

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.89	1
5-yr UST	2.25	0
10-yr UST	2.48	0
30-yr UST	2.83	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.33	-6	3.49	-1
5-yr	3.59	0	3.89	0
7-yr	3.91	0	4.10	0
10-yr	3.95	0	4.28	-1
15-yr	4.41	0	4.67	0
20-yr	4.60	1	4.79	0
30-yr	4.85	0	4.98	0

*Market indicator

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.75	0
5-yr	3.83	0
7-yr	3.94	0
10-yr	4.06	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasury showed little reaction to a deluge of data as they edged slightly higher by 0–1bps across most tenures save for the 30Y which closed lower at 2.83% amid a marginal increase in consumer spending for November as an inflation gauge climbed. The curve flattened with the front-end of the curve lagged; pushing the 2Y yields up to a new high since 2008. The much-watched 10Y was unchanged at 2.48%. Most investors are expected to be sidelined ahead of the ongoing festive season with light data i.e. Pending Home Sales and Initial Jobs Claims, to be released in the next two days.

MGS/GII

- Local Govvies continued to see tepid volume of RM463m in MGS trades with some interest in the short-end off-the-runs MGS 3/18 and 9/18's by both offshore and local inter-bank players. Overall yields were somewhat unchanged with the benchmark 7Y MGS 9/24 and MGS 11/27 at 3.91% and 3.95% respectively compared to previous-done levels. Despite the strength and stability of the Ringgit, investors are expected to be sidelined during the ongoing festive season with clues arising out of US for now.

PDS/Sukuk

- Corporate Bonds saw a mere RM186m traded with bulk of trades in the AA-space. There were nil trades on Govt-Guaranteed papers whilst AAA Tenaga 8/37 edged 7bps lower to close at 5.10% compared to previous-done levels. In the AA-space we note interest in BGSM 18 & 25 with yields also closing lower @ 4.18% and 4.64% whereas the long-tenured DUKE 8/36 closed at 5.33%. We expect selective interest on low volume to prevail this week.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/18	2.799	53	2.816	19/12/2017	-2
MGS	09/18	2.807	155	2.847	21/12/2017	-4
MGS	03/19	3.037	9	2.964	21/12/2017	7
MGS	11/19	3.190	1	3.163	21/12/2017	3
MGS	02/21	3.328	8	3.389	21/12/2017	-6
MGS	07/21	3.397	1	3.451	21/12/2017	-5
MGS	03/22	3.589	9	3.595	21/12/2017	-1
MGS	08/22	3.768	15	3.761	21/12/2017	1
MGS	09/22	3.806	4	3.776	20/12/2017	3
MGS	08/23	3.819	1	3.851	21/12/2017	-3
MGS	09/24	3.905	53	3.904	21/12/2017	0
MGS	09/25	4.052	10	4.053	21/12/2017	0
MGS	11/26	4.095	7	4.088	21/12/2017	1
MGS	11/27	3.950	0	3.941	21/12/2017	1
MGS	04/30	4.513	2	4.494	21/12/2017	2
MGS	04/33	4.414	2	4.414	20/12/2017	0
MGS	04/37	4.604	1	4.596	21/12/2017	1
GII	04/19	3.249	3	3.291	18/12/2017	-4
GII	04/20	3.485	50	3.497	21/12/2017	-1
GII	04/22	3.888	21	3.883	21/12/2017	0
GII	07/23	4.044	1	4.044	19/12/2017	0
GII	05/24	4.156	0	4.158	12/12/2017	0
GII	07/27	4.260	13	4.297	20/12/2017	-4
GII	06/33	4.728	45	4.752	20/12/2017	-2
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Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Al Dzahab Assets Berhad	06/19	AAA	4.415	10	4.396	20/10/2017	2	148
Tenaga Nasional Berhad	08/37	AAA	5.100	20	5.165	11/12/2017	-7	49
Public Bank Berhad	09/23	AA1	4.391	10	4.365	21/12/2017	3	59
Lafarge Cement Sdn Berhad	12/20	AA2	4.532	10	-	-	-	-
BGSM Management Sdn Berhad	12/18	AA3	4.178	20	4.203	08/12/2017	-3	124
Gamuda Berhad	11/22	AA3	4.752	20	4.797	29/11/2017	-4	115
BGSM Management Sdn Berhad	12/22	AA3	4.638	20	4.645	12/12/2017	-1	104
AmBank Islamic Berhad (fka Amlslamic Bank Berhad)	12/25	AA3	4.764	10	4.786	12/12/2017	-2	82
WCT Holdings Berhad	08/20	AA-	4.953	1	4.960	18/12/2017	-1	160
Anih Berhad	11/24	AA	4.539	10	4.578	21/11/2017	-4	64
Sime Darby Plantation Sdn Bhd	03/16	AA	4.854	20	4.877	07/12/2017	-2	24
MMC Corporation Berhad	11/27	AA-	5.359	10	5.356	12/12/2017	0	141
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.900	2	4.850	16/11/2017	5	95
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.330	20	5.360	06/12/2017	-3	72
Celcom Networks Sdn Berhad [fka Celcom Transmission	08/22	AA+	4.737	3	4.830	28/08/2017	-9	114
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Hibiscus Petroleum Berhad has entered into a novation agreement for the acquisition of a 50% participating interest in North Sabah from Sabah Shell Petroleum Co Ltd and Shell Sabah Selatan Sdn Bhd. In a filing with Bursa Malaysia, Hibiscus said Petronas' conditions have been clarified and agreed between the sellers, Petronas and its indirect wholly-owned subsidiary, SEA Hibiscus Sdn Bhd. "Petronas Carigali Sdn Bhd (PCSB) has given its consent to Shell for the assignment of the Interest pursuant to the joint operating agreement (JOA) in favour of SEA Hibiscus. "In connection thereto, SEA Hibiscus, Petronas and the sellers and PCSB had on Dec 22, 2017, entered into a novation agreement for the assignment and transfer of the entire interest of the sellers to SEA Hibiscus to continue production as well as the further development of the petroleum resources at the North Sabah fields upon the completion of the proposed acquisition," Hibiscus said. PCSB holds 50% of the remaining Interest in the production sharing contract and the JOA. "Hibiscus Petroleum views the execution of the novation agreement as a positive development," it said. The group expects the proposed acquisition to be completed on March 31, 2018. (Source: The Star)

Bitcoin fell as much as 15 percent on Friday, extending its loss from its intraday high this month to more than 30 percent. The digital currency dropped to as low as \$13,048 before trading at \$14,079.05 as of 12:07 p.m. in Hong Kong. Bitcoin, which peaked at \$19,511, is still up more than 1,300 percent this year. Investors are having a "reality check," said Stephen Innes, head of trading for Asia Pacific at Oanda Corp. "At the heart of the matter was a frenzied demand for coins with limited supply has now led to unsophisticated investors holding the bag at the top."

Bitcoin's drop comes amid concern that an offshoot is becoming a stronger rival to the more well-known cryptocurrency. Bitcoin cash, which emerged earlier this year amid a split between factions over proposed software upgrades, was added to Coinbase Inc.'s offerings this week. There are growing signs of mania for anything cryptocurrency related. Long Island Iced Tea Corp. shares rose as much as 289 percent after the unprofitable Hicksville, New York-based company rebranded itself Long Blockchain Corp. Bank of Japan Governor Haruhiko Kuroda said on Thursday bitcoin isn't functioning like a normal means of payment and is being used for speculation. Banks are also sensing opportunity. Goldman Sachs Group Inc. is setting up a trading desk to make markets in digital currencies such as bitcoin, according to people with knowledge of the strategy. The bank aims to get the business running by the end of June, if not earlier, two of the people said (Source: Bloomberg; The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Malaysian Reinsurance Berhad (Malaysian Re or the Reinsurer)	Insurer Financial Strength (IFS) ratings	AA2/Stable/P1	Reaffirmed

Source: RAM Ratings; MARC

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