

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.11	8
5-yr UST	2.54	10
10-yr UST	2.80	10
30-yr UST	3.07	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	0	3.60	4
5-yr	3.61	3	3.90	0
7-yr	3.92	1	4.12	-1
10-yr	3.95	0	4.22	0
15-yr	4.43	2	4.60	6
20-yr	4.62	-2	4.78	0
30-yr	4.85	0	4.96	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.83	-1
5-yr	3.91	-2
7-yr	4.02	-2
10-yr	4.13	-2

Source: Bloomberg

#### Upcoming Government Bond Tenders

Nil

#### US Treasuries

- US Treasuries weakened as equities staged a strong recovery with the VIX dropping back below 30 following an earlier surge to 39. Yields spiked between 6-10bps across most tenures as the earlier bull-steepening reversed instead. The 2Y, which is sensitive to Fed policy interest rate expectations ended 8bps higher at 2.11% whilst the much-watched 10Y rose by 10bps to 2.80% despite strong BTC ratio of 3x in the \$26 auction of 3Y issuance averaging 2.28%. Upcoming data tomorrow is light with the release of Initial Jobless Claims for the week.

#### MGS/GII

- Local Govvies saw volume anchored around the RM2.0b level stripping out the auction of the new 7.5Y GII 8/25 with interest seen on the off-the-run 18-19's for both MGS and GII. Generally yields were higher between 0-3bps save for the 20Y MGS. The widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed almost unchanged at 3.92% and 3.95% respectively compared to previous-done levels. The auction for the new 7.5Y GII 8/25 was well-received largely by local end-investors with a solid BTC ratio of 2.284x; averaging 4.128%. Investors and market players may be cautious and possibly track developments in the US Treasuries and equities market for now. Upcoming data today are the external trade figures.

#### PDS/Sukuk

- Secondary market trades for Corporate Bonds was muted with total volume of only RM178m with interest mainly in the AAA and AA-space. RM50m nominal amount of TELEKOM 3/24 exchanged hands closing 1bps higher at 4.39% compared to previous-done levels whereas a slew of AA-rated EDRA Energy 2025-2031 bonds were traded a whopping 40bps lower from 4<sup>th</sup> January levels closing at 5.35-5.71% levels. Some odd-lot trades on banking papers i.e. UOB, HLB and PBFIN were seen possibly due to requirements by individual end-investors. Selective institutional investor interest for yields is expected to continue as the local bond and equities market stabilize.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/18	3.180	110	3.247	05/02/2018	-7
MGS 09/18	3.205	123	3.129	05/02/2018	8
MGS 03/19	3.132	302	3.197	05/02/2018	-6
MGS 10/19	3.279	155	3.202	05/02/2018	8
MGS 11/19	3.341	97	3.341	05/02/2018	0
MGS 03/20	3.393	14	3.378	05/02/2018	1
MGS 10/20	3.402	46	3.402	05/02/2018	0
MGS 07/21	3.480	5	3.475	05/02/2018	0
MGS 09/21	3.621	8	3.600	05/02/2018	2
MGS 11/21	3.492	1	3.478	05/02/2018	1
MGS 03/22	3.610	36	3.577	05/02/2018	3
MGS 08/22	3.807	51	3.745	02/02/2018	6
MGS 09/22	3.794	14	3.723	05/02/2018	7
MGS 03/23	3.806	2	3.795	05/02/2018	1
MGS 08/23	3.840	48	3.842	02/02/2018	0
MGS 07/24	3.888	1	3.862	05/02/2018	3
MGS 09/24	3.924	90	3.919	05/02/2018	0
MGS 09/25	3.993	63	3.981	05/02/2018	1
MGS 04/26	4.101	4	4.116	02/02/2018	-1
MGS 11/26	4.049	1	4.070	05/02/2018	-2
MGS 11/27	3.948	102	3.948	05/02/2018	0
MGS 04/30	4.412	4	4.403	05/02/2018	1
MGS 06/31	4.492	20	4.482	05/02/2018	1
MGS 04/33	4.427	47	4.380	05/02/2018	5
MGS 05/35	4.578	5	4.578	05/02/2018	0
MGS 04/37	4.619	55	4.635	05/02/2018	-2
MGS 09/43	4.806	1	4.819	02/02/2018	-1
GII 05/18	3.279	212	3.293	05/02/2018	-1
GII 08/18	3.290	70	3.222	26/01/2018	7
GII 04/20	3.599	83	3.560	05/02/2018	4
GII 05/20	3.737	40	3.518	17/10/2017	22
GII 04/22	3.900	225	3.905	05/02/2018	0
GII 07/22	4.032	10	3.996	29/01/2018	4
GII 08/24	4.133	22	4.080	30/01/2018	5
GII 10/25	4.201	10	4.204	23/01/2018	0
GII 06/33	4.595	10	4.532	29/01/2018	6
GII 10/35	4.777	20	4.773	23/01/2018	0
GII 08/25	4.119	701	-	-	-
		<u>2807</u>			

## Daily Trades: PDS / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	4.049	5	4.069	24/11/2017	-2	55
Telekom Malaysia Berhad	03/24	AAA	4.387	50	4.373	08/01/2018	1	58
Impian Ekspresi Sdn Berhad	11/20	AAA	4.717	10	4.721	02/02/2018	0	132
GB Services Berhad	11/19	AAA	4.478	2	4.474	20/12/2017	0	117
UniTapah Sdn Berhad	06/19	AA1	4.175	5	4.545	11/05/2016	-37	96
YTL Corporation Berhad	06/19	AA1	4.329	10	4.319	29/11/2017	1	111
Sabah Credit Corporation	05/22	AA1	4.668	5	4.657	15/01/2018	1	117
United Overseas Bank (Malaysia) Berhad	05/25	AA1	5.200	1	4.495	21/12/2017	71	128
TRiplc Medical Sdn Berhad	10/26	AA1	4.821	5	4.898	31/10/2017	-8	84
YTL Power International Berhad	05/27	AA1	4.920	2	4.900	05/02/2018	2	94
TRiplc Medical Sdn Berhad	10/27	AA1	4.900	10	4.862	22/01/2018	4	95
F&N Capital Sdn Berhad	10/18	AA1	4.014	10	4.299	10/02/2016	-29	79
TRiplc Medical Sdn Berhad	10/29	AA1	4.988	5	5.031	29/11/2017	-4	104
Hong Leong Bank Berhad	09/39	AA2	5.045	1	4.616	17/10/2017	43	43
PBFIN Berhad	06/59	AA2	5.000	1	4.948	05/02/2018	5	38
BGSM Management Sdn Berhad	12/18	AA3	4.148	2	4.122	24/01/2018	3	93
Edra Energy Sdn Berhad	01/25	AA3	5.349	5	5.790	04/01/2018	-44	142
Edra Energy Sdn Berhad	07/25	AA3	5.380	10	5.820	04/01/2018	-44	146
RHB Bank Berhad	09/27	AA3	4.816	10	4.861	23/11/2017	-4	87
Edra Energy Sdn Berhad	07/30	AA3	5.680	5	6.090	04/01/2018	-41	173
Edra Energy Sdn Berhad	01/31	AA3	5.710	5	6.150	04/01/2018	-44	129
MMC Corporation Berhad	11/27	AA-	5.359	15	5.336	18/01/2018	2	141
KT Kira Sertifikalari Varlik Kiralama A.S.	07/20	AA3	5.487	5	5.490	12/01/2018	0	218
				<u>178</u>				

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

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

**Malaysia is expected to spend RM17.57 billion on technology in 2018**, with 50% going into telecommunications, said International Data Corporation (IDC). "By 2021, at least 20% of Malaysia's gross domestic product (GDP) will be digitised," said Pranabesh Nath (pic), research director of IDC Malaysia. At the IDC Malaysia Futurescapes conference yesterday, he said local enterprise spending on cloud services and cloud-enabled hardware, software and services will reach US\$621 million by 2021. At least 10% of Malaysian enterprises will use blockchain services as a foundation for digital trusts at scale by 2021, the research firm said. "We expect 20% of banks, 10% of [the] supply chain and 5% of healthcare organisations will use blockchain networks in production by 2020," IDC added as it announced several top predictions in the tech space that will impact organisations in 2018 and beyond. IDC said 2021 is set to see the use of hyper-agile architecture in applications, human-digital interfaces for field-service technicians and info-workers, a greater use of artificial intelligence services, and higher generation of revenue from data-as-a-service. Improvements in low or zero-code development tools would dramatically up the number of non-tech developers in Malaysia over the next three years, the research firm predicted. An IDC C-Suite survey showed two out of three Malaysian organisations are either planning or actively implementing their digital transformation strategies and related projects. Malaysian firms have seen a maturity in adoption of digital transformation for the past year, with the initial-stage, ad hoc usage of technology falling to 40.2% in 2017 from over 80% in 2015 and 2016. But Sudev Bangah, managing director of IDC Asean, said local players remain slow and tend to "idle a bit too much", compared to peers such as Indonesia. Nath, meanwhile, noted that 67% of local organisations still use lagging indicators to measure their digital transformation success. The lack of executive commitment and limited organisation capabilities contributes to a lack of digital mindsets in Malaysia, he said. Bangah added: "The scary part is also that of the US\$100 billion (RM392 billion) spent on information communications technology across Asean sans Singapore, 82% of that is going into hardware spending." He recommended that both providers and corporations move away from focusing on technology and look instead into solutions. Meanwhile, Nath noted that organisations that are slow to adopt a digital-native operating model will compete for an ever-smaller slice of the global economy. This comes on the back of IDC's prediction that 40% of revenue for organisations in Asia-Pacific excluding Japan will come from digital offerings. ( Source: The Star )

**Saudi Arabian Oil Co. and Malaysia's state-owned oil firm are close to raising an \$8 billion loan to partly finance the construction of a planned refinery and a petrochemical complex** in the Southeast Asian nation, people familiar with the matter said. The Middle Eastern oil giant, known as Aramco, and Petroliam Nasional Bhd. could sign the loan agreement as early as next month, said the people, asking not to be identified as the information is private. BNP Paribas SA and HSBC Holdings Plc and Bank of Tokyo-Mitsubishi UFJ Ltd. are among lenders that have agreed to provide financing, the people said. The complex is part of a \$27 billion project known as Refinery and Petrochemicals Integrated Development, or RAPID, in Malaysia's southern state of Johor that's due to come on stream in 2019. Aramco agreed to invest \$7 billion for half of the oil refinery and petrochemical plant last February as it seeks to defend its status as the world's biggest exporter and fend off rivals in Asia, the biggest market for its crude. Aramco said it doesn't comment on ongoing business plans and transactions, while Petronas didn't immediately respond to requests for comment. For Aramco, the deal is part of its long-standing strategy of investing in refining to help lock in demand for its crude. The Saudi firm is battling for global market share amid competition from U.S. shale oil producers, Russia and even fellow members of the Organization of Petroleum Exporting Countries as it prepares for what could be one of the world's largest initial public offerings. (Source: The Edge)

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
UEM Group Berhad (UEM or the Group)	IMTN Programme of up to RM2.2 billion (2012/2042)	AA2/stable	Reaffirmed

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

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