Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.29	1
5-yr UST	2.62	2
10-yr UST	2.80	3
30-yr UST	3.04	2

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.46	0	3.60	-1
5-yr	3.55	2	3.82	0
7-yr	3.84	1	4.00	0
10-yr	3.94	-1	4.16	0
15-yr	4.41	0	4.55	0
20-yr	4.54	0	4.75	-2
30-yr	4.80	1	4.91	1

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.80	0
5-yr	3.86	0
7-yr	3.96	0
10-yr	4.09	1

Source : Bloomberg

US Treasuries

- US Treasuries yields advanced between 1-3bps higher influenced mainly by movements in the stock market amid escalations of trade tensions with China. Reaction to the upbeat ADP employment report for March was muted ahead of the all-important NFP data scheduled for this Friday. The 2Y; most sensitive to interest rate outlook edged 1bps higher at 2.29% whilst the 10Y rose 3bps at 2.80%. Meanwhile the debate is still raging on the outlook of the UST 10Y in the immediate horizon with some investor's prediction of a breach above 3.00%. Meanwhile as stated earlier UST's are still reflecting historically low term premiums on the back of lethargic inflationary pressures.

MGS/GII

- Trading volume in local govvies spiked to RM3.41b with interest mainly in the belly as trades on 21-23's along with the 10Y dominated yesterday's session. Lately we have witnessed SPK Islamic Govt bonds exchanged hands with the 8/20 and 10/21 closing within 1bps at 3.74% and 3.87% levels respectively compared to previous-done levels. Overall benchmark MGS yields were mixed between -1 to +2 bps with the benchmark 7Y MGS 3/25 and the much-watched 10Y MGS 11/27 closing at 3.84% and 3.94% respectively. Upcoming data include the Trade Balance figures expected out today.

Upcoming Government Bond Tenders

Nil

Corp Bonds/Sukuk

- Corporate Bonds notched higher with secondary market volume of RM976m with almost half the trades done within the Govt-Guaranteed space. This GG-space saw bonds rallying some 1-7bps with KHAZANAH 8/23 and 3/24 closing at 4.26% and 4.31% respectively whilst a slew of PRASA 2023-27 bonds also saw a flurry of trades. AAA-rated MANJUNG 11/31 topped the volume for Sukuk closing 1bps lower at 4.87% whilst the banking space saw AA-rated PUBLIC Bank 23's saw RM50m trade within 4.25-4.35% levels. Expect investor interest to be sustained on portfolio requirements.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.193	79	3.174	03/04/2018	2
MGS	03/19	3.148	1	3.087	03/04/2018	6
MGS	11/19	3.294	152	3.306	03/04/2018	-1
MGS	03/20	3.407	4	3.402	03/04/2018	0
MGS	10/20	3.429	15	3.421	03/04/2018	1
MGS	02/21	3.433	3	3.433	30/03/2018	0
MGS	07/21	3.475	63	3.466	03/04/2018	1
MGS	09/21	3.567	791	3.535	30/03/2018	3
MGS	11/21	3.457	411	3.458	03/04/2018	0
MGS	03/22	3.553	118	3.543	03/04/2018	1
MGS	08/22	3.680	10	3.698	03/04/2018	-2
MGS	09/22	3.697	57	3.697	03/04/2018	0
MGS	03/23	3.703	65	3.759	03/04/2018	-6
MGS	08/23	3.750	274	3.789	03/04/2018	-4
MGS	09/24	3.892	28	3.880	03/04/2018	1
MGS	03/25	3.840	51	3.832	03/04/2018	1
MGS	09/25	3.931	85	3.949	02/04/2018	-2
MGS	04/26	4.003	6	3.988	30/03/2018	2
MGS	11/26	3.982	22	3.962	03/04/2018	2
MGS	05/27	4.123	2	4.143	29/03/2018	-2
MGS	11/27	3.939	592	3.947	03/04/2018	-1
MGS	06/28	3.955	2	3.926	03/04/2018	3
MGS	04/30	4.342	1	4.328	03/04/2018	1
MGS	04/33	4.413	30	4.413	03/04/2018	0
MGS	05/35	4.511	1	4.507	30/03/2018	0
MGS	04/37	4.544	6	4.547	03/04/2018	0
MGS	09/43	4.791	2	4.788	03/04/2018	0
MGS	03/46	4.795	61	4.788	03/04/2018	1
GII	04/20	3.598	2	3.607	30/03/2018	-1
GII	08/20	3.710	2	3.622	02/04/2018	9
GII	04/21	3.788	50	3.781	02/04/2018	1
GII	08/21	3.774	1	3.774	03/04/2018	0
GII	04/22	3.823	216	3.822	03/04/2018	0
GII	07/23	3.974	54	3.964	03/04/2018	1
GII	10/25	4.201	1	4.191	12/02/2018	1
GII	09/26	4.204	2	4.205	27/03/2018	0
GII	07/27	4.155	55	4.153	03/04/2018	0
GII	08/37	4.747	1	4.771	30/03/2018	-2
GII	05/47	4.914	13	4.901	29/03/2018	1
SPK	10/21	3.868	18	3.875	16/08/2017	-1
SPK	08/20	3.737	60	3.737	02/04/2018	0
			3405			

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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/23	GG	4.159	20	4.180	02/04/2018	-2	61
Khazanah Nasional Berhad	08/23	GG	4.259	20	4.328	26/03/2018	-7	71
Khazanah Nasional Berhad	03/24	GG	4.306	100	4.317	04/10/2017	-1	55
DanaInfra Nasional Berhad	07/24	GG	4.285	50	4.342	07/03/2018	-6	53
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/25	GG	4.299	5	4.369	12/01/2018	-7	46
Pengurusan Air SPV Berhad	09/25	GG	4.361	30	4.407	07/03/2018	-5	52
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.521	70	4.531	30/03/2018	-1	59
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/27	GG	4.531	10	0.000	-	-	-
DanaInfra Nasional Berhad	07/39	GG	5.060	180	4.904	17/02/2017	16	51
Aman Sukuk Berhad	07/19	AAA	4.117	5	4.082	12/05/2017	4	92
Rantau Abang Capital Berhad	12/20	AAA	4.496	2	4.151	23/02/2018	35	104
Aman Sukuk Berhad	05/21	AAA	4.285	10	4.284	21/03/2018	0	83
Aman Sukuk Berhad	10/21	AAA	4.324	5	4.280	19/01/2018	4	82
Aman Sukuk Berhad	05/27	AAA	4.620	10	4.349	20/07/2016	27	68
TNB Western Energy Berhad	07/28	AAA	4.702	20	4.717	16/03/2018	-1	76
Manjung Island Energy Berhad	11/31	AAA	4.865	140	4.879	05/03/2018	-1	45
Cagamas Berhad	10/18	AAA	3.806	10	3.789	13/11/2017	2	61
Cagamas Berhad	03/20	AAA	4.110	10	4.100	14/03/2018	1	77
Gulf Investment Corporation G.S.C	03/21	AAA	4.982	5	5.014	28/03/2018	-3	153
Al Dzahab Assets Berhad	03/23	AAA	4.857	5	4.909	16/03/2018	-5	131
Sarawak Hidro Sdn Berhad	08/23	AAA	4.399	5	4.466	28/11/2017	-7	85
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.628	10	4.622	16/01/2018	1	69
Public Bank Berhad	09/23	AA1	4.248	25	4.284	03/04/2018	-4	70
Public Bank Berhad	11/23	AA1	4.354	25	4.348	29/03/2018	1	60
Hong Leong Bank Berhad	06/24	AA1	5.180	1	5.174	29/03/2018	1	143
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.902	1	4.493	22/03/2018	41	106
YTL Power International Berhad	05/27	AA1	4.888	10	4.884	02/04/2018	0	95
TRIplc Medical Sdn Berhad	10/28	AA1	4.899	15	4.990	15/03/2018	-9	96
TRIplc Medical Sdn Berhad	10/29	AA1	4.949	10	4.988	06/02/2018	-4	101
TRIplc Medical Sdn Berhad	10/30	AA1	4.999	13	5.099	29/11/2017	-10	58
TRIplc Medical Sdn Berhad	10/32	AA1	5.090	10	5.101	23/03/2018	-1	68
First Resources Limited	06/20	AA2	4.445	20	4.445	03/04/2018	0	110
First Resources Limited	10/21	AA2	4.591	10	4.596	16/03/2018	0	108
Krung Thai Bank Public Company Limited	07/25	AA2	5.006	1	4.500	02/03/2018	51	117
CIMB Group Holdings Berhad	03/28	AA	4.959	5	0.000	-	-	-
Cahya Mata Sarawak Berhad	05/22	AA3	4.606	40	4.596	03/04/2018	1	110
Gamuda Berhad	11/22	AA3	4.669	20	4.674	30/03/2018	-1	112
AmBank Islamic Berhad (fka AmIslamic Bank Berhad)	03/24	AA3	4.536	5	4.527	09/03/2018	1	78
CIMB Thai Bank Public Company Limited	07/24	AA3	4.667	20	4.508	02/04/2018	16	91
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	06/19	AA-	4.410	10	4.400	26/12/2017	1	122
Tan Chong Motor Holdings Berhad	11/19	A1	6.197	5	6.046	28/03/2018	15	286
Lafarge Cement Sdn Berhad	01/20	A1	5.292	10	5.277	30/01/2018	1	195
				976				

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

Market/Corporate News: What's Brewing

The trade war between the world's two largest economies has moved up a gear after more goods were added to the United States and China's tariff lists. Markets in Asia reacted badly yesterday to the tit-for-tat reaction by China after digesting news that US President Donald Trump had proposed to impose even more tariffs on China products used for robotics, information technology, communications technology and aerospace. As Asia awoke to the news of American tariffs, China retaliated by unveiling more tariffs on 106 US products. It is estimated that these trade tariffs would target up to US$50bil of US products annually and includes a 25% levy on US products such as soybean, beef, cars and whisky. The markets have understandably reacted negatively to this development, with the US stock market futures indicating a firmly negative open. Markets in Asia were slammed by news of the tariffs and ended in broadly negative territory yesterday. At home, the FBM KLCI entered its third day of losses yesterday and these losses widened after the lunch break, with market breadth showing losers outnumbering gainers by a huge proportion of 10 times. The benchmark index closed the day 34.84 points or 1.88% lower to 1,815.94, with volume picking up to 3.27 billion shares valued at some RM2.78bil. The ringgit was largely unaffected by the news, trading nearly unchanged as at press time at 3.8688 to the US dollar. Hang Seng Index linked put-warrants were the main big gainers on Bursa Malaysia, while the big losers were KESM Industries Bhd , down RM3.06 to RM14.48; Dutch Lady Milk Industries Bhd , down RM1.60 to RM66.20; and Petron Malaysia Refining & Marketing Bhd, down RM1.19 to RM7.01. Losses were broad-based and affected the entire market, a dealer said. A spokesman from a fund management firm told StarBiz that the decision for China to impose tariffs on US soybean could be a positive catalyst for palm oil-linked stocks. "If China carries through with the decision to go ahead with these additional tariffs on products such as soybean, then soybean oil would be more expensive in China and there would be a switch to a close alternative of palm oil," he said. This would invariably mean better export figures for palm oil companies that would benefit them," he added. Dealers said that the markets were now witnessing some sort of a panic trading, and this could persist in the near term until the dust eventually settles and the situation stabilises. "We may see a spike in volatility in the days ahead," a dealer noted. In such a situation of a full-blown trade war, investors might want to relook their trading strategies as things may change once again. "Indirectly, tech companies here will be affected. Having said that, there is not much of choice because these (US tech companies) will still have to import. And people have to know that at the end of the day, it is the consumer and businesses which would suffer," he said. Technology stocks on Bursa Malaysia continued to bleed yesterday, with the Electronics Manufacturing Services-type companies posting declines. While there were losers to the new trade war environment, certain sectors could also see a turn in fortunes. "On this new trade war outlook, we could see a pause in the plans to raise interest rates until a clearer picture emerges, as investors will start thinking that global growth might be affected. This could see bond prices picking up and yields falling. With this in view, we may see real estate investment trusts and dividend-paying counters coming back into favour," he added. (Source: The Star)

In order to pare down the current household debt-to-gross domestic production (GDP) ratio from an "unsustainable" level of 84.3%, the government should introduce cooling measures to reduce the size of non-housing loans, said the Real Estate and Housing Developers' Association Malaysia (Rehda). Rehda president Datuk Seri FD Iskandar Mohamed Mansor said although Malaysia's household debt-to-GDP ratio has gone down from 88.3% in 2016 to today's 84.3%, mainly owing to the cooling measures in the real estate sector, it is still higher than the comfortable levels of 60% to 65% set by the World Bank. In addition, Malaysia's current household debt stood at some RM1.1 trillion, of which only about 52% are housing loans while the remainder is made up of "highly depreciative" non-housing loans. He cited a report by McKinsey Global Institute which said the top 10 developed countries, excluding the US and Australia where household debt-to-GDP ratio is higher than Malaysia, have around 75% of their total household debt comprising housing loans while the balance is non-housing loans. "If we can cut down our non-housing loans and achieve the ratio of 75:25, our household debt-to-GDP ratio will drop from an unsustainable 84.3% today to a world class 60%," he told reporters at a media briefing on a survey titled Property Industry Survey 2H2017 & Market Outlook 2018 for Peninsula Malaysia's property market. He added that the only way to effectively bring down the household debt is to reduce the highly depreciative non-housing loans, such as car loans and personal loans — which were the top reasons for one to go bankrupt last year — together with mortgages and business loans. "So we think it is time for the government to introduce cooling measures for non-housing loans to curb debts that are not backed by assets in order to protect Malaysians from further feeling the pinch that we are already feeling today," FD Iskandar said. Meanwhile, he urged the government, banks and related authorities to work together with private developers to address the oversupply in retail and office spaces, end-financing to homebuyers as well as the housing affordability issue in the country. "In some places, there is oversupply of retail and office spaces and we are concerned about the unsold units but we must remember, this effort must also come from public developers, not only private developers. It is a two-way thing," he explained. "In fact, we are not as robust as Singapore or Dubai, where we can build a 100-storey building and 70% to 80% [of the space] will be occupied by foreigners. When we build a 100-storey building, I think 80% will be occupied by us, so this 80% must come from the current buildings that we are already in. "So, it is a two-way thing, not only [the] private sector must look at this, [the] public sector must look at it too. You cannot keep on building tall, iconic buildings and you expect the rest to stop. So it has to be a balance between the two," he added. Additionally, FD Iskandar hopes that the government will assist developers who are building affordable houses by giving them more incentives, such as a reduction in development charges, exemptions from capital contribution and lower land conversion rate for affordable housing projects.(Source: The Edge)

Barclays Plc's debt ratings were cut to one level above junk by Moody's Investors Service on Wednesday, after the U.K. bank separated its investment banking activities from retail operations to comply with new rules. Credit ratings for some of the biggest U.K. banks could also be affected by the post-crisis rules, known as ring-fencing, Moody's said. Banks in the nation are obliged to meet the rules by the beginning of next year. Lower credit ratings can lift a company's borrowing costs. Barclays changed its legal structure this month to comply with ring-fencing rules, which were designed to protect consumers' cash by pushing potentially riskier banking businesses further away from retail depositors' funds. Moody's said it expects the change to result in bigger swings in earnings for the firm's capital markets business. The ratings downgrade reflects Moody's assessment of the bank's profile "in light of its ongoing profitability challenges, and the impact on existing creditors of the implementation of ring-fencing," Moody's Senior Vice President Andrea Usai said in the report. Moody's cut Barclays' long-term issuer and senior unsecured debt ratings to Baa3, or one step above junk, from Baa2. The bond grader assigned a stable outlook to the ratings for Barclays. Ring-fencing regulation "will affect a small number of large U.K. banking groups, including Barclays," according to the report. (Source: Bloomberg, The Edge)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
MBSB Bank Berhad	Financial Institution Rating	A2/Stable/P1	Assigned

Source: RAM Ratings; MARC

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