

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.98	1
5-yr UST	2.33	0
10-yr UST	2.54	-2
30-yr UST	2.87	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.34	3	3.50	-2
5-yr	3.54	-2	3.84	4
7-yr	3.84	0	4.05	-1
10-yr	3.86	-2	4.15	0
15-yr	4.38	-2	4.63	0
20-yr	4.59	-1	4.76	1
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	4.06	1

Source : Bloomberg

Upcoming Government Bond Tenders

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

US Treasuries

- US Treasury advanced with the long-end of the curve benefitting from the strong 30Y auction. Bull-flattening was seen as yields were 2-3bps lower save for the front-end; with worries over China's bond-buying programme easing. The 2Y UST (which is sensitive to Fed Policy interest rate expectations) edged 1bps to close 1.98% whilst the much-watched 10Y inflation gauge was 2bps lower at 2.54%. Portfolio investors are mulling as S&P dividend yield from equities asset class make UST's look more appealing. Meanwhile, data out today include December's retail sales and CPI.

MGS/GII

- Local Govvies continue to notch almost RM3.0b in total trades yesterday with substantial interest in GII papers. Overall MGS yields were lower by 0-2bps save for the front-end 3Y. There was immense interest in the 10Y benchmark GII 7/27 which closed unchanged at 4.15%. Meanwhile the widely-watched benchmark 7Y MGS 9/24 and MGS 11/27 were well-bid closing at 3.84% and 3.86%. Expect focus to shift to the 5Y GII auction today with a relatively big size of RM4.0bn which may still be able to pull in investor interest amid the strength of USDMYR which trades at 3.9700 levels at the time of writing.

PDS/Sukuk

- Demand for Corporate Bonds in the secondary market rose as volume hit RM504m in total. Both the Govt-Guaranteed and AAA-rated bonds saw brisk trading on decent volume. PRASA 24-26 were sought after with RM100m traded mixed between 4.27-4.45% compared to previous-done levels whilst AAA-rated PLUS 24 closed 2bps higher at 4.46%. The mid-long-end was also seen favored by investors with LPPSA 9/36, TNB Northern 11/34 and Sarawak Hidro 8/30 closing generally lower yield-wise. The AA-space was not ignored as investors snapped papers e.g. UMW 10/26 and Southern Power Generation 27-32 which closed 2-3bps lower. Expect sustained interest in secondary market for now.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	2.90	11	3.05	10/01/2018	-15
MGS 09/18	2.84	158	3.04	10/01/2018	-20
MGS 03/19	3.11	258	3.06	10/01/2018	5
MGS 07/19	3.17	30	3.19	10/01/2018	-2
MGS 11/19	3.21	54	3.20	10/01/2018	0
MGS 03/20	3.27	1	3.30	10/01/2018	-3
MGS 10/20	3.30	5	3.28	10/01/2018	2
MGS 02/21	3.34	10	3.34	10/01/2018	0
MGS 07/21	3.43	8	3.50	10/01/2018	-7
MGS 09/21	3.60	60	3.60	10/01/2018	0
MGS 11/21	3.46	92	3.47	10/01/2018	-1
MGS 03/22	3.54	38	3.55	10/01/2018	-1
MGS 03/23	3.77	6	3.73	10/01/2018	4
MGS 08/23	3.79	140	3.80	10/01/2018	-1
MGS 07/24	3.79	2	3.84	10/01/2018	-5
MGS 09/24	3.84	151	3.84	10/01/2018	0
MGS 09/25	3.95	40	3.96	10/01/2018	-1
MGS 11/26	4.00	10	3.99	09/01/2018	1
MGS 03/27	4.10	10	4.16	10/01/2018	-6
MGS 11/27	3.86	190	3.88	10/01/2018	-2
MGS 04/30	4.38	10	4.36	10/01/2018	2
MGS 06/31	4.38	10	4.38	10/01/2018	0
MGS 04/33	4.38	24	4.41	10/01/2018	-3
MGS 04/37	4.59	7	4.61	10/01/2018	-2
GII 04/20	3.50	233	3.53	09/01/2018	-2
GII 04/21	3.74	10	3.70	08/12/2017	4
GII 04/22	3.84	180	3.86	10/01/2018	-2
GII 07/22	3.93	10	3.93	10/01/2018	1
GII 07/23	3.96	10	3.94	10/01/2018	2
GII 05/24	4.09	120	4.09	08/01/2018	0
GII 08/24	4.05	40	4.05	09/01/2018	-1
GII 10/25	4.19	26	4.16	08/01/2018	3
GII 07/27	4.15	640	4.15	10/01/2018	0
GII 06/33	4.55	140	4.58	10/01/2018	-3
GII 08/37	4.76	168	4.76	08/01/2018	1
		<u>2902</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*	
Prasarana Malaysia Berhad [fka Syarikat Prasarana Neç	03/24	GG	4.268	25	4.300	26/10/2017	-3	52
Prasarana Malaysia Berhad [fka Syarikat Prasarana Neç	09/24	GG	4.340	5	4.317	08/01/2018	2	49
Prasarana Malaysia Berhad [fka Syarikat Prasarana Neç	08/26	GG	4.450	70	4.450	10/01/2018	0	53
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	4.919	15	5.000	14/08/2017	-8	32
Genting Capital Berhad	06/22	AAA	4.678	20	4.673	10/01/2018	0	123
Aman Sukuk Berhad	10/23	AAA	4.458	10	4.397	02/05/2017	6	71
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.458	45	4.436	13/12/2017	2	71
Aquasar Capital Sdn Berhad	07/24	AAA	4.467	20	4.478	20/10/2017	-1	62
TNB Northern Energy Berhad	11/34	AAA	4.984	10	5.040	03/07/2017	-6	61
Public Bank Berhad	04/18	AAA	3.795	15	3.700	26/10/2017	9	81
Suria KLCC Sdn Berhad	12/24	AAA	4.428	20	4.448	08/12/2017	-2	58
Sarawak Hidro Sdn Berhad	08/30	AAA	4.869	10	4.859	13/12/2017	1	49
Sarawak Energy Berhad	06/18	AA1	3.899	30	3.891	27/12/2017	1	91
YTL Power International Berhad	08/18	AA1	4.107	35	4.112	05/12/2017	0	112
Malaysia Building Society Berhad	05/19	AA1	4.444	15	4.456	14/11/2017	-1	146
CIMB Bank Berhad	09/23	AA1	4.187	15	4.220	14/12/2017	-3	44
Public Bank Berhad	09/23	AA1	4.347	50	4.340	27/12/2017	1	60
Hong Leong Bank Berhad	06/24	AA1	4.789	1	4.334	08/01/2018	46	104
UniTapah Sdn Berhad	12/30	AA1	4.899	2	4.959	31/10/2017	-6	52
First Resources Limited	06/20	AA2	4.486	2	4.486	05/01/2018	0	131
UMW Holdings Berhad	10/26	AA2	4.922	20	4.941	05/01/2018	-2	100
Hong Leong Financial Group Berhad	11/18	AA	4.292	3	4.302	29/11/2017	-1	131
WCT Holdings Berhad	10/23	AA-	5.319	2	5.247	12/12/2017	7	157
Southern Power Generation Sdn Berhad	10/27	AA-	4.968	10	5.000	05/01/2018	-3	108
Southern Power Generation Sdn Berhad	10/28	AA-	5.009	10	5.040	05/01/2018	-3	112
Southern Power Generation Sdn Berhad	10/32	AA-	5.339	10	5.350	05/01/2018	-1	96
BGSM Management Sdn Berhad	12/18	AA3	4.148	5	4.178	22/12/2017	-3	116
SPR Energy (M) Sdn Berhad	07/34	AA3	5.634	5	5.639	18/12/2017	0	126
Bank Islam Malaysia Berhad	11/27	A1	5.008	20	5.006	05/01/2018	0	112
Mah Sing Perpetual	-	-	6.350	4	6.614	09/01/2018	-	-
			<u>504</u>					

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

Market/Corporate News: What's Brewing

Low profile **Kuchai development Bhd could be a major beneficiary of the impending listing of Great Eastern's insurance arm in Malaysia.** Kuchai is the sixth-largest shareholder with 3.03 million shares in Great Eastern Malaysia's parent company, Great Eastern Holdings Ltd (GEH), that is listed in Singapore. GEH, in turn, wholly owns Malaysia-based Great Eastern Life Assurance (M) Bhd (GELA) that is likely to go for a listing to comply with Bank Negara's ruling requiring insurance companies to have at least 30% local equity participation. The stake is reported to fetch a value of RM4.1bil (US\$1bil). If the listing happens, the anticipation is for GEH to declare a bumper dividend, which would benefit Kuchai. In September last year, GEH announced that it was assessing possible options relating to a minority stake in GELA to comply with foreign ownership requirements. This was in response to questions on Bank Negara's requirement, which was announced in 2016, for foreign insurance companies to have at least 30% local equity participation. Even without the listing of the Malaysian insurance arm, Kuchai is trading at a discount to its intrinsic value. At GEH's current share price of S\$30 (RM90), Kuchai's interest in GEH alone is worth some RM273mil, which is bigger than Kuchai's market capitalisation of RM193mil. Kuchai has a clean balance sheet with cash of some RM61.95mil and no borrowings. Business-wise, Kuchai is principally involved in investment holdings and rental of property. Properties of the company include eight acres of land in Semenyih, Selangor, and a shop-house on Emerald Hill Road, Singapore. As at June 30, 2017, the Singapore investment property continued to achieve an occupancy rate of 100%, and was valued at S\$8.3mil. The group's investment holdings consist of holdings in domestic and foreign-listed equity securities, investment funds and selected physical commodities. Kuchai is 42.21% owned by Kluang Rubber Co Bhd, and 9.44% held by Sungei Bagan Rubber Co Malaysia Bhd. The deadline for the requirement for foreign insurance companies to have at least 30% local participation is in the middle of this year. However, considering that it would be a commercially-driven exercise, industry executives have said that insurers would be given time to comply with the ruling. Other foreign insurers reportedly in discussion to dispose of their stakes in their respective Malaysian subsidiaries ahead of a Bank Negara deadline requiring a 30% local ownership include Prudential plc of the United Kingdom and Tokio Marine Holdings of Japan. (Source: The Star)

M101 Holdings Sdn Bhd's RM2.2 billion M101 Skywheel development at Kampung Baru, Kuala Lumpur, has achieved over RM530 million sales in 2017. According to a press release by the developer today, the sales at M101 Skywheel were attributable to the various countries where the project was launched, including Malaysia (RM150 million), Indonesia (RM100 million), China (RM100 million), Japan (RM100 million) and India (RM80 million). "We saw outstanding take-ups throughout the year in various countries. In Indonesia, we have top agencies such PROJEK Indonesia, Century 21, and ERA signing on their commitment to market M101 Skywheel. In India we also saw established agencies such as REMAX India and Connection Point signing up to work closely with our team," said M101 Holdings CEO Datuk Seth Yap. "Additionally, local agencies such as MetroHomes, Rina Properties and Taras have also committed to RM150 million group purchase. We believe that it is only when you have the right product and have proven your commitment to build that you can inspire such confidence," he continued. He added that the achievement is due to M101's property tourism business strategy, which has enabled the company to achieve its sales in less than a year of Skywheel's official launch despite the poor market sentiment. "Our sales achievement is a testament of both the local and international market's confidence in M101 Skywheel. We believe that our unique product positioning is also one of the drivers behind our success. "Designed by Studio F. A. Porsche, M101 Skywheel is poised to be the next international landmark and an international tourist destination, helping to maintain Kuala Lumpur's spot as a unique destination," he said. Construction works on M101 Skywheel have begun, and with the appointment of China Railway Construction Corp Malaysia Bhd, the integrated development is scheduled to be completed by 2021. The developer is optimistic over the prospects of the project, and will increase its marketing efforts in countries such as Hong Kong, Taiwan, Indonesia, Singapore, China, Japan, South Korea, the Philippines, Brunei, Sri Lanka, India and Bangladesh. The company believes

its sales performance will continue to be good, thanks to its unique product positioning and property tourism strategy. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Bright Focus Berhad (Bright Focus)	RM1.35 billion Sukuk Musharakah (2014/2031)	AA2/Negative	Reaffirmed
Gamuda Berhad	RM800 million IMTN Programme (2008/2028)	AA3/Stable	Affirmed
	RM800 million IMTN Programme (2013/2038)	AA3/Stable	Affirmed
	RM100 million ICP Programme (2013/2020)	P1	Affirmed
	RM5 billion IMTN Programme (2015/2045)	AA3/Stable	Affirmed
	RM2 billion ICP Programme (2015/2022)	P1	Affirmed
Bandar Serai Development Sdn Bhd	IMTN Programme of up to RM1 billion (2014/2044)	AA3 (S)/Stable	Affirmed
	7-Year ICP Programme of up to RM500 million	P1 (S)	

Source: RAM Ratings; MARC

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