

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.40	2
5-yr UST	2.69	1
10-yr UST	2.83	0
30-yr UST	3.02	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.52	0	3.61	0
5-yr	3.65	5	3.85	0
7-yr	3.89	-1	4.02	1
10-yr	4.00	-1	4.19	1
15-yr	4.46	-1	4.58	0
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	3.81	0
5-yr	3.87	0
7-yr	3.98	0
10-yr	4.10	0

Source : Bloomberg

**US Treasuries**

- US Treasuries curve continued its flattening stance as benchmark long-end held steady within 1 bps whilst the front-end lagged yet again causing 2s10s and 5s30s spreads to further compress to the lowest seen since 2007. The 2Y (most sensitive to interest rate outlook) edged another 2bps higher at 2.40% whilst the much-watched 10Y was within 1bps at 2.83%. The combined effect of lethargic inflation plus persistent view of rising Fed rates was evident in the shaping of the yield curve. Fed's large holdings of UST 2Y and 5Y amounting to some \$11.4b may help stem the slide in yields of next week's upcoming auctions. Contrary to China's recent increase in UST holdings, the Japanese are seen to show preference for long Yen bonds and German debt.

**MGS/GII**

- Trading volume in local govies dropped to RM880m with some interest returning to the shorter-end MGS 18-19's amid lesser GII trades. Overall benchmark MGS yields were unchanged to within 1bps movement (save for the 5Y MGS) whilst GII yields were 0-1bps higher compared to previous-done levels. Both the benchmark 7Y MGS 3/25 and 10Y MGS 11/27 strengthened pushing yields down 1bps to 3.89% and 4.00% respectively. Expect a quiet session ahead of the new issuance of RM4.0b 5Y MGS bonds slated for tomorrow.

**Corp Bonds/Sukuk**

- Corporate Bonds saw market volume pick-up at RM477m with interest seen mainly in the AAA and AA space. Govt-Guaranteed LPPSA 22-24's rallied pushing yields 3-10bps lower between 4.03-2.9% levels compared to previous-done levels. A slew of CAGAMAS 18-19's also changed hands at lower yields. AAA-rated MACB 8/20 and PLUS 24 closed unchanged at 4.25% and 4.44% respectively. The banking space saw various names traded with AA1-rated Sabah Credit Corp 7/21 and 5/22 hogging the limelight; closing at 4.58% and 4.66% respectively.

**Upcoming Government Bond Tenders**

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

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.260	270	3.276	16/04/2018	-2
MGS	03/19	3.394	60	3.284	16/04/2018	11
MGS	11/19	3.379	116	3.412	13/04/2018	-3
MGS	03/20	3.513	2	3.497	16/04/2018	2
MGS	10/20	3.549	3	3.490	16/04/2018	6
MGS	02/21	3.515	6	3.477	16/04/2018	4
MGS	07/21	3.565	1	3.566	13/04/2018	0
MGS	09/21	3.649	21	3.643	16/04/2018	1
MGS	11/21	3.515	11	3.512	16/04/2018	0
MGS	03/22	3.645	10	3.598	13/04/2018	5
MGS	09/22	3.758	1	3.765	13/04/2018	-1
MGS	07/24	3.898	1	3.911	16/04/2018	-1
MGS	09/24	3.908	4	3.917	16/04/2018	-1
MGS	03/25	3.887	117	3.898	16/04/2018	-1
MGS	04/26	4.067	11	4.070	16/04/2018	0
MGS	11/27	4.000	14	4.013	16/04/2018	-1
MGS	06/28	3.998	7	3.974	12/04/2018	2
MGS	04/30	4.368	7	4.358	16/04/2018	1
MGS	04/33	4.464	7	4.481	16/04/2018	-2
MGS	05/35	4.524	1	4.507	09/04/2018	2
MGS	04/37	4.603	1	4.603	16/04/2018	0
GII	08/24	4.062	10	3.958	13/04/2018	10
GII	08/25	4.016	40	4.008	13/04/2018	1
GII	07/27	4.192	161	4.186	13/04/2018	1
			<u>880</u>			

## Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	4.030	30	4.126	22/02/2018	-10	47
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.291	10	4.320	07/03/2018	-3	51
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/47	GG	5.239	10	5.230	29/01/2018	1	64
Cagamas Berhad	10/18	AAA	3.700	10	3.756	21/11/2017	-6	42
Cagamas Berhad	10/18	AAA	3.690	10	3.806	04/04/2018	-12	41
Cagamas Berhad	10/18	AAA	3.730	20	3.791	21/03/2018	-6	45
Cagamas Berhad	03/19	AAA	3.850	5	3.856	08/03/2018	-1	57
Putrajaya Holdings Sdn Berhad	04/19	AAA	3.940	20	4.064	15/08/2017	-12	66
Malaysia Airports Capital Berhad	08/20	AAA	4.245	60	4.247	10/04/2018	0	85
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.443	30	4.445	10/04/2018	0	66
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.569	45	4.559	03/04/2018	1	63
Sabah Credit Corporation	07/21	AA1	4.578	40	-	-	-	107
Sabah Credit Corporation	05/22	AA1	4.657	20	4.668	06/02/2018	-1	110
CIMB Bank Berhad	09/23	AA1	4.370	30	4.296	28/03/2018	7	76
Malayan Banking Berhad	01/24	AA1	4.864	2	4.304	21/03/2018	56	108
YTL Power International Berhad	10/24	AA1	4.686	10	4.708	16/03/2018	-2	90
Northern Gateway Infrastructure Sdn Berhad	08/25	AA1	4.757	10	4.760	06/12/2017	0	86
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.736	30	4.749	29/01/2018	-1	80
UMW Holdings Berhad	10/21	AA2	4.546	10	4.558	30/03/2018	-1	104
Malayan Banking Berhad	09/68	AA2	4.219	10	4.167	06/04/2018	5	-38
CIMB Group Holdings Berhad	03/28	AA	4.949	3	4.664	13/04/2018	29	95
CIMB Bank Berhad	10/38	AA	4.600	10	4.573	06/04/2018	3	0
Cahaya Mata Sarawak Berhad	05/22	AA3	4.635	20	4.622	09/04/2018	1	108
Tanjung Bin Energy Issuer Berhad	03/31	AA3	5.061	10	5.059	08/12/2017	0	59
Tanjung Bin Energy Issuer Berhad	09/31	AA3	5.088	10	5.089	12/12/2017	0	61
WCT Holdings Berhad	04/20	AA-	4.765	8	4.837	22/01/2018	-7	137
Bank Islam Malaysia Berhad	12/25	A1	4.526	4	4.519	10/04/2018	1	59
				<u>477</u>				

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

### Market/Corporate News: What's Brewing

**Trade, taxes and China are the main themes to watch for heading into first-quarter earnings, along with a spate of potential deals.** From Ford Motor Co. to Anheuser-Busch InBev SA, executives whose companies are affected by U.S. tariffs on aluminum and steel will pipe up about how the levies will weigh on profit. Temporary exemptions that the Trump administration granted to some metal-producing allies, such as Canada and Australia, may offset that somewhat. Still, sanctions against Russia may prove a drag on outlooks with higher aluminum prices hitting European cars and heavy industry like Airbus and Boeing. One of the big criticisms of the corporate tax cut in the U.S., to 21 percent from 35 percent, was that it wouldn't actually do much since companies already paid far less than the standard rate by using deductions and loopholes. Look at the provisions companies set aside for taxes for a hint at how they're thinking about their obligations this year and whether they really will have more money freed up for investments. Johnson & Johnson, the first big health company to report, said Tuesday that as a result of tax reform, it plans to increase spending on research and capital investment by 15 percent over the next four years to \$30 billion. J&J's effective tax rate for the first quarter was 20.3 percent, compared with 20.7 percent a year earlier. A whole swath of the corporate world is benefiting from the China's robust, consumer-driven expansion. In Macau, the world's largest gambling hub, casino operators including Sands China Ltd., Wynn Macau Ltd. and MGM China Holdings should report gains in revenue from both leisure gamblers and high rollers -- benefiting their corporate parents over in Las Vegas. Other likely beneficiaries include Toyota Motor Corp., China Mobile Ltd. and Japanese clothing company Fast Retailing Co. Corporate Restructuring Companies under pressure also are likely to dominate the headlines. WPP Plc may give signals on strategy shifts, including a potential breakup, now that it's parted ways with CEO Martin Sorrell. There's no evidence the board plans to solve the mystery of what, exactly, Sorrell is alleged to have done wrong that prompted him to leave the company over the weekend. He denies wrongdoing. Owners of household brands are feeling the heat from changing tastes, activist investors, a strong euro and other factors. Investors will be looking for signs of relief from companies reporting this week, among them Nestle SA, Unilever, Reckitt Benckiser Group Plc, Danone and Procter & Gamble Co. Investors in Ericsson AB have had their patience thoroughly tested in recent years by the sinking fortunes of the Swedish maker of telecom equipment. They're hoping Borje Ekholm's turnaround effort is finally translating into tangible improvements of the company's gross margin. While Ekholm has only promised that the business will improve toward the end of this year, any signs of stabilization would be good news. In terms of wages, Retail sales in the U.S. have benefited as a stronger job market leads to higher pay for workers, but the competition for employees also puts pressure on the profits of companies like Walmart Inc. In January, the retail giant raised its starting hourly wage to \$11, matching competitor Target Corp.'s increase three months before. (Source: Bloomberg, The Edge)

**The country's largest fund management firm, Permodalan Nasional Bhd (PNB), launched its maiden affordable housing project in Port Dickson as part of its commitment to build 5,000 such dwellings by 2022.** The first project at Bagan Pinang near here will involve the construction of 140 single-storey houses. The 20ft by 70ft houses, to cost between RM180,000 and RM200,000, will have three rooms and two bathrooms. PNB group chairman Tan Sri Abdul Wahid Omar said a similar project would be built in Pedas as well as in Banting, Selangor. "These projects show commitment to support the government's initiative to build more affordable houses for the people. "This also shows that we are not only an investment institution, but one that is also a responsible corporate citizen," he said at the launch of the maiden project by Negri Sembilan Menteri Besar Datuk Seri Mohamad Hasan. Abdul Wahid said PNB, through its subsidiary PNB Value Homes Sdn Bhd, will build 1,500 affordable houses in Banting and another 300 in Pedas. "We hope to work with state governments and see if they can provide us land for such projects." "We will also look at acquiring land if the price is reasonable," he said, adding that the construction of the houses would be completed faster under the industrialised building system. Abdul Wahid said households earning less than RM5,000 a month would be eligible to buy these homes. They should also be above 21, married or single parents. The property should also be their first and they would not be allowed to sell it for five years. Abdul Wahid said building affordable homes was one of three tasks given to him by Prime Minister Datuk Seri Najib Razak when he was appointed chairman in Aug 2016. "Apart from transforming PNB to ensure it does even better in getting more bumiputras involved in business, the PM also asked PNB to build such homes. "I am happy to note that our net profit increased by

16.8% to RM17.7bil last year and we are now embarking on this project,” he said. (Source: The Star)

<b>Rating Actions</b>			
<b>Issuer</b>	<b>PDS Description</b>	<b>Rating/Outlook</b>	<b>Action</b>
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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