

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.26	-1
5-yr UST	2.62	-2
10-yr UST	2.84	-3
30-yr UST	3.10	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	1	3.60	0
5-yr	3.57	-2	3.83	0
7-yr	3.85	-3	4.02	0
10-yr	3.96	-1	4.16	-1
15-yr	4.41	-1	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	3.79	-2
5-yr	3.88	-1
7-yr	4.01	0
10-yr	4.13	-1

Source: Bloomberg

Upcoming Government Bond Tenders

US Treasuries

- US Treasuries gained again yesterday led by long-end of the curve which saw bull-flattening following Trump's ousting of US Secretary of State and subsiding fears of inflation that remained within 2% handle. Yields were generally 1-3bps lower with the front end 2Y (which is sensitive to Fed policy interest rate expectations) was at 2.26% whilst the much-watched 10Y closed 3bps lower at 2.84%. Meanwhile investors and traders gave confidence at Treasury's auction of 30Y bonds; which drew a lower than expected yield of 3.109% on a BTC of 2.38x. This was similar to the average over the past 10 auctions. Upcoming data tonight include Retail Sales and Industrial Production figures.

MGS/GII

- Local Govvies saw improvement in secondary market volume at RM3.52b including the issuance of the new 5Y benchmark MGS 3/25 which saw strong demand especially from offshore investors averaging 3.822% on a BTC ratio of 2.35x. Interest was also seen in other benchmark MGS bonds and shorter-tenured off-the-run GII 18's. Overall yields were generally 1-3bps lower with the 7Y MGS 9/24 at 3.85% and the widely-watched 10Y MGS 11/27 at 3.96%. Expect market activity to gradually improve on yield-carry and liquidity requirements on the back of favorable ringgit.

Corp Bonds/Sukuk

- Secondary market volume for Corporate Bonds maintained its momentum at RM507m with interest seen along GG-AA part of the curve. There was a slew of Govt-Guaranteed and AAA-rated bonds traded. RM90m worth of DANA bonds were traded with the 30's closing 4-6bps higher compared to previous-done levels between 4.71-76% levels whilst DANA 2/33 and 2/39 also saw higher yields at 4.89% and 5.09% respectively. In the AAA-space however CAGA 11/20 closed 1bps lower at 4.10% whilst the shorter CAGA 3/19 saw strong demand closing 7bps lower at 4.01%. Several banking papers exchanged hands with PUBLIC 23nc18 and AMMB Hldgs 8/19 rallying to close at 4.30% and 4.56% respectively. The rarely traded AA-Rated JEV 11/19 saw yields move sharply lower at 4.22%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.045	2	3.097	12/03/2018	-5
MGS	07/19	3.227	11	3.251	08/03/2018	-2
MGS	10/20	3.365	24	3.373	12/03/2018	-1
MGS	02/21	3.393	34	3.386	09/03/2018	1
MGS	07/21	3.439	11	3.418	12/03/2018	2
MGS	09/21	3.536	132	3.507	12/03/2018	3
MGS	03/22	3.570	443	3.581	12/03/2018	-1
MGS	08/22	3.702	10	3.689	09/03/2018	1
MGS	09/22	3.698	1	3.698	12/03/2018	0
MGS	03/23	3.768	1	3.745	12/03/2018	2
MGS	08/23	3.779	36	3.779	12/03/2018	0
MGS	09/24	3.882	50	3.884	12/03/2018	0
MGS	09/25	3.947	43	3.978	09/03/2018	-3
MGS	11/26	4.023	15	4.009	12/03/2018	1
MGS	11/27	3.961	767	3.968	12/03/2018	-1
MGS	06/28	3.978	60	4.006	08/03/2018	-3
MGS	04/30	4.379	1	4.419	12/03/2018	-4
MGS	06/31	4.383	68	4.394	12/03/2018	-1
MGS	04/33	4.411	13	4.416	12/03/2018	-1
MGS	05/35	4.515	5	4.549	07/03/2018	-3
MGS	04/37	4.545	5	4.545	09/03/2018	0
MGS	03/25	3.852	691	-	-	-
GII	05/18	3.173	20	3.183	09/03/2018	-1
GII	08/18	3.160	241	3.212	09/03/2018	-5
GII	08/18	3.138	103	3.129	06/03/2018	1
GII	10/18	3.138	25	3.272	09/03/2018	-13
GII	04/19	3.355	31	3.360	12/03/2018	0
GII	08/19	3.456	60	3.414	20/11/2017	4
GII	05/20	3.647	1	3.603	22/02/2018	4
GII	08/20	3.584	3	3.595	08/03/2018	-1
GII	04/22	3.831	152	3.833	12/03/2018	0
GII	07/23	3.990	90	3.980	07/03/2018	1
GII	05/24	4.092	1	4.083	12/03/2018	1
GII	08/24	4.066	4	4.098	12/03/2018	-3
GII	08/25	4.022	260	4.025	12/03/2018	0
GII	09/26	4.242	1	4.236	07/03/2018	1
GII	07/27	4.156	1	4.165	12/03/2018	-1
GII	06/33	4.550	100	4.554	08/03/2018	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*
Pengurusan Air SPV Berhad	06/20	GG	3.894	10	3.83	17/10/2017	6.4	57.8
Jambatan Kedua Sdn Berhad	05/25	GG	4.41	10	4.4	05/03/2018	1	54.1
Pengurusan Air SPV Berhad	02/26	GG	4.426	30	4.428	08/03/2018	-0.2	49.2
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	08/26	GG	4.476	10	4.518	05/03/2018	-4.2	54.2
DanaInfra Nasional Berhad	04/30	GG	4.71	10	4.65	02/01/2018	6	74.2
DanaInfra Nasional Berhad	11/30	GG	4.76	20	4.72	05/12/2017	4	34.3
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	4.789	10	4.818	23/10/2017	-2.9	37.2
DanaInfra Nasional Berhad	02/33	GG	4.889	40	4.513	21/09/2016	37.6	47.2
Prasarana Malaysia Berhad [fka Syarikat Prasarana]	03/38	GG	5.069	20	-	-	-	-
DanaInfra Nasional Berhad	04/39	GG	5.09	20	5.065	06/12/2017	2.5	53.6
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	5.17	10	5.039	03/05/2017	13.1	61.6
Cagamas Berhad	03/19	AAA	4.012	40	4.077	10/09/2014	-6.5	81.6
Al-Aqar Capital Sdn Berhad	05/20	AAA	4.058	10	4.264	13/09/2017	-20.6	74.2
Cagamas Berhad	11/20	AAA	4.1	140	4.11	01/03/2018	-1	70
IGB REIT Capital Sdn Berhad	09/24	AAA	4.39	10	4.37	20/09/2017	2	52.1
TNB Western Energy Berhad	01/32	AAA	4.896	5	4.968	29/03/2017	-7.2	47.9
Public Bank Berhad	09/23	AA1	4.297	10	4.378	08/03/2018	-8.1	51.9
PBFIN Berhad	06/59	AA2	4.947	3	4.271	23/02/2018	67.6	39.3
Imtiaz Sukuk II Berhad	03/19	AA2	4.246	20	4.273	24/08/2017	-2.7	105
Imtiaz Sukuk II Berhad	05/22	AA2	4.57	25	4.547	18/12/2017	2.3	107
Fortune Premiere Sdn Berhad	03/23	AA	4.791	12	-	-	-	-
AMMB Holdings Berhad	08/19	AA3	4.564	10	4.62	20/02/2018	-5.6	136.8
Jimah Energy Ventures Sdn Berhad	11/19	AA3	4.224	10	4.508	02/10/2013	-28.4	90.8
CIMB Group Holdings Berhad	05/16	A1	4.877	4	4.877	06/03/2018	0	32.3
CIMB Group Holdings Berhad	05/16	A1	4.828	1	5.43	05/03/2018	-60.2	27.4
Mah Sing Perpetual	-	-	6.269	2	-	-	-	-
AMMB Holdings Berhad	03/28	A1	5.23	15	5.08	12/03/2018	-	-
				<u>507</u>				

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

Market/Corporate News: What's Brewing

IJM Corp Bhd has been awarded a RM1.12 billion underground package job for the light rail transit line 3 (LRT3) project, the group's first construction contract win for 2018. The contract value has boosted the group's outstanding order book to an all-time high of RM9.7 billion, IJM said in a statement yesterday. The contract requires IJM to deliver the design, construction and completion of the twin-bored tunnels, a station, ancillary buildings and other associated works. "The contract requires the use of tunnel boring machines to excavate the 2.1km underground tunnels with an outer diameter of 6.35m, confirming IJM's expertise in large-scale underground tunnelling and strategic complex infrastructure projects," the group said. The job, awarded by Prasarana Malaysia Bhd to IJM's wholly-owned unit IJM Construction Sdn Bhd, is scheduled to commence this month, with a construction period of 31 months. "We are proud to be bringing our tunnelling expertise to the construction of the tunnel section for LRT3 — an undertaking that further demonstrates our ability to carry out technically complex and large-scale urban infrastructure projects," IJM chief executive officer and managing director Datuk Soam Heng Choon said in the statement. "IJM has a solid reputation of delivering high standards of quality and performance in project management, design and construction. This project is a continuation of our involvement in major rail transportation networks in the Klang Valley, encompassing infrastructures for LRT, KTM, mass rail transit and monorail projects," Soam added. Specifically, in railway-related and elevated viaduct projects, IJM brings vast expertise and experience in undertaking and completing numerous projects locally and internationally. In urban rail, IJM is currently undertaking the Klang Valley mass rail transit (KVMRT) 2 project for Package V203 viaducts from Jinjang to Jalan Ipoh North Portal and four stations on Package S203. In 2017, IJM successfully completed a 5.5km elevated viaduct and four stations in Cheras for the KVMRT. IJM has also completed works for the LRT1 and LRT2 projects in Kuala Lumpur. LRT3 connects Bandar Utama in Petaling Jaya with Klang via Shah Alam. IJM said its LRT3 contract is expected to contribute positively to the group's earnings from the financial year ending 31 March 2019. The group said the risks for materials affecting the project include price fluctuations for materials and the availability of skilled manpower. "However, drawing upon the experiences and know-how of the project team of IJM in undertaking construction projects, these risks could be mitigated," it said in a filing with the stock exchange. (Source: The Edge)

UMW Holdings Bhd is proposing a rights issue to ask for fresh capital of up to RM1.1 billion from shareholders to finance its plan to privatise MBM Resources Bhd. This is the second massive cash call made by a company controlled by Permodalan Nasional Bhd (PNB). Prior to that, UMW Oil & Gas Holdings Bhd had a rights issue to raise RM1.8 billion last year after the demerger exercise with its parent UMW Holdings. In addition, UMW Holdings announced that MBM Resources minority shareholders are given two options, namely full-cash consideration or share swap for new UMW Holdings shares on the basis of 21 new UMW Holdings shares for every 50 existing MBM Resources shares held, for the mandatory general offer (MGO). Last Friday, UMW Holdings announced its plans to acquire the 50.07% stake in MBM Resources held by Med-Bumikar Mara Sdn Bhd (49.5%) and its unit Central Shore Sdn Bhd (0.57%) for RM501.04 million cash or RM2.56 per share, following which it would undertake a MGO for the remaining MBM Resources shares at RM2.56 per share. The proposed acquisition is for UMW Holdings to tighten its grip on Perusahaan Otomobil Kedua Sdn Bhd (Perodua) as MBM Resources holds a 22.58% stake in the national carmaker. The group will also buy a 10% stake in Perodua from PNB Equity Resource Corp Sdn Bhd for RM417.5 million. The purchase consideration will be settled by issue of new UMW Holdings shares and RM117.5 million cash. In a filing with Bursa Malaysia yesterday, UMW Holdings said it is proposing to undertake the proposed rights issue to primarily repay a bridging facility that it obtained to acquire the 50.07% stake in MBM Resources, and the resultant MGO for the remaining shares. "The final quantum of gross proceeds to be raised [from the rights issue] can only be determined after the closing date of the proposed MGO. Accordingly, the entitlement basis for the proposed rights issue and the issue price for the rights shares will only be fixed at a later date," said UMW Holdings. Assuming full acceptance of the proposed MGO in the form of cash consideration, and an illustrative price of RM4.40 per share for a one-for-five share issuance, the group could raise gross proceeds of RM1.07 billion through the proposed exercise. Its share capital would be enlarged to RM1.96 billion, from RM584.15 million as at Feb 28. But should all the holders

of the remaining MBM Resources shares opt for the shares consideration instead, the proposed rights issue would be on a one-for-10 basis, halving gross proceeds raised to RM558.80 million. According to UMW Holdings' latest available annual report, as at April 3, 2017, Amanah Saham Bumiputera owns a 42.11% stake and PNB owns 5.72%. The latest filings with Bursa show the Employees Provident Fund's stake declined to 9.25% while Retirement Fund Inc's stake was at 6.79% as at yesterday. On the back of envelope calculation, in the maximum scenario, PNB together with Amanah Saham Bumiputera will have to pump in about RM408.6 million through the cash call, after minusing the RM117.5 million proceeds from the sale of a 10% stake in Perodua.

(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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