

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw benchmark yields generally 1-3bps higher compared to the previous session as the curve flattened due to some unwinding of heavy auction positions. The 5s30s spread flattened further to 40bps; having touched a fresh low of 38bps since 2007. The 2Y (most sensitive to interest rate outlook) jumped 3bps higher at 2.31% whilst the much-watched 10Y also rose 2bps to 2.80%. Focus will be on this week's auctions with \$30b of 3Y; the first of this week's auction seeing a dip in BTC ratios as Treasury ramps up issuance of shorter-maturity debt. Up next will be \$21b of 10Y reopening and \$13b of 30Y reopening. Meanwhile the 3M LIBOR resumes its rise more so driven by credit-related matters rather than Treasury bill issuance. Upcoming data include the CPI figures for March which are expected to be flat.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.31	3
5-yr UST	2.63	3
10-yr UST	2.80	2
30-yr UST	3.02	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.47	0	3.60	1
5-yr	3.58	1	3.82	0
7-yr	3.86	0	4.00	0
10-yr	3.96	1	4.16	1
15-yr	4.42	0	4.55	0
20-yr	4.52	-3	4.75	0
30-yr	4.80	0	4.92	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.81	0
5-yr	3.88	0
7-yr	3.98	0
10-yr	4.10	0

Source: Bloomberg

MGS/GII

- Trading volume in local govies improved to RM2.61b with interest seen across the off-the-run MGS 19's, 23's and also GII 24's. Overall benchmark yields were within 1bps higher (save for odd-lot trade on the 20Y) higher compared to previous-done levels. The benchmark 7Y MGS 3/25 and the much-watched 10Y MGS 11/27 closed unchanged at 3.86% and 3.96% respectively. With the expected run-up in Ringgit prior to the elections and increase in foreign-holdings of Govvies as at end-March to RM184.8bn; expect continued support in secondary market trade. Up next is the Industrial Production figures due today.

Corp Bonds/Sukuk

- Corporate Bonds notched higher market volume of RM639m with half of trades done yet again within the AA-rated space. The Govt-Guaranteed (GG) PRASA saw several tranches traded with 20's closing 2-6bps higher between 3.90-98% levels whilst the 3/24 closed unchanged at 4.24% compared to previous-done levels. In the AA-space we note PLUS 24 move 1bps higher at 4.45% whereas MACB 8/20 rallied 4bps at 4.25%. AA-rated infra cum power-related bonds saw decent interest with names like BGSM 12/18, 8/25, TBEI 9/30 and even long-tenured EDRA Energy 7/32 grind trades mixed on yields. In the banking/finance space, AMBANK 3/19 closed 2bps lower at 4.08% whilst Bank Islam saw pass-through trades closing 4.52%.

Upcoming Government Bond Tenders

RM2.5b of 20Y GII 8/37 on Thursday, 12th April

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.244	1	3.180	09/04/2018	6
MGS	03/19	3.146	256	3.139	09/04/2018	1
MGS	10/19	3.319	124	3.287	09/04/2018	3
MGS	11/19	3.327	148	3.348	09/04/2018	-2
MGS	07/20	3.446	5	3.433	09/04/2018	1
MGS	10/20	3.462	2	3.424	09/04/2018	4
MGS	07/21	3.460	48	3.489	09/04/2018	-3
MGS	09/21	3.583	9	3.578	09/04/2018	1
MGS	11/21	3.466	64	3.463	06/04/2018	0
MGS	03/22	3.575	41	3.566	09/04/2018	1
MGS	08/22	3.731	24	3.693	06/04/2018	4
MGS	09/22	3.743	2	3.726	09/04/2018	2
MGS	03/23	3.708	364	3.746	09/04/2018	-4
MGS	08/23	3.799	36	3.758	05/04/2018	4
MGS	07/24	3.868	28	3.890	06/04/2018	-2
MGS	09/24	3.874	81	3.883	09/04/2018	-1
MGS	03/25	3.860	10	3.857	09/04/2018	0
MGS	09/25	3.950	26	3.947	09/04/2018	0
MGS	04/26	4.019	3	4.031	09/04/2018	-1
MGS	11/26	3.962	64	4.003	06/04/2018	-4
MGS	05/27	4.094	0	4.083	06/04/2018	1
MGS	11/27	3.962	191	3.949	09/04/2018	1
MGS	04/30	4.347	0	4.347	09/04/2018	0
MGS	04/32	4.402	10	4.387	02/04/2018	2
MGS	04/33	4.418	53	4.413	09/04/2018	0
MGS	04/37	4.523	4	4.552	09/04/2018	-3
MGS	03/46	4.795	15	4.798	09/04/2018	0
GII	04/20	3.596	25	3.589	06/04/2018	1
GII	04/22	3.824	405	3.827	09/04/2018	0
GII	05/24	4.074	30	4.074	09/04/2018	0
GII	08/24	4.053	160	4.057	09/04/2018	0
GII	08/25	4.000	22	4.004	30/03/2018	0
GII	09/26	4.226	3	4.213	09/04/2018	1
GII	07/27	4.162	241	4.150	06/04/2018	1
GII	12/28	4.305	60	4.304	29/03/2018	0
GII	08/37	4.752	60	4.747	09/04/2018	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*	
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/20	GG	3.900	20	3.843	19/01/2018	6	56
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/20	GG	3.979	60	3.960	11/05/2017	2	52
Pengurusan Air SPV Berhad	06/23	GG	4.170	15	4.170	09/04/2018	0	60
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/24	GG	4.241	15	4.238	06/04/2018	0	48
Danainfra Nasional Berhad	05/24	GG	4.262	10	4.263	19/01/2018	0	50
Lembaga Pembiayaan Perumahan Sektor Awam	04/33	GG	4.899	50	4.899	09/04/2018	0	48
GB Services Berhad	11/19	AAA	4.428	10	4.437	27/03/2018	-1	108
Malaysia Airports Capital Berhad	08/20	AAA	4.247	10	4.288	15/03/2018	-4	90
Sarawak Hidro Sdn Berhad	08/23	AAA	4.387	5	4.399	04/04/2018	-1	81
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.445	10	4.434	29/03/2018	1	68
CIMB Bank Berhad	05/24	AAA	4.597	10	4.605	23/11/2017	-1	84
Danga Capital Berhad	02/26	AAA	4.567	40	4.561	30/03/2018	1	67
GENM Capital Berhad	03/27	AAA	4.916	20	4.921	03/04/2018	0	97
YTL Corporation Berhad	06/19	AA1	4.342	20	4.317	06/04/2018	2	113
Sarawak Energy Berhad	06/21	AA1	4.390	45	4.406	07/02/2018	-2	93
YTL Power International Berhad	03/23	AA1	4.604	20	4.622	09/04/2018	-2	103
TRIplic Medical Sdn Berhad	10/27	AA1	4.850	10	4.900	06/02/2018	-5	90
CIMB Bank Berhad	08/26	AA+	4.691	5	4.869	09/04/2018	-18	79
AmBank (M) Berhad	03/19	AA2	4.081	25	4.104	09/04/2018	-2	87
UMW Holdings Berhad	06/22	AA2	4.624	2	4.631	30/03/2018	-1	111
BGSM Management Sdn Berhad	12/18	AA3	4.111	10	4.148	06/02/2018	-4	90
Gamuda Berhad	03/20	AA3	4.389	60	4.308	07/11/2017	8	105
BGSM Management Sdn Berhad	08/25	AA3	4.737	0	4.739	27/03/2018	0	88
Tanjung Bin Energy Issuer Berhad	09/30	AA3	5.029	10	5.008	22/03/2018	2	108
Edra Energy Sdn Berhad	07/32	AA3	5.880	35	5.879	22/03/2018	0	146
CIMB Group Holdings Berhad	04/60	AA3	4.795	20	4.799	03/04/2018	0	24
Bank Islam Malaysia Berhad	12/25	A1	4.519	10	4.516	27/03/2018	0	62
RHB Bank Berhad	03/39	A1	4.611	5	4.579	20/02/2018	3	6
Alliance Bank Malaysia Berhad	10/25	A2	4.694	1	5.130	09/04/2018	-44	80
DRB-Hicom Berhad	12/14	A-	7.546	6	7.622	02/03/2018	-8	299
UEM Edgenta Berhad [fka Faber Group Berhad]	04/22	AA-	4.657	10	4.660	14/03/2018	0	114
WCT Holdings Berhad	10/23	AA-	5.243	10	5.251	23/03/2018	-1	148
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	4.659	20	4.670	20/03/2018	-1	80
Tanjung Bin O&M Berhad	07/27	AA-	4.850	20	4.827	19/12/2017	2	91
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/28	AA-	4.868	10	4.854	09/11/2017	1	92
Southern Power Generation Sdn Berhad	04/33	AA-	5.189	10	5.190	03/04/2018	0	77
			<u>639</u>					

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

Market/Corporate News: What's Brewing

Malaysia Airlines Bhd has reiterated that its memorandum of understanding (MoU) with US aircraft maker Boeing to buy eight 787-9 Dreamliners worth US\$2.25 billion (RM8.71 billion) at list prices as announced by the Malaysian prime minister in September last year remains in place. It also slammed a story by Reuters yesterday that the national carrier had launched a fresh tender process for 20 to 30 wide-body jets that could supersede the MoU deal with Boeing as “speculative and erroneous”. “Reference is made to the story ‘Malaysia Airlines launches wide-body tender process, could oust Boeing 787 deal’ originating from Reuters. Malaysia Airlines wishes to make clear that the story is speculative and erroneous,” the airline said in a brief statement yesterday. “There is currently no such tender process as alleged and the MoU with Boeing as announced by Prime Minister [Datuk Seri Najib Razak] remains in place. Malaysia Airlines will not be commenting on this matter further,” it added. The Reuters report, quoting a source with knowledge of the new wide-body tender process, had said that while the 787s are included in the airline’s latest request for information, it has also listed the Airbus A330neos and A350s for consideration. In September last year, Malaysia Airlines signed a MoU for eight Dreamliners and eight 737 Max 8s, on the sidelines of Najib’s visit to the White House. However, the announcement drew flak from the public who had questioned the purchase, especially when the airline has yet to return to profitability. Khazanah Nasional Bhd is the sole shareholder of Malaysia Airlines. Malaysia Airlines subsequently clarified that its planned purchase of the 16 Boeing aircraft was not a firm buy as yet. (Source: The Edge)

Malaysia is now seen as the best growth story among emerging South-East Asian markets.

Year-to-date, foreign investors bought a net US\$635mil of the country’s shares, while pulling money out of Indonesia, Thailand and the Philippines. The FBM KLCI has outperformed its peers with an 8% rally this year in dollar terms. It’s a sharp turnaround from a year and a half ago. Back then, investors fled after Bank Negara asked foreign lenders to stop “speculative and damaging” trading in the offshore ringgit forwards market. Kuala Lumpur has never been a favourite for overseas stock investors: More than 40% of the benchmark index is owned by sovereign funds such as Khazanah Nasional Bhd, leaving foreign asset managers with little influence over companies’ operations or valuations. But in a world of political instability, investors love continuity. And with Prime Minister Datuk Seri Najib Tun Razak looking set for five more years in power, they have reason to cheer. Last weekend, Najib dissolved Parliament, yesterday the Election Commission has set polling day for May 9. The timing is perfect for Najib, with the vote to be held before his arch-rival Datuk Seri Anwar Ibrahim is released from a five-year prison sentence for sodomy on June 8. According to the World Bank, Malaysia is ahead of other South-East Asian countries in terms of “political stability and absence of violence”. Najib looks to have shaken off the scandal surrounding 1MDB, the state-owned investment fund created under his watch that has been mired in corruption allegations. The prime minister has denied wrongdoing and was cleared by a Malaysian inquiry. Just 6% of young Malaysian adults cited the scandal as a top concern in a survey last year. Close ties with Beijing mean Najib is an integral part of the Malaysian growth story. China is helping the country to build a dozen projects ranging from a US\$13bil railway linking peninsular Malaysia’s east and west to billion-dollar new ports and development zones, as part of its Belt and Road initiative. Not all Malaysians welcome China’s growing presence. Former prime minister Tun Dr Mahathir Mohamad, the opposition’s candidate for prime minister, said he would review Belt and Road projects if elected, Anisah Shukry and Yudith Ho at Bloomberg News reported Monday. But this isn’t what investors want to hear. Strengthening investment helped drive economic growth of 5.9% last year, the fastest pace since 2014. Private investment climbed to 26% of Malaysia’s GDP in 2016 from 23.4% in 2010. Thailand’s ratio, by contrast, has been slipping. There’s no sign of overheating yet. Inflation has eased since mid-2017, in part because increasing investment leads to higher production capacity, reducing price pressures. As a result, even if the US Federal Reserve raises rates three or four times this year, Malaysia’s central bank could still safely hold. That’s a contrast to the neighbouring Philippines, where the central bank looks to have slipped behind the curve. Malaysia is arguably also safer than Indonesia, another regional growth engine, because of its currency. While the ringgit has appreciated by close to 5% this year, the rupiah has lost more than 1%, even though the US dollar is broadly weaker. Unlike Indonesia, Malaysia runs an account surplus. At a time when corruption scandals have led to the jailing of former presidents from South Korea to Brazil, foreign investors aren’t in the

mood for more political shocks. The Malaysian public's indifference should be music to their ears.(Source: The Edge)

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

Source: RAM Ratings; MARC

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