

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.93	1
5-yr UST	2.25	0
10-yr UST	2.45	-2
30-yr UST	2.79	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.32	0	3.48	57
5-yr	3.52	2	3.79	-2
7-yr	3.87	1	4.08	1
10-yr	3.90	0	4.16	1
15-yr	4.39	0	4.74	0
20-yr	4.58	3	4.77	0
30-yr	4.82	-4	4.98	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.75	1
5-yr	3.84	1
7-yr	3.93	1
10-yr	4.06	0

Source: Bloomberg

Upcoming Government Bond Tenders

Reopening of 20Y MGS 4/37 amounting to RM2.0b + RM1.0b (private placement) on Thurs (4-Jan)

US Treasuries

- US Treasuries were seen bid on the longer-end whilst the 2Y moved 1bps higher to close at 1.93% amid December FOMC minutes reinforcing the view of a gradual rate path for this year with the odds of an increase in March 2018 currently at 81%. Flattening of the yield curve continued to be evident as the 2s10s and 5s30s spread dipped lower to 52bps and 54bps respectively. The stronger ISM manufacturing data was brushed aside as the much-watched 10Y closed 2bps lower at 2.45%. Next on the data front is ADP employment tonight and non-farm payrolls out on Friday.

MGS/GII

- Local Govvies saw volume maintain at RM1.11b with interest seen mainly in the belly of the curve. Literally half of trades were done in GII's as the 5Y and 7Y edged 1-2 bps lower to close at 3.79% and 4.08% respectively compared to previous-done levels. Overall yields were slightly higher with the benchmark 7Y MGS 9/24 1bps higher at 3.87% whilst the 10Y MGS 11/27 was untraded. Expect some interest to switch to the 20Y MGS auction reopening today.

PDS/Sukuk

- Corporate Bonds saw momentum and interest returning with volume grinding to RM330m with the usual AAA and AA-rated papers in focus. There was also some interest in the A1-space with Golden Assets International (GAR) 8/18 and 8/19 closing 1-3 bps lower at 5.00% and 5.175% respectively compared to previous-done levels. RM35m worth of trades on TNB 8/37 were noted as it notched 1bps gain to end lower at 5.09%. In the banking arena, RHB Investment 27nc22 closed unchanged at 4.90% also on substantial volume. Expect interest in Corporate Bonds to improve in the coming weeks.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/18	2.766	2	2.848	28/12/2017	-8
MGS	09/18	2.708	28	2.742	29/12/2017	-3
MGS	03/19	3.024	10	3.070	29/12/2017	-5
MGS	03/20	3.261	3	3.210	02/01/2018	5
MGS	07/20	3.295	90	3.317	29/12/2017	-2
MGS	10/20	3.220	11	3.252	02/01/2018	-3
MGS	09/21	3.572	38	3.553	02/01/2018	2
MGS	11/21	3.467	19	3.454	02/01/2018	1
MGS	03/22	3.523	26	3.467	02/01/2018	6
MGS	08/22	3.655	24	3.674	02/01/2018	-2
MGS	09/22	3.393	88	3.694	02/01/2018	-30
MGS	03/23	3.736	2	3.746	29/12/2017	-1
MGS	08/23	3.799	20	3.799	29/12/2017	0
MGS	09/24	3.871	5	3.863	02/01/2018	1
MGS	04/26	4.082	3	4.125	28/12/2017	-4
MGS	11/26	4.075	3	4.075	28/12/2017	0
MGS	04/30	4.396	33	4.444	02/01/2018	-5
MGS	06/31	4.351	10	4.356	29/12/2017	0
MGS	04/32	4.441	5	4.451	29/12/2017	-1
MGS	04/33	4.387	82	4.391	29/12/2017	0
MGS	04/37	4.580	3	4.550	02/01/2018	3
MGS	09/43	4.833	8	4.833	18/12/2017	0
MGS	03/46	4.817	5	4.857	29/12/2017	-4
GII	11/18	3.172	20	3.229	29/12/2017	-6
GII	04/20	3.478	3	3.431	29/12/2017	5
GII	04/22	3.786	270	3.768	02/01/2018	2
GII	07/23	4.021	40	4.044	22/12/2017	-2
GII	08/24	4.079	60	4.071	02/01/2018	1
GII	07/27	4.162	112	4.149	02/01/2018	1
GII	06/33	4.655	90	4.651	02/01/2018	0
			<u>1113</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*
Aman Sukuk Berhad	05/19	AAA	4.053	5	4.054	29/12/2017	0	115
Al Dzahab Assets Berhad	09/19	AAA	4.550	20	4.550	24/10/2017	0	140
Manjung Island Energy Berhad	11/31	AAA	4.850	4	4.925	30/11/2017	-8	44
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.940	10	4.953	13/10/2017	-1	54
Tenaga Nasional Berhad	08/37	AAA	5.089	35	5.100	22/12/2017	-1	52
Celcom Networks Sdn Berhad [fka Celcom Transmission	08/22	AA+	4.718	2	4.737	22/12/2017	-2	119
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.393	5	4.371	16/11/2017	2	149
Bumitama Agri Ltd	03/19	AA3	4.449	14	4.454	29/11/2017	0	155
Bandar Serai Development Sdn Berhad (fka Temasek Ek	11/19	AA3	4.466	4	4.323	24/08/2017	14	132
RHB Investment Bank Berhad	10/27	AA3	4.901	100	4.900	09/10/2017	0	100
WCT Holdings Berhad	12/18	AA-	4.540	30	4.562	06/12/2017	-2	164
MMC Corporation Berhad	11/20	AA-	4.901	15	4.909	07/12/2017	-1	156
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/21	AA-	4.551	2	4.537	17/10/2017	1	112
Malakoff Power Berhad	12/21	AA-	4.550	1	4.551	07/12/2017	0	112
Jimah East Power Sdn Berhad	06/26	AA-	4.744	2	4.756	06/12/2017	-1	82
MMC Corporation Berhad	11/27	AA-	5.359	15	5.355	27/12/2017	0	145
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.208	2	5.200	18/12/2017	1	80
AMMB Holdings Berhad	03/27	A1	4.952	1	5.335	02/01/2018	-38	100
Golden Assets International Finance Limited	08/18	A1	5.001	10	5.027	11/12/2017	-3	210
Golden Assets International Finance Limited	08/19	A1	5.167	20	5.181	28/12/2017	-1	202
Mudajaya Corporation Berhad	01/19	A2	5.794	13	5.828	05/12/2017	-3	289
Mah Sing Perpetual Sukuk	-	-	6.598	20	6.384	21/12/2017	21	-
				<u>330</u>				

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

Market/Corporate News: What's Brewing

Asian shares scaled a 10-year high on Thursday as **solid economic data from the United States and Germany reinforced investors' optimism** while oil prices hovered at 2-1/2-year high with unrest in Iran stoking supply disruption concerns. MSCI's broadest index of Asia-Pacific shares outside Japan ticked up 0.1 percent, coming near its 2007 peak, with Australian shares hitting a decade high. Japan's Nikkei jumped 2.0 percent on its first trading day of the year while the broader Topix hit its highest level since 1991. "The economic data published over the holiday period has been pretty good. So for those who were worried about new year profit-taking, the market would look pretty strong," said Hirokazu Kabeya, chief global strategist at Daiwa Securities. The economic data published on Wednesday on both sides of the Atlantic reinforced investors' expectations that solid global growth will boost demand of goods including oil and lift corporate earnings. U.S. factory activity increased more than expected in December, boosted by a surge in new orders growth, in a further sign of strong economic momentum at the end of 2017. In Germany, Europe's economic power house, the unemployment rate hit a record low of 5.5 percent in December, underpinning a broad-based economic upswing. The world's stock markets hit a record high on Wednesday. On Wall Street, the three main stock indexes hit record closes, helped by a 1.5 percent rise in energy stocks. Oil prices hovered at 2 1/2-year highs as the anti-government protests in Iran that began last week rattled Tehran's clerical leadership and left 21 people dead so far, raising concerns about supply. U.S. West Texas Intermediate (WTI) crude futures traded at \$61.84 per barrel, having risen to as high as \$61.97 a barrel, their highest level since June 2015. Still, investors are expecting markets to be stable, with Cboe Volatility index, which measures implied price volatility of U.S. stocks in the next one month, closing at 9.15, just above record closing of 9.14 touched on Nov 3. In the past few months, the volatility index has been kept at one of the lowest levels since the global financial crisis in 2008. That is primarily because investors bet the U.S. Federal Reserve and the world's other major central banks will tighten monetary policy only gradually with few signs of inflation pressures building. The minutes of the Fed's last policy meeting on Dec. 12-13 released on Wednesday did little to change that perception. They showed policymakers saw President Donald Trump's tax cut plans as providing a boost to consumer spending but also uncertainty over the impact of fiscal stimulus on raising price pressures. The price of Fed funds rate futures fell a tad, with April contract pricing in about 75 percent chance of a rate hike by March, compared to around 60 percent at the end of last year. (Source: The Edge)

Optimistic about the year ahead despite a still slow property market, **real estate advisory firm Savills (Malaysia) Sdn Bhd yesterday unveiled its top four property picks of 2018**, including the Malaysian government's Tun Razak Exchange (TRX) project. Savills Malaysia managing director Datuk Paul Khong said TRX will emerge as the "most successful" commercial development in the country in 2018, followed by properties adjacent to the mass rail transit (MRT) system, logistics-related industrial properties, and retail properties. Khong said when the firm analysed the first-decade development progress of several renowned projects in Malaysia, it found TRX will have the fastest development pace when compared with Bangsar South, Kuala Lumpur City Centre, Mid Valley City and KL Sentral. "It had attracted international and domestic institutions in one central precinct, and many of them are not speculative, with the buyers occupying the building themselves," he said. On the 106-storey Signature Tower (Mulia Exchange 106) office building slated to be Malaysia's tallest skyscraper, Khong said Savills Malaysia has learnt that the project has an asking rental rate of about RM13 per sq ft per month, excluding incentives. "But [such information] are speculative; they (TRX master developer) haven't made any announcement. They keep it very close to their chest. There are also fiscal and financial incentives in TRX, which would be worth an equivalent of RM2 per sq ft," he said. "The Signature Tower captures the top end of the office market with double-digit rentals and may not affect the general grade A offices, with rentals of RM5 to RM8 per sq ft. It (the tower) covers a specific and high-end segment of the market, where tenant profiles may differ." Apart from the Signature Tower, reportedly with a total lettable area of three million sq ft, Khong said the oncoming office supply would result in rentals to be relatively flat in 2018. "It will be a strong tenants' market and landlords will be competing hard to fill their buildings." Khong also said the MRT system would "create a new property yardstick in 2018", with properties increasingly

assessed by their distances from MRT stations. “The MRT is providing a credible public transportation network that is long overdue in this city. This will [place the] focus [on] demand around [MRT] stations and reshape the pattern of property values in greater KL.” Meanwhile, Khong said logistics-related industrial properties are Savills Malaysia’s third pick for 2018 as this sector is driven by increasing e-commerce activities. Other than land adjacent to ports and airports, Khong said certain strategic urban locations would also be highly sought after to be tenants’ sub-distribution centres. “There will be some major acquisitions and development of logistics assets as e-commerce gathers pace, primarily with Alibaba’s move into greater KL to adopt it as its regional logistics hub.” Savills Malaysia deputy executive chairman Allan Soo added that the Malaysian retail scene represents a “huge” opportunity for additional foreign brands to establish their presence here. “Malaysia is likely to be the top destination for new retail brands expanding into Southeast Asia as there are less administrative procedures in Malaysia compared with other countries in this region such as Indonesia. “Malaysia provides the best ease-of-access and the most promising demographics. In 2017, we saw the entry of new-to-market names such as Max, a highly successful fashion brand from Dubai; HLA, a high street major from China; and LC Waikiki and De Facto from Turkey. Malaysia is attractive for many reasons, and for most retailers, it is easy, transparent and geographically strategic,” he said. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd's (Kesturi)	RM2.3 billion Sukuk Musharakah (Senior Sukuk) and RM180 million Redeemable Secured Junior Bonds (Junior Bonds)	AAA/Stable/P1	Affirmed
Maybank Investment Bank Berhad (Maybank IB)	Financial Institution Rating	AA3	Reaffirmed

Source: RAM Ratings; MARC

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