

**Global Markets Research**  
**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.96	0
5-yr UST	2.29	0
10-yr UST	2.48	0
30-yr UST	2.81	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.34	0	3.46	0
5-yr	3.50	0	3.78	2
7-yr	3.82	-1	4.03	-1
10-yr	3.84	2	4.12	-1
15-yr	4.37	0	4.63	-6
20-yr	4.58	1	4.76	-1
30-yr	4.82	0	4.98	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.75	1
5-yr	3.83	0
7-yr	3.93	1
10-yr	4.05	0

Source : Bloomberg

**Upcoming Government Bond Tenders**

Nil

**US Treasuries**

- US Treasuries were largely unchanged yesterday and within 1bps of last Friday's close as markets await further issuances of 3Y-30Y supplies. The 2Y UST which is sensitive to Fed Policy interest rate expectations closed unchanged at 1.96% whilst the much-watched 10Y inflation gauge remained at 2.48%; somewhat unchanged from a year ago despite the Fed having raised interest rates three times. Data is light and second tier the next two days until the release of PPI, initial jobless claims on Thursday followed by retail sales and CPI on Friday.

**MGS/GII**

- Local Govvies saw total volume ease to RM3.77b with yields somewhat mixed across most tenures. Interest was scattered across the curve with short-end MGS 18-19's continuing to attract attention along with some off-the-run 24's and 25's. GII trades were plentiful with RM571m notched on the 10Y benchmark GII 7/27 which closed 1bps lower at 4.13%. The much-watched benchmark 7Y MGS 9/24 and MGS 11/27 saw mixed fortunes closing 3.82% and 3.84% respectively. Expect buying interest to continue cautiously on optimism of a stronger Ringgit going forward.

**PDS/Sukuk**

- Corporate Bonds saw volume tank to RM301m due to absence of substantial EDRA Power trades notched the previous day. However we saw interest return in the AAA-space with Telekom 3/24 and 9/27 among others closing higher; yield-wise at 4.37% and 4.56% respectively compared to previous-done levels. Cagamas MBS 8/20 saw RM50m worth of trades moving a whopping 51bps to close at 3.67%. In the AA-rated curve we note interest in the belly with BGSM, PKNS and WCT exchanging hands. Expect interest in Corporate Bonds to continue on yield-carry requirements.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/18	2.899	185	2.652	05/01/2018	25
MGS	09/18	2.862	301	2.601	05/01/2018	26
MGS	03/19	2.990	39	3.024	05/01/2018	-3
MGS	07/19	3.146	8	3.125	04/01/2018	2
MGS	10/19	3.101	119	3.130	05/01/2018	-3
MGS	11/19	3.139	100	3.153	05/01/2018	-1
MGS	03/20	3.288	324	3.255	05/01/2018	3
MGS	02/21	3.341	58	3.321	05/01/2018	2
MGS	09/21	3.571	60	3.557	04/01/2018	1
MGS	11/21	3.439	20	3.453	05/01/2018	-1
MGS	03/22	3.499	1	3.499	05/01/2018	0
MGS	08/22	3.620	35	3.656	05/01/2018	-4
MGS	09/22	3.655	99	3.694	05/01/2018	-4
MGS	08/23	3.783	2	3.779	05/01/2018	0
MGS	07/24	3.822	154	3.883	04/01/2018	-6
MGS	09/24	3.823	223	3.829	05/01/2018	-1
MGS	09/25	3.950	145	3.992	05/01/2018	-4
MGS	11/26	4.055	66	4.041	05/01/2018	1
MGS	11/27	3.843	161	3.825	05/01/2018	2
MGS	04/30	4.338	26	4.050	05/01/2018	29
MGS	04/33	4.368	151	4.378	05/01/2018	-1
MGS	04/37	4.584	12	4.580	05/01/2018	0
MGS	09/43	4.799	36	4.863	05/01/2018	-6
GII	06/20	3.594	40	3.590	05/01/2018	0
GII	08/20	3.625	40	3.616	24/11/2017	1
GII	04/22	3.780	163	3.762	05/01/2018	2
GII	07/22	3.894	31	3.878	29/12/2017	2
GII	07/23	4.021	2	3.937	05/01/2018	8
GII	05/24	4.092	10	4.156	22/12/2017	-6
GII	08/24	4.034	130	4.048	05/01/2018	-1
GII	10/25	4.156	60	4.245	20/11/2017	-9
GII	09/26	4.178	80	4.180	05/01/2018	0
GII	07/27	4.124	571	4.131	05/01/2018	-1
GII	06/33	4.551	156	4.587	05/01/2018	-4
GII	08/33	4.626	130	4.691	04/01/2018	-6
GII	08/37	4.755	30	4.762	04/01/2018	-1
			<u>3768</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.301	20	4.267	06/07/2017	3	57
Prasarana Malaysia Berhad [fka Syarikat Prasarana Neq	09/24	GG	4.317	10	4.319	06/10/2017	0	50
Danga Capital Berhad	09/27	AAA	4.609	5	4.619	05/01/2018	-1	75
Rantau Abang Capital Berhad	01/32	AAA	4.894	10	4.878	05/01/2018	2	52
Cagamas MBS Berhad	08/20	AAA	3.667	50	4.172	31/10/2017	-51	34
Putrajaya Holdings Sdn Berhad	09/23	AAA	4.408	30	4.380	05/10/2017	3	68
Telekom Malaysia Berhad	03/24	AAA	4.373	30	4.301	06/06/2017	7	64
Telekom Malaysia Berhad	09/27	AAA	4.556	30	4.359	17/10/2017	20	70
Hong Leong Bank Berhad	06/24	AA1	4.334	20	4.548	15/12/2017	-21	61
TRIpIc Medical Sdn Berhad	10/32	AA1	5.220	10	5.231	27/12/2017	-1	85
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.370	10	4.384	04/01/2018	-1	143
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.695	20	4.700	15/12/2017	0	151
BGSM Management Sdn Berhad	06/24	AA3	4.708	20	4.709	05/01/2018	0	98
WCT Holdings Berhad	12/18	AA-	4.514	10	4.515	05/01/2018	0	158
Segi Astana	08/19	AA-	4.602	5	-	-	-	142
Southern Power Generation Sdn Berhad	10/31	AA-	5.264	10	5.270	05/01/2018	-1	89
Golden Assets International Finance Limited	08/18	A1	4.991	10	4.988	05/01/2018	0	206
Mah Sing Perpetual	-	-	6.304	1	6.305	05/01/2018	0	-
				<u>301</u>				

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

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

**Malakoff Corp Bhd is eyeing more projects** to broaden its earnings base and planning to embark on cost-saving measures in its bid to compensate the loss from the revised Segari Energy Ventures Sdn Bhd power purchase agreement (PPA). According to chief executive officer Datuk Ahmad Fuaad Kenali, the group's loss from the Segari Energy PPA revision was reflected in its financial results for the third quarter of financial year 2017 (Q3'17) and will affect the company's full-year results. He added that Malakoff's dividend distribution would depend on the group's full-year financial performance last year, although the payout ratio of 70% of net income is likely to be maintained. "Following the new and revised contribution from the Segari Energy PPA, we have seen the impact on our results as of the third quarter. Going forward, we expect that kind of core returns from our power plants. "Fortunately, our Tanjung Bin plant has been slightly compensating the loss we saw through the new Segari Energy PPA. However, moving forward, the group's plan to intensify the number of new projects and introduce effective cost management will support us well. With our strategic initiatives in place, we project our financial results to remain positive for the financial year ended Dec 31, 2017," he said. Ahmad Fuaad was speaking to reporters after the signing ceremony of a memorandum of understanding (MoU) between Malakoff and Touch Meccanica Sdn Bhd. Beginning from July 1, 2017, Segari Energy has been receiving a lower capacity payment following the new 10-year PPA extension. This resulted in a 50% to 70% step-down on levelised tariffs, bringing down the plant's Q3'17 capacity payment by 82% quarter-on-quarter to RM34mil. However, Malakoff recorded a stronger bottom line in Q3'17, mainly due to compensation received from the settlement of a dispute between its 90%-owned subsidiary Tanjung Bin Power Sdn Bhd and IHI Corp Japan. Tanjung Bin sought damages for breach of duty of care, which led to at least 22 different boiler tube failure incidents at the plant operated by Tanjung Bin, and the inability of the plant to meet certain required output conditions. The total claimed amount was estimated at RM785mil as at November 2016. Yesterday, Malakoff signed an MoU with Touch Meccanica to jointly-develop renewable energy (RE) projects in Pahang, as the former aims to expand its footprint in the RE segment. The collaboration involves the development of a 100 megawatt (MW) mini-hydro power plant and a 50MW integrated solar farm. The total development cost is estimated at RM1.3bil. "This MoU will serve as a platform to exchange knowledge and expertise that will be of invaluable benefit to both companies. It also shows Malakoff's commitment to expand RE in the generation portfolio. "Currently, Malakoff owns a 50% stake in MacArthur Wind Farm in Victoria, Australia, with an effective generation capacity of 210MW," Ahmad Fuaad said. Following the MoU, Malakoff will conduct a feasibility study to ascertain the technical and commercial viability of both projects. Ahmad Fuaad added that the development cost is likely to be financed via a combination of borrowings (70%-80%) and internally-generated funds (20%-30%). Malakoff is Malaysia's largest independent power producer, with a net generating capacity of 6,346MW from its seven power plants (Source: The Star)

**U.S. oil prices hit their highest since 2015** again on Tuesday as speculators bet on further price rises amid OPEC-led production cuts and a dip in American drilling activity. U.S. West Texas Intermediate (WTI) crude futures were at \$62.13 a barrel at 0123 GMT - 40 cents, or 0.65 percent, above their last settlement. They marked a May-2015 high of \$62.56 a barrel in early trading. Beyond that 2015-high, which was a short intra-day spike, Tuesday's peak was the highest level for WTI since December, 2014, at the start of the oil market slump. Brent crude futures were at \$68.12 a barrel, 34 cents, or 0.5 percent, above their last close. Brent touched \$68.27 last week, its strongest since May, 2015. Traders said prices were mainly being driven by speculative money being poured into crude futures on the notion of a tighter market following a year of production cuts led by the Organization of the Petroleum Exporting Countries (OPEC) and Russia, which are set to last through 2018. "Speculators continued to increase their net long in ICE Brent ... According to exchange data, speculators increased their position by 4,175 lots to leave them with a record net long of 565,459 lots," ING bank said in a note. A slight dip in the amount of rigs in the United States drilling for new oil was supporting WTI, traders said. The number of rigs drilling for oil fell by 5 to 742 in the week to Jan. 5, according to oil services firm Baker Hughes. Despite the recent bull run, which has lifted crude prices by more than 10 percent since early December, some warn that markets are getting ahead of themselves. The U.S. rig-count remains significantly above the low of 316 in June, 2016, and U.S. crude

production <C-OUT-T-EIA> is expected to break through 10 million barrels per day (bpd) soon, hitting a level that only Russia and Saudi Arabia have achieved so far. "U.S. crude oil production is still increasing, so surely this evidences that the system is, once again, becoming even more efficient," said Matt Stanley, a fuel broker with Freight Investor Services (FIS) in Dubai. In Asia, the world's biggest oil consuming region, there were also signs that despite the cuts in crude production, fuel supplies remain ample. Enjoying good profit margins in 2017, Asian refiners had cranked up processing to a record 23 million bpd by last October. ( Source: The Edge )

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Digi Telecommunications Sdn Bhd (Digi)	RM5 billion Islamic Medium Term Notes Programme (2017/2032) and RM1 billion Islamic Commercial Papers (2017/2024)	AAA and AA2 ratings of the Class A and Class B Notes	Negative Rating Watch Lifted

Source: RAM Ratings; MARC

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