

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended 0-2bps marginally higher yet again as market witnessed solid UST30Y auction which notched a BTC ratio of 2.38x; averaging 3.10%. Despite the auction reflecting comfort over inflation risks; the front-end continued to be pressured ahead of tonight's FOMC meeting with both the 2s10s and 5s30s spread tightening by ~1-2bps. The 2Y edged another 2bps higher at 2.54% whilst the much-watched 10Y rose a mere basis point at 2.96%. Elsewhere there was hardly much economic or political impact arising from the "Trump-Kim" meeting in Singapore yesterday. Even though another 25bps rate hike in the upcoming FOMC meeting this week is seen as a given, markets are looking for more clues if the Fed will deliver a 4th rate hike for the year.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	2
5-yr UST	2.81	1
10-yr UST	2.96	1
30-yr UST	3.09	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.69	-1	3.72	0
5-yr	3.85	0	4.02	-1
7-yr	4.03	0	4.18	0
10-yr	4.23	0	4.34	-1
15-yr	4.62	0	4.72	0
20-yr	4.89	0	4.84	0
30-yr	4.95	0	5.01	0

* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.74	0
3-yr	3.81	0
5-yr	3.90	0
7-yr	4.00	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender Nil

MGS/GII

- Trading momentum in local govies dropped with volume at a mere RM998m due to lack of local leads and also with the looming FOMC meeting tonight. Plenty of bid/offer interest were seen on the short-end 18-19's mainly by offshore parties. There were several trades in the belly area with the 24's seeing some action. Overall benchmark yields were within 1bps from prior day's closing with both 7Y MGS 3/25 and 10Y MGS 6/28 unchanged. Expect market to remain quiet ahead of tonight's FOMC policy meeting.

Corp Bonds/Sukuk

- Corporate Bonds saw marked improvement in appetite with volume at RM336m with bulk of interest in the AAA-rated space. Both Govt-guaranteed KHAZANAH 2/21 and PASB 9/25 saw RM40m traded each; closing 2-22bps higher from previous-done levels at 4.17% and 4.58% respectively. Meanwhile, AA-rated infra-cum power related bonds SEB 6/21 and YTL Power 5/27 rallied between 1-2bps at 4.54% and 5.02% respectively whilst FRL 6/20 and 10/21 closed mixed between 4.58-72% levels. In the banking space Bank Islam 27nc22 also edged 1bps lower at 4.92%. Investors are expected to indulge in selective trades for corporate bonds/ sukuk.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.243	252	3.216	11/06/2018	3
MGS	03/19	3.321	2	3.417	07/06/2018	-10
MGS	10/19	3.487	5	3.480	11/06/2018	1
MGS	11/19	3.512	36	3.484	11/06/2018	3
MGS	03/20	3.548	22	3.548	07/06/2018	0
MGS	10/20	3.608	23	3.653	11/06/2018	-4
MGS	11/21	3.682	39	3.700	11/06/2018	-2
MGS	03/23	4.004	5	4.015	11/06/2018	-1
MGS	07/24	4.126	67	4.171	11/06/2018	-4
MGS	09/24	4.186	174	4.162	08/06/2018	2
MGS	09/25	4.257	84	4.294	11/06/2018	-4
MGS	04/26	4.333	2	4.331	11/06/2018	0
MGS	11/26	4.356	35	4.421	11/06/2018	-7
MGS	06/28	4.228	60	4.227	08/06/2018	0
MGS	06/31	4.702	6	4.713	11/06/2018	-1
MGS	04/33	4.773	10	4.803	11/06/2018	-3
MGS	06/38	4.893	50	4.896	11/06/2018	0
MGS	03/46	4.956	9	4.950	11/06/2018	1
GII	04/22	3.935	5	3.947	08/06/2018	-1
GII	11/23	4.024	40	4.038	11/06/2018	-1
GII	08/25	4.183	20	4.184	08/06/2018	0
GII	07/27	4.386	4	4.378	08/06/2018	1
GII	10/28	4.344	50	4.350	08/06/2018	-1
			<u>998</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*	
Khazanah Nasional Berhad	02/21	GG	4.170	40	4.149	31/05/2018	2	46
Pengurusan Air SPV Berhad	09/25	GG	4.580	40	4.361	04/04/2018	22	54
Cagamas Berhad	03/19	AAA	4.060	10	4.048	08/06/2018	1	64
CIMB Bank Berhad	05/22	AAA	4.540	5	4.449	13/11/2017	9	74
Sarawak Energy Berhad	06/21	AA1	4.540	70	4.556	17/05/2018	-2	83
YTL Power International Berhad	05/27	AA1	5.020	30	5.027	05/06/2018	-1	85
Samalaju Industrial Port Sdn Berhad	12/27	AA1	5.050	20	5.058	01/06/2018	-1	83
TRIpIc Medical Sdn Berhad	10/30	AA1	4.930	5	4.999	04/04/2018	-7	71
TRIpIc Medical Sdn Berhad	10/31	AA1	4.970	5	4.981	05/06/2018	-1	34
First Resources Limited	06/20	AA2	4.580	10	4.598	17/05/2018	-2	99
First Resources Limited	10/21	AA2	4.720	20	4.591	04/04/2018	13	101
PBFIN Berhad	06/59	AA2	4.650	1	4.653	11/06/2018	0	-
Sime Darby Plantation Sdn Bhd	03/16	AA	5.360	25	5.388	05/06/2018	-3	47
CIMB Thai Bank Public Company Limited	03/28	AA3	5.330	10	5.100	27/03/2018	23	111
WCT Holdings Berhad	12/18	AA-	4.489	2	4.514	25/05/2018	-3	107
MMC Corporation Berhad	04/23	AA-	5.410	1	5.313	03/05/2018	10	156
Golden Assets International Finance Limited	08/19	A1	5.090	20	5.095	31/05/2018	0	167
Bank Islam Malaysia Berhad	11/27	A1	4.920	10	4.935	04/06/2018	-1	75
CIMB Group Holdings Berhad	05/16	A1	5.380	1	5.380	11/06/2018	0	49
Mah Sing Perpetual	-	-	5.600	2	5.604	11/06/2018	0	-
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/19	AA-	4.415	10	4.345	28/08/2017	7	100
			<u>336</u>					

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

Market/Corporate News: What's Brewing

The recent selloff in emerging markets has provided investment opportunities not seen in years, Jeffrey Gundlach, executive of DoubleLine Capital, said on Tuesday, and he urged moving at least some money into emerging market bonds. "I think it is excellent time - if you haven't been in emerging market bonds or high-yield bonds - to contemplate at least a partial shift based upon the level of the dollar and valuation," Gundlach said in an investor webcast, as he noted his bearish view on the greenback. Gundlach, known as Wall Street's "Bond King," cited a sell-off stemming from Argentina, Brazil and Turkey, and said that emerging market dollar bonds are now yielding more than U.S. high-yield bonds. U.S.-based stock funds invested in emerging markets gathered just \$4.8 million during the week ended June 6, a week after the largest withdrawals in more than 18 months, while their debt counterparts posted \$521 million in outflows, the most since February. Gundlach, who oversees \$120 billion at DoubleLine, said he believes the U.S. dollar will weaken again because of the "ridiculous" expansion of federal debt against the backdrop of rising interest rates. He characterized the explosion of the federal debt and the Federal Reserve's interest-rate increase cycle as a "suicide mission." Gundlach said he expects oil to rise toward \$80-\$90 a barrel, and said he would be a buyer of gold and continues to be bullish on commodities. Overall, Gundlach said, there is "no U.S. recession in the offing," but he does see slower global growth. (Source: *The Star/Reuters*)

THE change of government following the May 9 general election has cast the spotlight on so-called politically linked media groups. Some believe the government of the day would invariably seek some control over the mainstream media. This raises the question of whether this will lead to a change of ownership in companies such as Media Prima Bhd, Utusan Melayu (M) Bhd and Star Media Group Bhd. The share prices of politically-linked media companies are currently trading at multi-year lows. Media Prima, which has the most newspaper titles in the country, would probably draw the most speculation. Umno currently holds a 19.05% stake — via Gabungan Kesturi Sdn Bhd and Altima Inc — in Media Prima, which operates four free-to-air television networks and six print publications as well as a number of radio stations. Under the former government, Media Prima was ultimately controlled by BN. In fact, group managing director Datuk Kamal Khalid even ran the communications unit in the Prime Minister's Office. But a look at Media Prima's shareholding structure indicates that Umno could be challenged by other substantial shareholders, such as the Employees Provident Fund (EPF) or Permodalan Nasional Bhd (PNB) if there should be any plans to replace the board. The media group's latest annual report shows that the EPF is the second largest shareholder with a 13.25% stake, while PNB, AmanahRaya Bhd and AmanahRaya Trustees Bhd collectively hold 20.65% equity interest. Kumpulan Wang Persaraan (Diperbadankan) or KWAP has 2.07%. State-owned investment funds thus collectively control a 35.97% stake in Media Prima. That would put Umno, which has less than 20% shareholding, in a vulnerable position. At Media Prima Television Networks, Datuk Seri Ashraf Abdullah has already stepped down as group managing editor for news and current affairs. His deputy Datuk Manja Ismail has taken over his duties. Utusan Melayu (M) Bhd is another media group controlled by Umno, which holds a 49.77% stake. The print media group publishes Utusan Malaysia, Minggu Malaysia and Kosmo!. The second largest shareholder with a 14.76% stake is Nilam Setar (M) Sdn Bhd, the investment vehicle of tycoon Tan Sri Syed Mokhtar Albukhary. Syed Mokhtar is perceived to have a close relationship with Prime Minister Tun Dr Mahathir Mohamad. This has prompted some to ask if he will become a white knight to revive the group, which is not faring well financially. Will Umno inject fresh capital to sustain the group? According to news reports, Utusan Melayu's top brass had told employees at a town hall meeting after the 14th general election that it was facing severe financial conditions and might only be

able to continue until the year-end. Utusan Melayu has been loss-making for six consecutive years, with accumulated losses amounting to RM71.4 million as at March 31. Notably, four independent, non-executive directors resigned after GE14 as “part of the overall restructuring plan”, according to the media group. The four were company chairman Tan Sri Mohamad Fatmi Che Salleh, Datuk Seri Tengku Sariffuddin Tengku Ahmad (press secretary to former prime minister Datuk Seri Najib Razak), Jamalul Kiram Mohd Zakaria and Mohd Yusof Abu Othman. Star Media Group Bhd, meanwhile, is 43.03% owned by the Malaysian Chinese Association (MCA). Interestingly, PNB, AmanahRaya Bhd and AmanahRaya Trustees Bhd have a collective stake of 18.06% in the group while the EPF has an 8.38% stake, Lembaga Tabung Haji has 5.39% and KWAP, 0.74%. The media group publishes The Star — the largest circulated English daily. It also operates Chinese-language radio station 988 as well as dimsum.my, a homegrown all-Asian video-on-demand service. In a nutshell, state-owned investment funds collectively own a 32.57% stake in Star Media. That makes it uncomfortable for MCA if they should disagree with future plans for the media group and decide to act in concert. Star Media is seen as a major source of income, in the form of dividends, for MCA. Press freedom is among the key thrusts of the Pakatan Harapan manifesto. Communications and Multimedia Minister Gobind Singh Deo is expected to table a proposal to abolish the Anti-Fake News Act 2018 at the Dewan Rakyat sitting in June. Against this backdrop, any move by the new government to tighten its grip on the mainstream media is likely to draw flak. Only time will tell if the new political scene will lead to changes in these media groups. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Cagamas MBS Berhad	RM2.06 billion residential mortgage-backed securities (2005/2025) (CMBS 2005-2)	AAA/Stable	Reaffirmed
	RM2.11 billion Sukuk Musyarakah Islamic residential mortgage-backed securities (2007/2027) (CMBS 2007-1-i)	AAA/Stable	Reaffirmed

Source: RAM Ratings; MARC

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