

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.52	5
5-yr UST	2.79	4
10-yr UST	2.94	4
30-yr UST	3.09	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.72	0	3.65	-11
5-yr	3.81	2	4.02	1
7-yr	4.03	0	4.16	0
10-yr	4.18	-1	4.33	1
15-yr	4.62	1	4.72	-1
20-yr	4.90	3	4.84	0
30-yr	4.92	0	5.00	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.81	0
5-yr	3.89	0
7-yr	3.98	0
10-yr	4.13	0

Source: Bloomberg

Upcoming Government Bond Tenders

US Treasuries

- US Treasuries continued to sell-off as US equities climbed to even higher levels led by tech names. Overall benchmark yields ended 3-5bps higher across the curve. The 2Y rose another 5bps at 2.52% whilst the 10Y also spiked 4bps; ending at 2.94%. US allies are hopeful that Trump reviews his tough stand on US tariffs to avert a trade war. Meanwhile rates strategists are watching the resumption of flattening as the rate hike likelihood continues to be seen on the front-end with OIS pricing an additional 57bps of hikes by FOMC for the rest of the year versus 51bps prior to the strong May jobs data; thus fanning the possibility of up to four rate hikes for 2018.

MGS/GII

- Trading volume in local Govvies dived to RM1.2b with sporadic trades seen across the curve with many odd-lot transactions notched. Overall benchmark MGS yields generally ended unchanged-to-higher by up to 3bps. The benchmark 7Y MGS 3/25 was unchanged at 4.03% whilst the 10Y MGS 6/28 however edged 1bps lower at 4.18%. The government assurance of a budget deficit target of 2.8% of GDP may lead to reversal of outflows. On the data front we have trade figures expected out this noon.

Corp Bonds/Sukuk

- Corporate Bonds notched decent volume of RM473m with bulk of interest seen on GG and AA-rated papers. PASB 6/23 and 6/25 made their maiden trades at their respective coupon levels of 4.41% and 4.56%. The long-end DANA 4/39 and 11/47 saw total nominal amount of RM70m traded closing mixed on yields at 5.13% and 5.24% respectively compared to previous-done levels. In the AA-space; a slew of infra-cum power related bonds i.e. Southern Power 26-32 and JEP 32's saw investor interest as these ended mixed between -1 to +9bps at levels ranging from 4.91%-5.28% levels. In the banking space Bank Islam 27nc22 rallied 2bps at 4.94%. Expect sustained appetite for Corp Bonds/Sukuk.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.135	23	3.175	01/06/2018	-4
MGS	03/19	3.396	8	3.426	01/06/2018	-3
MGS	07/19	3.468	40	3.452	01/06/2018	2
MGS	10/19	3.482	68	3.475	01/06/2018	1
MGS	11/19	3.480	151	3.489	01/06/2018	-1
MGS	03/20	3.576	34	3.616	01/06/2018	-4
MGS	07/20	3.693	19	3.634	01/06/2018	6
MGS	10/20	3.666	61	3.666	01/06/2018	0
MGS	02/21	3.775	20	3.754	31/05/2018	2
MGS	07/21	3.787	42	3.815	01/06/2018	-3
MGS	09/21	3.820	5	3.779	31/05/2018	4
MGS	11/21	3.716	10	3.712	01/06/2018	0
MGS	03/22	3.878	21	3.863	01/06/2018	2
MGS	08/22	3.923	6	3.912	31/05/2018	1
MGS	09/22	3.921	6	3.934	31/05/2018	-1
MGS	03/23	3.943	2	3.946	01/06/2018	0
MGS	04/23	3.813	2	3.797	01/06/2018	2
MGS	08/23	4.014	18	4.014	01/06/2018	0
MGS	07/24	4.190	18	4.190	01/06/2018	0
MGS	09/24	4.140	58	4.138	01/06/2018	0
MGS	09/25	4.253	9	4.230	01/06/2018	2
MGS	11/26	4.333	37	4.319	01/06/2018	1
MGS	05/27	4.383	10	4.384	30/05/2018	0
MGS	11/27	4.288	9	4.288	01/06/2018	0
MGS	06/28	4.182	120	4.195	01/06/2018	-1
MGS	04/30	4.697	40	4.686	01/06/2018	1
MGS	06/31	4.696	61	4.660	01/06/2018	4
MGS	04/33	4.672	161	4.702	01/06/2018	-3
MGS	11/33	4.619	10	4.610	31/05/2018	1
MGS	05/35	4.864	1	4.892	01/06/2018	-3
MGS	04/37	4.901	6	4.873	01/06/2018	3
GII	04/19	3.567	10	3.556	22/05/2018	1
GII	04/20	3.646	2	3.757	31/05/2018	-11
GII	04/22	3.989	5	3.924	01/06/2018	6
GII	07/23	4.058	6	4.126	30/05/2018	-7
GII	11/23	4.022	30	4.012	01/06/2018	1
GII	07/27	4.389	5	4.378	01/06/2018	1
GII	10/28	4.326	70	4.316	01/06/2018	1
GII	06/33	4.724	2	4.733	31/05/2018	-1
GII	10/35	5.042	6	5.042	01/06/2018	0
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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*
Pengurusan Air SPV Sdn Bhd	06/23	GG	4.410	70	-	-	-	58
Pengurusan Air SPV Sdn Bhd	06/25	GG	4.560	65	-	-	-	53
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	5.128	5	5.158	15/05/2018	-3	23
DanaInfra Nasional Berhad	04/39	GG	5.128	60	5.090	13/03/2018	4	23
DanaInfra Nasional Berhad	11/47	GG	5.238	10	5.260	13/04/2018	-2	34
Manjung Island Energy Berhad	11/22	AAA	4.502	10	4.462	03/05/2018	4	70
Tenaga Nasional Berhad	08/32	AAA	4.944	5	4.972	31/05/2018	-3	32
YTL Power International Berhad	05/27	AA1	5.037	5	5.035	25/05/2018	0	89
Danajamin Nasional Berhad	10/27	AA1	4.827	40	4.817	15/05/2018	1	68
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berh	08/27	AA+	5.099	5	5.128	17/05/2018	-3	95
PBFIN Berhad	06/59	AA2	4.544	0	4.715	01/06/2018	-17	-35
Bumitama Agri Ltd	09/19	AA3	4.637	20	4.658	01/06/2018	-2	123
KT Kira Sertifikalari Variik Kiralama A.S.	03/20	AA3	5.610	1	5.615	17/05/2018	0	200
AmBank (M) Berhad	12/23	AA3	4.472	1	5.190	22/05/2018	-72	51
Southern Power Generation Sdn Berhad	10/26	AA-	4.906	10	4.811	29/03/2018	9	80
Southern Power Generation Sdn Berhad	04/31	AA-	5.107	5	5.100	24/04/2018	1	48
Southern Power Generation Sdn Berhad	04/32	AA-	5.189	20	5.228	18/05/2018	-4	57
Southern Power Generation Sdn Berhad	10/32	AA-	5.218	5	5.258	28/05/2018	-4	60
Jimah East Power Sdn Berhad	06/32	AA-	5.229	60	5.251	25/05/2018	-2	61
Jimah East Power Sdn Berhad	12/32	AA-	5.279	60	5.294	17/05/2018	-1	66
Bank Islam Malaysia Berhad	12/25	A1	4.690	2	4.526	17/04/2018	16	59
Bank Islam Malaysia Berhad	11/27	A1	4.935	10	4.957	16/05/2018	-2	78
Mah Sing Perpetual	-	-	5.616	2	5.617	06/01/2018	-	-
Mah Sing Perpetual	-	-	6.075	1	6.520	05/30/2018	-	-
DRB-Hicom Berhad	12/14	A- IS	7.796	1	7.914	04/01/2018	-12	290
Alliance Bank Malaysia Berhad	11/17	BBB1	5.669	1	6.070	07/05/2018	-40	77
				<u>473</u>				

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

Market/Corporate News: What's Brewing

Oil prices edged higher on Tuesday after falling nearly 2 percent in the previous session, but growing U.S. production and expectations of higher OPEC supplies continue to weigh on sentiment. Brent crude futures added 15 cents, or 0.2 percent, to \$75.44 a barrel at 0020 GMT, after settling down 2 percent at \$75.29 a barrel on Monday. U.S. West Texas Intermediate (WTI) crude was up 28 cents, or 0.4 percent, at \$65.03 a barrel. It finished the previous session 1.6 percent lower at \$64.75 a barrel. "It's all about supply, whether it's OPEC raising output or U.S. increasing production, all roads lead to higher global oil supplies, which is leaving oil traders shaking in their boots," said Stephen Innes, head of trading for Asia-Pacific at futures brokerage OANDA in Singapore. The Organization of the Petroleum Exporting Countries (OPEC) is due to meet in Vienna on June 22 to decide whether the group and non-OPEC members including Russia will raise production to ease concerns over potential supply shortfalls from Iran and Venezuela. Over the weekend, OPEC and non-OPEC Arab oil ministers agreed on the need for continued cooperation to balance global supply, Kuwait's state news agency KUNA reported. Increasing U.S. crude oil production has also put pressure on oil prices. In March, U.S. crude output rose to 10.47 million barrels per day, the highest on record, according to a monthly report by the Energy Information Administration (EIA). The number of rigs drilling in the United States was also up by two in the week to June 1, bringing the total to 861, the most since 2015, General Electric Co's Baker Hughes energy services said on Friday. Industry group American Petroleum Institute (API) is due to release its data for last week's U.S. crude oil inventories at 2030 GMT on Tuesday, and the EIA report is scheduled at 1430 GMT on Wednesday. U.S. crude stocks were forecast to fall about 2.5 million barrels on average in the week ended June 1, according to five analysts polled ahead of the reports. (Source: Reuters, The Star)

Property developer SP Setia Bhd expects the country's property market to return to growth after the Goods and Services Tax (GST) was zero-rated from June 1. Its president and CEO Khor Chap Jen hopes the zero-rating of GST would improve buying sentiment, especially among the young and first-time homebuyers, reported Bernama. "The property business has been a bit challenging over the last three years amid a soft market, but we hope this will change following the general election, with buying sentiment rising again. "We are also seeing a decline in property speculation, so property buyers nowadays are those who really want to purchase houses. Housing demand will always be there, but it is now moving towards a stable, gradual increase," he said after the World Environment Day celebration organised by SP Setia. He also announced that SP Setia would be launching Setia Fontaines, a new township development project in Bertam, Penang, at the end of this year. Spanning 677ha, the project will comprise two residential collections with single- and double-storey terraced, cluster, semi-detached and bungalow houses.. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Westports Malaysia Sdn Bhd	RM2.0 billion Sukuk Musyarakah Programme	AA+ IS	Afirmed

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
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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