

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.08	2
5-yr UST	2.43	0
10-yr UST	2.65	3
30-yr UST	2.93	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	0	3.54	3
5-yr	3.54	-3	3.89	-1
7-yr	3.90	-8	4.11	-3
10-yr	3.93	0	4.18	-2
15-yr	4.44	2	4.55	-1
20-yr	4.63	-1	4.78	2
30-yr	4.89	0	4.95	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.65	0
3-yr	3.78	0
5-yr	3.88	0
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 extended losses despite strong 5Y auction with belly-led gains seen following decent 2Y auction averaging 2.434% on a BTC of 2.48x. However the curve steepened with the 5s30s spread higher by 2bps at the close. The 2Y, sensitive to Fed policy interest rate expectations rose 2bps at 2.08% whilst the much-watched 10Y moved even higher by 3bps to end at 2.65%. The recent movement of yields suggests that inflation signals may begin to surface; with recent unemployment rate of 4.1% (a 17-year low) and rising commodity prices. Protectionist moves by the Trump's administration may also add to the pressures of imported goods. Upcoming data include Initial jobless claims and annualized GDP figures for 4Q.

MGS/GII

- Local Govvies saw improved volume traded at RM1.95b with sustained investor interest in the off-the-run 18's. Yields were generally lower across tenures save for the 15Y MGS. Both the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed at 3.90% and 3.93% respectively compared to previous-done levels. Meanwhile the 5Y GII 4/22 with total outstanding amount of RM11.0b (which was sold-off post-auction on the 5th of Jan) recovered 1bps on heavy volume to close at 3.89%. Market participants await the outcome of the MPC's decision on the OPR today with poll surveys indicate a 25bps hike.

PDS/Sukuk

- Interest in the secondary market for Corporate Bonds improved with total volume of RM416m despite nil trades on Govt-Guaranteed papers. Quite a number of odd-lot trades seen done yesterday. Meanwhile AAA-rated Putrajaya 4/25 and PLUS 31 closed 4-5bps lower at 4.46% and 4.86% respectively compared to previous-done levels. Almost 75% of trades were centred in the AA-space with names like UMW, BGSM, GAMUDA AND UEMSUNRISE done at the belly. Expect cautious stance for Corporate Bonds to continue in view of the MPC meeting today.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/18	3.255	150	3.047	23/01/2018	21
MGS 03/18	3.007	133	3.208	23/01/2018	-20
MGS 09/18	3.118	305	3.181	23/01/2018	-6
MGS 03/19	3.253	7	3.124	23/01/2018	13
MGS 10/19	3.261	10	3.263	23/01/2018	0
MGS 11/19	3.331	303	3.249	23/01/2018	8
MGS 03/20	3.323	4	3.346	23/01/2018	-2
MGS 10/20	3.355	19	3.351	23/01/2018	0
MGS 07/21	3.573	24	3.506	23/01/2018	7
MGS 09/21	3.621	1	3.595	23/01/2018	3
MGS 11/21	3.479	15	3.487	23/01/2018	-1
MGS 08/22	3.706	30	3.711	23/01/2018	0
MGS 03/23	3.798	1	3.825	22/01/2018	-3
MGS 07/24	3.898	4	3.899	23/01/2018	0
MGS 09/24	3.895	16	3.947	23/01/2018	-5
MGS 09/25	3.970	1	3.985	23/01/2018	-1
MGS 04/26	4.109	30	4.159	23/01/2018	-5
MGS 11/26	4.035	10	4.035	23/01/2018	0
MGS 11/27	3.929	41	3.923	23/01/2018	1
MGS 04/30	4.401	2	4.350	22/01/2018	5
MGS 06/31	4.477	37	4.436	22/01/2018	4
MGS 04/33	4.436	78	4.416	22/01/2018	2
MGS 05/35	4.539	1	4.578	23/01/2018	-4
MGS 04/37	4.627	24	4.619	23/01/2018	1
GII 05/18	3.231	75	3.229	19/01/2018	0
GII 08/18	3.265	100	3.260	22/01/2018	1
GII 04/22	3.890	356	3.898	23/01/2018	-1
GII 07/23	3.998	1	4.049	22/01/2018	-5
GII 07/27	4.181	90	4.205	23/01/2018	-2
GII 06/33	4.552	80	4.560	17/01/2018	-1
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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*	
Sarawak Hidro Sdn Berhad	08/21	AAA	4.293	5	4.259	19/06/2017	3	82
Danga Capital Berhad	01/33	AAA	4.940	9	-	-	-	-
Sabah Credit Corporation	10/19	AA1	4.436	5	4.468	09/01/2018	-3	117
Public Bank Berhad	10/23	AA1	4.327	20	4.286	18/12/2017	4	55
Malayan Banking Berhad	01/24	AA1	4.704	1	4.684	23/01/2018	2	93
YTL Power International Berhad	05/27	AA1	4.912	40	4.750	19/01/2018	16	95
Encorp Systembit Sdn Berhad	05/27	AA1	4.691	2	4.835	13/03/2017	-14	73
Danajamin Nasional Berhad	10/27	AA1	4.719	30	4.707	19/01/2018	1	78
Sarawak Energy Berhad	04/31	AA1	5.111	1	5.148	15/12/2017	-4	67
Sarawak Energy Berhad	08/35	AA1	5.354	4	5.389	12/12/2017	-4	73
First Resources Limited	10/21	AA2	4.587	10	4.596	05/01/2018	-1	111
UMW Holdings Berhad	06/22	AA2	4.608	20	4.614	18/01/2018	-1	114
BGSM Management Sdn Berhad	12/18	AA3	4.122	20	4.148	11/01/2018	-3	97
Gamuda Berhad	11/22	AA3	4.698	30	4.695	19/01/2018	0	112
Jati Cakerawala Sdn Berhad	01/23	AA3	5.028	4	5.329	13/12/2016	-30	145
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.758	4	4.798	07/08/2017	-4	80
Tanjung Bin Energy Issuer Berhad	03/28	AA3	4.818	4	4.853	24/10/2017	-4	88
Tadau Energy Sdn Berhad	07/31	AA3	5.753	2	5.769	13/09/2017	-2	131
Special Power Vehicle Berhad	11/21	A1	5.016	10	5.059	11/12/2017	-4	154
CIMB Group Holdings Berhad	05/16	A1	5.100	6	5.528	23/01/2018	-43	48
CIMB Group Holdings Berhad	05/16	A1	5.251	1	4.718	19/01/2018	53	63
Alliance Bank Malaysia Berhad	10/25	A2	5.089	1	5.081	23/01/2018	1	115
Bank Muamalat Malaysia Berhad	06/26	A3	5.617	4	5.651	21/12/2017	-3	167
Mah Sing Perpetual	-	-	6.338	1	6.321	23/01/2018	2	-
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/22	AA- IS	4.905	10	4.951	02/01/2018	-5	133
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA- IS	4.968	5	4.962	16/01/2018	1	139
Cerah Sama Sdn Berhad	01/29	AA- IS	5.039	10	4.964	09/06/2017	7	110
MEX II Sdn Berhad	04/29	AA- IS	5.137	15	5.189	16/11/2017	-5	120
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	11/29	AA- IS	4.946	10	4.971	21/12/2017	-3	101
MEX II Sdn Berhad	04/32	AA- IS	5.412	15	5.456	29/11/2017	-4	97
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/32	AA- IS	5.143	5	5.169	09/11/2017	-3	70
Southern Power Generation Sdn Berhad	10/33	AA- IS	5.349	2	5.358	18/01/2018	-1	91
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/33	AA- IS	5.210	6	5.239	13/10/2017	-3	77
Southern Power Generation Sdn Berhad	04/35	AA- IS	5.459	10	5.468	16/01/2018	-1	102
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA- IS	5.262	4	5.256	18/01/2018	1	64
Celcom Networks Sdn Berhad (fka Celcom Transmiss	08/19	AA+ IS	4.468	10	4.504	06/12/2017	-4	120
Samalaju Industrial Port Sdn Berhad	12/28	AA1 (S)	5.032	1	5.034	15/01/2018	0	109
Samalaju Industrial Port Sdn Berhad	12/29	AA1 (S)	5.118	16	5.109	18/01/2018	1	118
Malaysia Airports Capital Berhad	08/20	AAA (S)	4.219	10	4.224	09/10/2017	0	85
Genting Capital Berhad	06/27	AAA (S)	4.941	2	4.950	20/12/2017	-1	98
Danga Capital Berhad	09/27	AAA (S)	4.603	4	4.609	08/01/2018	-1	67
Rantau Abang Capital Berhad	05/31	AAA (S)	4.845	16	4.840	28/03/2017	0	40
GENM Capital Berhad	03/32	AAA (S)	5.251	2	5.241	18/01/2018	1	81
Putrajaya Holdings Sdn Berhad	04/25	AAA IS	4.459	10	4.512	30/11/2017	-5	54
Projek Lebuhraya Usahasama Berhad	01/31	AAA IS	4.859	10	4.900	13/12/2017	-4	42
TNB Western Energy Berhad	07/31	AAA IS	4.882	11	4.955	08/02/2017	-7	44
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Boustead Plantations Bhd is selling part of its oil palm estate in Penang for RM136mil cash, reaping a huge profit that the company said it will use to repay loans taken for acquisition of new plantation land. The planter, in a filing with Bursa Malaysia today, said it had entered into two separate sale and purchase agreements (SPAs) with two private companies for the disposal of three parcels of land totaling 138.9 hectares in Seberang Perai Utara. Boustead Plantation said it will realise an estimated profit of about RM115.9mil upon completion of the proposed sales. This works out to an upfront gain of about RM834,000 per ha, increasing the company's shareholders value by about 7 sen per share. "Given the strategic location of the land, Boustead Plantation is able to unlock and realise higher return through the proposed sales," it said. The three parcel of land are part of the group's 677.8 ha Malakoff estate. "Boustead Plantation will continue to own and operate its plantation business on the remaining 562.33 ha of Malakoff Estate," it said. The disposal, Boustead Plantations said, provided the opportunity for the group to use the realised funds for repayment of bank borrowings it had taken earlier for the purpose of strategic expansion. (Source: The Star)

Just as the U.S. throws up new barriers to cross-border commerce, its largest trading partner China is redoubling its efforts to seal free-trade agreements. From deals with blocs including the Association of Southeast Asian Nations to bilaterals with tiny countries like Maldives, China's FTAs already cover 21 countries. That compares with the 20 countries covered by U.S. agreements. More than a dozen additional pacts are being negotiated or studied, according to the Ministry of Commerce. While President Donald Trump this week imposed tariffs on solar panels and washing machines, underscoring his America first outlook, China is hoping for a "bumper year" for new trade deals, according to the Commerce Ministry. China's FTA approach is also tied to broader goals such as the Belt and Road Initiative to build new trade and infrastructure links across Eurasia, said He Weiwen, deputy director of the Center for China and Globalization in Beijing and a former Commerce Ministry official. "That would offer some help for China to counter the shockwave from trade frictions with the U.S., but that's not the purpose," He said. "China wants to be more open, and 2018 is important as it marks the 40th anniversary of the historic reform and opening-up." Meanwhile, 11 nations are planning to save the Trans-Pacific Partnership Trump abandoned. That may spur China, which isn't part of that deal, to pursue its own agreements such as the proposed Regional Comprehensive Economic Partnership, which potentially will bind China to its strategic rival India as well as to diverse partners from Australia to Cambodia. "As the U.S. is retreating from economic engagement in Asia, the rest of Asia is moving forward aggressively to conclude deals among themselves," Wendy Cutler, a former U.S. trade negotiator who's now vice president at the Asia Society Policy Institute in Washington, said Wednesday in a Bloomberg Television interview from Seoul. China Has Targets Aplenty to Retaliate Against U.S. Trade Action. Such progress could help fortify Beijing's ambitions to put itself at the heart of globalization -- outlined in President Xi Jinping's speech to the World Economic Forum in Davos a year ago -- particularly if Trump follows his dropping the Trans Pacific Partnership with dismantling the North American Free Trade Agreement. Nafta talks are continuing this week. China already dominates global trade with almost 14 percent of world exports, data compiled by Bloomberg show, and China International Capital Corp. estimates it will overtake the U.S. as the largest importer within five years. Even so, if a threatened trade war between China and the U.S. does materialize this year, then Beijing may seek friends wherever it can find them. (Source: The Edge, Bloomberg)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Special Power Vehicle Berhad's (SPV)	RM800 million Class A IMTN Facility (2005/2022) (Class A IMTN)	A1/Stable	Reaffirmed
Jimah Energy Ventures Sdn Bhd's (JEV)	RM4.85 billion Senior IMTN Facility (2005/2025) Sukuk	AA3/Stable	Reaffirmed
Projek Smart Holdings Sdn Bhd	IMTN Facility of up to RM330 million in nominal value (2015/2032)	From AA2 to A1	Downgraded

Source: RAM Ratings; MARC

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