

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.06	-1
5-yr UST	2.41	-4
10-yr UST	2.61	-4
30-yr UST	2.90	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	2	3.51	-4
5-yr	3.58	1	3.90	1
7-yr	3.97	5	4.13	3
10-yr	3.92	-1	4.21	0
15-yr	4.42	0	4.56	0
20-yr	4.64	2	4.76	0
30-yr	4.89	1	4.95	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.79	0
5-yr	3.88	-1
7-yr	3.98	0
10-yr	4.10	0

Source: Bloomberg

Upcoming Government Bond Tenders

Reopening of RM2.5b + RM1.0b (Private placement) of 15Y MGS 4/33 on 26th Jan

US Treasuries

- US Treasuries yields ended lower with belly-led gains seen following strong 2Y auction that boosted confidence with the upcoming 5Y and 10Y auctions in sight. The tightening swap spreads across the curve also supported UST's as fears of earlier US government shutdown were eliminated. The 2Y; sensitive to Fed policy interest rate expectations inched 1bps lower at 2.06% whilst the much-watched 10Y was 4bps rallied by 4bps to end lower at 2.61%. The world's biggest bond market may struggle with take-up rates on further issuances by Treasury to fund budget deficits this year. Meanwhile, ECB's upcoming policy decision this week is expected to have some bearing on the withdrawal of policy accommodation after years of stimulus. Upcoming data today include the Markit PMI manufacturing and services data.

MGS/GII

- Local Govvies saw sparse trades with some interest reverting back to the off-the-run 18's. Yields were generally higher as levels are seen slightly skewed due to several odd trades. Total volume dropped further to RM1.26b. Both the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed strangely mixed at 3.97% and 3.92% respectively compared to previous-done levels. Investor interest is expected to be muted as poll surveys indicate a 25bps OPR hike at the MPC meeting tomorrow.

PDS/Sukuk

- There was muted interest in the secondary market for Corporate Bonds with volume at a mere RM136m. In the Govt-Guaranteed space, RM20m nominal amount of DANA 4/25 changed hands closing 6bps lower at 4.35% level compared to previous-done levels. Meanwhile AAA-rated PLUS 26 also traded to close lower at 4.55% levels. Expect cautious stance for Corporate Bonds to continue in view of the upcoming MPC meeting and absence of players due to the ongoing 2-day ongoing Invest Malaysia conference.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	3.047	66	3.204	22/01/2018	-16
MGS	03/18	3.167	171	3.025	22/01/2018	14
MGS	09/18	3.120	72	3.154	22/01/2018	-3
MGS	03/19	3.124	7	3.082	19/01/2018	4
MGS	10/19	3.263	2	3.305	22/01/2018	-4
MGS	11/19	3.219	69	3.278	22/01/2018	-6
MGS	03/20	3.346	4	3.323	19/01/2018	2
MGS	10/20	3.370	8	3.375	19/01/2018	0
MGS	02/21	3.371	38	3.354	19/01/2018	2
MGS	07/21	3.506	3	3.510	19/01/2018	0
MGS	09/21	3.595	1	3.597	19/01/2018	0
MGS	11/21	3.451	7	3.451	19/01/2018	0
MGS	08/22	3.743	41	3.718	22/01/2018	2
MGS	08/23	3.860	18	3.830	22/01/2018	3
MGS	07/24	3.918	3	3.882	17/01/2018	4
MGS	09/24	3.972	31	3.921	19/01/2018	5
MGS	09/25	3.985	85	4.034	22/01/2018	-5
MGS	04/26	4.159	5	4.124	22/01/2018	4
MGS	11/26	4.035	2	4.062	22/01/2018	-3
MGS	11/27	3.923	5	3.948	22/01/2018	-2
MGS	04/30	4.386	4	4.350	22/01/2018	4
MGS	05/35	4.595	89	4.522	18/01/2018	7
MGS	04/37	4.639	14	4.628	19/01/2018	1
MGS	03/46	4.894	10	4.880	22/01/2018	1
GII	08/18	3.210	60	3.250	10/01/2018	-4
GII	10/18	3.219	65	3.296	18/01/2018	-8
GII	04/20	3.508	1	3.531	19/01/2018	-2
GII	08/21	3.802	10	3.787	12/01/2018	2
GII	04/22	3.897	228	3.882	22/01/2018	1
GII	08/24	4.133	32	4.097	19/01/2018	4
GII	10/25	4.204	21	4.157	12/01/2018	5
GII	09/26	4.250	2	4.215	18/01/2018	4
GII	07/27	4.205	10	4.207	22/01/2018	0
GII	09/30	4.601	60	4.627	05/01/2018	-3
GII	10/35	4.773	22	4.773	09/01/2018	0
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Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Sabah State Government	12/19	AAA	4.583	1	4.301	16/01/2018	28	132
Sabah Credit Corporation	05/20	AA1	4.502	4	4.495	13/09/2017	1	124
YTL Power International Berhad	10/21	AA1	4.630	3	4.559	18/05/2017	7	115
Sabah Credit Corporation	06/22	AA1	4.701	4	4.798	14/04/2015	-10	122
Malayan Banking Berhad	01/24	AA1	4.684	1	4.770	07/12/2017	-9	90
First Resources Limited	06/20	AA2	4.501	26	4.486	11/01/2018	2	124
CIMB Group Holdings Berhad	05/16	A1	5.528	8	5.200	19/01/2018	33	89
Alliance Bank Malaysia Berhad	10/25	A2	4.698	1	4.881	19/01/2018	-18	74
Anih Berhad	11/26	AA	4.700	4	4.659	05/01/2018	4	72
Alpha Circle Sdn Berhad	11/18	AA-	5.001	2	5.017	28/12/2017	-2	188
Genting Capital Berhad	06/22	AAA	4.598	2	4.674	18/01/2018	-8	112
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.548	60	4.579	27/12/2017	-3	59
Danainfra Nasional Berhad	04/25	GG	4.350	20	4.408	10/11/2017	-6	41
Mah Sing Perpetual	-	-	6.321	1	6.321	22/01/2018	0	-
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Tokyo Gas Co will reduce the volumes of Malaysian liquefied natural gas (LNG) that it buys after a long-term contract expires this year, President-Elect Takashi Uchida said on Tuesday. The company's 15-year contract to buy up to 2.6 million tonnes per year of LNG from a unit of Malaysian state oil firm Petroliam Nasional, or Petronas, expires in March 2018. Tokyo Gas has three contracts with Malaysia and the contract that expires this year is the one with the biggest purchase volumes, Uchida told Reuters after the news conference where the changes in the company's top executives was announced. "We are going to renew the (expiring) contract," he said, adding that it would be renewed at lower volumes since Tokyo Gas has already diversified its supply sources to North American shale gas and other sellers. Uchida, who is set to become president on April 1, also said that the company would have to give careful consideration before giving the go-ahead to its Sodegaura coal-fired power plant joint venture project with Kyushu Electric, reflecting the mounting criticism against coal from the general public. (Source: The Star)

Oil prices were firm on Wednesday, receiving ongoing support from healthy economic growth as well as from supply restrictions led by a group of producers around the Organization of the Petroleum Exporting Countries (OPEC) and Russia. Spot Brent crude oil futures, the international benchmark for oil prices, were at \$70 a barrel at 0102 GMT, up 4 cents from their last close and not far off the Jan. 15 three-year high of \$70.37. U.S. West Texas Intermediate (WTI) crude futures were at \$64.59 a barrel, up 12 cents from their last settlement and close to a December-2014 high of \$64.89 from Jan. 16. In the latest sign of healthy global economic growth, Japanese manufacturing activity expanded at the fastest pace in almost four years in January, a survey showed on Wednesday. Economic growth is translating into healthy oil demand growth, which comes at a time that OPEC and Russia lead production cuts aimed at tightening the market and propping up prices. The deal to withhold output started in January last year and is currently set to last through 2018. Stephen Innes, head of trading for Asia/Pacific at futures brokerage Oanda in Singapore said a "beaming economic forecast along with stout compliance from OPEC (to withhold production) is providing convincing support. Despite the overall supportive market conditions, which have seen crude futures rally by almost 15 percent since early December, there are signs that traders are preparing for a downward correction. One way of doing that is to take out so-called put options on crude futures contracts which give a trader the right, but not the obligation, to sell at a certain price. "The options market shows increased demand for downside protection. This makes sense considering how one-sided (to the upside) the speculative bets have become," said Ole Hansen, head of commodity strategy at Saxo Bank. Trading data shows that open interest, describing the amount of positions that have yet to be settled, for Brent put options to sell at \$70, \$69 and \$68 per barrel has surged since the middle of last week on the Intercontinental Exchange (ICE). Overall, there is now far more demand for options to sell Brent than there is for call options, which are the right to buy Brent at a certain price. Hansen said using put options was a way "to express the opposite view of the current (upward) trend" and that "corrections of between 10-15 percent have previously been seen once the music stopped and traders began booking profit". (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
YTL Power International Berhad	RM5 billion Medium-Term Notes Programme (2011/2036) and RM2.5 billion Sukuk Murabahah Facility (2017/2027)	AA1/Stable	Reaffirmed
YTL Corporation Berhad	RM500 million MTN Programme (2004/2019) and RM2 billion MTN Programme (2013/2038)	AA1/Stable	Reaffirmed
Lebuhraya Kajang-Seremban Sdn Bhd(LEKAS)	RM633 million Junior Sukuk Istisna' (Junior Sukuk) (2007/2025)	C2/Stable	Reaffirmed
Perbadanan Kemajuan Negeri Selangor's (PKNS or the Agency)	RM300 million ICP Programme (2013/2020) and RM1.7 billion IMTN Programme (2013/2033), with a combined limit of RM1.7 billion	AA3/Stable/P1	Reaffirmed

Source: RAM Ratings; MARC

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