

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries shrugged off previous day selloffs and advanced on haven demand amid decline in stocks and as investors turned cautious ahead of G7 meeting scheduled today and through the weekend at a time of escalating trade tension. Surprised decline in US initial jobless claims that reinforced the case of further tightening in the labour market, hence raising optimism of the Fed rate hike cycle also stoke investors. Yields fell 3-5bps, bull flattening the curve as the 2s pared 3bps to 2.49% while the 10s shed 5bps to 2.92%. Expect UST to remain under pressure amid risk-off ahead of next week's FOMC and ECB policy meetings.

MGS/GII

- Trading momentum in local govies softened again, with RM1.31bn done including the RM467m newly issued MGS 6/38, which attracted a decent BTC of 1.942x at an average yield of 4.893%. Yields were generally flat in both the MGS and GII space save for the 30Y benchmark MGS 3/46 that lost 6bps to 4.91% with RM11m changed hands. Overall sentiments remained soft and foreign holdings of Malaysian debt securities fell RM12.9bn to RM192.5bn in May, its biggest monthly decline since Mar-17 (RM26.2bn) when the Fed signaled a more aggressive rate hike cycle for 2017. Of these, foreign holdings of MGS fell RM5.9bn to RM156.9bn while GII saw a RM4.0bn decline to RM14.8bn. We expect market sentiments to remain cautious pending more policy clarity domestically and ahead of next week's FOMC and ECB policy meetings.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.49	-3
5-yr UST	2.76	-5
10-yr UST	2.92	-5
30-yr UST	3.07	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.70	-1	3.74	0
5-yr	3.84	0	4.03	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	4.89	-2	4.93	0
30-yr	4.91	-6	5.01	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.81	0
5-yr	3.90	0
7-yr	3.99	1
10-yr	4.15	3

Source : Bloomberg

Upcoming Government Bond Tender

Corp Bonds/Sukuk

- Trading activities in local corporate Bonds continued to soften with volume dealt pulled back further to RM329m yesterday. Interests were seen shifted to the GG and AAA-rated papers, seeing RM129m and RM113m done respectively. DanaInfra '11/27, '10/33, and '7/39 saw a combined RM91m transacted at 4.658% (+16bps), 4.968% (+10bps), and 5.118% (-4bps) respectively. Caga '8/18 and '10/18 dominated the AAA-rated segment while other notable names include PLUS '1/19, '1/27, '1/29, and Danga '9/33. Interests in corporate bonds/ sukuk is expected to stay soft but remained supported nonetheless.

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	122	3.226	06/06/2018	7
MGS 03/19	3.417	4	3.423	06/06/2018	-1
MGS 07/19	3.430	12	3.401	06/06/2018	3
MGS 10/19	3.503	7	3.489	05/06/2018	1
MGS 11/19	3.520	27	3.520	06/06/2018	0
MGS 03/20	3.548	0	3.593	06/06/2018	-4
MGS 10/20	3.590	16	3.653	06/06/2018	-6
MGS 07/21	3.772	0	3.806	06/06/2018	-3
MGS 09/21	3.787	0	3.765	05/06/2018	2
MGS 11/21	3.697	33	3.713	06/06/2018	-2
MGS 03/22	3.837	42	3.866	06/06/2018	-3
MGS 03/23	3.934	5	3.943	06/06/2018	-1
MGS 08/23	3.997	21	4.014	04/06/2018	-2
MGS 07/24	4.150	2	4.171	06/06/2018	-2
MGS 09/24	4.131	18	4.158	06/06/2018	-3
MGS 09/25	4.230	60	4.248	06/06/2018	-2
MGS 11/26	4.312	30	4.326	06/06/2018	-1
MGS 11/27	4.289	28	4.291	06/06/2018	0
MGS 06/28	4.202	40	4.195	06/06/2018	1
MGS 04/30	4.625	20	4.630	06/06/2018	0
MGS 06/31	4.693	44	4.691	06/06/2018	0
MGS 04/33	4.742	60	4.752	06/06/2018	-1
MGS 05/35	4.897	4	4.846	06/06/2018	5
MGS 04/37	4.922	15	4.902	06/06/2018	2
MGS 06/38	4.886	467	-	-	-
MGS 03/46	4.908	11	4.971	06/06/2018	-6
GII 04/20	3.715	1	3.720	05/06/2018	-1
GII 04/22	3.938	27	3.927	06/06/2018	1
GII 07/22	3.961	20	3.967	05/06/2018	-1
GII 11/23	4.018	20	4.022	06/06/2018	0
GII 05/24	4.175	1	4.179	06/06/2018	0
GII 08/25	4.173	20	4.160	01/06/2018	1
GII 10/28	4.326	130	4.326	04/06/2018	0
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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*	
Bank Pembangunan Malaysia Berhad	10/25	GG	4.535	8	4.419	19/01/2018	12	51
DanaInfra Nasional Berhad	11/27	GG	4.658	10	4.500	16/11/2017	16	51
DanaInfra Nasional Berhad	10/33	GG	4.968	6	4.870	18/01/2018	10	35
DanaInfra Nasional Berhad	07/39	GG	5.118	75	5.160	30/05/2018	-4	22
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	5.250	10	5.250	05/06/2018	0	35
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/47	GG	5.205	20	5.269	01/06/2018	-6	31
Cagamas Berhad	08/18	AAA	3.611	50	3.683	13/04/2018	-7	21
Cagamas Berhad	10/18	AAA	3.756	5	3.746	02/05/2018	1	35
Projek Lebuhraya Usahasama Berhad	01/19	AAA	4.092	10	4.049	06/06/2018	4	69
GB Services Berhad	11/19	AAA	4.488	8	4.428	10/04/2018	6	108
Aman Sukuk Berhad	05/24	AAA	4.606	5	4.564	02/05/2018	4	65
Aman Sukuk Berhad	03/25	AAA	4.647	3	4.448	13/06/2016	20	62
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.728	3	4.737	25/04/2018	-1	58
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.832	3	4.650	15/03/2018	18	64
Rantau Abang Capital Berhad	03/29	AAA	4.778	6	4.729	18/04/2018	5	59
Danga Capital Berhad	09/33	AAA	5.000	20	5.017	16/05/2018	-2	38
Sabah Credit Corporation	10/19	AA1	4.492	10	4.492	16/05/2018	0	109
Samalaju Industrial Port Sdn Berhad	12/28	AA1	5.138	20	5.148	01/06/2018	-1	95
Northern Gateway Infrastructure Sdn Berhad	08/32	AA1	5.241	5	-	-	-	-
Imtiaz Sukuk II Berhad	03/19	AA2	4.343	5	4.246	13/03/2018	10	94
Anih Berhad	11/22	AA	4.650	1	4.452	15/01/2018	20	85
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.425	4	4.290	14/03/2018	14	82
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.420	1	4.616	18/01/2017	-20	81
IJM Corporation Berhad	04/21	AA3	4.585	2	4.459	08/03/2018	13	87
Gamuda Berhad	04/21	AA3	4.621	3	4.571	26/01/2018	5	91
IJM Corporation Berhad	06/22	AA3	4.692	4	4.527	12/02/2018	17	89
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.908	20	4.900	22/12/2017	1	76
UMW Holdings Berhad	04/18	A1	6.017	12	6.048	31/05/2018	-3	112
			<u>329</u>					

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

Market/Corporate News: What's Brewing

Bank Negara Malaysia's international reserves dipped US\$900mil to US\$108.5bil as at May 31, 2018 from US\$109.4bil on May 15, as the US dollar strengthens against the ringgit. The central bank said the reserves position was sufficient to finance 7.6 months of retained imports and is 1.1 times the short-term external debt. The main components of the international reserves were foreign currency reserves (US\$102.1bil), International Monetary Fund reserves position (US\$800mil), Special Drawing Rights (US\$1.2bil), gold (US\$1.6bil) and other reserve assets (US\$2.8bil). Bank Negara reserves were at US\$109.4bil at May 15 and sufficient to finance 7.6 months of retained imports. The reserves were 1.1 times the short-term external debt. (Source: *The Star*)

Al Rajhi Bank Malaysia aims to garner RM3.5mil in takaful contributions by year-end, leveraging on its partnership with Sun Life Malaysia Takaful Bhd. Al Rajhi Bank Chief Executive Officer (CEO) Steve Chen said the bank is currently on track and is confident of achieving the target. "We are confident and are focused on our 2018 plans, after our reboot in 2016 after not having a CEO in 2014 and 2015," he told reporters at the signing ceremony between Al Rajhi Bank and Sun Life Malaysia here today. The two entities inked an exclusive 10-year bancatakaful agreement that will see Sun Life Malaysia as the sole distributor of family takaful products and services to Al Rajhi Bank's 150,000 customers nationwide. "We are seeing momentum coming through, with two insurance products launched in the market earlier this year and another one which management has signed off and obtained regulatory approval to launch. Furthermore, we are looking to launch more products in the future," said Chen. The first product, Sinar Health Plan, launched on Feb 15 this year, is a medical health plan that provides emergency cash. It has recorded sales worth RM230,754 and aims to grow this to RM1.2mil by year-end. The second product, 'Sinar Baraqah', launched on April 2018 caters for the Muslim market to fulfil one of five Islamic pillars hajj. It has garnered sales of RM44,741 with target sales of RM1.5mil by year-end. Meanwhile, the third product, 'Sinar Ri'ayah', expected to be launched in June this year, entails a coverage against credit facilities given by the bank. Chen said the bank also aspired to build its wealth management business to enable it to contribute 30% to revenue. "We would like to move to investment-linked products, and in addition to bancatakaful products, we are adding on deposit products and digital banking. We look forward to launch them in the second half of the year," he said. "We expect immediate impact of this (partnership) on our financial performance this year but the benefits of all our partnerships would be more evident in 2019 and beyond," said Chen. Sun Life Malaysia (Sun Life Malaysia Assurance Bhd and Sun Life Malaysia Takaful Bhd) is a joint-venture between Sun Life Financial Inc. and Avicennia Capital Sdn Bhd, a fully owned Khazanah Nasional Bhd investment holding unit specialising in insurance and takaful. (Source: *The Star/ Bernama*)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
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Source: RAM Ratings; MARC

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