

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.23	-1
5-yr UST	2.63	-1
10-yr UST	2.87	-2
30-yr UST	3.14	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.58	4
5-yr	3.56	-3	3.84	-1
7-yr	3.87	-2	4.05	0
10-yr	4.00	0	4.20	0
15-yr	4.43	-1	4.57	-1
20-yr	4.56	1	4.76	-1
30-yr	4.76	0	4.91	-5

*Market indicativ

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.83	0
5-yr	3.91	1
7-yr	4.03	1
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tenders

Reopening of 30Y benchmark GII 5/47 (RM1.5b + RM0.5b Private Placement) on 8th March

US Treasuries

- US Treasuries were generally range-bound with yields slightly lower by 1-2bps across the curve. The curve flattened whilst market participants were keenly awaiting the pricing of massive IG issuance of pharma giant, CVS Health Corp's \$40b debt. The front end 2Y (which is sensitive to Fed policy interest rate expectations) was 1bps lower at 2.23% whilst the much-watched 10Y fell 2bps to 2.87%. Meanwhile investors and traders are watching the elevated attractive levels of the shorter-dated UST's whilst US President Trump may be expected to relax his stand and allow for changes on tariffs.

MGS/GII

- Local Govvies saw strong interest seen with secondary market volume spiking to RM3.63b. Interest was mainly seen sporadically across tenures in benchmarks 7Y, 10Y and some off-the-run 18's, 20's and 21's. Overall yields were generally 0-3bps lower with the benchmark 7Y MGS 9/24 dipping 2bps lower to 3.87% whereas the widely-watched 10Y MGS 11/27 was unchanged at 4.00%. We expect sustained interest by both foreign and local investors in view of attractive pick-up in yields for EM debt over UST's and sound economic fundamentals for Malaysia with stable ringgit. Up next is OPR decision by BNM today which is expected to remain unchanged.

Corp Bonds/Sukuk

- Secondary market volume for Corporate Bonds improved to RM466m with interest seen yet again across the yield curve. Long-tenured Govt-Guaranteed DANA 4/40 and 5/47 closed 0-8 bps higher compared to previous-done levels at 5.11% and 5.25% respectively. In the AAA-space DANGA 1/30 saw RM100m trade hands closing unchanged at 4.80% whereas RANTAU 8/19 yield moved higher at 4.03%. The AA-space was equally vibrant infra cum power related bonds i.e. JEV 18's, BGSM 22-23 and a slew of SOUTHERN POWER 26 and 31 generally rallying to close lower; yield-wise. Recently-issued TADAU ENERGY made its debut trade closing at 5.31%; closing a whopping 19bps lower compared to the coupon of 5.50%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.156	22	3.104	02/03/2018	5
MGS	03/19	3.104	28	3.079	05/03/2018	2
MGS	10/19	3.243	5	3.244	05/03/2018	0
MGS	11/19	3.294	3	3.322	05/03/2018	-3
MGS	03/20	3.360	61	3.385	05/03/2018	-2
MGS	10/20	3.354	221	3.412	05/03/2018	-6
MGS	07/21	3.387	3	3.396	05/03/2018	-1
MGS	09/21	3.550	40	3.574	05/03/2018	-2
MGS	11/21	3.395	332	3.418	05/03/2018	-2
MGS	03/22	3.558	534	3.590	05/03/2018	-3
MGS	08/22	3.720	71	3.723	05/03/2018	0
MGS	09/22	3.722	21	3.727	02/03/2018	0
MGS	03/23	3.789	2	3.782	05/03/2018	1
MGS	08/23	3.800	1	3.841	05/03/2018	-4
MGS	07/24	3.849	301	3.888	05/03/2018	-4
MGS	09/24	3.866	53	3.876	05/03/2018	-1
MGS	09/25	4.001	13	4.000	05/03/2018	0
MGS	04/26	4.048	1	4.049	05/03/2018	0
MGS	11/26	4.099	85	4.085	05/03/2018	1
MGS	11/27	3.999	451	4.011	05/03/2018	-1
MGS	06/28	4.014	50	4.026	02/03/2018	-1
MGS	04/30	4.440	1	4.442	01/03/2018	0
MGS	04/33	4.429	100	4.444	02/03/2018	-1
MGS	04/37	4.556	49	4.576	05/03/2018	-2
MGS	03/46	4.762	21	4.775	02/03/2018	-1
GII	05/18	3.250	320	3.298	05/03/2018	-5
GII	08/18	3.129	170	3.200	28/02/2018	-7
GII	08/18	3.129	170	3.171	02/03/2018	-4
GII	04/20	3.583	20	3.547	02/03/2018	4
GII	08/20	3.628	55	3.641	08/02/2018	-1
GII	03/21	3.786	20	3.784	13/02/2018	0
GII	04/22	3.844	120	3.849	05/03/2018	-1
GII	05/24	4.130	5	4.148	28/02/2018	-2
GII	08/24	4.125	10	4.116	02/03/2018	1
GII	08/25	4.049	60	4.054	05/03/2018	0
GII	07/27	4.196	24	4.193	02/03/2018	0
GII	09/30	4.603	10	4.590	29/01/2018	1
GII	06/33	4.568	1	4.579	02/03/2018	-1
GII	08/37	4.762	170	4.776	24/01/2018	-1
GII	05/47	4.911	1	4.960	08/02/2018	-5
			<u>3625</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Danainfra Nasional Berhad	04/40	GG	5.110	10	5.030	02/01/2018	8	51
Danainfra Nasional Berhad	07/44	GG	5.245	60	5.243	06/12/2017	0	65
Cagamas Berhad	03/18	AAA	3.700	20	3.546	15/01/2018	15	51
Projek Lebuhraya Usahasama Berhad	01/19	AAA	4.001	15	4.009	12/02/2018	-1	81
Rantau Abang Capital Berhad	08/19	AAA	4.030	60	4.015	28/02/2018	2	84
GENM Capital Berhad	08/25	AAA	4.840	4	4.839	28/02/2018	0	95
Danga Capital Berhad	01/30	AAA	4.802	100	4.798	28/12/2017	0	80
HSBC Amanah Malaysia Berhad	03/20	AAA	4.172	2	4.175	16/01/2018	0	85
West Coast Expressway Sdn Berhad	08/32	AAA	4.990	10	5.049	30/11/2017	-6	54
Malaysia Building Society Berhad	12/19	AA1	4.505	10	4.512	27/02/2018	-1	118
Unitapah Sdn Berhad	12/22	AA1	4.450	10	4.539	25/04/2017	-9	86
Hong Leong Financial Group Berhad	11/18	AA	4.269	7	4.292	11/01/2018	-2	107
CIMB Group Holdings Berhad	11/27	AA	4.800	4	4.911	06/12/2017	-11	80
Jimah Energy Ventures Sdn Berhad	11/18	AA3	4.110	20	4.410	07/03/2017	-30	92
Jimah Energy Ventures Sdn Berhad	11/18	AA3	4.120	10	4.072	08/11/2017	5	93
BGSM Management Sdn Berhad	12/22	AA3	4.600	20	4.609	05/03/2018	-1	101
BGSM Management Sdn Berhad	12/23	AA3	4.660	10	4.662	02/03/2018	0	86
RHB Islamic Bank Berhad	05/24	AA3	4.420	2	4.536	20/12/2017	-12	62
Hong Leong Assurance Berhad	02/25	AA3	4.749	4	4.741	12/01/2018	1	86
RHB Bank Berhad	05/25	AA3	4.640	2	4.669	07/11/2017	-3	75
Tadau Energy Sdn Berhad	07/26	AA3	5.310	10	-	-	-	-
RHB Islamic Bank Berhad	04/27	AA3	4.720	2	4.732	16/01/2018	-1	73
CIMB Group Holdings Berhad	04/60	AA3	4.760	30	5.648	05/03/2018	-89	16
Kimanis Power Sdn Berhad	06/20	AA-	4.350	10	4.549	07/08/2014	-20	103
Southern Power Generation Sdn Berhad	04/26	AA-	4.810	10	4.809	22/02/2018	0	85
Southern Power Generation Sdn Berhad	10/31	AA-	5.130	10	5.149	07/02/2018	-2	68
AMMB Holdings Berhad	03/27	A1	5.070	1	4.923	27/02/2018	15	108
AmBank (M) Berhad	08/39	A1	4.650	12	4.659	07/02/2018	-1	5
Alliance Bank Malaysia Berhad	10/25	A2	4.920	1	4.697	02/03/2018	22	96
			<u>466</u>					

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

Market/Corporate News: What's Brewing

US stock futures and the dollar slumped on Wednesday after a key advocate for free trade in the White House announced his resignation, fanning fears President Donald Trump would go ahead with tariffs and risk a trade war. White House economic adviser Gary Cohn, seen as a bulwark against protectionist forces within the Trump administration, said on Tuesday he was leaving. S&P 500 futures dropped more than one percent in early Wednesday trade. In the currency market, the dollar fell as much as 0.6 percent against the yen to 105.48 yen, near its 16-month low of 105.24 touched on Friday. Against the Swiss franc, the dollar also shed 0.4 percent to 0.9365 franc, while the euro ticked 0.15 percent to \$1.2422. "The worst outcome for financial markets, in terms of potential to create volatility, would be a confirmation of rising trade friction and benign neglect of the dollar in the short term," said analysts at ANZ. The Canadian dollar and the Mexican peso tumbled as Cohn's departure was seen as raising risks Washington could walk out of NAFTA. The Canadian dollar fell 0.4 percent to C\$1.2920 per dollar while the Mexican peso dropped 0.6 percent to 18.85 to the dollar. Cohn's resignation poured cold water on a recovery in risk appetite following news on Tuesday that South Korea would hold its first summit with the North in more than a decade. (Source: Reuters, The Edge)

Developer LBS Bina Group Bhd ropes in NWP Holdings Bhd with the later stating that it would jointly undertake redevelopment of the Zhuhai International Circuit (ZIC) in China with. The stock hit an intraday high of 23 sen before paring some gains to close at a seven-month high of 18.5 sen, up 5.5 sen or 42.31% from Monday's close of 13 sen. It saw 98.68 million shares change hands, making it the second top active stock on Bursa Malaysia. However, NWP's share price has fallen by 10% over the past year. LBS told The Edge Financial Daily that it could have chosen any other listed company, but settled on NWP due to the timber group's strong financials. "It could have been any other listed company which may have fitted into our planning. NWP was picked as it is a small company and has zero bank borrowings, and thus fits into LBS' plan to raise funds for the project," it said in an email response. "With this, we will not burden LBS shareholders for the funding while still maintaining control of ZIC," LBS said. Asked when the works for the project will commence, LBS said it will need time to complete the exercise and properly plan the development to maximise returns. LBS on Monday signed a heads of agreement with NWP to jointly develop the ZIC project, which will see the former subscribe to 1.1 billion NWP shares, representing a 73.7% stake, for RM93.5 million or 8.5 sen per share to partly fund the development. The ZIC is a joint venture between LBS (60%) and China's state-owned Zhuhai Jiuzhou Holdings Group Co Ltd (40%). Public Investment Bank research head Ching Weng Jin said the announcement was a significant step towards unlocking the value of ZIC, deeming the move a smart one by LBS in shifting the funding requirements to NWP while still maintaining economic interests over the project. Ching said the redevelopment of ZIC would have been a strain on LBS' financial resources considering the huge estimated total investment of US\$526 million (RM2.1 billion), with the group possibly having to fork out about US\$315.6 million for its 60% stake. "With NWP roped in, direct financial responsibilities will now be passed on to another entity without burdening the existing shareholders of LBS who will still be able to benefit from the project through a profit-sharing arrangement on a consolidated basis via the 74% stake in NWP in which LBS will have full management control over," he said in a report yesterday. He said it is possible for LBS to pare down its 60% stake in ZIC, but not until some value has been crystallised. "If this materialises, it could trigger another round of special dividends and provide ammunition to LBS for further land-banking activities in Malaysia," said CIMB Investment Bank Bhd analyst Ngo Siew Teng in a report, pointing out the special dividend paid out in 2013 following the disposal of two items in Zhuhai. To recap, LBS signed a memorandum of understanding with Jiuzhou Holdings in September 2015 for the proposed upgrading of ZIC, which was approved by the Development and Reform Bureau of Gaoxin District in November 2017. Under the approval, the ZIC will be divided into two plots, namely West Land — which will contain the China-Malaysia Cultural Centre, racing circuit amenities, a theme park, commercial area and tourist visiting tower — and East Land — which will encompass the Malaysia Cultural Village, business area, hotel block and shopping arcade.. (Source: The Edge)

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

Source: RAM Ratings; MARC

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