

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.13	2
5-yr UST	2.56	2
10-yr UST	2.82	2
30-yr UST	3.12	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	0	3.58	-2
5-yr	3.60	-1	3.86	-4
7-yr	3.92	0	4.11	0
10-yr	3.96	1	4.21	-1
15-yr	4.43	0	4.60	0
20-yr	4.63	1	4.78	0
30-yr	4.85	0	4.96	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	1
3-yr	3.83	0
5-yr	3.90	-2
7-yr	4.01	0
10-yr	4.13	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries continued to weaken with overall yields higher between 2-5bps across most tenures as the earlier bull-steepening reversed instead. Both the 2Y (which is sensitive to Fed policy interest rate expectations) and 10Y ended 2bps higher at 2.13% and 2.82% respectively amid muted BTC ratio of 2.34x for \$24b auction of 10Y issuance averaging 2.811%. The rally in yields raises concern the Fed would accelerate its tightening schedule. To avert a government shutdown this Friday; Senate leaders announced a bipartisan 2Y budget agreement that may suspend the US government debt limit until March 2019. Upcoming data is light today with the release of Initial Jobless Claims for the week.

MGS/GII

- Local Govvies saw volume dip slightly below the RM2.0b level with interest mainly seen continuing in the off-the-run MGS and GII 18-19's. Generally yields were almost unchanged with the widely-watched benchmark 7Y MGS 9/24 and 10Y MGS 11/27 closing at 3.92% and 3.96% respectively compared to previous-done levels. The 5Y GII 4/22 saw substantial amount traded; moving 4bps lower at 3.855%. Investors and market players may continue tread cautiously and track developments in both the US Treasuries and global equities market for now. Upcoming data include Industrial Production Index tomorrow and GDP figures next Wednesday.

PDS/Sukuk

- Secondary market trades for Corporate Bonds improved with total volume at RM256m as interest was skewed towards the AAA and AA-space. TENAGA 8/37 closed unchanged at 5.10% compared to previous-done levels whereas RANTAU 3/29 moved 5bps lower at 4.72%. A slew of single trades of the AA-rated EDRA Energy 2024-2028 bonds continued to be traded closing at 5.32-5.56% levels. In addition to that we note other power-related bonds i.e. RM60m worth of SEB 21-22 chalk interest closing weaker at 4.41% and 4.44% respectively. Expect institutional investor interest for yields to be restrained until the global bond and equities market stabilize.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/18	3.196	52	3.180	06/02/2018	2
MGS 09/18	3.220	26	3.093	06/02/2018	13
MGS 03/19	3.094	63	3.151	06/02/2018	-6
MGS 10/19	3.284	30	3.290	06/02/2018	-1
MGS 11/19	3.339	278	3.284	06/02/2018	6
MGS 03/20	3.376	5	3.378	05/02/2018	0
MGS 10/20	3.410	21	3.402	05/02/2018	1
MGS 02/21	3.374	42	3.378	05/02/2018	0
MGS 07/21	3.520	29	3.480	06/02/2018	4
MGS 09/21	3.611	10	3.606	05/02/2018	1
MGS 11/21	3.497	51	3.492	06/02/2018	0
MGS 03/22	3.600	20	3.610	06/02/2018	-1
MGS 08/22	3.746	69	3.745	06/02/2018	0
MGS 03/23	3.828	37	3.806	06/02/2018	2
MGS 08/23	3.810	20	3.824	06/02/2018	-1
MGS 07/24	3.932	2	3.888	06/02/2018	4
MGS 09/24	3.920	81	3.924	06/02/2018	0
MGS 04/26	4.104	2	4.101	06/02/2018	0
MGS 11/26	4.049	123	4.049	06/02/2018	0
MGS 03/27	4.174	2	4.171	06/02/2018	0
MGS 11/27	3.955	12	3.948	06/02/2018	1
MGS 06/28	4.061	90	4.048	29/01/2018	1
MGS 06/31	4.487	3	4.477	05/02/2018	1
MGS 04/33	4.427	18	4.408	05/02/2018	2
MGS 04/37	4.627	75	4.627	06/02/2018	0
GII 08/18	3.118	180	3.270	29/01/2018	-15
GII 08/18	3.118	135	3.290	06/02/2018	-17
GII 04/20	3.581	25	3.575	06/02/2018	1
GII 08/20	3.674	2	3.678	05/02/2018	0
GII 04/22	3.855	229	3.892	06/02/2018	-4
GII 07/22	3.975	1	3.996	29/01/2018	-2
GII 08/24	4.137	10	4.133	06/02/2018	0
GII 10/25	4.174	1	4.201	06/02/2018	-3
GII 07/27	4.206	10	4.219	05/02/2018	-1
GII 08/33	4.636	3	4.640	05/02/2018	0
GII 10/35	4.737	6	4.773	23/01/2018	-4
GII 08/25	4.112	40	4.119	06/02/2018	-1
		<u>1801</u>			

Daily Trades: PDS / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Cagamas Berhad	10/23	AAA	4.331	10	4.289	18/01/2017	4	53
Tenaga Nasional Berhad	08/37	AAA	5.099	10	5.099	05/02/2018	0	48
Rantau Abang Capital Berhad	03/29	AAA	4.716	20	4.768	24/11/2017	-5	77
Ranhill Powertron II Sdn Berhad	06/23	AAA	4.690	15	4.699	10/03/2015	-1	109
YTL Corporation Berhad	06/19	AA1	4.329	10	4.319	29/11/2017	1	110
Sarawak Energy Berhad	06/21	AA1	4.406	20	4.297	19/09/2017	11	101
Sarawak Energy Berhad	01/22	AA1	4.438	40	4.388	14/12/2017	5	93
YTL Corporation Berhad	04/23	AA1	4.608	10	4.781	19/01/2018	-17	101
Danajamin Nasional Berhad	10/27	AA1	4.719	2	4.717	25/01/2018	0	77
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.532	20	4.567	25/01/2018	-4	-9
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.356	10	4.370	08/01/2018	-1	113
Tanjung Bin Energy Issuer Berhad	09/20	AA3	4.396	1	4.494	16/01/2017	-10	100
BGSM Management Sdn Berhad	12/20	AA3	4.424	1	4.445	18/01/2018	-2	103
Edra Energy Sdn Berhad	07/24	AA3	5.319	5	5.320	05/02/2018	0	151
Edra Energy Sdn Berhad	07/25	AA3	5.380	5	5.380	06/02/2018	0	146
Edra Energy Sdn Berhad	01/26	AA3	5.411	5	5.850	04/01/2018	-44	146
CIMB Thai Bank Public Company Limited	07/26	AA3	5.078	10	5.301	22/01/2018	-22	113
Edra Energy Sdn Berhad	01/28	AA3	5.531	5	5.520	04/01/2018	1	158
Edra Energy Sdn Berhad	07/28	AA3	5.561	5	6.000	04/01/2018	-44	161
BEWG (M) Sdn Berhad	07/20	AA	4.852	10	4.844	22/01/2018	1	153
Southern Power Generation Sdn Berhad	04/28	AA-	4.913	10	5.019	05/01/2018	-11	96
Southern Power Generation Sdn Berhad	04/29	AA-	4.974	10	5.070	05/01/2018	-10	102
Southern Power Generation Sdn Berhad	10/31	AA-	5.149	5	5.179	30/01/2018	-3	72
Jimah East Power Sdn Berhad	12/31	AA-	5.089	15	5.078	02/11/2017	1	66
AmBank (M) Berhad	08/39	A1	4.659	2	5.002	26/10/2017	-34	4
				<u>256</u>				

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

Market/Corporate News: What's Brewing

Asian traders braced for another day of swings as U.S. markets remained volatile and investors assessed the implications of the recent turmoil. Treasuries declined after weak demand at a sale of 10-year notes, pushing the yield back toward the recent four-year high. Futures signaled gains for Japan and Hong Kong shares one day after rallies in both countries gave way in afternoon trading. U.S. equities swung between gains and losses throughout the session on high volume before ending lower after heavy selling in the final 15 minutes of trading. While the Cboe Volatility Index eased back, it's about 40 percent above its average since 1990. This year's surge in Treasury yields has sparked concern the Federal Reserve could accelerate its tightening schedule, slowing the economy and eroding corporate profit margins. Chicago Fed President Charles Evans signaled as much Wednesday, saying sustained inflation could force more hikes. A lingering issue for equity bulls is the wisdom of doing what they always do -- buy the dip -- when more selling by speculators may be imminent after Monday's break in volatility markets. Accounts of losses and liquidations at hedge funds specializing in the asset class were rife Wednesday morning even as Wall Street strategists urged investors to consider the market's solid underpinning in economic growth and earnings. Elsewhere, the New Zealand dollar fell after the central bank delayed the timing for when it expects to reach its inflation target and cut its growth forecast. Metals retreated as a rally in the dollar eroded the appeal of raw materials as investments. Oil tumbled on a report showing record crude production from U.S. fields. Here are some events scheduled for the remainder of this week include the U.K.'s monetary policy decision Thursday. The Bank of England may see Governor Mark Carney emphasize that continuing appreciation of the pound, which has strengthened almost 3 percent since the beginning of 2018, would help to contain inflation. This would stand in sharp contrast to the Reserve Bank of New Zealand which earlier Thursday said it expects its exchange rate to ease. (Source: Bloomberg, The Edge)

Oil prices fell to a one-month low on Wednesday after U.S. data showed a build in inventories and record high crude production, raising worries of more selling that could expose speculators with big bets on upward momentum in crude prices. U.S. West Texas Intermediate (WTI) crude fell \$1.60, or 2.5 percent, to settle at \$61.79 a barrel. WTI hit a low of \$61.33, the lowest since Jan. 5. Volumes were heavy, with more than 957,000 front-month futures trading, far more than the average of 634,000 contracts over the last 200 days. Brent crude futures fell \$1.35, or 2 percent, to \$65.51 a barrel. U.S. WTI prices have slid for four straight sessions, down 6 percent in that time. U.S. crude inventories rose 1.9 million barrels last week, according to the U.S. Energy Information Administration. This was less than expected, but that was in part because of a surprising increase in refining activity that boosted fuel inventories headed into the seasonally slow spring. However, U.S. crude production also rose, hitting 10.25 million barrels per day (bpd), a record if confirmed by more reliable monthly data, which lags by a couple of months. "U.S. weekly oil production registering 10.25 million bpd in today's report has unsettled the market – the impact of which is manifested as weakening oil prices," said Abhishek Kumar, senior energy analyst at Interfax Global Gas Analytics in London. A recent rebound in drilling rig activity boosted production after futures prices extended a rally to three-year highs earlier this month. Higher output could undercut prices, analysts said, noting that official estimates for U.S. production gains were recently increased. Hedge funds and other speculators had a record long position in crude futures as recently as late January. These positions have been trimmed, but are still largely arrayed in favor of rising oil prices. "Bullish sentiment that was built on OPEC cuts and geopolitical unrest is slowly fading away as recognition of U.S. production surpassing 10 million bpd sinks in, which also puts Saudi Arabia and Russia at risk of losing further market share," wrote analysts at Drillinginfo.com, in commentary after the EIA figures. The Organization of the Petroleum Exporting Countries and other producers, including Russia, have cut production since January 2017 to force down global inventories. These cuts have been somewhat offset by rising U.S. oil production <C-OUT-T-EIA>, with output up 1 million bpd in the last year. The EIA expects U.S. output to reach an average of 10.59 million bpd in 2018 and 11.18 million bpd by 2019, accelerating earlier estimates. That should drive more U.S. exports, putting the country in line to potentially overtake Russia as the world's largest producer.

The futures market is in backwardation where prompt oil prices exceed those for future delivery, suggesting investors expect demand to outpace supply. However, front-month contracts fell further on Wednesday than further-dated futures, suggesting the EIA data dented that bullish view. (Source: Reuters, The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Abu Dhabi Islamic Bank (ADIB or the Bank)	Senior and Subordinated Sukuk to be issued under ADIB Sukuk Company II Ltd's proposed Islamic MTN Programme	Preliminary AAA(s) and AA1(s)	Reaffirmed

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

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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