

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST saw yields retreating lower with 10-year shaved 4 bps to close at 2.21% level. Fed's Lael Brainard commented that given the softer inflation print, she is open to reassess the path forward for monetary policy even as the global economic outlook and US growth recovery is poised to rebound. Personal spending for the month of April gained 0.4% yoy versus a prior level of 0.2%. Latest PCE release on Tuesday showed that the Fed's preferred price measure for inflation rose 1.7% in April from a year ago, which was lower from a revised 1.9% print back in March.

MGS/GII

- Local govies saw improved trading volume with RM2.3b changing hands. As expected the reopening of 7-year GII 8/24 printed a healthy BTC cover 2.48x, attracting interest from onshore real money accounts and selective offshore interest. We opine spreads of above 20 bps versus 5-year GII 4/22 and higher yields versus current 10-year MGS seen anchoring demand for yesterday's tender. As the Fed may potentially resume its rate hike as early as June, the 7-year space appears somewhat more defensive which may see some rotational flows from the 10-year MGS 11/27 going into the 7-year govies segment, as investors may embark on a more tactical approach.

PDS/Sukuk

- In the corporate bonds/sukuk space, we saw RM382m traded with transactions skewed towards the GG segment. Bank Pembangunan '9/21 saw levels crossed at 3.98%, whilst PASB '6/23 and LPPSA '9/26 seen changing hands at 4.19% and 4.43% level respectively. A slew of Danalnfra maturing 2028, 2029, 2031 and 2040 seen traded with collective amount of RM20m. Encorp '5/23 and '11/26 meanwhile saw a combined amount of RM35m traded.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.29	-1
5-yr UST	1.76	-3
10-yr UST	2.21	-4
30-yr UST	2.88	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.32	3	3.63	0
5-yr	3.56	0	3.71	0
7-yr	3.83	5	3.92	0
10-yr	3.89	2	3.97	0
15-yr	4.28	0	4.52	0
20-yr	4.56	1	4.61	0
30-yr	4.76	0	4.85	0

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	0
3-yr	3.63	0
5-yr	3.73	0
7-yr	3.83	0
10-yr	3.97	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/17	2.981	16	2.922	25/05/2017	6
MGS 10/17	3.011	43	3.013	29/05/2017	0
MGS 09/18	3.266	10	3.227	29/05/2017	4
MGS 03/19	3.321	23	3.293	26/05/2017	3
MGS 07/19	3.416	22	3.435	29/05/2017	-2
MGS 10/19	3.435	28	3.414	29/05/2017	2
MGS 11/19	3.428	4	3.425	26/05/2017	0
MGS 10/20	3.569	20	3.585	29/05/2017	-2
MGS 09/21	3.632	65	3.665	29/05/2017	-3
MGS 03/22	3.564	10	3.560	26/05/2017	0
MGS 09/22	3.694	1	3.734	29/05/2017	-4
MGS 09/24	3.830	608	3.783	26/05/2017	5
MGS 09/25	3.976	20	3.990	26/05/2017	-1
MGS 11/26	3.938	42	3.915	29/05/2017	2
MGS 05/27	4.106	8	4.116	23/05/2017	-1
MGS 11/27	3.888	28	3.872	25/05/2017	2
MGS 09/28	4.257	0	4.284	29/05/2017	-3
MGS 04/30	4.354	126	4.352	26/05/2017	0
MGS 06/31	4.385	10	4.395	26/05/2017	-1
MGS 05/35	4.462	0	4.457	26/05/2017	0
MGS 04/37	4.560	2	4.554	29/05/2017	1
GII 04/20	3.628	60	3.633	29/05/2017	0
GII 05/24	4.045	20	4.046	29/05/2017	0
GII 08/24	3.922	1122	3.924	25/05/2017	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 IRS**	
Bank Pembangunan Malaysia Berhad	09/21	GG	3.982	40	3.999	05/05/2017	-2	29
Pengurusan Air SPV Berhad	06/23	GG	4.189	40	4.231	22/03/2017	-4	41
LPPSA	09/26	GG	4.432	30	4.513	18/04/2017	-8	46
GovCo Holdings Berhad	02/27	GG	4.400	10	4.465	19/04/2017	-6	43
DanalFra Nasional Berhad	10/28	GG	4.560	8	4.449	14/02/2017	11	59
DanalFra Nasional Berhad	04/29	GG	4.611	4	4.543	08/02/2017	7	64
DanalFra Nasional Berhad	05/31	GG	4.800	4	4.419	15/09/2016	38	65
DanalFra Nasional Berhad	04/40	GG	5.190	4	5.013	13/03/2017	18	104
Jambatan Kedua Sdn Berhad	07/41	GG	5.220	4	5.105	13/03/2017	11	107
Manjung Island Energy Berhad	11/17	AAA	3.747	15	3.827	13/04/2017	-8	24
GENM Capital Berhad	03/22	AAA	4.699	30	4.720	22/05/2017	-2	98
Manjung Island Energy Berhad	11/22	AAA	4.228	10	4.201	01/03/2017	3	51
Putrajaya Holdings Sdn Berhad	07/24	AAA	4.423	20	4.427	09/05/2017	0	60
Aquasar Capital Sdn Berhad	07/28	AAA	4.739	20	4.689	13/05/2016	5	77
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.949	30	4.943	22/05/2017	1	80
Sabah Credit Corporation	06/17	AA1	3.979	10	4.100	20/10/2016	-12	47
Malayan Banking Berhad	01/19	AA1	4.530	1	4.382	25/05/2017	15	94
Maybank Islamic Berhad	04/19	AA1	4.379	50	4.466	04/05/2017	-9	78
Encorp Systembilt Sdn Berhad	05/23	AA1	4.431	20	4.719	26/09/2014	-29	65
Encorp Systembilt Sdn Berhad	11/26	AA1	4.698	15	4.729	08/05/2017	-3	73
CIMB Bank Berhad	10/18	AA	4.525	10	4.798	28/02/2017	-27	102
Kimanis Power Sdn Berhad	08/26	AA-	4.741	6	4.741	18/05/2017	0	77
CIMB Group Holdings Berhad	12/21	A1	5.199	1	4.903	23/05/2017	30	148
Mah Sing Perpetual	-	NR	6.482	0	-	-	-	-
				<u>382</u>				

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

Market/Corporate News: What's Brewing

The Employees Provident Fund (EPF) posted a 74% jump in investment income to RM11.8bil in the first quarter ended March 31, as it benefited from rising global stock prices. The value of its assets under management rose 2.2% or RM16bil from Dec 31, 2016 to RM747.2bil. "The positive market condition was conducive for profit taking activities leading to higher gross investment income in the first quarter and also lower net impairment," said chief executive officer Datuk Shahril Ridza Ridzuan. The FTSE Bursa Malaysia KL Composite Index rose 6%, driven by growth in the banking sector and the return of foreign funds into the local bourse. Meanwhile, global stock indices improved by as much as 12% during the quarter under review. "While we had an encouraging first quarter, we remain cautious moving forward as the recovery in commodity prices remains weak with continued currency volatility," Shahril said in a statement yesterday. Investment income from its equity portfolio reached RM7.1bil during the first quarter, according to the EPF, up from RM2.5bil in the same corresponding period last year. The sharp increase was boosted by the recovery in banking stocks, which contributed to about 30% of the trading and dividend income for the equities portfolio during the quarter. "In addition to improvement in the domestic equity market, the global market also continued to provide opportunities for the EPF to realise its gains despite volatilities arising from the elections in eurozone countries, US president Donald Trump's healthcare bill, the US interest rate hike and negotiations surrounding Brexit," Shahril said. "The market moving factors were alleviated by the positive economic numbers, including the revised growth forecast for major economies," he added. The EPF recorded lower net impairments from RM1.6bil to RM775.9mil this year, a decrease of RM865mil, following the improvement in all major markets. Overseas investment accounted for 29% of its total investment asset and contributed 37% to the total investment income recorded in the first quarter of 2017. Of the total investment asset, RM352.7bil, or 47.2% was in syariah-compliant investments with the balance invested in non-syariah assets. As of March, 49.1% of EPF's investment assets were in fixed income instruments. This portfolio recorded an income of RM4.1bil, or slightly more than a third of the fund's quarterly investment income. (Source : The Star)

DRB-Hicom Bhd has narrowed its net loss for the fourth quarter of financial year 2017 ended March 31, as its top line improved significantly on a year-on-year (yoy) basis. In a filing with Bursa Malaysia, the firm announced that it has registered a 58.4% yoy lower net loss at RM328.45mil in the fourth quarter, in contrast to a net loss of RM790.76mil recorded a year ago. DRB-Hicom's revenue for the fourth quarter rose significantly by 32.2% yoy to RM3.48bil, primarily attributed to higher sales revenue achieved by all of its business divisions and the recognition of revenue of Pos Malaysia as a subsidiary company. No dividend was announced for the quarter in review. Loss per share stood at 16.99 sen. As for the full-year results of the financial year 2017, the firm managed to reduce its net loss by 54.2% yoy to RM454.4mil, due to a gain on disposal of its subsidiary company, Corwin Holding Pte Ltd and a one-off exceptional loss on re-measurement of previously held equity interest in Pos Malaysia. "In addition, the lower net loss for the year is also due to lower losses incurred by Proton Holdings Bhd as well as higher profit contribution from the services sector," said DRB-Hicom in its filing with the stock exchange. The firm's top line for the financial year 2017 declined marginally by 0.9% to RM12.06bil compared with RM12.17bil a year earlier. Moving forward, DRB-Hicom expects its business performance to improve further in tandem with Malaysia's economy which continues to gain momentum. "In line with the economic growth, the group's overall businesses in the automotive, services and property segments are expected to improve as well. Key businesses such as logistics and aviation will be the key growth drivers for the group. "In addition, on the back of increasing demand for aircrafts, the group's composite manufacturing business undertaken by Composite Technology Research Malaysia Sdn Bhd is expected to strengthen further, supported by strong order book. "Following the signing of the heads of agreement with Zhejiang Geely Holding Group Co Ltd for Geely to acquire 49.9% equity in Proton, the proposed joint venture is expected to create business synergies and opportunities

for the group in the automotive sector. A definitive agreement between both parties is expected to be signed in the third quarter of 2017," said DRB-Hicom. (Source: The Star)

(Source: The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

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