

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended largely weaker albeit between -1 to +3 bps following the expected FOMC rate hike of 25bps; thus allowing the Fed fund target range at 1.75-2.00% levels. The curve bear-flattened as the 2Y spiked 3bps higher at 2.57% whilst the much-watched 10Y rose a mere basis point at 2.97; having briefly flirted above 3.00% during yesterday's trading session. The median dot plot projections saw an additional one rate hike possibility for both 2018 and 2019 thus prompting as much as four rate hikes in total for this year. Investors continue to watch for signs of inversion in the yield curve; a sign that has historically preceded recessions in the past.

MGS/GII

- Trading momentum in local govies picked-up with volume at a commendable RM2.27b with bulk of interest in the shorter-end 19's and 24's. Overall benchmark yields were largely unchanged to slightly mixed between -3 to +2 bps from prior day's closing with the 7Y MGS 3/25 unchanged at 4.03% whilst the 10Y MGS 6/28 edged 1bps lower at 4.22%. Meanwhile investors continue to digest the Govt's review of large infrastructure projects and outstanding debt from 1MDB which may determine contingent liability risk on the country's credit profile. Expect market to remain tepid ahead of the Hari Raya Aidil Fitri holidays.

Corp Bonds/Sukuk

- Corporate Bonds however saw muted interest with volume at a mere RM127m with interest seen in the AAA and AA-rated space. CAGAMAS 18's rallied; closing between 3.69-3.70% levels whilst DANGA 9/33 rose 3 bps compared to previous-done levels at 5.03%. Meanwhile, AA-rated infra-cum power related bond Southern Power 24-25's grinded 9bps higher between 4.80-82% levels whereas GAMUDA 11/22 closed unchanged at 4.78%. Expect a quiet session ahead of the long-weekend. Here's wishing a Selamat Hari Raya to all our valued customers and counterparties!

UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	2.57	3
5-yr UST	2.83	2
10-yr UST	2.97	1
30-yr UST	3.09	-1

MGS

GII*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.66	-3	3.72	0
5-yr	3.85	0	4.03	0
7-yr	4.03	0	4.18	-1
10-yr	4.22	-1	4.33	-1
15-yr	4.64	2	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	3.80	-1
5-yr	3.90	0
7-yr	3.99	-1
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.263	5	3.243	12/06/2018	2
MGS	03/19	3.368	144	3.321	12/06/2018	5
MGS	10/19	3.463	696	3.487	12/06/2018	-2
MGS	11/19	3.476	30	3.512	12/06/2018	-4
MGS	03/20	3.531	3	3.559	12/06/2018	-3
MGS	10/20	3.567	13	3.608	12/06/2018	-4
MGS	02/21	3.679	40	3.776	08/06/2018	-10
MGS	07/21	3.715	117	3.739	12/06/2018	-2
MGS	09/21	3.743	20	3.756	12/06/2018	-1
MGS	11/21	3.657	82	3.682	12/06/2018	-2
MGS	03/22	3.872	4	3.852	11/06/2018	2
MGS	08/22	3.930	20	3.941	11/06/2018	-1
MGS	09/22	3.930	26	3.908	06/06/2018	2
MGS	08/23	4.015	41	4.004	11/06/2018	1
MGS	07/24	4.113	160	4.171	12/06/2018	-6
MGS	09/24	4.146	4	4.131	12/06/2018	1
MGS	07/25	4.258	20	4.272	05/06/2018	-1
MGS	09/25	4.257	177	4.257	12/06/2018	0
MGS	11/26	4.370	50	4.356	12/06/2018	1
MGS	03/27	4.370	3	4.365	12/06/2018	0
MGS	05/27	4.367	1	4.383	04/06/2018	-2
MGS	11/27	4.316	8	4.315	11/06/2018	0
MGS	06/28	4.215	140	4.228	12/06/2018	-1
MGS	04/30	4.621	74	4.653	12/06/2018	-3
MGS	04/33	4.778	24	4.773	12/06/2018	0
MGS	11/33	4.642	4	4.623	06/06/2018	2
MGS	04/37	4.918	1	4.917	08/06/2018	0
MGS	06/38	4.892	10	4.893	12/06/2018	0
GII	05/20	3.695	50	3.650	12/04/2018	4
GII	08/20	3.716	2	3.721	05/06/2018	0
GII	04/22	3.933	4	3.936	12/06/2018	0
GII	11/23	4.028	40	4.024	12/06/2018	0
GII	05/24	4.184	31	4.175	07/06/2018	1
GII	08/25	4.176	30	4.183	12/06/2018	-1
GII	10/28	4.333	190	4.344	12/06/2018	-1
GII	08/33	4.839	1	4.839	08/06/2018	0
GII	10/35	4.981	1	5.042	04/06/2018	-6
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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*
Cagamas Berhad	10/18	AAA	3.686	10	3.700	17/04/2018	-1	28
Cagamas Berhad	10/18	AAA	3.704	10	3.756	07/06/2018	-5	30
Cagamas Berhad	10/18	AAA	3.700	10	3.829	17/05/2018	-13	30
Danga Capital Berhad	09/33	AAA	5.032	20	4.999	08/06/2018	3	40
Malayan Banking Berhad	01/24	AA1	4.499	4	4.293	24/05/2018	21	54
Sarawak Energy Berhad	07/24	AA1	4.750	8	4.680	07/05/2018	7	79
YTL Power International Berhad	05/27	AA1	5.029	2	5.018	12/06/2018	1	85
Konsortium ProHAWK Sdn Berhad	06/33	AA2	5.249	1	5.282	16/05/2018	-3	61
Gamuda Berhad	11/22	AA3	4.776	20	4.777	05/06/2018	0	98
RHB Bank Berhad	07/24	AA3	4.624	10	4.603	24/05/2018	2	66
Southern Power Generation Sdn Berhad	10/24	AA-	4.799	20	4.708	28/03/2018	9	84
Southern Power Generation Sdn Berhad	04/25	AA-	4.824	10	4.732	29/03/2018	9	78
Mah Sing Perpetual	-	-	5.595	2	5.602	12/06/2018	-1	-
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

President Donald Trump said he'll confront China "very strongly" over trade in the coming weeks, as his administration prepares to follow through on a threat to slap tariffs on Chinese imports. "China could be a little bit upset about trade because we are very strongly clamping down on trade," Trump said in an interview with Fox News's Bret Baier airing on Wednesday. The interview was conducted Tuesday aboard Air Force One after Trump met North Korean leader Kim Jong Un in Singapore. Trump has convened a meeting at the White House on Thursday to talk with his trade team about whether to move forward with tariffs on Chinese goods, according to two people familiar with the plans. "You will see over the next couple of weeks. They understand what we are doing," he said before praising his "good" personal relationship with Chinese President Xi Jinping. The White House has said it's proceeding with plans to impose duties on \$50 billion of Chinese goods, after weeks of high level-discussions between the U.S. and China yielded little progress over a trade deal. The Trump administration plans to announce on Friday a final list of tariff targets, which will be imposed "shortly thereafter." The Trump administration is reviewing a flood of comments to refine its initial list of \$50 billion in imports that it revealed in April. In its preliminary list, the U.S. said it would levy an additional 25 percent duty on everything from TV components to dishwashers and snowblowers. Administration officials have cautioned that Trump has the final say. "It's always the president's decision," White House trade adviser Peter Navarro said Tuesday at an event in Washington. The administration is expected to put the Chinese tariffs into effect by next month, said Ted Murphy, managing partner at the Washington office of law firm Baker McKenzie. "That would be my baseline case: that they're going to publish a final list on Friday with an effective date of July 1," said Murphy, who sits on a trade committee that advises the Commerce Department and U.S. Trade Representative's office. "Things change on a tweet, so if they think China is negotiating in good faith, they could delay it." China has threatened to retaliate with proportional duties on everything from American soybeans to airplanes. The two countries have been trying to negotiate a truce to the trade spat. But at the latest round of talks in Beijing, Xi's government warned that will withdraw any commitments if Trump carries out his threat to impose duties. Trump's warning comes just days after his meeting in Singapore with Kim over that nation's nuclear weapons. China is a key player in talks to wind down North Korea's nuclear program and bring peace to the Korean Peninsula. China is widely seen as one of the big winners of Trump's meeting with Kim as it hopes to maintain stability in its neighboring country and boost trade. Trump on Tuesday thanked China for tightening its sanctions on trade with North Korea, arguing that the economic pressure along North Korea's northwest border had helped bring Kim to the negotiating table. The tariffs move would come against the backdrop of heightened tensions between America and its traditional trading and security partners. A meeting of the Group of Seven ended in chaos this weekend, after Trump revoked support for a joint statement and lashed out at fellow leaders. Following the meetings, IMF Managing Director Christine Lagarde warned that the outlook for the global economy is growing "darker by the day." Businesses are lobbying to shape the final U.S. list, with many firms pushing for exclusions for products they use in their supply chains. Almost 125 companies testified in Washington during three days of hearings last month to collect feedback over the tariffs. Many warned that the tariffs would increase their costs and raise prices for consumers. (Source: *The Edge/Bloomberg*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Quill Retail Malls Sdn Bhd	RM200 million Class A	AA1	Reaffirmed
	RM70 million Class B	AA3	Reaffirmed
	RM50 million Class C	A2	Reaffirmed
	RM30 million Class D	A3	Reaffirmed

Source: RAM Ratings; MARC

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