

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

**US Treasuries**

- US Treasuries saw safe-haven bids amid a sell-off in equities sparked by continuing trade tensions with China. Overall yields were lower between 4-6bps with mild flattening of the curve. The 2Y; most sensitive to interest rate outlook rallied 4bps higher at 2.27% whilst the 10Y was 6bps lower at 2.77%. March NFP data that rose less than forecast sparked gains overall. Focus may shift to this week's auction i.e. \$30b of 3Y, \$21b of 10Y reopening and \$13b of 30Y reopening. The deluge of issuance in recent months has been digested fairly well. However the US budget deficit due to the tax overhaul may see the total estimate of spending exceed earlier estimates of \$1.252b in total; putting pressure on Treasury to consider further issuances.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.27	-4
5-yr UST	2.59	-5
10-yr UST	2.77	-6
30-yr UST	3.02	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.46	1	3.59	-1
5-yr	3.56	2	3.83	0
7-yr	3.86	1	4.00	0
10-yr	3.95	0	4.15	-1
15-yr	4.40	-1	4.56	0
20-yr	4.54	-1	4.75	0
30-yr	4.79	-1	4.91	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.80	0
5-yr	3.87	0
7-yr	3.97	0
10-yr	4.10	0

Source : Bloomberg

**MGS/GII**

- Trading volume in local govies eased further to RM1.21b with sporadic trades across the MGS curve whereas GII trades were confined up to 10Y tenures last Friday. Overall benchmark yields were mixed with the pivot at the 10Y. The front-mid end was 1-2bps higher whilst the longer-end was lower by 1bps compared to previous-done levels. The benchmark 7Y MGS 3/25 and the much-watched 10Y MGS 11/27 closed at 3.86% and 3.95% respectively. Foreign holdings of Govvies (MGS +GII) increased by RM900m as at end-March to RM184.8bn with decent demand expected going forward.

**Corp Bonds/Sukuk**

- Corporate Bonds continued to notch healthy secondary market volume of RM558m with bulk of trades done within the AA-rated space. The Govt-Guaranteed (GG) PRASA saw a slew of trades in 2021-28 tenors closing mixed on yields between -7 to +7bps within 4.04-4.57% levels compared to previous-done levels. The seldom-traded AAA-rated asset-backed Al-Dzahab 22-23's bonds saw RM35m exchanged hands some 2-3bps lower at 4.63% and 4.75% respectively whilst TNB Western 1/30 rallied similarly at 4.80%. YTL Corp which was in the news limelight recently with regards to the HSR project saw both the YTL Corp 6/19 and YTL Power 5/27 trade mixed last Friday at 4.32% and 4.90% whilst CIMB Thai edged 1bps higher at 4.68%.

**Upcoming Government Bond Tenders**

Nil

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.214	143	3.214	05/04/2018	0
MGS 07/19	3.263	30	3.268	04/04/2018	0
MGS 11/19	3.331	11	3.276	05/04/2018	6
MGS 03/20	3.423	6	3.423	05/04/2018	0
MGS 10/20	3.416	98	3.429	04/04/2018	-1
MGS 07/21	3.476	5	3.457	05/04/2018	2
MGS 09/21	3.570	4	3.554	05/04/2018	2
MGS 11/21	3.463	2	3.457	04/04/2018	1
MGS 03/22	3.559	41	3.542	05/04/2018	2
MGS 08/22	3.693	15	3.706	05/04/2018	-1
MGS 09/22	3.709	6	3.721	05/04/2018	-1
MGS 03/23	3.735	30	3.703	04/04/2018	3
MGS 07/24	3.890	13	3.876	05/04/2018	1
MGS 09/24	3.869	69	3.892	04/04/2018	-2
MGS 03/25	3.857	40	3.849	05/04/2018	1
MGS 09/25	3.947	11	3.916	05/04/2018	3
MGS 04/26	4.031	38	4.053	05/04/2018	-2
MGS 11/26	4.003	4	3.975	05/04/2018	3
MGS 11/27	3.953	63	3.949	05/04/2018	0
MGS 04/30	4.344	67	4.342	04/04/2018	0
MGS 04/33	4.404	2	4.413	04/04/2018	-1
MGS 04/37	4.537	1	4.548	05/04/2018	-1
MGS 09/43	4.818	1	4.791	04/04/2018	3
MGS 03/46	4.788	67	4.795	04/04/2018	-1
GII 05/18	3.255	85	3.237	03/04/2018	2
GII 04/20	3.589	1	3.598	04/04/2018	-1
GII 04/22	3.829	169	3.827	05/04/2018	0
GII 11/22	3.926	20	3.938	05/04/2018	-1
GII 07/23	3.977	113	3.973	05/04/2018	0
GII 10/25	4.178	7	4.170	05/04/2018	1
GII 09/26	4.197	20	4.204	04/04/2018	-1
GII 07/27	4.150	29	4.159	05/04/2018	-1
		<u>1210</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]	08/21	GG	4.035	10	4.019	24/08/2017	2	58
Small Medium Enterprise Development Bank Malaysia Berhad	08/22	GG	4.197	15	4.217	06/01/2017	-2	69
DanaInfra Nasional Berhad	11/22	GG	4.119	20	4.177	22/02/2018	-6	57
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/23	GG	4.168	10	4.159	04/04/2018	1	62
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/24	GG	4.238	20	4.306	27/03/2018	-7	48
DanaInfra Nasional Berhad	04/24	GG	4.248	20	4.281	21/09/2017	-3	49
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	08/28	GG	4.565	20	4.499	25/09/2017	7	62
GovCo Holdings Berhad	02/32	GG	4.848	10	4.819	18/01/2018	3	43
Cagamas Berhad	10/18	AAA	3.754	10	3.646	05/07/2016	11	55
Al Dzahab Assets Berhad	09/20	AAA	4.628	15	4.655	23/03/2018	-3	128
Al Dzahab Assets Berhad	09/22	AAA	4.754	20	4.777	23/03/2018	-2	124
Aman Sukuk Berhad	10/26	AAA	4.609	20	4.619	05/12/2017	-1	67
TNB Western Energy Berhad	01/30	AAA	4.798	20	4.818	04/08/2017	-2	85
Public MTN	09/25	AAA	4.600	10	-	-	-	-
UniTapah Sdn Berhad	12/18	AA1	4.023	10	4.496	29/04/2016	-47	82
YTL Corporation Berhad	06/19	AA1	4.317	10	4.342	09/03/2018	-2	112
Kuala Lumpur Kepong Berhad	09/22	AA1	4.537	10	4.480	12/01/2018	6	103
TRIplic Medical Sdn Berhad	10/25	AA1	4.698	20	4.772	22/03/2018	-7	80
YTL Power International Berhad	05/27	AA1	4.899	30	4.888	04/04/2018	1	96
Public Islamic Bank Berhad	08/27	AA1	4.597	10	4.615	15/03/2018	-2	65
AmBank (M) Berhad	03/19	AA2	4.104	25	4.181	18/12/2017	-8	90
Malayan Banking Berhad	09/68	AA2	4.167	6	4.404	22/03/2018	-24	-39
CIMB Bank Berhad	10/38	AA	4.573	5	4.564	05/04/2018	1	2
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.278	1	4.259	14/09/2017	2	108
Gamuda Berhad	10/18	AA3	4.200	20	4.192	27/03/2018	1	100
Bumitama Agri Ltd	03/19	AA3	4.446	14	4.455	03/04/2018	-1	125
Jimah Energy Ventures Sdn Berhad	05/19	AA3	4.166	1	4.648	07/05/2015	-48	97
BGSM Management Sdn Berhad	06/24	AA3	4.668	20	4.668	05/04/2018	0	91
CIMB Islamic Bank Berhad	09/24	AA+	4.375	20	4.355	15/03/2018	2	62
Anih Berhad	11/23	AA	4.549	10	4.493	16/01/2018	6	79
Anih Berhad	11/24	AA	4.579	20	4.538	16/01/2018	4	73
CIMB Thai Bank Public Company Limited	07/24	AA3	4.676	30	4.667	04/04/2018	1	92
Malakoff Power Berhad	12/18	AA-	4.214	2	4.216	16/03/2018	0	101
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.543	5	4.554	05/04/2018	-1	120
AMMB Holdings Berhad	02/28	A1	4.997	60	5.179	05/03/2018	-18	105
Golden Assets International Finance Limited	08/19	A1	5.091	10	5.093	05/04/2018	0	189
			<u>558</u>					

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

### Market/Corporate News: What's Brewing

**YTL Corp Bhd has again caught the market by surprise with its recent win of a portion of the job in the multi-billion ringgit Kuala Lumpur–Singapore High Speed Rail (HSR) project.** In the run-up to the 14th General Election, MyHSR Corp announced the appointment of two project delivery partners (PDPs) for the HSR project. They are the joint ventures (JVs) of Malaysian Resources Corp Bhd with Gamuda Bhd (MRCB-Gamuda JV) and YTL Corp's Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd with TH Properties Sdn Bhd (YTL-THP JV), a subsidiary of Lembaga Tabung Haji. The announcement, which came two days before the parliament is dissolved, took the market by surprise. Many were not expecting such a major development to take place before a general election, considering that the HSR project is the most prestigious development that will involve two countries over the next seven years. Nevertheless, the latest win puts YTL as the top beneficiary of rail construction projects, sharing the limelight with companies such as Gamuda Bhd and George Kent (Malaysia) Bhd. Until now, both Gamuda and George Kent have been the favoured stocks among analysts as a major proxy for new rail contracts in the country. In the span of four months, YTL, which built the Express Rail Link (ERL) in 1996, has bagged two major rail projects. In December, it received a rail package worth RM8.6bil for the Gemas-Johor Baru electrified double-track railway project. As a PDP, YTL-THP will be responsible for designing and delivering the civil works of the KL-SG HSR project at an agreed cost and within the schedule of completion. Apart from YTL and THP, the other partner in the YTL-THP JV is said to be the SIPP group, which is linked to the Johor Palace. The SIPP group has bagged a few federal government-sponsored projects in the state following its partnership with the YTL group, including the RM8.6bil Gemas-Johor Baru double-track project. The Gemas-Johor Baru double-track project involves the construction of 197km of double tracks, stations, electric trains, depots, land viaduct, bridges, and electrification and signalling systems. Back to the HSR project, the MRCB-Gamuda JV has been selected for the northern portion of the alignment, while YTL-THP has been selected for the southern portion. The job scope of the PDP to oversee civil works contracts for the HSR project between Bandar Malaysia and the southern tip of Johor, is by far the biggest and most prestigious railway contract so far. According to CIMB Research, the combined value of the civil works at HSR is estimated at RM30bil-RM40bil and the PDP fee is 6% of total civil works. The 6% figure is similar to the amount given to PDPs managing the works in the mass rapid transit (MRT) projects. CIMB estimates that the MRCB-Gamuda JV will manage contracts worth about RM20bil-RM23bil, assuming its scope of work involves the stretch between Bandar Malaysia to the Malacca-Johor. The portion is about 65% of total works. The value of civil works to be under the purview of the YTL-THP JV is about RM10bil-RM12bil. The research house points out that unlike the role of the PDPs in the MRT works, there is a possibility that the PDPs of HSR project would be allowed to participate in the construction works. Shares of YTL has risen more 5.2% year to date. It is worth noting that YTL's share price has seen a 14-month decline since 2016, before surging almost 39% in early January this year to RM1.55, following the announcement of it landing the job to build the Gemas-Johor Baru double-track project. Yesterday, YTL closed at RM1.43 a share, rising more than 9% after announcing its PDP role in the HSR project. The JVs of Gamuda-MRCB and YTL-THP beat a formidable consortium involving IJM Corp Bhd and Sunway Construction Bhd for the PDP job. IJM and Sunway partnered Maltimur Resources Sdn Bhd, a company linked to the influential Tan Sri Bustari Yusoff of Sarawak and Jalinan Rejang Sdn Bhd. Maltimur Resources and Jalinan Rejang were the PDP for the Pan-Borneo Highway. "YTL-THP started as underdogs when the bidding started. "The strongest point was YTL's link to SIPP in the Gemas-Johor Baru project," said a contractor. With the PDP for the civil works portion being settled, the other major portion of the HSR project that is yet to be dished out is the mandate for the company to handle the operations and rolling stock called Opco and AssetsCo. The tender has been opened and it would be decided jointly by MyHSR and its counterpart in Singapore. Speculation is rife that YTL could be bidding for the job to handle the operations or what is known as the tender for OpCo. Analysts had pointed out that the OpCo tender is relevant to YTL, given its experience in operating the 45%-owned ERL. The ERL is a dedicated train service from KI Sentral to KLIA and runs faster than normal trains. Meanwhile, for the AssetCo, so far George Kent has formed a collaboration with Siemens, Alstom, Ferrovie dello Stato Italiane and the PORR group to tender for the job. Another contender for the AssetCo is MMC Corp Bhd that has formed a joint venture with a Japanese consortium. Analysts estimate the AssetsCo tender, which closes in June, would comprise RM20bil of the overall RM60bil HSR cost. UOB Kay Hian Malaysia Research estimates that the construction period for the civil work of the HSR project would take about 6½ years. "Assuming the 2026 timeline

is intact, contracts for civil construction works should be awarded the latest by 2019," it says. It adds that physical construction (subcontracting) works could benefit companies such as Gabungan AQRS, WCT Holdings, Econpile, Ahmad Zaki, Muhibbah Engineering, Gadang and TSR Capital. (Source: The Star)

**The forward curve of a closely watched proxy for the Federal Reserve's policy rate has slightly inverted, signaling investors are either pricing in a mistake from central bankers or end-of-cycle dynamics,** according to JPMorgan Chase & Co. The inversion of the one-month U.S. overnight indexed swap rate implies some expectation of a lower Fed policy rate after the first quarter of 2020, the bank's strategists including Nikolaos Panigirtzoglou, wrote in a note Friday. "An inversion at the front end of the U.S. curve is a significant market development, not least because it occurs rather rarely," they said. "It is also generally perceived as a bad omen for risky markets." The negative market signal comes as investors grapple with higher short term borrowing costs, which have risen in the U.S. to levels unseen since the financial crisis. While the strategists admit it is difficult to discern which of the two explanations for the curve inversion carries more weight, flow data suggests it is more likely to be rising expectations of a Fed policy mistake. (Source: Bloomberg, The Edge)

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
UEM Sunrise Berhad	Islamic Commercial Papers and Islamic Medium-Term Notes programmes (ICP/IMTN-1 and ICP/IMTN-2)	MARC-1-IS and AA-IS	Affirmed

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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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