

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.12	0
5-yr UST	2.49	2
10-yr UST	2.70	3
30-yr UST	2.94	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	0	3.46	0
5-yr	3.60	1	3.83	-2
7-yr	3.93	2	4.08	0
10-yr	3.90	1	4.17	4
15-yr	4.39	-5	4.53	0
20-yr	4.61	0	4.78	0
30-yr	4.83	-2	4.95	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	2
3-yr	3.82	0
5-yr	3.90	0
7-yr	4.02	1
10-yr	4.13	1

Source : Bloomberg

**Upcoming Government Bond Tenders**

Nil

**US Treasuries**

- US Treasuries were weaker but off the lows as yields moved higher across most tenures between 0-3bps. The 2Y; sensitive to Fed policy interest rate expectations was unchanged at 2.12% whilst the much-watched 10Y moved higher yet again by 3bps, closing at 2.70%. The aggressive nature of recent UST sell-off highlights the possibility of real-money investors being sidelined. US Treasury Dept plans to borrow less during Jan-Mar period i.e. by issuing \$441b which is \$71b less than the original estimate. The upcoming FOMC meeting on 1<sup>st</sup> Feb will provide more clues as to the direction going forward.

**MGS/GII**

- Local Govvies saw volume traded decline to RM2.75b with investor interest across anchored most tenures; with one-third of trades in the short 18-19's off-the-runs on continued currency-play. Yields were generally higher by 1-2bps save for some odd-lot trades in the 15Y and 30Y MGS. Both the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closed weaker at 3.93% and 3.90% respectively compared to previous-done levels reflecting an inversion in yields. With investors possibly not expecting further hikes in this election year; interest may shift to the longer-ends given lighter supply and available liquidity. Data is light with Nikkei Msia PMI figures out on 2<sup>nd</sup> Feb.

**PDS/Sukuk**

- Interest in the secondary market for Corporate Bonds was subtle with total volume of only RM236m with interest mainly in the AA-space. The long Govt-Guaranteed PRASA 9/47 traded unchanged at 5.23% compared to previous-done levels; reflecting about 35bps spread to extrapolated equivalent MGS. Meanwhile shorter-tenured DANGA and DIGI 20-22's moved higher yield-wise; closing at 4.11% and 4.36%. In the banking space we note the debut secondary trade of Kenanga Investment at 6.50%; notching a 10bps rally from its coupon. UEMSUNRISE 23 and a slew of Southern Power 24-33 bonds were traded 2-6 bps lower. Expect interest to sustain 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	03/18	3.189	174	3.083	26/01/2018	11
MGS	09/18	3.183	184	3.113	26/01/2018	7
MGS	03/19	3.112	295	3.222	26/01/2018	-11
MGS	10/19	3.288	64	3.260	26/01/2018	3
MGS	11/19	3.264	244	3.285	26/01/2018	-2
MGS	03/20	3.345	40	3.322	25/01/2018	2
MGS	07/20	3.322	6	3.379	25/01/2018	-6
MGS	10/20	3.396	25	3.365	26/01/2018	3
MGS	07/21	3.497	23	3.479	26/01/2018	2
MGS	09/21	3.623	9	3.614	26/01/2018	1
MGS	11/21	3.487	171	3.465	26/01/2018	2
MGS	03/22	3.604	176	3.590	26/01/2018	1
MGS	08/22	3.756	1	3.768	26/01/2018	-1
MGS	03/23	3.777	8	3.826	26/01/2018	-5
MGS	08/23	3.860	41	3.830	25/01/2018	3
MGS	07/24	3.925	1	3.898	26/01/2018	3
MGS	09/24	3.929	254	3.909	26/01/2018	2
MGS	09/25	3.993	29	3.978	26/01/2018	1
MGS	04/26	4.087	2	4.109	24/01/2018	-2
MGS	11/26	4.031	53	4.031	26/01/2018	0
MGS	11/27	3.898	103	3.911	26/01/2018	-1
MGS	06/28	4.048	240	4.066	25/01/2018	-2
MGS	04/30	4.407	24	4.401	24/01/2018	1
MGS	06/31	4.446	31	4.451	26/01/2018	0
MGS	04/33	4.389	25	4.440	26/01/2018	-5
MGS	04/37	4.611	39	4.619	26/01/2018	-1
MGS	03/46	4.834	47	4.857	25/01/2018	-2
GII	05/18	3.275	138	3.201	26/01/2018	7
GII	08/18	3.270	28	3.210	23/01/2018	6
GII	03/21	3.886	4	3.749	24/01/2018	14
GII	08/21	3.894	1	3.782	25/01/2018	11
GII	04/22	3.830	204	3.851	26/01/2018	-2
GII	07/22	3.996	6	3.898	24/01/2018	10
GII	07/23	4.068	1	3.998	24/01/2018	7
GII	05/24	4.170	2	4.107	25/01/2018	6
GII	07/27	4.174	20	4.142	26/01/2018	3
GII	09/30	4.590	30	4.591	25/01/2018	0
GII	06/33	4.532	10	4.537	26/01/2018	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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	09/47	GG	5.230	20	5.229	17/01/2018	0	61
Danga Capital Berhad	04/20	AAA	4.107	10	4.088	17/01/2018	2	80
DiGi Telecommunications Sdn Berhad	04/22	AAA	4.358	10	4.209	17/10/2017	15	87
YTL Power International Berhad	10/21	AA1	4.479	18	4.630	23/01/2018	-15	99
Public Bank Berhad	09/23	AA1	4.477	0	4.347	11/01/2018	13	69
Hong Leong Bank Berhad	06/24	AA1	4.549	0	4.789	11/01/2018	-24	76
Sarawak Energy Berhad	06/26	AA1	4.729	10	4.725	12/01/2018	0	78
YTL Power International Berhad	05/27	AA1	4.898	10	4.912	24/01/2018	-1	93
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.749	2	4.808	20/11/2017	-6	80
SPR Energy (M) Sdn Berhad	07/33	AA3	5.544	2	5.551	15/12/2017	-1	114
Malakoff Power Berhad	12/19	AA-	4.383	20	4.356	18/01/2018	3	107
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.938	20	4.968	24/01/2018	-3	134
Southern Power Generation Sdn Berhad	04/24	AA-	4.729	15	4.748	17/01/2018	-2	94
Southern Power Generation Sdn Berhad	10/24	AA-	4.749	10	4.769	17/01/2018	-2	82
Southern Power Generation Sdn Berhad	04/33	AA-	5.289	30	5.348	12/01/2018	-6	89
Southern Power Generation Sdn Berhad	10/33	AA-	5.329	10	5.350	25/01/2018	-2	93
Sinar Kamiri	01/33	AA-	5.170	8	-	-	-	-
CIMB Group Holdings Berhad	05/16	A1	5.250	0	5.251	24/01/2018	0	63
Mah Sing perpetual	-	-	6.463	1	6.338	24/01/2018	13	-
Kenanga Investment	01/28	-	6.500	10	-	-	-	-
Golden Assets International Finance Limited	08/19	A1	5.140	30	7.109	12/01/2018	-197	183
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\*spread against nearest indicative tenured MGS (Source : BPAM)

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

**App-based lifestyle mobile wallet Boost, which is wholly-owned by Axiata Digital — the digital arm of Axiata Group Bhd — expects the e-wallet industry to see a consolidation in two years and anticipates that it will emerge to be the biggest home-grown e-wallet** when that happens, according to Boost chief executive officer Christopher Tiffin. Tiffin told reporters after Boost's launch yesterday that 23 non-bank entities and five Malaysian banks have been granted e-money licences by the central bank last year, which allow them to provide e-wallet services. Though only two or three companies have made use of their licence to issue e-wallets, he said a huge acceleration in the industry is expected in the coming 12 months to 18 months. "I think personally, there will be consolidation among the e-wallet players within two years, and we will see who the winners will be. We are very confident and much focused that we will be the biggest home-grown e-wallet," Tiffin said. On that note, Boost, which he envisioned would break even in three to five years, is targeting to have 100,000 merchants — from the current 5,500 merchants — to adopt its services by year end. To spur adoption, Tiffin said the company will not be collecting any fees from merchants for a year. "We will be focusing on growing the number of customers and merchants. We see a natural growth [in transaction value] at the moment, but that is not our focus at the moment," said Tiffin, who declined to disclose the app's sales figures. Tiffin added that Boost aims to bridge the gap for financial inclusion for cash trading merchants. "So with our app, even if you're not registered with SSM (Suruhanjaya Syarikat Malaysia or Companies Commission of Malaysia), you can still become a merchant," he added. To date, Boost, which started offering its service on Jan 6 last year, has over 800,000 users with online and offline merchants located in over 5,000 locations. Asked if Boost has a specific number of users it wants to achieve, Tiffin said: "We want as many as possible. Within Malaysia, the smartphone users are very high, there are about 25 million smartphone users, and we want to be targeting the significant portion of that ... at least 30%". From offering prepaid top-ups and digital vouchers, Boost caters to the mass market, in particular youths, via partnerships with merchants at selected pasar malam, food trucks, food courts and across various industries such as F&B, entertainment, transportation, online shopping and bookstores. "Our ambition is to be the preferred method for consumers to transact digitally. We believe that by combining consumer lifestyle needs and innovative digital technology, Boost makes transactions easier, faster, more secure, and the whole experience more rewarding," Tiffin added.

( Source: The Edge )

**The Institute for Democracy and Economic Affairs (IDEAS) said the suggestion to lower the interest rate on housing loans by the government would hide the issues** faced by the local property market. The proposal was made last Thursday, the same day that Bank Negara Malaysia (BNM) announced a 25 basis points hike in the overnight policy rate (OPR) to 3.25%. "Artificial lowering of the interest rate will hide the fact that a speculative wave and a supportive credit policy took place, and will result in further supporting [of] the growth of a market which probably reached its saturation a few years ago and, therefore, now has to experience a readjustment crisis," said IDEAS senior fellow Dr Carmelo Ferlito in a statement yesterday. He said the interest rate is a price that communicates the present or future orientation of economic factors, which helps participants coordinate their plans without the need for any central coordinating authority or coercion. He went on to say that the fixing of interest rates by a monetary authority leads market participants to make the wrong choices. "The world economy experiences the strange situation where, even in those countries where the central role of prices emerging from the free market forces interplay is understood, one of the key signals for the economic system, the interest rate is centrally fixed by a monetary authority. Such a system easily drives market participants towards wrong choices," said Ferlito. He said the best solution to mitigate speculative investment and malinvestment — such as what happened in the Malaysian property market — would be to abolish political power and the central bank's authority over the interest rate and leave it to market forces. "Only in this way, investment decisions would be based on a signal consistent with the inter-temporal preferences of market participants," he said. Last Thursday, Deputy Prime Minister Datuk Seri Dr Ahmad Zahid Hamidi proposed the reduction of interest rates of housing loans to ease the burden of homebuyers, which was discussed at a committee meeting on housing issues. Ahmad Zahid said the high interest rate was among the reasons behind the 3,605 unsold housing units in the RM250,000 to RM500,000

range last year. Based on a comparative study, he said Malaysia's interest rates are in the mid range among the developed and developing countries. Besides the issue of interest rates, the committee also discussed the temporary suspension of new housing projects valued at RM1 million and above, issues surrounding the People's Housing Project and BNM's proposal to develop integrated databases and implement centralised initiatives for affordable homes. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Lafarge Cement Sdn Bhd (LCSB)	RM500 million Sukuk Wakalah Programme (2017/2024)	AA2 to A1	Downgraded
Jimah East Power Sdn Bhd (JEP)	RM8.98 billion Sukuk Murabahah	AA-IS	Affirmed

Source: RAM Ratings; MARC

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