

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.22	0
5-yr UST	2.61	-1
10-yr UST	2.86	0
30-yr UST	3.15	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	1	3.57	0
5-yr	3.60	0	3.89	0
7-yr	3.97	-3	4.11	0
10-yr	4.05	-3	4.23	0
15-yr	4.46	-2	4.60	0
20-yr	4.62	-2	4.78	0
30-yr	4.83	-2	4.96	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	0
3-yr	3.84	0
5-yr	3.92	-1
7-yr	4.04	-2
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 27<sup>th</sup> Feb

#### US Treasuries

- US Treasury yields were generally unchanged-to-lower across the curve with traces of bull-steepening continuing yet again. Yields were generally lower between 1-5bps; as front-end lagged slightly. The long-end held despite a heavy slate of 30Y IG issuances. Both the 2Y (which is sensitive to Fed policy interest rate expectations) and the much-watched 10Y were stagnant at 2.22% and 2.86% levels respectively. Equities rallied as fears receded over rising Treasury yields. 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.

#### MGS/GII

- Local Govvies continued to see softer demand with secondary market volume at a mere RM1.28b with some sparse interest seen across tenures including some off-the-runs i.e. MGS 9/22, MGS 8/23's and benchmark MGS bonds with yields generally lower. The widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 rallied 3bps at 4.00% and 4.06% respectively compared to previous-done levels. Attention will be focused on the final reopening of the 10Y MGS 11/27 today with a significant auction size of RM3.5b.

#### PDS/Sukuk

- Secondary market trades for Corporate Bonds saw steady interest with total volume at RM486m with interest across the yield curve. Govt-Guaranteed bonds saw little with a pass-through trade PTPTN 8/32; closing at 4.85%. However in the AAA-rated part of the curve we note interest in the longer-end RANTAU 29 and PLUS 31-33 which closed mixed on yields at 4.74% and 4.85-94%% levels respectively compared to previous-done levels. RM190m nominal amount of SEB 12/32 exchanged hands closing unchanged at 5.25% levels. Other AA-rated power and infra related bonds saw decent demand; with MALAKOFF 12/20 and Tanjung Bin Power 8/27 ending mixed at 4.45% and 4.81% respectively.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.066	4	3.156	23/02/2018	-9
MGS	03/19	3.148	1	3.119	23/02/2018	3
MGS	11/19	3.331	18	3.327	23/02/2018	0
MGS	03/20	3.441	1	3.431	22/02/2018	1
MGS	02/21	3.387	10	3.380	22/02/2018	1
MGS	07/21	3.495	3	3.495	23/02/2018	0
MGS	09/21	3.603	15	3.600	23/02/2018	0
MGS	11/21	3.476	68	3.476	23/02/2018	0
MGS	08/22	3.600	1	3.791	23/02/2018	-19
MGS	09/22	3.782	62	3.787	23/02/2018	0
MGS	08/23	3.810	114	3.835	23/02/2018	-2
MGS	09/24	3.971	98	4.006	22/02/2018	-4
MGS	09/25	4.079	1	4.063	23/02/2018	2
MGS	11/27	4.049	208	4.078	23/02/2018	-3
MGS	04/30	4.454	8	4.449	23/02/2018	0
MGS	04/33	4.462	184	4.486	22/02/2018	-2
MGS	05/35	4.583	6	4.580	21/02/2018	0
MGS	04/37	4.619	31	4.635	23/02/2018	-2
MGS	03/46	4.861	40	4.877	23/02/2018	-2
GII	05/18	3.200	80	3.220	23/02/2018	-2
GII	08/18	3.201	89	3.329	23/02/2018	-13
GII	04/20	3.569	2	3.567	21/02/2018	0
GII	04/22	3.886	111	3.886	23/02/2018	0
GII	02/24	4.145	50	4.038	09/10/2017	11
GII	05/24	4.134	20	4.149	22/02/2018	-1
GII	08/25	4.112	20	4.114	21/02/2018	0
GII	06/33	4.600	40	4.600	21/02/2018	0
			<u>1284</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 I	03/19 GG	3.650	10	3.735	17/01/2018	-9	43
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32 GG	4.850	10	4.838	24/10/2017	1	36
GB Services Berhad	11/19 AAA	4.450	10	4.465	13/02/2018	-1	113
Malaysia Airports Capital Berhad	12/22 AAA	4.450	10	4.475	13/12/2017	-2	85
Gas District Cooling (Putrajaya) Sdn Berhad	12/22 AAA	4.400	10	4.647	29/10/2015	-25	80
Putrajaya Holdings Sdn Berhad	07/23 AAA	4.390	5	4.370	05/10/2017	2	79
Rantau Abang Capital Berhad	03/29 AAA	4.740	20	4.716	07/02/2018	2	68
Projek Lebuhraya Usahasama Berhad	01/31 AAA	4.852	50	4.859	24/01/2018	-1	37
Projek Lebuhraya Usahasama Berhad	01/33 AAA	4.942	5	4.944	23/02/2018	0	46
Tenaga Nasional Berhad	08/37 AAA	5.110	2	5.109	23/02/2018	0	47
Public Bank Berhad	10/23 AA1	4.300	30	4.361	26/01/2018	-6	47
TRIpIc Medical Sdn Berhad	10/32 AA1	5.144	10	5.149	09/02/2018	0	66
Sarawak Energy Berhad	12/32 AA1	5.250	190	5.250	20/02/2018	0	77
UMW Holdings Berhad	10/21 AA2	4.590	10	4.597	06/12/2017	-1	108
UMW Holdings Berhad	10/26 AA2	4.910	10	4.922	11/01/2018	-1	85
Tanjung Bin Power Sdn Berhad	08/27 AA2	4.810	10	4.818	23/02/2018	-1	75
Malayan Banking Berhad	09/68 AA2	4.250	10	4.296	13/02/2018	-5	-39
Malakoff Power Berhad	12/20 AA-	4.450	35	4.435	09/02/2018	2	106
UEM Sunrise Berhad (fka UEM Land Holdings Berhad	12/24 AA-	5.046	10	5.049	13/02/2018	0	105
MEX II Sdn Berhad	04/33 AA-	5.462	10	5.459	20/02/2018	0	98
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39 AA-	5.530	9	5.529	18/12/2017	0	89
Bank Islam Malaysia Berhad	12/25 A1	4.540	2	4.600	15/01/2018	-6	51
Eco Capital	12/22 NR(LT)	6.370	18	6.359	23/02/2018	1	277
			<u>486</u>				

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

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

**Hong Leong Bank Berhad is lowering its loan growth target, citing the need to be selective and prudent amid a tough operating environment.** The bank's earnings grew by almost a quarter in the three months ended Dec 31, 2017 to RM683mil on strong income growth, stable margins, cost control and recovery from associates' contributions. "It used to be a 4%-5% loan growth target and we are cutting it to 3%-4% for the entire year," group managing director and chief executive officer Domenic Fuda told a press conference announcing HLBB's first-half results here yesterday. "The whole industry is slowing. Also we emphasise on good-quality loan growth. "Towards the end of last year, there were a couple of large corporate loans that were being paid as well – this is quite a sizeable portfolio for us," he said. Its loan growth in the first half of FY18 came in at a 1.8% year-on-year (y-o-y). The automotive loan portfolio weighed on its portfolio at RM17.3bil but the mortgage segment posted a healthy growth of 9% y-o-y to RM59.1bil, chief financial officer Foong Pik Yee said. "The drop in the automotive loan portfolio was due to lower vehicle sales as well as the bank's decision to compete selectively amid the ongoing price competition. Total unsecured lending (credit cards and personal loans) was also lower to RM5.7bil. "The small and medium enterprise (SME) segment registered a growth of 3.1% y-o-y to RM20.8bil. Domestic loans (Malaysia) represented 95% of our total loans," Foong said. "It was a very stable quarter with no significant stresses on our credit portfolio," she added. Fuda said that there might be a pick-up in loan growth in the months ahead. "The overall vehicle sales were slightly lower than the previous year, consequently the loan portfolio for this shrunk. But I do expect a pick-up in the next six months, as there are a couple of things in the pipeline," Fuda said. "In the stock of housing loans that we have, there has been a pick-up over the past six months. We have seen a little pick-up in vehicles and a little bit better traction in the SME portfolio. We have 150 branches that have dedicated SME lending," Fuda added. Despite moderating loan growth, HLBB posted an increase in net interest margin at 2.13% for the first-half and second quarter of FY18, which represented an increase of eight basis points (bps) y-o-y and five bps y-o-y, respectively, on prudent pricing and funding cost management. HLBB said in a statement that net interest income for the second quarter rose for a seventh consecutive quarter on the back of a 7.6% y-o-y growth to RM896mil. Consequently, for the first-half, net interest income was 9% higher at RM1.782bil compared with the corresponding period last year. Fuda noted that the effects from the rise in interest rates to banks would be temporary because rates on deposits would go up eventually. "Some 75% of our portfolio is based on the (variable) base lending rate that would depend on the interest rate," he said. HLBB reported that its second-quarter net profit rose by 24.2% to RM683mil from the same quarter a year ago due to solid income growth, stable margins, cost control and recovery from associates' contributions. Quarterly revenue rose by 4.24% to RM1.229bil. Current account savings account (CASA), which provides the bank a lower cost of funds, grew 9.3% y-o-y giving rise to a CASA mix of 27% on strong deposit growth. The board has declared a higher dividend of 16 sen per share this year compared with 15 sen per share last year. (Source: The Star)

**WCT Holdings Bhd's net profit soared nearly 17 times to RM59.27 million in its fourth quarter from RM3.51 million a year ago,** thanks to stronger revenue and its other income which surged about six-fold. Revenue for the quarter ended Dec 31, 2017 (4QFY17) grew 28% year-on-year to RM579.4 million from RM453.17 million. According to its income statement filed with Bursa Malaysia, its other income jumped to RM248.67 million from RM42.38 million last year. The group proposed a final single-tier dividend of 3 sen per share in respect of FY17, subject to shareholders' approval. If approved, the 3 sen payout is higher than the total 1.25 sen it recorded in FY16. For its full year of FY17, WCT's net profit jumped 126% to RM154.62 million from RM68.38 million a year ago, though revenue slipped 1% to RM1.91 billion from RM1.93 billion. "We continue to concentrate on improving the margins from our on-going projects as well as better efficiencies along with improved cost management. The group's financial performance in 2017 is considered satisfactory, especially when we take the current economic condition into account," said its group managing director Datuk Lee Tuck Fook, in a separate statement. WCT's engineering and construction segment recorded revenue of RM1.4 billion, but incurred RM33 million in operating loss, after an impairment of the amount due from a contract customer in Qatar that amounted to RM165 million, and an unrealised foreign exchange loss of RM20

million. If not for these, WCT said the segment would have recorded an operating profit of RM152 million. As for its property development and property investment and management segments, operating profit jumped to RM346 million from RM109 million, mainly due to better operating results from the property investment and management sub-segment, as well as fair value gains from the group's investment properties that amounted to RM225 million. Moving forward, WCT said the engineering and construction segment will continue to build on its strong order book having secured several new infrastructure contracts worth about RM2 billion in 2017. "The group expects construction margins to remain healthy given the higher proportion of infrastructure-related jobs in its order book," said WCT. Meanwhile, with a subdued property market outlook, WCT said it will be cautious in launching new projects and will continue to intensify the sales of its existing property stocks. It also updated that Paradigm Mall Johor Bahru, which opened for business last November, has started showing positive results. It reached an occupancy rate of 92% for the mall's net lettable space of 1.3 million sq ft. (Source: The Edge )

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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