

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.17	6
5-yr UST	2.66	2
10-yr UST	2.90	7
30-yr UST	3.16	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	-3	3.58	-6
5-yr	3.59	0	3.89	-1
7-yr	3.95	-1	4.11	0
10-yr	3.99	2	4.21	0
15-yr	4.45	0	4.60	0
20-yr	4.60	0	4.78	0
30-yr	4.87	-2	4.96	0

\*Market indicativ

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.82	0
5-yr	3.90	0
7-yr	4.00	-1
10-yr	4.12	-1

Source: Bloomberg

#### Upcoming Government Bond Tenders

Nil

#### US Treasuries

- US Treasuries curve continues to bear flatten mixed with yields higher between 2-7bps as investor fears of an “overheating economy” intensified following higher CPI print for January. The 2Y (which is sensitive to Fed policy interest rate expectations) ended 6bps higher at 2.17% whilst the much-watched 10Y also moved 7bps at 2.90%. Investors were seen watching equities to see if market will react in the same way as it was post-payrolls; when strong wage-growth sent stock prices tumbling. Given the current sensitivity in financial markets to inflation news; market is expected to experience some volatility. Other data due out tonight are Initial Jobs Claims for the period of 10<sup>th</sup> Feb and PPI data for January.

#### MGS/GII

- Local Govvies saw secondary market volume again anchored at the RM2.0b mark with interest in the belly of the curve i.e. 5Y MGS and GII's. Interest was also seen in the shorter off-the-run MGS 21's. Generally benchmark yields were 0-3bps lower post-GDP print save for the 10Y. The widely-watched benchmark 7Y MGS 9/24 closed 1bps at 3.95% whilst the 10Y MGS 11/27 added 2 bps closing at unchanged at 3.99% compared to previous-done levels. The local ringgit bonds market is expected to be quiet ahead of the lunar New Year holidays but continue to be supported next week by stable ringgit, steady oil prices and diminishing potential of another rate hike following slightly softer investment growth in the wake of recent 4Q GDP data.

#### PDS/Sukuk

- Secondary market trades for Corporate Bonds however saw muted participation ahead of the lunar New Year holidays with total volume at RM250m as AA-rated bonds dominated trades. UNITAPAH 21-23 printed lower in terms of yields between 4.40-4.50% compared to previous-done levels. Meanwhile substantial amount of RM70m exchanged hands on SEB 24 and 32 which moved 0-3bps lower at 4.59% and 5.25% respectively. Another infra-power-related paper KIMANIS 8/25 saw some interest; closing at 4.75%. Investor interest is expected to be muted due to lack of market players in the upcoming sessions.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/18	3.409	49	3.260	13/02/2018	15
MGS	09/18	3.161	88	3.194	13/02/2018	-3
MGS	03/19	3.139	1	3.111	13/02/2018	3
MGS	07/19	3.198	101	3.183	13/02/2018	2
MGS	11/19	3.320	27	3.357	13/02/2018	-4
MGS	03/20	3.412	3	3.392	13/02/2018	2
MGS	07/20	3.433	50	3.461	13/02/2018	-3
MGS	10/20	3.447	1	3.432	12/02/2018	2
MGS	02/21	3.391	235	3.423	13/02/2018	-3
MGS	07/21	3.508	20	3.508	13/02/2018	0
MGS	09/21	3.611	3	3.604	13/02/2018	1
MGS	11/21	3.476	280	3.480	13/02/2018	0
MGS	03/22	3.588	245	3.588	12/02/2018	0
MGS	08/22	3.772	20	3.786	13/02/2018	-1
MGS	09/22	3.782	5	3.785	13/02/2018	0
MGS	03/23	3.808	2	3.829	09/02/2018	-2
MGS	08/23	3.831	12	3.847	13/02/2018	-2
MGS	07/24	3.913	2	3.896	13/02/2018	2
MGS	09/24	3.949	90	3.955	13/02/2018	-1
MGS	09/25	3.978	4	3.985	12/02/2018	-1
MGS	11/26	4.070	13	4.056	13/02/2018	1
MGS	11/27	3.992	195	3.973	13/02/2018	2
MGS	04/30	4.460	20	4.444	12/02/2018	2
MGS	04/32	4.542	0	4.532	12/02/2018	1
MGS	04/33	4.457	30	4.447	13/02/2018	1
MGS	09/43	4.833	2	4.846	13/02/2018	-1
MGS	03/46	4.867	37	4.889	12/02/2018	-2
GII	05/18	3.302	120	3.298	13/02/2018	0
GII	04/20	3.580	41	3.646	13/02/2018	-7
GII	04/21	3.766	1	3.735	16/01/2018	3
GII	04/22	3.886	221	3.892	13/02/2018	-1
GII	06/33	4.595	10	4.595	09/02/2018	0
GII	08/25	4.110	20	4.114	09/02/2018	0
			<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*	
YTL Power International Berhad	10/21	AA1	4.470	1	4.471	08/02/2018	0	95
UniTapah Sdn Berhad	12/21	AA1	4.396	10	4.894	15/05/2015	-50	88
UniTapah Sdn Berhad	06/23	AA1	4.477	10	4.522	23/06/2017	-4	88
UniTapah Sdn Berhad	12/23	AA1	4.503	10	4.504	12/12/2017	0	69
Malayan Banking Berhad	01/24	AA1	4.566	7	4.508	13/02/2018	6	75
Sarawak Energy Berhad	07/24	AA1	4.588	20	4.555	18/12/2017	3	77
Northern Gateway Infrastructure Sdn Berhad	08/31	AA1	5.029	10	5.029	09/02/2018	0	58
Sarawak Energy Berhad	12/32	AA1	5.250	70	5.250	13/02/2018	0	80
UMW Holdings Berhad	10/19	AA2	4.417	20	4.391	08/02/2018	3	110
UMW Holdings Berhad	10/23	AA2	4.718	20	4.708	10/01/2018	1	90
Gamuda Berhad	11/22	AA3	4.703	20	4.698	24/01/2018	0	110
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/20	AA-	4.678	20	0.000	00/01/1900	468	126
Malakoff Power Berhad	12/22	AA-	4.590	2	4.600	15/01/2018	-1	99
Kimanis Power Sdn Berhad	08/25	AA-	4.748	10	4.726	28/12/2017	2	80
CIMB Group Holdings Berhad	05/16	A1	5.139	20	4.908	13/02/2018	23	54
			<u>250</u>					

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

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

**Malaysia's external debt increased to RM883.4 billion or 65.3% of gross domestic product (GDP) as at end-December 2017**, versus RM873.8 billion or 64.6% of GDP as at end-September 2017, said Bank Negara Malaysia (BNM). BNM attributed the increase to a rise in loans, interbank borrowing and non-resident (NR) holdings of domestic debt securities, partially offset by valuation effects amid the strengthening of the ringgit against several major and regional currencies. The central bank said the external debt level remains manageable. "Malaysia's external debt remains manageable given its currency and maturity profiles, as well as the availability of large external assets," it said. More than one-third of total external debt is denominated in ringgit (34.3%), mainly in the form of NR holdings of domestic debt securities and in ringgit deposits in domestic banking institutions. As such, these liabilities are not subjected to valuation changes from fluctuations in the ringgit exchange rate," it added. Meanwhile, the remainder of external debt of RM580.7 billion is denominated in foreign currency, comprising mostly offshore borrowings, raised mainly to expand productive capacity and to better manage financial resources within corporate groups. BNM highlighted that offshore borrowing remained low at 37.5% of GDP, compared with 60% of GDP during the Asian financial crisis. Out of the total foreign currency-denominated external debt, about one-third (RM211.6 billion) is accounted by interbank borrowing and foreign currency deposits in the domestic banking system, followed by long-term bonds and notes issued offshore (RM154.2 billion). Looking at maturity, BNM said 57.3% of total external debt was medium- to long-term tenure, suggesting limited rollover risks. On international reserves, the central bank said it accounts for about a quarter of total external assets, with the remainder held by banks and corporations. "As at Jan 30, 2018, international reserves were 1.1 times the short-term external debt and were sufficient to finance 7.2 months of retained imports," said BNM. (Source: The Edge)

**Treasury prices fell on Wednesday after a spike in U.S. consumer prices in January** raised expectations the Federal Reserve may quicken the pace of interest rate hikes, while global stocks rose as investors took a longer view of inflation. The U.S. dollar surrendered gains against a basket of major world currencies after the Labor Department said its Consumer Price Index increased 0.5 percent. Gold rebounded from losses as stock markets swung higher and the dollar swooned. The report increased the likelihood that the Fed will raise rates in March when policy-makers meet even as U.S. retail sales posted their largest decline in 11 months. The odds of a March rate hike rose 7 percentage points to 83.1 percent, according to the CME Group's FedWatch tool. Shares in Europe gained more than 1 percent as did a gauge of global equity activity. Stocks on Wall Street opened lower but steadily climbed through the session after the initial shock of the big jump in monthly inflation was digested. Joseph LaVorgna, chief economist for the Americas at French bank Natixis in New York, said inflation had to be put in context. The year-over-year rate on core inflation at 1.8 percent was still below the Fed's target of 2 percent, he said. Excluding the volatile food and energy components, the CPI shot up 0.3 percent in January. Monthly data tend to be noisy, said Phil Orlando, chief equity strategist at Federated Investors in New York. "The market is doing exactly what the market does, it shoots first and asks questions later," Orlando said, adding investors are likely to remain jittery until the first Fed policy-setting meeting in March under new Chair Jerome Powell. "There ought to be some chop to it as we're trying to figure out what's going on in the economy and how might the Fed adjust monetary policy under a new leadership team given the backdrop of macroeconomic data," Orlando said. MSCI's all-country world index of stocks in 47 countries gained 1.28 percent while the pan-European FTSEurofirst 300 index of leading regional shares rose 1.03 percent to close at 1,469.00. Shares in Europe rose after initial declines as solid corporate results and economic data kept investors confident. Data earlier in the day showed Germany's economy was set to power ahead in 2018, while a Thomson Reuters study said fourth-quarter European earnings growth expectations were revised upwards after 15 weeks of downgrades. The Dow Jones Industrial Average rose 205.55 points, or 0.83 percent, to 24,846. The S&P 500 gained 31.46 points, or 1.18 percent, to 2,694.4 and the Nasdaq Composite added 117.72 points, or 1.68 percent, to 7,131.23. German government bond yields hit their highest in more than two years.

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Al Dzahab Assets Berhad	RM135.0 million Class A Sukuk	AAA/Stable	Assign
	RM45.0 million Class B Sukuk,	AA3/Stable	Assign

Source: RAM Ratings; MARC

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