

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- UST's slumped last Friday by 5-7bps across most tenures on potential tax cuts going forward and also on the "Fed-Chair mania". The potential between John Taylor and Jerome Powell continues to jolt bond markets with the UST 10Y climbing 7bps at 2.39%. Losses pushed the 5s30s flatter by another 1bps to 87bps. We have a slew of data out this week with Markit manufacturing, service and composite PMI's figures on 24<sup>th</sup> Oct; MBA Mortgage Applications, Durable Goods Orders, Capital Goods Orders and New Home Sales on 25<sup>th</sup> Oct and Initial Jobless Claims, Retail Inventories on 26<sup>th</sup> Oct.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	5
5-yr UST	2.02	7
10-yr UST	2.39	7
30-yr UST	2.90	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	1	3.49	0
5-yr	3.61	2	3.80	4
7-yr	3.90	2	4.01	0
10-yr	3.91	0	4.12	1
15-yr	4.31	-2	4.64	0
20-yr	4.51	0	4.79	0
30-yr	4.81	2	4.85	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	1
3-yr	3.64	0
5-yr	3.76	4
7-yr	3.86	2
10-yr	4.01	2

Source: Bloomberg

##### MGS/GII

- Trades on local govies were lethargic with volume dipping again to RM970m versus the previous day's RM1.37b traded versus RM1.05b the previous day. CPI figures grinded higher as expected to 4.3% YOY. Yields were slightly higher by 0-2bps with the 10Y benchmark MGS 11/27 untraded. Some interests seen on the 5Y benchmark MGS 3/22 and off-benchmark 20's which closed 0-2 bps higher at 3.373-3.396% levels. Similarly the 5Y GII 4/22 saw RM100m traded closing 4bps higher at 3.801%.

#### Upcoming Government Bond Tenders

Nil

##### PDS/Sukuk

- Corporate Bonds (GG papers included) volume remained healthy at RM744m with RM160m of long-tenured GG papers traded i.e. PTPTN, DANA, LPPSA and PRASA closing -2 to +7 bps. Taking the cue from the higher IRS levels; investors were also seen trading manly Cagamas 2018-20's and also AAA-rated papers eg TNB Western 7/26, 1/27,1/29, Aquasar 7/24 and MACB 11/22 which closed mixed. BGSM 8/25 saw RM50m traded 1bps higher at 4.843%. Next on the primary issuance list is the Danainfra issuance projected at RM3.7b.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	3.055	74	2.990	19/10/2017	6
MGS 03/18	3.000	46	3.036	19/10/2017	-4
MGS 03/19	3.130	1	3.166	19/10/2017	-4
MGS 03/20	3.405	50	3.396	19/10/2017	1
MGS 07/20	3.411	160	3.373	19/10/2017	4
MGS 10/20	3.402	20	3.392	19/10/2017	1
MGS 07/21	3.543	17	3.561	19/10/2017	-2
MGS 09/21	3.581	0	3.568	19/10/2017	1
MGS 11/21	3.606	10	3.633	19/10/2017	-3
MGS 03/22	3.605	90	3.588	19/10/2017	2
MGS 08/22	3.733	5	3.696	19/10/2017	4
MGS 09/22	3.727	38	3.716	19/10/2017	1
MGS 03/23	3.811	17	3.789	19/10/2017	2
MGS 08/23	3.828	10	3.848	19/10/2017	-2
MGS 07/24	3.919	15	3.894	19/10/2017	2
MGS 09/24	3.898	23	3.876	19/10/2017	2
MGS 04/26	4.068	8	4.061	19/10/2017	1
MGS 11/26	4.009	6	4.005	19/10/2017	0
MGS 06/28	4.239	5	4.200	21/09/2017	4
MGS 04/30	4.388	1	4.377	19/10/2017	1
MGS 04/33	4.312	24	4.335	19/10/2017	-2
MGS 09/43	4.841	12	4.836	19/10/2017	0
MGS 03/46	4.814	23	4.795	16/10/2017	2
GII 04/20	3.489	30	3.485	19/10/2017	0
GII 04/21	3.729	70	3.692	25/09/2017	4
GII 04/22	3.801	100	3.765	17/10/2017	4
GII 07/23	3.984	60	3.984	19/10/2017	0
GII 08/24	4.010	2	4.010	19/10/2017	0
GII 07/27	4.119	30	4.107	17/10/2017	1
GII 08/37	4.786	30	4.782	19/10/2017	0
		<u>974</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.806	50	4.826	28/09/2017	-2	61
DanaInfra Nasional Berhad	03/32	GG	4.799	10	4.800	21/09/2017	0	60
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	4.819	20	4.826	13/10/2017	-1	62
DanaInfra Nasional Berhad	05/32	GG	4.804	20	4.805	07/09/2017	0	60
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	09/37	GG	4.969	5	4.949	17/10/2017	2	77
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	5.250	5	5.180	06/09/2017	7	105
PR1MA Corporation Malaysia	10/37	GG	4.080	50	-	-	-	-
Cagamas Berhad	10/18	AAA	3.642	30	3.640	12/10/2017	0	13
Cagamas Berhad	12/18	AAA	3.650	30	3.710	17/10/2017	-6	14
AI Dzahab Assets Berhad	06/19	AAA	4.396	6	4.403	19/10/2017	-1	82
Cagamas Berhad	11/20	AAA	4.000	250	3.998	19/10/2017	0	36
Tenaga Nasional Berhad	08/32	AAA	4.675	1	4.675	19/10/2017	0	48
Cagamas Berhad	10/18	AAA	3.643	65	3.620	27/09/2017	2	13
TNB Northern Energy Berhad	05/19	AAA	4.029	2	4.042	08/06/2016	-1	45
Genting Capital Berhad	06/22	AAA	4.613	10	4.578	24/08/2017	4	84
Malaysia Airports Capital Berhad	12/22	AAA	4.387	20	4.322	25/09/2017	6	62
Aquasar Capital Sdn Berhad	07/24	AAA	4.478	10	4.498	10/08/2017	-2	59
EKVE Sdn Berhad	01/26	AAA	4.410	2	4.534	07/06/2017	-12	49
TNB Western Energy Berhad	07/26	AAA	4.550	2	4.609	18/01/2017	-6	63
TNB Western Energy Berhad	01/27	AAA	4.590	20	4.589	19/07/2017	0	58
TNB Western Energy Berhad	01/29	AAA	4.710	20	4.729	22/06/2017	-2	70
Maybank Islamic Berhad	04/24	AA1	4.331	2	4.577	17/10/2017	-25	50
Malayan Banking Berhad	05/24	AA1	4.547	10	4.720	16/10/2017	-17	66
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.439	2	4.508	14/07/2017	-7	51
YTL Power International Berhad	05/27	AA1	5.774	2	4.750	17/10/2017	102	176
TRIpIc Medical Sdn Bhd	10/22	AA1	4.700	5	-	-	-	-
TRIpIc Medical Sdn Bhd	10/23	AA1	5.470	5	-	-	-	-
TRIpIc Medical Sdn Bhd	10/27	AA1	5.010	5	-	-	-	-
TRIpIc Medical Sdn Bhd	10/32	AA1	5.400	5	-	-	-	-
TRIpIc Medical Sdn Bhd	10/26	AA1	4.950	5	-	-	-	-
TRIpIc Medical Sdn Bhd	10/34	AA1	5.550	5	-	-	-	-
TRIpIc Medical Sdn Bhd	10/35	AA1	5.700	5	-	-	-	-
Samalaju Industrial Port Sdn Berhad	12/24	AA1	4.608	10	4.598	17/10/2017	1	72
PBFIN Berhad	06/59	AA2	4.275	1	4.277	17/10/2017	0	8
Jimah Energy Ventures Sdn Berhad	11/19	AA3	4.245	2	4.598	30/10/2014	-35	67
RHB Bank Berhad	11/22	AA3	4.019	2	4.037	14/09/2017	-2	25
BGSM Management Sdn Berhad	08/25	AA3	4.843	30	4.830	28/09/2017	1	92
CIMB Thai Bank Public Company Limited	07/26	AA3	5.129	1	5.128	06/10/2017	0	120
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.493	5	4.485	13/10/2017	1	91
Tan Chong Motor Holdings Berhad	11/19	A1	5.904	3	6.197	02/08/2017	-29	232
MEX II Sdn Berhad	04/21	AA-	4.651	4	4.527	17/10/2016	12	95
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/22	AA-	4.679	1	4.675	13/10/2017	0	98
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.791	1	4.791	16/10/2017	0	96
Quantum Solar Park (Semenanjung) Sdn Berhad	10/30	AA-	5.629	5	0.000	00/01/1900	563	143
			<u>744</u>					

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

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

The company bidding to take over **PLUS Malaysia Bhd** must submit a practical and indepth proposal, says Second Finance Minister Datuk Seri Johari Abdul Ghani. This is because the Government did not want the highway concessionaire to end up being privatised like Perwaja Steel Sdn Bhd, he said. He added that the offer by the bidder must take into consideration the capacity and how it would generate funds to pay for the takeover cost. Maju Holdings Sdn Bhd announced a RM36bil bid to take over PLUS from its present owners, UEM Group and the Employees Provident Fund (EPF). Along with the bid, Maju Holdings said it would not raise toll charges for 20 years. Khazanah Nasional Bhd-owned UEM controls 51% of the highway concessionaire while EPF owns the remaining 49%. "We welcome all proposals but they must be practical so as to avoid the fate suffered by Perwaja. The steel company was privatised only to be closed down later. "It ceased operations and we were faced with many problems at that time," he told a press conference after officiating at UEM's medical campaign. "As for the source of financing, we want to know where the funding (for the takeover) is originating from. If possible, they must be transparent and divulge this information to UEM Group Bhd and the Government, so we are aware as to the source of funding," he added. Johari stressed that the takeover offer could not be viewed solely from the point of the company's undertaking not to raise toll charges for 20 years and low cost of maintenance. "As for toll hike, literally, I don't see any concession company abstaining from requesting to increase toll. "I suggested earlier that they write in to the Government saying that they do not want to increase toll charges at all tolled highways that they control. "As of today, (I see that) all toll operators have raised toll charges, so I want to know why (they committed to maintain the rate)," he asked. Meanwhile, UEM Group managing director and group chief executive officer Datuk Izzaddin Idris reiterated that the group had no plans to "let go" of PLUS to any party until the expiry of the concession period on Dec 31, 2038. "The question of selling to any other party has never arisen. For us, PLUS is the nation's strategic asset," he said. On accusations that PLUS incurred very high maintenance costs, Izzaddin said all work carried out met conditions and standards set by the Malaysian Highway Authority (MHA). As to why PLUS was not unlocking the potential of the real estate along the length and breadth of the North-South Expressway, he said the concession only allowed land to be developed for the convenience of highway users. "This means PLUS cannot develop projects like condominiums and others. We have to abide by what has been stipulated by MHA," he explained. ( Source: The Star )

**Oil prices rose** on Monday over supply concerns in the Middle East and as the U.S. market showed further signs of tightening while demand in Asia keeps rising. Brent crude futures, the international benchmark for oil prices, were at \$57.84 at 0056 GMT, up 9 cents, or 0.16 percent, from their last close. U.S. West Texas Intermediate (WTI) crude futures were at \$52.03 per barrel, up 19 cents, or 0.37 percent. "Oil prices are holding comfortably above \$50 as possible supply disruptions in the Kurdish region of Iraq support prices," said William O'Loughlin, investment analyst at Rivkin Securities. "U.S. production was also recently impacted by a hurricane for the second time in as many months and the number of U.S. drilling rigs declined for the third week in a row," O'Loughlin said. The amount of U.S. oil rigs drilling for new production fell by seven to 736 in the week to Oct. 20, the lowest level since June, General Electric Co's Baker Hughes energy services firm said on Friday. Much will depend on demand to guide prices, with the U.S. market tightening, flows from Iraq reduced due to fighting between government forces and Kurdish militant groups, and production still being withheld as part of a pact between the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers to tighten the market. In the main growth areas of Asia, consumption remains strong especially in China and India, the world's number one and three importers. India imported a record 4.83 million barrels per day (bpd) of oil in September as several refiners resumed operations after

extensive maintenance to meet rising local fuel demand. The country's September imports stood 4.2 percent above this time last year and about 19 percent more than in August, ship-tracking data from industry sources and Thomson Reuters Analytics showed. (Source: The EdgeMarkets)

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

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.