

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.25	6
5-yr UST	2.65	2
10-yr UST	2.89	1
30-yr UST	3.15	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	1	3.60	2
5-yr	3.59	3	3.89	0
7-yr	3.99	4	4.11	0
10-yr	4.03	2	4.23	0
15-yr	4.47	2	4.60	0
20-yr	4.64	1	4.78	0
30-yr	4.86	0	4.96	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	1
3-yr	3.83	0
5-yr	3.93	1
7-yr	4.04	1
10-yr	4.17	1

Source: Bloomberg

#### Upcoming Government Bond Tenders

Nil

#### US Treasuries

- US Treasury yields were higher across the curve between 1-6bps with the front-end leading losses amid heavy slate of debt auction supplies of \$151b in T-bills and \$28b in 2Y notes. The 2Y (which is sensitive to Fed policy interest rate expectations) closed 6bps higher at 2.25% whilst the much-watched 10Y edged 1bps higher at 2.89%. The odds of an interest-rate hike in tomorrow's FOMC meeting is currently at 88%. Upcoming data include Markit US Manufacturing and Services data followed by Existing Home Sales tonight.

#### MGS/GII

- Local Govvies saw secondary market volume improve to RM1.86b with interest seen in the benchmarks 5-10Y and off-the-run MGS 9/21. Generally yields were higher between 1-4bps with very local leads. The widely-watched benchmark 7Y MGS 9/24 closed 4bps higher at 3.99% whilst the 10Y MGS 11/27 also weakened to 4.03% compared to previous-done levels. Market is expected to be light ahead of US FOMC minutes early tomorrow morning (Malaysian time).

#### PDS/Sukuk

- Secondary market trades for Corporate Bonds stood at RM255m with interest across the curve. In the Govt-Guaranteed space the longer-end PRASA 9/37 saw RM30m nominal amount traded 6bps higher at 5.03% compared to previous-done levels whereas AAA-rated AMAN 5/19 and TNB Western 12/21 closed unchanged at 4.04% and 4.56% respectively. Investors continued to trade in AA-rated infra-related papers i.e. MALAKOFF, KESTURI, JEP and TBEI. 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	3.261	10	3.409	14/02/2018	-15
MGS	09/18	3.123	70	3.099	19/02/2018	2
MGS	03/19	3.131	38	3.176	19/02/2018	-5
MGS	11/19	3.317	28	3.336	19/02/2018	-2
MGS	03/20	3.391	31	3.412	14/02/2018	-2
MGS	10/20	3.462	50	3.447	19/02/2018	2
MGS	02/21	3.370	16	3.363	19/02/2018	1
MGS	09/21	3.614	266	3.617	19/02/2018	0
MGS	03/22	3.587	100	3.574	19/02/2018	1
MGS	09/22	3.771	40	3.792	19/02/2018	-2
MGS	03/23	3.853	50	3.798	19/02/2018	6
MGS	07/24	3.940	48	3.940	19/02/2018	0
MGS	09/24	3.989	159	3.953	19/02/2018	4
MGS	09/25	4.009	143	3.986	15/02/2018	2
MGS	04/26	4.093	28	4.069	19/02/2018	2
MGS	03/27	4.166	1	4.172	12/02/2018	-1
MGS	11/27	4.030	192	4.007	19/02/2018	2
MGS	06/31	4.493	11	4.472	19/02/2018	2
MGS	04/33	4.473	6	4.451	19/02/2018	2
MGS	05/35	4.583	5	4.591	15/02/2018	-1
MGS	04/37	4.639	30	4.589	19/02/2018	5
MGS	09/43	4.816	1	4.833	14/02/2018	-2
MGS	03/46	4.867	40	4.861	19/02/2018	1
GII	04/20	3.597	127	3.577	19/02/2018	2
GII	04/22	3.886	97	3.886	19/02/2018	0
GII	08/24	4.164	150	4.160	15/02/2018	0
GII	08/25	4.114	106	4.115	19/02/2018	0
GII	07/27	4.225	20	4.225	15/02/2018	0
			<u>1861</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.844	4	4.841	19/12/2017	0	37
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	09/37	GG	5.029	30	4.969	20/10/2017	6	41
Aman Sukuk Berhad	05/19	AAA	4.043	20	4.047	12/02/2018	0	83
Tenaga Nasional Berhad	12/21	AAA	4.241	10	4.207	22/01/2018	3	73
TNB Western Energy Berhad	01/25	AAA	4.558	10	4.563	13/12/2017	0	59
Malaysia Building Society Berhad	05/19	AA1	4.464	10	4.444	11/01/2018	2	125
Sarawak Energy Berhad	12/32	AA1	5.250	5	5.250	14/02/2018	0	78
Celcom Networks Sdn Berhad [fka Celcom Transmiss	08/27	AA+	5.033	20	5.086	30/11/2017	-5	101
Bumitama Agri Ltd	03/19	AA3	4.463	30	4.471	13/02/2018	-1	125
AMMB Holdings Berhad	08/19	AA3	4.620	20	4.611	09/08/2017	1	140
Tanjung Bin Energy Issuer Berhad	03/21	AA3	4.458	10	4.564	27/06/2016	-11	106
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.979	10	4.978	19/02/2018	0	95
Malakoff Power Berhad	12/21	AA-	4.550	10	4.518	09/02/2018	3	104
UEM Edgenta Berhad [fka Faber Group Berhad]	04/22	AA-	4.699	1	4.644	19/01/2018	5	119
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	4.631	20	4.593	23/11/2017	4	104
Jimah East Power Sdn Berhad	12/31	AA-	5.089	15	5.089	07/02/2018	0	62
MEX II Sdn Berhad	04/32	AA-	5.408	10	5.412	24/01/2018	0	94
MEX II Sdn Berhad	04/33	AA-	5.459	10	5.460	22/06/2017	0	99
Special Power Vehicle Berhad	05/18	A1	4.185	5	4.438	12/01/2018	-25	97
RHB Bank Berhad	03/39	A1	4.579	5	4.559	30/01/2018	2	-4
				<u>255</u>				

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

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

**Moody's anticipates the country's robust economic growth to continue this year. However, the rating agency warns of limited growth potential in Malaysia in the long run should the government fail to improve productivity significantly.** Also, Moody's cautioned that the implementation of further fiscal consolidation remains a major credit challenge in Malaysia, although the trend of fiscal deficit reduction has been maintained. "Malaysia faces the challenge of meaningfully lifting productivity growth to avoid falling into a middle-income trap. "Although by some definitions, Malaysia is already classified as a high-income economy, absent improvements in productivity growth, growth potential will continue to slow," said Moody's in its annual credit analysis report. Moody's noted that labour productivity levels are stronger than its peers in Asia, such as China, Indonesia, the Philippines and Thailand, but are weaker than those in more developed economies. That said, the rating agency concluded that the country's ongoing efforts to raise productivity, coupled with the relatively well-diversified nature of the economy and its ability to withstand shocks in the past, reinforces its expectations that Malaysia's growth performance will remain robust relative to similarly rated peers. In 2016, labour productivity grew 3.5%, driven by ongoing government efforts to increase digitalisation and improve accountability at the industry level, said Moody's in the analysis. Moody's expects Malaysia's gross domestic product (GDP) growth to moderate slightly to 5.2% in 2018 driven by infrastructure development activities. It said that a pipeline of large infrastructure projects — such as the Pan Borneo Highway, the Pengerang refinery and petrochemical plant, mass rapid transport projects in Kuala Lumpur, and the East Coast Rail Link and Kuala Lumpur-Singapore high speed rail — should stimulate both public and private investments. "By contrast, the upturn in trade is unlikely to continue at a similar pace and government spending is unlikely to be as strong as it has been in the lead-up to [the] elections, that are scheduled to be held before August 2018," said the report. Commenting on the country's budget deficit, Moody's said further fiscal consolidation is likely to be very slow with the absence of any meaningful revenue-raising measures (the past two budgets have contained none). "The government had acknowledged that its goal of achieving a balanced budget by 2020 will not be met, instead pushing it forward by another two to three years. Achieving this goal will likely rest primarily on economic growth, rather than any structural budgetary measures," said the report. Moody's has affirmed Malaysia's A3 rating with a "stable" outlook. However, it is noted in the credit analysis that the downside risks of the current rating are — a significant worsening in Malaysia's debt dynamics — possibly arising from a renewed fall in commodity prices or the crystallisation of contingent liabilities; a deterioration in the balance of payments position or material capital flight which puts further pressure on reserves; and a long-lasting negative shock to the economy, possibly amplified by high household debt levels. Meanwhile, the rating agency noted that Malaysia continues to be exposed to potential volatility in capital inflows given an active non-resident investor presence. Moreover, foreign reserve adequacy remains low when compared with A-rated peers.. (Source: The Edge)

**Star Media Group Bhd says it called on bank guarantees amounting to RM50mil** after a subsidiary of JAKS Resources Bhd , Jaks Island Circle Sdn Bhd (JIC) failed to complete and deliver a building in a Section 13 Petaling Jaya development in accordance with the deadline. The company in an announcement said that the deadline had expired on Feb 15 following the latest extension agreed between Star Media Group and JIC. The building was supposed to have been completed and delivered 28 months ago. "As JIC had failed to deliver vacant possession of Tower A by the stipulated deadline, the company had in accordance with its rights under the agreement and terms of the bank guarantees pledged as security made a demand on the bank guarantees from the financial institutions," Star Media Group said. Star Media Group had on Aug 19, 2011 entered into a sale and purchase agreement (SPA) with JIC, a 51% subsidiary of JAKS, for the disposal of a piece of land in Section 13 for RM135mil. The transaction was to be satisfied via the delivery of a 15-storey office block known as Tower A. Star Media Group's announcement came a day after JAKS told the exchange that it was seeking an injunction to stop the media group from calling in on the bank guarantees. Under the SPA, the bank guarantees were obtained by JIC in August 2011 as security for guaranteeing the completion and delivery of the vacant possession of Tower A on the piece of development. JIC was

supposed to undertake a mixed development project on a piece of land in Section 13. Amongst others, JIC's obligation was to complete and deliver Tower A within three years from the vacant possession of the land, or three years from the date of approval of the agreed plans for the tower block. According to JAKS, the bank guarantees of RM50mil were from two financial institutions. One expired on Feb 15 and the other is due to expire on April 15. Star Media Group had given notifications to the financial institutions on Feb 15 to call on them. JAKS said that its subsidiary was informed of the call on bank guarantees on Monday and instructed its solicitors to file an injunction with the High Court – either on an ex-parte or inter-parte basis as directed – to restrain the two financial institutions from releasing and the Star Media Group from receiving the proceeds of the bank guarantees. If the bank guarantees are cashed in, then JIC is obliged to pay the financial institutions the sum of RM50mil. ( Source: The Star)

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

Source: RAM Ratings; MARC

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