

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	-2
5-yr UST	2.77	-3
10-yr UST	2.93	-1
30-yr UST	3.08	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.71	0	3.73	9
5-yr	3.84	2	4.02	0
7-yr	4.03	0	4.17	1
10-yr	4.18	0	4.33	0
15-yr	4.62	0	4.77	4
20-yr	4.90	0	4.93	9
30-yr	4.93	1	5.01	1

\*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.81	0
5-yr	3.89	1
7-yr	3.98	0
10-yr	4.12	-1

Source: Bloomberg

#### Upcoming Government Bond Tenders

#### US Treasuries

- US Treasuries gained with yields slipping 1-3bps across the curve as markets were torn between upbeat US data and renewed selloff in Italian bonds that prompted a 25bps rally in the 10Y to 2.79%. The UST curve bull steepened with the 2s losing 2bps to 2.49% while the 10s shed just a bp to 2.93%. With no new supply in the pipeline this week, we expect US treasuries to be influenced by trade balance and initial jobless claims data as well as trade and geopolitical development before cautiousness ahead of next week's FOMC meeting sets in.

#### MGS/GII

- Trading volume in local govies pulled back further for a 3<sup>rd</sup> consecutive day, to RM875m as much softer trading momentum in MGS overwhelmed a pick-up in trading interests in GII. Yields were seen largely unchanged in the MGS space with the benchmark 7Y and 10Y flat at 4.03% and 4.18% respectively. Meanwhile, GII yields were generally higher by 1-9bps with the 3Y and 20Y edging up the most, by 9bps each to 3.73% and 4.93% respectively. Trading activities were skewed to the 4-5Y tenors i.e. MGS 03/22, MGS 03/23, MGS 04/23, GII 04/22 and GII 11/23 which collectively made up 43% of total trading volume for the day. Trading momentum may remain soft amid still cautious market sentiments but the government assurance of a budget deficit target of 2.8% of GDP could potentially keep a lid on outflows. External trade numbers released yesterday was decent, reaffirming that economic fundamentals are still sound.

#### Corp Bonds/Sukuk

- Corporate Bonds saw sustained trade volume of RM488m with well-spread interests across the curve. The AA-rated segment remained the darling of investors, collectively accounted for close to 80% of deals transacted. Names that saw substantial interests include Sime Darby Plantation, Gamuda, Southern Power and Public Islamic Bank for the banking front. In the GG segment, PASB '6/23, Prasa '9/27, DanaInfara '2/43 and LPPSA '9/46 saw a combined RM60m being dealt. 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	3.359	37	3.264	04/06/2018	10
MGS 07/19	3.495	4	3.468	04/06/2018	3
MGS 10/19	3.489	58	3.482	04/06/2018	1
MGS 11/19	3.494	0	3.480	04/06/2018	1
MGS 03/20	3.605	0	3.576	04/06/2018	3
MGS 07/20	3.624	1	3.693	04/06/2018	-7
MGS 10/20	3.658	40	3.666	04/06/2018	-1
MGS 07/21	3.814	5	3.842	04/06/2018	-3
MGS 09/21	3.765	9	3.820	04/06/2018	-5
MGS 11/21	3.713	16	3.728	04/06/2018	-2
MGS 03/22	3.924	67	3.878	04/06/2018	5
MGS 03/23	4.025	30	3.943	04/06/2018	8
MGS 04/23	3.836	40	3.797	01/06/2018	4
MGS 07/24	4.303	20	4.190	04/06/2018	11
MGS 09/24	4.158	8	4.140	04/06/2018	2
MGS 07/25	4.272	20	4.200	31/05/2018	7
MGS 09/25	4.253	7	4.277	04/06/2018	-2
MGS 04/26	4.301	0	4.301	01/06/2018	0
MGS 11/26	4.341	2	4.333	04/06/2018	1
MGS 11/27	4.275	3	4.315	04/06/2018	-4
MGS 06/28	4.183	70	4.182	04/06/2018	0
MGS 04/30	4.669	2	4.697	04/06/2018	-3
MGS 06/31	4.700	25	4.696	04/06/2018	0
MGS 04/32	4.732	0	4.726	01/06/2018	1
MGS 04/33	4.742	7	4.742	04/06/2018	0
MGS 05/35	4.864	17	4.864	04/06/2018	0
MGS 04/37	4.901	4	4.901	04/06/2018	0
MGS 03/46	4.933	1	4.923	01/06/2018	1
GII 08/18	3.354	10	3.281	01/06/2018	7
GII 04/19	3.544	20	3.567	04/06/2018	-2
GII 04/20	3.720	18	3.702	04/06/2018	2
GII 08/20	3.721	1	3.703	31/05/2018	2
GII 04/22	3.933	121	3.936	04/06/2018	0
GII 07/22	3.967	10	3.967	31/05/2018	0
GII 07/23	4.055	41	4.071	04/06/2018	-2
GII 11/23	4.012	120	4.022	04/06/2018	-1
GII 05/24	4.195	20	4.231	14/05/2018	-4
GII 08/28	4.456	1	4.526	01/06/2018	-7
GII 08/33	4.796	20	4.828	01/06/2018	-3
GII 05/47	5.013	0	5.000	24/05/2018	1
		<u>875</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*
Pengurusan Air SPV Berhad	06/23	GG	4.408	20	4.410	04/06/2018	0	58
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.582	10	4.521	04/04/2018	6	43
DanaInfra Nasional Berhad	02/43	GG	5.183	10	0.000	00/01/1900	518	29
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	5.250	20	5.220	26/01/2018	3	35
Aqasar Capital Sdn Berhad	07/23	AAA	4.571	10	4.438	17/02/2017	13	74
EKVE Sdn Berhad	01/33	AAA	5.091	4	5.000	20/12/2017	9	47
Tenaga Nasional Berhad	08/37	AAA	5.168	1	5.179	28/05/2018	-1	27
Hong Leong Bank Berhad	06/24	AA1	4.407	10	4.497	24/05/2018	-9	45
TRIpIc Medical Sdn Berhad	10/26	AA1	4.687	10	4.841	22/03/2018	-15	58
YTL Power International Berhad	05/27	AA1	5.027	5	5.037	04/06/2018	-1	88
Public Islamic Bank Berhad	08/27	AA1	4.639	40	4.597	06/04/2018	4	49
TRIpIc Medical Sdn Berhad	10/27	AA1	4.741	10	4.850	10/04/2018	-11	59
TRIpIc Medical Sdn Berhad	10/31	AA1	4.981	5	5.011	04/05/2018	-3	36
TRIpIc Medical Sdn Berhad	10/32	AA1	5.009	5	5.090	04/04/2018	-8	39
UMW Holdings Berhad	10/19	AA2	4.438	5	4.418	03/05/2018	2	103
Bright Focus Berhad	01/31	AA2	5.396	12	5.329	12/12/2017	7	77
Fortune Premiere Sdn Berhad	03/23	AA	4.929	5	4.791	13/03/2018	14	110
Sime Darby Plantation Sdn Bhd	03/16	AA	5.388	50	5.447	24/05/2018	-6	49
Gamuda Berhad	03/19	AA3	4.310	20	4.271	27/04/2018	4	90
Bumitama Agri Ltd	03/19	AA3	4.549	20	4.586	31/05/2018	-4	114
Bumitama Agri Ltd	09/19	AA3	4.632	20	4.637	04/06/2018	0	123
Gamuda Berhad	11/22	AA3	4.777	20	4.817	23/05/2018	-4	98
Gamuda Berhad	03/23	AA3	4.827	40	4.758	30/04/2018	7	100
RHB Investment Bank Berhad	04/25	AA3	4.975	1	4.706	24/05/2018	27	95
AmBank Islamic Berhad (fka AmIslamic Bank Berhad)	12/25	AA3	4.787	1	4.764	22/12/2017	2	68
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.205	2	5.179	07/05/2018	3	58
Alpha Circle Sdn Berhad	02/21	AA-	5.401	6	5.411	18/05/2018	-1	169
Southern Power Generation Sdn Berhad	04/22	AA-	4.628	25	4.636	15/01/2018	-1	83
Southern Power Generation Sdn Berhad	10/22	AA-	4.668	15	4.563	02/04/2018	11	87
Southern Power Generation Sdn Berhad	10/25	AA-	4.843	10	4.849	15/05/2018	-1	81
Southern Power Generation Sdn Berhad	04/26	AA-	4.858	10	4.781	29/03/2018	8	75
Southern Power Generation Sdn Berhad	04/31	AA-	5.108	20	5.107	04/06/2018	0	48
Jimah East Power Sdn Berhad	12/32	AA-	5.278	20	5.294	17/05/2018	-2	65
Tan Chong Motor Holdings Berhad	11/19	A1	5.901	2	5.920	23/05/2018	-2	250
AMMB Holdings Berhad	02/28	A1	5.062	2	4.927	22/05/2018	14	87
CIMB Group Holdings Berhad	05/16	A1	5.349	1	5.350	01/06/2018	0	45
CIMB Group Holdings Berhad	05/16	A1	5.152	0	5.380	01/06/2018	-23	25
Mudajaya Corporation Berhad	01/19	A2	5.690	10	5.794	03/01/2018	-10	229
Alliance Bank Malaysia Berhad	10/25	A2	5.215	1	5.451	25/05/2018	-24	119
Bank Muamalat Malaysia Berhad	06/26	A3	5.603	2	5.620	12/02/2018	-2	150
Bank Muamalat Malaysia Berhad	11/21	A	5.483	5	5.227	07/05/2018	26	177
Mah Sing Group Berhad	03/15	-	5.614	3	5.616	04/06/2018	0	72
				<u>488</u>				

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

## Market/Corporate News: What's Brewing

The Malaysia Retailers Association (MRA) forecasts retail sales to be 5.3% for 2018, an improvement from the 4.7% growth in its March survey, boosted temporarily by the zero Goods and Sales Tax in June. The MRA said for the first quarter of 2018, the Malaysia retail industry recorded a below-than-expected growth rate of 2.6% in retail sales versus the 3.1% in October to December last year and 1.2% growth a year ago. "Despite poor performance recorded a year ago (-1.2% in Q12017), the Malaysia retail market remained subdued early this year. Shoppers were still careful in their spending on festive goods during the Chinese New Year period," it said on Wednesday. The MRA said except the supermarket and hypermarket sub-sector, all retail sub-sectors recorded improvement in their retail businesses during the first quarter of 2018. It said its members are hopeful that their businesses will recover by the second quarter of 2018. They projected an average growth rate of 6.0%. The change in ruling party after the general election on May 9, 2018 is expected to boost consumers' confidence level and increase their willingness to spend. At the same time, the largest festival in Malaysia, Hari Raya, will be celebrated in June this year. "The department store cum supermarket operators are expecting a better performance with a growth of 4.6% for the second quarter of this year. "The department store operators are expecting to sustain their businesses with a growth rate of 4.7% for the second three-month period of this year," it said. On the other hand, supermarket and

hypermarket operators will not see improvement in their business in the coming months. They expect to remain in the red zone with a -4.4% growth rate for the second quarter of 2018. The Retail Group Malaysia adjusted the Q2 retail growth rate from 3.7% (estimated in March 2018) to 6.3%. This revision is also higher than the latest projection made by MRA members. This new estimate took into consideration the tax holiday during the last month (June) of second quarter as well as Hari Raya celebration at the middle of June 2018. The retail sale growth rate for third quarter has also been revised from 5.2% (estimated in March 2018) to 6.8%. This revision took into consideration the remaining two months of tax break before Sales and Services Tax (SST) is to be re-introduced from 1 September 2018. "For the last quarter of this year, the retail growth rate has been revised downwards from 5.0% (estimated in March 2018) to 3.5%. "This lower adjustment is needed to reflect higher consumers' spending during the three-month period with zero-rated GST. Major purchases are expected to have been made from June to August of this year," it said. (Source: *The Star*)

Billionaire T. Ananda Krishnan is weighing the possibility of taking Astro Malaysia Holdings Bhd private after shares of the pay-TV operator dropped to a record low, people familiar with the matter said. The tycoon has revived deliberations about a buyout of Kuala Lumpur-based Astro, which had a market value of US\$1.9bil at Monday's close, according to the people. Krishnan has been speaking to potential advisers about funding options and is reaching out to some major investors to gauge their interest, the people said, asking not to be identified because the information is private. Astro shares jumped as much as 16% in Kuala Lumpur trading Tuesday, the most intraday in nearly two months. The company's stock had fallen 46% this year through Monday, making it the worst performer on the benchmark FTSE Bursa Malaysia KLCI Index, which was down 2.3%. "It's an opportunistic move from Krishnan," Justin Tang, head of Asian research at United First Partners, a special situations investment and advisory firm, said by phone. "He would need to offer at least a 25% premium for people to consider his buyout offer." Krishnan is Malaysia's fourth-richest person with a net worth of about US\$4.9bil, according to the Bloomberg Billionaires Index. The tycoon controls a 40.9% stake in Astro as of April 10, the company's latest annual report shows. Malaysian sovereign wealth fund Khazanah Nasional Bhd owns 20.7%, while Employees Provident Fund holds 7.8%. Astro's satellite-television platform offers 189 channels to its more than 5 million customers, reaching over 70 percent of Malaysian households, according to its website. The discussions are at an early stage, and there's no certainty that Krishnan will proceed with a take-private bid, the people said. (Source: *The Star/ Bloomberg*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
HSBC Amanah Malaysia Berhad	Financial Institution Rating	AAA/Stable/P1	Reaffirmed
	RM3 billion Multi-Currency Sukuk Programme (2012/2032).	AAA/Stable	Reaffirmed
HSBC Bank Malaysia Berhad	Financial Institution Rating	AAA/Stable/P1	Reaffirmed
	RM500 million Tier-2 Subordinated Bonds (2007/2027).	AA1/Stable	Reaffirmed

Source: RAM Ratings; MARC

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