

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.24	-1
5-yr UST	2.62	-4
10-yr UST	2.87	-5
30-yr UST	3.16	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	0	3.57	0
5-yr	3.60	0	3.89	0
7-yr	4.00	0	4.11	0
10-yr	4.08	2	4.23	0
15-yr	4.49	0	4.60	0
20-yr	4.64	-2	4.78	0
30-yr	4.85	-2	4.96	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	0
3-yr	3.84	0
5-yr	3.93	0
7-yr	4.06	0
10-yr	4.20	0

Source: Bloomberg

Upcoming Government Bond Tenders

Auction reopening of 10Y MGS 11/27 (RM3.5b + RM0.5b Private Placement) on 27th Feb

US Treasuries

- US Treasuries bull-flattened across the curve with the long-end rallying ahead of next week's substantial month-end's extension of duration. Yields were generally lower between 1-5bps; as front-end lagged slightly. The 2Y (which is sensitive to Fed policy interest rate expectations) ended 1bps lower at 2.24% whilst the much-watched 10Y rallied by 5bps to close at 2.87%. Attention will be focused on the Fed Chair Powell as he speaks before the House Financial Services Committee on Tuesday and subsequently the Senate Banking Committee on Thursday. It will also be the first time that bond traders get to analyze statements from the new Fed leader; as was the case with his predecessors.

MGS/GII

- Local Govvies continued to see softer demand with secondary market volume maintained RM1.49b with some interest seen in off-the-runs i.e. MGS 9/22 and the long-bond i.e. MGS 3/46. Generally benchmark yields were unchanged save for the 20Y and 30Y MGS benchmarks which moved lower by 2 bps. The widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed at 4.00% and 4.06% respectively compared to previous-done levels. Up next is the final reopening of the 10Y MGS 11/27 on Tuesday with a significant auction size alone of RM3.5b.

PDS/Sukuk

- Secondary market trades for Corporate Bonds saw steady interest with total volume at RM474m as interest was capped across the GG-AA part of the yield curve. Both the short Govt-Guaranteed PRASA 5/18 and MDV 9/18 ended mixed at 3.51% and 3.58% respectively compared to previous-done levels. Liquid names like RANTAU 12/20 and PLUS 1/33 closed -1 to +3bps at 4.15% and 4.94% respectively. AA-rated Sepangar Power Corp, Teknologi Tenaga Perlis, TBEI, JEV and Southern Power Generation were some of the bonds that investors showed demand for. PBB 23NC18 and CIMB Thai 26 also saw total of RM30m traded on lower yields between 3-4bps. 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	3.208	12	3.269	22/02/2018	-6
MGS	10/19	3.310	6	3.311	22/02/2018	0
MGS	11/19	3.331	15	3.328	22/02/2018	0
MGS	03/19	3.119	27	3.122	22/02/2018	0
MGS	10/20	3.465	21	3.461	22/02/2018	0
MGS	07/21	3.495	21	3.499	22/02/2018	0
MGS	09/21	3.600	20	3.601	22/02/2018	0
MGS	08/22	3.791	8	3.778	22/02/2018	1
MGS	09/22	3.787	325	3.759	22/02/2018	3
MGS	07/24	3.967	17	3.975	22/02/2018	-1
MGS	09/25	4.063	6	4.024	22/02/2018	4
MGS	08/23	3.835	80	3.851	20/02/2018	-2
MGS	09/24	4.003	25	3.998	22/02/2018	0
MGS	04/30	4.449	2	4.471	22/02/2018	-2
MGS	04/26	4.121	39	4.100	21/02/2018	2
MGS	11/27	4.078	49	4.068	22/02/2018	1
MGS	04/37	4.635	39	4.650	22/02/2018	-2
MGS	04/32	4.547	21	4.562	22/02/2018	-2
MGS	03/46	4.851	238	4.867	22/02/2018	-2
GII	04/22	3.886	120	3.892	22/02/2018	-1
GII	08/33	4.673	2	4.645	13/02/2018	3
GII	08/18	3.329	118	3.278	22/02/2018	5
GII	05/18	3.197	282	3.229	21/02/2018	-3
			<u>1491</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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	05/18	GG	3.509	90	3.501	24/08/2017	1	28
Malaysia Debt Ventures Berhad	09/18	GG	3.580	75	3.648	30/06/2017	-7	35
MKD Kenchana	02/25	GG	4.428	50	-	-	-	-
Rantau Abang Capital Berhad	12/20	AAA	4.151	10	4.125	19/02/2018	3	76
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.944	10	4.954	30/01/2018	-1	44
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.929	10	4.929	16/01/2018	0	42
Tenaga Nasional Berhad	08/37	AAA	5.109	20	5.099	12/02/2018	1	46
Kapar Energy Ventures Sdn Berhad	07/18	AA+	3.882	15	3.923	22/02/2018	-4	66
Celcom Networks Sdn Berhad [fka Celcom Transmiss	08/22	AA+	4.698	20	4.696	09/02/2018	0	110
Sepangar Bay Power Corporation Sdn Berhad	07/18	AA1	3.869	15	3.911	22/02/2018	-4	64
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/21	AA1	4.363	10	4.331	11/10/2017	3	98
Encorp Systembilt Sdn Berhad	11/21	AA1	4.365	10	4.361	12/12/2017	0	85
Sepangar Bay Power Corporation Sdn Berhad	07/22	AA1	4.467	10	4.410	05/06/2017	6	95
Public Bank Berhad	11/23	AA1	4.334	20	4.364	13/02/2018	-3	50
Danajamin Nasional Berhad	10/27	AA1	4.738	10	4.719	07/02/2018	2	67
Krung Thai Bank Public Company Limited	07/25	AA2	4.938	1	4.452	21/02/2018	49	93
Tanjung Bin Power Sdn Berhad	08/27	AA2	4.818	2	4.819	22/02/2018	0	76
PBFIN Berhad	06/59	AA2	4.271	1	4.928	09/02/2018	-66	-37
Besraya (M) Sdn Berhad	07/21	AA3	4.796	10	4.530	22/08/2017	27	141
Jimah Energy Ventures Sdn Berhad	11/21	AA3	4.433	10	4.443	08/12/2017	-1	92
Besraya (M) Sdn Berhad	07/23	AA3	4.949	20	4.569	21/09/2017	38	135
CIMB Thai Bank Public Company Limited	07/26	AA3	5.035	10	5.078	07/02/2018	-4	101
Country Garden	02/23	AA3	6.552	15	6.557	22/02/2018	-1	-
Southern Power Generation Sdn Berhad	04/23	AA-	4.658	20	4.687	17/01/2018	-3	106
Jimah East Power Sdn Berhad	12/32	AA-	5.209	10	5.228	17/11/2017	-2	70
				<u>474</u>				

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

Market/Corporate News: What's Brewing

Investors are starting to doubt whether they can count on the protective embrace of an accommodative U.S. central bank when markets go haywire. Federal Reserve chair Jerome Powell has said little about the sharp fall in Wall Street stocks this month, besides offering the platitude at his swearing-in ceremony last week that "we will remain alert to any developing risks to financial stability." But the spotlight will be on the new Fed chair next week when he faces questions from both houses of the U.S. Congress in semi-annual testimony starting on Tuesday, and his audience will include investors who unceremoniously greeted his early tenure with one of the fastest 10.0 percent falls in Wall Street stocks in history earlier this month. "I don't think it is a coincidence that this occurred at the same time as we saw the passing of the baton between two different Fed chairs," said Kristina Hooper, global market strategist at Invesco Ltd, an asset management company, adding that former Fed chair Janet Yellen had "lulled" markets into complacency. Powell could be very different from Yellen, she said. The notion that the Fed would always be there to prop up shell-shocked markets prompted the notion of a Fed "put" option under three prior Fed leaders - Janet Yellen, Ben Bernanke and Alan Greenspan. The term is a reference to the hedging strategy of using a put option to guarantee an investor a sale at a preset price to limit losses. While the Fed did not buy stocks or sell options in response to the 2007-2009 financial crisis, it did push short-term interest rates to historic lows and bought bonds, driving down yields. Starved for yield in recent years, investors were forced into the stock market, driving up equity valuations, thanks to the Fed's policies. "There was definitely a Yellen put, and it remains to be seen whether there will be a Powell put," said Hooper. Yellen's Fed did later raise interest rates though, starting in late 2015, but it did so more slowly than in earlier cycles and it backed off when markets were stressed. In 2015 and 2016, the rate-setting Federal Open Market Committee (FOMC) delivered just one rate hike per year. The Fed now faces pressure to move more quickly to guard against a possible overheating of the economy, as the Fed's balance sheet and global interest rates still bear the tidemarks of emergency policies. The minutes of the Fed's FOMC meeting on Jan. 30-31, published on Wednesday, showed policymakers expressing the need to keep raising interest rates, with most believing that inflation will rise further. On Friday, the Fed's semi-annual monetary policy report to Congress, its first under Powell, said the Fed sees steady growth continuing and no serious risks on the horizon that might make the central bank pause its planned pace of rate hikes. "The economic expansion continues to be supported by steady job gains, rising household wealth, favorable consumer sentiment, strong economic growth abroad, and accommodative financial conditions," the report said. "This will be one of the more hawkish Feds we have experienced in 20 years," said Andrew Brenner, head of international fixed income at NatAlliance Securities LLC, a broker-dealer, in a note on Wednesday. A "hawkish" monetary policymaker is more aggressive in warding off inflation. Higher interest rates could lure cash out of the stock market and into bonds as yields rise. Higher rates could also tighten credit for consumers as well as companies that have struggled to grow their sales as quickly as their profits during this economic recovery. Some investors have even argued that the Fed's desire to avoid tripping up markets risks the central bank moving too late to prevent a rise in inflation and a market bubble. The argue that an economy that is overheating would require potentially destabilizing interest rate hikes later. The Fed needs to slow the economy down a bit for its own good, as so far the Fed's efforts at tightening financial conditions have not been successful, said Tony Crescenzi, market strategist and portfolio manager at Pacific Investment Management Co. Striking the right balance is not always easy though. In 2008 the Fed was preoccupied with inflation, while subprime mortgage products built up excessive leverage in bank balance sheets, provoking systemic problems in markets that lead to the worst global recession since the 1930s. In his first months as a Fed governor back in 2012, Powell was among those who pressured then-chair Bernanke for more clarity on his plan to "taper" the central bank's bond buying. When Bernanke made the plan public, it triggered the so-called "taper tantrum" sell-off in the bond market in the summer of 2013. Powell appeared to side with the "hawks" again in the summer of 2015 when he argued two interest rate rises might be needed, but the meltdown in the Chinese stock market that year meant he later backtracked and the Fed eventually raised rates only once that year in December. Over time Powell's speeches have come to emphasize how the long spell of loose U.S. monetary policy has given the labor market time to recover, allowing the unemployment rate to fall from a high of 10 percent in 2009 to a 17-year low of 4.1 percent in January this year.

"Market participants would rather see the Fed take actions that sustain the expansion, and that means more rate hikes," said Crescenzi. It is unlikely the Fed would "view a dip in the stock market - especially the one that was seen recently - as a reason to come to its rescue," he said. (Source: Reuters, The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Mudajaya Corporation Berhad's (Mudajaya Corp)	Islamic MTN Programme (2014/2029) and Islamic CP Programme (2014/2021)	A2/P2	Reaffirmed

Source: RAM Ratings; MARC

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