

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.36	1
5-yr UST	2.67	0
10-yr UST	2.83	-1
30-yr UST	3.03	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.51	1	3.61	1
5-yr	3.60	1	3.84	0
7-yr	3.89	2	4.01	-1
10-yr	4.00	0	4.19	0
15-yr	4.49	2	4.57	-1
20-yr	4.60	4	4.82	0
30-yr	4.85	6	4.92	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.82	0
5-yr	3.88	0
7-yr	3.98	0
10-yr	4.10	0

Source : Bloomberg

US Treasuries

- US Treasuries saw benchmark yields generally pivoted at the belly of the curve with slight flattening as the front-end ended within 1bps higher whilst the longer-end saw decent support with yields ~1-2 bps lower. Both the 2s10s and 5s30s spread compressed to a new low last seen in 2007, below 40bps. The 2Y (most sensitive to interest rate outlook) edged 1bps higher at 2.36% whilst the much-watched 10Y moved a bp lower to 2.83%. Meanwhile the SOFR which is meant to replace LIBOR was set higher at 1.73%; drawing comments that despite its secured status, it may be subject to quarter-end requirements and bill supplies going forward. With last week's total auctions amounting to \$64b out of the way; investors will be cautiously awaiting further developments on US-China trade issues and ongoing geopolitical spats with Russia concerning Syria.

MGS/GII

- Trading volume in local govies grinded lower to RM1.56b with some interest seen in off-the-run 21-22's together with benchmark 10Y MGS GII bonds. Overall benchmark yields rose 0-6bps compared to previous-done levels. The benchmark 7Y MGS 3/25 closed 2bps higher at 3.89% whilst 10Y MGS 11/27 closed unchanged at 4.00%. Expect a quiet session with investors possibly sidelined amid slight weakness in ringgit in line with the ongoing geopolitical US spat in Syria.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume improve to RM438m with interest seen across the yield curve. Mid-tenured Govt-Guaranteed (GG) PRASA 8/21 and 3/25 moved 3-4bps mixed on yields at 4.00% and 4.33% respectively compared to previous-done levels. AAA-rated PLUS 25 and 32 closed unchanged on total RM100m worth of trades at 4.48% and 4.87% respectively. In the AA-space, YTL Power 5/27 edged 1bps higher at 4.90% whilst the rarely-trade PKNS 18's exchange hands at 4.10-30% levels. Hong Leong Financial Group 11/18 which lead activity in the banking space closed 2bps higher at 4.25%

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.235	73	3.257	12/04/2018	-2
MGS	03/19	3.385	73	3.290	12/04/2018	9
MGS	10/19	3.411	58	3.364	12/04/2018	5
MGS	11/19	3.412	11	3.326	12/04/2018	9
MGS	10/20	3.482	61	3.470	12/04/2018	1
MGS	07/21	3.566	3	3.514	12/04/2018	5
MGS	09/21	3.622	47	3.598	12/04/2018	2
MGS	11/21	3.512	150	3.507	12/04/2018	0
MGS	03/22	3.598	19	3.575	12/04/2018	2
MGS	09/22	3.765	100	3.758	12/04/2018	1
MGS	03/23	3.763	1	3.736	12/04/2018	3
MGS	08/23	3.862	14	3.795	12/04/2018	7
MGS	07/24	3.904	30	3.889	12/04/2018	2
MGS	09/24	3.917	30	3.891	12/04/2018	3
MGS	03/25	3.890	50	3.890	12/04/2018	0
MGS	09/25	3.970	11	3.947	12/04/2018	2
MGS	04/26	4.111	1	4.031	11/04/2018	8
MGS	11/26	4.010	30	3.962	10/04/2018	5
MGS	11/27	3.996	160	3.994	12/04/2018	0
MGS	04/30	4.347	20	4.358	11/04/2018	-1
MGS	06/31	4.372	21	4.372	12/04/2018	0
MGS	04/33	4.486	50	4.462	12/04/2018	2
MGS	04/37	4.603	30	4.568	11/04/2018	4
MGS	09/43	4.832	0	4.825	09/04/2018	1
MGS	03/46	4.851	20	4.795	10/04/2018	6
GII	05/18	3.278	60	3.290	12/04/2018	-1
GII	04/20	3.609	2	3.602	12/04/2018	1
GII	04/21	3.748	3	3.785	12/04/2018	-4
GII	04/22	3.839	189	3.839	12/04/2018	0
GII	08/25	4.008	3	4.019	12/04/2018	-1
GII	07/27	4.186	220	4.176	12/04/2018	1
GII	06/33	4.571	20	4.577	12/04/2018	-1
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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*	
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	08/21	GG	3.995	10	4.035	06/04/2018	-4	49
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/25	GG	4.332	20	4.299	04/04/2018	3	44
Danainfra Nasional Berhad	11/47	GG	5.260	20	5.219	18/01/2018	4	68
Cagamas Berhad	08/18	AAA	3.683	50	3.726	09/04/2018	-4	43
Putrajaya Holdings Sdn Berhad	09/18	AAA	3.800	55	4.029	14/06/2017	-23	54
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.478	80	4.478	12/04/2018	0	59
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.869	20	4.869	28/03/2018	0	39
Sarawak Hidro Sdn Berhad	08/26	AAA	4.587	10	4.620	29/03/2018	-3	65
Sarawak Hidro Sdn Berhad	08/27	AAA	4.659	20	4.678	07/12/2017	-2	69
TNB Northern Energy Berhad	11/28	AAA	4.698	10	4.919	30/11/2016	-22	70
Public Bank Berhad	09/23	AA1	5.252	1	4.486	12/04/2018	77	165
YTL Power International Berhad	05/27	AA1	4.909	25	4.899	06/04/2018	1	94
UniTapah Sdn Berhad	06/29	AA1	4.850	5	5.800	23/06/2015	-95	85
Hong Leong Financial Group Berhad	11/18	AA	4.246	10	4.223	09/04/2018	2	99
Perbadanan Kemajuan Negeri Selangor	05/18	AA3	4.095	30	4.124	09/04/2018	-3	84
Perbadanan Kemajuan Negeri Selangor	12/18	AA3	4.296	10	-	-	-	104
Gamuda Berhad	11/22	AA3	4.639	10	4.647	11/04/2018	-1	104
Anih Berhad	11/24	AA	4.580	10	4.579	06/04/2018	0	69
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/21	AA-	4.527	10	4.531	09/04/2018	0	98
Jimah East Power Sdn Berhad	12/30	AA-	5.028	3	5.025	12/03/2018	0	55
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/19	AA+	4.432	10	4.444	13/02/2018	-1	118
Tan Chong Motor Holdings Berhad	11/21	A1	6.269	1	6.268	12/04/2018	0	272
CIMB Group Holdings Berhad	05/16	A1	5.081	18	4.804	12/04/2018	28	50
CIMB Group Holdings Berhad	05/16	A1	5.249	1	4.860	12/04/2018	39	67
			<u>438</u>					

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

Market/Corporate News: What's Brewing

Foreign insurers, which have repatriated about RM16.5 billion between 2008 to 2017 in the form of dividends but didn't contribute as much as expected for the development of the domestic industry, can't choose alternative initiatives with their promise to divest their stake, said Bank Negara Malaysia (BNM). Despite a long presence in Malaysia, the contribution of the foreign insurers to the overall development of the domestic insurance industry has not been at the level expected. For example, there has been minimal improvement in insurance penetration, compounded by the lack of breadth in products (especially for lower income segments) and concentration of high-cost distribution models, BNM said in a statement on Sunday. "The Bank welcomes any initiative by insurers that would benefit the Malaysian economy and the general public, as expected of any ordinary responsible corporate citizen that operates in the country," it said in reply to report that foreign insurance companies to set up healthcare trust as an alternative to fulfilling their commitment to pare down their shareholding by 30 per cent before a June 30 deadline. BNM also noted that the bank had not received such proposal. The Bank stressed that the agreed foreign shareholding level was a commitment provided by the foreign shareholders in being granted a licence to operate in the country. The foreign insurers were given the license to operate in the domestic market on the basis of the specific commitments and assurances given. "A licence would not have been given if the commitments were not made." Over the years, ample opportunities and flexibilities have already been conceded to accommodate actions that should have been taken by shareholders to deliver on their commitments. The Bank therefore fully expects shareholders to honour an explicit promise made, and to operate in Malaysia in a manner that benefits the development of the domestic insurance market and the economy generally. This should be commensurate with the significant returns accruing to foreign insurers from the Malaysian market. Shareholders of foreign insurers have benefitted enormously from their presence in the Malaysian market. BNM estimates that a total of RM16.5 billion or 70 per cent of total profits attributable to foreign shareholders of insurers were repatriated over the period of 2008 to 2017 in the form of dividends. (Source: The Star)

Fresh sanctions will be imposed on Russia related to Syria's reported use of chemical weapons as the U.S. and U.K. assess the fallout and next steps after Friday night's strike on the Middle Eastern country, the top U.S. diplomat to the United Nations said. UN Ambassador Nikki Haley, speaking Sunday on CBS's "Face the Nation," said U.S. Treasury Secretary Steven Mnuchin will announce new sanctions Monday that "go directly to any sort of companies that were dealing with equipment" related to Syrian leader Bashar al-Assad and his chemical weapons. The goal is to discourage any future use and stop Russia from "covering" for its ally, she said. "Everyone is going to feel it at this point," Haley said. "Everyone knows that we sent a strong message, and our hope is that they listen to it." A Treasury spokesman said the department doesn't comment on sanctions. President Donald Trump declared "mission accomplished" via Twitter on Saturday, a day after the U.S., France and the U.K. launched military strikes in response to Assad's suspected chemical attack on civilians. Haley said the U.S. remains "locked and loaded" to respond to any continued use of chemical weapons, even as U.K. Foreign Secretary Boris Johnson insisted that the hit on Syria's chemical arms infrastructure was a one-time move with "no proposal on the table" for further strikes. "The overwhelming purpose, the mission, was to send a message," Johnson said. "Finally the world has said enough is enough." He conceded that this meant "the rest of the Syrian war must proceed as it will" and that Assad would be allowed to "butcher his way" to victory. With Prime Minister Theresa May due to face critics in Parliament on Monday, Johnson's comments highlighted the strains that even Friday night's limited offensive produced for the trans-Atlantic allies after years of struggle in Afghanistan and Iraq. If May were to seek a mandate for a wider intervention, she'd risk the defeat that her predecessor David Cameron suffered over the same issue in 2013. In Middle Eastern financial markets, optimism that the Syria attack wasn't going to lead to a wider fallout saw stocks advance on Sunday. Dubai's main equity gauge climbed the most since July, and 99 percent of companies in Saudi Arabia's Tadawul index rose. U.S. The reception in the U.S. has been mostly positive. Trump's approval rating rose to 40 percent, the highest level this year, in a poll by ABC News and the Washington Post -- although a separate poll, conducted for NBC News and the Wall Street Journal, his approval rating fell to 39 percent, down four points on the month. Republican Senator Susan Collins of Maine said on ABC's "This Week" that while the air strikes on Syria were proportional and justifiable, they don't "solve the problem that we do not have

an overall comprehensive strategy for dealing with Syria." Trump has said he wants U.S. troops out of Syria quickly, but Haley wouldn't confirm a timetable for withdrawal on Sunday. She said the U.S. remains committed to deterring any future chemical attack, defeating the so-called Islamic State and ensuring that Iran doesn't seize more influence in the region. In Monday's session in Parliament, May will explain her decision to take part in the bombing. Though she has tried to avoid a vote on whether she was right, Speaker of the House of Commons John Bercow could still grant one. The signs on Sunday were that lawmakers in her Conservative Party will back her -- the government's emphasis on the limited nature of the Syria strike makes this easier -- and that the opposition Labour Party would be more split. U.K. Labour leader Jeremy Corbyn has spent his political career opposing British and American military interventions and he told the BBC that the legal basis for the attack on Syria was "debatable." He called for the U.S. to work with Russia to deliver a cease-fire in the civil war. The strikes have also highlighted once again the division between Corbyn and the government over the role of Russia in world affairs. To Corbyn, Russia is a potential partner. He called for a repeat of the 2013 process that saw the U.S. and U.K. back away from a punitive attack on Assad while Russia negotiated what was supposed to be the destruction of Syria's chemical weapons stocks. "Several hundred tons of chemical weapons were destroyed as a result of that process," Corbyn told the BBC. May's government views Russian President Vladimir Putin as a serious problem rather than a possible partner. Russia has suggested that both the poisoning of former double agent Sergei Skripal and the chemical weapon attack in Syria might have been a false flag operation by Britain. Johnson described the first idea as "utterly preposterous and deranged" and the second as "absolutely demented." Nevertheless, Johnson said, "we in the U.K. do not seek an escalation. Absolutely not." He said strong efforts had been made to communicate to Russia that the bombing in Syria was "limited to saying no to chemical weapons." Haley said the goal of the attack by the U.S., U.K. and France was not to start a war or kill people, but to send a strong message about the use of chemical weapons that will be augmented by diplomatic actions related to Syria, Haley said. "We wanted their friends Iran and Russia to know that we meant business and that they were going to be feeling the pain from this as well," Haley said on CBS. The U.S. previously expelled diplomats and imposed sanctions related to nerve agent poisoning and other actions. The U.S. earlier this month sanctioned Russian tycoons, companies and key allies of Putin, including in the energy sector, under provisions of a law calling for retaliation against Moscow for meddling in the 2016 U.S. presidential election. (Source: Bloomberg, The Edge)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Al-'Aqar Capital Sdn Bhd	proposed RM575 million Issue 2 Sukuk Ijarah (Issue 2) under its RM1 billion Islamic Medium Term Notes Programme (Programme)	AA1/Stable	Assigned
	Class A Sukuk Ijarah	AAA	Assigned
	Class B Sukuk Ijarah	AA2	Assigned
	Class C Sukuk Ijarah	Unrated	Assigned

Source: RAM Ratings; MARC

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