

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.19	0
5-yr UST	2.63	0
10-yr UST	2.88	0
30-yr UST	3.13	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	-5	3.58	0
5-yr	3.56	-2	3.89	0
7-yr	3.95	-1	4.12	0
10-yr	4.01	4	4.23	0
15-yr	4.45	-7	4.60	0
20-yr	4.63	4	4.78	0
30-yr	4.86	0	4.96	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.83	1
5-yr	3.92	0
7-yr	4.03	0
10-yr	4.15	0

Source : Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- Markets in the US were closed for the President's Day celebrations. However as at the time of writing the US Treasury yield curve is seen bear-flattening as markets anticipate huge auction supply; ahead of Wednesday's FOMC minutes. Overall yields currently are higher across by 1-3bps. As the Fed moves to reduce its stimulus and the market considers a quicker pace of interest-rate increases, the UST 10Y has surged to a 4-year high. Upcoming data include Markit US Manufacturing and Services data followed by Home Sales tomorrow.

MGS/GII

- Local Govvies saw secondary market volume continue to be subdued at RM1.22b during this Lunar New Year festivities with some interest seen in the off-the-run MGS 19-21's. Generally yields were marginally lower between 1-2bps. However many of the benchmarks i.e. 3Y, 10Y, 15Y and 20Y saw odd-lot trades not representing actual levels. The widely-watched benchmark 7Y MGS 9/24 closed at 3.95% whilst the 10Y MGS 11/27 weakened to 4.01% compared to previous-done levels. BNM has just announced a bilateral switch auction on the 26th February; replacing MGS 9/18 with MGS 4/26 and 11/26 respectively with an indicative amount of RM1.0b.

PDS/Sukuk

- Secondary market trades for Corporate Bonds improved to RM336m with interest anchored in AA-rated infra-related papers i.e. BGSM, DUKE3, and TBEI; mostly closing between 0-2bps lower compared to previous-done levels. In the Govt-Guaranteed space, the recently issued 7Y, 15Y, 20Y and 30Y DANA bonds made their debut trade at 4.37%, 4.90%, 5.11% and 5.36% respectively unchanged from coupon levels. MAYBANK 24nc19 saw pass-through trades closing 3bps lower at 4.54%. Expect interest in the secondary market to pick-up.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/18	3.210	9	3.409	14/02/2018	-20
MGS	09/18	3.234	70	3.203	15/02/2018	3
MGS	03/19	3.178	10	3.150	15/02/2018	3
MGS	10/19	3.302	56	3.302	15/02/2018	0
MGS	11/19	3.336	160	3.330	15/02/2018	1
MGS	07/20	3.436	13	3.433	14/02/2018	0
MGS	10/20	3.447	38	3.447	14/02/2018	0
MGS	02/21	3.363	112	3.412	15/02/2018	-5
MGS	09/21	3.617	2	3.558	15/02/2018	6
MGS	11/21	3.452	4	3.482	15/02/2018	-3
MGS	03/22	3.560	254	3.579	15/02/2018	-2
MGS	08/22	3.750	55	3.772	15/02/2018	-2
MGS	09/22	3.792	19	3.782	14/02/2018	1
MGS	03/23	3.798	25	3.808	15/02/2018	-1
MGS	07/24	3.975	18	3.940	15/02/2018	4
MGS	09/24	3.953	71	3.961	15/02/2018	-1
MGS	04/26	4.129	3	4.115	15/02/2018	1
MGS	03/27	4.227	3	4.172	12/02/2018	6
MGS	11/27	4.011	91	3.967	15/02/2018	4
MGS	06/31	4.472	2	4.491	15/02/2018	-2
MGS	04/33	4.451	1	4.524	15/02/2018	-7
MGS	04/37	4.627	4	4.740	15/02/2018	-11
MGS	03/46	4.861	3	4.861	15/02/2018	0
GII	04/19	3.339	4	3.387	05/02/2018	-5
GII	04/20	3.577	115	3.576	15/02/2018	0
GII	04/22	3.886	25	3.886	15/02/2018	0
GII	07/23	4.003	6	4.034	15/02/2018	-3
GII	08/25	4.115	50	4.114	15/02/2018	0
			<u>1224</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*
Danainfra Nasional Berhad	02/38	GG	5.110	20	-	-	-	-
Danainfra Nasional Berhad	02/25	GG	4.370	90	-	-	-	-
Danainfra Nasional Berhad	02/33	GG	4.900	20	-	-	-	-
Danainfra Nasional Berhad	02/48	GG	5.360	5	-	-	-	-
Danga Capital Berhad	04/20	AAA	4.118	10	4.107	29/01/2018	1	80
Rantau Abang Capital Berhad	12/20	AAA	4.125	10	4.107	05/01/2018	2	72
Malayan Banking Berhad	01/24	AA1	4.539	40	4.566	14/02/2018	-3	72
Westports Malaysia Sdn Berhad	05/22	AA+	4.559	10	4.260	30/09/2016	30	104
Celcom Networks Sdn Berhad [fka Celcom Transmiss	08/24	AA+	4.862	20	4.907	14/11/2017	-4	89
CIMB Bank Berhad	12/25	AA+	4.901	1	5.000	27/12/2017	-10	91
Konsortium ProHAWK Sdn Berhad	06/26	AA2	4.768	10	4.789	24/06/2015	-2	78
Konsortium ProHAWK Sdn Berhad	12/31	AA2	5.099	10	5.096	12/02/2018	0	63
Perbadanan Kemajuan Negeri Selangor	08/18	AA3	4.247	20	4.306	06/09/2017	-6	103
BGSM Management Sdn Berhad	08/25	AA3	4.758	20	4.763	13/02/2018	0	77
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.978	10	4.993	09/08/2017	-2	95
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.129	10	5.132	13/02/2018	0	66
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.309	10	5.320	26/01/2018	-1	69
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.409	10	5.416	26/01/2018	-1	79
Affin Bank Berhad	09/27	A1	4.871	10	4.857	12/01/2018	1	84
				<u>336</u>				

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

Market/Corporate News: What's Brewing

Singapore said its sales tax will rise to 9 percent from 7 percent, but the change will only come "sometime" between 2021 and 2025, making it likely that the increase would kick in after the city-state's next general election. Instead of getting a GST hike soon, Singaporeans aged 21 and above will get a "hong bao", or Lunar New Year red packet, as Finance Minister Heng Swee Keat announced a "one-off" bonus in 2018 of up to S\$300 (\$228.50), depending on their income. The bonus comes after Singapore's trade-reliant economy grew 3.6 percent in 2017, its best pace in three years. Global economic growth, plus comments by policymakers on the importance of raising revenue to meet future spending needs for Singapore's ageing population, led many analysts to expect that the Goods and Services Tax, kept at 7 percent since 2007, would increase as early as the coming fiscal year. "The surprise for us was that the planned increase was for a much later period," said Jeff Ng, chief economist Asia for Continuum Economics. "This eases the need for a future government or administration to announce the GST," Ng said. Singapore's next general election is due to be held by January 2021. In the last one in 2015, the ruling People's Action Party won 70 percent of the vote, a strong improvement from the 60 percent garnered in 2011. After announcing the planned GST hike, the finance minister said "the exact timing will depend on the state of the economy, how much our expenditures grow, and how buoyant our existing taxes are. But I expect that we will need to do so earlier rather than later in the period." Singapore introduced a GST in 1994, with a 3 percent rate. This was raised to 4 percent in 2003 and 5 percent in 2004, then to 7 percent in 2007. The current rate is among the world's lowest for a consumption tax. Other tax measures include increasing the top marginal buyer's stamp duty on residential property worth more than S\$1 million effective from Tuesday, raising the excise duty on tobacco products and introducing GST on imported services from 2020. Coming in 2019 is a carbon tax, which will be S\$5 per tonne of greenhouse gas emissions until 2023. The plan is to increase it to between S\$10-S\$15 per tonne by 2030. Heng said spending needs will rise across various sectors in coming years, including in healthcare, infrastructure and security. The government expects average annual healthcare spending to rise from 2.2 percent of GDP currently, to almost 3 percent of GDP over the next decade, he added. "With an ageing population and an increasing chronic disease burden, the demands on families and Government will rise," the finance minister said. "We will need to spend even more on healthcare." Heng, one of several cabinet ministers considered a possible successor to Prime Minister Lee Hsien Loong, said in the speech "We must anchor Singapore as a Global-Asia node of technology, innovation and enterprise." (Source: The Edge)

Over the years, **ExxonMobil Inc** has scaled down its operations here, being absent in the refinery and retail businesses. But there's more to Malaysia for the oil major, said ExxonMobil Exploration and Production Malaysia Inc president and chairman Edward E Graham. **"We are still very active," said Graham in an interview with The Edge Financial Daily. "Exploration still is [commercially viable].** There are areas that have yet to be explored in Malaysia, so that has some potential." Just half a year into the job here, Graham's mandate is to progress the business during what he described as a tough time amid the prevailing prices which followed the oil and gas (O&G) downturn. One key prospect in Malaysia that ExxonMobil is banking on, said Graham, is growing fuel consumption in power generation. While Malaysia itself is preaching for a higher renewable energy (RE) uptake to 30% of the total by 2025, it is presently dominated by coal and natural gas — at around 50% and 45% respectively in mid-2017 for Peninsular Malaysia. Having a lower-cost energy source relative to other countries presents a competitive advantage, said Graham. The concern, however, is if Malaysia opts for coal rather than natural gas while transitioning towards more RE input. Coal is usually cheaper than gas, but it produces 50% to 60% more carbon dioxide at the power generation plants. "Our opportunity is to continue to be able to find low-cost natural gas that can feed into the grid here in Malaysia as the preferred offset versus coal," said Graham. The oil major currently produces 40% of natural gas supplies in Peninsular Malaysia. According to its official website, it still has four production sharing contracts with Petroliaam Nasional Bhd (Petronas). Graham said it has two contracts expiring in the 2020s and 2030s each. "My point is that our ability to deliver the gas we're producing today for the next decade is there. But longer term, obviously additional investments will be required," said Graham. "We're pretty heavy in gas already," he said. "But we are not committing one way or another. In fact, we are trying to keep our aperture open to

all sources of energy.” Graham believes that the push for cost-competitiveness, which gained traction during the downturn, should continue despite the slight recovery in oil prices. “We share the opportunities — ways to reducing costs, for example — between us and Petronas,” he said. In the short run, he said ExxonMobil Malaysia is still on the lookout for more exploration over the next few years. “No commitment yet for this year, at this point,” he said, adding that there is still “a lot of uncertainties” affecting prices at the moment. “When prices go up, the market heats up, and other costs start going back up again,” said Graham. “As an industry, for Malaysia, we should continue to focus on getting the costs collectively down.” Graham gave Petronas credit for helping to drive the whole industry towards efficiency. “They have the initiative Coral 2.0 — that is, in my mind, very innovative. They’re looking at it more holistically.” Petronas, said Graham, is in the position of obtaining the necessary data to develop industry-wide measures. “They can see where there’s opportunity to improve and reduce costs, and maybe, in some cases, share resources or services. “If you look at other mature areas like the UK or even the Gulf of Mexico in the US, there isn’t that ability because there isn’t a party like Petronas that sees across all of the different activities,” he added. While conceding that Malaysia’s O&G industry recovery is expected to be “a little bit slow”, the oil major has also hired about 100 more people in 2017 to form a team 1,100 employees strong presently — against the global headcount of some 71,300 people, he said. “[Malaysia is] a very critical part of our upstream operations. “We have about a tenth of our Malaysian organisation working somewhere else in the world today, supporting ExxonMobil somewhere else because of the knowledge and experience that they have gained through our operations here,” he added, pointing to Malaysia’s mature basin which requires more engineering creativity to monetise. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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