# Global Markets Research

# Fixed Income

## Fixed Income Daily Market Snapshot

| UST | | |
|---|---|---|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 2.27 | 2 |
| 5-yr UST | 2.69 | 5 |
| 10-yr UST | 2.95 | 6 |
| 30-yr UST | 3.22 | 7 |

| | MGS | | GII* | |
|---|---|---|---|---|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.33 | -4 | 3.57 | -3 |
| 5-yr | 3.59 | 0 | 3.89 | 0 |
| 7-yr | 3.99 | 0 | 4.11 | 0 |
| 10-yr | 4.04 | 1 | 4.22 | -1 |
| 15-yr | 4.51 | 3 | 4.60 | 0 |
| 20-yr | 4.64 | 0 | 4.78 | 0 |
| 30-yr | 4.86 | 0 | 4.96 | 0 |

** Market indicative*

| MYR IRS Levels | | |
|---|---|---|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 3.77 | 0 |
| 3-yr | 3.83 | 0 |
| 5-yr | 3.93 | 0 |
| 7-yr | 4.05 | 0 |
| 10-yr | 4.17 | 0 |

*Source : Bloomberg*

### US Treasuries

- US Treasuries continued to sell-off with overall yields higher between 2-7bps across the curve. The 2Y (which is sensitive to Fed policy interest rate expectations) ended 2bps higher at 2.27% whilst the much-watched 10Y spiked by 7bps at 2.90%. However the market successfully managed to absorb the deluge of debt auction supplies of up to $229b of the $258b in bills and notes scheduled for this week. The 5Y auction averaged at 2.658%; highest since December 2009 on a BTC ratio of 2.44x (average 2.48x for previous 6 auctions). The general tone arising from January FOMC minutes was subtle with significant usage of the words “further gradual increases” and conveyed a sense that Fed officials were mostly satisfied with the projected trajectory of interest rate hikes.

### MGS/GII

- Local Govvies saw secondary market volume improve yet again to RM2.74b with interest across most tenures and GII trades forming a third of total volume. Generally benchmark yields were unchanged-to-higher save for the front-end 3Y. The widely-watched benchmark 7Y MGS 9/24 closed at 3.99% whilst the 10Y MGS 11/27 added 1 bps at 4.04% compared to previous-done levels. Investors in the local ringgit bonds market is expected improve post-lunar New Year holidays underpinned by stable ringgit, steady oil prices and absence of potential of another rate hike for now.

### PDS/Sukuk

- Secondary market trades for Corporate Bonds also saw improvement in total volume at RM460m with interest in the AAA and AA-rated papers. AA-rated TNB 8/32 and PLUS 26 moved 1bps lower at 4.88% and 4.54% respectively compared to previous-done levels. Bulk of trades were seen in AA-rated papers specifically within the 5-15Y tenors. Westport 3/28 and a slew of power-related bonds i.e. BGSM 12/23, Southern Power Generation 10/26, SEB 4/31 and TBEI 26-27 saw interest mainly by end-investors with yields generally closing lower except for TBEI bonds which closed 5-9bps higher at 4.76% and 4.81% respectively. Expect trading interest to be sustained.

### *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 | 03/18 | 3.269 | 91 | 3.261 | 20/02/2018 | 1 |
| MGS | 09/18 | 3.181 | 40 | 3.182 | 20/02/2018 | 0 |
| MGS | 03/19 | 3.040 | 13 | 3.131 | 20/02/2018 | -9 |
| MGS | 07/19 | 3.257 | 56 | 3.159 | 15/02/2018 | 10 |
| MGS | 09/19 | 3.411 | 51 | 3.439 | 09/02/2018 | -3 |
| MGS | 10/19 | 3.268 | 2 | 3.302 | 19/02/2018 | -3 |
| MGS | 11/19 | 3.322 | 101 | 3.321 | 20/02/2018 | 0 |
| MGS | 03/20 | 3.416 | 38 | 3.367 | 20/02/2018 | 5 |
| MGS | 05/20 | 3.593 | 350 | 3.490 | 27/11/2017 | 10 |
| MGS | 07/20 | 3.444 | 9 | 3.393 | 20/02/2018 | 5 |
| MGS | 10/20 | 3.458 | 40 | 3.462 | 20/02/2018 | 0 |
| MGS | 02/21 | 3.362 | 20 | 3.377 | 20/02/2018 | -1 |
| MGS | 09/21 | 3.599 | 62 | 3.587 | 20/02/2018 | 1 |
| MGS | 11/21 | 3.488 | 4 | 3.452 | 19/02/2018 | 4 |
| MGS | 03/22 | 3.582 | 137 | 3.587 | 20/02/2018 | -1 |
| MGS | 09/22 | 3.794 | 110 | 3.792 | 19/02/2018 | 0 |
| MGS | 03/23 | 3.798 | 70 | 3.853 | 20/02/2018 | -6 |
| MGS | 07/24 | 3.975 | 13 | 3.940 | 20/02/2018 | 4 |
| MGS | 09/24 | 3.989 | 110 | 3.989 | 20/02/2018 | 0 |
| MGS | 09/25 | 3.993 | 2 | 3.970 | 20/02/2018 | 2 |
| MGS | 04/26 | 4.100 | 20 | 4.093 | 20/02/2018 | 1 |
| MGS | 11/26 | 4.077 | 139 | 4.063 | 19/02/2018 | 1 |
| MGS | 03/27 | 4.132 | 9 | 4.166 | 20/02/2018 | -3 |
| MGS | 11/27 | 4.043 | 102 | 4.024 | 20/02/2018 | 2 |
| MGS | 04/33 | 4.505 | 121 | 4.473 | 20/02/2018 | 3 |
| MGS | 04/37 | 4.650 | 20 | 4.627 | 19/02/2018 | 2 |
| MGS | 03/46 | 4.861 | 20 | 4.867 | 20/02/2018 | -1 |
| GII | 05/18 | 3.229 | 221 | 3.302 | 14/02/2018 | -7 |
| GII | 04/19 | 3.468 | 2 | 3.339 | 19/02/2018 | 13 |
| GII | 04/20 | 3.572 | 41 | 3.615 | 20/02/2018 | -4 |
| GII | 04/22 | 3.886 | 160 | 3.886 | 20/02/2018 | 0 |
| GII | 07/22 | 3.943 | 240 | 3.952 | 13/02/2018 | -1 |
| GII | 08/24 | 4.160 | 20 | 4.164 | 20/02/2018 | 0 |
| GII | 08/25 | 4.112 | 110 | 4.114 | 20/02/2018 | 0 |
| GII | 09/26 | 4.280 | 1 | 4.279 | 09/02/2018 | 0 |
| GII | 07/27 | 4.215 | 63 | 4.225 | 20/02/2018 | -1 |
| GII | 06/33 | 4.600 | 130 | 4.595 | 14/02/2018 | 0 |
| | | | 2738 | | | |

## Daily Trades: PDS / Sukuk

| Securities | | Rating | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) | Spread Against MGS* |
|---|---|---|---|---|---|---|---|---|
| Tenaga Nasional Berhad | 08/32 | AAA | 4.875 | 60 | 4.890 | 30/01/2018 | -1 | 37 |
| Sarawak Energy Berhad | 04/31 | AA1 | 5.112 | 30 | 5.111 | 24/01/2018 | 0 | 61 |
| CIMB Bank Berhad | 12/25 | AA+ | 4.530 | 5 | 4.901 | 19/02/2018 | -37 | 53 |
| Krung Thai Bank Public Company Limited | 07/25 | AA2 | 4.460 | 10 | 4.471 | 09/02/2018 | -1 | 48 |
| Tanjung Bin Power Sdn Berhad | 08/26 | AA2 | 4.755 | 10 | 4.702 | 02/06/2017 | 5 | 76 |
| Tanjung Bin Power Sdn Berhad | 08/27 | AA2 | 4.810 | 10 | 4.719 | 08/09/2017 | 9 | 78 |
| Cahya Mata Sarawak Berhad | 05/22 | AA3 | 4.590 | 20 | 4.526 | 09/01/2018 | 6 | 108 |
| BGSM Management Sdn Berhad | 12/23 | AA3 | 4.671 | 10 | 4.693 | 27/12/2017 | -2 | 84 |
| CIMB Thai Bank Public Company Limited | 07/24 | AA3 | 4.840 | 10 | 5.400 | 12/02/2018 | -56 | 101 |
| Bank Islam Malaysia Berhad | 11/27 | A1 | 4.870 | 20 | 5.008 | 11/01/2018 | -14 | 83 |
| CIMB Group Holdings Berhad | 05/16 | A1 | 4.910 | 1 | 5.139 | 14/02/2018 | -23 | 26 |
| Mah Sing Perpetual | - | - | 6.890 | 14 | - | - | - | - |
| WCT Berhad | 02/25 | AA- | 5.500 | 100 | - | - | - | - |
| Anih Berhad | 11/28 | AA | 4.870 | 20 | 4.832 | 15/01/2018 | 4 | 83 |
| Southern Power Generation Sdn Berhad | 10/26 | AA- | 4.850 | 20 | 4.863 | 22/01/2018 | -1 | 82 |
| SAJ Capital Sdn Berhad | 01/29 | AA- | 5.496 | 20 | 5.610 | 26/01/2018 | -11 | 146 |
| Westports Malaysia Sdn Berhad | 03/28 | AA+ | 4.904 | 60 | 4.485 | 01/11/2016 | 42 | 87 |
| Impian Ekspresi Sdn Berhad | 11/19 | AAA | 4.350 | 20 | 4.358 | 08/02/2018 | -1 | 102 |
| Projek Lebuhraya Usahasama Berhad | 01/26 | AAA | 4.540 | 10 | 4.549 | 26/01/2018 | -1 | 54 |
| Putrajaya Holdings Sdn Berhad | 05/26 | AAA | 4.520 | 10 | 4.539 | 27/12/2017 | -2 | 52 |
| | | | | 460 | | | | |

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

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

**MAHB) net profit for its fourth quarter ended Dec 31, 2017 declined by about 16%** on higher costs and losses from its Turkish operations, amid a stronger top line. The airport operator said its bottom line had fallen to RM27.86mil in the quarter from RM33.32mil a year earlier. MAHB's higher cost in the quarter in review, especially for its Malaysian operations, was primarily attributable to an increase in amortisation and depreciation of RM145.5mil. On top of that, the group's Turkish operations also delivered losses in the quarter, despite registering a significant increase in passenger traffic, it said in a filing with Bursa Malaysia. Revenue wise, MAHB recorded an increase of 15.44% year-on-year (y-o-y) to RM1.25bil, driven by growth in both airport and non-airport operations. Its airport operations posted a revenue growth of 9.5% to RM1.11bil, buttressed by both the aeronautical and non-aeronautical segment. As for the non-airport operations, revenue was higher by nearly 19% in the quarter, mainly contributed by project and repair maintenance from the Qatari operations. Cumulatively, for financial year 2017, MAHB's net profit surged 235% y-o-y to RM236.48mil on the back of sustained growth in passenger and aircraft movements. Revenue rose 11.5% to RM4.65bil from RM4.17bil in the previous corresponding period, mainly contributed by growth in both airport and non-airport operations. "Overall, the Malaysian operations recorded a revenue of RM3.43bil with a growth of 10.6%, while the Turkish and Qatari operations recorded a revenue growth of 13.2% to RM1.08bil and 19.9% to RM137.5mil, respectively," it said. In a separate statement, MAHB said the group had entered into a strategic tie-up with the Malaysia Tourism Promotion Board on Nov 8, 2017, to promote inbound traffic globally, focusing on tourists from India, China and Europe. Apart from that, the KLIA Aeropolis Digital Free Trade Zone Park, which was launched in the same month, is expected to benefit MAHB, moving forward. This is in line with KLIA Aeropolis' transformation into a leading e-commerce transshipment hub. Moving into 2018, MAHB expects international passenger movements for the China, India and South-East Asia sectors to make up 75% of international traffic this year. "Based on prevailing economic conditions and additional seat capacity offered by airlines, Malaysia's passenger traffic is expected to grow by 6.3% in 2018, with international and domestic passenger traffic growing at 8.3% and 4.2%, respectively. "Meanwhile, Istanbul Sabiha Gokcen International Airport is expected to register 34 million passenger movements in 2018, in line with the stable economic growth in Turkey," it said.
( Source: The Edge )

**Singapore's government may have given the central bank a green light to charge ahead with monetary policy tightening this year.** Economists are more confident in their calls that the Monetary Authority of Singapore will exit its neutral stance as soon as the next scheduled decision in April. They're encouraged after Finance Minister Heng Swee Keat said Monday that the budget position for 2018 will "remain expansionary" as Singapore incurs a small deficit amid greater spending and delayed tax increases. "The impulse to the economy is going to be quite positive" on top of already bright growth and job-market prospects, said Mohamed Faiz Nagutha, an economist at Bank of America Merrill Lynch. "This makes us more confident that MAS will exit its neutral policy in April. We still think it will be very gradual." The central bank stuck to a neutral stance in its previous October decision, while giving itself room to tighten policy if necessary. The MAS, which uses the exchange rate as its main tool, eased three times between January 2015 and April 2016. The projected budget deficit for next year also had Credit Suisse Group AG economists affirming their forecasts for the period. While immediate tax hikes were limited in the budget, giving less of a bump to inflation, the economy has been picking up and consumption is well supported, said Michael Wan, a Singapore-based economist at the bank. Given that the economy is expected to "do quite well this year, we still think the MAS will tighten exchange-rate policy," probably in October, he said. Inflation pressures remain muted, with a report on Friday probably showing consumer prices rose 0.4 percent in January from a year ago, the same pace as in December, according to a Bloomberg survey of economists. The MAS forecasts its core inflation measure, which reached 1.3 percent in December, will average 1 percent to 2 percent this year. The overall budget was an eclectic mix, with Irvin Seah at DBS Group Holdings Ltd. calling it a "give and take" document with "some goodies for everyone." Fresh taxes -- some delayed -- were a reminder that Singapore will need to find more revenue for increased spending on healthcare, infrastructure and security in the decade ahead. But enhanced tax cuts, as well as a one-time bonus payment and boost to ministries' spending this year, were enough to juice an economy that was already looking pretty solid after a strong 2017. “Singapore’s strong budgetary position and a healthy economy has allowed the government to focus on medium to long-term initiatives,” Christian de Guzman, lead sovereign analyst at Moody’s Singapore Pte Ltd., said in a research note. Forward thinking was evident in Singapore’s “tailoring the tax system to incentivize innovation, meet the country’s climate change commitments, and acknowledge the rising proportion of economic activity that falls outside of the traditional tax net,” de Guzman wrote. ( Source: Bloomberg, Edge )

| Rating Actions | | | |
|---|---|---|---|
| **Issuer** | **PDS Description** | **Rating/Outlook** | **Action** |
| *Nil* | *Nil* | *Nil* | *Nil* |

*Source: RAM Ratings; MARC*

**Hong Leong Bank Berhad**
Fixed Income & Economic Research, Global Markets
Level 8, Menara Hong Leong
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.com.my