

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.25	0
5-yr UST	2.63	-2
10-yr UST	2.86	-3
30-yr UST	3.12	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.60	1
5-yr	3.59	1	3.83	1
7-yr	3.88	1	4.03	1
10-yr	3.99	1	4.16	1
15-yr	4.41	-1	4.55	0
20-yr	4.56	1	4.76	0
30-yr	4.76	-1	4.92	1

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.82	1
5-yr	3.90	0
7-yr	4.02	1
10-yr	4.15	1

Source: Bloomberg

Upcoming Government Bond Tenders

US Treasuries

- US Treasuries gained yesterday led by 7-30Y sectors following reports that steel tariffs will take effect in 2 weeks. The curve flattened ahead of the massive IG pricing of pharma giant, CVS Health Corp's \$40b debt issuance. The front end 2Y (which is sensitive to Fed policy interest rate expectations) was unchanged at 2.25% whilst the much-watched 10Y closed 3bps lower at 2.86%. Meanwhile investors and traders are beginning to see that 30Y yield premiums being compressed as high growth is unlikely and central banks are finding difficulty meeting inflation targets. Upcoming data tonight are the all-important NFP figure, unemployment rate and average hourly earnings.

MGS/GII

- Local Govvies saw muted interest with secondary market volume tanking by 4/5th to a mere RM1.95b ahead of NFP data from US tonight. Investors were seen more active in 5Y and 30Y benchmark GII trades along with off-the-run MGS 11/26 which rallied 2-5bps. Overall yields were generally mixed-to-slightly higher within 1bps with the 7Y MGS 9/24 at 3.88% and the widely-watched 10Y MGS 11/27 at 3.99%. Expect a quiet session again today ahead of important US economic data.

Corp Bonds/Sukuk

- Secondary market volume for Corporate Bonds notched an impressive RM622m with interest seen along GG-AA part of the curve. There was a slew of Govt-Guaranteed and AAA-rated bonds traded. PASB 2/26 saw RM100m traded 1bps higher at 4.43% compared to previous-done levels. In the AAA-space the shorter-tenured CAGA 18-19's closed markedly higher between 3.82-87% levels. PUTRA 5/20 and AMAN 4/22 however closed 3-5bps lower at 4.10% and 4.31% respectively, whilst the longer RANTAU 1/32 and DANGA saw a whopping RMRM135 traded 0-1bps higher. The AA-space was less dominant with bank papers i.e. HONG LEONG Financial Group 11/18 and Maybank 68nc18 rallying to close between 4.23-4-24-3% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.251	0	3.277	06/03/2018	-3
MGS	11/19	3.312	176	3.294	06/03/2018	2
MGS	03/20	3.390	3	3.360	06/03/2018	3
MGS	10/20	3.374	8	3.334	06/03/2018	4
MGS	07/21	3.422	51	3.428	06/03/2018	-1
MGS	09/21	3.552	3	3.553	06/03/2018	0
MGS	03/22	3.587	89	3.567	06/03/2018	2
MGS	08/22	3.714	53	3.720	06/03/2018	-1
MGS	09/22	3.698	6	3.629	06/03/2018	7
MGS	03/23	3.767	40	3.789	06/03/2018	-2
MGS	09/24	3.876	2	3.876	06/03/2018	0
MGS	09/25	3.978	7	4.002	06/03/2018	-2
MGS	11/26	3.995	207	4.050	06/03/2018	-5
MGS	11/27	3.986	92	4.005	06/03/2018	-2
MGS	06/28	4.006	42	4.015	06/03/2018	-1
MGS	04/30	4.398	3	4.441	06/03/2018	-4
MGS	06/31	4.398	80	4.432	05/03/2018	-3
MGS	04/33	4.413	49	4.449	06/03/2018	-4
MGS	04/37	4.560	4	4.549	05/03/2018	1
MGS	03/46	4.756	19	4.762	06/03/2018	-1
GII	05/18	3.201	60	3.126	06/03/2018	8
GII	04/20	3.601	4	3.583	06/03/2018	2
GII	08/20	3.595	160	3.628	06/03/2018	-3
GII	04/22	3.827	322	3.844	06/03/2018	-2
GII	08/25	4.025	90	4.049	06/03/2018	-2
GII	07/27	4.160	41	4.181	06/03/2018	-2
GII	06/33	4.554	72	4.579	02/03/2018	-2
GII	05/47	4.918	270	4.960	08/02/2018	-4
			<u>1953</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*
GovCo Holdings Berhad	02/21	GG	3.975	30	3.970	28/02/2018	0	58
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.360	5	4.300	09/01/2018	6	57
Prasarana Malaysia Berhad	07/25	GG	4.380	5	-	-	-	-
Prasarana Malaysia Berhad	08/25	GG	4.610	5	-	-	-	-
Pengurusan Air SPV Berhad	02/26	GG	4.428	100	4.421	15/02/2018	1	48
DanaInfra Nasional Berhad	07/27	GG	4.560	5	4.483	05/12/2017	8	58
DanaInfra Nasional Berhad	05/32	GG	4.864	20	4.849	27/02/2018	1	45
Cagamas Berhad	11/18	AAA	3.819	10	3.655	22/01/2018	16	62
Cagamas Berhad	12/18	AAA	3.872	3	3.600	28/11/2017	27	67
Cagamas Berhad	02/19	AAA	3.823	20	3.670	13/12/2017	15	62
Cagamas Berhad	03/19	AAA	3.856	20	3.835	05/01/2018	2	66
Putrajaya Holdings Sdn Berhad	05/20	AAA	4.098	55	4.128	14/06/2017	-3	78
Tenaga Nasional Berhad	08/37	AAA	5.099	25	5.100	27/02/2018	0	54
UniTapah Sdn Berhad	12/22	AA1	4.443	10	4.447	06/03/2018	0	86
Public Bank Berhad	09/23	AA1	4.378	2	4.959	09/02/2018	-58	59
Malayan Banking Berhad	01/24	AA1	4.975	2	4.985	22/02/2018	-1	119
Northern Gateway Infrastructure Sdn Berhad	08/28	AA1	4.920	5	4.889	21/12/2017	3	93
Malayan Banking Berhad	09/68	AA2	4.232	10	4.256	26/02/2018	-2	-32
Hong Leong Financial Group Berhad	11/18	AA	4.236	10	4.261	06/03/2018	-3	104
BGSM Management Sdn Berhad	12/19	AA3	4.305	20	4.341	12/02/2018	-4	99
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.659	20	4.700	26/01/2018	-4	134
IJM Corporation Berhad	04/21	AA3	4.459	5	4.370	06/10/2017	9	106
BGSM Management Sdn Berhad	08/21	AA3	4.503	20	4.507	19/01/2018	0	110
Tadau Energy Sdn Berhad	07/26	AA3	5.308	10	5.310	06/03/2018	0	136
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/24	AA-	4.978	20	5.014	05/03/2018	-4	110
Aman Sukuk Berhad	04/22	AAA	4.307	30	4.359	14/09/2017	-5	81
Projek Lebuh raya Usahasama Berhad	01/27	AAA	4.589	10	4.618	27/12/2017	-3	61
Rantau Abang Capital Berhad	01/32	AAA	4.874	60	4.892	17/01/2018	-2	46
West Coast Expressway Sdn Berhad	08/32	AAA	4.989	10	4.990	06/03/2018	0	57
Danga Capital Berhad	01/33	AAA	4.939	75	4.929	27/02/2018	1	52
				<u>622</u>				

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

Market/Corporate News: What's Brewing

Malaysia, which defied the advice of the International Monetary Fund during the Asian financial crisis two decades ago, is again disagreeing with the agency over how to manage its currency. This time, it's about a crackdown in the offshore trading market. In its annual Article IV report on Malaysia, the IMF said the measures contributed to capital outflows, while authorities say they succeeded in curbing volatility and improving the efficiency of the onshore market. The government disagreed with recommendations from IMF staff to phase out the measures. "We continue to have strong concern on the Fund's inflexibility to be receptive and open to new approaches and policy instruments needed to maintain stability and promote financial market development," Jуда Agung, an IMF executive director representing Malaysia along with other Southeast Asian countries, said in the report. "Our authorities are also deeply concerned with staff's lack of understanding of the domestic context which can diminish the Fund's role as trusted adviser," he said. A statement from IMF directors accompanying the report was more balanced, with some of them calling for the measures to be phased out, while a few said there should be more support for the government's approach. Overall, the directors commended Malaysia for its fiscal and monetary policies, which have helped to underpin the economy's strong performance since last year. Malaysia has a well-documented history of turning down the fund's assistance during the 1997 crisis. The government implemented capital controls at the time, which were first panned, but much later acknowledged by IMF officials as being ahead of the curve. Authorities may have reason to crow once again. The ringgit has gained 10 percent against the dollar since the clampdown on offshore trading in 2016, beating all other Asian currencies except for the Thai baht. The IMF itself recognized that the measures have benefited the currency, citing the increased hedging opportunities and supply of foreign exchange onshore. Turnover in the onshore spot, forward, and swap foreign-exchange markets improved, bid-ask spreads narrowed and ringgit volatility declined, it said. (Source: The Edge)

S P Setia Bhd yesterday entered into a sale and purchase agreement with Mekar Gemilang Sdn Bhd to acquire the remaining 50% stake in Setia Federal Hill for RM431.89 million cash. Setia Federal Hill's core asset is the two parcels of leasehold land near Bangsar, Kuala Lumpur, totalling about 51.57 acres (20.87ha). "The purchase consideration is at a premium of 10.9% to the unaudited adjusted net asset value of Setia Federal Hill as at Dec 31, 2017 of RM778.64 million after taking into consideration the market value of land of RM2.35 billion or RM1,050 per sq ft, the potential estimated gross development value of up to approximately RM20.19 billion based on preliminary management estimates, and the prime location of the parcel," said the property developer in a filing with Bursa Malaysia yesterday evening. S P Setia said the purchase consideration is expected to be funded through cash proceeds from the issuance of Islamic redeemable convertible preference shares (RCPS-i A) by S P Setia, which was completed on Dec 6, 2016, and/or bank borrowings. Setia Federal Hill is a joint-venture (JV) company which was established to undertake a development project on the land, held equally by S P Setia and Mekar Gemilang. Presently, Mekar Gemilang owns 50% equity interest and S P Setia owns the remaining 50% in Setia Federal Hill. Kota Cahayamas Sdn Bhd is the sole owner of Mekar Gemilang, which is said to be linked to tycoon Tan Sri Syed Mokhtar al-Bukhary. The land was obtained through a privatisation agreement in 2012 involving a swap of the parcel with the government in exchange for: i) the planning and development of a health research facility complex known as "Kompleks Institut Penyelidikan Kesihatan Bersepadu" in Setia Alam; ii) the transfer of a piece of freehold land in Setia Alam of approximately 41.5 acres for the "Kompleks Institut Penyelidikan Kesihatan Bersepadu"; and iii) construction of a clinic to be known as Klinik Bangsar and 24 apartments on the land. Upon completion of the proposed acquisition, Setia Federal Hill would become a wholly-owned subsidiary of S P Setia. S P Setia is of the view that the location of the land in Bangsar and close proximity to Kuala Lumpur Sentral provide it with readily available amenities, facilities, and infrastructure around the land will add value to the properties on the land. "The proposed acquisition is expected to support and strengthen the strategic development objectives and value enhancement of the group," it said. The proposed acquisition would require the approval from Unit Kerjasama Awam Swasta and if required, the Economic Planning Unit, to effect a change in the shareholding and equity structure of Setia Federal Hill.. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Export-Import Bank of Korea (KEXIM)	Credit strength rating (ICSR)	BBB+ND	Assigned
	Financial Institution (FI) rating	AAA	Affirmed
	Medium-Term Notes (MTN) programme of RM1.0 billion and conventional and/or Islamic MTN programmes with a combined nominal value of RM3.0 billion	AAA/AAA-IS	Affirmed

Source: RAM Ratings; MARC

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