

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 1.45 | -2 |
| 5-yr UST | 1.89 | -4 |
| 10-yr UST | 2.31 | 0 |
| 30-yr UST | 2.87 | 1 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.39 | 3 | 3.51 | 0 |
| 5-yr | 3.59 | 5 | 3.74 | 4 |
| 7-yr | 3.85 | 6 | 4.03 | 6 |
| 10-yr | 3.94 | 5 | 4.11 | 2 |
| 15-yr | 4.38 | 10 | 4.61 | 10 |
| 20-yr | 4.51 | 0 | 4.72 | 0 |
| 30-yr | 4.77 | 0 | 4.85 | 0 |

* Market indicative levels

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 3.51 | 1 |
| 3-yr | 3.63 | 1 |
| 5-yr | 3.75 | 2 |
| 7-yr | 3.85 | 1 |
| 10-yr | 3.98 | 1 |

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

- Shorter-tenured 2-5Y US Treasuries yields were lower by 2-4 bps whilst the 10Y benchmark closed almost unchanged near 200 Daily Moving Average. The 7-Y auction was well-received with an improved BTC of 2.7x yielding 2.13% despite it being the last auction before the Fed embarks on QE tapering. However there is the feel that flattening of the yield-curve has been persistent for far too long and believe from the 5-30Y spreads that the trend could reverse. Whilst UST's are hardly in a bear market; the bullish momentum that moved long-end of the curve seems to be fading as Yellen's hawkish statement & Trump's tax proposal takes center-stage. Up next on the data front are Personal Income and Expenditure tonight with ISM Manufacturing figures out on 2nd Oct.

MGS/GII

- Overall volume continued to drift lower except for the auction reopening of the 15Y GII 8/33 which turned in a decent BTC of 1.727x with a long tail of about 12bps; denoting differing views on yield expectations emanating from noises from the US balance sheet reduction. The average yield was 4.579%. The 3-10Y benchmarks spiked by 3-6 bps with the brunt faced by the 7Y MGS 9/24 and MGS 11/27.

PDS/Sukuk

- Trading in MYR corporate bond was robust with higher volume of RM893m seen with many diverse names traded. GG papers saw mixed fortunes as PASB 23-24 and PTPTN 32 closed 1-4 bps higher compared to previous levels done whereas DANA 42 and LPPSA 32 closed 2-5 bps lower. A chunky trade of 100m of Ambank 22NC17 changed hands at 3.71%. We note interest especially in AAA and AA-rated space continuing with investors still on a "yield-hunting" mode.

Daily Trades : Government Bonds

| Securities | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|------------|-------------|--------------|--------------|----------------------------------|----------|
| MGS 10/17 | 3.055 | 197 | 2.996 | 27/09/2017 | 6 |
| MGS 02/18 | 2.972 | 6 | 3.001 | 27/09/2017 | -3 |
| MGS 03/18 | 2.894 | 23 | 2.941 | 27/09/2017 | -5 |
| MGS 09/18 | 3.011 | 263 | 2.945 | 27/09/2017 | 7 |
| MGS 03/19 | 3.049 | 10 | 3.085 | 27/09/2017 | -4 |
| MGS 10/19 | 3.302 | 100 | 3.238 | 27/09/2017 | 6 |
| MGS 11/19 | 3.268 | 210 | 3.268 | 27/09/2017 | 0 |
| MGS 03/20 | 3.324 | 100 | 3.324 | 26/09/2017 | 0 |
| MGS 10/20 | 3.404 | 24 | 3.356 | 27/09/2017 | 5 |
| MGS 02/21 | 3.393 | 16 | 3.361 | 27/09/2017 | 3 |
| MGS 07/21 | 3.533 | 25 | 3.478 | 27/09/2017 | 5 |
| MGS 09/21 | 3.534 | 30 | 3.535 | 27/09/2017 | 0 |
| MGS 03/22 | 3.587 | 390 | 3.563 | 27/09/2017 | 2 |
| MGS 08/22 | 3.659 | 4 | 3.643 | 26/09/2017 | 2 |
| MGS 09/22 | 3.689 | 16 | 3.652 | 26/09/2017 | 4 |
| MGS 03/23 | 3.705 | 15 | 3.725 | 26/09/2017 | -2 |
| MGS 08/23 | 3.771 | 76 | 3.780 | 27/09/2017 | -1 |
| MGS 09/24 | 3.845 | 110 | 3.805 | 27/09/2017 | 4 |
| MGS 11/27 | 3.935 | 141 | 3.881 | 27/09/2017 | 5 |
| MGS 06/31 | 4.329 | 70 | 4.315 | 27/09/2017 | 1 |
| MGS 04/33 | 4.376 | 70 | 4.279 | 25/09/2017 | 10 |
| MGS 05/35 | 4.493 | 2 | 4.426 | 25/09/2017 | 7 |
| MGS 09/43 | 4.753 | 1 | 4.753 | 26/09/2017 | 0 |
| GII 05/18 | 3.094 | 17 | 3.036 | 18/09/2017 | 6 |
| GII 08/19 | 3.295 | 140 | 3.360 | 18/09/2017 | -6 |
| GII 04/20 | 3.529 | 230 | 3.487 | 27/09/2017 | 4 |
| GII 08/20 | 3.579 | 50 | 3.579 | 27/09/2017 | 0 |
| GII 07/23 | 3.998 | 40 | 3.940 | 27/09/2017 | 6 |
| GII 08/24 | 4.028 | 240 | 3.969 | 26/09/2017 | 6 |
| GII 07/27 | 4.108 | 320 | 4.083 | 27/09/2017 | 2 |
| GII 12/28 | 4.262 | 30 | 4.172 | 08/09/2017 | 9 |
| GII 09/30 | 4.429 | 32 | 4.449 | 25/09/2017 | -2 |
| GII 08/33 | 4.613 | 1160 | 4.510 | 20/09/2017 | 10 |
| | | 4158 | | | |

Daily Trades: PDS / Sukuk

| Securities | Maturity (dd/mm/yyyy) | Rating | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) | Spread Against IRS* |
|---|-----------------------|--------|-------------|--------------|--------------|----------------------------------|----------|---------------------|
| Pengurusan Air SPV Berhad | 02/23 | GG | 4.080 | 5 | 4.040 | 07/09/2017 | 4 | 37 |
| Pengurusan Air SPV Berhad | 06/23 | GG | 4.140 | 15 | 4.130 | 20/09/2017 | 1 | 36 |
| Pengurusan Air SPV Berhad | 06/24 | GG | 4.248 | 20 | 4.235 | 14/08/2017 | 1 | 42 |
| Perbadanan Tabung Pendidikan Tinggi Nasional | 03/32 | GG | 4.826 | 30 | 4.816 | 27/09/2017 | 1 | 68 |
| Lembaga Pembiayaan Perumahan Sektor Awam | 04/32 | GG | 4.826 | 20 | 4.846 | 22/08/2017 | -2 | 68 |
| Danainfra Nasional Berhad | 05/42 | GG | 5.060 | 10 | 5.105 | 14/08/2017 | -5 | 91 |
| Govco Holdings Berhad | 09/32 | GG | 4.838 | 35 | - | - | - | - |
| Sarawak Hidro Sdn Berhad | 08/23 | AAA | 4.338 | 4 | 4.428 | 18/08/2017 | -9 | 56 |
| Telekom Malaysia Berhad | 12/24 | AAA | 4.328 | 4 | 4.329 | 27/09/2017 | 0 | 50 |
| DiGi Telecommunications Sdn Berhad | 04/27 | AAA | 4.379 | 0 | 4.380 | 20/09/2017 | 0 | 42 |
| Telekom Malaysia Berhad | 09/27 | AAA | 4.360 | 0 | 4.462 | 20/09/2017 | -10 | 40 |
| Tenaga Nasional Berhad | 08/32 | AAA | 4.809 | 10 | 4.818 | 26/09/2017 | -1 | 66 |
| Tenaga Nasional Berhad | 08/37 | AAA | 5.049 | 5 | 5.049 | 25/09/2017 | 0 | 90 |
| Star Media Group Berhad | 05/18 | AA1 | 4.018 | 4 | 4.156 | 18/08/2017 | -14 | 52 |
| Sarawak Energy Berhad | 06/18 | AA1 | 3.882 | 15 | 4.083 | 14/08/2017 | -20 | 38 |
| YTL Power International Berhad | 08/18 | AA1 | 4.104 | 40 | 4.114 | 08/09/2017 | -1 | 60 |
| Encorp Systembit Sdn Berhad | 11/20 | AA1 | 4.224 | 10 | 4.416 | 16/02/2017 | -19 | 61 |
| Sabah Development Bank Berhad | 05/22 | AA1 | 5.158 | 10 | 5.100 | 11/05/2017 | 6 | 144 |
| Public Bank Berhad | 11/23 | AA1 | 4.299 | 10 | 4.375 | 11/09/2017 | -8 | 52 |
| Malayan Banking Berhad | 01/24 | AA1 | 4.449 | 1 | 4.173 | 25/09/2017 | 28 | 67 |
| Public Islamic Bank Berhad | 06/24 | AA1 | 4.317 | 4 | 4.325 | 22/08/2017 | -1 | 49 |
| Northern Gateway Infrastructure Sdn Berhad | 08/25 | AA1 | 4.689 | 10 | 0.000 | 00/01/1900 | 469 | 82 |
| Northern Gateway Infrastructure Sdn Berhad | 08/26 | AA1 | 4.770 | 10 | 0.000 | 00/01/1900 | 477 | 90 |
| YTL Power International Berhad | 05/27 | AA1 | 4.749 | 11 | 4.856 | 27/09/2017 | -11 | 79 |
| CIMB Bank Berhad | 09/23 | AA+ | 4.200 | 10 | 4.223 | 07/09/2017 | -2 | 42 |
| First Resources Limited | 12/17 | AA2 | 3.860 | 10 | 3.884 | 26/09/2017 | -2 | 36 |
| UMW Holdings Berhad | 10/19 | AA2 | 4.429 | 4 | 4.443 | 12/09/2017 | -1 | 87 |
| UMW Holdings Berhad | 10/21 | AA2 | 4.614 | 10 | 4.617 | 26/09/2017 | 0 | 95 |
| UMW Holdings Berhad | 10/23 | AA2 | 4.764 | 10 | 4.758 | 19/09/2017 | 1 | 98 |
| UMW Holdings Berhad | 10/26 | AA2 | 4.950 | 10 | 4.967 | 14/09/2017 | -2 | 99 |
| PBFIN Berhad | 06/59 | AA2 | 4.281 | 2 | 4.272 | 19/09/2017 | 1 | 13 |
| Perbadanan Kemajuan Negeri Selangor | 10/18 | AA3 | 4.238 | 4 | 4.361 | 22/08/2017 | -12 | 74 |
| Bumitama Agri Ltd | 03/19 | AA3 | 4.386 | 10 | 4.453 | 18/09/2017 | -7 | 89 |
| Perbadanan Kemajuan Negeri Selangor | 05/20 | AA3 | 4.686 | 10 | 4.720 | 11/09/2017 | -3 | 108 |
| AmBank (M) Berhad | 10/22 | AA3 | 3.710 | 100 | 3.793 | 30/08/2017 | -8 | 0 |
| AmBank (M) Berhad | 12/23 | AA3 | 4.469 | 70 | 4.525 | 21/07/2017 | -6 | 69 |
| RHB Bank Berhad | 07/24 | AA3 | 4.511 | 10 | 4.532 | 03/08/2017 | -2 | 68 |
| BGSM Management Sdn Berhad | 08/25 | AA3 | 4.830 | 50 | 4.830 | 26/09/2017 | 0 | 96 |
| Tan Chong Motor Holdings Berhad | 11/21 | A1 | 5.997 | 1 | 5.994 | 27/09/2017 | 0 | 233 |
| Affin Bank Berhad | 02/27 | A1 | 4.795 | 20 | 4.997 | 13/09/2017 | -20 | 84 |
| Mah Sing Berhad | - | - | 6.474 | 1 | 6.251 | 09/26/2017 | 22 | - |
| UEM Sunrise Berhad (fka UEM Land Holdings Berhad) | 12/18 | AA- | 4.298 | 4 | 4.299 | 26/09/2017 | 0 | 80 |
| MMC Corporation Berhad | 11/20 | AA- | 4.869 | 30 | 4.918 | 24/08/2017 | -5 | 126 |
| UEM Edgenta Berhad [fka Faber Group Berhad] | 04/22 | AA- | 4.650 | 14 | 4.653 | 27/09/2017 | 0 | 94 |
| WCT Holdings Berhad | 05/22 | AA- | 5.299 | 4 | 5.229 | 18/08/2017 | 7 | 158 |
| MMC Corporation Berhad | 04/23 | AA- | 5.039 | 15 | 5.038 | 21/09/2017 | 0 | 126 |
| Benih Restu Berhad | 06/25 | AA2 | 4.566 | 10 | 4.585 | 18/08/2017 | -2 | 70 |
| Projek Lebuhraya Usahasama Berhad | 01/20 | AAA | 4.064 | 4 | 4.077 | 11/09/2017 | -1 | 51 |
| Mydin Mohamed Holdings Berhad | 05/20 | AAA | 4.696 | 4 | 4.740 | 22/08/2017 | -4 | 109 |
| TNB Northern Energy Berhad | 11/22 | AAA | 4.284 | 5 | 4.646 | 28/11/2016 | -36 | 57 |
| Putrajaya Bina Sdn Berhad | 09/24 | AAA | 4.429 | 40 | 4.398 | 12/09/2017 | 3 | 60 |
| Putrajaya Bina Sdn Berhad | 09/26 | AAA | 4.528 | 20 | 0.000 | 00/01/1900 | 453 | 66 |
| Danga Capital Berhad | 09/27 | AAA | 4.549 | 85 | 4.498 | 18/09/2017 | 5 | 59 |
| Putrajaya Bina Sdn Berhad | 09/27 | AAA | 4.577 | 20 | 4.600 | 12/09/2017 | -2 | 62 |
| EKVE Sdn Berhad | 01/30 | AAA | 4.746 | 10 | 4.747 | 27/09/2017 | 0 | 79 |
| Projek Lebuhraya Usahasama Berhad | 01/31 | AAA | 4.788 | 10 | 4.789 | 25/09/2017 | 0 | 64 |
| Affin Bank Berhad | 09/27 | A1 | 4.728 | 3 | 4.802 | 21/09/2017 | -7 | - |
| | | | | 893 | | | | |

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

Market/Corporate News: What's Brewing

The implementation of Bank Negara's new liquidity requirements called the net stable funding ratio (NSFR) beyond Jan 1, 2019 could potentially lead to higher funding costs, lower margins and higher lending rates. The NSFR, which is aimed at banks having longer-term cash, has been pushed back by at least another year (no earlier than Jan 1, 2019) before implementation, following considerable uncertainty on the foreign front in terms of meeting the internationally agreed timeline of Jan 1, 2018. Bank Negara assistant governor Marzunisham Omar said several factors were considered before a decision was made to push the deadline back. "We looked globally at the implementation timeline of other jurisdictions. This was important because our banks have a presence in other countries as well, and there is a divergence in the implementation timeline of the NSFR," he said at a briefing. "We need to give sufficient time to our banking institutions to meet the operational requirements that will be involved in fulfilling the NSFR requirements." The worry with pushing through the NSFR is that banks would need to raise longer-term cash rather than the shorter-term deposits they have in their books. The result of that requirement is that banks would need to issue more bonds to meet the NSFR standards, which could be more costly than what they are paying for current and savings accounts. "The timeframe is a lot of time for banks in Malaysia to comply with the NSFR requirements," said an analyst. Marzunisham said the additional time given would also help provide greater clarity on how the banking institutions could calculate the NSFR. "During this period, we will gather data that will help us be in a better position to assess how well our banks will be able to fulfil its requirements, as well as the possible implications on assets and liabilities of the banking institutions and their systems." The NSFR is a liquidity standard published by the Basel Committee on Banking Supervision, which forms part of the Basel III regulatory reforms. It requires banking institutions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. Marzunisham said the standard complemented the Liquidity Coverage Ratio (LCR), which has been phased in since 2015. "This will help the banks better manage and mesh their funding and business strategy." The difference between the LCR and NSFR is that the former looks at short-term deposits, while the latter deals with longer-term funding for banks. The LCR looks at the amount of money a bank needs over a period of 30 days should there be a bank run. The introduction of the LCR saw banks in Malaysia competing for retail deposits. As most loans are longer than one year, the NSFR would require banks to have an amount of funds that exceed the required needs for a one-year period. Currently, Australia, Indonesia, Singapore and Hong Kong have proposed to implement the NSFR by Jan 1, 2018. Canada, the European Union and the United States have delayed their deadlines, while the Philippines, Thailand, China, South Korea and Japan have yet to confirm when they would be implementing the standard. Marzunisham added that the timing of the NSFR implementation in other countries would not be an issue for local banks with a regional presence. "Banks in Malaysia will follow the timeline set by Bank Negara, while banks with presence in other countries will comply with the regulations there. You go by where you operate." He also said most, but not all, of the local banks are sufficiently ready to conform to the NSFR. Marzunisham did not name the banks that had failed to meet the NSFR requirement as of now. "The liquidity position of our banking system is good. The financial institutions have ample liquidity to withstand the short-term shocks." As at June 30, 2017, the banking system's NSFR is estimated at above 100% – which was equal the Basel Committee's ratio of at least 100% on an ongoing basis. Marzunisham pointed out that the banking system's LCR stood at 141% as at June 30, 2017, while the system NSFR is estimated at above 100%. "More than three quarters of our banks are above 100%," he said, adding that it was a misconception to assume that it was the local banks that weren't ready for the NSFR implementation. Marzunisham, however, said the NSFR implementation would not lead to higher loan pricing. "In terms of price of the loans, there will be a lot of factors to consider; and with NSFR being no

earlier than January 2019, there's no reason to change the pricing of the loan." He added that the NSFR implementation would encourage banks to potentially offer more innovative products and come up with attractive instruments. "At the moment, we don't expect major effects on the borrowers, given the liquidity buffers that our banking institutions have at the moment. "In addition, we also know about the level of competition in the market, which will encourage the banks to remain competitive, especially with regards to their product offering and pricing." Bank Negara is inviting public feedback on the proposed regulatory requirements for NSFR. Banking institutions have two months to submit feedback to the exposure draft. On a separate matter, Marzu-nisham said he is optimistic on the level of deposit growth in the country. "There is a direct correlation between economic and deposit growth. With positive growth in the Malaysian economy, we believe that there would be a rise in deposits. (Source: The Star)

In a TNB) has powered up its RM6bil coal-fired power plant, Manjung 5 at midnight earlier today, three days ahead of its targeted commercial operations date of Oct 1, 2017. The construction of Manjung 5 in Lumut, Perak took 45 months. The 1,000 megawatt (MW) utilises ultra-supercritical technology, the current gold standard for coal-fired plants in the world. "We are proud of the hard work the team has done to complete the project ahead of schedule," TNB vice president of energy ventures Datuk Nor Azman Mufti said in a statement. TNB said a dedicated team of 88 TNB staff worked on the project since construction started in January 2014. They worked closely with the appointed contractors, a consortium comprising Sumitomo Corporation of Japan and Daelim Industrial Co. Ltd. of Korea. Nor Azman said TNB was improving the efficiencies of its fleet of thermal plants by deploying the latest ultra-supercritical technology for new coal power plants as it is committed to adopt clean and efficient technologies in power generation. To date, TNB owns two ultra-supercritical coal-fired plants, namely Manjung 5 and its neighbour, Manjung 4. Both are the first two ultra-supercritical coal-fired plants in Asean. It is also building another two similar plants, the 2X1,000MW Jimah East plants that will be commissioned in 2019. (Source : The Star)

Rating Actions

| Issuer | PDS Description | Rating/Outlook | Action |
|--------|-----------------|----------------|--------|
| Nil | Nil | Nil | Nil |

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.