 acres, the 2.69-acre Bennington Residences, the 4.43-acre Curvo Residences and a six-acre commercial project. SkyWorld's other launches include The Hub@SkySanctuary, Setapak, with a GDV of RM164mil, SkyMeridien@Bandar Baru Sentul with a GDV of RM491mil and The Valleys@SkySierra, Setiawangsa with a GDV of RM771mil, all are expected to hit the market between the fourth quarter of this year and the first quarter of 2018. The developer is also planning to launch a much anticipated residential development dubbed SkyVogue@Taman Desa, with a GDV of RM266mil in the first quarter of 2018. Lee said SkyMeridien@Bandar Baru Sentul has been well received by potential homebuyers. "One of our launches in Sentul has been well received as we have around 4,000 registrations so far and we have only 780 units available," he said. When asked about the possibility of the company planning an initial public offering (IPO), Lee said SkyWorld will look for an opportune time to do so. (Source: The Star Online)

Dewan Bandaraya Kuala Lumpur has frozen approval for new applications to build shopping centres, offices, serviced apartments and luxury condominiums in the capital city following a directive from the Cabinet, a document obtained by The Edge shows. Though the freeze came into effect on Nov 1, its duration remains unclear. The move follows a study conducted by Bank Negara Malaysia, which indicates an excess of floor space in the four categories of buildings identified, according to the document, which has gone viral. The freeze does not apply to condominium projects offering units at less than RM1 million. The Edge understands that several other states were caught out by this new ruling. In its study, Bank Negara highlighted the large incoming supply of shopping complexes across the Klang Valley, Penang and Johor and the incoming supply of office space that could exacerbate the glut in the Klang Valley. Federal Territories Minister Datuk Seri Tengku Adnan Tengku Mansor, when contacted by The Edge, confirms the contents of the document. He says the decision was made on the advice of the central bank "about two to three Fridays ago". "There is a glut of shopping centres. We don't want a situation where there are empty shopping centres," he says, adding that with so many projects already having been approved, new development orders will only worsen the situation. "There are many condominiums priced above RM1 million. This needs to be controlled since there is a glut. There is also too much office space already approved. We need a balance. If there is excess space, the owners may not be able to rent it out." Nevertheless, Tengku Adnan hinted that some considerations may be made. "If these are new areas and we can disperse it (the development) out of the city centre, we can look into it." When asked if the planned development within Bandar Malaysia will be hit by the ruling, Tengku Adnan says its master plan has already been approved. Similarly, many of the developments within Tun Razak Exchange have already been approved. "We want to help the developers. We also don't want to create a situation where the number of abandoned projects increases," says Tengku Adnan. Asked about the duration of the freeze, he says, "Maybe one year, maybe two years, maybe three." It all depends on the state of the market, he adds. The document also reveals that the freeze is applicable to variations made to building plans. This is when developers that had obtained development orders do not commence their projects but plan to make changes to them later. Developers that had submitted their plans prior to the freeze must also receive their planning permission by Jan 1, 2018, at the latest. Paramount Corp Bhd CEO Jeffrey Chew Sun Teong says it is a positive move to rein in the oversupply in the commercial and office segment. "It's about time they addressed the oversupply of shopping malls. If the industry cannot discipline

itself, then I would agree. The government is just helping to put on the brakes. "I think the market is generally aligning itself to that kind of thinking (less development of malls) anyway. So, the freeze is to get the others to align themselves as well," he tells The Edge over the phone. Chew notes that the threshold for condominium projects is not much of a hindrance as most new units are already priced below the RM1 million mark; the exception are those in the Golden Triangle. Nevertheless, he says, it is a good preventive measure against developers or foreign players that may not have sufficient insight into and knowledge of the Malaysian property market, which could distort it further. Axis REIT Managers Bhd's head of investments, Siva Shanker, however, does not agree with the freeze. He strongly believes that the market should drive itself. Pointing out that there was no proper consultation with the various stakeholders of the property segment, he says the decision is a knee-jerk reaction to the oversupply situation. "It is good to slow the development of shopping centres, offices and serviced apartments, but I am a firm believer that the market should take care of itself. What the market doesn't need today is more cooling measures. Free enterprise should prevail. "If you are a property developer that built something after doing the necessary research and yet the units remain unsold, then it is your own fault. The developers are not so naïve as to continue building things that can't sell." Moreover, says Siva, the RM1 million threshold may cause an oversupply in the RM800,000 to below RM1 million range as developers price down their units to meet the new requirement. He adds that developers could also skirt the requirement by selling bare units or building smaller units to avoid the threshold. "If you are pricing your unit at RM1.1 million, you can easily bring it down to below RM1 million. This will drive the supply to the slightly below RM1 million range, creating an oversupply in that segment of the market." (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd (PLSUKE)	Sukuk Wakalah Programme (Sukuk Wakalah) of up to RM2.0 billion	A+ IS(S)	Assigned
	Danajamin-Guaranteed Sukuk) of up to RM500.0 million	AAA IS(FG)	Assigned
Suria KLCC Sdn Bhd	Sukuk Murabahah Programme of up to RM600 million	AAA/Stable/P1	Reaffirmed

Source: RAM Ratings; MARC

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