

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.57	-1
5-yr UST	2.00	-2
10-yr UST	2.37	-2
30-yr UST	2.88	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.47	7	3.49	0
5-yr	3.68	8	3.85	5
7-yr	3.96	10	4.01	0
10-yr	3.96	5	4.12	0
15-yr	4.39	7	4.64	0
20-yr	4.51	0	4.79	0
30-yr	4.81	0	4.85	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.52	1
3-yr	3.65	0
5-yr	3.79	3
7-yr	3.92	6
10-yr	4.04	3

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

- UST reversed Friday's selloff and rose on thin volume, as markets remained cautious ahead of the imminent appointment of the next Fed Chair and jittery surrounding ECB policy decision this Thursday if the central bank will begin unwinding its stimulus. Yields fell 1-2bps across the curve, with the 10s settling at 2.37% and the 2s at 1.57%. Markets also advanced ahead of a series of US Treasury debt sales this week, comprising US\$26bn 2-year note beginning tonight, US\$34bn 5-year notes and US\$28bn 7-year bonds. On top of that, PMI readings tonight will also be scrutinized for more clues of the health of the US economy. Positive prints will continue to reinforce Fed rate hike outlook. The Fed Funds Futures implied probability of a December Fed rate hike stood at 84% currently, a level that usually denotes a certainty that the Fed will deliver another move in December.

MGS/GII

- Local govies were offered as yields shot-up by 5-10bps across 3-10Y tenures somewhat mirroring the move in UST's. Some foreign-selling seen whilst locals were largely sidelined. The 4Y, 5Y and 7Y MYIRS moved higher by 2-6 bps on mids; thus affecting the underlying govies. Total volume at RM2.79b was huge in contrast to the previous day's RM970m as the 18's, 21's and 24's were seen actively traded. The 7Y and 10y benchmark MGS 9/24 and 11/27 closed higher at 3.96% with no premium attached. We anticipate announcement on the reopening of the 30Y benchmark MGS 3/46 anytime soon.

PDS/Sukuk

- Corporate Bonds (GG papers included) volume remained healthy at RM733m with RM200m of short-tenured Gamuda 3/19 traded 1bps lower at 4.20% whereas a similar amount was also traded on Cagamas 12/22 closing 3 bps higher at 4.17%. 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 02/18	3.063	14	3.066	19/10/2017	0
MGS 03/18	3.072	908	3.036	19/10/2017	4
MGS 09/18	3.081	10	3.110	19/10/2017	-3
MGS 03/19	3.201	54	3.166	19/10/2017	4
MGS 10/19	3.338	44	3.303	19/10/2017	4
MGS 11/19	3.355	7	3.309	19/10/2017	5
MGS 03/20	3.426	5	3.396	19/10/2017	3
MGS 07/20	3.448	14	3.373	19/10/2017	7
MGS 02/21	3.469	340	3.408	19/10/2017	6
MGS 07/21	3.609	353	3.561	19/10/2017	5
MGS 09/21	3.635	39	3.568	19/10/2017	7
MGS 11/21	3.659	32	3.633	19/10/2017	3
MGS 03/22	3.682	112	3.588	19/10/2017	9
MGS 08/22	3.703	39	3.696	19/10/2017	1
MGS 09/22	3.768	50	3.716	19/10/2017	5
MGS 03/23	3.842	19	3.789	19/10/2017	5
MGS 08/23	3.857	15	3.848	19/10/2017	1
MGS 07/24	3.916	9	3.894	19/10/2017	2
MGS 09/24	3.959	336	3.876	19/10/2017	8
MGS 04/26	4.093	9	4.061	19/10/2017	3
MGS 11/26	4.059	20	4.005	19/10/2017	5
MGS 03/27	4.099	20	4.131	19/10/2017	-3
MGS 11/27	3.959	13	3.911	19/10/2017	5
MGS 04/32	4.467	10	4.477	19/10/2017	-1
MGS 04/33	4.387	1	4.335	19/10/2017	5
MGS 05/35	4.460	1	4.456	17/10/2017	0
MGS 09/43	4.836	12	4.836	19/10/2017	0
GII 04/20	3.520	130	3.485	19/10/2017	4
GII 08/20	3.574	30	3.546	13/10/2017	3
GII 08/21	3.793	60	3.770	02/10/2017	2
GII 04/22	3.849	70	3.765	17/10/2017	8
GII 09/26	4.260	10	4.212	16/10/2017	5
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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 IRS*	
GovCo Holdings Berhad	02/18	GG	3.330	30	3.419	07/09/2017	-9	-19
GovCo Holdings Berhad	02/32	GG	4.875	10	4.842	03/08/2017	3	64
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.840	80	4.806	20/10/2017	3	60
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	4.820	55	4.819	20/10/2017	0	58
Cagamas Berhad	09/20	AAA	3.990	10	3.996	20/10/2017	-1	35
Berjaya Land Berhad	12/21	AAA	4.863	4	4.832	13/09/2017	3	113
Cagamas Berhad	12/22	AAA	4.171	200	4.141	26/09/2017	3	38
Telekom Malaysia Berhad	10/24	AAA	4.330	10	4.330	27/09/2017	0	41
Telekom Malaysia Berhad	12/24	AAA	4.330	20	4.325	19/10/2017	0	41
Sarawak Hidro Sdn Berhad	08/26	AAA	4.530	5	4.529	11/09/2017	0	58
Tenaga Nasional Berhad	08/32	AAA	4.679	0	4.675	20/10/2017	0	44
TMSB senior sukuk	10/30	AA1	5.200	5	-	-	-	-
TMSB senior sukuk	10/31	AA1	5.270	5	-	-	-	-
TMSB senior sukuk	10/33	AA1	5.470	20	-	-	-	-
TMSB senior sukuk	10/34	AA1	5.550	15	-	-	-	-
TMSB senior sukuk	10/35	AA1	5.700	10	-	-	-	-
TMSB senior sukuk	10/23	AA1	4.750	5	-	-	-	-
TMSB senior sukuk	10/25	AA1	4.880	5	-	-	-	-
TMSB senior sukuk	10/26	AA1	4.950	5	-	-	-	-
Danajamin Nasional Berhad	10/27	AA1	4.800	10	-	-	-	76
TMSB senior sukuk	10/29	AA1	5.120	5	-	-	-	-
Sarawak Energy Berhad	04/31	AA1	5.010	6	4.958	14/09/2017	5	77
Jimah Energy Ventures Sdn Berhad	11/18	AA3	4.100	10	4.418	13/10/2014	-32	58
Gamuda Berhad	03/19	AA3	4.200	200	4.206	11/10/2017	-1	-
SPR Energy (M) Sdn Berhad	07/19	AA3	4.470	5	4.580	14/07/2017	-11	88
CIMB Group Holdings Berhad	04/60	AA3	4.750	0	5.700	09/10/2017	-	51
Cerah Sama Sdn Berhad	01/30	AA-	5.055	0	5.059	22/06/2017	0	102
Samalaju Industrial Port Sdn Berhad	12/28	AA1	5.009	2	5.018	09/10/2017	-1	97
			<u>733</u>					

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

Market/Corporate News: What's Brewing

S&P Global Ratings expects that Malaysia's objective to escape the middle income trap will continue to be a challenge while credit risk is high because of the country's high private-sector credit level relative to income. In its banking industry country risk assessment issued on Monday, it classified the banking sector of Malaysia in group "4" under its Banking Industry Country Risk Assessment (BICRA). Other countries in group "4" are Estonia, Israel, Kuwait, Mexico, New Zealand, Saudi Arabia, and Taiwan. "The anchor for banks operating only in Malaysia is "bbb". Our bank criteria use our BICRA economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating," it said. The international ratings agency said Malaysia's modest income levels and vulnerability to global economic conditions constrain the country's economic resilience. "We believe that escaping the middle income trap would continue to be a challenge. Several factors temper these weaknesses: an open, diversified, and competitive economy with a moderately flexible labour market; reasonably developed infrastructure; and a high savings rate," it said. S&P Global Ratings said credit risk is high because of Malaysia's high private-sector credit level relative to income. This is partially mitigated by the financial buffers and healthy debt-servicing ratios of the country's corporate sector. Credit analyst Ivan Tan said: "We believe Malaysian banks' asset quality may experience modest deterioration due to slower, but still healthy, economic growth." "Nevertheless, we expect new loan loss provisions to remain low, given that nonperforming loans are well-provisioned and increasing from a low base." The ratings agency said in its view, the risk of imbalances in Malaysia's economy is low, given slower credit growth and moderating property prices in recent years. "Government and regulatory measures to tighten lending and deter speculation have moderated price increases, and we believe that the government is committed to stabilising property prices," it said. S&P Global Ratings considers Malaysia's banking regulations to be broadly in line with international standards. "We view corporate governance and transparency standards to be adequate and supportive of financial stability. "The matured Malaysian banking system is competitive, but returns have been generally stable, reflecting the system's focus on recurring lending and fee-related income from its core business, with little dependence on volatile trading gains," Tan said. (Source: The Star Online)

T7 Global Bhd has signed a memorandum of understanding (MoU) with three parties to form a strategic partnership and collaborate in the construction of the east coast rail line project. In a filing with Bursa Malaysia, T7, formerly known as Tanjung Offshore Bhd, said it had inked a deal with Eastern Pacific Industrial Corp Bhd (Epic), CMC Engineering Sdn Bhd and China State Construction Engineering (M) Sdn Bhd (CSCEM). The oil and gas services provider said the MoU would provide an opportunity for the parties to establish collaboration based on the respective party's expertise and strength. Epic, CMC and T7 are keen to collaborate as a consortium to undertake the construction of the project. "CSCEM is expected to be the technology partner in this strategic partnership to ensure the smooth implementation of the project." T7 said the collaboration also aimed to explore the business opportunities in relation to the project, to promote itself as Terengganu's initiatives and contributions towards the well-being of the state's socio-economic development. It added that the collaboration is aimed at securing the interest of the Terengganu state government and the Federal Government's commitment for the participation and implementation of the project. "The parties also aim to enter into a formal long form business collaboration agreement, detailing the relations and full obligations of the parties on the basis of this MoU in accordance with the secured contracts obtained from the Federal Government." T7 said the duration of the MoU would be valid for 12 months. (Source: The Star Online)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM Ratings; MARC

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