






Global Markets Research






Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	 -3
5-yr UST	2.53	 -4
10-yr UST	2.70	 -4
30-yr UST	3.03	 -3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	 0	3.64	 0
5-yr	3.74	 0	3.82	 1
7-yr	3.98	 0	4.04	 0
10-yr	4.06	 0	4.09	 -4
15-yr	4.38	 -1	4.46	 -2
20-yr	4.57	 0	4.70	 -2
30-yr	4.79	 0	4.89	 -1

*Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.68	 0
3-yr	3.70	 0
5-yr	3.79	 -2
7-yr	3.92	 -2
10-yr	4.10	 0

Source : Bloomberg

Upcoming Government Bond Tender

New issuance of 7Y MGS 7/29 (RM3.5b auction + RM500m Private Placement) on Mon, 14th Jan 2018

US Treasuries

- US Treasuries rallied again last Friday as the curve shifted lower with overall benchmark yields ending 3-4bps lower. The 2Y was at 2.54% whilst the much-watched 10Y ended 4bps lower at 2.70%. It was noted that the Fed's balance sheet normalization was key to the market volatility seen in 2018. Hence markets could price-in future reduction in UST supply relative to previous expectations; potentially leading to lower Treasury yields. Nevertheless there remains concerns on the US economy's massive reliance on debt.

MGS/GII

- Trading momentum in local govies maintained traction on high volume of RM6.93b with interest seen mainly in the previous 10Y benchmark GII bond followed by the shorter off-the-run 20-21's. Overall benchmarks yields ended mostly lower between 0-4bps. Both the 5Y benchmark MGS 4/23 and 10Y MGS 6/28 ended within 1bps from prior session at 3.74% and 4.06% respectively. GII trades improved to form 58% of overall trades. All eyes are expected to be focussed on the new issuance of 7Y MGS 7/26 today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw solid volume at RM849m with investors nibbling across the curve i.e. GG-to single-A. Govt-guaranteed PRASA 2saw a slew of tranches done i.e. 2021-2030 tenures done 0-5 bps lower compared to previous-done levels save for the 12/21 which ended 5bps higher at 3.96%. AAA-rated TELEKOM 24's ended 1-2bps lower between 4.30-4.36% levels whereas DANGA 33's also closed lower on yields between 4.75-78% levels. In the AA-space energy-related bond EDRA Energy continued to see many tranches from 2021-2037 traded mixed between -5 to +5bps whilst YTL Power 8/23 saw RM45m nominal amounts traded unchanged at 4.62%. between 2-7bps between 5.68-6.01% area. The banking space saw CIMB Group Holdings 2116 Perp and BPMB 3/22 close 3bps lower at 4.88% and 4.42% levels respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.358	70	2.007	10/01/2019	135
MGS	11/19	3.424	16	3.387	10/01/2019	4
MGS	03/20	3.446	613	3.468	10/01/2019	-2
MGS	07/20	3.512	4	3.502	07/01/2019	1
MGS	10/20	3.523	565	3.511	10/01/2019	1
MGS	07/21	3.582	166	3.600	10/01/2019	-2
MGS	09/21	3.607	150	3.639	10/01/2019	-3
MGS	11/21	3.567	2	3.565	10/01/2019	0
MGS	08/22	3.706	68	3.706	10/01/2019	0
MGS	09/22	3.727	10	3.730	10/01/2019	0
MGS	04/23	3.735	333	3.738	10/01/2019	0
MGS	08/23	3.816	41	3.847	10/01/2019	-3
MGS	07/24	3.926	40	3.916	10/01/2019	1
MGS	09/24	3.940	87	3.951	10/01/2019	-1
MGS	03/25	3.977	20	3.974	10/01/2019	0
MGS	09/25	4.015	45	4.015	10/01/2019	0
MGS	11/26	4.072	107	4.072	10/01/2019	0
MGS	05/27	4.123	40	4.168	10/01/2019	-4
MGS	11/27	4.112	2	4.178	10/01/2019	-7
MGS	06/28	4.061	203	4.061	10/01/2019	0
MGS	04/30	4.333	1	4.331	10/01/2019	0
MGS	06/31	4.368	16	4.379	10/01/2019	-1
MGS	04/33	4.445	10	4.485	10/01/2019	-4
MGS	11/33	4.382	145	4.392	10/01/2019	-1
MGS	05/35	4.533	10	4.564	10/01/2019	-3
MGS	04/37	4.519	1	4.522	09/01/2019	0
MGS	06/38	4.572	11	4.566	10/01/2019	1
MGS	09/43	4.776	70	4.816	09/01/2019	-4
MGS	07/48	4.785	50	4.800	10/01/2019	-1
GII	04/19	3.249	320	3.277	09/01/2019	-3
GII	07/19	3.430	360	3.785	20/03/2017	-36
GII	05/20	3.496	610	3.507	21/12/2018	-1
GII	08/21	3.625	38	3.647	09/01/2019	-2
GII	03/22	3.644	200	3.645	09/01/2019	0
GII	04/22	3.635	1	3.657	10/01/2019	-2
GII	07/22	3.718	50	3.716	07/01/2019	0
GII	07/23	3.865	78	3.847	09/01/2019	2
GII	11/23	3.817	450	3.809	10/01/2019	1
GII	05/24	3.943	1	3.942	08/01/2019	0
GII	08/24	3.970	10	3.974	09/01/2019	0
GII	08/25	4.035	160	4.033	10/01/2019	0
GII	10/25	4.066	30	4.058	10/01/2019	1
GII	09/26	4.056	192	4.069	10/01/2019	-1
GII	07/27	4.118	198	4.133	10/01/2019	-1
GII	10/28	4.171	591	4.194	10/01/2019	-2
GII	12/28	4.228	1	4.201	10/01/2019	3
GII	07/29	4.094	90	4.093	10/01/2019	0
GII	06/33	4.458	260	4.477	10/01/2019	-2
GII	08/33	4.506	100	4.520	10/01/2019	-1
GII	08/37	4.698	211	4.723	10/01/2019	-2
GII	05/47	4.888	81	4.900	10/01/2019	-1
			<u>6926</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 MGS*
Pengurusan Air SPV Berhad	02/19	GG	3.718	25	3.718	10/01/2019	0	29
Prasarana Malaysia Berhad	12/21	GG	3.959	10	3.930	12/12/2018	3	39
DanaInfra Nasional Berhad	04/22	GG	3.992	10	3.916	20/12/2018	8	42
DanaInfra Nasional Berhad	02/25	GG	4.139	25	4.161	08/01/2019	-2	24
Prasarana Malaysia Berhad	03/25	GG	4.175	5	4.180	01/10/2018	0	28
Prasarana Malaysia Berhad	02/26	GG	4.238	65	4.258	02/01/2019	-2	26
Prasarana Malaysia Berhad	09/27	GG	4.296	5	4.298	10/01/2019	0	23
Prasarana Malaysia Berhad	12/27	GG	4.300	5	4.350	17/10/2018	-5	23
DanaInfra Nasional Berhad	11/28	GG	4.371	10	0.000	00/01/1900	437	31
Prasarana Malaysia Berhad	09/29	GG	4.390	5	4.398	10/01/2019	-1	33
Prasarana Malaysia Berhad	03/30	GG	4.415	5	4.436	02/10/2018	-2	36
Impian Ekspresi Sdn Berhad	11/19	AAA	4.147	10	4.343	21/02/2018	-20	72
Berjaya Land Berhad	12/19	AAA	4.180	5	4.185	07/01/2019	0	75
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.420	10	4.447	04/01/2019	-3	85
Telekom Malaysia Berhad	03/24	AAA	4.299	5	4.309	18/10/2018	-1	56
Telekom Malaysia Berhad	12/24	AAA	4.360	15	4.379	22/10/2018	-2	46
Danga Capital Berhad	02/26	AAA	4.402	10	4.485	15/11/2018	-8	43
Sarawak Hidro Sdn Berhad	08/31	AAA	4.628	20	4.606	04/12/2018	2	23
Danga Capital Berhad	01/33	AAA	4.753	14	4.799	16/11/2018	-5	36
Danga Capital Berhad	09/33	AAA	4.782	60	4.820	20/12/2018	-4	39
Sarawak Energy Berhad	06/21	AA1	4.263	55	4.291	03/12/2018	-3	75
YTL Power International Berhad	08/23	AA1	4.617	45	4.617	09/01/2019	0	88
CIMB Bank Berhad	08/26	AA+	5.299	1	5.350	23/11/2018	-5	129
Fortune Premiere Sdn Berhad	12/22	AA	4.609	5	4.680	11/12/2018	-7	93
Besraya (M) Sdn Berhad	07/21	AA3	4.681	5	4.727	25/10/2018	-5	111
Edra Energy Sdn Berhad	07/23	AA3	5.286	10	5.283	10/01/2019	0	160
Edra Energy Sdn Berhad	01/24	AA3	5.320	20	5.318	10/01/2019	0	158
CIMB Thai Bank Public Company Limited	07/24	AA3	4.554	1	4.558	09/01/2019	0	81
Edra Energy Sdn Berhad	07/24	AA3	5.352	40	5.399	27/11/2018	-5	161
Edra Energy Sdn Berhad	01/25	AA3	5.368	20	5.408	03/01/2019	-4	147
Edra Energy Sdn Berhad	07/25	AA3	5.397	20	5.362	12/11/2018	4	150
Edra Energy Sdn Berhad	01/27	AA3	5.499	2	5.549	08/01/2019	-5	149
AmBank Islamic Berhad	10/28	AA3	4.748	10	4.822	18/12/2018	-7	69
Edra Energy Sdn Berhad	07/31	AA3	5.798	5	5.750	09/01/2019	5	174
Edra Energy Sdn Berhad	01/32	AA3	5.818	5	5.840	21/03/2018	-2	142
Edra Energy Sdn Berhad	01/34	AA3	5.949	10	5.900	09/01/2019	5	155
Edra Energy Sdn Berhad	07/34	AA3	5.989	10	5.940	09/01/2019	5	159
Edra Energy Sdn Berhad	07/36	AA3	6.090	5	6.062	26/12/2018	3	170
Edra Energy Sdn Berhad	01/37	AA3	6.178	25	6.140	08/01/2019	4	161
Malakoff Power Berhad	12/19	AA-	4.149	40	4.169	27/12/2018	-2	72
UEM Sunrise Berhad	04/22	AA-	4.673	10	4.669	07/01/2019	0	110
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/30	AA-	4.815	20	4.914	07/09/2018	-10	76
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bert	12/33	AA-	4.959	10	5.149	08/08/2018	-19	56
Golden Assets International Finance Limited	08/19	A1	4.695	20	4.703	10/01/2019	-1	127
CIMB Group Holdings Berhad	05/16	A1	4.876	80	4.903	07/01/2019	-3	31
Hong Leong Financial Group Berhad	11/17	A1	5.191	1	5.191	09/01/2019	0	62
UMW Holdings Berhad	04/18	A1	5.958	6	5.749	09/01/2019	21	139
UEM Sunrise Berhad	06/21	AA-	4.607	50	4.632	03/01/2019	-2	109
				849				

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

Market/Corporate News: What's Brewing

With the sluggish property market in Malaysia, it is not surprising to see local property players expanding their presence to other countries, notably Australia and the UK. But stepping into another country means being exposed to foreign exchange (forex) risk. Revenues and expenses in that country are not denominated in ringgit and as such are subject to currency fluctuations. Thus, any weakening of that country's currency could result in a lower revenue upon conversion into ringgit. This is the situation now for Malaysian developers in Australia in the wake of the dropping Australian dollar. Another cause for concern is the slower property market Down Under. Among Malaysian listed property developers undertaking projects in Australia, Mulpha International Bhd stands out when it comes to revenue contribution from that country. Some RM1.15 billion, or a whopping 97.92% of its total revenue, came from its Australian projects in 2017,

according to the company's annual report for that year. Another property player, UEM Sunrise Bhd, saw RM963.89 million, or 33.2% of its total revenue contribution, come from Australia in 2017, according to its annual report. But, as noted by AmlInvestment Bank analyst Thong Pak Leng in a report last Thursday, UEM Sunrise had said there were no defaults on its Melbourne apartment projects Aurora and Conservatory, and it was on track to settle the units which had been handed over. "Aurora is fully sold while Conservatory had a take-up rate of 96% as at end-December 2018," said Thong. As for other property developers such as S P Setia Bhd, Gamuda Bhd and Sime Darby Property Bhd, their Australian contributions are relatively minimal. Kenanga Investment head of equity research Sarah Lim said that with the weakening Australian dollar, Malaysians could probably also consider buying properties there. This, she said, will boost the sales of Malaysian companies with projects in Australia, enabling them to clear their unsold units faster. "The weakened Aussie dollar may actually encourage more people to buy [properties in Australia]," Lim told The Edge Financial Daily. "But for those who [have] already [booked properties there], the question is whether they are going to complete the sale." She explained that in Australia, buyers can pull out from a sale, adding that they would only do so if their total ringgit investment value has dropped by more than their initial deposit. They would not react badly to "short-term foreign exchange hiccups". From the developers' standpoint, Lim said they are not as forex-sensitive in general because the completion of the project has a longer gestation period, resulting in the forex impact to be averaged out during the period. "This could affect their cost, but this could average out year-on-year, because it takes about a minimum three to four years to complete one project," said Lim, adding that the cost impact is difficult to see from a forex point of view and could only be seen when the project is completed. "The cost impact on the forex is very hard to determine because you don't know when the developers have brought in or taken out the money," said Lim. Furthermore, she noted that property developers are allowed to leave their money or earnings from their completed projects there to be deployed for their future investments, which means making them less sensitive to the volatility of the currency. Affin Hwang Capital Research senior associate director Loong Chee Wei concurred, saying the weakening Australian dollar would not be much of a concern to property developers. He said the developers will focus on selling the remaining unsold units. "They will be less aggressive in terms of launching new projects at this stage and will be focusing more on clearing the unsold inventory," said Loong. Nonetheless, he said the weaker Australian currency means that when earnings are translated into ringgit, they will be lower. The more important impact, he said, would be if the developers could still sell the units or if the project itself is making good profits in Australian dollar. The completion of sales will be affected by the slower property market there as well as weaker selling prices, he added. Opportunity to increase land bank? The depreciating Australian dollar could also offer property developers the opportunity to increase their land bank down under. Kenanga's Lim stressed, however, that forex is not the "main decider" for developers to build on their land bank in Australia. She noted that while Australia is seeing a slowdown in the property market, and in the Melbourne central business district, high-rise condominiums are mushrooming. "So if they want to increase their land bank, the question is can they launch fast enough," she said. Additionally, she noted that developers, in general, do not store a lot of Australian land bank, and are "quite prudent" when it comes to land-banking there. While buying land Down Under could be cheaper for property developers currently, Affin Hwang's Loong said the developers will still be cautious about buying new land for development as cash flow is still a challenge. He explained that the developers will complete the sale of their unsold units before looking for new land bank, unless their financial position is very strong. He added that most developers will reinvest their earnings collected from the completed projects. "At this point, unless the property developers are doing really well in Malaysia — a lot of them are stuck with inventories here — wanting to put in new money in Australia is a challenge," said Loong. "Or if land prices drop so much, then it's very

opportunistic to buy it, and [provided that] the developers have a very strong balance sheet, which at this point, I don't see many," he added. Likewise, RHB Research Institute Sdn Bhd senior analyst Loong Kok Wen said developers have to be really careful as the property market in Australia has slowed down and the Australian government has tightened rules for foreign property buyers, especially in restricting the mainland Chinese buyers. "It is not easy just because the Aussie dollar is cheaper now. Property developers have to be careful given that there is a slowdown in the region," she said.. (Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Perbadanan Kemajuan Negeri Selangor(PKNS)	RM300 million ICP Programme (2013/2020) RM1.7 billion IMTN Programme (2013/2033)	AA3/Stable/P1	Reaffirmed
Silver Sparrow Berhad	RM515 million Guaranteed MTN Programme (2011/2021).	AAA(fg)/AAA(bg)/Stble	Reaffirmed

Source: RAM, MARC

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