

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.97	1
5-yr UST	2.33	4
10-yr UST	2.55	7
30-yr UST	2.90	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	-4	3.53	7
5-yr	3.51	1	3.79	1
7-yr	3.82	0	4.05	2
10-yr	3.87	2	4.16	3
15-yr	4.39	2	4.63	0
20-yr	4.59	0	4.76	0
30-yr	4.85	4	4.98	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.76	1
5-yr	3.84	1
7-yr	3.94	1
10-yr	4.05	0

Source: Bloomberg

**Upcoming Government Bond Tenders**

RM4.0b reopening of 5Y GII 4/22 on Friday, 12<sup>th</sup> January

**US Treasuries**

- US Treasury yields spiked by 4-8 bps from the belly right across to the long-end yesterday as bear-steepening set in following BOJ's trimming of bond-buying programme. The strong UST 3Y auction stemmed the slide on the front-end as the 2Y UST which is sensitive to Fed Policy interest rate expectations rose 1bps to 1.96% whilst the much-watched 10Y inflation gauge shot up by 7bps to settle at a 10-month high of 2.55%. Market players are bracing for a deluge of longer-duration papers this week especially from both the US and Europe. Data remains light today ahead of PPI and initial jobless claims tomorrow and retail sales and CPI on Friday.

**MGS/GII**

- Local Govvies saw total volume maintain at the RM3b bracket with one-third of interest in GII's as the 7Y, 10Y and 15Y benchmarks climbing 2-4bps higher. Overall yields were higher between 1-4bps for both MGS and GII (save for the short 3Y odd-lot trades). Local govvies were seen to be influenced by weaker UST's overnight amid absence of local leads. Interest was also scattered across the curve with short-end MGS 18-19's continuing to attract attention along with 15Y benchmark MGS 4/33 which also closed higher at 4.39%. The much-watched benchmark 7Y MGS 9/24 and MGS 11/27 closed at 3.82% and 3.87% respectively. Expect investors to turn cautious as ringgit consolidates from its climb for now.

**PDS/Sukuk**

- Corporate Bonds saw volume increase to RM613m mainly due to RM280m trade on possible pass-through trade on Cagamas 9/20 which closed 1bps lower at 4.09% compared to previous-done levels. Generally, interest remained in the AA-space with names like SEB 7/29, Batu Kawan 6/23 and Westports 12/21 notching trades. Similarly, investors were seen bidding for bank papers as substantial amount CIMB Thai 24NC19 bonds changed hands 4bps lower at 4.85% whilst BPMB 21-22's also closed 4.33-40% levels. We note that tenures of papers traded were 10Y or below. 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 02/18	2.957	14	2.604	05/01/2018	35
MGS 03/18	2.950	256	2.935	08/01/2018	2
MGS 09/18	3.073	87	2.646	08/01/2018	43
MGS 03/19	3.057	101	2.990	08/01/2018	7
MGS 07/19	3.170	15	3.146	08/01/2018	2
MGS 10/19	3.134	30	3.107	08/01/2018	3
MGS 11/19	3.135	140	3.139	08/01/2018	0
MGS 03/20	3.255	19	3.255	08/01/2018	0
MGS 02/21	3.303	161	3.341	08/01/2018	-4
MGS 07/21	3.441	7	3.429	05/01/2018	1
MGS 09/21	3.599	94	3.571	08/01/2018	3
MGS 11/21	3.475	74	3.439	08/01/2018	4
MGS 03/22	3.514	60	3.504	05/01/2018	1
MGS 08/22	3.620	34	3.632	05/01/2018	-1
MGS 03/23	3.715	65	3.769	08/01/2018	-5
MGS 08/23	3.789	132	3.779	05/01/2018	1
MGS 07/24	3.814	11	3.822	08/01/2018	-1
MGS 09/24	3.820	1	3.820	08/01/2018	0
MGS 09/25	3.938	167	3.950	08/01/2018	-1
MGS 11/26	3.994	56	4.055	08/01/2018	-6
MGS 11/27	3.868	135	3.843	08/01/2018	2
MGS 04/30	4.359	11	4.349	08/01/2018	1
MGS 06/31	4.351	10	4.301	05/01/2018	5
MGS 04/33	4.387	314	4.368	08/01/2018	2
MGS 05/35	4.521	2	4.564	02/01/2018	-4
MGS 04/37	4.588	129	4.584	08/01/2018	0
MGS 03/46	4.854	30	4.817	03/01/2018	4
GII 05/18	3.269	90	3.100	04/01/2018	17
GII 09/19	3.313	2	3.386	04/01/2018	-7
GII 04/20	3.526	6	3.456	04/01/2018	7
GII 06/20	3.631	20	3.594	08/01/2018	4
GII 04/22	3.793	96	3.780	08/01/2018	1
GII 08/24	4.053	108	4.034	08/01/2018	2
GII 07/27	4.158	180	4.120	08/01/2018	4
GII 12/28	4.364	60	4.469	29/12/2017	-11
GII 06/33	4.573	340	4.551	08/01/2018	2
GII 10/35	4.773	4	4.798	21/12/2017	-3
		<u>3063</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*
Lembaga Pembiayaan Perumahan Sektor Awam	04/22 GG	4.098	1	4.166	15/12/2017	-7	67
Pengurusan Air SPV Berhad	06/23 GG	4.154	1	4.140	28/09/2017	1	65
DanaInfra Nasional Berhad	03/24 GG	4.224	2	4.274	07/12/2017	-5	49
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24 GG	4.300	1	4.301	08/01/2018	0	57
Khazanah Nasional Berhad	08/24 GG	4.359	5	4.342	04/10/2017	2	54
DanaInfra Nasional Berhad	11/24 GG	4.280	5	4.320	30/11/2017	-4	46
Putrajaya Bina Sdn Berhad	09/24 AAA	4.472	3	4.439	03/10/2017	3	65
TNB Western Energy Berhad	07/33 AAA	5.075	10	5.400	08/12/2014	-33	71
TNB Western Energy Berhad	01/34 AAA	5.090	20	5.153	09/03/2017	-6	72
Cagamas Berhad	09/20 AAA	4.088	280	4.101	19/12/2017	-1	76
Bank Pembangunan Malaysia Berhad	04/21 AAA	4.326	10	4.342	05/01/2018	-2	100
Bank Pembangunan Malaysia Berhad	03/22 AAA	4.400	20	4.401	04/01/2018	0	97
Gulf Investment Corporation G.S.C	02/23 AAA	5.173	8	5.137	23/02/2017	4	167
Sabah Credit Corporation	10/19 AA1	4.468	10	4.507	20/12/2017	-4	130
Batu Kawan Berhad	06/23 AA1	4.618	10	4.617	31/10/2017	0	111
Sarawak Energy Berhad	07/29 AA1	4.960	40	4.920	09/11/2017	4	110
Cahaya Mata Sarawak Berhad	05/22 AA3	4.526	2	4.548	13/12/2017	-2	110
CIMB Thai Bank Public Company Limited	07/24 AA3	4.854	65	4.891	13/12/2017	-4	112
Segi Astana Sdn Berhad	01/20 AA-	4.698	25	-	-	-	153
Southern Power Generation Sdn Berhad	04/26 AA-	4.893	10	-	-	-	102
Kapar Energy Ventures Sdn Berhad	07/21 AA+	4.387	10	4.398	11/08/2015	-1	106
Westports Malaysia Sdn Berhad	12/21 AA+	4.490	50	-	-	-	106
Affin Bank Berhad	02/27 A1	4.817	20	4.835	28/12/2017	-2	92
Golden Assets International Finance Limited	08/19 A1	5.199	2	5.159	05/01/2018	4	203
Mah Sing Perpetual	-	6.614	3	6.304	08/01/2018	-	-
			<u>613</u>				

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

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

Oil prices edged higher on Tuesday, with U.S. crude touching its highest since December 2014, supported by OPEC-led production cuts and expectations that U.S. crude inventories have dropped for an eighth week in a row. The Organization of the Petroleum Exporting Countries and allies including Russia are keeping supply limits in place in 2018, a second year of restraint, to reduce a price-denting glut of oil held in inventories. U.S. West Texas Intermediate (WTI) crude rose \$1.23, or 2 percent, to settle at \$62.96 a barrel after touching its highest since December 2014 at \$63.24. Brent crude ended the session up \$1.04, or 1.5 percent, at \$68.82 per barrel after hitting a session high of \$69.08, its highest since May 2015. Both contracts had their strongest close since December 2014. Prices extended gains in post-settlement trade after industry group the American Petroleum Institute said crude inventories fell by 11.2 million barrels in the week to Jan. 5 to 416.6 million, compared with analysts' expectations for a decrease of 3.9 million barrels. If confirmed by U.S. government data at 10:30 a.m. EST (1530 GMT) on Wednesday, the draw will be the largest since Sept. 2, 2016. U.S. stockpiles fell by 14.5 million barrels during that week. "You're so long this market at this point, you could certainly get more interest at these levels," said Rob Haworth, senior investment strategist at U.S. Bank Wealth Management. "This is a little more confirmation of what speculators have been looking for and after tomorrow's (U.S. government inventory) report, we'll see if they look to do some profit-taking." OPEC is cutting output by even more than it promised and the restraint is reducing oil stocks globally, a trend most visible in the United States, the world's largest and most transparent oil market. "We expect oil demand growth to outpace non-OPEC supply growth in both 2018 and 2019," Standard Chartered analysts said in a note. "In our view, the back of the Brent and WTI curves are both still underpriced. We do not think that prices below \$65 per barrel are sustainable into the medium term." Many producers, still suffering from a 2014 price collapse, are enjoying the rally, although they are wary it will spur rival supply sources. Iran said OPEC members were not keen on increased prices. The rise in prices is expected to drive gains in U.S. production during 2018, offsetting curbs by others. U.S. crude oil production is expected to surpass 10 million barrels per day (bpd) next month, en route to an all-time record months ahead of previous forecasts, the U.S. Energy Information Administration said Tuesday. Production was expected to rise to an average 10.04 million bpd during the first quarter of this year. Some analysts have said the rise in U.S. shale oil production could discourage OPEC and Russia to maintain their deal to curb supply until the end of the year for fears of losing market share. (Source: The Edge)

The **Securities Commission (SC)** has shut down an initial coin offering (ICO) in Malaysia and says it will not hesitate to rein in others who try to contravene securities laws. ICOs are all the rage the world over now, where parties produce white papers detailing their business plans for raising funds via the issuance of new tokens or cryptocurrencies, all purportedly to be built on the blockchain technology. In this case, Singapore-registered CopyCash Foundation had first indicated its intention to launch an ICO in Malaysia last week. According to its white paper, CopyCash plans to establish a social trading and investment or "social travesting" platform, based on the Ethereum blockchain with CopyCashCoin (CCC) as a standard Ethereum ERC20 token used as either a subscription or commission token. "CopyCash will charge customers an affordable annual subscription to access its invaluable social travesting ecosystem and it will charge commissions from profits generated by copytrading. "CCC, CopyCash's internal token, is used as a privilege to pay commissions for profits generated by copytrading," it said. CopyCash defines copytrading as an automated trade engine based on the signal trading feature, which enables users to receive real-time trading signals from top traders. Its ICO, which entails a public sale of 30 million CCC tokens, had planned to raise some US\$127.2mil (RM510.09mil). This is based on the ICO rate of one Ether to 300 CCC and an Ether to (US dollar price of) US\$1,272.03 (RM5,101.03). But on Friday, the SC issued a notice saying that there has been an increase in activities by new ICOs to solicit investments in cryptocurrencies from the public at large, including senior citizens, and that it is aware that CopyCash had organised talks and seminars in major cities in Malaysia. In addition, the regulator intends to call in key officers of CopyCash Foundation to enquire about its activities, including the purported launch of CCC, given that the activities may fall within the remit of securities laws. Then, yesterday, the SC directed CopyCash Foundation to immediately cease and desist all its

proposed activities, including the launch of its ICO today in Malaysia. In a media release, the regulator said the directive covered all activities as described in or incidental to CopyCash Foundation's white paper pursuant to the ICO, including any roadshows, seminars or promotional events related to the scheme. "The directive was issued by the SC after it found that there was a reasonable likelihood that disclosures in CopyCash Foundation's white paper and representations to potential investors will contravene relevant requirements under securities laws. "While the SC continues to facilitate use cases of digital assets in the market, it remains vigilant in monitoring ICO schemes, given the heightened risks, and will not hesitate to take action where necessary," the SC said, adding that it advises investors to be cautious of the risks of fraud and exercise due diligence before participating in ICO schemes. cranked up processing to a record 23 million bpd by last October. ( Source: The Star )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Silver Sparrow Berhad	RM515 million Guaranteed MTN Programme (2011/2021)	AAA(FG)/AAA(BG)/ Stable	Reaffirmed

Source: RAM Ratings; MARC

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