

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.25	0
5-yr UST	2.65	0
10-yr UST	2.88	0
30-yr UST	3.15	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.59	1
5-yr	3.58	2	3.82	-2
7-yr	3.87	0	4.02	-3
10-yr	3.98	-2	4.15	-5
15-yr	4.42	-1	4.56	-1
20-yr	4.55	-1	4.76	0
30-yr	4.76	0	4.91	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.81	-2
5-yr	3.89	-2
7-yr	4.03	1
10-yr	4.14	-2

Source: Bloomberg

#### Upcoming Government Bond Tenders

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

#### US Treasuries

- US Treasuries ended yesterday largely unchanged across the curve. The curve steepened; unwinding flattening move the previous day 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 anchored at 2.25% whilst the much-watched 10Y closed at 2.88%. Meanwhile investors and traders are mulling the divergence in dividend yield on the S&P 500 (1.8%) versus the 10Y UST (~100bps more) from an asset allocation perspective that makes bonds a legitimate competition to stocks.

#### MGS/GII

- Local Govvies continued to see strong interest with secondary market volume spiking to RM5.03b. Investors were eager on trading in benchmarks across most tenures along with off-the-run 19's. Overall yields were generally 0-2bps lower with the 7Y MGS 9/24 unchanged at 3.87% whereas the widely-watched 10Y MGS 11/27 rallied to close 2bps lower at 3.98%. In a widely-anticipated move, BNM stayed pat at the MPC meeting with OPR at 3.25% as the degree of monetary accommodation was consistent with the policy stance to ensure domestic economy continues on a steady growth path amid lower inflation. Meanwhile foreign holdings in local govvies saw a dip of RM3.7bn in February to RM183.9b; the 1<sup>st</sup> such decline in 4 months.

#### Corp Bonds/Sukuk

- Secondary market volume for Corporate Bonds improved to RM554m with interest seen along GG-AA part of the curve. There was a slew of Govt-Guaranteed bonds traded. The long-tenured DANA 32-34's saw RM150m traded 1-5bps higher; closing between 4.85-86% levels compared to previous-done levels. In the AAA-space the shorter-tenured and more liquid RANTAU 8/19, DANGA 4/20 and MANJUNG 11/20 closed mixed at 4.02%, 4.14% and 4.20% respectively. The AA-space was less dominant on trades; forming only 20% of total trades with bank papers i.e. Sabah Development 9/20 and RHB Islamic 27nc22 taking the limelight closing unchanged to lower at 4.75% and 4.72% respectively.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	2.925	65	3.031	06/03/2018	-11
MGS	07/19	3.241	360	3.277	06/03/2018	-4
MGS	10/19	3.255	399	3.225	06/03/2018	3
MGS	11/19	3.294	41	3.294	06/03/2018	0
MGS	03/20	3.365	14	3.360	06/03/2018	1
MGS	10/20	3.351	17	3.334	06/03/2018	2
MGS	07/21	3.427	5	3.428	06/03/2018	0
MGS	09/21	3.536	51	3.553	06/03/2018	-2
MGS	03/22	3.577	269	3.567	06/03/2018	1
MGS	08/22	3.726	29	3.720	06/03/2018	1
MGS	03/23	3.778	9	3.789	06/03/2018	-1
MGS	08/23	3.785	31	3.800	06/03/2018	-1
MGS	07/24	3.894	17	3.849	06/03/2018	4
MGS	09/24	3.867	355	3.876	06/03/2018	-1
MGS	09/25	3.955	5	4.002	06/03/2018	-5
MGS	04/26	4.041	26	4.048	06/03/2018	-1
MGS	11/26	4.012	78	4.050	06/03/2018	-4
MGS	11/27	3.980	485	4.005	06/03/2018	-2
MGS	06/28	3.996	330	4.015	06/03/2018	-2
MGS	06/31	4.412	27	4.432	05/03/2018	-2
MGS	04/33	4.420	231	4.449	06/03/2018	-3
MGS	04/37	4.549	21	4.549	05/03/2018	0
MGS	03/46	4.762	10	4.762	06/03/2018	0
GII	04/19	3.322	450	3.468	21/02/2018	-15
GII	04/20	3.594	63	3.583	06/03/2018	1
GII	05/20	3.632	40	3.737	06/02/2018	-11
GII	08/20	3.628	10	3.628	06/03/2018	0
GII	04/22	3.821	791	3.844	06/03/2018	-2
GII	07/23	3.980	104	4.001	01/03/2018	-2
GII	05/24	4.111	10	4.130	06/03/2018	-2
GII	08/24	4.107	40	4.125	06/03/2018	-2
GII	08/25	4.019	330	4.049	06/03/2018	-3
GII	09/26	4.236	2	4.274	06/03/2018	-4
GII	07/27	4.150	220	4.181	06/03/2018	-3
GII	06/33	4.558	40	4.579	02/03/2018	-2
GII	08/37	4.759	50	4.762	06/03/2018	0
			<u>5025</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/21	GG	3.986	10	4.007	22/02/2018	-2	59
Malaysia Debt Ventures Berhad	01/22	GG	4.108	20	4.069	18/07/2017	4	61
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.320	25	4.329	05/03/2018	-1	53
DanaInfra Nasional Berhad	07/24	GG	4.342	20	4.283	20/09/2017	6	55
Turus Pesawat Sdn Berhad	02/25	GG	4.398	20	-	-	-	-
Prasarana Berhad	07/25	GG	4.390	10	-	-	-	-
Pengurusan Air SPV Berhad	09/25	GG	4.407	20	4.379	25/10/2017	3	47
DanaInfra Nasional Berhad	03/32	GG	4.849	40	4.802	18/01/2018	5	43
DanaInfra Nasional Berhad	05/32	GG	4.859	90	4.849	27/02/2018	1	44
Cagamas Berhad	08/18	AAA	3.769	80	0.000	-	-	-
Rantau Abang Capital Berhad	08/19	AAA	4.016	20	4.030	06/03/2018	-1	82
Danga Capital Berhad	04/20	AAA	4.144	40	4.118	19/02/2018	3	83
Cagamas Berhad	10/20	AAA	4.072	10	4.092	01/03/2018	-2	68
Manjung Island Energy Berhad	11/20	AAA	4.201	5	4.196	01/03/2018	0	81
Sarawak Hidro Sdn Berhad	08/21	AAA	4.342	10	4.293	24/01/2018	5	95
Danga Capital Berhad	01/33	AAA	4.909	10	4.929	27/02/2018	-2	49
YTL Power International Berhad	08/18	AA1	4.148	5	4.979	27/02/2018	-83	95
Sabah Development Bank Berhad	09/20	AA1	4.749	20	5.064	30/11/2017	-32	143
TRIpIc Medical Sdn Berhad	10/26	AA1	4.839	10	4.839	27/02/2018	0	86
Sarawak Energy Berhad	12/32	AA1	5.245	20	5.249	02/03/2018	0	82
UMW Holdings Berhad	06/20	AA2	4.506	4	4.496	12/02/2018	1	119
RHB Islamic Bank Berhad	04/27	AA3	4.717	20	4.720	06/03/2018	0	74
Southern Power Generation Sdn Berhad	10/22	AA-	4.601	5	4.620	05/03/2018	-2	102
Jimah East Power Sdn Berhad	06/25	AA-	4.709	10	4.708	28/02/2018	0	84
SAJ Capital Sdn Berhad	01/29	AA-	5.487	10	5.493	21/02/2018	-1	150
Putrajaya Holdings Sdn Berhad	09/20	AAA	4.119	10	4.137	16/10/2017	-2	72
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.554	10	4.540	21/02/2018	1	62
				<u>554</u>				

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

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

**The Ministry of Finance (MoF) has taken control of The Exchange 106 skyscraper at the Tun Razak Exchange (TRX) here, after buying a 51% stake in Mulia Property Development Sdn Bhd, which is developing the 3.42-acre TRX land.** This confirmed a report by The Edge Malaysia weekly in its Jan 8 issue that MoF, via MKD Signature Sdn Bhd, had acquired the 51% stake in Mulia Property from Indonesia's Mulia International Ltd, a unit of Indonesia's Mulia Group. According to the weekly, a Companies Commission of Malaysia (SSM) filing on MKD Signature had revealed it is an RM2 company. Its directors are Rashidah Mohd Sies, Datuk Asri Hamidin@Hamidon and Datuk Sri Mohmad Isa Hussain — all officers of the MoF. Rashidah is a deputy secretary (commercial sector) at the government investment companies (GIC) division and Asri is the secretary of the division, while Mohmad Isa is the deputy secretary general (investment). In its written parliamentary reply to PKR's Pandan member of Parliament, Rafizi Ramli, dated March 6, MoF said MKD Signature and its parent Sentuhan Budiman Sdn Bhd were incorporated as special purpose vehicles (SPVs) to conduct the ministry's various strategic investments. "Also, objectives to incorporate these companies were to help MoF undertake its function more effectively and efficiently, as well as to ensure government involvement in various high-impact development are completed within the stipulated time frame," it added. MoF also said government involvement in The Exchange 106 project is important to order to ensure its development is done faster and smoother. "Therefore, a SPV (MKD Signature) has been incorporated to take over the 51% shareholding in Mulia Property at the original price, to jointly develop The Exchange 106," the ministry said. However, it did not disclose the amount paid for the controlling stake. Rafizi had asked the ministry to state the total amount that has been paid and will be paid by the government, as well as the payment schedule, through any of its agencies or subsidiaries for the purchase of the 51% stake in Mulia Property. He also wanted MoF to verify whether MKD Signature and Sentuhan Budiman are companies owned by the government, through one of the government ministries or agencies. However, MoF merely listed the advantages of The Exchange 106, that is, its strategic location, its ability to attract both foreign and local investors, and it becoming a central and functional part of the TRX, which is slated to be Malaysia's biggest financial centre. "Once completed, The Exchange 106 will be the third iconic structure in Malaysia, along with the Petronas Twin Tower and Permodalan Nasional Bhd's Merdeka 118. It will also be the tallest building in Malaysia and the 15th tallest in the world, at a height of 492m," MoF said. At a press conference today, Rafizi said two documents lodged by Mulia Property with the SSM on Sept 15 last year, showed that MoF, via MKD Signature, had injected at least RM2 billion through a debt facility from HSBC Bank Malaysia Bhd for the stake acquisition. Another document showed Mulia Property had charged all its properties and assets for the same RM2 billion loan from MKD Signature. "1MDB (1Malaysia Development Bhd) had bought these lands at a discounted price from the government, raised debt to develop it, of which the money is now lost (and) then sold (the land) to Mulia Group in its restructuring. And now the government is buying it back by raising new debt from HSBC Bank," Rafizi said. "Injection of the RM2 billion fund via bank borrowings by using the government's interest in the project as collateral, means that 1MDB continues to raise debt that is borne by Malaysians. This is opposed to Prime Minister Datuk Seri Najib Razak's promises and 1MDB's statements, whereby it said its debt can be settled without dragging Malaysians in," Rafizi added. . ( Source: The Edge )

**Sarawak will assume full regulatory authority over the upstream and downstream operations and activities of the oil and gas (O&G) industry by July this year.** Chief Minister Datuk Patinggi Abang Johari Tun Openg said all companies or persons involved in the O&G industry must henceforth have the necessary licences, leases and approvals required either under the Sarawak Oil Mining Ordinance 1958 or Sarawak Gas Distribution Ordinance 2016. "In other words, their operations and activities are required to comply with all state laws, including those related to the use and occupation of land," he added when launching state-owned Petroleum Sarawak Bhd (Petros) here on Tuesday night. However, Abang Johari said the enforcement of state laws would not jeopardise the interests or investments of national oil company Petroliam Nasional Bhd (Petronas) and other companies already involved in the state's O&G industry. Sarawak has got back control over the exploitation of O&G resources, one of the key issues and part of the ongoing broader talks on the devolution of power between

the state and federal governments. He said Prime Minister Datuk Seri Najib Tun Razak agreed to return to Sarawak power that had been inadvertently eroded over the years. "Sarawak has the constitutional rights to issue prospecting licences and mining leases under Item 2(c) of the State List in the Federal Constitution's Ninth Schedule." "The federal government's rights to develop mineral resources under Item 8(j) of the Federal List in the Ninth Schedule is subject to Item 2(c) of the State List." According to Abang Johari, the Sarawak Oil Mining Ordinance 1958 was never repealed by emergency laws when the 1969 Proclamation of Emergency was in force and annulled in 2011. He said the state cabinet had approved a bill to amend the Sarawak Oil Mining Ordinance 1958 to update the provisions and provide for better enforcement in the next session of the state legislative assembly in July. The Gas Distribution Ordinance 2016 will come into force on July 1 this year. Meanwhile, Abang Johari said Petros would spearhead Sarawak's participation in the strategic O&G industry to boost state development. Petros will be granted the rights to mine O&G in the state. He also announced the appointment of Saau Kakok, a Bidayuh, with 40 years experience in the O&G industry, as Petros' chief executive officer. "Petros is fortunate to gain from Kakok's experience, talent and vision. I am confident that Kakok is the right person to lead Petros into the future," Abang Johari said. It was earlier reported that some 40 candidates were eyeing for the Petros CEO post. Kakok, 64, joined New York City-based exploration and production company Hess Corp as vice-president of global new business development in 2011. He has served as a director in Hess Malaysia and Thailand Ltd, Hess Oil & Gas Sdn Bhd and Hess (Indonesia-South Sesulu) Ltd. Kakok was Shell EP International Ltd's vice-president from 2007 to 2009. Petros chairman Tan Sri Hamid Bugo said Kakok would take up his appointment next month. Bugo said Petros planned to have all essential staff recruited and to commence operations by the end of the year.. ( Source: The Star )

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

Source: RAM Ratings; MARC

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