

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.76	2
5-yr UST	2.11	5
10-yr UST	2.39	6
30-yr UST	2.83	7

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.41	2	3.46	-1	
5-yr	3.63	-1	3.87	0	
7-yr	3.92	-1	4.10	4	
10-yr	3.95	0	4.28	1	
15-yr	4.47	-1	4.71	0	
20-yr	4.62	4	4.79	0	
30-yr	4.87	2	4.97	0	

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.73	-1
5-yr	3.81	-1
7-yr	3.91	-4
10-yr	4.05	-1

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries were weak as yields spiked across the curve by 2-7bps with the much-watched 10Y closing at the highest in two weeks at 2.39%. Yellen's comments on transitory inflation and progress of tax legislation cast a dark cloud on UST's as bear-steepening unfolded. Safe-haven bids were sidelined despite geo-political news of North Korea launch of ballistic missile splashing near Japan. However UST's ended off lows as the large corporate offering of \$7b Alibaba's 20Y, 30Y and 40Y tranches took the limelight. On the data front we have a slew of data i.e. the weekly initial jobless claims and PCE core today followed by Markit US Manufacturing PMI and ISM (Friday).

MGS/GII

- Local govies saw a quiet session yesterday with total volume of RM2.44b with almost one-third of volume in the short-end off-the-run 18 and 19's. Yields were slightly mixed between -1 to +4 bps across the curve. The benchmark 7Y MGS closed at 3.92% whilst MGS 11/27 ended at 3.95%. The 15Y MGS 8/33 moved 1 bps lower at 4.47% on decent volume. We expect a cautious stance with a slightly positive bias on demand as investors evaluate the impact of strengthening Ringgit.

PDS/Sukuk

- Corporate bonds saw consistency in daily trades of about RM439m; with about 25% of total volume seen in the GG-space. DANA 5/37 and DANA 11/47 closed 0-10bps higher compared to previous-done levels at 5.04% and 5.36% respectively whereas BPMB 9/21 closed 5bps higher at 4.07%. The AAA-rated Sarawak Hidro papers 2022 and 2025 saw demand of about RM30m; closing marginally higher as well. However the AA-rated Tadau Energy 7/25 and MMC Corp 11/25 ended 1bps lower at 5.21% and 5.28% respectively. We continue to expect interest in the secondary space for Corporate Bonds as investors search for yield.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.349	95	2.428	27/11/2017	-8
MGS 03/18	2.349	285	2.389	24/11/2017	-4
MGS 09/18	2.430	224	2.512	27/11/2017	-8
MGS 03/19	2.906	29	2.926	24/11/2017	-2
MGS 10/19	3.136	10	3.274	27/11/2017	-14
MGS 11/19	3.153	151	3.182	27/11/2017	-3
MGS 03/20	3.301	2	3.200	24/11/2017	10
MGS 10/20	3.399	16	3.402	22/11/2017	0
MGS 02/21	3.407	88	3.390	27/11/2017	2
MGS 07/21	3.491	81	3.494	24/11/2017	0
MGS 09/21	3.624	62	3.640	27/11/2017	-2
MGS 11/21	3.598	67	3.647	27/11/2017	-5
MGS 03/22	3.626	114	3.639	27/11/2017	-1
MGS 08/22	3.792	6	3.791	24/11/2017	0
MGS 09/22	3.812	58	3.817	27/11/2017	-1
MGS 03/23	3.774	18	3.880	23/11/2017	-11
MGS 08/23	3.888	5	3.892	24/11/2017	0
MGS 07/24	3.990	30	4.007	22/11/2017	-2
MGS 09/24	3.920	318	3.890	27/11/2017	3
MGS 09/25	4.106	2	4.121	27/11/2017	-2
MGS 04/26	4.184	2	4.184	27/11/2017	0
MGS 09/26	4.200	0	4.085	16/10/2017	12
MGS 11/26	4.155	18	4.155	24/11/2017	0
MGS 11/27	3.948	73	3.911	23/11/2017	4
MGS 04/30	4.498	33	4.529	27/11/2017	-3
MGS 06/31	4.491	22	4.516	27/11/2017	-3
MGS 04/33	4.469	105	4.488	27/11/2017	-2
MGS 05/35	4.628	7	4.580	23/11/2017	5
MGS 04/37	4.620	92	4.635	27/11/2017	-1
MGS 03/46	4.867	29	4.867	22/11/2017	0
GII 08/18	2.981	46	3.000	24/11/2017	-2
GII 04/19	3.263	1	3.248	27/10/2017	1
GII 06/20	3.595	4	3.549	08/09/2017	5
GII 08/21	3.843	2	3.828	22/11/2017	2
GII 04/22	3.872	196	3.832	27/11/2017	4
GII 07/22	3.959	11	3.931	21/11/2017	3
GII 07/23	4.057	2	4.022	24/11/2017	4
GII 07/27	4.266	140	4.264	43066	0
		<u>2442</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*	
Bank Pembangunan Malaysia Berhad	09/21	GG	4.070	30	4.016	12/10/2017	5	53
Prasarana Malaysia Berhad [fka Syarikat Prasarana Neg	12/22	GG	4.098	20	4.083	16/08/2017	1	45
Danainfra Nasional Berhad	05/37	GG	5.039	10	4.940	28/08/2017	10	41
Danainfra Nasional Berhad	11/47	GG	5.355	50	5.351	16/11/2017	0	73
HSBC Amanah Malaysia Berhad	10/19	AAA	4.145	10	4.159	02/11/2017	-1	96
Sarawak Hidro Sdn Berhad	08/22	AAA	4.404	5	4.302	19/06/2017	10	76
Sarawak Hidro Sdn Berhad	08/25	AAA	4.554	25	4.526	21/07/2017	3	60
Malayan Banking Berhad	11/25	AAA	4.021	1	4.108	27/02/2017	-9	6
YTL Corporation Berhad	06/19	AA1	4.319	30	4.286	11/10/2017	3	113
Sabah Development Bank Berhad	09/20	AA1	4.997	3	4.952	27/09/2017	4	159
TRIpIc Medical Sdn Berhad	10/29	AA1	5.031	5	5.120	23/10/2017	-9	107
TRIpIc Medical Sdn Berhad	10/30	AA1	5.099	5	5.200	23/10/2017	-10	62
Kesas Sdn Berhad	08/23	AA2	4.589	4	4.541	09/06/2017	5	77
Krung Thai Bank Public Company Limited	07/25	AA2	4.911	1	4.439	21/11/2017	47	95
Bright Focus Berhad	01/30	AA2	5.147	16	5.100	21/06/2017	5	119
Malaysia Airport Holdings Berhad	-	AA2	4.948	30	4.911	17/08/2017	4	-
Hong Leong Financial Group Berhad	11/18	AA	4.302	10	4.276	22/11/2017	3	164
Bumitama Agri Ltd	03/19	AA3	4.454	10	4.376	17/10/2017	8	179
Jati Cakerawala Sdn Berhad	01/21	AA3	4.877	6	4.909	11/03/2013	-3	147
Gamuda Berhad	11/22	AA3	4.797	5	4.800	27/11/2017	0	115
RHB Bank Berhad	07/24	AA3	4.553	4	4.563	27/11/2017	-1	63
Tadaw Energy Sdn Berhad	07/25	AA3	5.212	10	5.219	08/09/2017	-1	125
MMC Corporation Berhad	11/25	AA-	5.279	10	5.289	08/11/2017	-1	132
MEX II Sdn Berhad	04/30	AA-	5.281	30	5.149	08/06/2017	13	132
MEX II Sdn Berhad	04/32	AA-	5.456	47	5.395	10/08/2017	6	97
Bank Islam Malaysia Berhad	11/27	A1	5.035	50	5.026	22/11/2017	1	108
Alliance Bank Malaysia Berhad	10/25	A2	4.875	6	4.650	24/11/2017	23	92
Bank Muamalat Malaysia Berhad	11/21	A	5.196	6	5.215	17/11/2017	-2	166
Golden Assets International Finance Limited	08/18	A1	5.061	1	5.072	23/11/2017	-1	240
				<u>439</u>				

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

Market/Corporate News: What's Brewing

The Employees Provident Fund (EPF) reported a 5.13% increase in investment income to RM12.95bil in the third quarter ended Sept 30, 2017 (Q3 2017), the smallest quarterly growth so far this year. EPF deputy chief executive officer (investment) Datuk Mohamad Nasir Ab Latif said the fund's overall portfolio performance had benefited from the rally in the overseas equities markets in the quarter. However, "we did not see similar returns from the domestic equities market as the FBM KLCI performance was flat compared to other markets, which recorded between 2% and 5% growth," he said in a statement. The country's biggest pension fund also recorded net impairment of RM791.55mil in the quarter under review, more than double the RM349.59mil seen in Q3 2016. This was due to the higher provision made for domestic equities in the telecommunications and oil and gas sectors, it said. In Q3 2017, equities, which made up 41.86% of the EPF's total investment assets, contributed RM7.91bil or 61.09% of the total investment income. The EPF said the income recorded was 12.75% higher than RM7.02bil recorded in the corresponding quarter in 2016. As at September, a total of 50.45% of the EPF's investment assets were in fixed income instruments, which generated RM4.49bil or 34.63% of the total quarterly investment income. Of the RM4.49bil, Malaysian Government Securities (MGS) & equivalent made up RM2.17bil, up 10.96% or RM213.98mil from a year earlier, in line with the growth of the portfolio. Loans and bonds, however, generated lower investment income of RM2.32bil against RM2.56bil in Q3 2016, the fund said. Investments in money market instruments and real estate & infrastructure each represented 3.53% and 4.16% of total investment assets respectively. They contributed an investment income of RM274.27mil and RM263.83mil respectively in Q3 2017. "Our current investment in money market instruments is above the targeted 3% under the Strategic Asset Allocation (SAA) due to ongoing regulatory restrictions in new overseas investments. Over the long run, the EPF must continue to expand our foreign assets portfolio as it is key to our diversification and allows us to meet our return targets," said Mohamad Nasir. As at Sept 30, 2017, the EPF's overseas investments, which accounted for 30% of its total investment asset, supplied 48% of the total investment income during the quarter. "Diversification into different asset classes in various countries and currencies had helped the EPF to record higher income for the quarter, despite significant difference in market performance globally," the fund said. Of the total RM12.95bil investment income for Q3 2017, a total of RM860.83mil was allocated for Simpanan Shariah, which derives its income solely from its portion in syariah assets, while RM12.09bil income was allocated for the conventional accounts, which is generated by its share of both syariah and non-syariah assets. The value of EPF investment assets reached RM771.20bil, a 5.48% or RM40.09bil increase from RM731.11bil as at Dec 31, 2016. Of the total investment assets, a total of RM370.10bil, or 48%, were in syariah-compliant investments and the balance in non-syariah assets. "We still have one more quarter before the year-end and we are confident that our diversification into various asset classes will enable us to meet our real dividend target of at least 2% above inflation over a three-year rolling period, for both Simpanan Shariah and Simpanan Konvensional," said Mohamad Nasir. The EPF posted a 74% surge in investment income to RM11.8bil in the first quarter and a 36.6% growth to RM11.51bil in the second quarter. (Source: The Star)

Chinese internet giant Alibaba Group Holding Ltd has priced a \$7 billion multi-tranche bond issue after a blowout response allowed the borrower to tighten pricing across all maturities, according to a term sheet seen by Reuters. The tranches for the 5.5-, 10-, 20-, 30- and 40-year maturities were priced at 73, 108, 118, 138 and 158 basis points (bps) over US Treasuries. This compares with the initial price guidance was indicated at around 100, 125-130, 140, 160 and 180 bps respectively. The bonds priced were \$700 million 2.800 percent bonds due 2023, \$2.55 billion 3.400 percent bonds due 2027, \$1 billion 4.000 percent bonds due 2037, \$1.75 billion 4.200 percent bonds due 2047 and \$1 billion 4.400 percent bonds due 2057. Investors expected demand to be robust, while Thomson Reuters publication IFR reported orders of nearly \$40 billion. "Alibaba is a fundamentally sound company with a dominant market position and solid positive cash flows," said Alaa Bushehri, portfolio manager for emerging market debt at BNP Paribas Asset Management. "We expect this issue to do well with interest also coming from global (more specifically U.S.) investment grade accounts." He added that there were technical

factors which would also contribute to the issue doing well, since supply of bonds from the technology sector had been relatively slim with just over \$10 billion issuance in the last three years. Morgan Stanley, Citigroup, Credit Suisse, Goldman Sachs and JPMorgan are the book-runners for the bond, which is rated A1/A+/A+ (Moody's/S&P/Fitch), the same ratings as the issuer (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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