

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.89	-3
5-yr UST	2.22	-4
10-yr UST	2.41	-6
30-yr UST	2.75	-8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.33		3.48	-1
5-yr	3.54		3.88	0
7-yr	3.91		4.07	0
10-yr	3.94		4.26	0
15-yr	4.41	-2	4.67	0
20-yr	4.60	0	4.79	0
30-yr	4.87	2	4.98	0

\* Market indicative

MYR 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 Treasuries rallied by up to 8bps across most tenures with bull-flattening very much the order of the day. Whilst the 2Y was 3bps lower at 1.89%; the much-watched 10Y rallied 6bps lower closing at 2.41%. Most money managers were seen scrambling to re-adjust quarter-end portfolios and also embark on month-end duration extensions ahead of holiday-shortened week. Data continues to be light with the Initial jobless claims to be released later today.

#### MGS/GII

- Local Govvies saw further dip in volume to a mere RM677m with half of the trades seen on the short-end off-the-run MGS and GII 18's. Yields were generally unchanged across most tenures save for the 15Y off-the-run GII 6/33 which closed 2bps lower at 4.704% on RM120m volume. The benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed unchanged at 3.91% and 3.94% respectively compared to previous-done levels. Despite the strength of UST Treasuries and stability of the Ringgit due to improving fundamentals and oil prices, investors are expected to be sidelined during this year-end festive season.

#### PDS/Sukuk

- Corporate Bonds saw marked improvement in volumes traded at RM343m with the bulk of bonds traded in the AA-space. We also note decent activity for AAA-rated papers i.e. DANGA 9/37 which closed unchanged at 4.65% whilst PLUS 2026-29 saw RM45m traded in total; with yields closing mixed by -2bps to +4bps ending between 4.58-4.70% levels. In the AA-space we note the dominance of trades in infra-related issues i.e. Malakoff 12/18, BGSM 12/23, SEB 6/18 and YTL Power 5/27 papers which generally closed lower on yields. Continue to expect some portfolio rebalancing to prevail on low volume.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	2.651	172	2.807	22/12/2017	-16
MGS	03/19	3.077	8	3.113	26/12/2017	-4
MGS	07/19	3.103	3	3.032	26/12/2017	7
MGS	08/22	3.749	38	3.768	22/12/2017	-2
MGS	09/24	3.905	21	3.905	22/12/2017	0
MGS	03/27	4.182	10	4.202	21/12/2017	-2
GII	05/18	3.126	150	3.100	26/12/2017	3
GII	04/20	3.476	76	3.476	26/12/2017	0
GII	04/22	3.875	80	3.878	26/12/2017	0
GII	06/33	4.704	120	4.728	22/12/2017	-2
			677			

## Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Sarawak Energy Berhad	06/18	AA1	3.870	30	3.866	19/12/2017	0	97
Public Bank Berhad	09/23	AA1	4.340	10	4.391	22/12/2017	-5	53
YTL Power International Berhad	05/27	AA1	4.890	12	4.920	26/12/2017	-3	91
TRIpIc Medical Sdn Berhad	10/27	AA1	4.900	5	5.010	20/10/2017	-11	95
TRIpIc Medical Sdn Berhad	10/32	AA1	5.230	15	5.269	24/11/2017	-4	82
TRIpIc Medical Sdn Berhad	10/33	AA1	5.302	19	5.470	23/10/2017	-17	89
CIMB Bank Berhad	12/25	AA+	5.000	1	4.642	31/10/2017	36	105
UMW Holdings Berhad	06/20	AA2	4.470	15	4.492	09/10/2017	-2	132
Konsortium ProHAWK Sdn Berhad	12/25	AA2	4.740	10	4.714	26/05/2017	3	79
Malayan Banking Berhad	09/68	AA2	4.370	20	4.522	08/12/2017	-15	-25
Besraya (M) Sdn Berhad	07/22	AA3	4.780	10	4.444	18/08/2016	34	118
Gamuda Berhad	11/22	AA3	4.730	15	4.746	26/12/2017	-2	113
BGSM Management Sdn Berhad	12/23	AA3	4.690	10	4.704	18/12/2017	-1	88
CIMB Group Holdings Berhad	05/16	A1	4.944	1	4.834	26/12/2017	11	33
CIMB Group Holdings Berhad	05/16	A1	5.272	1	5.250	26/12/2017	2	66
Anih Berhad	11/25	AA	4.590	10	4.589	21/12/2017	0	64
Malakoff Power Berhad	12/18	AA-	4.200	40	4.220	21/12/2017	-2	130
Northport (Malaysia) Berhad	12/22	AA-	5.002	1	4.998	06/12/2017	0	140
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/22	AA-	5.000	10	-	-	-	-
MMC Corporation Berhad	11/27	AA-	5.360	10	5.356	26/12/2017	0	141
Southern Power Generation Sdn Berhad	04/28	AA-	5.033	6	4.999	13/11/2017	3	109
Southern Power Generation Sdn Berhad	10/29	AA-	5.123	5	5.119	15/12/2017	0	118
Rantau Abang Capital Berhad	12/20	AAA	4.110	10	4.083	23/11/2017	3	76
Malaysia Airports Capital Berhad	12/24	AAA	4.520	8	4.434	15/08/2017	9	61
Danga Capital Berhad	09/27	AAA	4.650	15	4.650	26/12/2017	0	70
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.580	15	4.539	19/12/2017	4	63
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.540	10	4.541	19/12/2017	0	59
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.623	10	4.640	26/12/2017	-2	64
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.700	20	4.719	26/12/2017	-2	75
				343				

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

### Market/Corporate News: What's Brewing

The aggressive moves by **Broadnet Network Sdn Bhd, the company selected by the Government to undertake the Nationwide Fiberisation Plan (NFP)**, have raised concerns on government-linked companies (GLCs), namely Telekom Malaysia Berhad (TM) and Tenaga Nasional Berhad (TNB). According to sources, both the GLCs are seeking more information from the Government before they engage with Broadnet. "For starters, TNB wants to know for sure if the Government has a golden share in Broadnet and if they are compelled to collaborate with the company," said the sources. As for TM, it was learnt that top officials of the dominant provider of high-speed broadband have sought meetings with the Finance Ministry on the matter. At the moment, TM's mainstay is providing broadband connectivity. Towards this end, it has undertaken the High Speed Broadband (HSBB) project for several years and continued to roll out broadband connectivity. "In some ways, Broadnet would be a competitor to TM. So it is only natural for the company to seek clarification as TM itself is indirectly owned by the Government through Khazanah Nasional Bhd," said a source. Broadnet's objective is to provide high-speed Internet broadband connectivity to areas that are underserved and unserved currently. The matter gained prominence early this month after the Communications and Multimedia Minister Datuk Seri Salleh Said Keruak gave his implicit support for the company to collaborate with TNB to pursue the NFP. The little-known company packs a serious punch when it comes to the who's who on its board. A search with the Companies Commission of Malaysia revealed that Broadnet Network was previously known as Nasmudi Sdn Bhd, the same company that in 2003 made the audacious attempt to buy out the Employees Provident Fund's minority stake in KFC Holdings (M) Bhd. That deal didn't pan out and Nasmudi faded from the public eye. Nasmudi, now Broadnet Network, is currently 100%-owned by Datuk Mohd Ali Abd Samad. He is said to be the same person who was the former Negri Sembilan state secretary. Mohd Ali's years in the civil service, and later in the corporate world – he was a former chairman of ECM Libra – won him some very strong allies. The board of Broadnet includes Augustus Ralph Marshall, who was appointed in July. Marshall was previously the top executive at Astro and Maxis. Another well-known corporate figure on the board is Tan Sri Krishnan Tan Boon Seng, the former boss of IJM Corp Bhd. Krishnan joined the board in October. However, the appointment of Tan Sri Ali Hamsa, chief secretary to the Government, to the board of Broadnet in November raised the profile of the company. Another high-profile civil servant, Tan Sri Sharifah Zarah Syed Ahmad, the secretary-general of the Communications and Multimedia Ministry, was also appointed to the board that same month. Minister Salleh last week was quoted as saying that the Nationwide Fiberisation Plan would, among other things, leverage TNB's extensive fibre trunk network. He had said the Government wanted more private sector entities to come into the broadband market and invest. "We do not encourage monopolies or exclusive arrangements as this may slow down the deployment of broadband infrastructure," Salleh was quoted as saying by Bernama. The NFP, he said, was in line with Prime Minister Datuk Seri Najib Tun Razak's announcement in this year's budget, which was to double broadband speeds at lower prices by 2019. (Source: The Star)

Since mid-December, **multiple developments in the global oil market have helped to lift crude prices to the level last seen in mid-2015**. The strong oil prices have also fuelled a rebound among some oil and gas (Q&G) stocks on Bursa Malaysia. However, most investment analysts remain cautious, noting the reading of the oil bulls may be wrong considering crude prices retreated yesterday from Tuesday's high. The Brent crude oil price breached US\$67 (RM268) per barrel on Tuesday, after a pipeline in Libya exploded, causing a supply disruption of between 70,000 and 100,000 barrels per day (bpd). Giving fossil fuel prices a leg up on that same day was the news that Saudi Arabia is said to expect its oil revenue to jump 80% to 801.4 billion riyals (US\$214 billion) in 2023, from 440 billion riyals this year, due to expectations that oil prices would hit US\$75 per barrel. The developments have shed positive sentiments on the

O&G-related counters on Bursa Malaysia bashed down badly in a low oil price environment. O&G counters that have slipped to their all-time low, such as Sapura Energy Bhd and UMW Oil & Gas Corp Bhd, have garnered investors' interests. They were among the most actively traded stocks in the last few trading days. Others such as Hibiscus Petroleum Bhd, with oil-producing assets in the UK, is currently trading at its two-year high. The counter last closed at 88 sen with 64.69 million shares traded yesterday. However, the benchmark crude oil price retreated slightly yesterday. The market digested news that Ineos, which closed its 450,000 bpd Forties pipeline in the North Sea on Dec 14 for maintenance, pointed to a gradual resumption by early January 2018. On the other hand, the pipe blast in Libya could just be a short disruption. Bloomberg cited sources saying it would take about a week to repair the pipeline. Oil prices have been gaining steadily from under US\$45 per barrel in mid-June, following 21 Opec (Organization of the petroleum exporting countries) and non-Opec nations' persistent measures to curb output by near 1.8 million bpd. An extension for the curb until end-2018 was agreed on Nov 30. However, the US shale producers have been a key factor that slowed Opec's success in driving a faster recovery of oil prices, increasing output to catch on rising oil prices from Opec's supply cut. ( Source: The Edge )

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

Source: RAM Ratings; MARC

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