

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.73	-4
5-yr UST	2.04	-6
10-yr UST	2.32	-4
30-yr UST	2.74	-2

MGS			GII*			
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)		
3-yr	3.37	<div><div></div></div>	-11	3.45	<div><div></div></div>	-5
5-yr	3.64	<div><div></div></div>	-9	3.82	<div><div></div></div>	-6
7-yr	3.89	<div><div></div></div>	-7	4.09	<div><div></div></div>	-2
10-yr	3.94	<div><div></div></div>	-2	4.26	<div><div></div></div>	-4
15-yr	4.47	<div><div></div></div>	-10	4.75	<div><div></div></div>	0
20-yr	4.64	<div><div></div></div>	-9	4.79	<div><div></div></div>	0
30-yr	4.87	<div><div></div></div>	-12	4.99	<div><div></div></div>	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	-1
3-yr	3.74	-1
5-yr	3.80	-2
7-yr	3.92	-1
10-yr	4.04	-1

Source : Bloomberg

US Treasuries

- US Treasuries rallied with yields 2-6bps lower across the curve following FOMC minutes that "inflation might remain below 2.0% for longer than expected". The 2Y closed 4bps lower at 1.73% whereas the much-watched 10Y closed 4bps lower at 2.32% as market seemed to have priced in a 92% odds of a December rate hike. The 5s30s spread reversed wider by 4bps. However much remains to be seen going forward with expectations of a March 2018 rate hike creeps in at 55% along with potential further flattening as investors anticipate higher issuances on the front-end/intermediate tenures. Data front is light for the remainder of the week with Markit Manufacturing, PMI, and Services out tomorrow.

MGS/GII

- Local govies saw surge in interest with volume returning with a bang at RM6.26b with interest across most tenures. Almost 25% of volume was done in the short-end off-the-runs MGS 18's (closing 2.45-2.55% levels) and GII 18's (closing 3.03-3.07% levels). Overall benchmarks rallied with yields lower by 2-12bps across most tenures with the 7Y MGS 9/24 and 10Y MGS 11/27 closing at 3.89% and 3.94% respectively. The 15Y MGS 4/33 rallied 10bps post-auction on huge volume. We expect offshore, local inter-bank clients and end-investors to continue trading actively on the back of stronger ringgit and stable-to-higher oil prices. On the data front we have CPI numbers out tomorrow.

Upcoming Government Bond Tenders

Nil

PDS/Sukuk

- Corporate bonds saw improvement in volume at RM451m with a volume of RM254m skewed towards both AAA and AA-rated papers. RM180m worth of trades seen on Sabah Dev Bank 7/18 and 7/19 which closed 4.40% and 4.74% respectively. Tenaga 8/37 and Digi 4/24 traded unchanged from previously-done levels at 5.17% and 4.53% whereas substantial amount of trades seen on MMC corporation papers. We expect investors to continue to dabble in the secondary market for yield-enhancement purposes.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.482	165	2.629	43060	-15
MGS	03/18	2.453	575	2.348	43060	11
MGS	09/18	2.551	326	2.503	43060	5
MGS	03/19	3.009	102	3.042	43060	-3
MGS	07/19	3.195	10	3.207	43060	-1
MGS	10/19	3.272	133	3.389	43060	-12
MGS	11/19	3.345	140	3.291	43060	5
MGS	03/20	3.312	477	3.401	43060	-9
MGS	07/20	3.357	10	3.515	43056	-16
MGS	10/20	3.402	4	3.471	43060	-7
MGS	02/21	3.374	304	3.506	43060	-13
MGS	07/21	3.598	14	3.613	43059	-2
MGS	09/21	3.653	413	3.725	43060	-7
MGS	11/21	3.755	26	3.769	43059	-1
MGS	03/22	3.640	277	3.741	43060	-10
MGS	09/22	3.819	262	3.874	43060	-6
MGS	03/23	3.879	6	3.910	43060	-3
MGS	08/23	3.966	2	3.937	43060	3
MGS	07/24	4.007	7	4.042	43060	-4
MGS	09/24	3.899	592	3.961	43060	-6
MGS	09/25	4.120	220	4.204	43060	-8
MGS	11/26	4.168	6	4.227	43060	-6
MGS	05/27	4.290	0	4.317	43053	-3
MGS	11/27	3.938	164	3.960	43060	-2
MGS	06/31	4.503	31	4.591	43060	-9
MGS	04/33	4.473	1030	4.573	43060	-10
MGS	04/37	4.636	11	4.730	43060	-9
MGS	09/43	4.935	10	4.966	43060	-3
MGS	03/46	4.866	86	4.981	43059	-12
GII	05/18	3.030	260	3.060	43060	-3
GII	08/18	3.066	200	3.109	43060	-4
GII	08/18	3.026	40	3.135	43060	-11
GII	04/20	3.449	111	3.489	43060	-4
GII	08/21	3.828	1	3.771	43055	6
GII	04/22	3.822	10	3.885	43049	-6
GII	07/23	3.988	4	4.068	43056	-8
GII	08/24	4.080	2	4.113	43055	-3
GII	07/27	4.257	230	4.181	43060	8
			6261			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Cagamas Berhad	03/19	AAA	3.800	10	3.917	17/04/2017	-12	91
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.525	10	4.526	21/11/2017	0	70
Tenaga Nasional Berhad	08/37	AAA	5.170	50	5.170	17/11/2017	0	49
Sabah Development Bank Berhad	07/18	AA1	4.395	90	0.000	00/01/1900	440	150
Sabah Development Bank Berhad	07/19	AA1	4.739	90	0.000	00/01/1900	474	153
Malayan Banking Berhad	01/24	AA1	4.619	1	4.894	21/11/2017	-28	79
Danajamin Nasional Berhad	10/27	AA1	4.789	10	4.776	21/11/2017	1	86
First Resources Limited	10/21	AA2	4.670	10	4.675	17/11/2017	0	114
Tanjung Bin Power Sdn Berhad	08/24	AA2	4.630	10	4.580	06/10/2017	5	72
PBFIN Berhad	06/59	AA2	4.850	1	4.275	20/10/2017	57	17
Hong Leong Financial Group Berhad	11/18	AA	4.280	20	4.284	02/11/2017	0	139
CIMB Group Holdings Berhad	04/60	AA3	5.700	1	4.864	13/11/2017	84	102
Bank Islam	12/27	A1	5.030	30	5.034	21/11/2017	0	110
WCT Holdings Berhad	12/18	AA-	4.580	20	4.591	15/11/2017	-1	169
Malakoff Power Berhad	12/19	AA-	4.401	10	4.379	07/11/2017	2	119
MMC Corporation Berhad	11/20	AA-	4.910	15	4.905	13/11/2017	0	153
TSH Sukuk Ijarah Sdn Berhad	03/22	AA-	4.910	10	0.000	00/01/1900	491	138
MMC Corporation Berhad	04/27	AA-	5.330	10	5.336	10/11/2017	-1	137
MMC Corporation Berhad	11/27	AA-	5.360	20	5.365	13/11/2017	0	143
KMCOB Capital Berhad	12/17	AAA	4.123	5	4.272	22/09/2014	-15	123
KMCOB Capital Berhad	12/18	AAA	4.303	10	4.377	08/02/2017	-7	141
Danga Capital Berhad	04/20	AAA	4.100	10	4.091	25/10/2017	1	89
Lembaga Pembiayaan Perumahan Sektor Awam	09/19	GG	3.882	9	3.796	03/10/2017	9	67
				451				

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

Market/Corporate News: What's Brewing

Speculation that the Federal Reserve might not tighten U.S. policy as aggressively as first thought slugged the dollar and boosted bonds globally. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.15 percent to scale a fresh 10-year peak. Activity was light with Japanese markets closed for a holiday and the United States off for Thanksgiving. The dollar was nursing losses after suffering its worst one-day fall in five months on Wednesday, while hitting a three-month trough against the Japanese yen. The rout came after minutes of the Fed's last meeting showed "many participants" were concerned inflation would stay below the bank's 2 percent target for longer than expected. That echoed comments from Fed Chair Janet Yellen that she was uncertain about the outlook for inflation and led markets to pare back pricing for more hikes next year. While a move in December to between 1.25 and 1.5 percent is still almost fully priced in, Fed fund futures rallied to show rates at just 1.75 percent by the end of next year. "The US dollar was already staggering into Thanksgiving when the FOMC minutes gave it another shove," said Sean Callow, a senior currency analyst at Westpac. "The FOMC seems to be increasingly uneasy about "ongoing softness" in inflation." "Investors can be forgiven for wondering why they should buy more U.S. dollars if we are heading into a "Powell pause" in the first half of 2018," he added, referring to newly appointed Fed Chair Jerome Powell. Against a basket of currencies, the dollar was huddled at 93.277, having shed 0.75 percent overnight. The euro was enjoying the view at \$1.1817 after climbing from \$1.1731 on Wednesday. The dollar also crumbled to 111.23 yen, its lowest since Sept. 20. That was the largest single-day fall against the yen since May. The Fed's dovish turn helped break the inexorable sell off in short-term U.S. Treasuries, with yields on the two-year note falling almost five basis points to 1.727 percent. That was the sharpest daily drop since early September. Wall Street was an oasis of calm in comparison with the Dow off 0.27 percent, while the S&P 500 lost 0.08 percent and the Nasdaq added 0.07 percent. Verizon and AT&T rose 2.0 percent and 1.6 percent respectively on bets they will benefit from the U.S. government's plan to rescind net neutrality rules put in place by the Obama administration. Commodities were buoyed by the dive in the dollar, with gold up at \$1,290.56 an ounce having added 0.9 percent overnight. Oil prices hit their highest in more than two years after the shutdown of one of the largest crude pipelines from Canada cut supply to the United States. U.S. crude futures were hovering at \$58.00 a barrel after jumping 2 percent on Wednesday to ground last trod in mid- 2015. Brent crude was firm at \$63.29 a barrel (Source: The Edge).

IJM Corp Bhd has bagged a RM1.5 billion contract to develop the Solapur-Bijapur section of the new National Highway 52 between the states of Maharashtra and Karnataka in India. At RM1.5 billion, the four-lane, 109.08km tollway will be the largest Indian project undertaken by IJM in value. While analysts are buoyed by IJM's latest win, they are keeping to their current forecast earnings for now as the project will serve as long-term growth drivers. Work on the tollway is expected to begin in mid-2018 and scheduled for completion in 2021. AllianceDBS Research analyst Chong Tjen San said he is positively surprised, adding that the size of the award is unprecedented, although IJM had previously indicated interest in expanding its Indian operations. "The magnitude and location of the contract took me by surprise," he told The Edge Financial Daily yesterday. In a statement yesterday, IJM said it has accepted the letter of award from the National Highways Authority of India (NHAI) for the project on a design, build, finance, operate and transfer basis. "NHAI will provide a grant of about RM235.86 million for the project. The concession is for 20 years, including a construction period of 30 months," it added. According to IJM, the project will involve the rehabilitation, upgrading and widening of the existing two-lane carriageway to four-lane standards with bypasses, and the construction of flyovers, bridges, road intersections, railway overbridge as well as the operation and maintenance of two toll plazas. Connecting southern India with northern India, the tollway will serve as an alternative route to the North-South Corridor of the National Highways Development Programme (NHDP). The development of this highway with bypasses at Solapur and Bijapur, and the construction of six flyovers will help reduce time and cost of travel, as well as expedite the improvement of infrastructure in Maharashtra and Karnataka. IJM chief executive officer and managing director Datuk Soam Heng Choon said the group has delivered 16 major road projects totalling 1,378km in India since 1998. "The project is expected to contribute positively to the

group's future earnings," it said. Chong said while the new project adds a sizeable amount to IJM's existing order book of about RM8.6 billion, the enlarged size will not be out of line with the management's RM3 billion replenishment target for the 2018 financial year. Chong is leaving the research firm's earnings forecast and target price (TP) of RM3.50 unchanged for now, with a "hold" call on IJM's stock following the group's acquisition of a 100% stake in Fairview Valley Sdn Bhd, which will be building the RM500 million Prudential Tower in the Tun Razak Exchange here. Affin Hwang Capital Research analyst Leong Chee Wai said the immediate impact on IJM from the tollway contract "would not be that significant" although the stock's prospects remain good due to its acquisition of Fairview Valley. He had upgraded the stock to a "buy" rating from "hold" on Nov 15, with a TP of RM3.75, and noted the stock has gained slightly since its RM3.03 closing price back then. "Gains are likely to be substantial only when the tollway is completed," he said, noting the latest project is an "opportune investment" that will generate long-term income for the group. He added that the contract is also reflective of IJM's continued commitment to its operations in India. Since March this year, IJM's wholly-owned subsidiary Dewas Bypass Tollway Pte Ltd has been involved in a RM193.8 million project to widen and upgrade 19.8km of the Dewas Bypass road in Madhya Pradesh, India. IJM's infrastructure division currently operates two tolled highways in India — the 246.8km Rewa Tollway and the 68.5km Chilakaluripet-Vijayawada Tollway —and owns 30% of SwarnaTollway.a month," it added. (Source: The Edge).

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

Source: RAM Ratings; MARC

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