

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	1
5-yr UST	2.84	1
10-yr UST	2.98	1
30-yr UST	3.11	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.66	-1	3.70	-7
5-yr	3.79	0	3.88	-1
7-yr	3.92	0	4.13	0
10-yr	4.16	3	4.32	3
15-yr	4.59	-6	4.75	2
20-yr	4.78	3	4.88	5
30-yr	4.97	0	4.92	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.83	1
5-yr	3.92	1
7-yr	4.02	2
10-yr	4.18	1

Source : Bloomberg

Note: MGS, GII and M YR IRS levels as at 8-May closing

US Treasuries

- US Treasuries continued its range-bound trading last Friday in the absence of major catalysts. Yields swayed within 1bps in both direction. Benchmark 2Y UST yields settled within a bp higher at 2.54% while the 10Y was up by 1bp to 2.98%. Fed Bullard’s comment on inflation which signaled no danger of any breakout in inflation at any time over the forecast horizon that mirrored the latest CPI readings may have also pushed yields slightly higher. With the deluge of auction out of the way and only 10Y TIPs on the cards this week, expect markets to turn their attention to first tier US data releases this week, including retail sales, industrial production and housing starts.

MGS/GII

- Trading volume in local Govvies remained subdued at RM1.45bn last Tuesday amid cautious sentiments on the day just ahead of GE14. Trading interests centered around the front end to the belly of the curve with MGS 11/21 and MGS 9/25 collectively saw RM560m dealt at 3.656% and 4.210% respectively. The shorter end 1-2Y saw the biggest moves, with yields higher by 4-8bps from previously traded levels. Meanwhile, trading in the GII space paled in comparison, registering only RM151m worth of trade with GII 4/22 garnered the most interest (RM90m), traded flat at 3.884%. Expect some knee jerk reactions today post GE14 outcome but impact could be rather limited as markets could have somewhat digested the results following two days of markets closure.

Upcoming Government Bond Tenders

Corp Bonds/Sukuk

- Mirroring sentiments in local govvies, corporate bonds saw market volume tapered off further to a meagre RM56m with interest mainly in the AAA to AA-part of the yield curve and no GG papers were dealt. Edra ‘1/22 was the most actively traded in the corporate space with RM20m changed hands at 5.154%. Other names were TNB Western Energy ‘1/25 (RM15m) and PKNS ‘5/20 (RM10m), which traded 5-10bps higher at 4.649% and 4.693% respectively. Expect movement in corporate bonds to track knee jerk selling in the local govvies today.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.430	110	3.381	07/05/2018	5
MGS 10/19	3.604	81	3.548	07/05/2018	6
MGS 03/20	3.712	10	3.629	07/05/2018	8
MGS 07/20	3.735	37	3.699	03/05/2018	4
MGS 10/20	3.758	4	3.702	07/05/2018	6
MGS 02/21	3.785	150	3.785	07/05/2018	0
MGS 09/21	3.809	2	3.746	07/05/2018	6
MGS 11/21	3.656	298	3.662	07/05/2018	-1
MGS 03/23	4.001	27	3.971	07/05/2018	3
MGS 07/24	4.079	12	4.051	07/05/2018	3
MGS 09/25	4.210	262	4.202	07/05/2018	1
MGS 11/26	4.180	0	4.187	07/05/2018	-1
MGS 03/27	4.300	1	4.302	03/05/2018	0
MGS 11/27	4.156	2	4.123	07/05/2018	3
MGS 04/30	4.542	1	4.503	04/05/2018	4
MGS 06/31	4.574	24	4.589	07/05/2018	-2
MGS 04/33	4.609	143	4.614	07/05/2018	0
MGS 11/33	4.587	80	4.640	07/05/2018	-5
MGS 05/35	4.831	6	4.754	04/05/2018	8
MGS 04/37	4.778	21	4.746	07/05/2018	3
MGS 03/46	4.966	30	4.969	04/05/2018	0
GII 08/21	3.888	1	3.888	07/05/2018	0
GII 04/22	3.884	90	3.886	07/05/2018	0
GII 08/25	4.127	20	4.127	27/04/2018	0
GII 10/28	4.332	40	4.326	04/05/2018	1
		<u>1452</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*	
TNB Western Energy Berhad	01/25	AAA	4.649	15	4.548	16/03/2018	10	70
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.772	5	4.769	07/05/2018	0	67
CIMB Bank Berhad	08/26	AA+	5.202	1	4.691	10/04/2018	51	117
Bumitama Agri Ltd	03/19	AA3	4.597	2	4.582	30/04/2018	2	117
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.693	10	4.646	27/03/2018	5	112
Edra Energy Sdn Berhad	01/22	AA3	5.154	20	5.168	05/02/2018	-1	140
CIMB Group Holdings Berhad	05/16	A1	5.481	1	4.867	07/05/2018	61	72
CIMB Group Holdings Berhad	05/16	A1	5.301	0	5.301	07/05/2018	0	54
UMW Holdings Berhad	04/18	A1	6.146	1	6.146	07/05/2018	0	139
Eco World International Berhad	04/23	-	6.293	1	6.293	05/07/2018	0	-
			<u>56</u>					

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

Market/Corporate News: What's Brewing

Bank Negara Malaysia expects Malaysia's economic outlook to remain strong despite the post-14th general election environment, given its resilient and robust financial system. Governor Tan Sri Muhammad Ibrahim said the ringgit would reflect Malaysia's strong economic fundamentals in the medium- and long-term. "Our strength can be seen from the current account surplus, a strong reserves position, low level of external indebtedness and strong capital buffers in the banking system. We expect these strong conditions to persist." "As many of you here can testify, our financial system is resilient and robust. On numerous occasions in the past decade, we have been able

to manage market volatility due to the continuous measures taken over the years to develop our financial markets," he said at the Asian Institute of Chartered Bankers (AICB) Graduation Ceremony 2018 here on Saturday. Muhammad said the market now was balanced, deep and liquid to provide the structural support for orderly market conditions, adding that moving ahead, BNM would continue to ensure orderly conditions in the onshore financial markets. He said Malaysia was no stranger to short-term volatility, as the country's open economy was highly integrated with global markets. However, he advised industry players not to overreact to market noises, especially when it was caused by factors which were temporary in nature. "The negative but much reduced influence of the non-deliverable forward market should not detract the ringgit movements over the long term," he added. On May 10, Bank Negara's Monetary Policy Committee announced that it would maintain the Overnight Policy Rate (OPR) at 3.25 per cent and reaffirmed the strong outlook of the Malaysian economy. (Source: The Star Online/ Bernama)

Malaysia's ringgit declined as markets reopened after former prime minister Tun Dr Mahathir Mohamad led the opposition coalition to a surprise election victory last week, raising concerns over campaign promises to drop a consumption tax and bring back fuel subsidies. The currency slipped as much as 0.9 percent, the most since Nov. 2016, to 3.9860, before trading at 3.9862 at 8:19 a.m. local time. Moody's Investors Service and Fitch Ratings warned of risks to the budget if the GST is abolished and not offset by other revenue-raising measures. Mahathir said that they will step in if there's market disorder, hence this stabilized the market somewhat," said Mingze Wu, an FX trader at INTL FCStone in Singapore. "The key level to watch would still be 4.00. Volatility is definitely expected. The only way to calm investors would be to have the new economic road map." Mahathir has sought to reassure the markets by appointing a finance minister seen as a safe pair of hands, while saying he would lead a business-friendly administration. While some, including CIMB Group Chairman Datuk Seri Nazir Razak, have expressed optimism for the financial markets following the election, other analysts said stocks and the ringgit may decline in the short term until there's clarity on policies. The opposition victory brings places the nation in uncharted territory, with an untried government. The Pakatan Harapan coalition had campaigned on a promise to scrap a consumption tax within its first 100 days in power, reintroduce gasoline subsidies and review toll road concessions. In a Thursday press conference, Mahathir emphasized his focus on growing the economy and reducing debt. Malaysian stocks had risen to a record close ahead of the election as global funds invested more than \$600 million into local equities this year. The ringgit has benefited from a recovery in crude prices and was the Asia's best performer over the past year before trading was suspended for the election. (Source: The Star Online/ Bloomberg).

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

Source: RAM Ratings; MARC

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