

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.75	3
5-yr UST	2.09	4
10-yr UST	2.37	2
30-yr UST	2.78	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	0	3.55	-5
5-yr	3.76	0	3.90	2
7-yr	3.98	0	4.11	0
10-yr	3.94	-4	4.34	1
15-yr	4.65	0	4.75	0
20-yr	4.80	0	4.79	0
30-yr	4.98	1	4.99	0

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.76	-1
5-yr	3.85	-1
7-yr	3.98	0
10-yr	4.09	0

Source: Bloomberg

US Treasuries

- US Treasuries experienced a sell-off which was led by the belly of the curve which continued flattening as the 5s30s spread hit multi-year lows of almost 70bps level. Yields were 2-4bps higher across most tenures with the 2Y and 10Y closing at 1.75% and 2.37% respectively. Long-ends were spared on the back of some foreign inflows and pension funds demand. On the data front we have existing home sales out today followed by initial jobless claims out tomorrow. We foresee some attention soon shifting to the re-imposition of debt ceiling which expires on 8th December.

MGS/GII

- Trading volume in local govvnies was lethargic as market was directionless somewhat due to lack of further leads with total volume traded at RM1.40b. Much of the activity was centered on the short-end off-the-runs i.e. 18-20's which could be a precursor of currency play by inter-bank and foreign players. Yields were generally unchanged save for the 10Y MGS 11/27 which closed at 3.94% on odd-lot trades. The GII 7/27 continues to trade in excess of 35bps premium over its conventional counterpart. We continue to expect some interest in the shorter-end MGS and also GII's as investors await the release of CPI numbers tomorrow.

Upcoming Government Bond Tenders

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

PDS/Sukuk

- Trading in corporate bonds was somewhat listless with volume at RM202m. The Govt-Guaranteed PRASA 2/31 traded higher to close at 4.86% versus previous done levels. In the AA-space we saw interest in infra-related power stocks i.e YTL Power 8/18 and Sepangar Bay Power Corp 7/23 which closed 2bps higher at 4.11% and 4.58% respectively. Tadau Energy 7/24 and Tanjung Bin Energy 25's also traded hands to close at 5.13% and 4.72-74% levels respectively. We expect investors to be selective ahead of the CPI numbers out tomorrow.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.650	355	2.669	17/11/2017	-2
MGS 03/18	2.688	138	2.599	17/11/2017	9
MGS 09/18	2.760	80	2.884	17/11/2017	-12
MGS 03/19	3.223	162	3.364	17/11/2017	-14
MGS 11/19	3.376	1	3.413	17/11/2017	-4
MGS 03/20	3.446	208	3.477	17/11/2017	-3
MGS 10/20	3.494	1	3.483	17/11/2017	1
MGS 07/21	3.613	50	3.701	17/11/2017	-9
MGS 11/21	3.769	3	3.800	14/11/2017	-3
MGS 03/22	3.759	9	3.741	17/11/2017	2
MGS 08/22	3.825	23	3.817	14/11/2017	1
MGS 09/22	3.867	1	3.874	15/11/2017	-1
MGS 03/23	3.964	0	3.941	15/11/2017	2
MGS 08/23	4.016	2	3.976	16/11/2017	4
MGS 07/24	4.068	28	4.068	17/11/2017	0
MGS 09/25	4.227	2	4.212	17/11/2017	2
MGS 11/26	4.250	21	4.277	17/11/2017	-3
MGS 11/27	3.936	1	3.979	17/11/2017	-4
MGS 03/46	4.981	20	4.967	16/11/2017	1
GII 08/18	3.204	140	3.259	17/11/2017	-5
GII 08/18	3.191	100	3.228	15/11/2017	-4
GII 08/19	3.414	42	3.417	24/10/2017	0
GII 11/22	3.989	0	3.849	12/09/2017	14
GII 10/25	4.245	0	4.114	14/09/2017	13
GII 07/27	4.340	12	4.334	17/11/2017	1
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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*
Prasarana Malaysia Berhad	02/31 GG	4.858	10	4.735	24/10/2017	12	19
GENM Capital Berhad	03/22 AAA	4.351	1	4.610	26/10/2017	-26	70
YTL Power International Berhad	08/18 AA1	4.111	35	4.086	03/11/2017	2	108
Encorp Systembilt Sdn Berhad	11/18 AA1	4.029	10	4.144	18/07/2017	-12	100
Sepangar Bay Power Corporation Sdn Berhad	07/23 AA1	4.579	10	4.558	11/07/2017	2	68
Public Bank Berhad	09/23 AA1	4.207	10	4.233	03/11/2017	-3	31
Danajamin Nasional Berhad	10/27 AA1	4.787	10	4.778	08/11/2017	1	80
Samalaju Industrial Port Sdn Berhad	12/25 AA1	4.808	10	4.771	06/11/2017	4	80
Samalaju Industrial Port Sdn Berhad	12/26 AA1	4.918	10	4.859	06/11/2017	6	88
Widad Capital Sdn Berhad	09/18 AA2	4.804	5	4.815	15/11/2017	-1	178
Krung Thai Bank Public Company Limited	07/25 AA2	4.452	1	4.445	16/11/2017	1	45
BEWG (M) Sdn Berhad	07/20 AA	4.914	10	4.998	13/09/2017	-8	139
Tadau Energy Sdn Berhad	07/24 AA3	5.129	10	-	-	-	-
Kimanis Power Sdn Berhad	08/18 AA-	3.965	10	3.936	26/10/2017	3	94
Tanjung Bin Energy Issuer Berhad	03/25 AA3	4.718	10	4.699	16/08/2017	2	74
Tanjung Bin Energy Issuer Berhad	09/25 AA3	4.739	10	4.778	23/01/2017	-4	73
CIMB Group Holdings Berhad	05/16 A1	5.451	41	4.985	15/11/2017	47	68
			<u>202</u>				

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

Market/Corporate News: What's Brewing

Bank Negara Malaysia (BNM) has cautioned banks not to rush and compete for deposits in an effort to show a good loan-to-deposit (LDR) ratio, which is very evident towards every end of the year. Governor Tan Sri Muhammad Ibrahim, describing it as “disruptive behaviour”, said this was especially for corporates, whereby their short-term deposit shifting would push up rates and create significant distortions. “This is damaging to all. Borrowing costs will rise. All will be impacted. Corporates will also suffer in the end, through higher longer term borrowing costs because of these unnecessary biddings,” he said in his keynote address last Friday at the Financial Markets Association, Malaysia annual dinner entitled “Of Perception, Sentiment and Reality”. Muhammad said banks should also not be fixated on the LDR ratio – which is a simplistic indicator – and it cannot provide an accurate representation of evolving bank balance sheets and funding strategies. “We need to rely on other important indicators. As we start to transition into Net Stable Funding Ratio (NSFR), this ratio together with Liquidity Coverage Ratio (LCR), are the more reflective indicators of banks’ funding profile and liquidity positions,” he said. Banks would be given sufficient time to adjust before implementation of the NSFR. “We therefore like to suggest to the banking community to plan wisely and avoid rushing to comply or exceed the NSFR requirement, as this will create the same disruptive cycle caused by LDR-fixation (Source: The Star Online).

In an apparent **U-turn over a freeze on approvals for luxury property developments**, Putrajaya on Monday (Nov 20) said the green light for such projects will still be given but on a case-by-case basis. Works Minister Datuk Fadillah Yusof said although the decision was taken by the Cabinet following a recent report by Malaysia’s central bank on an oversupply of high-end properties, the freeze does not involve all projects. “This is not a blanket stop order... The government is (instead) sending a message to developers to study whether there will be (sufficient demand for a project) before they decide (to proceed),” he said. “If you sell RM1 million (S\$326,000) condo (units) located in (unattractive) areas, it may not attract buyers. But if you sell RM4 million condominiums around the Kuala Lumpur Convention Centre (KLCC) area, you will definitely get buyers, especially among expatriates,” he said in reference to the prime real estate area in the middle of the capital city. Mr Fadhillah believed being selective in approving high-end real estate developments will help address the country’s property glut in the luxury segment. His comments come a day after his cabinet colleague, Second Finance Minister Datuk Seri Johari Abdul Ghani, said Putrajaya has temporarily frozen approvals for luxury property developments since Nov 1 due to a glut in the sector. The temporary freeze affects shopping malls as well as commercial and residential developments which sell units at RM1 million (S\$326,000) and above. “This will be in place until we clear all the excess supply,” said Mr Johari on Sunday. “There is a stark imbalance between supply and demand and we have to review the strategy in terms of real estate development as we do not want such situation to adversely affect the economy.” In its report, the central bank warned that Malaysia’s property market is facing an oversupply of non-affordable homes and idle commercial space, while demand for affordable housing is not being met. There were 130,690 unsold units at the end of March this year, with 83% priced at above RM250,000. Sixty one percent of the unsold properties comprise of high-rise apartments. The central bank pointed out Johor has the largest share of unsold residential units, followed by Selangor, Kuala Lumpur and Penang. “This situation could worsen if the current supply-demand conditions persist. Within the country, Johor is poised to have the largest property market imbalances (highest number of unsold residential properties and potentially the largest excess supply of retail space). “As such, it is timely for all parties to act now to mitigate any potential risks to macroeconomic and financial stability,” online news portal Malaysiakini quoted the central bank as saying. Last Friday (Nov 17) central bank governor Tan Sri Muhammad Ibrahim said imbalances in the property market posed significant risks to the country’s economy. Allaying concerns, Mr Johari said the government will continue to drive the development of affordable homes, specifically those priced below RM300,000 each, which were in short supply. He said demand for affordable homes stood at 48% while supply is only at 28%. Following the central bank’s report, the Johor state government is considering to relax restrictions on foreign home ownership to reduce the glut of unsold properties in the state. Currently, foreigners can only buy houses priced at over RM1 million. The southern state is also mulling giving incentives to developers to encourage them to build properties between

RM150,000 and RM400,000, said housing and local government executive councillor Md Jais Sarday” (Source: The Edge).

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Abu Dhabi Commercial Bank PJSC (ADCB)	<i>Financial Institution Rating</i>	AAA/Stable/P1	Reaffirmed
ADCB Finance (Cayman) Limited	RM3.5 billion MTN Programme (2010/2030)	AAA(bg)/Stable	Reaffirmed
TR1plc Ventures Sdn Bhd's (TVSB)	RM240 million Senior Medium-Term Notes (Senior MTN) Programm	AAA(FG)	Affirmed
CIMB Islamic Bank Berhad (CIMB Islamic)	Financial Institution Rating	AAA/MARC-1	Affirmed
	RM5.0 billion Basel III-compliant Tier 2 Junior Sukuk Programme and RM2.0 billion Tier 2 Junior Sukuk Programme.	AA+IS	Affirmed

Source: RAM Ratings; MARC

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