

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.09	1
5-yr UST	2.42	-1
10-yr UST	2.62	-3
30-yr UST	2.88	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	-2	3.54	0
5-yr	3.62	8	3.88	-1
7-yr	3.89	-1	4.08	-3
10-yr	3.92	-1	4.16	-2
15-yr	4.44	1	4.55	0
20-yr	4.62	-1	4.78	0
30-yr	4.86	-4	4.95	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	5
3-yr	3.80	2
5-yr	3.90	2
7-yr	4.00	2
10-yr	4.11	1

Source: Bloomberg

**US Treasuries**

- US Treasuries reversed losses in earlier sessions by rallying as the curve bull-flattened amid strong 7Y auction which averaged 2.565%. Yields were generally lower by up to 5bps (save for the 2Y; sensitive to Fed policy interest rate expectations which nudged 1bps higher at 2.09%). The 5s30s spread resumed tightening by as much as 3bps. The much-watched 10Y moved 2bps lower at 2.62%. The recent movement of yields; especially the 10Y UST suggest that volatility may begin emerging unlike the “goldilocks” era of debt levels in 2017. Upcoming data today include annualized GDP figures for 4Q with survey polls lower at 3.0%.

**MGS/GII**

- Local Govvies saw volume traded improve to RM2.67b with investor interest shifting to the mid-to-long ends i.e. 28-37’s following the OPR hike of 25bps to 3.25%. Yields ended marginally lower by about 1bps across most tenures save for the 5Y MGS. Both the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed 1bps lower at 3.89% and 3.92% respectively compared to previous-done levels. Meanwhile the 5Y GII 4/22 which was sold-off post-auction on the 5<sup>th</sup> of Jan continued to churn volume closing unchanged at 3.88% levels. Market participants are not expecting further hikes in this election year, hence keeping markets in rangebound mode. All eyes will be on the reopening of RM2.5bn and RM1.0bn private placement of 15Y MGS 4/33 today.

**Upcoming Government Bond Tenders**

Reopening of RM2.5b + RM1.0b (Private placement) of 15Y MGS 4/33. today

**PDS/Sukuk**

- Interest in the secondary market for Corporate Bonds were muted with total volume of RM280m with little interest on Govt-Guaranteed and AAA-rated papers. Meanwhile AA-rated SAJ Capital made its debut at 5.61% and 5.67% respectively whilst Southern Power Generation 31’s traded lower on yields between 5.16-5.20% levels. Expect interest to selectively return on higher yield-requirements by end-investors.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	02/18	2.983	125	3.047	23/01/2018	-6
MGS	09/18	3.190	46	3.118	24/01/2018	7
MGS	03/19	3.204	7	3.124	23/01/2018	8
MGS	07/19	3.269	1	3.302	18/01/2018	-3
MGS	10/19	3.266	5	3.261	24/01/2018	0
MGS	11/19	3.270	131	3.303	24/01/2018	-3
MGS	03/20	3.322	3	3.351	24/01/2018	-3
MGS	10/20	3.350	2	3.355	24/01/2018	0
MGS	02/21	3.354	20	3.371	23/01/2018	-2
MGS	07/21	3.466	133	3.501	24/01/2018	-3
MGS	11/21	3.473	85	3.479	24/01/2018	-1
MGS	03/22	3.617	100	3.592	24/01/2018	2
MGS	08/22	3.748	87	3.731	24/01/2018	2
MGS	09/22	3.705	4	3.693	19/01/2018	1
MGS	03/23	3.783	1	3.798	24/01/2018	-2
MGS	08/23	3.830	25	3.860	23/01/2018	-3
MGS	07/24	3.942	38	3.918	23/01/2018	2
MGS	09/24	3.887	135	3.916	24/01/2018	-3
MGS	11/26	4.030	2	4.051	24/01/2018	-2
MGS	11/27	3.923	124	3.929	24/01/2018	-1
MGS	06/28	4.066	220	4.096	22/01/2018	-3
MGS	06/31	4.431	56	4.477	24/01/2018	-5
MGS	04/33	4.440	180	4.436	24/01/2018	0
MGS	04/37	4.619	163	4.639	23/01/2018	-2
MGS	03/46	4.857	49	4.894	23/01/2018	-4
GII	08/18	3.257	59	3.265	24/01/2018	-1
GII	08/21	3.782	30	3.802	23/01/2018	-2
GII	04/22	3.882	526	3.887	24/01/2018	0
GII	05/24	4.107	70	4.105	17/01/2018	0
GII	08/24	4.080	80	4.106	24/01/2018	-3
GII	09/26	4.249	17	4.250	23/01/2018	0
GII	07/27	4.162	30	4.181	24/01/2018	-2
GII	09/30	4.591	120	4.601	23/01/2018	-1
			<u>2670</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*
Small Medium Enterprise Development Bank Malaysia	03/22	GG	4.099	5	4.069	10/10/2017	3	62
Rantau Abang Capital Berhad	08/19	AAA	4.016	10	3.985	23/11/2017	3	72
Sarawak Energy Berhad	06/18	AA1	4.041	5	3.899	11/01/2018	14	85
Danajamin Nasional Berhad	10/27	AA1	4.717	10	4.719	24/01/2018	0	81
CIMB Bank Berhad	08/26	AA+	4.849	1	5.499	03/01/2018	-65	90
First Resources Limited	10/21	AA2	4.598	10	4.596	05/01/2018	0	112
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.567	10	4.600	17/08/2017	-3	-5
CIMB Bank Berhad	10/38	AA	4.847	1	5.050	21/12/2017	-20	23
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.705	20	4.695	08/01/2018	1	141
BGSM Management Sdn Berhad	08/25	AA3	4.800	2	4.772	22/01/2018	3	87
SAJ Capital Sdn Bhd	01/30	AA-	5.670	90	-	-	-	-
SAJ Capital Sdn Bhd	01/29	AA-	5.610	80	-	-	-	-
Sunway Treasury Sukuk Sdn Berhad	06/22	AA-	4.718	10	4.801	15/02/2016	-8	124
Southern Power Generation Sdn Berhad	04/31	AA-	5.161	10	5.179	15/01/2018	-2	72
Southern Power Generation Sdn Berhad	10/31	AA-	5.198	10	5.264	08/01/2018	-7	76
Southern Power Generation Sdn Berhad	10/33	AA-	5.350	1	5.349	24/01/2018	0	91
Special Power Vehicle Berhad	11/18	A1	4.224	6	5.259	10/10/2016	-104	104
				<u>280</u>				

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

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

The **proposed merger between Telekom Malaysia Bhd (TM) and Axiata Group Bhd** "makes sense", but it is still up to the shareholders to make the final decision, said Celcom Axiata Bhd CEO Michael Kuehner. He said both TM and Celcom were telco giants which run extremely big networks in the country. "This need to be maintained, and I can imagine a lot of synergy could come out of a merger," he told reporters after signing a Memorandum of Understanding (MoU) on behalf of Celcom Axiata with Malaysia Airlines Bhd CEO Izham Ismail here, today. Celcom Axiata is owned by Axiata Group. Rumours about a merger between TM and Axiata surfaced since last year after both companies demerged in 2008. Kuehner, however, said it was difficult to ascertain the outcome of the rumours. "My experience is, not everything that makes sense will always happen. It is difficult to predict and it is up to the shareholders to decide," he said. Asked if new market player Yoodo, which would enter the Malaysian market by end of this month, would post a stiff competition to Celcom, Kuehner said he did not think so. Instead, he said it could make the industry more competitive and offer more choices to the customers. On the outlook, he said the industry would remain flattish next year as telco companies registered lower revenue for the past three years. "Maybe we will see a little stabilisation in revenue growth next year," he said. Currently, Celcom has 11 million subscribers, of which two-thirds are prepaid customers and the rest postpaid customers. On the MoU signed today, the long-term deal aims at enhancing digital lifestyle for travellers. The benefits include easier ways to earn and spend MAB's Enrich miles, flight discounts for all Celcom consumers from Feb 1, 2018, and attractive roaming plans. ( Source: The Star )

**Malaysia's bond market**, which has yet to recover from the knee-jerk outflow that occurred last year following Bank Negara Malaysia's move to curb offshore ringgit trading, is set to experience pressure from the outflow of foreign investors this year, according to RAM Rating Services Bhd. External global developments will be the driver of this outflow, it said in a statement yesterday, such as the relative pace and timing of future monetary policy tightening by the US Federal Reserve. "The market remains vulnerable to geopolitical risk, a major driver of market uncertainties in 2018," RAM cautioned. But the brighter outlook for the ringgit — which has so far maintained its uptrend against the greenback in January, having appreciated more than 3% since end-December 2017 — may offer some support to foreign investments, it added. In 2017, Malaysian bonds posted a net foreign outflow of RM8 billion, as opposed to a net inflow of RM825 million in 2016, RAM's statement noted. The bulk of the outflow occurred in the first quarter of last year, after Bank Negara Malaysia (BNM) curbed offshore ringgit trading in November 2016, which resulted in foreign investors winding down their positions in the Malaysian bond market by RM37.4 billion. "Although the trend reversed in the second quarter of 2017, after the announcement of BNM's liberalisation initiatives on currency and interest-rate hedging mechanisms onshore, the cumulative inflow of RM29.4 billion in the last three quarters could not compensate for the excessive knee-jerk reaction at the start of the year," RAM noted. Last year was also the year when Malaysia's gross corporate bond issuance hit a record high of RM124.9 billion, supported by double-digit year-on-year growth in the quasi-government and private subsegments. The last time gross issuance reached such a level was in 2012, at RM121.1 billion, said RAM. RAM said the 2017 full-year figure surpassed its expectation of RM105 billion to RM115 billion, as the quasi-government and private subsegments posted strong growth rates of 46.1% and 45.6% respectively. This year, the bond market is expected to "remain robust" with RM90 billion to RM100 billion of gross corporate bond issuance, RAM said. ( Source: The Edge, RAM Rating )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
PETRONAS Dagangan Berhad (PDB)	Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) Programme of up to RM2.0 billion)	MARC-1-IS AAA-IS	Affirmed
MMC Corporation Berhad (MMC)	RM1.5 billion Sukuk Murabahah Programme	AA-IS	Affirmed

Source: RAM Ratings; MARC

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