

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.29	3
5-yr UST	2.63	2
10-yr UST	2.83	1
30-yr UST	3.06	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.58	1
5-yr	3.55	-2	3.83	0
7-yr	3.81	-1	4.00	-1
10-yr	3.93	-1	4.13	-1
15-yr	4.41	0	4.55	0
20-yr	4.54	0	4.75	-1
30-yr	4.78	0	4.91	1

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.80	-2
5-yr	3.86	-2
7-yr	3.97	-3
10-yr	4.10	-2

Source: Bloomberg

US Treasuries

- US Treasuries halted its recent 3-day rally streak yesterday with overall yields higher between 1-3bps across the 2-10Y of the curve which saw further flattening as the front-end lagged. The front end 2Y (which is sensitive to Fed policy interest rate expectations) rose 3bps to 2.29% whilst the much-watched 10Y also edged 1bps at 2.83%. Meanwhile China's foreign holdings of UST's fell to the lowest levels since July 2017 but remains high at a substantial level of 8% of total US Govt debt. As a whole, foreign central banks' Treasury holdings remain at an all-time high of ~\$3.1trillion. Upcoming data tonight include industrial production and housing starts.

MGS/GII

- Local Govvies saw secondary market volume ease to RM2.73b with GII trades forming almost 40% of total trades; mainly in benchmark bonds. Overall yields were flat to 2bps lower with the recently-issued 7Y MGS 3/25 at 3.81% and the widely-watched 10Y MGS 11/27 at 3.93%. The shorter-end MGS 18's saw offshore interest as they grinded higher on yields compared to previous-done levels whereas the MGS 19's saw the opposite with yields lower between 1-5bps. Meanwhile the Securities Commission said that the ringgit bond market grew 10.1% to RM1.29 trillion as foreign investors gradually returned to the bond market last year.

Upcoming Government Bond Tenders

Corp Bonds/Sukuk

- Secondary market volume for Corporate Bonds saw sustained high volume of RM990m with equal interest seen in the GG, AAA and AA space. Govt-Guaranteed DANA 10/28 and 5/37 saw total RM300m traded with yields 0-2bps lower at 4.61% and 5.04% respectively compared to previous-done levels. The longer-end PLUS 29-33 papers rallied by 1-5bps with yields closing at 4.65-93% levels. The banking space saw investors actively participate in various 24nc19 names with CIMB Thai, Hong Leong Islamic Bank and Public Islamic Bank as yields ended mostly lower. Hong Leong Assurance 25nc20 rallied 5bps at 4.70%. Interest is expected to be sustained in coming sessions.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.095	108	3.007	14/03/2018	9
MGS	03/19	3.066	30	3.113	14/03/2018	-5
MGS	07/19	3.192	70	3.227	13/03/2018	-3
MGS	10/19	3.293	116	3.302	14/03/2018	-1
MGS	11/19	3.311	1	3.320	13/03/2018	-1
MGS	03/20	3.363	3	3.364	14/03/2018	0
MGS	07/20	3.369	2	3.357	14/03/2018	1
MGS	07/21	3.440	88	3.439	13/03/2018	0
MGS	09/21	3.547	120	3.536	13/03/2018	1
MGS	11/21	3.401	33	3.416	14/03/2018	-2
MGS	03/22	3.547	60	3.570	14/03/2018	-2
MGS	08/22	3.680	5	3.702	14/03/2018	-2
MGS	09/22	3.667	76	3.698	14/03/2018	-3
MGS	03/23	3.750	79	3.758	14/03/2018	-1
MGS	08/23	3.758	1	3.769	14/03/2018	-1
MGS	07/24	3.839	28	3.875	14/03/2018	-4
MGS	09/24	3.867	122	3.876	14/03/2018	-1
MGS	03/25	3.808	190	3.825	14/03/2018	-2
MGS	09/25	3.966	42	3.977	14/03/2018	-1
MGS	04/26	4.026	1	4.041	07/03/2018	-2
MGS	03/27	4.110	1	4.134	14/03/2018	-2
MGS	05/27	4.140	1	4.200	01/03/2018	-6
MGS	11/27	3.930	372	3.936	14/03/2018	-1
MGS	06/28	3.948	10	3.942	14/03/2018	1
MGS	04/30	4.341	32	4.337	14/03/2018	0
MGS	06/31	4.351	16	4.392	14/03/2018	-4
MGS	04/33	4.406	62	4.399	14/03/2018	1
MGS	05/35	4.523	11	4.515	13/03/2018	1
MGS	09/43	4.788	5	4.780	14/03/2018	1
GII	04/19	3.371	17	3.355	13/03/2018	2
GII	04/20	3.583	40	3.577	14/03/2018	1
GII	05/20	3.584	30	3.632	07/03/2018	-5
GII	05/20	3.584	20	3.647	13/03/2018	-6
GII	03/21	3.801	50	3.801	14/03/2018	0
GII	04/22	3.832	270	3.830	14/03/2018	0
GII	07/22	3.884	40	3.878	14/03/2018	1
GII	05/24	4.069	4	4.092	13/03/2018	-2
GII	08/25	4.002	120	4.008	14/03/2018	-1
GII	09/26	4.218	4	4.218	14/03/2018	0
GII	07/27	4.134	40	4.142	14/03/2018	-1
GII	09/30	4.540	4	4.578	09/03/2018	-4
GII	06/33	4.540	120	4.542	14/03/2018	0
GII	08/33	4.631	50	4.648	14/03/2018	-2
GII	08/37	4.745	6	4.759	07/03/2018	-1
GII	05/47	4.911	230	4.899	14/03/2018	1
			<u>2730</u>			

Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.360	10	4.360	08/03/2018	0	58
DanaInfra Nasional Berhad	10/28	GG	4.605	120	4.582	30/01/2018	2	68
DanaInfra Nasional Berhad	05/37	GG	5.040	180	5.039	29/11/2017	0	50
Malaysia Airports Capital Berhad	08/20	AAA	4.290	15	4.276	13/02/2018	1	98
Telekom Malaysia Berhad	06/21	AAA	4.190	20	4.175	17/11/2017	2	80
Telekom Malaysia Berhad	09/21	AAA	4.200	90	4.131	07/11/2017	7	72
Pengurusan Air SPV Berhad	11/21	AAA	4.365	10	3.993	06/09/2016	37	88
Tenaga Nasional Berhad	12/21	AAA	4.256	10	4.241	20/02/2018	2	77
Malaysia Airports Capital Berhad	12/22	AAA	4.480	20	4.449	26/02/2018	3	91
Aman Sukuk Berhad	05/24	AAA	4.490	2	4.479	12/02/2018	1	71
Putrajaya Holdings Sdn Berhad	05/25	AAA	4.496	20	4.457	05/09/2017	4	68
Putrajaya Bina Sdn Berhad	09/26	AAA	4.590	10	4.551	10/10/2017	4	71
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.650	40	4.699	27/12/2017	-5	72
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.780	40	4.789	22/02/2018	-1	85
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.813	30	4.840	05/03/2018	-3	41
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.930	40	4.939	26/02/2018	-1	53
Sarawak Hidro Sdn Berhad	08/26	AAA	4.680	4	4.608	26/12/2017	7	80
Telekom Malaysia Berhad	09/27	AAA	4.620	30	4.556	08/01/2018	6	70
YTL Power International Berhad	10/21	AA1	4.543	10	4.559	02/03/2018	-2	106
Sabah Credit Corporation	02/22	AA1	4.660	2	4.758	15/06/2016	-10	118
Public Bank Berhad	09/23	AA1	4.330	10	4.297	13/03/2018	3	55
Public Bank Berhad	10/23	AA1	4.340	20	4.286	05/03/2018	5	56
Public Bank Berhad	11/23	AA1	4.370	20	4.334	23/02/2018	4	59
Public Islamic Bank Berhad	06/24	AA1	4.324	30	4.311	12/12/2017	1	55
Hong Leong Islamic Bank Berhad	06/24	AA1	4.302	30	4.361	06/12/2017	-6	53
YTL Power International Berhad	05/27	AA1	4.849	1	5.251	14/03/2018	-40	92
Public Islamic Bank Berhad	08/27	AA1	4.615	10	4.578	05/01/2018	4	69
TRIpIc Medical Sdn Berhad	10/28	AA1	4.990	6	4.949	02/03/2018	4	106
Westports Malaysia Sdn Berhad	05/21	AA+	4.480	5	4.296	29/08/2017	18	109
CIMB Islamic Bank Berhad	09/24	AA+	4.350	10	4.384	13/12/2017	-3	53
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.320	24	4.316	04/01/2018	0	114
United Growth Berhad	06/22	AA2	4.510	2	4.507	19/12/2017	0	103
CIMB Thai Bank Public Company Limited	07/24	AA3	4.770	40	5.198	09/03/2018	-43	99
Hong Leong Assurance Berhad	02/25	AA3	4.700	30	4.752	06/03/2018	-5	88
WCT Holdings Berhad	01/25	AA-	5.460	2	5.500	02/01/2018	-4	164
Southern Power Generation Sdn Berhad	10/30	AA-	5.060	20	5.190	05/01/2018	-13	66
AMMB Holdings Berhad	03/27	A1	4.990	1	5.069	07/03/2018	-8	107
Affin Bank Berhad	09/27	A1	4.850	20	5.000	09/03/2018	-15	92
CIMB Group Holdings Berhad	05/16	A1	5.713	5	4.828	13/03/2018	89	117
CIMB Group Holdings Berhad	05/16	A1	5.464	1	4.876	14/03/2018	59	92
				<u>990</u>				

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

Market/Corporate News: What's Brewing

Royal Dutch Shell is close to bagging a deal to supply Hong Kong with liquefied natural gas (LNG), beating out major competitors for the right to be the first company to supply LNG to the city. Shell has edged out companies such as Malaysia's Petronas to supply LNG through a long-term contract to Hong Kong utility CLP Power, two sources familiar with the matter told Reuters. Hong Kong is undertaking a massive shift to using more natural gas to fuel its electric power generation from coal, potentially creating a steady and lucrative demand source in the Asian LNG market. Under the deal, Shell will supply about 1.2 million tonnes per annum (mtpa) of LNG for about 10 years starting after 2020, the sources said, declining to be named as they were not authorised to speak to the media. However, the supply agreement will be subject to a final investment decision (FID) for an offshore LNG import terminal that will include a floating storage and regasification unit (FSRU), one of the sources said. It was not immediately clear if the deal was binding or a memorandum of understanding. CLP and Petronas did not immediately reply to requests for comment. Shell declined to comment on the specific deal and said it "continuously seeks opportunities to grow and improve profitability". "This may include talking with third parties from time to time, any conversations are confidential," a spokeswoman said. As part of its commitment to the Paris Climate Change Agreement, Hong Kong is aiming to increase the use of natural gas in its total fuel mix for power generation to about 50 percent by 2020 from 22 percent as of 2012. Hong Kong currently produces power using imported fuel in domestic power plants or from imported natural gas from the mainland. The country's coal-fired plants will reach the end of their useful life in the next decade. Hong

Kong's gas demand is expected to grow after 2020 as a result of efforts to meet environmental targets, said Edmund Siau, an LNG analyst with consultancy FGE. "A mixture of LNG imports and increased pipeline gas imports from China will likely help to meet this demand growth," he said. CLP Power is building a new gas-fired generation unit at its Black Point Power station at a cost of HK\$5.5 billion (\$701.42 million) which will start operations by 2020, according to the company's 2017 annual report. It is also planning to develop an offshore import terminal using the FSRU that will be located in the southern waters of Hong Kong, according to the report. CLP is now undertaking an environmental impact assessment of the Hong Kong Offshore LNG Terminal project, which involves the FSRU, said a spokeswoman from the country's Environmental Protection Department. Apart from CLP Power, privately-owned Hong Kong Electric Company is also looking to import LNG, a source familiar with the matter said. Hong Kong Electric did not immediately respond to an email seeking comment. In 2008, CLP scrapped a \$1-billion LNG plant after China signed an agreement with Hong Kong to guarantee a steady supply of energy to the city for a further 20 years. (Source: The Star)

China's holdings of Treasuries fell to the lowest level since July as investors soured on U.S. fixed-income securities and the dollar at the start of the year. China's portfolio of U.S. bonds, notes and bills sank to \$1.17 trillion in January from \$1.18 trillion a month earlier, according to Treasury Department data released Thursday. China remains the largest foreign creditor to the U.S., followed by Japan, whose holdings rose for the first month since July, to \$1.07 trillion from \$1.06 trillion. Overall, foreign ownership of Treasuries receded in January for a third straight month, falling to \$6.26 trillion, after reaching a record-high \$6.32 trillion in October. The U.S. bond market, the world's biggest, endured its worst January since 2009 amid investor fears that inflation could force the Federal Reserve to more aggressively hike rates. Recent reports on wages and consumer prices have lessened those concerns. The Bloomberg Dollar Spot Index dropped 3.4 percent in January. Chinese investment in the U.S. has been getting more attention than usual since President Donald Trump took office and pressed ahead with his protectionist agenda. The president this month announced tariffs on steel and aluminum imports, a move intended to stop China from flooding the market at cut-rate prices. Trump has also threatened a host of trade penalties in response to China's alleged theft of intellectual property. Threats by Trump to crack down on trade with China have sparked concerns that the Asian nation could use American debt as a tool for retaliation. In January, Chinese officials said that as part of a foreign-exchange review, the government is considering slowing or halting purchases of U.S. Treasuries as they became less attractive relative to other assets. Treasury Secretary Steven Mnuchin last month said he isn't concerned about foreign investment in new U.S. debt, which analysts expect will exceed \$1 trillion this year. Net foreign purchases of U.S. equities totaled \$34.5 billion in January, the most in more than a decade and up from \$31.8 billion a month earlier. The 2017 U.S. stock market rally extended into January. After an equities sell-off in February, the S&P 500 Index has recouped more than half its losses. Among all foreign holders, total net sales of U.S. corporate bonds were \$2.2 billion, compared with \$1.3 billion in sales a month earlier, according to the Treasury data. (Source: The Edge)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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