

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.97	0
5-yr UST	2.33	0
10-yr UST	2.56	0
30-yr UST	2.90	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.31	1	3.53	0
5-yr	3.56	4	3.80	1
7-yr	3.84	2	4.05	0
10-yr	3.87	1	4.19	3
15-yr	4.40	1	4.63	0
20-yr	4.60	2	4.76	0
30-yr	4.85	0	4.98	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.76	0
5-yr	3.84	0
7-yr	3.95	0
10-yr	4.05	0

Source: Bloomberg

#### US Treasuries

- US Treasury yields were unchanged generally as the recent sell-off abated with strong UST10Y auction as BTC notched highest since June 2016 despite news of Chinese officials growing wary of US debt; which is deemed to be more political amid escalating trade tensions with US. This follows the previous day's purported news of BOJ's trimming of bond-buying programme. Both the 2Y UST (which is sensitive to Fed Policy interest rate expectations) and the much-watched 10Y inflation gauge were unchanged at 1.96% and 2.56% respectively. Data remains light today ahead of PPI and initial jobless claims tomorrow whereas retail sales and CPI is scheduled on Friday.

#### MGS/GII

- Local Govvies saw total volume continue to anchor at the RM3b bracket with one-third of interest in GII's with the 10Y GII 7/27 seeing healthy trades closing 3 bps higher at 4.19%. Overall yields were higher between 1-4bps for both MGS and GII mirroring UST's amid lack of local leads. Investor interest continues along the 18-19's whilst both the widely-watched benchmark 7Y MGS 9/24 and MGS 11/27 closed higher at 3.84% and 3.87% respectively. Expect investors to be cautious as focus alternates between the upcoming OPR meeting and the strength of Ringgit.

#### Upcoming Government Bond Tenders

RM4.0b reopening of 5Y GII 4/22 on 12 Jan 2018

#### PDS/Sukuk

- Corporate Bonds muted demand with volume grinding to RM182m with the AA-space hogging the limelight as infra-related names like BGSM 6/24, Kapar Energy Ventures 7/18, 7/20 and EDRA Energy bonds traded generally lower on yields compared to previous-done levels. Sports Toto 6/19 chalked its maiden trade on RM25m to close at 4.50%. The AAA-rated AMAN 7/24 however yielded 1bps higher to close at 4.52%. Expect cautious interest in Corporate Bonds to continue for the week.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.050	7	2.957	09/01/2018	9
MGS 03/18	2.965	66	2.929	09/01/2018	4
MGS 09/18	2.928	148	3.073	09/01/2018	-15
MGS 03/19	3.056	95	3.057	09/01/2018	0
MGS 07/19	3.186	20	3.170	09/01/2018	2
MGS 10/19	3.202	104	3.134	09/01/2018	7
MGS 11/19	3.204	149	3.161	09/01/2018	4
MGS 03/20	3.263	56	3.288	08/01/2018	-2
MGS 07/20	3.353	46	3.313	05/01/2018	4
MGS 02/21	3.310	40	3.303	09/01/2018	1
MGS 07/21	3.411	15	3.434	09/01/2018	-2
MGS 09/21	3.633	72	3.614	09/01/2018	2
MGS 11/21	3.452	73	3.431	09/01/2018	2
MGS 03/22	3.555	83	3.514	09/01/2018	4
MGS 08/22	3.651	36	3.656	09/01/2018	-1
MGS 09/22	3.666	11	3.655	08/01/2018	1
MGS 08/23	3.799	58	3.799	09/01/2018	0
MGS 07/24	3.840	5	3.822	09/01/2018	2
MGS 09/24	3.837	207	3.820	09/01/2018	2
MGS 09/25	3.954	20	3.977	09/01/2018	-2
MGS 11/26	4.076	2	3.994	09/01/2018	8
MGS 03/27	4.156	4	4.162	29/12/2017	-1
MGS 05/27	4.170	3	4.310	29/12/2017	-14
MGS 11/27	3.874	123	3.892	09/01/2018	-2
MGS 04/30	4.359	5	4.359	09/01/2018	0
MGS 06/31	4.331	31	4.351	09/01/2018	-2
MGS 04/33	4.401	303	4.387	09/01/2018	1
MGS 05/35	4.526	20	4.521	09/01/2018	0
MGS 04/37	4.604	143	4.582	09/01/2018	2
GII 05/18	3.134	40	3.225	09/01/2018	-9
GII 08/18	3.250	60	3.049	04/01/2018	20
GII 08/18	3.250	10	3.108	06/12/2017	14
GII 04/22	3.800	80	3.793	09/01/2018	1
GII 07/22	3.925	83	3.894	08/01/2018	3
GII 07/23	3.939	22	4.021	08/01/2018	-8
GII 10/25	4.190	10	4.156	08/01/2018	3
GII 07/27	4.192	554	4.158	09/01/2018	3
GII 06/33	4.578	20	4.573	09/01/2018	0
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## Daily Trades: PDS / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Prasarana Malaysia Berhad [fka Syarikat Prasarana Neg	08/26	GG	4.450	10	4.452	31/07/2017	0	52
DanaInfra Nasional Berhad	04/29	GG	4.580	7	4.580	05/06/2017	0	68
Genting Capital Berhad	06/22	AAA	4.673	1	4.645	07/11/2017	3	124
Aman Sukuk Berhad	07/24	AAA	4.519	10	4.510	19/01/2017	1	66
HSBC Amanah Malaysia Berhad	10/19	AAA	4.157	20	4.145	29/11/2017	1	98
HSBC Amanah Malaysia Berhad	03/20	AAA	4.178	5	4.202	23/11/2017	-2	100
Sarawak Energy Berhad	08/25	AA1	4.669	25	4.649	21/12/2017	2	76
Northern Gateway Infrastructure Sdn Berhad	08/27	AA1	4.844	10	4.849	28/12/2017	0	95
Kapar Energy Ventures Sdn Berhad	07/18	AA+	3.935	10	4.267	13/07/2017	-33	97
Kapar Energy Ventures Sdn Berhad	07/20	AA+	4.332	10	4.443	18/05/2017	-11	115
UMW Holdings Berhad	10/23	AA2	4.708	10	4.708	05/01/2018	0	97
Bumitama Agri Ltd	09/19	AA3	4.497	10	4.513	04/01/2018	-2	132
AmBank (M) Berhad	12/23	AA3	4.493	1	4.530	07/12/2017	-4	75
BGSM Management Sdn Berhad	06/24	AA3	4.708	10	4.708	08/01/2018	0	97
Hong Leong Assurance Berhad	02/25	AA3	4.730	1	4.755	12/12/2017	-2	87
SPR Energy (M) Sdn Berhad	07/34	AA3	5.629	5	5.639	18/12/2017	-1	122
Edra Energy Sdn Berhad	07/22	AA3	5.197	2	5.200	04/01/2018	0	176
Edra Energy Sdn Berhad	01/36	AA3	6.179	1	6.550	04/01/2018	-37	157
Edra Energy Sdn Berhad	07/36	AA3	6.229	1	6.590	04/01/2018	-36	162
Edra Energy Sdn Berhad	01/38	AA3	6.380	10	6.710	04/01/2018	-33	178
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.495	25	-	-	-	-
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\*spread against nearest indicative tenured MGS (Source : BPAM)

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

**The Exchange 106 has signed up some large institutions to be its tenants** as it populates the floors of the country's tallest tower, which will be completed by the end of this year. All of the prospective tenants who signed up are "big space users" and are predominantly from the local financial and lending sector, a source said. They will take up between two and eight floors, with each level having a floor space of about 34,000 square feet, the largest column-less floor space in the country. Those who need 5,000 sq ft or less are expected to be "fitted in" later on, the source said. The source said up to 47% of the 2.6 million sq ft of the floor area of Exchange 106 has been formally signed, and 9% under negotiation. The 106-storey building is being constructed by one of Indonesia's largest commercial property developers Mulia Group and has an asking rent of RM17 per square foot (psf) despite current concerns of the oversupply of office space in the Klang Valley. Such a rental would put Exchange 106 ahead of the RM13 psf sought by Menara 3 Petronas, which is part of the Petronas Twin Towers development. Exchange 106, the 15th tallest building in the world upon completion, will top Kuala Lumpur's league of super prime office buildings, namely, the Twin Towers, Maxis Tower and Permodalan Nasional Bhd's Menara 118. Although the asking rent is RM17 psf, according to Savills Malaysia executive chairman Christopher Boyd, the various incentives and favourable tax practices given to Exchange 106 are equivalent to about RM2 psf. This means the effective rental is lower than RM17 psf. "Mulia is benchmarking itself against some of the most famed developments around the world, the glass and steel structures in London's Canary Wharf, The Shard, also of London, New York's Freedom Tower which is also known as 1 World Trade Centre and Shanghai's International Finance Centre," a source said. At RM17 psf, those who have taken up leases at Exchange 106 will be able to "appreciate the quality and value of that building" and the integrated development that it will be a part of, the source said. Leasing is open from level 62 currently. The building opened for lease about a year ago. Australian developer and infrastructure group Landlease is developing 17 acres on the Tun Razak Exchange (TRX). TRX will also house Kuala Lumpur's largest underground MRT station. Mulia will be managing the building itself, from the glass cleaners on gondolas to the technicians "except the lift technicians", a source said. Separately, on the Ministry of Finance Inc (MoF) having a 51% stake in Mulia Property Development Sdn Bhd, the source said "that is what the documents show". It was reported that MoF had bought the stake from Mulia International Ltd, a unit of Mulia Group. The Mulia Group bought the 3.42 acres in 2015 for RM665mil from the then 1MDB Real Estate Sdn Bhd, now known as TRX City Sdn Bhd. When completed this year, The Exchange 106, at 492 metres, will be about 40 metres higher than the Petronas Twin Towers. The speed the building has been developed at has also been the talk of the town, averaging a floor every three days, compared with the normal eight and nine days per floor. Work is done around the clock, a difficult act to follow among the other structures in TRX. Exchange 106 is Mulia's only investment in Malaysia to date. (Source: The Edge)

**Chinese officials reviewing the nation's foreign-exchange holdings have recommended slowing or halting purchases of U.S. Treasuries**, Bloomberg News reported Wednesday. While it's not clear whether the talk would lead to any concrete change, the news added to bond investors' woes as global debt markets were already selling off amid signs that central banks are starting to step back after years of bond-buying stimulus. The yield on 10-year Treasuries increased three basis points to 2.58 percent on Wednesday -- its highest level in 10 months. For U.S. policy makers, there's an extra layer of caution: The Republican Congress and the Trump administration just approved a bill laden with tax cuts that are estimated to increase federal deficits by about \$1 trillion over the next decade. "Financing a big deficit in the U.S. is going to be tough if China is not involved at all, or even worse, if they start competing with Treasury by selling their own holdings," said Thomas Simons, a senior economist at Jefferies LLC in New York. He sees tax cuts and the Federal Reserve's moves to shrink its balance sheet pushing up Treasury's financing needs by 70 percent in 2018. China owns almost \$1.2 trillion of U.S. government debt, more than double the level from a decade ago. Chinese officials believe the market for U.S. government bonds is becoming less attractive relative to other assets, and trade tensions with the U.S. may provide a reason to slow or stop buying American debt, according to people familiar with the matter ( Source: The Edge, Bloomberg )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
TSH Sukuk Musyarakah Sdn Bhd	RM100.0 million Guaranteed Islamic Medium-Term Notes (IMTN) Programme	AAA-IS(FG)	Affirmed
TSH Sukuk Murabahah Sdn Bhd	RM50.0 million Islamic Commercial Papers (ICP) and RM150.0 million Islamic Medium-Term Notes (IMTN) Programmes	MARC-1-IS /AA-IS	Affirmed
TSH Sukuk Ijarah Sdn Bhd	RM300.0 million Islamic Medium-Term Notes (IMTN) Programme	AA-IS	Affirmed

Source: RAM Ratings; MARC

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