

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- UST sold off with the 2Y moving to its highest levels seen in 8 years at 1.44% as the FOMC took on a more hawkish stance while keeping rate decision unchanged at 1.00-1.25%. Large moves were also seen on the 5Y & 10Y, closing 2-4bps higher at 1.88 & 2.27% respectively as the odds of a Fed hike in Dec 2017 jumped to 64%. As for the balance sheet, the monthly reduction is capped at \$10 billion initially and rising slowly to \$50 billion eventually as the Fed looks to maintaining a balance sheet of \$2.0-2.5 trillion over the next few years in the “normalization” of its balance sheet. We expect UST’s to continue to trade on cautious mode amid looming Fed rate hike prospects.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.44	4
5-yr UST	1.88	4
10-yr UST	2.27	2
30-yr UST	2.81	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	2	3.51	0
5-yr	3.58	8	3.78	4
7-yr	3.79	0	3.99	2
10-yr	3.88	3	4.07	3
15-yr	4.23	0	4.51	3
20-yr	4.48	-2	4.68	0
30-yr	4.79	4	4.85	0

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.49	0
3-yr	3.61	0
5-yr	3.73	2
7-yr	3.82	0
10-yr	3.97	2

Source : Bloomberg

MGS/GII

- Local govies mirrored the fear emanating out of US with the 5Y facing the brunt of sell-off by moving 8bps higher to 3.58%. Volumes were lethargic at RM1.63billion with 10Y benchmark MGS & GII yields higher by 3 bps to close at 3.88% and 4.07%. The Malaysian CPI which was higher at 3.7% YOY versus survey of 3.4% also dampened sentiment slightly. On the data front we have the foreign reserves out today. Trading sentiments could remain subdued today amid spillover effects from prospects of another Fed rate hike this year but higher yield levels could potentially attract bargain-hunting activities, hence keeping local govies supported eventually.

PDS/Sukuk

- Trading in MYR corporate bond remained healthy at about RM520 million changed hands with interest seen on short GG’s i.e. Prasa 19-24’s, Dana 19-24’s, and Prasa 9/24 and PASB 9/25. Yields generally trended higher. We saw continued interest in the AA-space on yield pick-up with names traded like Samalaju, JEV, YTLP and DUKE3 whilst investors were seen avoiding long-end papers yesterday.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.022	35	2.957	19/09/2017	6
MGS	03/19	3.038	2	3.093	18/09/2017	-6
MGS	10/19	3.255	5	3.223	19/09/2017	3
MGS	11/19	3.207	20	3.236	19/09/2017	-3
MGS	03/20	3.345	21	3.304	19/09/2017	4
MGS	10/20	3.422	2	3.423	19/09/2017	0
MGS	02/21	3.362	71	3.346	19/09/2017	2
MGS	09/21	3.503	3	3.511	18/09/2017	-1
MGS	03/22	3.581	380	3.516	19/09/2017	6
MGS	03/23	3.704	31	3.694	19/09/2017	1
MGS	08/23	3.796	17	3.790	19/09/2017	1
MGS	07/24	3.845	1	3.816	19/09/2017	3
MGS	09/24	3.792	3	3.789	19/09/2017	0
MGS	11/26	3.867	1	3.886	15/09/2017	-2
MGS	11/27	3.875	157	3.848	18/09/2017	3
MGS	04/37	4.483	45	4.498	18/09/2017	-2
MGS	09/43	4.766	21	4.750	14/09/2017	2
MGS	03/46	4.791	70	4.749	18/09/2017	4
GII	04/19	3.323	2	3.287	15/09/2017	4
GII	03/21	3.639	180	3.521	08/09/2017	12
GII	04/22	3.779	30	3.743	19/09/2017	4
GII	07/23	3.960	20	3.914	13/09/2017	5
GII	08/24	3.986	70	3.969	19/09/2017	2
GII	07/27	4.071	340	4.045	19/09/2017	3
GII	08/33	4.510	100	4.485	14/09/2017	2
			<u>1627</u>			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	03/19	GG	3.717	50	3.714	08/09/2017	0	22
Danalinfra Nasional Berhad	07/19	GG	3.750	38	3.831	05/07/2017	-8	19
Danalinfra Nasional Berhad	10/20	GG	3.939	15	3.672	25/08/2016	27	32
Pengurusan Air SPV Berhad	06/23	GG	4.130	10	4.121	08/09/2017	1	34
Danalinfra Nasional Berhad	07/24	GG	4.283	10	4.258	07/09/2017	3	43
Bank Pembangunan Malaysia Berhad	09/24	GG	4.271	60	4.268	15/09/2017	0	42
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	09/24	GG	4.278	20	4.272	08/09/2017	1	43
Pengurusan Air SPV Berhad	09/25	GG	4.340	10	4.260	01/03/2017	8	45
Telekom Malaysia Berhad	04/23	AAA	4.252	10	4.328	03/04/2017	-8	46
Cagamas Berhad	10/23	AAA	4.219	4	4.329	31/03/2015	-11	43
Telekom Malaysia Berhad	12/24	AAA	4.309	10	4.302	08/09/2017	1	46
Telekom Malaysia Berhad	11/25	AAA	4.378	40	4.379	18/09/2017	0	48
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.380	1	4.380	14/09/2017	0	40
Telekom Malaysia Berhad	09/27	AAA	4.462	15	4.459	19/09/2017	0	48
IGB Berhad	09/24	AAA	4.370	65	-	-	-	-
ADCB Finance (Cayman) Limited	11/17	AAA	3.913	15	4.138	15/08/2017	-23	42
Malaysia Airports Capital Berhad	08/20	AAA	4.200	6	4.200	11/09/2017	0	58
Putrajaya Holdings Sdn Berhad	07/23	AAA	4.339	20	4.358	20/07/2017	-2	55
Putrajaya Holdings Sdn Berhad	07/24	AAA	4.395	10	4.398	12/09/2017	0	55
Malayan Banking Berhad	01/24	AA1	4.608	21	4.181	19/09/2017	43	82
Maybank Islamic Berhad	04/24	AA1	4.591	1	4.734	28/08/2017	-14	74
YTL Power International Berhad	05/27	AA1	4.750	41	4.861	15/09/2017	-11	77
Sarawak Energy Berhad	04/36	AA1	5.260	30	5.245	24/02/2017	1	111
Samalaju Industrial Port Sdn Berhad	12/23	AA1	4.448	10	4.449	24/08/2017	0	66
Samalaju Industrial Port Sdn Berhad	12/27	AA1	4.898	60	4.695	16/08/2016	20	92
CIMB Islamic Bank Berhad	09/24	AA+	4.231	1	5.231	06/09/2017	-100	38
CIMB Bank Berhad	08/26	AA+	4.730	1	4.630	19/09/2017	10	84
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.232	1	4.230	14/09/2017	0	67
Tanjung Bin Power Sdn Berhad	08/20	AA2	4.320	6	4.385	06/07/2017	-6	70
Hong Leong Bank Berhad	06/24	AA2	4.501	1	4.997	07/09/2017	-50	65
Tanjung Bin Energy Issuer Berhad	03/18	AA3	4.005	8	4.119	01/06/2017	-11	51
Jimah Energy Ventures Sdn Berhad	05/19	AA3	4.199	4	4.608	04/03/2016	-41	63
Jimah Energy Ventures Sdn Berhad	11/19	AA3	4.244	2	4.587	30/10/2014	-34	68
Jimah Energy Ventures Sdn Berhad	05/21	AA3	4.389	10	4.556	03/05/2017	-17	70
RHB Investment Bank Berhad	04/25	AA3	4.999	5	4.867	22/06/2017	13	110
CIMB Group Holdings Berhad	04/60	AA3	4.732	1	4.731	07/09/2017	0	58
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.478	5	4.596	29/05/2017	-12	86
Jimah East Power Sdn Berhad	12/31	AA-	5.020	10	5.059	19/07/2017	-4	87
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	5.043	10	5.049	13/09/2017	-1	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.185	10	5.200	14/09/2017	-2	104
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.299	10	5.300	19/09/2017	0	115
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.359	10	5.380	13/09/2017	-2	121
Tan Chong Motor Holdings Berhad	11/21	A1	5.991	1	5.987	18/09/2017	0	231
Bank Islam Malaysia Berhad	12/25	A1	4.556	30	4.606	16/08/2017	-5	66
Affin Bank Berhad	09/27	A1	4.802	1	-	-	-	-
				<u>699</u>				

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

Market/Corporate News: What's Brewing

There is rising concern that some 14.5 million contributors to the Employees Provident Fund (EPF) may lose out on a steady stream of dividend income if the pension fund sells its 49 per cent stake in highway operator, PLUS Malaysia Bhd. These concerns seem to be gaining momentum amid news reports that entrepreneur Tan Sri Abu Sahid Mohamad is eyeing to take over PLUS Malaysia through his flagship Maju Holdings Sdn Bhd. Besides EPF's 49% equity in PLUS Malaysia, the majority 51 per cent shareholding is held by UEM Group Bhd, which is a wholly-owned subsidiary of Khazanah Nasional Bhd. Analysts say the proposal should be rejected as both the pension fund and the government's investment arm have enjoyed good returns from their acquisition of PLUS Malaysia since end-2011. They also said PLUS Malaysia represents a core business for Khazanah and a core investment for EPF and was undoubtedly an important income generator for both. As such, it raises the inevitable question as to why the fund or Khazanah would want to sell the highway operator at all. If the sale goes through, contributors feel that EPF would have lost its valuable income from toll collection and, as a result, will stop paying good dividends to contributors. The other question being raised is why sell a national asset to a private party when it belongs to the people via its ownership through a government-linked company (UEM Group) and EPF. The investment has been benefiting Malaysians including those from Sabah and Sarawak, hence PLUS Malaysia should continue to remain in EPF's portfolio as a long-term strategic investment, the analysts said. And, when the dividends are paid to Khazanah, it flows back to the government which can then use it for infrastructure development. Analysts note that given the strategic nature of the assets, it is important for Khazanah and EPF to remain the custodians of this business as they represent both the government and the people. It was good to note EPF Chief Executive Officer Datuk Shahril Ridza Ridzuan as saying last month that the EPF has no plan to dispose its 49% stake in PLUS Malaysia 'as the investment in the company was reaping good returns for the pension fund'. Bernama quoted him as saying that the fund and UEM Group had invested substantially in expanding its network, especially in the Klang Valley. He was also quoted as saying that "PLUS Malaysia has contributed substantially to EPF's earnings. UEM Group, after receiving a non-binding letter of intent from Maju Holdings, also said it has no intention to sell its stake in PLUS Malaysia. (Source: The Star)

Berjaya Sports Toto Bhd's (BToto) net profit grew 26.5% to RM74.3 million, or 5.51 sen per share, for the first quarter of financial year ended July 31 (1QFY18) from RM58.7 million or 4.36 sen per share in the previous corresponding quarter. The higher earnings were boosted by improved results of luxury car dealer H.R. Owen Plc (HR Owen), in which BToto holds an effective 86.8% stake, and foreign exchange gain recognized by a foreign subsidiary company in the financial quarter under review. For the current quarter, the group's revenue edged higher by 2.5% to RM1.47 billion from RM1.44 billion. (Source: The EdgeMarkets)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Danajamin Nasional Berhad	Danajamin Nasional Berhad's (Danajamin) proposed RM2.0 billion Sukuk Programme	AAA/Stable/P1	Re-affirmed

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.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.