

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued to rally by 1-4bps across most tenures led by the long-end curve. The US Corporate Tax plan may be phased-in over 5 years; potentially impacting future economic growth as investors anticipated slower pace of interest rate rises. The 10Y benchmark closed another 4bps lower at 2.37%. Further volatility is expected amid a torrent of market-moving data and events i.e. Fed Chair appointment, FOMC interest rate decision and job-market related prints.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.58	-1
5-yr UST	2.00	-3
10-yr UST	2.37	-4
30-yr UST	2.88	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.50	0	3.51	-3
5-yr	3.72	-3	3.89	0
7-yr	3.99	-3	4.12	0
10-yr	4.02	-2	4.19	0
15-yr	4.44	3	4.67	0
20-yr	4.70	0	4.79	0
30-yr	4.97	-2	4.85	0

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.67	0
5-yr	3.80	0
7-yr	3.94	-1
10-yr	4.07	-1

Source : Bloomberg

MGS/GII

- Volume was muted as only RM964m trades on Govvies were printed as investors grappled to digest measures from the 2018 Budget. Yields were generally 2-3 bps lower with the 7Y benchmark MGS 9/24 moving 4bps lower to at 3.99% whereas the much-watched 10Y MGS 11/27 closed 2bps lower at 4.02% denoting some positive vibes. The stronger Ringgit was a factor as off-the-run govies in the 17-20's space continued to be favoured. Upcoming data to watch are Nikkei PMI & trade numbers due on 1st and 3rd Nov respectively.

PDS/Sukuk

- A paltry volume of RM103m was notched on Corporate Bonds yesterday with interest seen on both AAA and AA-rated papers. GENTING 6/22 closed 3bps higher at 4.64% whereas DANGA 9/27 and rarely-traded EXIM 3/18 closed unchanged at 4.70% and 3.79% respectively compared to previously done levels. The GG space saw nil trades printed as investors await new issuance of DANA bonds. UEM Sunrise and UMW papers continued to be sought on yield-enhancement requirements.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/17	3.000	28	3.260	27/10/2017	-26
MGS	02/18	3.019	54	2.982	27/10/2017	4
MGS	03/18	2.979	20	2.999	27/10/2017	-2
MGS	09/18	3.072	66	3.061	27/10/2017	1
MGS	03/19	3.149	30	3.187	27/10/2017	-4
MGS	10/19	3.341	13	3.362	27/10/2017	-2
MGS	11/19	3.297	29	3.364	25/10/2017	-7
MGS	07/20	3.506	21	3.503	26/10/2017	0
MGS	10/20	3.497	16	3.497	26/10/2017	0
MGS	09/21	3.679	1	3.688	26/10/2017	-1
MGS	03/22	3.723	37	3.756	27/10/2017	-3
MGS	09/22	3.794	19	3.907	27/10/2017	-11
MGS	03/23	3.969	123	3.969	27/10/2017	0
MGS	09/24	3.992	63	4.034	27/10/2017	-4
MGS	04/26	4.214	2	4.147	26/10/2017	7
MGS	11/27	4.021	31	4.045	27/10/2017	-2
MGS	04/30	4.425	5	4.493	27/10/2017	-7
MGS	06/31	4.468	50	4.449	27/10/2017	2
MGS	04/32	4.482	30	4.467	23/10/2017	2
MGS	04/33	4.445	5	4.410	26/10/2017	4
MGS	05/35	4.609	168	4.570	25/10/2017	4
MGS	03/46	4.967	3	4.984	27/10/2017	-2
GII	08/18	3.139	150	3.142	27/10/2017	0
GII	10/18	3.217	2	3.025	11/10/2017	19
			964			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
The Export-Import Bank of Korea	03/18	AAA	3.7850	10	3.7870	08/09/2017	0	71
Tenaga Nasional Berhad	08/32	AAA	4.6790	2	4.6750	27/10/2017	0	21
Genting Capital Berhad	06/22	AAA	4.6400	10	4.6130	20/10/2017	3	91
Danga Capital Berhad	09/27	AAA	4.7010	10	4.6980	25/10/2017	0	66
Malayan Banking Berhad	01/24	AA1	4.5020	1	4.6700	24/10/2017	-17	63
Public Islamic Bank Berhad	06/24	AA1	4.2950	8	4.2980	02/10/2017	0	29
CIMB Bank Berhad	08/26	AA+	4.6200	1	5.5010	16/10/2017	-88	56
UMW Holdings Berhad	10/26	AA2	4.9850	10	4.9760	27/10/2017	1	93
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/17	AA-	4.0440	2	3.9990	12/10/2017	4	97
Alpha Circle Sdn Berhad	11/18	AA-	4.4300	2	5.0400	04/03/2015	-61	135
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/18	AA-	4.3000	20	4.3090	26/10/2017	-1	122
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	06/19	AA-	4.4000	20	4.4930	10/07/2017	-9	111
Country Garden Real Estate Sdn Berhad	12/17	AA3	5.0200	3	5.0930	27/10/2017	-7	194
Southern Power Generation	04/22	AA3	4.7000	5	-	-	-	-
CIMB Group Holdings Berhad	05/16	A1	4.8000	1	4.8170	25/10/2017	-2	12
				103				

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

Market/Corporate News: What's Brewing

The **local plantation industry** is expecting crude palm oil (CPO) prices to cruise comfortably above RM3,000 per tonne if La Nina sets in, according to IOI Corp Bhd founder and executive chairman Tan Sri Lee Shin Cheng. La Nina, which brings in heavy rainfall, is favoured for fresh fruit bunch (FFB) development and higher yields in oil palms, in comparison to the recent El Nino dry weather phenomenon that disrupts yields in estates. "The CPO price is currently very strong, hovering within the range of RM2,750 to RM2,800 per tonne. "However, if La Nina sets in, I think the price will shoot up to RM3,300 per tonne," Shin Cheng said after the group's AGM yesterday. Meanwhile, on the corporate front, IOI Corp is looking to expand its downstream products' reach to West Africa and the Middle East market. Group CEO Datuk Lee Yeow Chor said the Malaysian Palm Oil Council (MPOC) had recently attended a palm oil seminar in Ghana, as part of the council's efforts to expand the Malaysian palm oil market in West Africa. "Countries like Iran in the Middle East have shown promising prospects. "Iran's palm oil consumption has grown by 100% this year compared to last year," said Yeow Chor, who is also the chairman of MPOC. Apart from that, IOI Corp is targeting to increase its crop production by about 10% from the previous financial year. This shall be driven by the recovery from El Nino's drought effect over the past two years as well as the group's new plantation areas in Indonesia, whereby the oil palms are now coming into maturity and prime age. For the financial year ended June 30, IOI Corp's FFB production amounted to 3.16 million tonnes. Yeow Chor explained that the group does not set a hard target in terms of plantation earnings projections, as "it is very much dependent on the volatile CPO or palm kernel prices". Going forward, IOI Corp intends to focus more on upstream investment opportunities. IOI Corp plans to increase its plantation land bank by acquiring brownfield plantations located in Malaysia, although there is no target land bank size to be achieved and the location and size would depend on the available land bank opportunities. In addition, Yeow Chor is confident that after selling the 70% stake in the specialty fats business IOI Loders Croklaan Group BV to global agribusiness and food company Bunge Ltd, the business will grow much faster with Bunge's help. IOI Corp expects the stake disposal to be completed between June and September next year. An estimated 25% of the proceeds shall be allocated for future investments across a span of two years after the transaction has been completed. "We have been investing a lot in downstream over the past few years. So, it is going to be a realignment or rebalancing of investments." A natural hedge or synergy between downstream and upstream is always very important to us and it has always given us a relatively stable profit. "We will continue to maintain that," he said, adding that the group's oleochemical business is improving. (Source: The Star Online)

Country View Bhd is buying a 163.92-acre (66.34ha) piece of land in Iskandar Puteri, Johor Baru from UEM Sunrise Bhd for RM310 million cash, which the Johor-based property developer intends to develop into a mixed-commercial development with a gross development value of RM1.26 billion. The development will comprise resort-linked villas, shop offices and commercial plots of land, it said. In a filing with Bursa Malaysia yesterday, Country View said its wholly-owned subsidiary Country View Resources Sdn Bhd has entered into a conditional sale and purchase agreement with **Bandar Nusajaya Development Sdn Bhd — UEM Sunrise's unit** — for the proposed acquisition. "Barring any unforeseen circumstances, the proposed disposal is expected to be completed in the third quarter of 2018," UEM Sunrise said in a separate filing. Country View executive director Law Kit Tat and his younger brother Law Kee Kong, who is the non-executive director, are major shareholders of the company with a combined 27.4% stake as at Feb 28, 2017. Meanwhile, Country View said the proposed land acquisition represents a strategic purchase as the land is situated in Iskandar Puteri, which is in close proximity to Country View Resources' existing ongoing development project of Taman Nusa Sentral and will allow Country View Resources to capitalise on its already established presence in Iskandar Puteri and Johor Baru," it added. Country View noted that the proposed development plan is expected to commence after all necessary approvals from the relevant authorities have been obtained, with completion of the entire development expected to take seven years. "However, it is too preliminary to ascertain the total development cost, the expected commencement and completion dates, number of units in respect of each type of development, as well as the

expected profits to be derived from the proposed development plan," it said. The site is currently used for workers' accommodation and turf farming. Country View said it intends to fund the proposed land purchase and development cost via a combination of internal funds, bank borrowings and/or issuance of debt securities. "The planned development of the resort-linked villas will be a relatively new product with a fresh concept in Iskandar Puteri, which may be used for homestays and/or holiday homes. With their close proximity to Singapore via the Second Link Expressway, these resort-linked villas will be attractive to both locals and foreigners alike. "The shop offices are expected to be launched after the resort-linked villas and due to the close proximity of the land with many existing developments to be completed over the next few years, the demand for commercial/retail/office space is expected to be on the rise in the Iskandar Puteri region. "The commercial plots of land, meanwhile, will be reserved for future development," it added. (Source: The EdgeMarkets)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Titijaya Land Berhad (Titijaya)	RM150.0 million Islamic Commercial Papers (ICP) Programme	MARC-1 IS	Assigns final rating
MRCB Southern Link Berhad (Eastern Dispersal Link)	RM845 million Senior Sukuk	BB3	Under review (monitoring)

Source: RAM Ratings; MARC

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