

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries were sold-off in the face of slight improvement in sentiments amid easing trade-wars concerns before President Trump called for an additional US\$100bn of Chinese goods to be considered for higher tariff. Overall yields advanced between 1-4bps with mild steepening of the curve. The 2Y; most sensitive to interest rate outlook edged 1bps higher at 2.30% whilst the 10Y rose 3bps at 2.83%. Treasury announced expected sizes for next week's auction i.e. \$30b of 3Y, \$21b of 10Y reopening and \$13b of 30Y reopening. Meanwhile the outlook may see continued pressure on UST's irrespective of whether the market rises or retreats following the release of the all-important NFP report tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.30	1
5-yr UST	2.64	2
10-yr UST	2.83	3
30-yr UST	3.07	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.46	0	3.60	0
5-yr	3.54	-1	3.83	0
7-yr	3.85	1	4.00	0
10-yr	3.95	1	4.16	1
15-yr	4.41	0	4.56	0
20-yr	4.55	0	4.75	0
30-yr	4.80	0	4.91	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.80	0
5-yr	3.87	1
7-yr	3.97	1
10-yr	4.10	1

Source : Bloomberg

MGS/GII

- Trading volume in local govies eased to RM2.10b with transactions equally split between MGS and GII bonds. Yesterday's session also saw interest in off-the-run bellies i.e. 22-25's as overall benchmark yields were within 1bps movement compared to previous-done levels. The benchmark 7Y MGS 3/25 and the much-watched 10Y MGS 11/27 edged 1bps higher at 3.85% and 3.95% respectively. Expect a quieter tone in the days ahead.

Corp Bonds/Sukuk

- Corporate Bonds notched a healthy secondary market volume of RM555m with bulk of trades done within the AA-rated space. The Govt-Guaranteed (GG) GOVCO and PTPTN 21's rallied 2-4bps at 3.95% and 4.01% respectively compared to previous-done levels. In the AAA-space, the shorter-tenured PASB 11/19 and also RANTAU 8/19 closed unchanged at 4.14% and 4.03% respectively. RM100m of AA-rated Bright Focus 21-29's exchanged hands between 4.42-4.96% levels whilst the banking space saw continued interest in the AA1-rated PUBLIC Bank 10/23 moved 3bps lower at 4.31%. DUKE 34, 38 and 39 bonds were unchanged at 5.22%, 5.49% and 5.54%. Expect investor interest to wane ahead of the weekend and possible announcement of the dissolution of Parliament today.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.214	35	3.174	04/04/2018	4
MGS	03/19	3.405	67	3.148	04/04/2018	26
MGS	10/19	3.288	1	3.296	04/04/2018	-1
MGS	11/19	3.276	2	3.264	04/04/2018	1
MGS	03/20	3.423	38	3.407	04/04/2018	2
MGS	07/20	3.425	7	3.358	02/04/2018	7
MGS	07/21	3.457	30	3.475	04/04/2018	-2
MGS	09/21	3.554	0	3.567	04/04/2018	-1
MGS	03/22	3.542	20	3.557	04/04/2018	-2
MGS	08/22	3.706	20	3.693	04/04/2018	1
MGS	09/22	3.721	265	3.697	04/04/2018	2
MGS	08/23	3.758	126	3.750	04/04/2018	1
MGS	07/24	3.876	25	3.887	03/04/2018	-1
MGS	03/25	3.849	50	3.840	04/04/2018	1
MGS	09/25	3.916	120	3.923	04/04/2018	-1
MGS	04/26	4.053	3	4.003	04/04/2018	5
MGS	11/26	3.975	0	3.982	04/04/2018	-1
MGS	03/27	4.094	1	4.101	02/04/2018	-1
MGS	11/27	3.949	167	3.949	04/04/2018	0
MGS	04/37	4.548	11	4.544	04/04/2018	0
GII	09/19	3.486	300	3.447	05/03/2018	4
GII	05/20	3.635	2	3.584	15/03/2018	5
GII	04/21	3.787	100	3.788	04/04/2018	0
GII	08/21	3.774	2	3.774	04/04/2018	0
GII	04/22	3.827	310	3.823	04/04/2018	0
GII	11/22	3.938	20	3.914	28/03/2018	2
GII	07/23	3.973	115	3.974	04/04/2018	0
GII	08/24	3.951	104	4.071	28/03/2018	-12
GII	10/25	4.170	40	4.201	04/04/2018	-3
GII	07/27	4.161	60	4.157	04/04/2018	0
GII	06/33	4.558	30	4.552	29/03/2018	1
GII	10/35	4.731	25	4.751	26/03/2018	-2
			<u>2096</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*	
GovCo Holdings Berhad	02/21	GG	3.951	10	3.975	08/03/2018	-2	49
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	4.010	10	4.049	06/02/2018	-4	55
Malaysia Debt Ventures Berhad	03/23	GG	4.162	10	4.116	16/10/2017	5	61
Danainfra Nasional Berhad	07/39	GG	5.059	30	4.904	17/02/2017	16	51
Pengurusan Air SPV Berhad	11/19	AAA	4.141	60	4.137	16/03/2018	0	80
UniTapah Sdn Berhad	06/18	AA1	3.792	6	3.809	02/03/2018	-2	60
UniTapah Sdn Berhad	06/19	AA1	4.120	2	4.125	22/03/2018	0	93
Public Bank Berhad	10/23	AA1	4.306	30	4.332	03/04/2018	-3	55
Northern Gateway Infrastructure Sdn Berhad	08/30	AA1	4.990	10	4.999	09/02/2018	-1	104
Northern Gateway Infrastructure Sdn Berhad	08/31	AA1	5.028	10	5.029	14/02/2018	0	61
UMW Holdings Berhad	06/20	AA2	4.444	20	4.466	27/03/2018	-2	110
Bright Focus Berhad	01/21	AA2	4.417	20	4.673	01/07/2015	-26	96
Bright Focus Berhad	01/22	AA2	4.503	20	4.729	29/07/2015	-23	99
Bright Focus Berhad	01/28	AA2	4.891	30	4.899	20/03/2018	-1	94
Bright Focus Berhad	01/29	AA2	4.958	30	4.967	20/03/2018	-1	101
CIMB Bank Berhad	10/38	AA	4.564	10	4.572	14/03/2018	-1	1
Gamuda Berhad	11/22	AA3	4.668	50	4.669	04/04/2018	0	112
BGSM Management Sdn Berhad	06/24	AA3	4.668	10	4.684	02/03/2018	-2	91
Edra Energy Sdn Berhad	01/25	AA3	5.323	2	5.326	26/03/2018	0	148
Affin Bank Berhad	02/27	A1	4.818	10	4.827	26/01/2018	-1	88
Affin Bank Berhad	09/27	A1	4.857	5	4.850	15/03/2018	1	92
Golden Assets International Finance Limited	08/19	A1	5.093	10	5.159	29/03/2018	-7	190
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.554	10	4.520	11/12/2017	3	121
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/23	AA-	4.614	20	4.667	27/02/2018	-5	86
WCT Holdings Berhad	01/25	AA-	5.409	10	5.458	15/03/2018	-5	157
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.220	20	5.220	30/03/2018	0	80
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.492	10	5.491	23/03/2018	0	94
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.539	10	5.540	30/03/2018	0	99
Rantau Abang Capital Berhad	08/19	AAA	4.025	30	4.029	23/03/2018	0	83
Projek Lebuhraya Usahasama Berhad	01/22	AAA	4.256	10	4.260	23/03/2018	0	75
Danga Capital Berhad	09/33	AAA	4.940	40	4.949	03/04/2018	-1	52
			<u>555</u>					

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

Market/Corporate News: What's Brewing

MyHSR Corporation Sdn Bhd has completed its project delivery partner (PDP) tender and has selected two consortia to assist with the Kuala Lumpur-Singapore High Speed Rail (KL-SG HSR) project's civil works portion. **The Malaysian Resources Corporation Bhd-Gamuda Bhd consortium has been selected for the northern portion of the alignment while the Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd-TH Properties Sdn Bhd consortium (YTL-THP) has been selected for the southern portion of the KL-SG HSR project alignment.** The contracts will be awarded upon the satisfactory conclusion of negotiations between MyHSR Corp and MRCB Gamuda Consortium and YTL-THP consortia respectively. The PDPs will be responsible for designing and delivering the civil works for the KL-SG HSR project at an agreed cost and schedule. It shall carry out all necessary activities throughout the planning, construction, testing, and commissioning phases, amongst others. "We are pleased to have selected two very capable consortia to work on the project. The PDPs will bring both local and international experience, through their own experience in building railways in the country and through partnerships with HSR experts, and together, we will build the KL-SG HSR project. "We look forward to emulating the success of previous iconic projects in the country," said MyHSR Corp chief executive officer Datuk Mohd Nur Ismail Mohamed Kamal in a statement. The PDP tender that was called on November 22, 2017 and was conducted via an open tender by MyHSR Corp. The tender was open to parties with experience in railway design and construction, familiar with Malaysian Railway construction practices and regulatory requirements, as well as the Malaysian supply market conditions. The tender also promoted involvement of Malaysian firms consistent with the Government's procurement objectives to stimulate and encourage the growth of local industries through optimal usage of local resources and materials. (Source: The Star)

President Donald Trump said Thursday he is ordering the U.S. Trade Representative to consider \$100 billion in additional tariffs on Chinese goods, ratcheting up tensions with Beijing after his administration signaled it would be willing negotiate. U.S. stock futures dropped on Trump's latest trade directive. S&P 500 Index futures slid as much as 1.2 percent, after the underlying gauge ended up 0.7 percent on Thursday. "In light of China's unfair retaliation, I have instructed the USTR to consider whether \$100 billion of additional tariffs would be appropriate under section 301 and, if so, to identify the products upon which to impose such tariffs," Trump said in a statement issued by the White House. The move threatens to unravel efforts by top U.S. and Chinese trade officials to lower the heat and reach an agreement that could stave off a full-blown trade war that could harm the world's two largest economies. China said Wednesday it would levy a 25 percent tariff on about \$50 billion of U.S. imports including soybeans, automobiles, chemicals and aircraft. That was in response to the release by the U.S. of a list of proposed tariffs a day earlier, covering \$50 billion in Chinese goods. U.S. Trade Representative Robert Lighthizer quickly followed up Trump's Thursday evening declaration with a statement of his own stressing that none of the tariffs would take immediate effect. He said that any additional tariffs first would be subject to a 60-day public comment period, as would the penalties announced earlier in the week. "No tariffs will go into effect until the respective process is complete," Lighthizer said. Trump chief economic adviser Larry Kudlow and other administration officials have spent the past two days trying to tamp down fears of a trade war. "I think we're going to come to agreements," Kudlow said Wednesday on Fox News. "I believe that the Chinese will back down and will play ball." Yet Trump signaled a harder line in a speech earlier Thursday, saying it is time to stop China from "taking advantage" of America. "You have to go after the people who aren't treating you right," Trump said in West Virginia. "We're going to have a fantastic relationship long term with China but we have to get this straightened out, we have to have some balance." Kudlow, his newly installed economic adviser, has spent days trying to calm investors who are concerned the spat will spark a trade war, saying on Thursday the administration was involved in "delicate negotiations" that might forestall the need for tariffs. He said the U.S. could still hammer out a deal with Beijing, in part by convincing other major economies to call out the Asian nation for unfair trading practices. David Loevinger, a former senior Treasury official who is now managing director of emerging markets at TCW Group Inc., said the move casts doubt on the direction of U.S. policy "It's just not clear what the connection is right now between what the president says and what will actually become policy," Loevinger said. "Markets increasingly have to discount White House statements on trade issues." (Source: Bloomberg, The Edge)

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

Source: RAM Ratings; MARC

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