

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.06	0
5-yr UST	2.45	0
10-yr UST	2.65	-1
30-yr UST	2.91	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	0	3.55	2
5-yr	3.56	2	3.89	0
7-yr	3.92	0	4.10	0
10-yr	3.94	1	4.21	1
15-yr	4.42	-3	4.56	0
20-yr	4.62	0	4.76	0
30-yr	4.88	1	4.95	1

\*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.64	0
3-yr	3.79	0
5-yr	3.89	1
7-yr	3.98	0
10-yr	4.26	2

Source : Bloomberg

**US Treasuries**

- US Treasuries were little changed following the end of a 3-day US government shutdown with the 2-10Y maturities at multi-year highs whereas the long bond pulled 2bps tighter at 2.91%. The 2Y (which is sensitive to Fed policy interest rate expectations) was unchanged at 2.06% whilst the much-watched 10Y edged lower by 1bps to end at 2.65%. The narrowing of the swap spreads also benefitted UST's. The BOJ and ECB's upcoming policy decisions this week are also expected to have some bearing on the withdrawal of policy accommodation after years of stimulus. Upcoming data on the 24th include the Markit US Manufacturing, Services and Composite PMI data.

**MGS/GII**

- Local Govvies continues to weaken slightly across most tenures save for the 15Y as total volume dropped to RM1.45b. Substantial trades were seen in the MGS and GII 18's along with the off-the-run MGS 6/31. Both the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed almost unchanged at 3.92% and 3.94% 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. Meanwhile BNM reserves saw an uptick to \$103b from \$102.4b fortnight ago.

**PDS/Sukuk**

- There was sustained interest in the secondary market for Corporate Bonds across the yield curve despite lower volume of RM342m. In the Govt-Guaranteed space, RM50m nominal amount of DANA 10/20 changed hands closing 1bps higher at 3.93% level compared to previous-done levels. Meanwhile AAA-rated Cagamas 18's also traded to close higher around 3.65% levels. In the AA-space we note interest in shorter WCT bonds i.e. 18-20's which closed 2-3 bps lower whereas the power-related papers at the belly-of-the curve i.e. BGSM, Malakoff and Southern Power also traded mixed at the close. Expect selective interest for Corporate Bonds to continue.

**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	3.204	1	3.143	19/01/2018	6
MGS 03/18	3.025	70	3.049	19/01/2018	-2
MGS 09/18	3.154	238	3.229	19/01/2018	-8
MGS 03/19	3.126	3	3.082	19/01/2018	4
MGS 10/19	3.305	4	3.271	19/01/2018	3
MGS 11/19	3.278	4	3.208	19/01/2018	7
MGS 03/20	3.347	5	3.313	19/01/2018	3
MGS 07/21	3.488	3	3.498	19/01/2018	-1
MGS 11/21	3.489	8	3.451	19/01/2018	4
MGS 03/22	3.563	5	3.553	19/01/2018	1
MGS 08/22	3.718	43	3.694	18/01/2018	2
MGS 03/23	3.825	7	3.782	19/01/2018	4
MGS 08/23	3.838	8	3.830	19/01/2018	1
MGS 07/24	3.908	3	3.882	17/01/2018	3
MGS 09/24	3.921	39	3.861	19/01/2018	6
MGS 09/25	3.999	8	3.993	19/01/2018	1
MGS 04/26	4.124	15	4.145	19/01/2018	-2
MGS 11/27	3.936	26	3.936	19/01/2018	0
MGS 06/28	4.096	25	4.090	18/01/2018	1
MGS 04/30	4.350	1	4.401	19/01/2018	-5
MGS 06/31	4.436	501	4.361	19/01/2018	8
MGS 04/32	4.486	2	4.442	12/01/2018	4
MGS 04/33	4.416	2	4.445	19/01/2018	-3
MGS 04/37	4.623	1	4.627	19/01/2018	0
MGS 09/43	4.860	20	4.833	18/01/2018	3
MGS 03/46	4.880	54	4.840	19/01/2018	4
GII 08/18	3.260	100	3.231	19/01/2018	3
GII 04/20	3.548	2	3.531	19/01/2018	2
GII 04/22	3.887	214	3.887	19/01/2018	0
GII 07/23	4.049	2	3.908	17/01/2018	14
GII 07/27	4.207	40	4.187	19/01/2018	2
GII 05/47	4.949	1	4.942	16/01/2018	1
		<u>1454</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	10/20	GG	3.925	50	3.939	20/09/2017	-1	57
Prasarana Malaysia Berhad [fka Syarikat Prasarana I	11/20	GG	3.892	10	3.659	26/08/2016	23	53
Pengurusan Air SPV Berhad	06/21	GG	3.960	5	3.998	19/01/2018	-4	60
GovCo Holdings Berhad	02/22	GG	4.000	10	4.050	01/06/2017	-5	53
Tenaga Nasional Berhad	12/21	AAA	4.207	10	4.129	19/09/2017	8	73
Cagamas Berhad	10/18	AAA	3.645	20	3.600	28/11/2017	4	55
Cagamas Berhad	11/18	AAA	3.655	80	3.567	12/10/2017	9	56
Maybank Islamic Berhad	04/24	AA1	4.303	10	4.523	23/11/2017	-22	53
TRIpIc Medical Sdn Berhad	10/27	AA1	4.862	5	4.900	27/12/2017	-4	91
TRIpIc Medical Sdn Berhad	10/32	AA1	5.149	5	5.220	08/01/2018	-7	72
PBFIN Berhad	06/59	AA2	4.156	1	4.458	19/12/2017	-30	-47
BGSM Management Sdn Berhad	06/24	AA3	4.701	10	4.689	16/01/2018	1	93
BGSM Management Sdn Berhad	08/25	AA3	4.772	10	4.775	18/01/2018	0	83
WCT Holdings Berhad	04/20	AA-	4.837	10	4.858	05/01/2018	-2	157
WCT Holdings Berhad	08/20	AA-	4.927	10	4.946	05/01/2018	-2	157
Segi Astana Sdn Berhad	01/26	AA-	5.300	2	5.299	15/01/2018	0	136
UEM Sunrise Berhad (fka UEM Land Holdings Berhad	12/18	AA	4.350	10	4.319	19/12/2017	3	125
WCT Holdings Berhad	12/18	AA	4.484	15	4.514	08/01/2018	-3	139
BEWG (M) Sdn Berhad	07/20	AA	4.844	2	4.849	18/01/2018	0	158
Malakoff Power Berhad	12/21	AA	4.500	5	4.550	03/01/2018	-5	103
Southern Power Generation Sdn Berhad	10/25	AA	4.806	10	4.868	15/01/2018	-6	86
Southern Power Generation Sdn Berhad	10/26	AA	4.863	10	4.954	02/01/2018	-9	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA	5.314	1	5.314	15/01/2018	0	69
RHB Bank Berhad	03/39	A1	4.615	20	4.697	05/01/2018	-8	-1
Alliance Bank Malaysia Berhad	10/25	A2	4.864	20	4.881	19/01/2018	-2	92
Mah Sing Perpetual	-	-	6.321	2	6.327	19/01/2018	-1	-
			<u>342</u>					

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

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

The **glut in high-end residential property market** may lead to a downturn in price going into 2018, which could have a wide-ranging impact on the economy, according to Nawawi Tie Leung Property Consultants Sdn Bhd. The general weak outlook for the residential segment, it said in a report released yesterday on the local property market, is likely to extend until at least the second half of this year. Nawawi Tie Leung said this after noting that sales and new launches continued to slow last year, especially for high-end luxury property. Developers and buyers "remain highly cautious", it said, as the high-end home segment is seen as increasingly saturated amid a challenging marketing environment and a mismatch in price expectations. Though prices for high-end condominiums remained stable at RM762 per sq ft throughout 2017, up 2.7% year-on-year (y-o-y), it said rentals for high-end condominiums fell 2.3% y-o-y to RM3.06 per sq ft per month. It also noted that 9,693 units were initially expected to be completed in 2017, but only 5,315 units or 55% from 11 high-end residential projects were completed. Going into 2018, some 6,176 units of high-end condominiums are expected to come into the market, with half of them in Kuala Lumpur city centre. "Concerns over the affordability of private homes will be a persistent theme for the housing sector and a source of political discontent especially for those living in urban areas," said Nawawi Tie Leung, expecting the residential market overall to remain subdued throughout 2018. "The increase in home prices is likely to continue to moderate, if not weaken, as developers and property speculators unload unsold completed stock," it added. Impact of new office freeze seen over medium term only In the office segment, Nawawi Tie Leung said the recently announced freeze on new office development approvals will mitigate the current oversupply to a certain extent, but the impact will only be felt over the medium term. "This is because the pipeline supply currently under construction remains high and works are not likely to stop completely. Beyond 2017, the KL office market is likely to remain subdued due to the supply glut, with developments such as TRX (Tun Razak Exchange), Merdeka PNB 118, and Sapura Tower (KLCC Lot 91) nearing completion." In the fourth quarter of 2017 (4Q17), Nawawi Tie Leung noted the average occupancy rate of office space declined to 80.4% from 81.4% in 3Q17, as weaker market conditions persisted despite a recovery in economic growth and oil prices. On a y-o-y basis, the occupancy rate trended downwards from 82.3% in 4Q16. In the retail space, it said more retailers are reviewing their business strategies — including downsizing — considering the challenges in the retail sector. "Retail Group Malaysia (RGM) had estimated a 2.2% [retail sales] growth for 2017 — the third downward revision since its initial estimate of 5% made in late 2016. The upcoming supply in 2018 further adds pressure to the rentals." Some selected upcoming malls in the Klang Valley this year are Tropicana Gardens Mall, with a net lettable area of one million sq ft, Central Plaza @ i-City (one million sq ft), and Damansara City Mall (2.5 million sq ft). "Nevertheless, RGM also projects a 6% growth in retail sales for 2018, but reaffirms the Malaysian retail market's recovery next year is highly dependent on the outcome of the [upcoming 14th] general election, external economic demand and the ringgit's performance," it added. Total retail stock in Kuala Lumpur remained at 31 million sq ft, it said, with no new completion in 4Q17, while occupancy of retail malls in Kuala Lumpur hovered at 87%. In terms of investment sales within the property sector, the market outlook was boosted by Malaysia's economic recovery as shown by a strong gross domestic product growth throughout 2017, and an improving ringgit. Investment sales grew 7% y-o-y in 2017 to RM4.45 billion from RM4.16 billion. In 2018, factors such as a property glut, the prospect of an interest rate hike and banks scrutinising property loans under tighter lending guidelines will dampen demand for property. "With the general election expected to be held in early 2018, we expect investment sales to slow down until the second half of 2018, after the election," Nawawi Tie Leung said. It also noted that local real estate investment trusts were the more active buyers in 2017, with their acquisitions spread across different market sectors. "In contrast, foreign investors were net sellers." ( Source: The Edge )

**The ringgit continued its upward momentum** to open higher against the US dollar today, on positive sentiment supporting the market, said a dealer. At 9.00 am, the ringgit stood at 3.9270/9300 against the greenback from Monday's close 3.9330/9370. Oanda Corp Head of Trading for Asia Pacific, Stephen Innes, said the pick-up on global risk sentiment came after the

US Senate ended the government shutdown, and along with higher oil prices, it bode well for the ringgit today. "Talk of Organisation of the Petroleum Exporting Countries (OPEC) and Russian policy compliance beyond 2018, suggests higher and longer oil prices. "This is only a boon to the government budget coffers, but bodes well for oil and gas constituents on the Bursa Malaysia listed stocks," he added. On the other note, Innes said as the US equity market celebrated government workers reporting back to work by lifting the Dow Jones to new record territory, and this positive momentum should carry into Asia. ( Source: The Edge )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Berjaya Land Berhad	RM500.0 million Medium-Term Notes (MTN) Programme guaranteed by Danajamin Nasional Berhad	AAA(FG)	Affirmed
	RM150.0 million MTN Programme guaranteed by OCBC Bank (Malaysia) Berhad	AAA(BG)	Affirmed
Medini Iskandar Malaysia Sdn Bhd	proposed 15-year RM1.5 billion Sukuk Murabahah Programme Islamic Medium-Term Notes (IMTN) Programme	AA3(S)	Assigned

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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:

**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.