

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.24	3
5-yr UST	2.63	5
10-yr UST	2.87	6
30-yr UST	3.14	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	0	3.55	-5
5-yr	3.59	-1	3.85	-2
7-yr	3.90	-4	4.06	-4
10-yr	4.00	-2	4.19	-1
15-yr	4.44	-1	4.58	1
20-yr	4.78	1	4.78	0
30-yr	4.78	1	4.96	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	-1
3-yr	3.83	0
5-yr	3.91	-1
7-yr	4.02	-1
10-yr	4.16	-1

Source: Bloomberg

**Upcoming Government Bond Tenders**

Nil

**US Treasuries**

- US Treasuries were much sold-off as price action moved in tandem with heavy IG issuance next week. USD swap spreads were seen widening as markets tried to digest the impact of US President Trump's proposed imposition of tariffs on steel and aluminum imports. The curve bear-steepened slightly as yields ended 3-6bps higher. The front end 2Y (which is sensitive to Fed policy interest rate expectations) was 3bps higher at 2.24% whilst the much-watched 10Y weakened by 6bps higher at 2.87%. Some upcoming data tonight include a Markit US PMI data followed by several jobs data that includes the all-important NFP figures out on 7<sup>th</sup> March.

**MGS/GII**

- Local Govvies continued to see strong demand with secondary market volume up at RM5.24b. Interest continued to be mainly seen in the short off-the-run 18-19's; together with both 7Y benchmark MGS and GII's. Benchmark yields generally moved between -4 to +1bps. The widely-watched benchmark 7Y MGS 9/24 rallied 4bps lower at 3.90% whereas the 10Y MGS 11/27 moved 2bps to close at 4.00%. Upcoming data today includes exports and trade balance figures. We expect sustained interest by both foreign and local investors in view of attractive pick-up in yields for EM debt over UST's.

**PDS/Sukuk**

- Secondary market volume for Corporate Bonds improved to RM378m with interest across the yield curve. Strong interest seen in Govt-Guaranteed bonds with PASB 18's rallying to close at 3.50% levels on impressive volume of RM120m. IN the AAA-space TELEKOM 3/24. The infra-power related bonds saw decent interest with SEB 12/32 closing unchanged at 5.25% whilst BGSM 23-24's moved 1bps lower at 4.66% and 4.68% respectively. Expect interest to improve on yield and liquidity requirements.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.104	457	3.044	01/03/2018	6
MGS	03/19	3.127	331	3.160	01/03/2018	-3
MGS	10/19	3.244	555	3.277	01/03/2018	-3
MGS	11/19	3.315	172	3.321	01/03/2018	-1
MGS	03/20	3.400	85	3.398	01/03/2018	0
MGS	07/20	3.386	5	3.392	01/03/2018	-1
MGS	07/21	3.413	780	3.499	01/03/2018	-9
MGS	09/21	3.563	54	3.575	01/03/2018	-1
MGS	11/21	3.439	36	3.444	01/03/2018	0
MGS	03/22	3.590	93	3.599	01/03/2018	-1
MGS	09/22	3.727	30	3.754	01/03/2018	-3
MGS	03/23	3.788	22	3.811	01/03/2018	-2
MGS	08/23	3.800	1	3.791	01/03/2018	1
MGS	07/24	3.894	176	3.921	01/03/2018	-3
MGS	09/24	3.897	748	3.931	01/03/2018	-3
MGS	09/25	4.001	1	4.009	01/03/2018	-1
MGS	04/26	4.077	10	4.071	01/03/2018	1
MGS	11/26	4.092	2	4.071	01/03/2018	2
MGS	11/27	3.999	187	4.008	01/03/2018	-1
MGS	06/28	4.026	60	4.053	01/03/2018	-3
MGS	09/28	4.238	5	4.303	28/02/2018	-6
MGS	06/31	4.452	21	4.447	01/03/2018	0
MGS	04/33	4.444	73	4.444	01/03/2018	0
MGS	04/37	4.580	20	4.603	01/03/2018	-2
MGS	09/43	4.829	3	4.799	01/03/2018	3
GII	08/18	3.171	60	3.181	01/03/2018	-1
GII	11/18	3.193	33	3.335	09/02/2018	-14
GII	04/20	3.547	3	3.597	01/03/2018	-5
GII	04/22	3.852	741	3.873	01/03/2018	-2
GII	07/22	3.929	70	3.954	01/03/2018	-3
GII	08/24	4.116	20	4.136	27/02/2018	-2
GII	08/25	4.057	230	4.095	01/03/2018	-4
GII	07/27	4.193	161	4.204	01/03/2018	-1
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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 MGS*	
Pengurusan Air SPV Berhad	06/18	GG	3.501	100	3.669	05/05/2016	-17	32
Pengurusan Air SPV Berhad	06/18	GG	3.499	20	3.637	27/07/2017	-14	32
Prasarana Malaysia Berhad [fka Syarikat Prasarana I	05/23	GG	4.253	15	4.17	23/08/2017	8	64
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.844	10	4.846	26/02/2018	0	40
Telekom Malaysia Berhad	03/24	AAA	4.433	40	4.387	06/02/2018	5	62
Projek Lebuhraya Usahasama Berhad	01/21	AAA	4.166	4	4.165	09/11/2017	0	77
Gas District Cooling (Putrajaya) Sdn Berhad	12/22	AAA	4.388	10	4.397	26/02/2018	-1	78
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.638	6	4.65	26/12/2017	-1	63
UniTapah Sdn Berhad	06/18	AA1	3.809	2	4.175	16/08/2017	-37	63
YTL Power International Berhad	10/21	AA1	4.559	2	4.47	14/02/2018	9	105
Sarawak Energy Berhad	06/26	AA1	4.73	40	4.729	29/01/2018	0	76
YTL Power International Berhad	05/27	AA1	4.699	1	4.889	01/03/2018	-19	69
TRIpIc Medical Sdn Berhad	10/28	AA1	4.949	5	-	-	-	-
Sarawak Energy Berhad	12/32	AA1	5.249	10	5.249	28/02/2018	0	80
First Resources Limited	10/21	AA2	4.634	5	4.598	25/01/2018	4	112
UMW Holdings Berhad	06/22	AA2	4.639	10	4.608	24/01/2018	3	113
BGSM Management Sdn Berhad	12/23	AA3	4.662	5	4.668	21/02/2018	-1	85
BGSM Management Sdn Berhad	06/24	AA3	4.684	20	4.697	02/02/2018	-1	87
Besraya (M) Sdn Berhad	07/26	AA3	5.115	20	4.719	18/07/2017	40	114
SAJ Capital Sdn Berhad	01/22	AA-	5.068	10	-	-	-	-
UEM Sunrise Berhad (fka UEM Land Holdings Berhad	05/23	AA-	4.897	4	4.896	09/02/2018	0	128
SAJ Capital Sdn Berhad	01/24	AA-	5.187	10	-	-	-	-
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.527	9	5.529	27/02/2018	0	93
DRB-Hicom Berhad	12/14	A-	7.622	1	7.642	16/01/2018	-2	303
DRB-Hicom Berhad	11/18	A+	5.358	20	5.4	13/12/2017	-4	218
			<u>378</u>					

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

### Market/Corporate News: What's Brewing

U.S. President Donald Trump's plan to slap stiff tariffs on imported steel and aluminum has rattled financial markets and stirred fears that some trading partners might retaliate by dumping U.S. Treasuries. Should China, Japan and other nations, which have recycled their trade dollars through their Treasuries holdings, suddenly decide to whittle them down, markets could be in for a rough ride. Such a retaliatory move, in the wake of Trump's first big protectionist action, comes at a time when foreign demand for U.S. debt is seen critical to offset an expected surge in federal borrowing needs, analysts and investors said on Friday. "The threats are real," said Kristina Hooper, chief global market strategist at Invesco in New York. "We need more foreign demand, not less." To be sure, it is unlikely that Beijing, Tokyo and other overseas central banks would dump Treasuries altogether, if at all, analysts and investors said. Countries could wind up torching their own U.S. bond investments, without winning any guaranteed gains from Washington, they said. "They already own a lot of them. They would be shooting themselves in the foot," said Jack McIntyre, portfolio manager at Brandywine Global Investment Management in Philadelphia. Still what U.S. trading partners might do with their collective ownership of more than a quarter of all Treasury securities outstanding looms as a hefty risk not only for the bond market. Treasury yields are benchmarks for total returns on stocks and other assets. Typically when yields go up, stock prices fall. The yields are also used by banks and other lenders to determine what they charge consumers on mortgages and other loans. U.S. mortgage rates hit four-year highs last month. Trump's announcement on Thursday of 25-percent and 10-percent levies on foreign steel and aluminum touched off outcries of unfair protectionism from trading partners, while it drew cheers from domestic producers as a move to combat questionable export practices by other countries. "It's a high-pressure response," said Jason Celente, senior portfolio manager at Insight Investment in New York. Details of Trump's tariff plan are still unknown, and Celente said the tariffs might not be imposed at all after criticism from Republican lawmakers and U.S. industries heavily dependent on steel and aluminum. Still, Trump said "trade wars are good" on Twitter on Friday, and the rhetoric has heated up. Canada and the European Union said they are ready to take countermeasures, while China urged Trump to show restraint. "The timing of this would be poor since the Treasury needs to tap the capital markets more than ever, in greater size, to pay for the plentiful tax cuts passed a few months ago," Kevin Giddis, head of fixed income capital markets with Raymond James in Memphis, Tennessee. The massive tax overhaul enacted last December was projected to add up to \$1.5 trillion to the U.S. debt load over a decade, while a two-year spending deal reached last month would add \$300 billion to the deficit. At the end of 2017, foreign governments owned \$4.03 trillion or nearly 29 percent of the \$14.47 trillion in Treasury securities outstanding. China and Japan, two major U.S. trading partners, are also the top two foreign holders of Treasuries with a combined holdings of \$2.25 trillion in December, Treasury data showed. In 2017, the United States rang up a \$375 billion trade deficit with China and a \$69 billion trade gap with Japan, according to the U.S. Census. Fears of a trade war have spooked Wall Street and caused the dollar to drop. The debt market had a seesaw response on Thursday and Friday with investors firstly buying U.S. Treasuries as a safe haven and sending the benchmark 10-year note's yield to a three-week low. They reversed those bond positions on Friday, mostly due to worries that the Bank of Japan might exit its ultra-loose monetary policy. Investors also sold to make room for next week's heavy corporate debt supply.. (Source: Reuters, The Star)

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

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