

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

M YR 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

Upcoming Government Bond Tenders

Nil

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.

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
			<u>2738</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*	
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
Cahaya 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
			<u>460</u>					

*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
<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.