

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.52	2
5-yr UST	2.81	4
10-yr UST	2.97	4
30-yr UST	3.12	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.71	-1	3.74	1
5-yr	3.84	0	4.02	0
7-yr	4.03	0	4.17	0
10-yr	4.20	1	4.33	0
15-yr	4.62	0	4.77	0
20-yr	4.91	1	4.93	0
30-yr	4.97	4	5.01	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.82	0
5-yr	3.90	0
7-yr	3.99	0
10-yr	4.12	0

Source: Bloomberg

Upcoming Government Bond Tenders

US Treasuries

- US Treasuries fell, getting hit by the spillover from selloffs in European bonds following ECB's Chief Economist Peter Praet comments that ECB may be signaling an end to its QE programme at next week's meeting. US treasuries yields climbed 2-4bps, bear steepening the curve. 2Y notes inched 2bps up to 2.52% while the 10Y UST yields closed 4bps higher at 2.97%. UST could remain under pressure as FOMC and ECB policy meetings approaches next week but before that, we have US initial jobless claims and EU 1Q GDP readings tonight to provide more clues on the health of the US and EU economy.

MGS/GII

- Trading volume in local govies picked up for the first time in four days, back above the RM1.0bn mark to RM1.70bn yesterday, amid sizeable interests in MGS. Trading in MGS outnumbered its Islamic peers at a ratio of 2:1 with activities skewed towards the short end 1-2Ys most notably MGS 9/18, MGS 7/19 and GII 8/18. Yields were generally higher across both the MGS and GII curves save for 3Y MGS and 7YGII which fell within a bp to 3.71% and 4.17% respectively at close. The benchmark 7Y MGS 3/25 ended flat at 4.03% while 10Y MGS 6/28 rose just a bp to 4/20%. We expect market sentiments to remain cautious pending more policy clarity domestically and ahead of next week's FOMC and ECB policy meetings.

Corp Bonds/Sukuk

- Trading activities in local corporate Bonds softened somewhat with only RM349m dealt yesterday. Interests remained well-spread across with the AA-segment remained in the lead. TRIp/c Medical maturing in 2032-35 saw RM60m changed hands while Southern Power 2026-32 saw a combined RM35m done 1bp inner. Substantial interests were seen in GG PTPTN '3/24 (RM50m), Prasa '9/27 (RM50m) and DanaInfra '10/28 (RM60m), with PTPTN and DanaInfra traded wider by 7-15bps. 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	3.292	237	3.261	05/06/2018	3
MGS 03/19	3.423	12	3.396	04/06/2018	3
MGS 07/19	3.401	100	3.495	05/06/2018	-9
MGS 11/19	3.464	20	3.480	04/06/2018	-2
MGS 03/20	3.588	53	3.605	05/06/2018	-2
MGS 10/20	3.653	92	3.658	05/06/2018	0
MGS 02/21	3.724	88	3.775	04/06/2018	-5
MGS 07/21	3.793	28	3.787	04/06/2018	1
MGS 09/21	3.787	2	3.813	05/06/2018	-3
MGS 11/21	3.706	19	3.691	05/06/2018	2
MGS 03/22	3.895	33	3.852	05/06/2018	4
MGS 08/22	3.927	1	3.923	04/06/2018	0
MGS 09/22	3.908	76	3.921	04/06/2018	-1
MGS 03/23	3.943	20	4.025	05/06/2018	-8
MGS 08/23	3.993	0	4.014	04/06/2018	-2
MGS 07/24	4.152	16	4.180	05/06/2018	-3
MGS 09/24	4.158	21	4.140	04/06/2018	2
MGS 09/25	4.245	29	4.253	05/06/2018	-1
MGS 11/26	4.326	8	4.341	05/06/2018	-2
MGS 03/27	4.351	0	4.376	01/06/2018	-3
MGS 11/27	4.291	27	4.275	05/06/2018	2
MGS 06/28	4.195	90	4.183	05/06/2018	1
MGS 04/30	4.664	5	4.669	05/06/2018	0
MGS 06/31	4.707	12	4.700	05/06/2018	1
MGS 04/33	4.752	80	4.742	05/06/2018	1
MGS 11/33	4.623	20	4.619	04/06/2018	0
MGS 05/35	4.846	13	4.870	05/06/2018	-2
MGS 04/37	4.909	35	4.888	05/06/2018	2
MGS 09/43	4.932	0	4.900	01/06/2018	3
MGS 03/46	4.971	0	4.933	05/06/2018	4
GII 08/18	3.304	100	3.281	01/06/2018	2
GII 08/18	3.304	100	3.517	25/05/2018	-21
GII 04/22	3.927	92	3.938	05/06/2018	-1
GII 11/23	4.022	270	4.012	05/06/2018	1
GII 05/24	4.179	0	4.195	05/06/2018	-2
GII 10/25	4.297	1	4.422	25/05/2018	-13
GII 09/26	4.384	0	4.395	31/05/2018	-1
GII 07/27	4.365	4	4.389	04/06/2018	-2
		<u>1704</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.458	50	4.308	11/04/2018	15	50
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.585	50	4.582	05/06/2018	0	43
Danainfra Nasional Berhad	10/28	GG	4.691	60	4.621	30/03/2018	7	50
Projek Lebuhraya Usahasama Berhad	01/19	AAA	4.049	30	4.049	19/03/2018	0	64
TNB Western Energy Berhad	07/28	AAA	4.799	10	4.702	04/04/2018	10	61
TNB Western Energy Berhad	07/29	AAA	4.849	20	4.780	14/03/2018	7	66
Mah Sing Gtoup Berhad	01/33	AAA	5.091	2	5.091	05/06/2018	0	47
TRlplc Medical Sdn Berhad	10/32	AA1	5.009	15	5.009	05/06/2018	0	39
TRlplc Medical Sdn Berhad	10/33	AA1	5.099	15	5.219	09/03/2018	-12	48
TRlplc Medical Sdn Berhad	10/34	AA1	5.189	15	5.231	16/05/2018	-4	57
TRlplc Medical Sdn Berhad	10/35	AA1	5.319	15	5.359	16/05/2018	-4	70
BGSM Management Sdn Berhad	03/26	AA3	4.889	10	4.814	30/01/2018	8	79
Segi Astana Sdn Berhad	01/23	AA-	5.227	5	0.000	00/01/1900	523	140
Southern Power Generation Sdn Berhad	10/26	AA-	4.892	5	4.906	04/06/2018	-1	79
Southern Power Generation Sdn Berhad	04/32	AA-	5.174	10	5.189	04/06/2018	-1	55
Southern Power Generation Sdn Berhad	10/32	AA-	5.208	20	5.218	04/06/2018	-1	59
Tan Chong Motor Holdings Berhad	11/21	A1	6.497	10	6.269	13/04/2018	23	278
CIMB Group Holdings Berhad	05/16	A1	5.352	0	5.349	05/06/2018	0	45
Mudajaya Corporation Berhad	01/19	A2	5.707	5	5.690	05/06/2018	2	230
Bank Muamalat Malaysia Berhad	06/26	A3	5.603	1	5.603	05/06/2018	0	150
Bank Muamalat Malaysia Berhad	11/21	A	5.222	0	5.483	05/06/2018	-26	151
Mah Sing Group Berhad	03/15	-	5.612	1	5.614	05/06/2018	0	-
			<u>349</u>					

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

Market/Corporate News: What's Brewing

Indonesia's central bank has no plan to implement capital controls to support the rupiah during periods of global market volatility, its governor Perry Warjiyo said on Wednesday. "Bank Indonesia has no plans, not even thinking to recommend any capital control measures," Warjiyo, who was sworn in as governor late last month, told a media gathering in response to a question about the possibility of such measures. Alongside other emerging markets, Indonesia has seen an outflow of funds as U.S. assets become more attractive due to rising interest rates. The rupiah currency has been among the worst performing in the region while Indonesia's main stock index slumped and yields on its sovereign bonds rose across the board. Its markets have since pared some losses with investors returning to buy bonds while the rupiah has strengthened. Warjiyo said emerging markets with sound economic policies should have the option to manage capital flows as part of the country's macroeconomic policies. He noted institutional views and guidance by the International Monetary Fund (IMF) on capital flow management that he said he contributed to in 2011-2013. "This should not be a substitute for macro policies but capital flows management can be done if an emerging market has applied fiscal discipline and prudent monetary policy," Warjiyo said. Such measures, if taken, should be targeted and have a specific time period, he said. Emerging markets around the world saw a combined \$12.3 billion of outflows in bonds and stocks last month, according to data from the Institute of International Finance. Bank Indonesia raised its benchmark interest rate for the second time in two weeks at an out-of-cycle policy meeting on May 30, after hiking rates earlier that month. Warjiyo had called the off-cycle meeting a day after taking the helm of the central bank, stepping up efforts to tame market contagion. After raising the key rate, he said BI would assess developments to see if it needed to raise the key rate again. On Wednesday, he reiterated the possibility of a further rate hike, adding that the central bank "will not go crazy" on raising rates and that it would be done in a measured way. The central bank is also in talks with China to extend its bilateral swap agreement, which could be utilised to support the rupiah, if needed, the governor said. In total, BI has raised its key rate by 50 basis points in May, bringing it to 4.75 percent. (Source: The Star/ Reuters)

Lebuhraya Borneo Utara Sdn Bhd – the project delivery partner of the Pan Borneo Highway – has not given consent to the joint-venture (JV) company formed between Ekovest Bhd and Samling Group to undertake sub-contract work valued at some RM2.11bil for the highway. In a filing with Bursa Malaysia, Ekovest said that it had received a letter from its JV partner, Samling Resources Sdn Bhd (SRSB), with regards to this matter. "As such, SRSB is claiming that the JV company cannot carry out the project and that the JV and shareholders' agreement is now void. "We are reserving our rights in relation to the above matter and are seeking advice and will take all necessary action as may be required," said Ekovest. Nonetheless, Ekovest said that this is not expected to have any material effect on the operations and financials of the Ekovest group. Further announcements will be made on this matter, if required, it added. In January 2017, Ekovest first announced that it was to participate in the construction of the Pan Borneo Highway by entering into a JV with Miri-based Samling Group to develop a 95.4-km Sarawak stretch under a RM2.11bil contract. Back then, Ekovest said that its unit –Ekovest Construction Sdn Bhd – had inked a JV and shareholders' agreement with SRSB to jointly develop and upgrade the stretch from Semantan to Sg Moyan Bridge, plus the Kuching-Serian roundabout interchanges. Ekovest said a JV company, Samling-Ekovest JV Sdn Bhd, would be incorporated as the vehicle for the parties to undertake the implementation of the project. Ekovest Construction would hold a 30% stake in the JV company, while SRSB would own the rest. Based on this, Ekovest's share of the contract value was RM633.8mil. The stretch initially given to the JV of Ekovest and Samling was reported to be the longest of the 11 stretches for the Sarawak portion of the

toll-free highway under phase one. The work package was one of two Pan Borneo Highway packages clinched by SRSB in 2016. Ekovest closed 1.5 sen higher to 62 sen on a volume of 17.8 million shares. Meanwhile, Ekovest's third-quarter results to March 31 saw a 68.23% jump in net profit to RM18.6mil on the back of a 24.42% lower revenue of RM220.52mil. The better profits were due to better margins in the property-development segment. For the nine-month period, net profit was up 23.05% to RM113.44mil, while revenue was 2.76% lower at RM749.03mil. Looking ahead, Ekovest expects the ongoing construction of the Setiawangsa-Pantai Expressway, River of Life and related projects, the opening of the DUKE Phase-2's toll revenue and the recognition of unbilled sales from property-development activities to contribute positively to the group's turnover and profitability in the current financial year. "Barring any unforeseen circumstances, the board is confident that the group's performance would remain satisfactory for the financial year ending June 30, 2018," it added. (Source: *The Star*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action

Source: RAM Ratings; MARC

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