

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.21	-4
5-yr UST	2.58	-6
10-yr UST	2.81	-5
30-yr UST	3.08	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	0	3.60	1
5-yr	3.60	-2	3.87	-1
7-yr	3.93	-1	4.09	-1
10-yr	4.01	-2	4.20	-3
15-yr	4.45	-1	4.57	-1
20-yr	4.60	-2	4.78	0
30-yr	4.77	-5	4.96	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	0
3-yr	3.83	-1
5-yr	3.92	0
7-yr	4.03	0
10-yr	4.17	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries moved higher led by the risk-off rally arising from US President Trump's proposed imposition of tariffs on steel and aluminum imports. The curve bull-steepened as yields ended 4-6bps lower with the 5s30s spread wider by 3bps. The front end 2Y (which is sensitive to Fed policy interest rate expectations) was 4bps lower at 2.21% whilst the much-watched 10Y rallied 5bps lower at 2.81%. The USD-LIBOR spread also widened to 41bps; widest since October 2016 which may be deemed to be technical and posing a systemic risk. Upcoming data tonight is light with forecasts by University of Michigan consumer sentiments.

MGS/GII

- Local Govvies continued to see strong demand with secondary market volume at RM3.56b. Interest was also seen across the curve including the 7Y and 10Y MGS and GII's. There was also continued offshore interest in the short off-the-run 18-19's. Benchmark yields were lower between 1-5bps. The widely-watched benchmark 7Y MGS 9/24 closed 1bps lower at 3.93% whereas the 10Y MGS 11/27 rallied 2bps to close at 4.01%. We expect sustained interest by both foreign and local investors.

PDS/Sukuk

- Secondary market volume for Corporate Bonds fell to a mere RM189m with interest mainly in the AAA and AA-part of the curve. CAGAMAS 20's saw total RM25m traded between 4-9bps higher at 4.09-11% levels compared to previous-done levels. Meanwhile AAA-rated MANJUNG 20 and PUTRAJAYA 21 were well bid; closing 2-6bps lower at 4.20% and 4.24% respectively. Southern Power Generation bonds 24 and 34-35 tenors saw demand as they closed 2-3bps lower. Expect market activity to ease today possibly in view of absence of investors due to last day for the lunar New Year celebrations.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.144	235	3.186	28/02/2018	-4
MGS 03/19	3.160	53	3.116	28/02/2018	4
MGS 07/19	3.253	5	3.267	28/02/2018	-1
MGS 10/19	3.277	39	3.291	28/02/2018	-1
MGS 11/19	3.317	42	3.304	28/02/2018	1
MGS 03/20	3.398	25	3.431	28/02/2018	-3
MGS 07/20	3.392	1	3.445	28/02/2018	-5
MGS 10/20	3.417	28	3.445	28/02/2018	-3
MGS 02/21	3.401	4	3.398	28/02/2018	0
MGS 07/21	3.451	41	3.500	28/02/2018	-5
MGS 09/21	3.572	203	3.597	28/02/2018	-2
MGS 11/21	3.444	5	3.461	28/02/2018	-2
MGS 03/22	3.599	133	3.612	28/02/2018	-1
MGS 08/22	3.762	4	3.774	27/02/2018	-1
MGS 09/22	3.770	20	3.773	28/02/2018	0
MGS 03/23	3.777	23	3.821	27/02/2018	-4
MGS 08/23	3.816	45	3.847	28/02/2018	-3
MGS 07/24	3.921	22	3.965	28/02/2018	-4
MGS 09/24	3.931	115	3.963	28/02/2018	-3
MGS 09/25	4.001	75	4.032	28/02/2018	-3
MGS 11/26	4.112	17	4.112	27/02/2018	0
MGS 03/27	4.133	10	4.153	27/02/2018	-2
MGS 05/27	4.200	3	4.091	27/02/2018	11
MGS 11/27	4.014	743	4.060	28/02/2018	-5
MGS 06/28	4.021	45	4.064	28/02/2018	-4
MGS 04/30	4.442	4	4.455	28/02/2018	-1
MGS 06/31	4.422	109	4.478	28/02/2018	-6
MGS 04/32	4.506	1	4.543	27/02/2018	-4
MGS 04/33	4.443	48	4.458	28/02/2018	-2
MGS 05/35	4.553	4	4.583	26/02/2018	-3
MGS 04/37	4.595	107	4.603	28/02/2018	-1
MGS 09/43	4.798	11	4.823	28/02/2018	-3
MGS 03/46	4.768	92	4.814	28/02/2018	-5
GII 05/18	3.146	189	3.204	28/02/2018	-6
GII 08/18	3.181	140	3.194	28/02/2018	-1
GII 04/20	3.597	74	3.585	28/02/2018	1
GII 04/22	3.873	241	3.886	28/02/2018	-1
GII 07/22	3.954	20	3.950	22/02/2018	0
GII 08/25	4.095	130	4.104	28/02/2018	-1
GII 09/26	4.279	88	4.337	27/02/2018	-6
GII 07/27	4.204	290	4.232	28/02/2018	-3
GII 08/28	4.364	40	4.268	08/06/2017	10
GII 06/33	4.572	40	4.586	28/02/2018	-1
		<u>3564</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*	
DanaInfra Nasional Berhad	07/29	GG	4.680	3	4.620	09/02/2018	6	66
Cagamas Berhad	10/20	AAA	4.090	15	4.000	13/12/2017	9	68
Cagamas Berhad	11/20	AAA	4.110	10	4.067	09/02/2018	4	70
Manjung Island Energy Berhad	11/20	AAA	4.200	10	4.222	12/02/2018	-2	79
Putrajaya Holdings Sdn Berhad	12/21	AAA	4.240	30	4.300	04/12/2017	-6	72
Danga Capital Berhad	09/27	AAA	4.660	10	4.659	28/02/2018	0	64
Tenaga Nasional Berhad	08/32	AAA	4.890	1	4.876	21/02/2018	1	44
Malayan Banking Berhad	05/24	AA1	4.380	15	4.480	20/12/2017	-10	56
YTL Power International Berhad	05/27	AA1	4.890	10	4.889	27/02/2018	0	87
TRIplic Medical Sdn Berhad	10/32	AA1	5.140	10	5.141	26/02/2018	0	69
Bumitama Agri Ltd	09/19	AA3	4.510	14	4.545	12/02/2018	-4	119
AmBank Islamic Berhad (fka Amlslamic Bank Berhad	03/24	AA3	4.550	1	4.572	12/01/2018	-2	73
Southern Power Generation Sdn Berhad	04/24	AA-	4.700	10	4.729	29/01/2018	-3	88
Southern Power Generation Sdn Berhad	10/24	AA-	4.732	10	4.749	29/01/2018	-2	80
UEM Sunrise Berhad (fka UEM Land Holdings Berhad	12/24	AA-	5.040	10	5.039	28/02/2018	0	110
MEX II Sdn Berhad	04/33	AA-	5.460	10	5.458	26/02/2018	0	101
Southern Power Generation Sdn Berhad	04/34	AA-	5.320	10	5.349	05/02/2018	-3	87
Southern Power Generation Sdn Berhad	04/35	AA-	5.380	10	5.399	09/02/2018	-2	93
Alliance Bank Malaysia Berhad	10/25	A2	5.150	1	4.869	08/02/2018	28	116
Mah Sing Perpetual	-	-	6.290	1	6.765	28/02/2018	-48	-
			<u>189</u>					

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

Market/Corporate News: What's Brewing

India has raised import tax on crude and refined palm oil to the highest level in more than a decade, the government said in a statement on Thursday, as the world's biggest edible oil importer tried to support local farmers. The duty increase would lift oilseed prices and encourage domestic supply for crushing, helping cap edible oil imports in the 2017/18 marketing year that started on Nov. 1, dealers said. India raised import tax on crude palm oil to 44 percent from 30 percent and lifted the tax on refined palm oil to 54 percent from 40 percent, a government order said. India relies on imports for 70 percent of its edible oil consumption, up from 44 percent in 2001/02. The fourth increase in import tax in less than six months would push up domestic edible oil prices and support prices of local oilseeds like soybean and rapeseed, said B.V. Mehta, executive director of the Solvent Extractors' Association (SEA), a Mumbai-based trade body. "Supplies from the new season rapeseed crop have just started. Now farmers will get remunerative prices due to the duty hike," Mehta said. India primarily imports palm oil from Indonesia and Malaysia and soyoil from Argentina and Brazil. It also buys small volumes of sunflower oil from Ukraine and canola oil from Canada. The duty hike would narrow the difference between palm oil and soft oils like soyoil and sunflower oil, making it lucrative for refiners to increase purchases of soyoil and sunflower oil in coming months, said a Mumbai-based dealer with a global trading firm. "Palm oil's share is likely to fall substantially unless India raises import tax on soyoil and sunflower oil," the dealer said. On Thursday, landed cost of crude soyoil at Mumbai port was \$812 per tonne, compared to \$695 for crude palm oil, according to data compiled by trade body SEA. (Source: Reuters, The Star)

President Donald Trump announced on Thursday he would impose hefty tariffs on imported steel and aluminum to protect U.S. producers, risking retaliation from major trade partners like China, Europe and neighboring Canada as well as helping to trigger a large selloff on Wall Street. Trump said the duties of 25 percent on steel and 10 percent on aluminum would be formally announced next week although White House officials later said some details still needed to be ironed out. Trump believes the tariffs will safeguard American jobs but many economists say the impact of price increases for consumers of steel and aluminum, such as the auto and oil industries, will be to destroy more jobs than they create. "We're going to build our steel industry back and our aluminum industry back," he said. News of the tariffs drove the stocks of U.S. domestic steel and aluminum makers sharply higher, but also hit sentiment on Wall Street due to the potential impact of higher costs on consumers. The move came after what one person with direct knowledge of the discussions described as a night of "chaos" in the White House due to frequent switching of positions in the administration. The threat of tariffs was sharply criticized by some senior Republican legislators as well as industries from autos to oil whose input costs will rise. A major concern is that U.S. farm exports could be hit hard in retaliation by steel-exporting countries. "Every time you do this, you get a retaliation. Agriculture is the number one target. I think this is terribly counterproductive for the agriculture economy," said Senator Pat Roberts, who chairs the chamber's agriculture committee. China has already threatened to curb imports of U.S. soybeans, while the European Union has said it will consider action as well. President Xi Jinping's top economic adviser, Liu He, is in Washington for trade talks. The move will not directly hit China that hard, with data showing that Canada supplies 16 percent of U.S. demand versus China's 2 percent and is by far the largest steel exporter followed by Brazil and South Korea. "Should restrictions be imposed on Canadian steel and aluminum products, Canada will take responsive measures to defend its trade interests and workers," Foreign Affairs Minister Chrystia Freeland said in a sharply worded statement. Brazil's industry ministry said it would consider taking action on its own over the tariffs or in concert with other countries. Two of its largest steelmakers, Cia Siderurgica Nacional and Usiminas sold off on the tariff news, closing down 4.4 percent and 4.2 percent, respectively. Washington is already engaged in a dispute with Canada and Mexico over its proposed revision to the North American Free Trade Agreement and months of tense talks have failed to produce any meaningful progress. Asked whether there would be exemptions for any countries, White House spokeswoman Sarah Sanders said she would not get into any details ahead of next week's announcement. She said the tariffs were still being finalized.. (Source: The Edge)

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

Source: RAM Ratings; MARC

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