

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.16	2
5-yr UST	2.57	6
10-yr UST	2.79	9
30-yr UST	3.03	9

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	0	3.57	1
5-yr	3.64	3	3.88	1
7-yr	3.93	0	4.08	0
10-yr	3.96	6	4.17	0
15-yr	4.40	1	4.53	0
20-yr	4.61	0	4.78	0
30-yr	4.86	3	4.95	0

* Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	1
3-yr	3.83	1
5-yr	3.91	1
7-yr	4.01	-1
10-yr	4.13	0

Source : Bloomberg

Upcoming Government Bond Tenders

7.5Y new issue of GII 8/25 totaling RM3.0b + RM1.0b (Private Placement) on Tues, 6th Feb

US Treasuries

- US Treasuries ended weaker across most tenures as yields moved higher by 2-9bps across most tenures despite lower 4Q US productivity figures; raising concerns that economic growth may not achieve 3.0% on a sustainable basis. The 2Y, sensitive to Fed policy interest rate expectations edged up again by 2bps to 2.16% whilst the much-watched 10Y rose 9bps higher at 2.79%. The 30Y crossed the 3.0% threshold for the 1st time since May 2017 with very little support from month-end pension and index funds coupled with little demand out of Asia. Following FOMC’s decision to stay pat this week, the current odds of a March rate hike stood at about 94-96% may send shudders through the market for now. Upcoming data include Jan’s nonfarm payroll and unemployment rate out tonight.

MGS/GII

- Local Govvies saw volume traded maintained at about RM2.63b with some interest anchored in the off-the-runs 18-22’s together with both 5Y benchmarks MGS and GII. Yields were mostly unchanged to 6bps higher with some levels skewed due to odd-lot trades. Both the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed at 3.93% and 3.96% respectively compared to previous-done levels. Investors and market players may be reluctant to take large positions in the absence of meaningful leads and possibly monitor developments in the US Treasury market for now.

PDS/Sukuk

- Steady interest seen in the secondary market for Corporate Bonds with total volume of RM353m with interest across the credit curve. The Govt-Guaranteed GOVCO 2/22 traded on large volume of RM100m closing 4bps higher at 4.04% levels compared to previous-done levels whereas AAA-rated PLUS 33 and 36 closed marginally mixed at 4.95% and 5.05% respectively. There was a slew of AA-rated infrastructure and power-related bonds traded with Southern Power 31-33 and BGSM 3/26 closing 1-8 bps lower whilst MALAKOFF 12/20 closed 5bps higher at 4.44%. Expect investor interest to be cautious on the back of weaker govvies and UST’s.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.170	66	3.033	26/01/2018	-86
MGS 03/18	3.215	12	3.145	29/01/2018	7
MGS 09/18	3.226	150	3.183	29/01/2018	4
MGS 03/19	3.362	92	3.026	29/01/2018	34
MGS 07/19	3.249	30	3.190	26/01/2018	6
MGS 10/19	3.293	74	3.288	29/01/2018	1
MGS 11/19	3.285	227	3.269	29/01/2018	2
MGS 03/20	3.330	4	3.345	29/01/2018	-2
MGS 07/20	3.381	10	3.330	29/01/2018	5
MGS 10/20	3.383	7	3.396	29/01/2018	-1
MGS 09/21	3.607	39	3.623	29/01/2018	-2
MGS 11/21	3.498	288	3.487	29/01/2018	1
MGS 03/22	3.637	379	3.604	29/01/2018	3
MGS 08/22	3.735	14	3.756	29/01/2018	-2
MGS 03/23	3.783	1	3.777	29/01/2018	1
MGS 07/24	3.897	14	3.925	29/01/2018	-3
MGS 09/24	3.929	76	3.936	29/01/2018	-1
MGS 09/25	3.978	25	3.978	29/01/2018	0
MGS 11/26	4.008	28	4.031	29/01/2018	-2
MGS 03/27	4.191	10	4.170	22/01/2018	2
MGS 11/27	3.961	192	3.913	29/01/2018	5
MGS 06/31	4.462	66	4.446	29/01/2018	2
MGS 04/32	4.482	3	4.486	22/01/2018	0
MGS 04/33	4.403	153	4.389	29/01/2018	1
MGS 05/35	4.591	11	4.539	26/01/2018	5
MGS 04/37	4.613	59	4.611	29/01/2018	0
MGS 03/46	4.860	47	4.880	29/01/2018	-2
GII 05/18	3.203	15	3.275	29/01/2018	-7
GII 04/20	3.569	22	3.557	26/01/2018	1
GII 06/20	3.613	200	3.631	09/01/2018	-2
GII 04/22	3.882	118	3.877	29/01/2018	1
GII 07/23	4.035	50	3.998	24/01/2018	4
GII 08/24	4.080	80	4.080	26/01/2018	0
GII 07/27	4.174	20	4.174	29/01/2018	0
GII 08/33	4.645	52	4.650	24/01/2018	-1
GII 05/47	4.947	1	4.947	23/01/2018	0
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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*	
GovCo Holdings Berhad	02/22	GG	4.035	100	4.000	22/01/2018	4	54
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	09/24	GG	4.340	10	4.331	26/01/2018	1	41
Danainfra Nasional Berhad	10/28	GG	4.582	2	4.556	06/12/2017	3	63
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.954	40	4.945	12/01/2018	1	53
Projek Lebuhraya Usahasama Berhad	01/36	AAA	5.051	20	5.059	24/10/2017	-1	43
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.499	10	4.482	16/01/2018	2	71
Tenaga Nasional Berhad	08/32	AAA	4.890	10	4.894	16/01/2018	0	47
Malayan Banking Berhad	01/24	AA1	4.550	1	4.537	26/01/2018	1	76
Lafarge Cement Sdn Berhad	01/20	AA2	5.277	13	4.428	08/12/2017	85	196
Lafarge Cement Sdn Berhad	12/20	AA2	5.451	10	4.524	26/12/2017	93	206
BGSM Management Sdn Berhad	03/26	AA3	4.814	10	4.889	06/11/2017	-8	87
WCT Holdings Berhad	12/18	AA-	4.506	15	4.484	22/01/2018	2	129
Malakoff Power Berhad	12/20	AA-	4.438	40	4.392	18/01/2018	5	105
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/22	AA-	4.899	10	4.905	24/01/2018	-1	129
Southern Power Generation Sdn Berhad	10/31	AA-	5.179	10	5.198	25/01/2018	-2	76
Southern Power Generation Sdn Berhad	04/33	AA-	5.277	20	5.289	29/01/2018	-1	86
Southern Power Generation Sdn Berhad	10/33	AA-	5.317	10	5.329	29/01/2018	-1	90
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.189	10	5.251	13/12/2017	-6	77
RHB Bank Berhad	03/39	A1	4.559	1	4.615	22/01/2018	-6	-6
CIMB Group Holdings Berhad	05/16	A1	5.079	12	5.527	26/01/2018	-45	46
			<u>353</u>					

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

Market/Corporate News: What's Brewing

Malaysia has the opportunities to further develop its maritime economy, with the support of numerous shipyards, ports and terminals, in addition to a prime geographic location. Nazery Khalid, honorary secretary of the Association of Marine Industries Malaysia and head of planning and development, Boustead Heavy Industries Corp, said there were still opportunities for maritime players to tap the Asean market with the Asean Free-Trade Area (Afta) expanding into other regions such as the Middle East. He said even though the maritime industry in Malaysia continued to be in rough waters owing to overcapacity and tight financing, opportunities were still aplenty. "More players are also looking at building new vessels that are more energy efficient and environment friendly due to tighter environmental regulations in the shipping industry. "With the government lending stronger support to the industry with the recent launch of the Malaysia Shipping Master Plan, the country is set to become a self-sufficient and internationally competitive nation, that can benefit players along the maritime industry supply chain," he said in a statement. Jackie Chieng, director of Siong Ping Engineering Sdn Bhd, which will be exhibiting at the Asia-Pacific Maritime (APM) 2018, echoed a similar sentiment. "We forecast the deck machinery market for tugboats, barges and land crafts will slowly increase in 2018. For Malaysia, recovery in the maritime industry will be gradual but optimistic," he said. Renco Wong, executive director of Gimhwak Enterprise Sdn Bhd, said many companies had adopted digital tools in their ships and businesses to track potential attacks and threats to reduce the risk of piracy attacks. "We also expect new build orders to rise in 2018 to fulfill new regulations set by industry associations or the local government. "At Gimhwak, we are also seeing a progressive demand for LNG carriers in the region as companies are preparing ahead of the International Maritime Organisation regulation on green shipping." "As a shipowner and also a shipbuilder, our direction is to refocus on shipbuilding as the industry recovers, believe 2018 will be the start of the recovery of the maritime industry," he added. (Source: The Edge)

If a billionaire from Malaysia has his way, Asian tourists will soon be flocking to the Borscht Belt region in the Catskills Mountains that was once the summer home for generations of Jewish New Yorkers. **Empire Resorts Inc., controlled by Lim Kok Thay, chairman of Genting Bhd., on Feb. 8 will open Resorts World Catskills, a \$1.2 billion casino, hotel and entertainment complex at the site of the old Concord Resort Hotel, the largest of the upstate New York resorts** that helped launch the careers of Rodney Dangerfield, Jerry Lewis, Sid Caesar, Joan Rivers and other Jewish comedians. In a bid to revive the upstate economy, New York awarded licenses in 2015 to Empire Resorts and two other casino operators for Las Vegas-style resorts. That gave Lim's companies a new opening. For the Genting group, which runs casinos from Singapore to England to the Bahamas, the Catskills project is the latest effort to gain a bigger foothold in the U.S. Genting operates a casino at New York City's Aqueduct race track and Empire Resorts runs a small race track casino in the Catskills. While Genting has much bigger ambitions, several of Lim's other American projects have stalled because of local opposition and construction delays. With the Catskills project, Genting is taking a big step toward overcoming those difficulties. Unlike the two race-track casinos, limited by the state to slots and other electronic games, the Empire resort will have a 100,000 square-foot casino with more than 150 game tables as well as 2,150 slot machines. The resort will include a 332-room hotel and 2,500-seat theater, with plans for an 18-hole golf course and a water park. Empire Resorts is counting on those features, along with Genting's customer base from casinos in Malaysia, Singapore and other countries, to help build business from the other side of the Pacific. "We can offer international players known to Genting an opportunity here in North America that they otherwise would not have," Empire Resorts Chief Executive Officer Ryan Eller said. "It gives us the opportunity to reach across not only North America but potentially internationally. "Most of the classic Borscht Belt hotels, which inspired the 1987 movie "Dirty Dancing," closed as travel to Florida and other destinations far from New York became easier. Convincing visitors to New York City to shlep upstate may still be a hard sell. "It's not an easy drive," said H. Steven Norton, chief executive officer of Norton Management, a casino consultant in Alton, Illinois. Moreover, the region doesn't have many other attractions to lure gamblers to the countryside. "In the winter there's a little skiing and in the summer a little golf," he says. "The Catskills have been going down since air service to Florida. "To boost its appeal among Asian gamblers, Empire has hired Chinese-speaking staff, recruited a chef from Taiwan and used feng shui principles in its design.

Casino games like pai gow that are popular with Asian customers will take up approximately one-third of the gaming floor. Empire moved forward the launch date, originally scheduled for March, to take advantage of the Lunar New Year in mid-February, with plans for a traditional dragon dance to welcome the Year of the Dog. "People from Asia want to come to New York," said Charles Degliomini, executive vice president of governmental affairs and corporate communications, who points out that the Catskills resort is only 90 miles from New York City. The two upstate New York resorts that have already opened, the Del Lago Resort & Casino in the Finger Lakes region and Rivers Casino & Resort in Schenectady, haven't generated the revenue originally forecast, according to Clyde Barrow, a professor at the University of Texas Rio Grande Valley who worked with Caesars Entertainment Corp. on its unsuccessful bid for a license in New York. "They haven't come close to their original forecast or projections," he said. Del Lago and Rivers Casino didn't comment on gaming revenues. During the 12 months ended November, casinos in seven Northeastern states produced \$10 billion in gaming revenue, according to Bloomberg Intelligence, matching the annual in Las Vegas and the rest of Clark County, Nevada. Capacity in the Northeast could grow as much as 24 percent this year. "There are way too many casinos in much of the Northeast," said Richard McGowan, a professor of finance at Boston College who studies the casino industry. At Genting's Resorts World New York City casino in Queens, where the company began a \$400 million expansion last year, gambling revenue was down slightly to \$850 million even after adding 1,000 slot machines. Targeting Asian gamblers is far from a sure thing. Many casinos in the Northeast and other parts of the U.S. have already retooled their casino floors to target those customers, according to Barrow. Lucky Dragon Hotel & Casino, a Chinese-themed resort, became Las Vegas's first new casino in years when it opened in 2016. It temporarily closed its gaming and restaurant operations in early January for what the company called a "repositioning." Empire Resorts is not technically part of the Genting group, a conglomerate that operates cruise ships, manufactures paper and runs palm oil plantations in addition to its hotel and casino businesses. Instead, a private investment company controlled by Lim owns more than 90 percent of Empire shares. Last year, Empire reached an agreement to use Genting's Resorts World brand and participate in its Genting Rewards Alliance loyalty program in exchange for a single-digit percentage of net revenue, according to an Empire filing with the Securities and Exchange Commission. If successful, the Catskills project will promote the global reach of Genting, a sprawling empire with a complicated web of affiliates in Asia, Africa and Europe that has faced challenges expanding in North America. Genting in 2013 announced it would spend as much as \$4 billion on a resort in Las Vegas. However, construction didn't begin until last year as the company redesigned the project, now scheduled to open in 2020. A proposed casino in Miami appears stalled because Florida lawmakers haven't approved the expansion of casino gambling to the city. Genting declined to comment on the Miami property. In New England, a partnership with the Mashpee Wampanoag Tribe to build a casino near Boston is on hold following a challenge to the government's decision to set aside land to the tribe. "We continue to support the Mashpee Wampanoag tribe in their efforts to protect their land base and achieve their economic development goals," Michael Levoff, a Genting Americas spokesman, said in an emailed statement. Genting declined to comment on its Miami property. Resorts World Catskills may have an edge because of its scale and its Asia roots, says Brian Egger, an analyst with Bloomberg Intelligence. "They do have an opportunity to attract Asian players," he said. "Any place where Resorts World builds, they do have some advantage. (Source: The Edge)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Ni	Nil	Nil	Nil

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email:

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