

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.05	3
5-yr UST	2.41	5
10-yr UST	2.59	5
30-yr UST	2.86	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	0	3.48	0
5-yr	3.52	0	3.84	2
7-yr	3.82	1	4.08	3
10-yr	3.84	1	4.16	2
15-yr	4.37	-1	4.56	1
20-yr	4.60	0	4.76	0
30-yr	4.84	-1	4.94	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.77	1
5-yr	3.84	1
7-yr	3.95	0
10-yr	4.06	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries market extended losses yesterday with yields generally 3-5bps higher across the curve as market lacked directional catalysts. The yield curve was flatter with the 5s30s spread dropping a further 2bps. The 2Y (which is sensitive to Fed Policy interest rate expectations) jumped 3bps at 2.05% whilst the much-watched 10Y also moved 5bps higher, closing at 2.59%. The current implied odds of rate hike is 88% for both March and May 2018 FOMC meetings. Investors were also seen digesting reports of lower foreign holdings of UST's mainly by China and Japan, which together account for a third of total UST's. Meanwhile the upcoming data on for today include the US Fed Beige Book Release, Housing Starts and Initial Jobless Claims.

MGS/GII

- Local Govvies continued to tread cautiously despite volume back to about RM3b mark as both MGS and GII had a fair share of trades overall. Yields were mixed between -1 to +1 bps across the curve. Interest seen scattered across most tenures with some interest anchored in the off-the-run MGS 7/21 which closed higher at 3.508% and also within the 5Y GII bonds. Both the widely-watched benchmark 7Y MGS 9/24 and MGS 11/27 closed 1bps lower at 3.82% and 3.84% respectively compared to previous-done levels. Investor interest is expected to be muted on reports that both Malaysia and Philippines are expected to tighten rates soon.

PDS/Sukuk

- There was continued interest for Corporate Bonds in the secondary market with total volume recorded at RM562m with bulk of trades within the AA-segment. In the Govt-Guaranteed space, RM65m of PRASA 19-23's changed hands closing generally 2-5bps higher compared to previous-done levels. Meanwhile the AAA-rated papers saw several liquid names like RANTAU, DANGA and AMAN notch trades between 0-2 bps lower. A substantial amount of AA-rated SEB 12/32 was traded with yields closing 2bps lower at 5.28%. There were also a slew of trades done on infrastructure and power-related names i.e. BGSM, Southern Power and Jimah Energy Power bonds in the belly of the curve. Expect continued interest for Corporate Bonds.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.209	91	2.994	12/01/2018	22
MGS 03/18	3.011	9	3.204	12/01/2018	-19
MGS 09/18	3.175	119	2.957	15/01/2018	22
MGS 03/19	3.129	17	3.062	16/01/2018	7
MGS 07/19	3.235	2	3.175	12/01/2018	6
MGS 10/19	3.186	72	3.188	12/01/2018	0
MGS 11/19	3.308	12	3.178	16/01/2018	13
MGS 03/20	3.277	1	3.308	15/01/2018	-3
MGS 10/20	3.349	8	3.312	12/01/2018	4
MGS 07/21	3.508	275	3.464	16/01/2018	4
MGS 11/21	3.438	134	3.447	15/01/2018	-1
MGS 03/22	3.515	35	3.528	15/01/2018	-1
MGS 08/22	3.693	190	3.667	15/01/2018	3
MGS 09/22	3.712	1	3.666	16/01/2018	5
MGS 08/23	3.790	56	3.776	16/01/2018	1
MGS 07/24	3.882	40	3.848	12/01/2018	3
MGS 09/24	3.819	142	3.833	16/01/2018	-1
MGS 09/25	3.954	30	3.962	15/01/2018	-1
MGS 04/26	4.143	30	4.067	15/01/2018	8
MGS 11/26	4.035	1	3.994	16/01/2018	4
MGS 11/27	3.837	31	3.843	15/01/2018	-1
MGS 06/31	4.401	40	4.361	16/01/2018	4
MGS 04/33	4.374	4	4.383	12/01/2018	-1
MGS 04/37	4.596	2	4.588	16/01/2018	1
MGS 03/46	4.840	6	4.854	16/01/2018	-1
GII 05/18	3.251	120	3.200	15/01/2018	5
GII 08/18	3.270	22	3.249	16/01/2018	2
GII 11/18	3.262	1	3.187	15/01/2018	8
GII 09/19	3.491	100	3.461	16/01/2018	3
GII 11/20	3.656	1	3.879	12/04/2017	-22
GII 03/21	3.764	80	3.764	11/12/2017	0
GII 04/22	3.844	580	3.826	16/01/2018	2
GII 07/22	3.928	240	3.924	16/01/2018	0
GII 07/23	3.908	5	3.959	16/01/2018	-5
GII 05/24	4.105	10	4.100	16/01/2018	1
GII 08/24	4.081	110	4.055	15/01/2018	3
GII 09/26	4.215	10	4.208	15/01/2018	1
GII 07/27	4.155	233	4.136	16/01/2018	2
GII 06/33	4.560	50	4.546	11/01/2018	1
		<u>2911</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]	03/19	GG	3.735	15	3.683	25/10/2017	5	70
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	4.109	10	4.098	09/01/2018	1	65
DanaInfra Nasional Berhad	07/22	GG	4.104	5	4.062	21/07/2017	4	57
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	12/22	GG	4.119	20	4.098	29/11/2017	2	58
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	02/23	GG	4.140	5	4.100	16/10/2017	4	60
Pengurusan Air SPV Berhad	02/26	GG	4.399	10	4.350	08/09/2017	5	51
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	09/47	GG	5.229	15	5.239	15/01/2018	-1	63
Sarawak Hidro Sdn Berhad	08/22	AAA	4.384	10	4.404	29/11/2017	-2	85
UniTapah Sdn Berhad	06/20	AA1	4.236	10	4.389	25/04/2017	-15	101
UniTapah Sdn Berhad	12/20	AA1	4.281	10	4.304	05/01/2018	-2	96
Kuala Lumpur Kepong Berhad	04/26	AA1	4.602	10	4.600	21/08/2017	0	71
Danajamin Nasional Berhad	10/27	AA1	4.715	10	4.768	28/12/2017	-5	84
Sarawak Energy Berhad	12/32	AA1	5.258	150	5.279	20/12/2017	-2	87
Star Media Group Berhad	05/18	AA2	4.111	10	4.129	12/01/2018	-2	107
UMW Holdings Berhad	06/20	AA2	4.598	2	4.466	27/12/2017	13	137
Tanjung Bin Energy Issuer Berhad	03/19	AA3	4.224	10	4.233	25/08/2017	-1	119
SPR Energy (M) Sdn Berhad	07/25	AA3	4.958	30	4.958	05/01/2018	0	107
BGSM Management Sdn Berhad	08/25	AA3	4.778	40	4.799	21/12/2017	-2	89
CIMB Group Holdings Berhad	05/16	A1	5.202	0	4.806	15/01/2018	40	60
Alliance Bank Malaysia Berhad	10/25	A2	5.000	0	4.886	15/12/2017	11	111
Golden Assets International Finance Limited	08/18	A1	4.966	4	4.981	15/01/2018	-1	193
Anih Berhad	11/20	AA	4.317	10	4.445	20/07/2017	-13	99
Southern Power Generation Sdn Berhad	04/23	AA-	4.687	10	4.728	15/01/2018	-4	115
Southern Power Generation Sdn Berhad	10/23	AA-	4.719	10	4.757	15/01/2018	-4	98
Jimah East Power Sdn Berhad	12/23	AA-	4.575	10	4.688	24/01/2017	-11	84
Southern Power Generation Sdn Berhad	04/24	AA-	4.748	10	-	30/04/2024	-	-
Jimah East Power Sdn Berhad	06/24	AA-	4.605	10	4.758	05/01/2017	-15	87
Southern Power Generation Sdn Berhad	10/24	AA-	4.769	10	-	31/10/2024	-	-
Southern Power Generation Sdn Berhad	04/25	AA-	4.808	5	4.848	15/01/2018	-4	96
Kapar Energy Ventures Sdn Berhad	07/22	AA+	4.455	10	4.396	23/08/2017	6	100
Cagamas MBS Berhad	05/19	AAA	4.081	40	3.911	28/07/2016	17	104
Aman Sukuk Berhad	05/19	AAA	4.034	20	4.053	03/01/2018	-2	100
Danga Capital Berhad	04/20	AAA	4.088	10	4.086	05/01/2018	0	86
Aman Sukuk Berhad	04/24	AAA	4.477	10	4.483	12/01/2018	-1	74
Rantau Abang Capital Berhad	01/32	AAA	4.892	20	4.894	08/01/2018	0	50
			<u>562</u>					

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

Market/Corporate News: What's Brewing

Global bond issuance in 2018 is expected to decrease by 0.4%, according to S&P Global Fixed Income Research. In a statement today, S&P Global Ratings cited an article titled "Global Issuance And Financing Conditions: Bond Issuance Is Expected To Decline By 0.4% To \$6.2 Trillion In 2018" and said a large decline in US public finance will likely be offset by increases in global structured finance and financial services. "Meanwhile, we expect a slight decline among nonfinancial corporates, which face modest headwinds in the U.S. via tax reform and have a difficult act to follow in 2017's global totals," said head of S&P Global Fixed Income Research Diane Vazza. Vazza noted that borrowing costs remain muted in the US and Europe, in many cases reaching historical lows over the past two years. The current favourable lending conditions in these regions are expected to extend into the first half of this year, with increased potential for more restrictive conditions later in the year. "Geopolitical risks to bond issuance in 2018 are already coming to the fore, with many countries facing upcoming elections (or coalition building) in Europe and Latin America," she said. Tax reform in the US has become law and includes potentially debt-deterring provisions, said S&P. S&P pointed out that the Brexit process will soon start addressing more difficult and crucial topics in a substantive way, and a developing issue surrounding China's future Treasury purchases may also cause market disruption.

(Source: The Edge)

WCT Holdings Bhd and the Employees Provident Fund (EPF) opened the New World Petaling Jaya Hotel at the Paradigm Integrated Development in Kelana Jaya yesterday. The hotel is managed by New World Hotels & Resorts, which is one of the brands under Rosewood Hotels & Resorts — owned by Hong Kong-based New World Development, and is its first property in Malaysia. The hotel, which is jointly owned by WCT and EPF, shares a single 30-storey tower with a residential component called Azure Residences. The hotel rooms are situated from the 19th floor. The hotel is one component of the RM1.8 billion Paradigm integrated commercial development, which also includes Paradigm Mall and The Ascent corporate office tower. At the press conference, WCT director of corporate strategy Ng Chee Kiet revealed that the investment for the hotel totalled RM300 million and he believes it will be a welcome addition to the area. "This entire development is called Paradigm Integrated Development. The first component that was ready was Paradigm PJ and then we had the office tower called the Ascent, which is doing well with a number of multinational companies there. Those tenants of the office tower will be the natural users of the hotel. The hotel is the last component we are adding to the development," said Ng. He added that there is one more parcel of land nearby, which WCT will develop a residential project called "Sapphire Residence" that will be launched in the second quarter of this year. According to the hotel's general manager Jai Kishan, New World Petaling Jaya Hotel's rooms will be released in phases and the full inventory of rooms will be available for booking by Chinese New Year. "The hotel is different from what exist in Malaysia and (design-wise) is a contemporary, alive and with a lot of natural light and colours," he said. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
MRCB Southern Link Berhad	RM845 million Senior Sukuk	BB3	Rating Watch; Negative outlook

Source: RAM Ratings; MARC

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