

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.47	-1
5-yr UST	2.78	-2
10-yr UST	2.95	-2
30-yr UST	3.12	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.67	-1	3.68	0
5-yr	3.80	1	3.89	0
7-yr	3.94	-2	4.13	0
10-yr	4.12	-3	4.33	-2
15-yr	4.66	-2	4.73	0
20-yr	4.76	1	4.84	0
30-yr	4.93	3	4.92	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	-1
3-yr	3.82	-1
5-yr	3.90	0
7-yr	4.00	0
10-yr	4.17	1

Source : Bloomberg

Upcoming Government Bond Tenders

RM3.0b new issuance of 15Y MGS 11/33 on Friday, 4th May

US Treasuries

- US Treasuries bull-flattened; gaining amid favorable US-China trade discussions and also driven by the less-hawkish than expected statement by FOMC the previous day. Overall benchmark yields were 1-2bps lower compared to previous-done levels; with the 2Y (most sensitive to interest rate outlook) 1bps lower at 2.47% whilst the much-watched 10Y rallied 2bps at 2.95%. At this juncture traders were less hawkish than anticipated following the Fed's statement indicating that it will allow a small degree of variance from the 2% target. Nevertheless, all eyes will be focused on the March NFP scheduled for tonight for signs on whether the economy is scheduled for a soft patch or otherwise.

MGS/GII

- Trading volume in local Govvies jumped to RM3.3b with interest mainly in the belly i.e. 18-19's, 23-24's off-the-runs coupled with benchmark 3Y and 10Y bonds. Yields ended mixed between -3 to +3bps across the curve as appetite was seen retuning to normalcy. Both the benchmarks 7Y MGS 3/25 and 10Y MGS 11/27 rallied to close at 3.94% and 4.12% respectively compared to previous-done levels. Expect a quiet session for Govvies with focus mainly centered on the new issuance of 15Y MGS 11/33 today. On the data front we have the trade balance, imports and export numbers out today.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume improve by almost 100% to RM342m with interest across the yield curve. Govt-guaranteed PASB 2/26 jumped 7bps to 4.50% compared to previous-done levels whilst DANA 4/33 made its debut issuance at a coupon of 4.90%. AAA-rated GENTING Cap 6/22 closed unchanged at 4.70% whilst MANJUNG 22, 30 and DANGA 2/26 closed weaker by 6-7bps between 4.46-4.89% levels. In the AA-rated space YTL POWER 21-22's saw total RM80m traded between 4.54-4.58% levels whilst Southern Power 27-28 bonds also saw strong interest albeit at higher yields.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.360	122	3.411	02/05/2018	-5
MGS	03/19	3.516	122	3.459	02/05/2018	6
MGS	07/19	3.545	2	3.483	02/05/2018	6
MGS	10/19	3.584	142	3.549	02/05/2018	4
MGS	11/19	3.645	364	3.583	02/05/2018	6
MGS	03/20	3.672	66	3.710	02/05/2018	-4
MGS	10/20	3.680	69	3.745	02/05/2018	-6
MGS	02/21	3.764	20	3.745	30/04/2018	2
MGS	07/21	3.812	37	3.797	30/04/2018	1
MGS	09/21	3.819	7	3.826	02/05/2018	-1
MGS	11/21	3.671	476	3.725	02/05/2018	-5
MGS	03/22	3.824	4	3.881	02/05/2018	-6
MGS	08/22	3.943	46	3.942	02/05/2018	0
MGS	09/22	3.919	8	3.907	02/05/2018	1
MGS	03/23	3.994	219	4.004	02/05/2018	-1
MGS	04/23	3.801	40	3.790	02/05/2018	1
MGS	08/23	4.011	129	4.011	02/05/2018	0
MGS	07/24	4.092	22	4.079	02/05/2018	1
MGS	09/24	4.041	137	4.014	30/04/2018	3
MGS	03/25	3.940	120	3.991	02/05/2018	-5
MGS	09/25	4.193	48	4.185	02/05/2018	1
MGS	04/26	4.224	19	4.198	02/05/2018	3
MGS	11/26	4.169	54	4.180	02/05/2018	-1
MGS	03/27	4.302	5	4.247	02/05/2018	5
MGS	11/27	4.123	347	4.162	02/05/2018	-4
MGS	04/30	4.538	1	4.509	02/05/2018	3
MGS	06/31	4.615	10	4.599	30/04/2018	2
MGS	04/33	4.664	36	4.663	02/05/2018	0
MGS	04/37	4.762	55	4.738	02/05/2018	2
MGS	09/43	4.949	4	4.935	02/05/2018	1
MGS	03/46	4.932	115	4.932	02/05/2018	0
GII	06/20	3.739	2	3.685	30/03/2018	5
GII	08/20	3.756	150	3.843	27/04/2018	-9
GII	03/21	3.811	113	3.873	25/04/2018	-6
GII	09/26	4.284	1	4.284	23/04/2018	0
GII	07/27	4.304	100	4.284	02/05/2018	2
GII	10/28	4.327	90	4.341	02/05/2018	-1
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Daily Trades: Corp Bonds / Sukuk

Pengurusan Air SPV Berhad	02/26	GG	4.498	20	4.426	13/03/2018	7	44
DanInfra Nasional Berhad	04/33	GG	4.899	50	-	-	-	24
Cagamas Berhad	11/20	AAA	4.407	4	4.051	05/01/2018	36	72
Gulf Investment Corporation G.S.C	03/21	AAA	5.064	8	4.982	04/04/2018	8	138
Genting Capital Berhad	06/22	AAA	4.696	20	4.691	20/04/2018	0	91
Manjung Island Energy Berhad	11/22	AAA	4.462	10	4.400	03/11/2017	6	65
Danga Capital Berhad	02/26	AAA	4.640	10	4.567	10/04/2018	7	58
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.541	5	4.443	17/04/2018	10	62
Sarawak Hidro Sdn Berhad	08/25	AAA	4.608	10	4.554	29/11/2017	5	62
Manjung Island Energy Berhad	11/30	AAA	4.890	10	4.829	09/03/2017	6	23
YTL Power International Berhad	10/21	AA1	4.537	60	4.540	15/03/2018	0	85
YTL Power International Berhad	06/22	AA1	4.577	20	4.562	11/04/2018	1	79
Public Bank Berhad	09/23	AA1	4.773	1	5.034	30/04/2018	-26	96
United Overseas Bank (Malaysia) Berhad	05/25	AA1	5.127	1	4.902	04/04/2018	23	114
UMW Holdings Berhad	10/19	AA2	4.418	15	4.397	25/04/2018	2	100
Cahaya Mata Sarawak Berhad	05/22	AA3	4.728	20	4.641	18/04/2018	9	94
CIMB Thai Bank Public Company Limited	07/24	AA3	4.761	1	5.592	20/04/2018	-83	84
Tanjung Bin Energy Issuer Berhad	09/30	AA3	5.088	4	5.029	10/04/2018	6	95
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.179	3	5.119	27/03/2018	6	52
MMC Corporation Berhad	04/23	AA-	5.313	7	5.039	16/01/2018	27	150
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/27	AA-	4.902	3	4.827	18/04/2018	8	79
Southern Power Generation Sdn Berhad	10/27	AA-	4.899	10	4.864	19/04/2018	4	79
Southern Power Generation Sdn Berhad	04/28	AA-	4.926	40	4.898	23/04/2018	3	79
Southern Power Generation Sdn Berhad	10/28	AA-	4.961	10	4.919	16/04/2018	4	82
CIMB Group Holdings Berhad	05/16	A1	5.085	1	4.998	30/04/2018	9	33
DRB-Hicom Berhad	12/14	A-	7.602	1	7.546	10/04/2018	6	284
				<u>342</u>				

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

Market/Corporate News: What's Brewing

Puncak Niaga Holdings Bhd has bagged a RM489.93 million contract to undertake sub-contract works to build a new regional sewage treatment plant, among others, in Kuantan, Pahang. In a filing with Bursa Malaysia, Puncak Niaga said its wholly-owned subsidiary Puncak Niaga Construction Sdn Bhd (PNCSB) had entered into a principal sub-contract agreement with Jalur Cahaya Sdn Bhd yesterday, appointing PNCSB as the principal sub-contractor for the project. The contract period is from March 5, 2018 to Feb 19, 2022. Under the agreement, PNCSB will construct a new regional sewage treatment plant with a capacity of 200,000 PE (person equivalent units) under Phase 1, with an ultimate capacity of 400,000 PE. It also involves constructing a 66km sewage conveyance system and new network pumping stations, as well as to rationalise and decommission 100 public sewage treatment plants and 65 private sewage treatment plants on government premises. "The principal sub-contract agreement will not have any material impact on the group's earnings per share, net assets per share, or gearing for the financial year ending Dec 31, 2018," the filing added.. (Source: The Edge)

Global passenger traffic results for March 2018 showed demand (measured in revenue passenger kilometers, or RPKs) rose 9.5% year-on-year, the fastest pace in 12 months, according to the International Air Transport Association (IATA). In a statement yesterday, IATA said capacity (available seat kilometers, or ASKs) grew 6.4% and load factor climbed 2.3 percentage points to 82.4%, which set a record for the month, following on the record set in February. It said all regions except for the Middle East posted record load factors. IATA director general and CEO Alexandre de Juniac said demand for air travel remains strong, supported by the comparatively healthy economic backdrop and business confidence levels. "But rising cost inputs—particularly fuel prices—suggest that any demand boosts from lower fares will moderate going into the second quarter," he said. (Source: The Edge)

World stock indexes fell on Thursday, a day after the U.S. Federal Reserve reaffirmed the outlook for more rate hikes, while bond yields slid after a surprising drop in euro zone inflation data. The Dow and benchmark S&P 500 stock indexes fell below key technical levels, with their 200-day moving averages, for the first time since early April, adding to bearish sentiment. MSCI's gauge of equity markets across the globe shed 0.96 percent. A two-day Fed policy meeting ended with no change in rates on Wednesday, as expected, while the central bank said inflation had "moved close" to its target, leaving it on track to raise borrowing costs in June. Adding to caution, a U.S. delegation led by Treasury Secretary Steven Mnuchin arrived in Beijing on Thursday for talks on tariffs, as Chinese media said the country would stand up to U.S. bullying. "We weakened (after) the FOMC meeting and it's a little bit of the same carrying over to today," said Mark Luschni, chief investment strategist at Janney Montgomery Scott in Philadelphia. "Augmenting it is some worries about trade negotiations with China that are under way and what may come of that." The Dow Jones Industrial Average fell 336.06 points, or 1.4 percent, to 23,588.92, the S&P 500 lost 35.19 points, or 1.34 percent, to 2,600.48 and the Nasdaq Composite dropped 94.37 points, or 1.33 percent, to 7,006.53. Some earnings disappointments also weighed on the markets. AIG shares dropped after the insurer reported a lower-than-expected quarterly profit, while Cardinal Health declined after the drug distributor cut its annual earnings forecast. In Europe, data showed that euro zone inflation fell to 1.2 percent in April, according to the Eurostat flash estimate. Economists polled by Reuters had expected it to be unchanged from 1.3 percent in March. That pushed French and German 10-year government bond yields to 2-week lows after the data. The pan-European FTSEurofirst 300 index lost 0.73 percent. Benchmark U.S. 10-year notes last rose 10/32 in price to yield 2.929 percent, from 2.964 percent late Wednesday. The Fed statement was not quite as hawkish as some had expected, though sentiment remained bullish given U.S. rates were still clearly heading higher. "The (Fed) statement carried only modest changes in wording, but they were meaningful nonetheless, highlighting that the Fed is optimistic on the outlook and intent on continuing to raise rates at a gradual pace," said Westpac analyst Elliot Clarke. The U.S. dollar erased all its 2018 losses in the past two weeks on expectations the Fed will continue to raise rates, even as other world central banks, including the European Central Bank, take longer to reduce stimulus. The U.S. dollar was near flat in choppy trading, as investors awaited Friday's U.S. payrolls data for April. The dollar index rose 0.1 percent, with the euro up 0.05 percent to

\$1.1956. U.S. crude fell 0.26 percent to \$67.75 per barrel and Brent was last at \$73.17, down 0.26 percent on the day

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

Source: RAM Ratings; MARC

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