

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.11	3
5-yr UST	2.54	-2
10-yr UST	2.83	-3
30-yr UST	3.11	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	0	3.65	-1
5-yr	3.59	0	3.89	4
7-yr	3.95	4	4.11	0
10-yr	3.97	0	4.21	1
15-yr	4.45	-2	4.60	0
20-yr	4.60	1	4.78	0
30-yr	4.89	0	4.96	0

* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	0
3-yr	3.82	0
5-yr	3.90	-1
7-yr	4.01	0
10-yr	4.13	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries were mixed with yields between -3 to +3bps with the yield curve flattening as market generally lacked catalyst in yesterday's session. The 2Y (which is sensitive to Fed policy interest rate expectations) ended 3bps higher at 2.11% whilst the much-watched 10Y edged rallied the opposite way ending at 2.83%. Investors were seen hedging for upside protection ahead of today's CPI data. Given the current sensitivity in financial markets to inflation news; market is expected to experience some volatility. However until wage pressures pick-up, consumer inflation will remain capped. Other data due out tonight are retail sales figures.

MGS/GII

- Local Govvies saw secondary market volume anchored at the RM2.0b mark with interest reverting back to the shorter off-the-run MGS and GII 18-19's and also on 7Y and 15Y GII bonds. Generally yields were mixed with investors sidelined ahead of the release of GDP figures. The widely-watched benchmark 7Y MGS 9/24 was 4bps higher at 3.95% whilst the 10Y MGS 11/27 closed unchanged at 3.974% compared to previous-done levels. The local ringgit bonds market will continue to be supported by stable ringgit amid steady oil prices and firm growth prospects with 4Q GDP figures expected out today.

PDS/Sukuk

- Secondary market trades for Corporate Bonds however saw keen participation with total volume at RM846m as CAGAMAS 9/20 dominated trades with RM310m traded; closing 3bps higher at 4.12%. The AAA-rated MACB moved higher as well at 4.12%. In the AA-space we note interest in CELCOM 8/19, BGSM 8/25 and also WCT Hldgs which closed lower in terms of yields at 4.44%, 4.76% and 4.14% respectively Investor interest is expected to be selective ahead of the lunar year celebrations this week.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/18	3.260	172	3.056	09/02/2018	20
MGS	09/18	3.194	147	3.245	12/02/2018	-5
MGS	03/19	3.139	60	3.065	12/02/2018	7
MGS	07/19	3.183	100	3.295	12/02/2018	-11
MGS	10/19	3.318	24	3.294	09/02/2018	2
MGS	11/19	3.357	22	3.290	09/02/2018	7
MGS	03/20	3.392	14	3.358	12/02/2018	3
MGS	07/20	3.456	72	3.448	12/02/2018	1
MGS	07/21	3.508	17	3.505	09/02/2018	0
MGS	09/21	3.604	41	3.619	12/02/2018	-2
MGS	11/21	3.477	14	3.480	12/02/2018	0
MGS	08/22	3.779	66	3.779	12/02/2018	0
MGS	09/22	3.785	25	3.773	12/02/2018	1
MGS	08/23	3.847	12	3.851	12/02/2018	0
MGS	07/24	3.896	23	3.923	12/02/2018	-3
MGS	09/24	3.955	39	3.917	12/02/2018	4
MGS	09/25	3.978	30	3.985	12/02/2018	-1
MGS	11/26	4.056	30	4.049	12/02/2018	1
MGS	11/27	3.973	71	3.973	12/02/2018	0
MGS	06/28	4.056	30	4.056	12/02/2018	0
MGS	04/33	4.447	126	4.437	12/02/2018	1
MGS	04/37	4.596	51	4.584	12/02/2018	1
MGS	09/43	4.846	1	4.819	09/02/2018	3
GII	05/18	3.298	80	3.228	12/02/2018	7
GII	04/20	3.646	36	3.656	12/02/2018	-1
GII	03/21	3.784	30	3.797	05/02/2018	-1
GII	04/22	3.892	52	3.892	12/02/2018	0
GII	07/22	3.952	90	3.975	07/02/2018	-2
GII	08/24	4.162	236	4.178	12/02/2018	-2
GII	07/27	4.214	30	4.205	12/02/2018	1
GII	08/33	4.645	205	4.635	12/02/2018	1
			<u>1946</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]	12/32	GG	4.899	5	-	-	-	46
GB Services Berhad	11/19	AAA	4.465	4	4.478	06/02/2018	-1	115
Malaysia Airports Capital Berhad	08/20	AAA	4.276	60	4.219	24/01/2018	6	85
Cagamas Berhad	09/20	AAA	4.121	310	4.088	09/01/2018	3	69
YTL Power International Berhad	03/23	AA1	4.647	20	4.577	21/12/2017	7	104
Public Bank Berhad	11/23	AA1	4.364	45	4.400	12/02/2018	-4	54
Malayan Banking Berhad	01/24	AA1	4.508	0	4.554	09/02/2018	-5	69
Sarawak Energy Berhad	08/25	AA1	4.665	90	4.669	10/01/2018	0	71
Sarawak Energy Berhad	12/32	AA1	5.248	40	5.250	09/02/2018	0	81
Media Chinese International Limited	02/19	AA2	4.607	10	4.349	28/11/2017	26	139
Malayan Banking Berhad	09/68	AA2	4.296	20	4.784	24/01/2018	-49	-30
Bumitama Agri Ltd	03/19	AA3	4.471	65	4.414	16/01/2018	6	125
BGSM Management Sdn Berhad	08/25	AA3	4.763	50	4.800	25/01/2018	-4	80
Tanjung Bin Energy Issuer Berhad	09/25	AA3	4.719	10	4.739	20/11/2017	-2	76
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.132	10	5.163	16/11/2017	-3	70
WCT Holdings Berhad	04/18	AA-	4.139	30	4.324	12/10/2017	-19	92
Malakoff Power Berhad	12/18	AA-	4.210	10	4.170	18/01/2018	4	99
WCT Holdings Berhad	05/22	AA-	5.127	4	5.117	28/12/2017	1	160
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/24	AA-	5.049	5	5.250	08/12/2017	-20	111
Celcom Networks Sdn Berhad [fka Celcom Transmiss	08/19	AA+	4.444	25	4.466	26/01/2018	-2	113
Samalaju Industrial Port Sdn Berhad	12/29	AA1	5.119	10	5.118	24/01/2018	0	115
Lafarge Cement Sdn Berhad	12/20	A1	5.460	4	5.451	30/01/2018	1	203
Bahrain Mumtalakat Holding Company B.S.C	04/18	A3	5.413	8	5.460	12/02/2018	-5	219
Golden Assets International Finance Limited	08/18	A1	4.939	8	4.883	18/01/2018	6	172
Mah Sing Perpetual	-	-	6.777	3	6.463	29/01/2018	31	-
				<u>846</u>				

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

Market/Corporate News: What's Brewing

Malaysia Airports Holdings Bhd 's (MAHB) share price fell 72 sen or 7.89% to close at RM8.40, erasing RM1.19bil in market capitalisation from its Feb 12 close, as investors expect new regulations to negatively impact the airport operator financially. The company's market capitalisation fell to RM13.94bil following the sell-down, which saw 39.53 million shares traded. Yesterday's close was the lowest close since Dec 13 last year. CIMB Research analyst Raymond Yap, who has a "reduce" call on the stock from an "add" call, also cut the target price to RM7.30, from RM10.56. He saw the two major regulations to be introduced progressively – the quality of service (QoS) and regulatory asset base (RAB) regulations – as having a negative impact on the company financially and valuation-wise although their implementation will raise the bar of aviation regulation in the country to First World standards. While noting that the regulations were needed to protect airport users from exploitative practices or offering substandard service, Yap said "regulation is never entirely good for the business being regulated, in our view, because at the heart of regulation, is the aim of protecting the individual consumer". Yap said MAHB risked being penalised with up to 5.03% of aeronautical revenue, if its two main airports – KLIA and klia2 – fail to meet various criteria related to passenger comfort and the needs of other airport users including airlines and ground handlers. The maximum financial penalty will be 3.36% for mid-sized airports while small airports can be imposed a maximum 2.65%. "Anecdotal evidence suggests that MAHB is weak in the area of toilet cleanliness and WiFi availability. "Some other critical areas of weakness including aerotrain reliability and issues related to baggage handling, both at KLIA, may require MAHB to invest additional capital," Yap said. The Malaysian Aviation Commission (Mavcom) met analysts last Friday to explain to the new RAB framework for aeronautical tariff setting, and the new QoS scheme to ensure good service quality at airports. The QoS will be introduced in three stages – July 2018, January 2019 and July 2019 – at KLIA and klia2, the Penang and Kota Kinabalu airports next year and other airports in the country in 2020. The RAB, which will determine aeronautical tariffs, will be implemented in 2020 but not before finalisation of the terms and calculations in the second-half of this year and the commencement of a so-called "shadow period" next year. The consultation paper for the RAB was issued on Feb 9 while the QoS consultation paper was issued last July. "There is clearly some risk that MAHB may be hit with some level of financial penalties for failure to achieve QoS thresholds, although this is not our base case assumption," Yap said, adding that the company would strive to avoid the penalties. He viewed the need to spend on the renewal and replacement of KLIA's aerotrain services and baggage-handling capabilities as a tax on shareholders and this would reduce MAHB's share valuation on a discounted cash flow (DCF) basis since the spending does not add to revenue-generating but preserves existing revenue-generating capacity. Yap said MAHB's target share price was also cut as the existing operating agreement signed with the Government that allows passenger service charges and other landing and parking charges to be raised every five years will be superseded by the RAB. Maybank Investment Bank Research analyst Mohshin Aziz said in a report that the RAB, while fairly comprehensive, raised more questions than answers for investors. "For example, weighted average cost of capital (WACC) and risk of misforecast will be borne by MAHB or consumers?" he asked. The WACC refers to the cost of capital that must be repaid, which under the RAB, mean that only if return on invested capital fall below the WACC, will Mavcom allow tariffs to be raised. Mohshin, who has an unchanged "sell" call on the stock with an unchanged DCF target price of RM8.11 pending a visit to the company, said dividend could be cut if the company opts to reduce gearing ratio while erratic cost spikes may further erode earnings projections. He said the upside to the average airport traffic growth to the historical norms of 6% to 8% would see a re-rating of the stock. (Source: Reuters, The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Inverfin Sdn Bhd	RM200 million Medium-Term-Notes(MTN) programme consisting of		
	RM185 million Tranche A notes	AAA	Affirm
	RM15 million Tranche B notes	AA	Affirm

Source: RAM Ratings; MARC

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