

**Global Markets Research**
**Fixed Income**
**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	12
5-yr UST	2.50	14
10-yr UST	2.67	12
30-yr UST	2.98	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.56	0	3.64	0
5-yr	3.74	3	3.80	-1
7-yr	3.97	0	4.04	-1
10-yr	4.08	2	4.24	0
15-yr	4.41	-1	4.52	-3
20-yr	4.58	0	4.74	-2
30-yr	4.81	-4	4.91	-1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.69	0
3-yr	3.72	1
5-yr	3.82	0
7-yr	3.93	0
10-yr	4.13	-1

Source : Bloomberg

**Upcoming Government Bond Tender**

New issuance of 10Y GII 7/29 (RM3.5b auction + RM1.5b Private Placement) on Tue, 8<sup>th</sup> Jan 2018

**US Treasuries**

- US Treasury yields rose sharply following strong jobs data released last Friday which pointed to stronger than expected economic strength despite Fed Chairman Powell's statement on the Fed being patient with monetary policy that prompted rally in equities. Overall benchmark yields ended a whopping 8-14bps higher with the 2Y up 12bps at 2.49% whilst the much-watched 10Y ended 12bps up at 2.67%. The robust numbers outweighed the earlier weaker ISM Manufacturing numbers and somewhat closed the gap between traders/investors expectations and the Fed's projections of two (2) rate hikes for 2019.

**MGS/GII**

- Trading momentum in local govovies was solid on high volume of RM5.38b as interest was seen across the curve especially in off-the-run 19's and 24's. Overall benchmarks ended largely lower between 0-4bps save for both the 5 and 10Y MGS bonds. The 5Y benchmark MGS 4/23 ended 3bps higher at 3.74% whilst the 10Y MGS 6/28 edged 2bps up at 4.08% levels. GII trades maintained about 38% of overall trades. The declining liquidity in December was overcome with continued presence of active portfolio managers and traders in the 1<sup>st</sup> week of January. Up next on the data front are industrial production later this week following expected weaker trade numbers for November 2018.

**Corp Bonds/Sukuk**

- Corporate Bonds/Sukuk also maintained strong volume of RM415m with investors nibbling across the GG-AA part of the curve. Govt-guaranteed PRASA 9/24 and 3/33 closed mixed on yields i.e. between -7 to +1bps at 4.17% and 4.62% respectively compared to previous-done levels. AAA-rated MAHB 8/20 rallied 3bps at 4.08% levels whilst Srawak Hidro 8/26 move 14bps lower to 4.43%. In the AA-space energy-related bonds i.e. YTL Power 5/27 and SEB 7/29 moved 0-1bps at 4.86% and 4.69% respectively. The banking space saw active trades on both RHB Bank and RHB Islamic Bank bonds i.e. 24NC5 and 25NC5 closed mixed on yields between 4.06-15% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.278	240	3.339	01/19	-6
MGS	10/19	3.422	895	3.464	01/19	-4
MGS	11/19	3.425	223	3.439	01/19	-1
MGS	03/20	3.503	53	3.456	01/19	5
MGS	07/20	3.500	5	3.479	01/19	2
MGS	10/20	3.521	123	3.533	01/19	-1
MGS	02/21	3.529	20	3.524	12/18	0
MGS	09/21	3.617	142	3.629	01/19	-1
MGS	11/21	3.560	31	3.564	01/19	0
MGS	03/22	3.618	13	3.615	01/19	0
MGS	08/22	3.709	60	3.714	01/19	0
MGS	09/22	3.721	1	3.727	01/19	-1
MGS	03/23	3.766	5	3.808	01/19	-4
MGS	04/23	3.741	375	3.710	01/19	3
MGS	07/24	3.927	4	3.947	01/19	-2
MGS	09/24	3.940	443	3.950	01/19	-1
MGS	03/25	3.971	81	3.970	01/19	0
MGS	09/25	4.023	3	3.989	01/19	3
MGS	11/26	4.086	41	4.088	01/19	0
MGS	11/27	4.130	30	4.132	01/19	0
MGS	06/28	4.079	281	4.065	01/19	1
MGS	09/28	4.262	1	4.293	12/18	-3
MGS	06/31	4.411	50	4.442	01/19	-3
MGS	11/33	4.408	225	4.419	01/19	-1
MGS	05/35	4.586	2	4.573	01/19	1
MGS	04/37	4.534	1	4.586	01/19	-5
MGS	06/38	4.580	110	4.580	01/19	0
MGS	09/43	4.810	54	4.872	01/19	-6
MGS	07/48	4.813	83	4.854	01/19	-4
GII	04/19	3.269	690	3.294	01/19	-2
GII	08/19	3.430	10	3.362	12/18	7
GII	06/20	3.532	10	3.491	12/18	4
GII	08/20	3.530	20	3.509	01/19	2
GII	03/22	3.642	170	3.645	01/19	0
GII	07/22	3.711	200	3.721	01/19	-1
GII	07/23	3.866	240	3.909	12/18	-4
GII	11/23	3.803	203	3.812	01/19	-1
GII	08/25	4.040	10	4.032	01/19	1
GII	07/27	4.167	10	4.188	01/19	-2
GII	10/28	4.236	60	4.234	01/19	0
GII	06/33	4.515	30	4.608	12/18	-9
GII	08/37	4.738	90	4.755	01/19	-2
GII	05/47	4.908	40	4.921	01/19	-1
			<u>5379</u>			

## Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MG S*
Prasarana Malaysia Berhad	09/24	GG	4.172	15	4.160	01/10/2018	1	27
Prasarana Malaysia Berhad	03/33	GG	4.618	10	4.690	23/11/2018	-7	20
Danainfra Nasional Berhad	11/35	GG	4.768	10	4.899	30/08/2017	-13	35
HSBC Amanah Malaysia Berhad	10/19	AAA	3.907	20	3.955	03/10/2018	-5	47
Malaysia Airports Capital Berhad	08/20	AAA	4.075	20	4.105	23/10/2018	-3	56
Al Dzahab Assets Berhad	09/21	AAA	4.422	16	4.549	30/11/2017	-13	85
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.447	10	4.509	14/11/2018	-6	88
Manjung Island Energy Berhad	11/22	AAA	4.230	10	4.296	08/11/2018	-7	54
Aman Sukuk Berhad	04/24	AAA	4.380	10	4.421	07/11/2018	-4	65
Sarawak Hidro Sdn Berhad	08/26	AAA	4.426	30	4.563	31/07/2018	-14	39
Sabah Development Bank Berhad	07/19	AA1	4.453	15	4.550	19/01/2018	-10	101
Sabah Development Bank Berhad	08/19	AA1	4.458	20	4.460	03/01/2019	0	102
Sabah Credit Corporation	05/20	AA1	4.247	12	4.335	29/10/2018	-9	81
Hong Leong Bank Berhad	06/24	AA1	4.126	20	4.185	03/01/2019	-6	39
YTL Power International Berhad	05/27	AA1	4.859	20	4.857	03/01/2019	0	82
Sarawak Energy Berhad	07/29	AA1	4.688	10	4.694	21/12/2018	-1	62
Celcom Networks Sdn Berhad	10/26	AA+	4.649	10	4.748	14/11/2018	-10	61
KonsortiumProHAWK Sdn Berhad	06/23	AA2	4.457	10	4.577	22/06/2017	-12	77
PBFIN Berhad	06/59	AA2	4.539	1	4.550	18/12/2018	-1	-5
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.222	10	4.493	14/12/2011	-27	78
RHB Islamic Bank Berhad	05/24	AA3	4.056	25	3.998	12/12/2018	6	32
RHB Bank Berhad	07/24	AA3	4.116	60	4.299	14/11/2018	-18	21
RHB Bank Berhad	04/25	AA3	4.149	10	4.366	25/09/2018	-22	24
UEM Sunrise Berhad	04/22	AA-	4.674	10	4.681	03/01/2019	-1	110
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/28	AA-	4.904	10	4.959	22/10/2018	-5	83
Serba Dinamik Holdings Berhad	10/28	AA-	5.229	10	5.227	03/01/2019	0	116
KonsortiumLebuhraya Utara-Timur (KL) Sdn Berh	12/32	AA-	4.917	10	5.020	23/08/2018	-10	50
Bank Muamalat Malaysia Berhad	06/26	A3	5.443	2	5.443	03/01/2019	0	147
				<u>415</u>				

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

## Market/Corporate News: What's Brewing

**The second phase of the Klang Valley Double Track (KVDT) rail upgrade is expected to kick off this month, beginning with the appointment of a new consultant for the project, sources say.** Following the appointment of the consultant, the government will call for bids through an open tender and the newly appointed consultant will assist the government to evaluate the bids, the sources added. (Source: *The Star*)

**Air Selangor has completed the take over of four concessionaires and will operate as the sole water supplier in Selangor, Kuala Lumpur and Putrajaya from April 1 this year.** Water, Land and Natural Resources Minister Dr A.Xavier Jayakumar said the acquisitions of water concessionaires Puncak Niaga (M) Sdn Bhd, Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) and Konsortium ABASS Sdn Bhd (Abass) were implemented since the end of 2015, while the take over of Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH) was done in August last year. "With this restructuring exercise fully finalised, Air Selangor will be the sole operator of water treatment and distribution services, and will focus fully on improving the effectiveness and efficiency of the said services," he said. Jayakumar was speaking to reporters after witnessing the signing of the Third Supplementary Agreement to the Principal Agreement on the Restructuring of the Water Services Industry for Selangor, Kuala Lumpur and Putrajaya, here today. Selangor Menteri Besar Amirudin Shari was also present. The first and second supplementary agreements were signed on July 10, 2017, and Sept 21, 2017, respectively. According to Jayakumar, Air Selangor will be regulated through the National Water Services Commission (SPAN) under the Water Services Industry Act (Act 655). SPAN will also play a role as an educational centre for water use, water resources, and conservation. Asked whether restructuring process could be completed by the stipulated

date, Jayakumar said: "There will not be any delay, there should not be any hiccups as everything has been settled, the amount has been agreed. "We have also got approval from the Cabinet for Pengurusan Aset Air Berhad (PAAB) to buy over the assets from SPLASH and then lease it out back to Air Selangor. "So all the paper work has been done and the approvals are on the table. We just need to go through the process of having the business model signed and the old assets to be handed over to Air Selangor on April 1. We are confident." Jayakumar said Air Selangor had also planned capital expenditure (Capex) of RM30 billion over a 30-year period beginning this year, to improve the water services system for than 9.1 million people. "Through this restructuring, Air Selangor will operate 'asset light', which means Air Selangor will no longer be burdened with the responsibility of obtaining finances to develop water assets, and only lease water assets from PAAB by paying rental at competitive rates," he said. Jayakumar said four States, namely Perlis, Pahang, Terengganu and Kedah still have to finalise the restructuring of their water supply services, and they were unlikely to be done by this year. Meanwhile, Amirudin said the cost of acquiring SPLASH was fully borne by Air Selangor, with RM1.9 billion financed through funds channelled by PAAB, and the remaining RM650 million would be paid in installments over nine years. On the financing obtained from PAAB, the repayment would be made through long-term lease payments over 45 years. "In addition, the bonds and loans owed by the concessionaires amounting to more than RM8 billion will also be taken over by PAAB and it will be restructured into the long-term lease. "Water-related loans obtained by the state government from the Federal Government amounting to about RM1.1 billion will also be restructured into the long-term lease, which will have a positive impact in improving the state's financial position," Amirudin said. Asked on how the Capex would be financed, he said it was based on a strategic operations plan set up to meet the requirements. "The plan to finalise the restructuring of water services in Selangor, Kuala Lumpur and Putrajaya is not easy and the migration process of the whole structure had begun since 2006-2007. It has involved four menteri besar, three state secretaries and three ministers," he said. He also assured the Selangor State government, through Pengurusan Air Selangor, was committed to providing efficient, effective, competitive and sustainable water supply services to safeguard the interests of consumers. (Source: *The Edgedaily*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Suria KLCC Sdn Bhd	Sukuk Murabahah Programme of up to RM600 million	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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