

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.26	0
5-yr UST	2.64	-1
10-yr UST	2.87	-3
30-yr UST	3.13	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.60	0
5-yr	3.59	0	3.83	0
7-yr	3.88	0	4.03	0
10-yr	3.97	-1	4.17	0
15-yr	4.42	0	4.55	0
20-yr	4.55	0	4.76	0
30-yr	4.78	0	4.90	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.81	0
5-yr	3.89	0
7-yr	4.01	0
10-yr	4.14	0

Source: Bloomberg

Upcoming Government Bond Tenders

New issuance of 7Y MGS 3/25 (RM3.0b + RM1.0b Private Placement) on 13th March

US Treasuries

- US Treasuries grinded higher with gains seen in the longer-ends despite surge in supply of 3Y and 10Y UST auctions which were well-digested. Yields were generally 0-3bps lower as the curve flattened with the 5s30s and 2s10s spreads tighter by ~3bps. The 2Y yield was unchanged at 2.26% whilst the much-watched 10Y benchmark ended lower by 2bps at 2.87%. The February jobs report indicates hiring is improving amid strong economic growth whilst wage pressures build-up progressively. We expect markets to scrutinize upcoming CPI, retail sales and industrial production numbers this week for clues on the Fed's policy path.

MGS/GII

- Local Govvies saw listless trading in the secondary market with volume slipping to RM1.20bn on Monday, despite cautious wage growth on the back of impressive NFP data. Some interests were seen in GII bonds especially in the off-the-run 19's and 5Y benchmark. Generally yields across the curve were within 1bps compared to previous-done levels with both the 7Y MGS 9/24 10Y MGS 11/27 at 3.88% and 3.97% respectively. Expect slight improvement in interest going forward on the back of steady Ringgit and recent economic data.

Corp Bonds/Sukuk

- As with local govies the secondary market volume for Corporate Bonds slumped to RM115m; stripping out the RM405m maiden debut of CAGA 3/20 at a coupon of 4.10%. Interest switched to AA-rated bonds with GAMUDA 10/18 moving 9bps higher compared previous-done levels whereas UMW and UEM 22's moved lower by 1-8bps at 4.63% and 4.79% respectively. Power-related bonds i.e. JEV and MALAKOFF 23's also exchanged hands in a quiet session at 4.62-69% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.097	33	3.104	06/03/2018	-1
MGS	10/19	3.272	37	3.322	09/03/2018	-5
MGS	11/19	3.296	78	3.312	08/03/2018	-2
MGS	03/20	3.349	10	3.390	08/03/2018	-4
MGS	10/20	3.365	5	3.374	08/03/2018	-1
MGS	07/21	3.418	87	3.422	08/03/2018	0
MGS	09/21	3.507	3	3.552	08/03/2018	-4
MGS	11/21	3.402	18	3.411	09/03/2018	-1
MGS	03/22	3.589	36	3.584	09/03/2018	0
MGS	09/22	3.698	31	3.698	08/03/2018	0
MGS	03/23	3.750	7	3.763	09/03/2018	-1
MGS	08/23	3.779	7	3.769	09/03/2018	1
MGS	07/24	3.875	7	3.894	07/03/2018	-2
MGS	09/24	3.884	21	3.874	09/03/2018	1
MGS	11/26	4.009	5	3.995	08/03/2018	1
MGS	11/27	3.970	76	3.976	09/03/2018	-1
MGS	06/28	3.992	50	4.006	08/03/2018	-1
MGS	06/31	4.394	45	4.394	09/03/2018	0
MGS	04/33	4.416	14	4.406	09/03/2018	1
GII	04/19	3.360	200	3.322	07/03/2018	4
GII	04/20	3.596	6	3.601	08/03/2018	0
GII	04/22	3.833	312	3.830	09/03/2018	0
GII	05/24	4.083	4	4.111	07/03/2018	-3
GII	08/24	4.098	1	4.089	09/03/2018	1
GII	08/25	4.025	91	4.030	09/03/2018	0
GII	09/26	4.251	13	4.236	07/03/2018	2
GII	07/27	4.165	1	4.165	09/03/2018	0
GII	10/35	4.788	2	4.737	07/02/2018	5
			1200			

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*
Cagamas Berhad	03/20	AAA	4.100	405	-	-	-	-
Samalaju Industrial Port Sdn Berhad	12/27	AA1	4.954	14	4.898	12/10/2017	6	97
UMW Holdings Berhad	06/22	AA2	4.630	10	4.639	02/03/2018	-1	113
Gamuda Berhad	10/18	AA3	4.200	20	4.115	10/11/2017	9	101
Jimah Energy Ventures Sdn Berhad	11/23	AA3	4.618	10	5.300	19/03/2015	-68	83
RHB Islamic Bank Berhad	04/27	AA3	4.701	15	4.714	09/03/2018	-1	73
Jimah East Power Sdn Berhad	12/30	AA-	5.025	1	4.999	08/12/2017	3	61
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/22	AA-	4.788	10	4.867	04/01/2018	-8	129
Malakoff Power Berhad	12/23	AA-	4.688	10	4.677	19/10/2017	1	90
AMMB Hldgs Berhad	03/28	A1	5.080	25	-	-	-	-
				520				

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

Market/Corporate News: What's Brewing

Hartalega Holdings Bhd, the world's largest nitrile glove manufacturer, said its growth for the current financial year ending March 31, 2018 (FY18) will come organically as it invests RM250 million of capital expenditure (capex) to build a new plant. The amount is lower than FY17's capex of RM2.2 billion, which was spent on the group's six manufacturing plants under the Next Generation Integrated Glove Manufacturing Complex (NGC) expansion project in Sepang. Its executive chairman Kuan Kam Hon said the group will stay focused on organic growth in the absence of merger and acquisition (M&A) targets. "No M&A and no targets have been identified at this moment. We are purely on organic growth and our focus is to grow our business as there are plenty of opportunities in the glove manufacturing distribution," he told reporters after the group's extraordinary general meeting (EGM) yesterday. The group aims to increase annual production to 32 billion pieces in FY19 from some 27 billion pieces now, he added. Group managing director Kuan Mun Leong, who is Kam Hon's son, said the NGC was initially planned to consist of six production plants. However, the group decided to set up a new plant — Plant 7, which will tailor to small orders and focus more on specialty products. It will have an annual production capacity of 2.6 billion pieces. "Plant 7 is different because its capacity will not be big. It will only have 10 lines compared with the other six plants, which have 12 lines each and a combined annual capacity of 42 billion pieces," said Mun Leong. Construction of Plant 7 is due to commence in June or July, with the commissioning of its first line in March next year. "On average, our glove production capacity will grow by between 15% and 20% in the next three years with three NGC plants (Plant 5, Plant 6 and Plant 7) up," he said. However, Mun Leong reminded that the schedule of the commissioning of the new production line and construction of the new plant usually depends on the market situation. "We are building seven production plants in total. All this is a very aggressive expansion plan that we have on paper, but we are always cognitive to make sure the supply and demand balance is at a healthy level. "That means we can slow down if the supply is ahead of demand, but from our market projection we don't think there will be an oversupply situation in the next three years," he added. Hartalega, which recently announced a new product extension to its stable, is expecting to launch its non-leaching antimicrobial nitrile examination gloves in Europe in May this year. At the same time, the glove maker will be submitting related documentation on the antimicrobial gloves between the mid and end of April to the Food and Drug Administration (FDA) for its approval into the US market. "We plan to sell our antimicrobial gloves globally but the first launch will be in Europe in May this year, while we prepare the document for submission to the FDA. "The FDA submission is a milestone for us because it gives credibility to our products. Once we get FDA approval and certification, it will be a good testimony for our products," he said. Earlier at the EGM, Hartalega obtained shareholders' approval for its proposed one-for-one bonus share issue, involving up to 1.7 billion new shares.

(Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

Source: RAM Ratings; MARC

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