

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot
US Treasuries

- US Treasuries traded range-bound following report that a deal aimed at persuading Trump to maintain status quo in the nuclear accord. Overall benchmark yields were within 1bps compared to previous-done levels; with the 2Y (most sensitive to interest rate outlook) at 2.50% whilst the much-watched 10Y yields maintained at 2.95% levels. At this juncture short-term yields may have risen to attractive levels and are higher than both the CPI and S&P 500 dividend yield. Nevertheless market participants will be focusing on this week's deluge of 3Y, 10Y and 30Y bond auction supplies over and above the Treasury bill auctions.

MGS/GII

- Trading volume in local Govvies dropped to RM1.51b ahead of the GE14 with some interests seen in off-the-runs i.e. both MGS and GII 20's and also the previous 15Y benchmark MGS 4/33. Overall benchmark yields were unchanged save for both the 10Y and 20Y MGS bond with the 7Y MGS 3/25 at 4.12% and the 10Y MGS 11/27 2bps higher at 4.12% compared to previous-done levels. Expect attention to focus on the release of foreign shareholdings slated for today.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume also ease to RM271m with interest mainly in the AAA to AA-part of the yield curve. Govt-guaranteed PRASA 9/37 rose 12bps higher at 5.15% compared to previous-done levels. The AAA-rated BPMB 3/27 and 3/32 saw nominal amount of RM30m traded 0-2bps higher at 4.77% and 4.99% respectively whilst a slew of infra-related bonds in the AA-space namely MEXII, TBEI and Southern Power papers exchanged hands; mostly closing unchanged. The rarely-traded Bright Focus 1/30 notched RM77m closing unchanged at 5.22%. Expect a quiet session today ahead of public holiday in lieu of GE14.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.50	0
5-yr UST	2.79	0
10-yr UST	2.95	0
30-yr UST	3.12	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.66	0	3.77	9
5-yr	3.79	0	3.89	3
7-yr	3.92	0	4.13	0
10-yr	4.12	2	4.29	-1
15-yr	4.64	0	4.73	0
20-yr	4.75	-2	4.84	0
30-yr	4.97	0	4.92	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.82	0
5-yr	3.91	1
7-yr	4.00	0
10-yr	4.17	0

Source : Bloomberg

Upcoming Government Bond Tenders

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.381	194	3.358	04/05/2018	2
MGS	07/19	3.581	0	3.545	03/05/2018	4
MGS	10/19	3.548	1	3.549	04/05/2018	0
MGS	11/19	3.608	1	3.644	04/05/2018	-4
MGS	03/20	3.634	12	3.672	03/05/2018	-4
MGS	10/20	3.702	107	3.680	03/05/2018	2
MGS	02/21	3.785	81	3.764	03/05/2018	2
MGS	07/21	3.795	17	3.779	04/05/2018	2
MGS	11/21	3.662	2	3.665	04/05/2018	0
MGS	03/22	3.782	51	3.768	04/05/2018	1
MGS	09/22	3.917	4	3.919	04/05/2018	0
MGS	03/23	3.971	72	3.969	04/05/2018	0
MGS	08/23	4.011	19	4.011	03/05/2018	0
MGS	07/24	4.088	46	4.051	04/05/2018	4
MGS	09/24	4.041	60	4.080	04/05/2018	-4
MGS	09/25	4.194	143	4.150	04/05/2018	4
MGS	11/26	4.187	65	4.152	04/05/2018	4
MGS	11/27	4.123	24	4.097	04/05/2018	3
MGS	06/31	4.589	1	4.537	04/05/2018	5
MGS	04/33	4.614	282	4.619	04/05/2018	0
MGS	11/33	4.640	10	4.628	04/05/2018	1
MGS	04/37	4.746	12	4.762	04/05/2018	-2
GII	04/20	3.765	4	3.681	02/05/2018	8
GII	05/18	3.450	43	3.386	02/05/2018	6
GII	03/21	3.845	3	3.811	03/05/2018	3
GII	08/21	3.888	3	3.839	02/05/2018	5
GII	08/20	3.738	200	3.756	03/05/2018	-2
GII	04/22	3.886	48	3.854	04/05/2018	3
GII	08/24	4.163	10	4.163	02/05/2018	0
GII	07/27	4.293	1	4.304	03/05/2018	-1
			<u>1515</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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	5.150	10	5.029	20/02/2018	12	39
Putrajaya Holdings Sdn Berhad	09/23	AAA	4.471	2	4.408	08/01/2018	6	67
TNB Western Energy Berhad	07/25	AAA	4.663	2	4.498	16/10/2017	17	72
Danga Capital Berhad	02/26	AAA	4.647	12	4.640	03/05/2018	1	62
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.769	20	4.772	04/05/2018	0	67
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.989	10	4.969	24/04/2018	2	37
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/21	AA1	4.458	2	4.363	23/02/2018	9	79
CIMB Bank Berhad	09/23	AA1	4.793	1	4.401	02/05/2018	39	99
Malayan Banking Berhad	01/24	AA1	4.705	1	4.499	26/04/2018	21	81
Sarawak Energy Berhad	07/24	AA1	4.680	6	4.599	28/03/2018	8	78
Konsortium ProHAWK Sdn Berhad	06/25	AA2	4.806	6	4.481	22/09/2016	33	87
Bright Focus Berhad	01/30	AA2	5.219	77	5.218	04/05/2018	0	109
CIMB Group Holdings Berhad	12/25	AA	4.922	1	4.706	04/05/2018	22	89
Hong Leong Assurance Berhad	02/25	AA3	5.998	1	4.850	20/04/2018	115	206
Tanjung Bin Energy Issuer Berhad	09/28	AA3	4.959	10	4.962	04/05/2018	0	83
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.179	10	5.179	03/05/2018	0	56
Anih Berhad	11/26	AA	4.841	4	4.842	04/05/2018	0	75
Alpha Circle Sdn Berhad	11/18	AA-	5.033	5	5.031	30/04/2018	0	161
MEX II Sdn Berhad	04/26	AA-	4.998	10	5.001	04/05/2018	0	97
MEX II Sdn Berhad	04/31	AA-	5.389	10	5.391	04/05/2018	0	77
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/32	AA-	5.189	3	5.143	24/01/2018	5	57
Southern Power Generation Sdn Berhad	04/34	AA-	5.359	10	5.314	14/03/2018	4	74
KT Kira Sertifikalari Varlik Kiralama A.S.	07/20	AA3	5.573	10	5.573	04/05/2018	0	200
DRB-Hicom Berhad	11/18	A+	5.409	20	5.358	02/03/2018	5	199
Lafarge Cement Sdn Berhad	01/20	A1	5.374	12	5.373	04/05/2018	0	180
CIMB Group Holdings Berhad	05/16	A1	5.301	1	5.085	03/05/2018	22	55
UMW Holdings Berhad	04/18	A1	6.146	3	6.105	26/04/2018	4	139
Bank Muamalat Malaysia Berhad	11/21	A	5.227	10	5.175	02/05/2018	5	147
Alliance Bank Malaysia Berhad	11/17	BBB1	6.070	2	6.249	23/04/2018	-18	131
Eco World International Berhad	04/23	NR	6.293	2	-	-	-	-
				<u>271</u>				

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

Market/Corporate News: What's Brewing

In the run-up to Malaysia's general election this week, the ruling alliance has promised to increase cash handouts while the opposition says it will roll back a consumption tax, prompting some economists to say that, whoever wins, fiscal reform will be delayed.

Malaysia, Southeast Asia's third-largest economy, recorded 5.9% economic growth in 2017, its best performance in three years. The surge is likely to have persuaded Prime Minister Datuk Seri Najib Razak to call the election earlier than August, when it was due, political analysts have said. His Barisan Nasional (BN) alliance is widely expected to retain power despite a robust opposition challenge. Rising costs of living have been a major issue in the campaign and both Najib and his chief opponent, former long-serving premier Tun Dr Mahathir Mohamad, have made lavish promises to address the issue. BN has promised to expand cash handouts — in some cases nearly double payouts to some low income families — and erase some debts of operators of palm plantations under the state-owned agency FELDA. The Mahathir-led opposition bloc has vowed to roll back an unpopular goods and services tax (GST) introduced in 2015 by Najib and reinstate petrol subsidies in the first 100 days if it wins. "The raft of giveaways announced in BN's manifesto mean that the government is unlikely to meet its target for 2018 of reducing the deficit from 3.0% to 2.8% of GDP. The move is likely to mean that deficit reduction will carry on past 2023," Gareth Leather, senior Asia economist at Capital Economics, said in a recent research report. "A Mahathir victory would throw fiscal consolidation even further off track." Yeah Kim Leng, an external member of the Malaysian central bank's Monetary Policy Committee, said BN's promise to almost double cash handouts could cost the government about RM4 billion (US\$1.01 billion) additionally in 2018. And if Mahathir's bloc abolishes GST and replaces it with another tax as promised, the government could face a revenue deficit of about RM20 billion in 2018, he said. In the current budget, the government has projected a deficit of RM39.8 billion amounting to 2.8% of projected GDP. "(Political parties) need to ensure fiscal sustainability is not too adversely affected. The threat of being downgraded by international rating agencies will be very costly to financial markets," Yeah told Reuters. Other than meeting fiscal deficit targets, the new government will also have to keep Malaysia's debt level below a self-imposed target of 55%, he said. Datuk Seri Johari Abdul Ghani, Malaysia's second finance minister, told local media last month that the cash handouts would not affect the fiscal deficit target of 2.8%, as the government has gained extra income from the rise in crude oil prices. Najib has been able to lower Malaysia's fiscal deficit every year since taking power in 2009 and that has been significant for maintaining the country's investment-grade sovereign credit ratings. But ratings agencies have raised some concerns over further reduction in deficit: In February, Moody's said further fiscal consolidation "is likely to be very slow absent any meaningful revenue-raising measures," which it said the past two budgets did not have. Malaysia has already pushed back on a target of a balanced budget by 2020, saying it would need another two to three years to reach the goal. Moody's said in a report last week that the impact of the campaign promises by both parties on Malaysia's sovereign credit will depend on how the proposed measures are funded and if on-going efforts at fiscal consolidation will be delayed. Markets have been largely stable in the run up to the elections on expectations that Najib will retain power. Frank Benzimra, head of Asia equity strategy at Societe Generale, said markets were expecting a Najib victory. "Any disappointment, which would result in questioning the currently good economic momentum, would create some short-term ripples," he said. (Source: Reuters, The Star)

Tan Chong Motor Holdings Bhd plans to set up an automotive hub in Bagan Datuk, Perak, with an estimated long-term investment of RM500 million, to cater to the expansion needs of the local and export markets. The new auto hub, Tan Chong Automotive & Commercial Vehicle Hub, will be located on a 338-acre freehold land in Bagan Datuk. According to a filing to Bursa Malaysia, the first phase of the project will require the group to spend about RM100 million for land acquisition and the construction of a bus and truck plant. Once completed, the new plant will cater to the production expansion needs of the local and export markets. The group said it continues to explore potential markets in the region, including Thailand, Sri Lanka, Vietnam and Indonesia, adding to its existing exported market. It currently exports buses to Singapore, Hong Kong and Myanmar. Tan Chong currently operates two automotive assembly plants locally, in Segambut, Kuala Lumpur and Serendah, Selangor. Meanwhile, it also has two assembly plants overseas, in Vietnam and Myanmar. The group also said the upcoming hub is

not just an automotive hub, but also a strategic business plan that demonstrates the group's commitment towards Malaysia's Industrialisation and economic growth. "Spin-offs from this investment will include the creation of new jobs, the influx of new pertinent investments and the spurring of Bagan Datuk's economic growth. It is also expected to strategically tap into the growth regions of the North Corridor Economic Region (NCER)," the filling added. (Source: The Edge)

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

Source: RAM Ratings; MARC

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