

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.43	-1
5-yr UST	1.86	-2
10-yr UST	2.25	-3
30-yr UST	2.78	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	2	3.51	0
5-yr	3.59	1	3.79	4
7-yr	3.81	2	4.00	1
10-yr	3.90	2	4.09	2
15-yr	4.31	8	4.51	0
20-yr	4.48	0	4.68	0
30-yr	4.79	0	4.85	0

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	1
3-yr	3.61	0
5-yr	3.72	-1
7-yr	3.84	2
10-yr	3.98	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

- UST's gained as flight-to-safety measures emerged following North Korea's response to Trump's threat calls. The 5-10Y treasuries tightened 2-3bps with the much-watched 10Y closing 3bps at 2.25%. The market-implied odds of a Fed hike in Dec 2017 jumped to 64% following Fed's meet last week. The yield curve saw mass flattening ahead of a series of Fed officials speeches set to dominate the coming days following the imminent "normalization" of its balance sheet. Expect UST's to continue to trade on cautious mode with conflicting signals on supposedly-low inflation going forward.

MGS/GII

- Local govies continued to weaken on larger volume of RM2.46b (versus RM1.63b the previous day) with 5, 7 and 10Y benchmarks changing hands; closing 1-2 bps higher at 3.59%, 3.81% and 3.90% respectively. Investors were mainly sidelined on potential event-risk due to the long-weekend. However bargain-hunting may be seen emerging following the recent pullback with positive data on continuous rebound in foreign reserves to US\$100.8b signaling its highest level since July 2015 and stable ringgit levels seen recently. On the data front we only have the Nikkei Malaysia PMI to look up to this week.

PDS/Sukuk

- Trading in MYR corporate bond saw about RM401 million changing hands with bulk of volume centered on SEB 22, 25 and 26 closing 0-2 bps higher by investors on yield-requirements. There was fewer interest seen on GG papers tracking trading in the govies space with DANA the only GG papers traded with a meagre RM30m dealt. The 15Y Duke3 traded at 5.05% as interest was also seen in the AA-space.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.038	34	2.901	20/09/2017	14
MGS 09/18	3.020	0	2.971	20/09/2017	5
MGS 03/19	3.064	10	3.038	20/09/2017	3
MGS 07/19	3.239	10	3.181	13/09/2017	6
MGS 10/19	3.225	38	3.255	20/09/2017	-3
MGS 03/20	3.366	10	3.345	20/09/2017	2
MGS 10/20	3.422	20	3.423	19/09/2017	0
MGS 02/21	3.387	40	3.362	20/09/2017	2
MGS 07/21	3.555	9	3.473	19/09/2017	8
MGS 11/21	3.580	5	3.536	14/09/2017	4
MGS 03/22	3.593	1062	3.581	20/09/2017	1
MGS 09/22	3.700	2	3.648	15/09/2017	5
MGS 03/23	3.735	30	3.704	20/09/2017	3
MGS 08/23	3.799	7	3.796	20/09/2017	0
MGS 09/24	3.808	136	3.792	20/09/2017	2
MGS 09/25	3.896	23	3.889	18/09/2017	1
MGS 04/26	4.029	40	3.989	18/09/2017	4
MGS 03/27	4.020	35	4.046	15/09/2017	-3
MGS 11/27	3.900	439	3.893	20/09/2017	1
MGS 06/28	4.200	5	4.115	06/09/2017	9
MGS 04/30	4.289	0	4.295	20/09/2017	-1
MGS 06/31	4.339	20	4.280	20/09/2017	6
MGS 04/33	4.311	8	4.231	18/09/2017	8
MGS 05/35	4.443	1	4.409	18/09/2017	3
MGS 03/46	4.788	24	4.787	20/09/2017	0
GII 04/19	3.329	2	3.323	20/09/2017	1
GII 04/20	3.515	120	3.472	19/09/2017	4
GII 04/22	3.791	85	3.779	20/09/2017	1
GII 08/24	3.998	20	3.986	20/09/2017	1
GII 07/27	4.089	220	4.071	20/09/2017	2
GII 10/35	4.691	1	4.605	15/09/2017	9
		<u>2456</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*	
DanaInfra Nasional Berhad	04/24	GG	4.281	10	4.268	15/09/2017	1	44
DanaInfra Nasional Berhad	03/32	GG	4.800	20	4.801	14/09/2017	0	64
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.596	20	4.612	18/09/2017	-2	62
Sarawak Energy Berhad	01/22	AA1	4.334	100	4.332	19/09/2017	0	68
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/22	AA1	4.367	10	4.407	26/05/2016	-4	71
Malayan Banking Berhad	05/24	AA1	4.351	1	4.644	15/09/2017	-29	51
Sarawak Energy Berhad	08/25	AA1	4.599	60	4.599	24/08/2017	0	70
Sarawak Energy Berhad	04/36	AA1	5.282	10	5.260	20/09/2017	2	112
First Resources Limited	12/17	AA2	3.970	10	4.013	19/09/2017	-4	47
Hong Leong Bank Berhad	06/24	AA2	4.549	1	4.501	20/09/2017	5	70
Besraya (M) Sdn Berhad	07/19	AA3	4.241	5	4.280	25/08/2017	-4	69
BGSM Management Sdn Berhad	12/22	AA3	4.677	10	4.678	19/09/2017	0	96
Besraya (M) Sdn Berhad	07/23	AA3	4.569	5	4.613	21/07/2017	-4	79
RHB Islamic Bank Berhad	05/24	AA3	4.599	1	4.466	28/08/2017	13	75
CIMB Thai Bank Public Company Limited	07/24	AA3	4.801	20	5.047	19/09/2017	-25	96
Besraya (M) Sdn Berhad	07/24	AA3	4.608	5	4.667	16/05/2017	-6	76
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	06/21	AA-	4.611	10	4.677	08/09/2017	-7	96
Tanjung Bin O&M Berhad	07/21	AA-	4.425	8	4.521	21/08/2017	-10	77
MMC Corporation Berhad	04/23	AA-	5.038	35	5.072	24/05/2017	-3	126
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	5.050	20	5.043	20/09/2017	1	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.138	5	5.140	14/09/2017	0	98
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.199	5	5.185	20/09/2017	1	104
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.259	5	5.260	14/09/2017	0	110
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.319	5	5.300	19/09/2017	2	116
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.449	5	5.451	19/09/2017	0	129
Tan Chong Motor Holdings Berhad	11/21	A1	5.992	1	5.991	20/09/2017	0	234
AMMB Holdings Berhad	03/27	A1	4.932	10	4.923	19/09/2017	1	95
CIMB Group Holdings Berhad	05/16	A1	4.822	1	4.824	11/09/2017	0	66
Affin Bank Berhad	09/27	A1	4.802	2	4.879	20/09/2017	-8	-
Mah Sing Berhad	-	-	6.475	1	-	09/20/2017	-	-
			<u>401</u>					

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

Market/Corporate News: What's Brewing

The margins of **refiners and petrochemical companies** are expected to improve as the current rise in crude oil prices is deemed to be temporary, according to a report by JP Morgan Chase & Co. The report noted that as oil prices weaken, refining margins will improve even though US refiners hit by Hurricane Harvey have been coming back online. This, in turn, has affected product prices and crack spreads, which have retreated. Last week, Brent crude oil touched US\$56.40 a barrel, nearly a six-month high as traders looked to a production cut agreement led by the Organisation of the Petroleum Exporting Countries to further tighten global supplies. However, JP Morgan expects the rally in Brent crude to be temporary and prices to normalise. "This should act as a positive tailwind for refining margins as oil prices normalise," it said in a recent report. It added that gross refining margins were still higher than pre-Hurricane Harvey, although US refining capacity has been steadily rising on higher crude prices. US-based refineries have been restarting their operations after Hurricane Harvey, which forced them to shut down for two weeks. (Source: The Star)

The volume of **motor vehicle sales** last year dipped below 600,000 for the first time in six years, and this year's expected figure is likely to stay below that, according to the Malaysian Automotive Association (MAA). The favourite lament of low consumer sentiment aside, the weaker ringgit has also proven to be a bane to auto retailers in the country, not least of which is Nissan vehicles distributor, **Tan Chong Motor Holdings Bhd**. In an interview, Datuk Dr Ang Bon Beng, executive director at Edaran Tan Chong Motor Sdn Bhd — the sales and marketing arm of Tan Chong Motor for Nissan vehicles — said the most significant issue faced by auto players now is the depreciation of the ringgit, which "severely affects our bottom line". Hence, top of Tan Chong's wish list for the upcoming Budget 2018, due to be tabled next month, is for the government to extend "special financial packages" to help automotive players stay profitable. "As the auto sector is a key contributor to the country's tax revenue, we seek the government's support by providing special financial packages, for example, in the form of higher industrial linkage ratio, which is higher tax exemption for localisation, or reducing the excise duties," Ang told The Edge Financial Daily. Industrial linkage ratio is a rebate given for the localisation of content in the automotive industry. The current ratio is 1:1, said Ang, meaning the sum of tax exemption given corresponds directly to the cost of parts localised. Ang hopes the exemption given can be doubled. However, the National Automotive Policy 2014 (NAP 2014) may get in the way of the goodies industry players are hoping for, as any changes to tax structures for the industry will mean reviewing the NAP. But Ang is keeping his fingers crossed. "Policies and incentives for the automotive industry are [usually] announced via the National Automotive Policy and not the budget. Nevertheless, any budget proposal which boosts consumer sentiment and improves Malaysians' disposable income will support car sales," he said. In Budget 2017, unveiled last October, two notable announcements related to the automotive sector were: i) those in the bottom 40% income group intending to participate in ride-sharing services like Grab and Uber could use their BR1M payout to settle the down payment for vehicles they buy for that purpose; and ii) they also get a RM4,000 rebate if they choose a Proton Iriz. According to the American automotive website Jalopnik.com, Malaysia was the second most expensive country, right behind Singapore, to purchase and own a vehicle in 2013. Besides the 10% to 30% import duties on motor vehicles here, excise duties imposed start from 75% and can reach as high as 105%. This tax structure, coupled with the weaker ringgit and lower consumer confidence amid slower economic growth, resulted in the total industry volume (TIV) in 2016 falling to 580,124 units, down 13% year-on-year (y-o-y) from the record-breaking 666,677 units recorded in 2015. Of course, 2015, which was the sixth straight year of annual sales growth, had the benefit of the pre-goods and services tax (GST) sales' boost prior to April 1 that year, while post-GST, sales appeared to normalise, especially when

year-end festive sales kicked in. Meanwhile, total vehicle sales for August this year slid 0.96% y-o-y to 51,720 units versus 52,219 units previously. Notwithstanding that, year-to-date TIV was up 3.94% y-o-y to 384,730 units from 370,152 units, according to MAA. For **Bermaz Auto Bhd**, the distributor of Mazda vehicles and spare parts in Malaysia, its concerns are centred on two themes: compliance with energy efficient vehicle (EEV) standards and exports. "Our wish for Budget 2018 is for the government to push lower-priced cars to be EEV-compliant, instead of offering incentives to premium hybrid manufacturers, who don't help the domestic automotive industry much without any large CKD (completely knocked down) volumes," said Bermaz Auto executive director Datuk Francis Lee Kok Chuan. (Source: The EdgeMarkets)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Southern Power Generation Sdn Bhd	Proposed Sukuk Wakalah of up to RM4.0 billion	AA-IS	Preliminary Rating

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