

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.86	2
5-yr UST	2.22	5
10-yr UST	2.47	7
30-yr UST	2.82	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.32	-3	3.49	0
5-yr	3.62	1	3.89	0
7-yr	3.92	1	4.09	0
10-yr	3.95	-1	4.29	0
15-yr	4.41	0	4.74	1
20-yr	4.60	0	4.83	0
30-yr	4.85	-1	4.98	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	-1
3-yr	3.75	0
5-yr	3.82	0
7-yr	3.94	0
10-yr	4.05	0

Source : Bloomberg

#### Upcoming Government Bond Tenders

Nil

#### US Treasuries

- US Treasury yields extended its leg up yesterday, this time across the curve by 2-8bps as the House approved the US Tax Bill, leaving the Senate to be the last hurdle to cross for this year-long battle on tax reforms since President Trump took office. The long end of the curve rose the most, with the 10s and 30s rising 7bps and 8bps respectively to 2.47% and 2.82%, further widening the 5s30s spread to 60bps, from 57bps a day earlier. With the passage of the Tax Bill becoming an increasing certainty, we expect markets to begin shifting their attention to the scheduled release of final 3Q GDP print, just before the start of the year end festive season.

#### MGS/GII

- Trading interests in local govies regained some traction with total transaction crossing the RM1.0bn mark again, to RM1.03bn yesterday. This time, besides continued interests in the short end MGS 3/18 and 9/18 with combined volume of RM356m, we also noticed substantial interests in MGS 11/27, which saw RM248m changed hands at 3.95% (-1bps). Benchmark yields closed very mixed, with the 30Y losing 1bp while the 3Y shedding 3bps while the belly of the curve comprising 5Y and 7Y saw yields inching slightly up by 1bp. Trading in GII remains tepid with the bulk of the trades on GII 6/33 which closed flat at 4.75%. We expect demand for local govies to remain supported albeit potentially softer as we head into the year end festive holidays. Malaysia CPI is due today and will reaffirm further moderation in inflation.

#### PDS/Sukuk

- Tracking local govies, trading in corporate bonds also showed further pick-up. Volumes dealt increased further to RM496m, from RM428m traded a day ago. Interests were quite equally spread between the AAA and AA space while the GG segment continued to see subdued trading, with only PTPTN 3/32 and DanaInfra 3/32 changed hands (RM10m each). Caga 9/20 topped the list with RM140m changed hands at 4.10% and Fortune Premiere debut yielded 4.65% with RM85m dealt. We also continue to see substantial interests in power papers, with SEB 6/18 and SBPC 7/25 and 7/26 leading the pack. 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	2.652	30	2.652	19/12/2017	0
MGS 03/18	2.816	202	2.600	19/12/2017	22
MGS 09/18	2.849	154	2.849	19/12/2017	0
MGS 03/19	3.048	10	2.926	18/12/2017	12
MGS 11/19	3.173	23	3.173	19/12/2017	0
MGS 07/20	3.312	18	3.312	19/12/2017	0
MGS 02/21	3.315	1	3.315	19/12/2017	0
MGS 09/21	3.591	2	3.591	19/12/2017	0
MGS 11/21	3.516	33	3.507	19/12/2017	1
MGS 03/22	3.623	38	3.605	19/12/2017	2
MGS 08/22	3.755	10	3.765	19/12/2017	-1
MGS 03/23	3.777	18	3.734	19/12/2017	4
MGS 08/23	3.859	2	3.859	19/12/2017	0
MGS 09/24	3.923	49	3.923	19/12/2017	0
MGS 09/25	4.042	6	4.042	19/12/2017	0
MGS 11/26	4.088	60	4.102	19/12/2017	-1
MGS 11/27	3.954	248	3.966	19/12/2017	-1
MGS 04/30	4.476	15	4.476	19/12/2017	0
MGS 03/46	4.847	21	4.847	19/12/2017	0
GII 05/18	3.246	0	3.246	19/12/2017	0
GII 08/18	3.202	10	3.202	19/12/2017	0
GII 10/18	3.247	1	3.247	19/12/2017	0
GII 07/23	4.044	5	4.024	18/12/2017	2
GII 09/26	4.297	5	4.290	08/12/2017	1
GII 06/33	4.751	70	4.751	19/12/2017	0
		<u>1031</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.841	10	4.841	19/12/2017	0	43
Danainfra Nasional Berhad	03/32	GG	4.839	10	4.839	19/12/2017	0	43
Cagamas Berhad	09/20	AAA	4.101	140	4.101	19/12/2017	0	73
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.518	10	4.518	19/12/2017	0	71
GENM Capital Berhad	08/25	AAA	4.864	11	4.864	19/12/2017	0	91
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.539	20	4.539	19/12/2017	0	59
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.541	20	4.541	19/12/2017	0	59
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.644	10	4.644	19/12/2017	0	66
GENM Capital Berhad	03/32	AAA	5.232	3	5.232	19/12/2017	0	82
Projek Lebuhraya Usahasama Berhad	01/34	AAA	4.994	10	4.994	19/12/2017	0	58
Sarawak Energy Berhad	06/18	AA1	3.866	40	3.866	19/12/2017	0	94
Sepangar Bay Power Corporation Sdn Berhad	07/25	AA1	4.712	30	4.712	19/12/2017	0	76
Sepangar Bay Power Corporation Sdn Berhad	07/26	AA1	4.804	20	4.804	19/12/2017	0	82
First Resources Limited	10/21	AA2	4.685	20	4.685	19/12/2017	0	116
United Growth Berhad	06/22	AA2	4.507	4	4.507	19/12/2017	0	90
PBFIN Berhad	06/59	AA2	4.458	1	4.458	19/12/2017	0	-15
Fortune Premiere Sdn Berhad	12/22	AA	4.650	85	-	-	-	104
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/18	AA-	4.319	10	4.319	19/12/2017	0	139
Tanjung Bin O&M Berhad	07/27	AA-	4.827	10	4.827	19/12/2017	0	86
Tanjung Bin O&M Berhad	06/29	AA-	4.972	10	4.972	19/12/2017	0	101
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.421	20	5.421	19/12/2017	0	81
CIMB Group Holdings Berhad	05/16	A1	4.834	2	4.834	19/12/2017	0	22
CIMB Group Holdings Berhad	05/16	A1	5.250	0	5.250	19/12/2017	0	64
			<u>496</u>					

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

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

M101 Holdings Sdn Bhd has appointed China Railway Construction Corp Malaysia Bhd (CRCC) as the main contractor for the development of M101 Skywheel, which has an estimated gross development value of RM2.2bil. In a statement yesterday, the company said M101 Skywheel, a project designed by Studio FA Porsche, is headed for completion by 2021 and well on its way to becoming Malaysia's next iconic landmark. M101 chief executive officer Datuk Seth Yap said that with CRCC's diverse and close to seven decades of experience, M101 was confident that Skywheel is in good hands. The 78-storey M101 Skywheel is strategically located in the heart of the Kuala Lumpur City Centre, giving the iconic development an unobscured view of the Kuala Lumpur City skyline. It claims to be the world's first integrated development designed by Studio FA Porsche, first in the world with Sky Ferries Wheel on the 53rd floor with the highest vantage point of 220m above the ground, world's first highest shopping experience with a SkyMall that extends from the 50th to 52nd level with over 200,000 sq ft of retail space and first in Asia with Planet Hollywood Hotel. "M101 is championing property tourism as our core business strategy. Instead of building just another integrated development, we are building a branded development that fits the market's needs and further elevate Malaysia's tourism industry. "We have launched the project in Hong Kong, Taiwan, Indonesia, Singapore, China, Japan, South Korea, the Philippines, Brunei, Sri Lanka, and Bangladesh, and are pleased to announce that it has been very well-received," Yap said. — Bernama (Source: The Star Online)

Malaysian consumer confidence remained stable in the third quarter of 2017 but there remains the nagging worries about the nation's fiscal status, job security and debt, says a Nielsen consumer confidence survey. According to the findings of its Global Survey of Consumer Confidence and Spending Intentions issued on Tuesday, Malaysian consumer confidence dipped one point to 93 percentage points from the second quarter. "Whilst confidence level stayed steady, the nation slipped four spots to be 32nd most confident country globally (28th place in Q2 2017)," it said. Nielsen Malaysia's managing director Raphael Pereda said the latest survey showed confidence levels across Southeast Asia continues to hold strong with four out of six countries in the region retaining their top 10 spot globally. Consumers in the Philippines are the second most confident globally (131 percentage points, +1 from Q2 2017) followed by Indonesia in third place (127 percentage points, +6). Vietnam retained its fifth position from previous quarter (116 percentage points, -1) while Thailand inched up a spot to be the ninth most confident globally (113 percentage points, +6). Singapore improved its ranking by two spots at 29th place as compared to last quarter (94 percentage points, +5). The average global consumer confidence is 105 percentage points (+1 vs. Q2 2017). "The consumer confidence level for Malaysia remains on par with that of the second quarter this year, below the neutral threshold, but still remaining at its highest level for over two years," said Pereda said. "The higher trend in sentiment observed over the last couple of quarters, coupled with the continued improvement in key economic indicators has also led to the first quarter of growth in fast moving consumer goods (FMCG) this year." Malaysian consumers continue to rank the nation's fiscal status (44%, -3% vs. Q2 2017) and job security (21%, -1%) as their top two key concerns whilst 17% of the survey respondents also list debt as the third most worrisome (17%, -1%). Despite positive economic indicators, recessionary sentiments among Malaysians continue to remain high (80%). However, at least one in four respondents are feeling positive that the country will be out of an economic recession in the coming 12 months (27%, compared to 25% in Q2 2017). Malaysian consumers also continue to remain upbeat on their state of personal finances with 56% perceiving that their state of personal finances to be either good or excellent in the next 12 months (+4% compared to last quarter). A total of 45% of the respondents also feel confident about the

local employment outlook over the next 12 months (+1% vs. prior quarter). Other key areas of concern that recorded a slight increase compared to the last quarter include work/life balance (17%, up 2% from prior quarter), health (13%, unchanged) and increasing fuel prices (12%, up 4%). "The Malaysian economy continued to show strong signs of positive growth with a GDP of 6.2% in Q3 2017, yet the number one concern for Malaysian consumers remains with the economy. Many still believe they are in a recession, further highlighting that the trickle effect of the improving economy is yet to fully take effect. "Despite the fact that none of the economic KPIs indicate that the country is in a recession, consumers continue to believe that the current situation and the future for the country is not positive," Pereda said. Globally, Southeast Asian consumers retain their lead when it comes to saving intentions, with Filipinos the top savers. The survey showed Filipinos are the world's most avid savers (69%) followed by Indonesians and Thais (68%), tied in second place. Consumers in Singapore (67%, 4th), Vietnam (66%, 6th) and Malaysia (63%, 7th) are all ranked within the list of top 10 when it comes to saving any spare cash after covering essential living expense. The global average of consumers depositing spare cash into savings is 52% (unchanged from last quarter). Besides prioritising saving intentions, nearly one quarter of Malaysian consumers have also said that they would divert any spare cash towards investment of stocks/mutual funds (28% vs. 32% in last quarter) and paying medical insurance premiums (22% vs. 25% in prior quarter) while at least two in five intend to pay off debts, credit cards or loans (41% vs. 42% in Q2 2017). Whilst saving intentions are high among Malaysia consumers, the survey also revealed that Malaysians are ready to spend on holidays/vacations (43%, +1% from last quarter) and new technology products (20%, +1%). Nearly nine in 10 respondents have said that they have changed their spending habits to improve household savings in the past 12 months (87%, +3% from Q2 2017) – this includes spending less on new clothes (63%, +6%), cut down on out-of-home entertainment (58%, +2%) and switching to cheaper grocery brands (52%, +5%). "Nevertheless, should economic conditions improve, at least one-third of Malaysian consumers are expected to continue to save on gas and electricity (34%) and spending less on new clothes (33%). "Whilst many Malaysians want to save for a rainy day, they are generally doing so at the expense of an interest rate which is lower than inflation. Consumers could start spending again but if they do so without first paying off higher interest rate, then they are simply repeating the cycle of spending and increased debt," Pereda said. (Source: The Star Online)

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
ORIX Leasing Malaysia Berhad	CP/MTN Programme of up to RM500 million (2013/2020)	AA2/Stable/P1	Reaffirmed
	MTN Programme of up to RM500 million (2016/2031)	AA2/Stable	Reaffirmed

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hibb.hongleong.com.my](mailto:HLMarkets@hibb.hongleong.com.my)**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.