

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	1.84	-3
10-yr UST	2.22	-3
30-yr UST	2.76	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	-1	3.51	0
5-yr	3.54	-5	3.73	4
7-yr	3.80	-1	3.96	-4
10-yr	3.88	-2	4.09	0
15-yr	4.28	-3	4.51	0
20-yr	4.50	2	4.72	4
30-yr	4.79	0	4.85	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.59	-2
5-yr	3.72	0
7-yr	3.83	0
10-yr	3.97	0

Source : Bloomberg

Upcoming Government Bond Tenders

RM3bn GII 8/33 auction on 28 September in addition to RM1bn private placement

- Treasuries advanced on safe-haven bids following North Korea's & Trump's statements; equities were also sold-off & gold surged. The 5-10Y UST's continued to tighten by 2-3bps with the benchmark 10Y closing 3bps lower at 2.22%. General views on UST's are that the hawkish FOMC statements are causing the front-end rates to gyrate higher. The positive moves were also influenced by ECB-led gains after German election results showed a narrower victory by Angela Merkel. Up next on the data front are New Home Sales, Durable Goods Orders on the 26th Sep and the much-awaited GDP figures out on 28th Sep.

MGS/GII

- Bargain hunting activities were seen following the recent weakening of local govvnies with the 5Y, 7Y and 10Y MGS benchmarks seeing decent volume of almost RM1.1b. The said benchmarks were seen leading gains by 2-5bps to settle at 3.54%, 3.80% 3.88% respectively. The GII 4/20 3Y benchmark also saw interest; gaining 4bps from previous last done levels. Interest Rate Swaps were seen tightening marginally between 0.5-2.0bps. The local data front continues to be light with focus possibly on global geo-political news and Fed speaks to influence yield levels going forward.

PDS/Sukuk

- Trading in MYR corporate bond was relatively quiet save for a huge volume seen on the soon-to-be redeemed RHB Sep 9/27bonds which closed at 4.82%. The GG space saw a mere RM20m of trades done with values seen emerging on the short-end. However interest was seen on infra-related papers; namely highway names like EKVE, KESTURI and DUKE3 as investors chose to hunt for yields.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17	2.852	104	2.996	18/09/2017	-14
MGS 02/18	2.937	92	2.956	21/09/2017	-2
MGS 03/18	3.040	1	2.981	19/09/2017	6
MGS 09/18	2.938	159	3.020	21/09/2017	-8
MGS 03/19	3.070	51	3.064	21/09/2017	1
MGS 07/19	3.251	26	3.239	21/09/2017	1
MGS 10/19	3.279	38	3.225	21/09/2017	5
MGS 11/19	3.246	70	3.207	20/09/2017	4
MGS 03/20	3.282	20	3.366	21/09/2017	-8
MGS 07/20	3.370	11	3.364	18/09/2017	1
MGS 10/20	3.460	15	3.422	21/09/2017	4
MGS 02/21	3.377	10	3.387	21/09/2017	-1
MGS 07/21	3.465	1	3.499	21/09/2017	-3
MGS 09/21	3.538	9	3.503	20/09/2017	3
MGS 11/21	3.606	3	3.580	21/09/2017	3
MGS 03/22	3.544	636	3.610	21/09/2017	-7
MGS 08/22	3.677	23	3.570	19/09/2017	11
MGS 09/22	3.674	24	3.700	21/09/2017	-3
MGS 03/23	3.755	16	3.735	21/09/2017	2
MGS 08/23	3.799	5	3.838	21/09/2017	-4
MGS 07/24	3.847	44	3.845	20/09/2017	0
MGS 09/24	3.798	367	3.813	21/09/2017	-2
MGS 09/25	4.026	5	3.896	21/09/2017	13
MGS 04/26	4.009	13	4.029	21/09/2017	-2
MGS 11/26	3.893	7	3.867	20/09/2017	3
MGS 03/27	4.065	10	4.085	21/09/2017	-2
MGS 11/27	3.884	70	3.924	21/09/2017	-4
MGS 06/31	4.315	3	4.339	21/09/2017	-2
MGS 04/33	4.279	12	4.311	21/09/2017	-3
MGS 05/35	4.426	50	4.443	21/09/2017	-2
MGS 04/37	4.502	31	4.483	20/09/2017	2
MGS 09/43	4.800	1	4.766	20/09/2017	3
GII 10/18	3.101	10	3.228	19/09/2017	-13
GII 04/19	3.297	3	3.329	21/09/2017	-3
GII 04/20	3.474	166	3.515	21/09/2017	-4
GII 04/21	3.692	10	3.761	03/05/2017	-7
GII 04/21	3.692	10	3.699	11/09/2017	-1
GII 04/22	3.731	43	3.791	21/09/2017	-6
GII 08/24	3.961	2	3.998	21/09/2017	-4
GII 09/26	4.151	19	4.117	15/09/2017	3
GII 09/30	4.449	18	4.418	13/09/2017	3
GII 08/37	4.719	20	4.665	13/09/2017	5
		2228			

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	10/23	GG	4.212	10	4.082	42788	13	44
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	08/28	GG	4.499	10	4.592	42962	-9	53
Manjung Island Energy Berhad	11/17	AAA	3.512	5	3.753	42887	-24	1
Tenaga Nasional Berhad	08/37	AAA	5.049	10	5.028	42992	2	90
Senari Synergy Sdn Berhad	08/18	AAA	4.304	10	4.504	42951	-20	81
Malaysia Airports Capital Berhad	12/22	AAA	4.322	10	4.318	42985	0	61
Aquasar Capital Sdn Berhad	07/25	AAA	4.528	10	4.549	42968	-2	65
Projek Lebuh raya Usahasama Berhad	01/30	AAA	4.719	10	4.740	42880	-2	75
EKVE Sdn Berhad	01/30	AAA	4.748	10	4.849	42950	-10	78
Projek Lebuh raya Usahasama Berhad	01/31	AAA	4.789	10	4.829	42934	-4	64
EKVE Sdn Berhad	01/31	AAA	4.818	10	4.801	42996	2	67
EKVE Sdn Berhad	01/32	AAA	4.889	20	4.969	42950	-8	74
EKVE Sdn Berhad	01/33	AAA	4.969	10	4.989	42984	-2	82
EKVE Sdn Berhad	01/34	AAA	5.019	10	5.099	42800	-8	87
EKVE Sdn Berhad	01/35	AAA	5.098	50	5.079	42992	2	95
Public Bank Berhad	09/23	AA1	4.260	50	4.604	42997	-34	49
Malayan Banking Berhad	01/24	AA1	4.173	0	4.608	42998	-44	40
Sarawak Energy Berhad	06/26	AA1	4.668	10	4.668	42951	0	79
UMW Holdings Berhad	10/21	AA2	4.626	40	4.615	42990	1	98
Jimah Energy Ventures Sdn Berhad	11/17	AA3	3.663	10	4.443	42348	-78	17
Jimah Energy Ventures Sdn Berhad	11/17	AA3	3.675	10	4.184	42842	-51	18
Perbadanan Kemajuan Negeri Selangor	08/18	AA3	4.204	10	4.427	42944	-22	71
Gamuda Berhad	04/21	AA3	4.381	5	4.400	42993	-2	73
CIMB Thai Bank Public Company Limited	07/24	AA3	4.829	20	4.801	42999	3	100
RHB Bank Berhad	09/27	AA3	4.820	690	-	-	-	-
Konsortium Lebuh raya Utara-Timur (KL) Sdn Bert	12/30	AA-	4.989	10	5.059	42941	-7	84
Konsortium Lebuh raya Utara-Timur (KL) Sdn Bert	12/33	AA-	5.239	10	5.270	42943	-3	109
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.139	10	5.138	42999	0	99
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.199	10	5.199	42999	0	105
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.260	10	5.259	42999	0	111
			1090					

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

Market/Corporate News: What's Brewing

Oil prices soared more than 3 percent on Monday, with Brent hitting its highest in more than two years, after major producers said the global market was on its way to rebalancing, while Turkey threatened to cut oil flows from Iraq's Kurdistan region toward its ports. The November Brent crude futures contract settled up \$2.16, or 3.8 percent, at \$59.02 a barrel, its highest since July, 2015. U.S. West Texas Intermediate crude for November delivery rose \$1.56, or 3 percent, to settle at \$52.22 a barrel, the highest since April. "It's all driven by the idea that the production cut is starting to work and the rebalance is underway," said Gene McGillian, director of market research at Tradition Energy in New York. Even as both contracts rallied, concerns about U.S. production growth weighed on WTI, widening its discount, he said. The spread between WTI and Brent futures widened to \$6.61, its steepest since August 2015. Turkey has said it could cut off a pipeline that carries oil from northern Iraq to the global market, putting more pressure on the Kurdish autonomous region over its independence referendum. The Iraqi government does not recognise the referendum and has called on foreign countries to stop importing Kurdish crude. "If this boycott call proves successful, a good 500,000 fewer barrels of crude oil per day would reach the market," Commerzbank said in a note. The Organization of the Petroleum Exporting Countries, Russia and several other producers have cut production by about 1.8 million barrels per day (bpd) since the start of 2017, helping lift oil prices by about 15 percent in the past three months. Kuwaiti Oil Minister Essam al-Marzouq, who chaired Friday's meeting in Vienna of the Joint Ministerial Monitoring Committee, said output curbs were helping to cut global crude inventories to their five-year average, OPEC's stated target. Russia's energy minister said no decision was expected before January on whether to extend output curbs beyond the end of March. Other ministers suggested such a decision could be taken before the end of this year. Iran expects to maintain overall crude and condensate exports at around 2.6 million bpd for the rest of 2017, a senior official from the country's state oil company said. The energy minister from the United Arab Emirates said the country's compliance with OPEC's supply cuts was 100 percent. Nigeria is pumping below its agreed output cap, its oil minister said. (Source: The Star)

UMW Holdings Berhad also shed some light on its future business plans. To recap, the group's first half of FY17 (1HFY17) results were dragged down by operating losses in the oil and gas (O&G) segment as well as aerospace business. The group expects gradual earnings recovery for the businesses as the operating losses are expected to be minimised in the near future. According to UMW, the most awaited new model, Toyota CH-R, will be officially launched in 1HFY18. Toyota CH-R is a completely built up (CBU) unit from Japan and is expected to open for order from next month onwards. However, the selling price is still yet to be determined. This compact SUV model is compatible with its peers' Honda HR-V and Mazda CX-5. As a plan to capture a bigger market share, the group aims to introduce more numbers of various completely knocked down (CKD) models. Currently, the group has six CKD models and six CBU models. However, the introduction of more new passenger car models will only take place when its new manufacturing plant in Bukit Raja, Shah Alam is completed in 2019. UMW has recently partnered with Komatsu Ltd (Japan) to expand its heavy equipment segment by selling renowned Komatsu products in Malaysia, Singapore, Myanmar and Papua New Guinea. It is viewed that this joint venture as a positive catalyst for the division to further drive its earnings. UMW has ceased its operations in Oman since April, and is in the midst of negotiations to sell other business units. The group has been burdened by retrenchment costs as well as inventory losses amounting to RM55 million during 1HFY17 in relation to ceasing operations in Oman. Overall, the group envisages disposing of all of its non-listed O&G assets by 2018. The aerospace business incurred losses of RM25 million in 1HFY17 due to operating losses of the new fan case plant in Serendah. The group expects to minimise its losses in 2HFY17 as a single-digit unit first fan case will be delivered to Rolls-Royce Ltd next month.

However, any substantial contribution is only realised upon reaching its full operation capacity (maximum capacity: 250 units per annum), expected from 2019 onwards. (Source: The EdgeMarkets)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Antara Steel Mills Sdn Bhd	RM300.0 million Sukuk Mudharabah Programme	AAA-IS	Affirmed
UniTapah Sdn Bhd	Sukuk Murabahah of up to RM600 million (2014/2035)	AA1	Upgraded

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.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.