

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.57	-2
5-yr UST	2.94	0
10-yr UST	3.11	1
30-yr UST	3.25	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.73	2	3.72	-4
5-yr	3.89	6	3.93	1
7-yr	4.05	4	4.22	4
10-yr	4.21	1	4.35	0
15-yr	4.61	2	4.77	3
20-yr	4.90	6	4.84	0
30-yr	4.93	1	4.92	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.85	1
5-yr	3.96	2
7-yr	4.05	2
10-yr	4.20	2

Source : Bloomberg

Upcoming Government Bond Tenders

US Treasuries

- US Treasuries saw yields end mixed with steepening of the curve as the long-end turned bearish. Overall benchmark yields ended between -2 to +3bps across with the UST 2Y notching gain pushing yields 2bps lower to 2.57% whilst the much-watched 10Y edged 1bps higher to a high of 3.11%. The odd occurrence of a divergence between the high US budget deficit and low unemployment has caused investors to be nervous about the speed of the sell-off in the bond markets which anticipates interest rates to rise. The current odds for a June hike is at 72%. Meanwhile institutional government funds saw net inflows of ~\$12b; large by normal standards; with asserts reputed rising to \$1.59 trillion for the week ending 16th of May.

MGS/GII

- Trading volume in local Govvies tapered off to RM3.13b with bulk of trades continued to be seen mainly in the short-end MGS 18-20's and 15Y off-the-run MGS. Overall benchmark bonds were weaker with yields rising between 1-6bps. Both the benchmark 7Y MGS 3/25 and 10Y MGS 11/27 yields rose between 1-4bps to end at 4.05% and 4.21% respectively compared to previous-done levels. Markets are expected to turn cautious temporarily as Moody's assertion that Malaysia's plan to abolish GST may be credit-negative. Nevertheless the replacement of GST with SST, higher oil prices and the lowering of operating expenditures by the government is expected to mitigate these concerns.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume improve for the 3rd day to RM437m with interest across the GG-AA part of the curve with close to 40 bond trades seen up to 15Y tenures. Govt-guaranteed GOVCO 2/21 rose 10bps at 4.05% levels compared to previous-done levels whilst the AAA-rated CAGAMAS 18's saw huge volume ; rising between 2-4bps to close between 3.83-84% levels. Meanwhile the infra cum power related bonds continued to see investor interest with JEP 28, 32 and also the short KEV and BGSM 18's notching trades; albeit on higher yields. In the banking space, both the AA1-rated HLISB and MAYBANK 24nc19's closed higher on yields between 4.47-49% levels whilst SABAH DEV 19's ended at ~ 4.75% levels.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.504	174	3.355	16/05/2018	15
MGS 03/19	3.492	246	3.569	16/05/2018	-8
MGS 10/19	3.617	42	3.667	16/05/2018	-5
MGS 11/19	3.669	100	3.672	16/05/2018	0
MGS 03/20	3.742	122	3.687	16/05/2018	6
MGS 10/20	3.763	21	3.746	16/05/2018	2
MGS 02/21	3.781	3	3.784	16/05/2018	0
MGS 07/21	3.819	89	3.820	16/05/2018	0
MGS 09/21	3.826	223	3.861	16/05/2018	-4
MGS 11/21	3.730	1	3.711	15/05/2018	2
MGS 03/22	3.895	41	3.966	16/05/2018	-7
MGS 08/22	3.946	1	3.960	16/05/2018	-1
MGS 09/22	3.907	34	3.920	15/05/2018	-1
MGS 03/23	4.056	3	4.008	16/05/2018	5
MGS 04/23	3.892	20	3.835	15/05/2018	6
MGS 08/23	3.993	2	4.012	15/05/2018	-2
MGS 07/24	4.143	223	4.106	16/05/2018	4
MGS 09/24	4.185	46	4.093	16/05/2018	9
MGS 03/25	4.051	190	3.998	16/05/2018	5
MGS 09/25	4.276	134	3.883	16/05/2018	39
MGS 04/26	4.301	6	4.219	14/05/2018	8
MGS 11/26	4.281	25	4.281	16/05/2018	0
MGS 05/27	4.438	27	4.376	26/04/2018	6
MGS 11/27	4.208	76	4.182	16/05/2018	3
MGS 04/30	4.641	35	4.549	16/05/2018	9
MGS 06/31	4.695	27	4.558	16/05/2018	14
MGS 04/33	4.760	328	4.720	16/05/2018	4
MGS 11/33	4.615	40	4.596	16/05/2018	2
MGS 05/35	4.955	19	4.912	16/05/2018	4
MGS 04/37	4.901	112	4.843	16/05/2018	6
MGS 09/43	4.866	10	4.907	15/05/2018	-4
MGS 03/46	4.928	12	4.915	16/05/2018	1
GII 04/19	3.546	20	3.578	16/05/2018	-3
GII 04/20	3.719	3	3.717	16/05/2018	0
GII 08/20	3.741	120	3.774	15/05/2018	-3
GII 04/22	3.933	452	3.925	16/05/2018	1
GII 07/23	4.138	14	4.106	16/05/2018	3
GII 08/24	4.186	10	4.163	07/05/2018	2
GII 08/25	4.224	40	4.184	16/05/2018	4
GII 10/25	4.356	6	4.178	06/04/2018	18
GII 10/28	4.345	20	4.345	16/05/2018	0
GII 06/33	4.771	10	4.738	14/05/2018	3
		3125			

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*	
Pelabuhan Tanjung Pelepas Sdn Berhad	09/20	GG	4.138	10	3.688	27/09/2016	45	51
GoCo Holdings Berhad	02/21	GG	4.054	60	3.951	05/04/2018	10	33
Perbadanan Tabung Pendidikan Tinggi Nasional	08/26	GG	4.558	1	4.346	16/02/2017	21	45
Cagamas Berhad	10/18	AAA	3.829	60	3.789	19/04/2018	4	37
Cagamas Berhad	11/18	AAA	3.839	100	3.821	19/04/2018	2	38
Genting Capital Berhad	06/22	AAA	5.026	1	4.696	03/05/2018	33	121
Aquasar Capital Sdn Berhad	07/29	AAA	4.842	1	4.749	09/11/2017	9	64
Sarawak Hidro Sdn Berhad	08/31	AAA	4.985	10	4.959	17/02/2017	3	38
Sabah Development Bank Berhad	08/19	AA1	4.747	10	4.663	27/04/2018	8	128
Sabah Development Bank Berhad	08/19	AA1	4.749	10	4.567	19/01/2018	18	129
Sabah Development Bank Berhad	08/19	AA1	4.749	10	4.770	07/12/2017	-2	129
Sarawak Energy Berhad	06/21	AA1	4.556	2	4.390	10/04/2018	17	83
Malayan Banking Berhad	12/23	AA1	4.317	10	4.228	05/03/2018	9	35
Maybank Islamic Berhad	04/24	AA1	4.379	1	4.900	23/04/2018	-52	41
Malayan Banking Berhad	05/24	AA1	4.488	10	4.377	01/03/2018	11	52
Hong Leong Islamic Bank Berhad	06/24	AA1	4.469	10	4.307	16/04/2018	16	50
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.649	15	5.188	15/05/2018	-54	60
Kapar Energy Ventures Sdn Berhad	07/18	AA+	4.022	20	3.868	16/03/2018	15	56
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/26	AA+	5.078	1	5.004	05/01/2018	7	97
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/27	AA+	5.128	1	5.033	20/02/2018	9	95
First Resources Limited	06/20	AA2	4.598	1	4.445	04/04/2018	15	97
Kesas Sdn Berhad	10/21	AA2	4.539	2	4.401	11/10/2017	14	81
Malaysia Airport Holdings Berhad	12/14	AA2	5.088	10	5.019	27/04/2018	7	20
Anih Berhad	11/25	AA	4.821	1	4.591	27/12/2017	23	71
BGSM Management Sdn Berhad	12/18	AA3	4.281	15	4.094	11/04/2018	19	82
BGSM Management Sdn Berhad	12/19	AA3	4.440	1	4.448	15/05/2018	-1	81
KT Kira Sertifikalari Varlik Kiralama A.S.	03/20	AA3	5.615	3	5.506	25/04/2018	11	199
BGSM Management Sdn Berhad	12/23	AA3	4.781	0	4.657	06/03/2018	12	81
AmBank (M) Berhad	12/23	AA3	4.457	10	4.450	16/05/2018	1	49
Edra Energy Sdn Berhad	07/24	AA3	5.387	1	5.319	07/02/2018	7	142
Jimah East Power Sdn Berhad	06/26	AA-	4.932	1	4.744	03/01/2018	19	82
Jimah East Power Sdn Berhad	12/28	AA-	5.028	20	5.028	16/05/2018	0	82
MMC Corporation Berhad	03/28	AA-	5.786	2	5.749	27/04/2018	4	158
Quantum Solar Park (Semenanjung) Sdn Berhad	04/29	AA-	5.612	2	0.000	00/01/1900	561	141
Malakoff Power Berhad	12/29	AA-	5.117	1	4.980	06/12/2017	14	91
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	5.155	10	5.138	25/04/2018	2	55
Jimah East Power Sdn Berhad	12/32	AA-	5.294	10	5.258	25/04/2018	4	69
AMMB Holdings Berhad	02/28	A1	4.971	2	4.990	16/05/2018	-2	77
CIMB Group Holdings Berhad	05/16	A1	4.885	2	5.319	15/05/2018	-43	0
			437					

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

Market/Corporate News: What's Brewing

Yields on benchmark 10-year U.S. Treasuries rose on Thursday to their highest level in about seven years, extending this week's bond market selloff and pushing the U.S. dollar to a four-month peak against the yen. Oil prices topped \$80 a barrel for the first time since November 2014 before pulling back. Wall Street's main stock indexes slipped, wobbling amid trade jitters as the United States and China hold talks. European stock markets climbed and Britain's FTSE 100 notched a record closing high. The rising U.S. Treasury yields have been a driver across financial markets this week and come as data shows a strong U.S. economy that could indicate firming inflation. The benchmark 10-year U.S. Treasury note yield rose above 3.1 percent, continuing a surge from earlier in the week. "I think it's the same thing we have had really for the past couple of weeks: The inflation trade is being put on," said Walter Todd, chief investment officer at Greenwood Capital in Greenwood, South Carolina. The rise in bond rates, the dollar and oil "is being driven by the same backdrop, which is the U.S. economy is hitting on all cylinders," Todd added. On Wall Street, the Dow Jones Industrial Average fell 54.95 points, or 0.22 percent, to 24,713.98, the S&P 500 lost 2.33 points, or 0.09 percent, to 2,720.13, and the Nasdaq Composite dropped 15.82 points, or 0.21 percent, to 7,382.47. The major indexes for the month of May so far are all up more than 2 percent. The rise in yields "has added a little bit of volatility in markets, no question. But I don't think it would be enough to derail the recent move in stocks," said King Lip, chief investment strategist at Baker Avenue Asset Management in San Francisco. Shares of retailer Walmart Inc and network gear maker Cisco System Inc fell after both companies reported quarterly results, weighing on indexes. Energy shares rose 1.3 percent on the higher oil prices. U.S. President Donald Trump said that China and other countries had become "very spoiled" on trade, as U.S. and Chinese officials hold high-level talks in Washington on trade ties. "I think this trade mess is certainly affecting the mood and uncertainty, and it seems to me the market is negative because this whole trade debate with tariffs," said Jim Bell, president of Bell Investment Advisors in Oakland, California. Strong oil prices helped Britain's top share index, the FTSE 100, seal its highest ever closing level as it climbed 0.7 percent. The pan-European FTSEurofirst 300 stock index rose 0.62 percent, while Italy's benchmark index bounced 0.3 percent following heavy losses on Wednesday on concerns that a new government could relax fiscal discipline. MSCI's gauge of stocks across the globe shed 0.01 percent. U.S. 10-year Treasury yields rose, extending this week's bond market selloff, as traders and investors have not reached a consensus on whether it was time to buy or if the market was vulnerable to more selling. Benchmark 10-year notes last fell 5/32 in price to yield 3.1131 percent, from 3.095 percent late on Wednesday. "The market is trying to figure where the bottom is. At this point, it is not clear," said Mary Ann Hurley, vice president of fixed income with D.A. Davidson in Seattle. The dollar index, which measures the greenback against a basket of major currencies, rose 0.1 percent. The Japanese yen was flat versus the U.S. currency at 110.79 per dollar. Concerns that Iranian exports could fall because of renewed U.S. sanctions, reducing supply in an already tightening market, drove oil above \$80 a barrel for the first time since November 2014. (Source: Reuters, The Star)

Taxation consultants lauded the government's move of zero-rated GST as it will improve the ease of doing business in Malaysia and lessen the hassle for developers, especially those who have mixed-use developments. The Associated Chinese Chambers of Commerce & Industry of Malaysia (ACCCIM) head of taxation committee Koong Ling Long said the computation and book-keeping for different categories of GST is complicated and require a lot of technical support, which will eventually increase the cost of business. "For a developer who has mixed developments, this could be even harder as commercial and residential properties are in different categories," he told EdgeProp.my. Koong is also a member of GST Monitoring Committee of the Ministry of Finance and GST Technical Committee of the Royal Malaysian Customs. For commercial properties which are under the standard rated 6% GST category, developers are allowed to claim the input tax (for the raw material purchased for the construction) from the government as the final GST will be paid by commercial property buyers. However, for the residential properties which fall under the exempt-rated GST category, property buyers will not be charged the 6% GST in the transaction, but at the same time, the developers are not allowed to claim the input tax as residential properties are exempt rated. In this situation, the developers could either choose to absorb the additional GST cost or partially pass it to property

buyers, which in turn pushes up the selling price, depending on the developers' pricing strategy. Koong noted that with the announcement of zero-rated GST, developers are free from GST, so the price of residential properties should be reduced, rightfully, until the new Sales and Service Tax (SST) mechanism is introduced. "The announcement is timely as the longer it [uncertainties] takes, the longer the market will take to regain its momentum. The decision to zerorise GST not only brings down business cost but also improve the ease of doing business in Malaysia," he added. Meanwhile, tax consultancy firm YYC Holdings Sdn Bhd CEO Datin Yap Shin Siang opined that with the announcement of zero-rated GST, property buyers who intend to purchase commercial properties will now speed up their decision-making process. "The 6% GST could be quite costly for commercial properties which are selling above RM 1 million. After the zero-rate GST, property buyers might relook at this segment, which is a good thing for the property sector," she added. However, she noted that for business owners, zero-rated GST or the re-introduction of SST in the future might cause a short-term hiccup for them as they will need to adjust and rework their accounting system. (Source: The Edge)

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

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.