

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.38	2
5-yr UST	2.68	1
10-yr UST	2.83	0
30-yr UST	3.03	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.51	0	3.61	0
5-yr	3.60	0	3.85	0
7-yr	3.90	1	4.01	0
10-yr	4.01	1	4.19	0
15-yr	4.47	-1	4.58	1
20-yr	4.60	0	4.82	0
30-yr	4.85	0	4.92	0

*Market indicative

MYR 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 curve flattened as benchmark long-end held steady within 1 bps whilst the front-end lagged pushing yields higher causing 2s10s and 5s30s spreads to further compress. The 2Y (most sensitive to interest rate outlook) edged 2bps higher at 2.38% whilst the much-watched 10Y was unchanged at 2.83%. Meanwhile despite ongoing trade spats; China's ownership of UST's, bills and notes jumped by \$8.5b to \$1.18trillion; etching it's no 1 position as the largest investor cum foreign creditor to the US. Investors continue to monitor further developments on US-China trade matters and ongoing geopolitical spats with Russia concerning Syria; which are merely seen a mighty show of force for now.

MGS/GII

- Trading volume in local govies maintained at RM1.56b with some interest seen in off-the-run MGS 21's, GII 30's together with benchmark 10Y MGS bonds. Overall benchmark yields moved within 1bps compared to previous-done levels. Both the benchmark 7Y MGS 3/25 and 10Y MGS 11/27 edged 1bps higher at 3.90% and 4.01% respectively. Expect a quiet session on the back of slight weakness in Ringgit.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume lethargic at RM145m with some interest seen mainly in the AA space. Govt-Guaranteed (GG) GOVCO 6/23 notched RM50m; closing unchanged at 4.15% compared to previous-done levels. The AA-rated Southern Power 28-32's saw several trades done; closing 0-1bps higher between 4.92-5.14% levels. Expect activity to be muted in the absence of market-moving data.

Upcoming Government Bond Tenders

RM4.0b of new issue 5Y MGS 4/23 on Thurs, 19th April

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.251	1	3.232	13/04/2018	2
MGS	03/19	3.284	1	3.385	13/04/2018	-10
MGS	10/19	3.451	53	3.411	13/04/2018	4
MGS	03/20	3.481	12	3.497	12/04/2018	-2
MGS	07/20	3.516	0	3.441	12/04/2018	8
MGS	10/20	3.490	0	3.482	13/04/2018	1
MGS	02/21	3.496	15	3.458	12/04/2018	4
MGS	07/21	3.517	4	3.566	13/04/2018	-5
MGS	09/21	3.627	15	3.622	13/04/2018	0
MGS	11/21	3.512	184	3.512	13/04/2018	0
MGS	09/22	3.758	28	3.765	13/04/2018	-1
MGS	08/23	3.810	25	3.862	13/04/2018	-5
MGS	07/24	3.889	51	3.904	13/04/2018	-2
MGS	09/24	3.903	16	3.917	13/04/2018	-1
MGS	03/25	3.898	80	3.890	13/04/2018	1
MGS	09/25	3.970	3	3.978	13/04/2018	-1
MGS	11/26	4.038	4	4.003	13/04/2018	4
MGS	11/27	4.006	300	3.996	13/04/2018	1
MGS	04/30	4.358	4	4.347	13/04/2018	1
MGS	06/31	4.367	11	4.372	13/04/2018	0
MGS	04/33	4.474	66	4.486	13/04/2018	-1
MGS	09/43	4.835	7	4.832	13/04/2018	0
GII	05/18	3.284	114	3.278	13/04/2018	1
GII	11/18	3.259	5	3.324	12/04/2018	-6
GII	04/20	3.614	10	3.609	13/04/2018	0
GII	04/22	3.846	4	3.839	13/04/2018	1
GII	05/24	4.079	10	4.052	11/04/2018	3
GII	07/27	4.186	23	4.186	13/04/2018	0
GII	09/30	4.585	450	4.596	12/04/2018	-1
GII	06/33	4.581	70	4.571	13/04/2018	1
			<u>1563</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*
GovCo Holdings Berhad	06/23 GG	4.153	50	4.156	11/04/2018	0	55
Public Bank Berhad	10/23 AA1	4.325	10	4.306	05/04/2018	2	54
Hong Leong Islamic Bank Berhad	06/24 AA1	4.307	2	4.302	15/03/2018	1	52
Northern Gateway Infrastructure Sdn Berhad	08/31 AA1	5.041	5	5.028	04/04/2018	1	57
Sarawak Energy Berhad	12/32 AA1	5.279	3	5.239	16/03/2018	4	81
CIMB Group Holdings Berhad	04/60 AA3	4.772	31	4.795	10/04/2018	-2	18
WCT Holdings Berhad	05/22 AA-	5.039	10	5.055	28/03/2018	-2	148
WCT Holdings Berhad	01/25 AA-	5.408	4	5.409	05/04/2018	0	151
Southern Power Generation Sdn Berhad	10/28 AA-	4.919	10	4.921	09/04/2018	0	92
Southern Power Generation Sdn Berhad	10/31 AA-	5.109	10	5.099	30/03/2018	1	64
Southern Power Generation Sdn Berhad	04/32 AA-	5.139	10	5.125	09/04/2018	1	67
			<u>145</u>				

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

Market/Corporate News: What's Brewing

China's holdings of Treasuries rose by the most in six months, underscoring the attractiveness of U.S. assets even amid trade tensions between the world's two largest economies. China's ownership of U.S. bonds, bills and notes increased by \$8.5 billion to \$1.18 trillion in February, according to data released by the U.S. Treasury department on Monday. China remained the largest foreign creditor to the U.S., followed by Japan whose holdings dropped to \$1.06 trillion, from \$1.07 trillion in January. Speculation is growing about whether China could use its vast Treasury holdings as a bargaining chip in a trade dispute with the U.S. While Chinese ambassador to the U.S. Cui Tiankai didn't rule out the possibility of the Asian nation scaling back Treasury purchases in response to tariffs proposed by the Trump administration in March, some observers have said a wide-scale sell-off is unlikely given that China has few alternatives to invest in. Still, China is evaluating the impact of a gradual yuan depreciation as the country's leaders mull their options in the trade spat with the U.S., according to people familiar with the matter. The world's two largest economies are threatening to impose tariffs on tens of billions of dollars of goods, fueling worries of a trade war that could roil financial markets. President Donald Trump weighed into the currency-market debate on Monday, accusing China and Russia of devaluing their currencies. His comments on Twitter contradicted the findings of his Treasury Department, which said in its semi-annual foreign-currency report on Friday that no major trading partners are currency manipulators. U.S. debt slumped in February, driving benchmark 10-year note yields to a four-year high of 2.95 percent. Foreign demand for Treasuries has become a hot topic for bond traders, with the Federal Reserve projecting additional rate increases while the nation's budget deficit is expected to widen. China's stockpile of foreign-exchange dipped in February, marking the first decline in more than a year amid volatility in the global financial markets. The yuan has gained almost 10 percent over the past year as stricter capital controls have kept money from flowing out. The Treasury data released Monday also reflected some of the commotion in the financial markets in February. Net foreign sales of U.S. equities totaled \$1.2 billion in February, the first outflows since August and compared with \$34.5 billion in purchases in January. (Source: Bloomberg, The Edge)

The Singapore Land Transport Authority (LTA) has called for tenders for the design and construction of tunnels and associated facilities for Singapore's end of the high-speed rail (HSR) project connecting with Kuala Lumpur, The Straits Times reported today. According to the online news, construction was expected to start next year. "We called the tenders for the design and construction of twin bored tunnels and associated facilities on April 6, and the design and construction of cut and cover tunnels leading into the Jurong East terminus on April 11," said the report, quoting an LTA spokesman. The report said the tunnels would be constructed using tunnel-boring machines, the preferred method for long stretches of underground excavation as they cause less disturbance to surface utilities, buildings and structures. Comparatively, cut and cover tunnels were constructed using retaining structures, and excavation were done in stages, suitable for shorter distances and in open areas with fewer surface utilities, buildings and structures. Cut and cover tunnels would be more suitable for larger underground structures, such as the tunnel leading to the Jurong East terminus, said the report. The LTA said the remaining civil tenders would be called in the coming months, and construction was expected to commence next year. "We remain on track to commence the Kuala Lumpur-Singapore express service by 2026," the spokesman reportedly said. The 350-kilometre Kuala Lumpur-Singapore HSR is expected to cut travel time between the two cities to 90 minutes. (Source: Bernama, The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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