

Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.07	2
5-yr UST	2.45	3
10-yr UST	2.66	3
30-yr UST	2.93	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	4	3.53	2
5-yr	3.54	3	3.88	1
7-yr	3.92	5	4.10	2
10-yr	3.93	2	4.20	2
15-yr	4.45	4	4.56	0
20-yr	4.63	2	4.76	0
30-yr	4.87	5	4.94	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.79	1
5-yr	3.88	2
7-yr	3.98	2
10-yr	4.10	2

Source: Bloomberg

US Treasuries

- US Treasuries dropped as the sell-off exacerbated with the swap spreads widening. Yields were generally 2-3bps higher across the curve with market fearing the impact of a block in government funding bill which has caused a partial shutdown of the US government on Saturday. The 2Y (which is sensitive to Fed policy interest rate expectations) was higher at 2.07% whilst the much-watched 10Y spiked to a 3-year high by 3bps to end at 2.66%. The BOJ and ECB's upcoming policy decisions this week are also expected to have ramifications on any potential withdrawal of policy accommodation after years of stimulus. Upcoming data on the 24th include the Markit US Manufacturing, Services and Composite PMI data, which may potentially be delayed due to the government shutdown.

MGS/GII

- Local Govvies mainly sold-off across most tenures with total volume anchored at the RM2.0b levels. Yields were higher generally by 2-5bps with trades seen scattered across most tenures. However bulk of trades seen in both the 10Y benchmark MGS and GII. Both the widely-watched benchmark 7Y MGS 9/24 and MGS 11/27 rose 5-7bps closing at 3.92% and 3.93% respectively compared to previous-done levels. Investor interest is expected to be muted as both BNM and BOJ take center-stage with regards to interest rate decision soon.

PDS/Sukuk

- There was continued interest for Corporate Bonds across the yield curve with total volume in the secondary market at RM 486m versus RM560m the previous session. In the Govt-Guaranteed space, RM80m nominal amount of PASB 19, 21 and 24 changed hands closing mostly higher at 3.75%, 4.00% and 4.27% respectively compared to previous-done levels. Meanwhile AAA-rated Mydin Holdings and Kinabalu bonds made their debut secondary trade (with Mydin closing 3bps lower than coupon). In the AA-space we note sustained interest for infrastructure and power-related bonds i.e. BGSM, SEB, GAMUDA and LITRAK on a wide range of tenors. BGSM 21-22's closed unchanged at 4.51% and 4.61% respectively. Expect selective interest for Corporate Bonds.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.243	81	3.188	18/01/2018	5
MGS 03/18	3.049	52	3.124	18/01/2018	-8
MGS 09/18	3.169	226	3.200	18/01/2018	-3
MGS 03/19	3.082	51	3.039	18/01/2018	4
MGS 10/19	3.271	3	3.195	18/01/2018	8
MGS 11/19	3.208	4	3.132	18/01/2018	8
MGS 03/20	3.323	10	3.347	18/01/2018	-2
MGS 10/20	3.375	23	3.349	17/01/2018	3
MGS 02/21	3.354	4	3.326	18/01/2018	3
MGS 07/21	3.510	4	3.508	18/01/2018	0
MGS 09/21	3.597	15	3.605	18/01/2018	-1
MGS 11/21	3.451	1	3.438	17/01/2018	1
MGS 03/22	3.540	24	3.540	18/01/2018	0
MGS 09/22	3.693	36	3.654	18/01/2018	4
MGS 03/23	3.782	31	3.759	18/01/2018	2
MGS 08/23	3.830	31	3.810	18/01/2018	2
MGS 09/24	3.921	96	3.887	18/01/2018	3
MGS 09/25	3.993	23	3.954	18/01/2018	4
MGS 04/26	4.155	46	4.131	18/01/2018	2
MGS 11/26	4.055	4	4.035	18/01/2018	2
MGS 11/27	3.929	335	3.911	18/01/2018	2
MGS 04/30	4.401	1	4.349	16/01/2018	5
MGS 06/31	4.391	13	4.336	18/01/2018	5
MGS 04/33	4.445	33	4.393	18/01/2018	5
MGS 04/37	4.628	28	4.605	18/01/2018	2
MGS 09/43	4.829	50	4.833	18/01/2018	0
MGS 03/46	4.867	46	4.840	18/01/2018	3
GII 05/18	3.229	40	3.251	17/01/2018	-2
GII 08/18	3.231	40	3.270	17/01/2018	-4
GII 04/20	3.531	27	3.483	18/01/2018	5
GII 08/20	3.631	30	3.656	18/01/2018	-3
GII 03/21	3.781	40	3.764	17/01/2018	2
GII 04/22	3.882	377	3.863	18/01/2018	2
GII 07/22	3.936	90	3.931	18/01/2018	0
GII 08/24	4.097	10	4.081	17/01/2018	2
GII 07/27	4.200	250	4.181	18/01/2018	2
		<u>2175</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*	
Pengurusan Air SPV Berhad	02/19	GG	3.752	10	3.639	07/12/2017	11	67
Prasarana Malaysia Berhad [Ika Syarikat Prasarana I	03/20	GG	3.843	20	3.846	05/01/2018	0	59
Pengurusan Air SPV Berhad	06/21	GG	3.998	30	4.006	28/11/2017	-1	65
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	4.108	7	4.109	18/01/2018	0	64
DanInfra Nasional Berhad	05/23	GG	4.169	10	4.190	26/10/2017	-2	62
DanInfra Nasional Berhad	03/24	GG	4.245	2	4.224	09/01/2018	2	48
DanInfra Nasional Berhad	05/24	GG	4.263	4	4.272	07/12/2017	-1	50
Pengurusan Air SPV Berhad	06/24	GG	4.270	40	4.256	05/12/2017	1	50
Bank Pembangunan Malaysia Berhad	10/25	GG	4.419	8	4.400	27/03/2015	2	49
Mydin Mohamed Holdings Berhad	11/19	AAA	4.674	20	-	-	-	-
Aman Sukuk Berhad	10/21	AAA	4.280	5	4.369	12/12/2017	-9	81
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.438	5	4.458	11/01/2018	-2	67
Bank Pembangunan Malaysia Berhad	04/21	AAA	4.334	10	4.326	09/01/2018	1	98
Kinabalu Capital Sdn Berhad	03/24	AAA	4.457	30	-	-	-	-
Sabah Development Bank Berhad	07/19	AA1	4.550	10	5.106	30/11/2016	-56	147
Sabah Development Bank Berhad	08/19	AA1	4.567	20	4.770	07/12/2017	-20	131
Kuala Lumpur Kepong Berhad	08/25	AA1	4.578	10	4.569	31/07/2017	1	65
Public Bank Berhad	04/27	AA1	4.628	10	4.587	18/12/2017	4	67
YTL Power International Berhad	05/27	AA1	4.750	2	4.906	16/01/2018	-16	80
Danajamin Nasional Berhad	10/27	AA1	4.707	20	4.715	17/01/2018	-1	78
Sarawak Energy Berhad	12/32	AA1	5.238	20	5.258	17/01/2018	-2	83
TRIPLE Medical Sdn Berhad	10/34	AA1	5.339	10	5.500	23/10/2017	-21	93
TRIPLE Medical Sdn Berhad	10/35	AA1	5.489	10	5.700	23/10/2017	-21	87
Berih Restu Berhad	06/25	AA2	4.607	50	4.609	13/12/2017	0	70
Lingkar Trans Kota Sdn Berhad	04/23	AA2	4.567	10	-	-	-	-
Gamuda Berhad	03/18	AA3	2.853	10	4.025	16/10/2017	-117	-23
BGSM Management Sdn Berhad	08/21	AA3	4.507	50	4.507	18/01/2018	0	103
Gamuda Berhad	11/22	AA3	4.695	10	4.702	16/01/2018	-1	114
BGSM Management Sdn Berhad	12/22	AA3	4.606	10	4.607	18/01/2018	0	105
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.695	20	4.695	18/01/2018	0	77
UEM Edgenta Berhad [Ika Faber Group Berhad]	04/22	AA-	4.644	10	4.647	18/01/2018	0	117
CIMB Group Holdings Berhad	05/16	A1	4.718	2	5.249	18/01/2018	-53	10
Alliance Bank Malaysia Berhad	10/25	A2	4.881	1	5.000	17/01/2018	-12	95
Mah Sing Perpetual	-	-	6.327	1	6.319	17/01/2018	1	-
			<u>486</u>					

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

Market/Corporate News: What's Brewing

Among the many railway construction contracts that have been dished out of late, one in particular stands out from the rest. This is because the recent construction contract for the Gemas-Johor Baru work package was awarded to **YTL Corp Bhd**, a company which has not been active in the local rail scene of late. YTL did build the Express Rail Link (ERL) infrastructure back in 1996, but it has been quiet on this front, especially when the numerous rail projects were announced in the past three years. The surprise win has boosted investor-interest in the otherwise "boring" and predictable stock, according to some in the investment community. The company's share price has seen increased interest since the contract was announced before Christmas last year. After an established downtrend of about 14 months since September 2016, the stock had risen by close to 39% in a span of just seven weeks to close at RM1.54 last Friday. YTL is immediately seen as a very attractive proxy to the very active construction sector with the recent clinching of the railway contract, and investors have stealthily piled on into the price action. The company had in December last year secured a package for the RM8.6bil Gemas-Johor Baru electrified double-tracking railway project. "I think the excitement for the railway project has only just started for YTL. Bear in mind that it has been quite a predictable and safe stock all this while and this contract has definitely spruced up interest in it in the short term," a dealer with a local brokerage said. The Gemas-Johor Baru double-tracking project involves the construction of 197km of double tracks, stations, electric trains, depots, land viaduct, bridges, and electrification and signalling systems. The project, which was delayed due to land acquisition issues along the route, is now finally taking off. (Source: The Edge)

The **dollar sagged against its peers on Monday as a U.S. government shutdown** dented sentiment, although losses were limited for now as investors took a wait-and-see stance on developments in Washington. The shut down came into effect at midnight on Friday after Democrats and Republicans, locked in a bitter dispute over immigration and border security, failed to agree on a last-minute deal to fund government operations. In order to break the impasse, Republican and Democratic leaders of the U.S. Senate held talks on Sunday. The Senate was expected to vote at 0600 GMT on whether to advance a measure to fund the government through Feb. 8. The dollar index against a basket of six major currencies was 0.1 percent lower at 90.490 but managed to hold above a three-year trough of 90.113 set on Thursday. The euro rose 0.2 percent to \$1.2252, stopping short of a three-year peak of \$1.2323 scaled on Wednesday. "The dollar's losses have been limited as negotiations going into Friday were proving difficult and the market had time to price in a U.S. government shutdown," said Shin Kadota, senior strategist at Barclays in Tokyo. "The shutdown is also not expected to last a very long time. That said, if the shutdown stretches out to several weeks, then we would have to start worrying about the negative impact to the U.S. economy." The dollar was 0.15 percent lower at 110.685 yen, still some distance from a four-month low of 110.190 plumbed on Wednesday. Despite the headwinds from the political impasse in Washington, the greenback received some support from higher U.S. yields. The 10-year Treasury yield rose to a 3-1/2-year high of 2.663 percent on Friday with the debt market having been on the defensive through much of last week in the wake of a rally in risk asset markets.. (Source: The Edge)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
SAJ Capital Sdn Bhd	Sukuk Murabahah of up to RM650 million for up to 12 years.	AAA-IS	Assigned
Northport (Malaysia) Bhd	Islamic Commercial Papers (ICP) Programme	MARC-1-IS	Affirmed
	Islamic Medium-Term Notes (IMTN) Programme	AA-IS	Affirmed

Source: RAM Ratings; MARC

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