

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury yields jumped 2-3bps across the curve as large block trades in 10Y futures were seen taking place. Despite the higher initial jobless claims of 233k, the much-watched 10Y benchmark lost ground to grind 3bps higher at 2.46% as 5s30s flattened by 1bps to close ~88.5bps. The Fed completed the first month of Balance Sheet runoff in Treasuries as envisaged i.e. \$6b for Oct; with the same expected in Nov and Dec 2017. Trump's pick for the Fed Chair remains in focus as market digested the 7Y auction which ended at 2.28% with a weakest ever BTC of 2.28x since Aug 2016. Next on the data front we have the 3Q GDP figure with a survey of 2.6% against prior print of 3.1% QOQ.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.62	2
5-yr UST	2.08	3
10-yr UST	2.46	3
30-yr UST	2.97	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.50	0	3.54	1
5-yr	3.76	3	3.89	0
7-yr	4.00	1	4.10	0
10-yr	4.00	5	4.19	-1
15-yr	4.41	-4	4.66	3
20-yr	4.57	5	4.79	0
30-yr	4.96	15	4.85	0

*Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.65	0
5-yr	3.80	-1
7-yr	3.92	-1
10-yr	4.05	-1

Source: Bloomberg

MGS/GII

- Investors were seen trading the short-end off-the-run govies i.e. both the MGS and GII 18's as they settled mixed by -5bps to +3bps at between 3.02-3.17% levels. Both the 7Y and 10Y benchmark MGS 9/27 and 11/27 closed higher at 4.00% levels. However, despite attractive levels seen emerging, we note that the lukewarm response for the 30Y auction of the MGS 3/46 at BTC of 1.60x caused the average to close at 4.957% with the high seen at 5.00%. All eyes will be on the announcement of the Malaysian Budget 2018 to be unveiled this afternoon as investors await positive measures in an anticipated people-friendly budget.

Upcoming Government Bond Tenders

Nil

PDS/Sukuk

- Corporate Bonds (GG papers included) volume was lower at RM254m versus RM420m the previous day with trades mostly done in the AA-space. Investors were somewhat sidelined ahead of the Malaysian Budget 2018 announcement. Kimanis Power 8/18 closed lower at 3.94% whereas UEM Sunrise 12/18 and Jimah East Power 12/24 closed 2-3 bps higher at 4.31% and 4.70% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/17	2.898	38	2.990	25/10/2017	-9
MGS	02/18	3.023	540	3.048	25/10/2017	-2
MGS	03/18	3.049	225	3.069	25/10/2017	-2
MGS	09/18	3.051	45	3.100	25/10/2017	-5
MGS	03/19	3.243	7	3.164	25/10/2017	8
MGS	10/19	3.260	31	3.328	25/10/2017	-7
MGS	03/20	3.413	87	3.426	23/10/2017	-1
MGS	07/20	3.503	16	3.448	23/10/2017	6
MGS	10/20	3.497	21	3.480	25/10/2017	2
MGS	07/21	3.655	26	3.608	24/10/2017	5
MGS	09/21	3.688	10	3.661	25/10/2017	3
MGS	11/21	3.710	1	3.699	24/10/2017	1
MGS	03/22	3.756	47	3.751	25/10/2017	0
MGS	08/22	3.808	38	3.796	25/10/2017	1
MGS	09/22	3.815	0	3.839	25/10/2017	-2
MGS	03/23	3.916	0	3.926	25/10/2017	-1
MGS	07/24	4.000	14	3.936	24/10/2017	6
MGS	09/24	4.000	75	3.992	25/10/2017	1
MGS	09/25	4.074	3	4.046	25/10/2017	3
MGS	04/26	4.147	4	4.127	25/10/2017	2
MGS	03/27	4.224	30	4.131	24/10/2017	9
MGS	11/27	3.996	3	3.950	25/10/2017	5
MGS	04/30	4.471	5	4.435	25/10/2017	4
MGS	06/31	4.500	4	4.479	25/10/2017	2
MGS	04/33	4.410	2	4.410	24/10/2017	0
MGS	04/37	4.566	0	4.513	10/10/2017	5
MGS	03/46	4.961	412	4.814	20/10/2017	15
GII	08/18	3.168	380	3.137	11/10/2017	3
GII	08/18	3.181	90	3.137	11/10/2017	4
GII	07/23	4.061	60	3.984	20/10/2017	8
GII	09/26	4.315	20	4.260	24/10/2017	6
GII	07/27	4.188	20	4.119	20/10/2017	7
			<u>2254</u>			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
DanaInfra Nasional Berhad	05/23	GG	4.190	10	4.446	29/11/2016	-26	32
Prasarana Malaysia Berhad	03/24	GG	4.300	10	4.228	18/09/2017	7	43
Public Bank Berhad	04/18	AAA	3.700	10	3.810	06/09/2017	-11	62
Sarawak Hidro Sdn Berhad	08/26	AAA	4.530	4	4.531	23/10/2017	0	49
Tenaga Nasional Berhad	08/32	AAA	4.679	1	4.675	25/10/2017	0	22
Projek Lebuhraya Usahasama Berhad	01/18	AAA	3.550	20	3.790	18/08/2017	-24	47
GENM Capital Berhad	03/22	AAA	4.610	20	4.599	13/10/2017	1	99
Aman Sukuk Berhad	02/26	AAA	4.600	5	4.639	03/03/2015	-4	58
Aquasar Capital Sdn Berhad	07/28	AAA	4.670	5	4.670	13/10/2017	0	65
Aquasar Capital Sdn Berhad	07/29	AAA	4.755	5	4.740	13/10/2017	1	73
West Coast Expressway Sdn Berhad	08/30	AAA	4.950	5	5.009	04/05/2017	-6	49
Sepang Bay Power Corporation Sdn Berhad	07/18	AA1	3.920	5	3.909	19/10/2017	1	84
Public Bank Berhad	09/23	AA1	4.226	1	4.594	05/10/2017	-37	36
Sarawak Energy Berhad	08/35	AA1	5.260	3	5.269	03/10/2017	-1	62
Lafarge Cement Sdn Berhad	01/18	AA2	3.890	10	3.863	19/10/2017	3	81
Konsortium ProHAWK Sdn Berhad	06/18	AA2	4.000	5	3.989	19/10/2017	1	92
Jati Cakerwala Sdn Berhad	07/18	AA3	4.460	4	4.685	18/05/2017	-23	138
BGSM Management Sdn Berhad	12/19	AA3	4.380	2	4.405	06/10/2017	-3	109
Besraya (M) Sdn Berhad	07/27	AA3	4.805	5	4.639	08/11/2016	17	78
CIMB Group Holdings Berhad	04/60	AA3	5.700	1	4.752	23/10/2017	95	106
PKNS	12/18	AA3	4.350	20	-	-	-	-
Anih Berhad	11/24	AA	4.567	5	4.621	22/05/2017	-5	57
Anih Berhad	11/25	AA	4.637	5	4.668	22/06/2017	-3	62
Kimanis Power Sdn Berhad	08/18	AA-	3.936	10	4.234	03/02/2017	-30	86
UEM Sunrise Berhad	12/18	AA-	4.310	20	4.286	19/10/2017	2	123
Quantum Solar Park (Semenanjung) Sdn Berhad	10/19	AA-	4.700	5	4.685	19/10/2017	2	141
Jimah East Power Sdn Berhad	12/24	AA-	4.700	25	4.668	24/10/2017	3	71
MEX II Sdn Berhad	04/26	AA-	4.960	2	4.948	12/10/2017	1	92
Tanjung Bin O&M Berhad	06/28	AA-	4.860	15	4.883	08/11/2016	-2	84
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/31	AA-	5.080	2	5.077	13/10/2017	0	62
Country Garden Real Estate Sdn Berhad	12/17	AA3	5.197	15	5.181	19/10/2017	2	212
AmBank (M) Berhad	08/39	A1	5.000	1	4.594	16/08/2017	41	36
				<u>254</u>				

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

Market/Corporate News: What's Brewing

Tenaga Nasional Berhad (TNB) adopting a new dividend policy for the financial year ended Aug 31, 2017 (FY17), has announced a record annual dividend payout of RM3.5bil. The biggest single boost comes from the final dividend of 44 sen proposed on Thursday - double that of last year - despite TNB achieving a lower net profit in the fourth quarter (Q4). The final dividend payout of RM2.49bil, compared with RM1.24bil a year earlier, will be higher than even the company's earnings for the quarter under review. In a filing with Bursa Malaysia, the power utility reported unaudited Q4 earnings of RM1.72bil, down 2.4% from a year ago, on the back of 10.9% higher revenue of RM12.46bil. The latest result brought TNB's full-year earnings to RM6.90bil, which was 6.3% lower than in the preceding year. Revenue, meanwhile, increased 6.5% to RM47.42bil. Although growth in operating expenses outpaced slightly that of revenue, its operating profit showed an 11.8% growth to RM2.33bil for the quarter. What weighed down the net profit for Q4 was a much higher tax and zakat payment - in particular, a deferred taxation expense of RM217.2mil against RM53mil a year earlier. TNB attributed its lower earnings for FY17 mainly to the increase in finance cost from the new borrowings acquired during the year and the rise in deferred taxation expense due to higher capitalisation of assets. It noted that the return for regulated business under the incentive based regulation (IBR) framework, which mainly consists of transmission and distribution businesses, was recorded at RM4.5bil for FY17. TNB board is proposing a 44-sen final dividend, which would raise the total dividend for the financial year to 61 sen (FY16: 32 sen). With effect from FY17, the company is adopting a new dividend policy whereby it intends to distribute dividends based on 30% to 60% dividend payout ratio of profit after tax and minority interests (Patami), excluding extraordinary, non-recurring items. This is partly to maintain an efficient capital structure. Previously, TNB's dividend policy (first announced in April 2007) was to pay out 40%-60% of free cash flow (cash flow from operations minus capital expenditures). "For FY17, the recommended total dividend payout is 50% of Patami, which is almost double the dividend payout in FY16, marking the highest dividend payout thus far," said TNB chairman Tan Sri Leo Moggie in a press statement. "We will continue to maximise shareholders value through consistent and sustainable dividend payout. This RM3.5bil dividend would not just directly benefit TNB shareholders such as the Employees Provident Fund, Permodalan Nasional Bhd, KWSP, PNB, Retirement Fund Inc (KWAP) and Lembaga Tabung Haji; more importantly, it will also enrich the rakyat as the account holders of these institutions." TNB reiterated that it would continuously review its dividend policy based on its financial position, regulatory environment and business prospects. "It is the policy of the board, in recommending dividends, to allow shareholders to participate in the company's profits, as well as to retain adequate reserves for future growth," the company added. On the group's prospects for FY18, TNB said its board expected the prospects to remain stable. This is based on the Malaysian Institute of Economic Research's growth forecast of between 4.7% and 5.3% for next year, with upward revision of its 2017 growth forecast to 5.4%. "As such, it is expected that the unit electricity demand growth will be stable in line with the above. Continual implementation of IBR also allows better earnings predictability for TNB as fuel costs risks are mitigated," TNB said. (Source: The Star Online)

A tender to set up a privately-financed asset company (AssetsCo) for the **Kuala Lumpur-Singapore High Speed Rail (HSR) project** is likely to be called in mid-December. "It is likely," MyHSR Corp Sdn Bhd chief executive officer, Datuk Mohd Nur Ismal Mohamed Kamal, replied briefly to Bernama on Thursday when asked on the definite date for the tender. If the announcement was made in mid-December, it is likely to coincide with the 8th Singapore-Malaysia Leaders' Retreat, which reportedly will be held on Dec 14 in Singapore. AssetsCo will be responsible for the design, build, finance and maintain rolling stock, and to design, build, finance, operate and maintain rail assets. The rail assets would include track-work, power, signalling and telecommunications. "It will then take a year for the governments to decide on who will be the winners. It needs a year as it is a complicated tender," said Mohd Nur Ismal. He was met on the sidelines of a breakfast talk entitled Rail Projects in Malaysia and Opportunities for Multinationals at the High Commission of Malaysia in Singapore. MyHSR Corp and Land Transport Authority of Singapore (LTA) have always emphasised that the tender will be carried

out in an open and fair manner. They noted that every bid will be assessed on its own merits and there will not be any requirement for local partners. The 350km long high-speed rail will cut travel time between Kuala Lumpur and Singapore to just 90 minutes from about four hours. The possible contenders include from Japan, China, South Korea and European countries. (Source: The EdgeMarkets)

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

Source: RAM Ratings; MARC

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