

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.92	3
5-yr UST	2.25	0
10-yr UST	2.47	-1
30-yr UST	2.83	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.33	0	3.49	0
5-yr	3.54	-5	3.88	-1
7-yr	3.91	0	4.07	-3
10-yr	3.94	-1	4.26	-4
15-yr	4.42	1	4.67	0
20-yr	4.60	0	4.79	0
30-yr	4.85	0	4.98	0

*Market indicative

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 yields were slightly lower on thin trading save for the short-end as the curve bull-flattened. The front-end of the curve rose as the 2Y spiked to a high of 1.92% following its auction of \$26b on a lower BTC ratio of 2.52x compared to previous auction levels. The much-watched 10Y was 1bps lower at 2.47%. Most investors are expected to be sidelined during the holiday-shortened week with light data i.e. Pending Home Sales and Initial Jobs Claims, to be released within the next two days.

MGS/GII

- Local Govvies saw an increase in volume of RM734m with half of the trades generated on the short-end off-the-run GII 5/18. Yields were generally unchanged with trades also seen in the belly of the curve for both MGS and GII. The benchmark 7Y MGS 9/24 was untraded whilst the 10Y MGS 11/27 closed 1bps lower at 3.94% compared to previous-done levels. Despite the strength and stability of the Ringgit, investors are expected to be sidelined during the ongoing festive season.

PDS/Sukuk

- Corporate Bonds saw little change in volume traded with the bulk of RM186m traded in the AA-space. The Govt-Guaranteed LPPSA 9/20 registered its maiden secondary trade at 3.93% whilst PLUS 2027-29 saw RM35m traded in total; with yields closing higher between 4.64-4.72% levels. In the AA-space we note interest in UEM Sunrise 6/19 and MMC Corp 2027 papers which closed unchanged. We continue to expect 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	07/19	3.032	20	3.072	43087	-4
MGS	11/19	3.114	60	3.133	43091	-2
MGS	03/22	3.535	3	3.589	43091	-5
MGS	08/22	3.754	19	3.768	43091	-1
MGS	09/22	3.794	20	3.806	43091	-1
MGS	04/26	4.119	1	4.140	43087	-2
MGS	11/27	3.942	73	3.950	43091	-1
MGS	04/30	4.471	1	4.513	43091	-4
MGS	06/31	4.377	11	4.401	43090	-2
MGS	04/33	4.424	20	4.414	43091	1
MGS	05/35	4.543	17	4.564	43089	-2
MGS	04/37	4.604	15	4.604	43091	0
GII	05/18	3.100	370	2.887	43090	21
GII	04/20	3.490	55	3.485	43091	1
GII	04/22	3.878	20	3.888	43091	-1
GII	08/24	4.070	30	4.096	43087	-3
			<u>734</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*
Lembaga Pembiayaan Perumahan Sektor Awam	09/20	GG	3.930	10	0.000	0	393	57
Sarawak Hidro Sdn Berhad	08/26	AAA	4.608	10	4.568	43063	4	62
Danga Capital Berhad	09/27	AAA	4.650	20	4.629	43074	2	71
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.640	15	4.633	43083	1	65
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.650	10	4.570	42976	8	71
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.719	10	4.659	42975	6	77
Sarawak Energy Berhad	01/27	AA1	4.769	10	4.730	43048	4	78
YTL Power International Berhad	05/27	AA1	4.920	10	4.900	43089	2	93
Lafarge Cement Sdn Berhad	12/20	AA2	4.524	10	4.532	43091	-1	116
Gamuda Berhad	11/22	AA3	4.746	20	4.797	43068	-5	115
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	06/19	AA-	4.400	10	4.400	43038	0	125
MMC Corporation Berhad	04/27	AA-	5.328	10	5.330	43087	0	134
MMC Corporation Berhad	11/27	AA-	5.356	20	5.359	43091	0	141
Southern Power Generation Sdn Berhad	10/35	AA-	5.577	10	5.579	43084	0	97
Affin Bank Berhad	02/27	A1	4.836	10	4.841	43083	0	85
AMMB Holdings Berhad	03/27	A1	4.848	1	4.862	43089	-1	86
CIMB Group Holdings Berhad	05/16	A1	5.250	1	5.187	43090	6	64
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Oil prices touched 2½-year highs in light volume on Tuesday, boosted by an explosion on a crude pipeline in Libya and voluntary OPEC-led supply cuts. Libya has lost around 90,000 bpd of crude oil from a blast on a pipeline feeding Es Sider port, a Libyan oil source said, adding that NOC was still assessing the damage. A Libyan military source said earlier that armed men had planted explosives at the pipeline. The country's output had been recovering in recent months after being held down for years by conflict and unrest. Brent crude, the international benchmark for oil prices, rose US\$1.51, or 2.31%, to US\$66.76 a barrel by 11:40am (12:40am Malaysian time). Prices hit a session high of US\$66.83 a barrel, the highest since late May 2015. US crude climbed US\$1.29, or 2.21%, to US\$59.76 a barrel after touching a session high of US\$59.86, the highest since late June 2015. The impending restart of a key North Sea pipeline, Forties, limited the rally. The pipeline is being tested after repairs and full flows should resume in early January, its operator said on Monday. "Keep in mind that the field and pipeline are old and it may have issues and it's probably why the market isn't selling off," said Scott Shelton, broker at ICAP in Durham, North Carolina. Trading activity was thin because of the Christmas holiday in many countries. Just 50,000 contracts of front-month Brent crude futures changed hands on Tuesday, well below the typical daily average of more than 250,000 contracts. Brent has risen 17% while US crude has rallied about 11% in 2017. The Organisation of the Petroleum Exporting Countries, plus Russia and other non-members, have been withholding some output since Jan 1 to get rid of a glut. The producers have extended the supply cut agreement to cover all of 2018. Iraq's oil minister said on Monday there would be a balance between supply and demand by the first quarter, leading to a boost in prices. Global oil inventories have decreased to an acceptable level, he added. That is earlier than predicted in Opec's latest official forecast, which calls for a balanced market by late 2018. US shipments to China, one of the biggest oil consumers in the world, have benefited from the Opec-led output cuts. Russia, however, was China's largest crude oil supplier for the ninth month in a row in November, also topping Saudi Arabia for the year so far, Chinese customs data showed on Tuesday. While the Opec action has lent support to prices all year, the unplanned shutdown of the Forties pipeline on Dec 11 pushed Brent to its 2½-year high. Forties is the biggest of the five North Sea crude streams underpinning Brent, the benchmark for oil trading in Europe, the Middle East, Africa and Asia. Still, rising production in the United States is offsetting some of the OPEC-led cuts. The US rig count, an early indicator of future output, held at 747 in the week to Dec 22, according to the latest weekly report by Baker Hughes. (Source: Reuters, The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Edra Energy Sdn Bhd	Proposed Sukuk Wakalah of up to RM5.28 billion in nominal value (2017/2037)	AA3/Stable	Assigned
Pengurusan Air SPV Berhad (PASB)	RM20 billion Islamic MTN Programme (2009/2039)	AAA/Stable	Reaffirmed

Source: RAM Ratings; MARC

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