

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.27	0
5-yr UST	2.56	0
10-yr UST	2.74	0
30-yr UST	2.97	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.45	-1	3.61	1
5-yr	3.54	-1	3.82	0
7-yr	3.83	0	4.00	0
10-yr	3.94	0	4.15	0
15-yr	4.41	0	4.55	0
20-yr	4.54	0	4.77	1
30-yr	4.79	-1	4.90	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.80	0
5-yr	3.85	-1
7-yr	3.96	0
10-yr	4.08	0

Source : Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- Financial markets were closed last Friday for Good Friday and Easter holidays. For the quarter closing; the benchmark 10Y US Treasuries have come off their biggest rally this year with yields at 7-week lows; primarily due to risk-off enigma as investors were seen switching from the volatility in equity markets. Meanwhile China announces tariffs on 128 US products i.e. wine, fruits, pork etc. effective 2nd April in a tit-for-tat move seen disrupting global trade. On the data front we have the Markit US Manufacturing PMI and ISM figures today.

MGS/GII

- Trading volume in local Govvies was anchored at RM2.04b with MGS/GII share of overall trades at 60:40 with interest seen up to 20Y tenures. Interest was seen emerging in the shorter-tenured bonds with MGS and GII 21's leading the way. Overall benchmark MGS yields were 0-1bps lower across the curve. Both the benchmark 7Y MGS 3/25 and the much-watched 10Y MGS 11/27 were unchanged at 3.83% and 3.94% respectively. Expect mild support despite the absence of local market-moving data on the local front.

Corp Bonds/Sukuk

- Corporate Bonds saw decent secondary market volume of RM670m with most trades across the yield curve. The mid-to-long-tenured Govt-Guaranteed DANA saw RM70m traded in total with the 10/28 and 5/41 closing unchanged at 4.62% and 5.12% respectively compared to previous-done levels whilst the DANA 2/38 rallied 10bps lower at 5.01%. AAA-rated DANGA 2/26 and 9/33 closed within 1bps at 4.56% and 4.95% respectively whilst RANATU 1/22 lost ground closing 12bps higher at 4.33%. RM120m nominal amount of banking papers were seen exchanging hands as PUBLIC Senior 4/19 rose 1bps at 4.06%. A slew of AA-rated Southern Power bonds 31-32's and DUKE 34-39's also saw trading interest among investors.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.137	79	3.117	29/03/2018	2
MGS	03/19	3.128	23	3.107	29/03/2018	2
MGS	07/19	3.247	62	3.129	28/03/2018	12
MGS	10/19	3.292	34	3.279	29/03/2018	1
MGS	11/19	3.320	20	3.296	29/03/2018	2
MGS	03/20	3.418	1	3.419	29/03/2018	0
MGS	07/21	3.454	172	3.455	29/03/2018	0
MGS	09/21	3.535	190	3.556	29/03/2018	-2
MGS	11/21	3.448	10	3.458	29/03/2018	-1
MGS	03/22	3.538	53	3.552	29/03/2018	-1
MGS	08/22	3.697	35	3.697	29/03/2018	0
MGS	09/22	3.688	13	3.685	29/03/2018	0
MGS	03/23	3.737	51	3.725	29/03/2018	1
MGS	08/23	3.799	2	3.783	29/03/2018	2
MGS	07/24	3.901	92	3.874	29/03/2018	3
MGS	09/24	3.875	25	3.876	29/03/2018	0
MGS	03/25	3.827	11	3.827	29/03/2018	0
MGS	09/25	3.939	4	3.939	29/03/2018	0
MGS	04/26	3.988	118	4.025	29/03/2018	-4
MGS	09/26	4.019	10	4.053	29/03/2018	-3
MGS	11/26	3.961	40	3.996	29/03/2018	-4
MGS	03/27	4.103	2	4.103	29/03/2018	0
MGS	11/27	3.943	11	3.944	29/03/2018	0
MGS	06/28	3.943	70	3.941	29/03/2018	0
MGS	04/30	4.326	2	4.353	29/03/2018	-3
MGS	04/33	4.413	1	4.408	29/03/2018	0
MGS	04/37	4.537	41	4.533	29/03/2018	0
MGS	03/46	4.791	7	4.801	29/03/2018	-1
GII	04/20	3.607	45	3.596	29/03/2018	1
GII	06/20	3.685	310	3.683	28/03/2018	0
GII	08/20	3.614	1	3.588	29/03/2018	3
GII	03/21	3.737	100	3.755	26/03/2018	-2
GII	04/22	3.824	160	3.824	29/03/2018	0
GII	07/23	3.985	6	3.995	29/03/2018	-1
GII	08/25	4.004	32	4.004	28/03/2018	0
GII	07/27	4.149	170	4.144	29/03/2018	0
GII	08/37	4.771	42	4.760	28/03/2018	1
			<u>2044</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*
Rantau Abang Capital Berhad	10/22	AAA	4.332	70	4.210	07/11/2017	12	79
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.519	10	4.539	27/03/2018	-2	64
Danga Capital Berhad	02/26	AAA	4.561	20	4.548	09/03/2018	1	68
Aman Sukuk Berhad	05/26	AAA	4.598	10	4.629	05/12/2017	-3	71
Danga Capital Berhad	09/33	AAA	4.949	70	4.950	28/03/2018	0	54
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/25	GG	4.346	10	4.380	08/03/2018	-3	52
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.531	50	4.499	18/01/2018	3	60
DanaInfra Nasional Berhad	10/28	GG	4.621	10	4.620	27/03/2018	0	68
DanaInfra Nasional Berhad	02/38	GG	5.010	10	5.110	19/02/2018	-10	46
DanaInfra Nasional Berhad	05/41	GG	5.124	50	5.120	28/03/2018	0	58
Public Bank Berhad	04/19	AAA	4.059	80	4.051	26/09/2017	1	87
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.490	10	4.490	08/02/2018	0	99
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.649	10	4.654	11/12/2017	0	71
UMW Holdings Berhad	10/21	AA2	4.558	50	4.564	22/03/2018	-1	106
UMW Holdings Berhad	06/22	AA2	4.631	20	4.627	20/03/2018	0	113
Bumitama Agri Ltd	03/19	AA3	4.459	10	4.431	29/03/2018	3	127
Gamuda Berhad	11/22	AA3	4.674	20	4.697	28/03/2018	-2	113
CIMB Thai Bank Public Company Limited	07/26	AA3	4.956	10	5.020	28/03/2018	-6	107
Southern Power Generation Sdn Berhad	04/31	AA-	5.079	10	5.161	25/01/2018	-8	67
Southern Power Generation Sdn Berhad	10/31	AA-	5.099	10	5.113	27/03/2018	-1	69
Southern Power Generation Sdn Berhad	04/32	AA-	5.139	20	5.279	12/01/2018	-14	73
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.220	30	5.218	23/03/2018	0	81
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.340	30	5.308	27/02/2018	3	79
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.540	40	5.527	02/03/2018	1	99
Bank Islam Malaysia Berhad	11/27	A1	4.827	10	4.875	21/02/2018	-5	88
				<u>670</u>				

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

Market/Corporate News: What's Brewing

Net financing through banking system loans and corporate bonds showed a growth of 7.4% last month compared with 7.2% in January, says Bank Negara. In its monthly highlights February 2018 released yesterday, the central bank said the growth of outstanding loans of the banking system rose to 4.5% in February from 4.2% the previous month, while net outstanding issuances of corporate bonds continued to expand at 16.4% against January's 16.6%. It said the increase in loan growth was due mainly to household loans, which climbed by 5.6% in February compared with 5.3% in January, driven by loans for the purpose of residential property, securities, and personal financing. On headline inflation, Bank Negara said it declined to 1.4% last month from 2.7% in January. Inflation in the transport category was -0.3% compared with 5.7% the previous month, due to lower domestic fuel prices during the month. In the food and non-alcoholic beverages category, inflation was at 3% for February versus 3.8% in January. "This reflected lower prices of some fresh food items following the festive season price control scheme during the Chinese New Year period, and better weather conditions thereafter," the bank said. On the Index of wholesale and retail trade, the central bank said the index recorded a higher growth of 7.4% in January compared with 5.9% in December 2017, driven by improvements across all segments. Meanwhile, the central bank said that in February, domestic financial markets were affected by the spike in global financial market volatility following the sharp correction in the United States equity market. "The ringgit depreciated by 0.8% against the US dollar, due mainly by net portfolio outflows," it said. It added that foreign exchange swap volume decreased by US\$9.2bil to US\$102.9bil, due mainly to a drop in interbank swap activity. On banks' funding structure, Bank Negara said the loan-to-fund and the loan-to-fund-and-equity ratios stood at 83.5% and 72.9%, respectively, reflecting banks' broader funding base. "The banking system's liquidity coverage ratio stood at 133.8 per cent, well above the transitional minimum regulatory requirement of 90%," it added. (Source: The Star)

Twelve work packages for the Sabah portion of the Pan Borneo Highway are expected to be awarded over the next two weeks, according to industry sources. The packages are said to be worth some RM500 million each and some contractors are expected to be awarded more than one package. "From what I understand, the tender board has already approved [the awards of the contracts]. Now the companies are just waiting for the letters of award," shared an industry executive who declined to be named. The companies touted as being most likely to have secured packages, include Gamuda Bhd, Econpile Holdings Bhd, Gabungan AQRS Bhd and TRC Synergy Bhd, among others. There are a total of 35 work packages for the 706km-long highway portion, seven of which are under construction and 10 having received approval from the finance ministry as at end-2017. The first seven packages involve a total cost of RM3.2 billion out of a total RM12.86 billion for all the packages, Borneo Highway PDP (BHP) Sdn Bhd managing director Shahelmey Yahya was quoted by the media saying in December last year. The second ten packages were worth RM4.2 billion. The project, which stretches from Sinduman to Kudat on the west coast and Ranau to Sandakan, Lahad Datu and Tawau on the East Coast, is fully financed by the Federal government, according to Works Minister Datuk Seri Fadillah Yusof. Share prices of Econpile, Gabungan and TRC Synergy last Friday reversed their downtrend that started about a month ago. Meanwhile, Gamuda's share price has been on steady climb since mid-February amid expectation of continued flow of public infrastructure building jobs. Gabungan AQRS rose the most at 5.26% or eight sen to RM1.60, giving the group a market capitalisation of RM745.81 million. Its group chief executive officer Datuk Azizan Jaafar, who is also the largest shareholder via his interest in Ganjaran Gembira Sdn Bhd, recently upped his direct stake in the company with an acquisition of 150,000 shares on March 26. Meanwhile TRC Synergy and Econpile were both up 0.5 sen, representing a 0.81% increase to 62 sen for the former and giving it a market value of RM297.91 million. Econpile recorded a 0.51% gain to 98.5 sen and a market capitalisation of RM1.32 billion. Conversely, the Bursa Malaysia Construction Index declined 0.26% to 284.19 points last Friday. The index, which tracks some 48 counters including all the above mentioned stocks, has fared poorly over the past couple of months, declining to a one-year low of 253.58 points last Wednesday and having fallen 9.03% year-to-date. Other companies that have expressed interest in the Sabah work packages include KKB Engineering Bhd, which is involved in supplying steel-related products for the Sarawak portion of the highway. The company told the media last November that it is interested in bidding for a similar role in the Sabah portion as well. KKB is currently implementing a RM1.29 billion work package with joint venture partner WCT Holdings Bhd. Other listed companies involved in the Sarawak stretch of the highway are Kimlun Corp Bhd and

Zecon Bhd via a joint venture, and a partnership between Cahya Mata Sarawak Bhd and Bina Puri Holdings Bhd. In December last year, it was reported by local media that the 18 remaining packages for the Sabah section of the highway would be offered for tender in stages within the first quarter of 2018.. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Asian Finance Bank Berhad (AFB)	All four tranches under the RM2,295 million Structured Covered Sukuk Murabahah Programme	AA1	Assigned
Murud Capital Sdn Bhd's (Murud Capital)	Senior Commercial Papers/Medium-Term Notes (Senior CP/MTN) programme of up to RM290 million.	MARC-1/AA	Affirmed
Kinabalu Capital Sdn Bhd's (Kinabalu Capital)	Issue 2 medium-term notes (MTN) issue of RM130 million Class A, RM25 million Class B and RM15 million Class C respectively	AAA, AA and A	Affirmed

Source: RAM Ratings; MARC

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