

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries remained under pressure as markets turned optimistic over US growth prospects following the release of better than expected industrial production numbers that should continue to cement prospects of Fed rate hikes. UST yields were generally higher by 1-2bps with the 2s ending at 2.29% vis-à-vis 2.85% in the 10s, steepening the curve a little. All eyes will be upcoming FOMC meeting, more so on Fed Chair's Powell's comment and the quarterly economic projection and rates dot plot for more clues on the Fed policy normalization path.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.29	1
5-yr UST	2.64	2
10-yr UST	2.85	2
30-yr UST	3.08	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	0	3.59	0
5-yr	3.54	-1	3.84	0
7-yr	3.83	2	4.00	0
10-yr	3.94	1	4.16	3
15-yr	4.41	0	4.55	0
20-yr	4.55	0	4.78	3
30-yr	4.78	0	4.91	0

* Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.81	1
5-yr	3.86	0
7-yr	3.98	1
10-yr	4.10	0

Source : Bloomberg

MGS/GII

- Trading momentum in local govies was sustained at RM2.60bn on Friday, little changed from RM2.73bn the day before. Interests were noticeably skewed towards the front end and the belly of the curve for both MGS and GII. MGS 11/19 and MGS 10/20 garnered the most volume at RM415m and RM200m respectively while in the GII space, GII 9/19 saw RM400m changed hands, more than half of total deals done in GII. Yields were generally higher by up to 2bps with the exception of the 5Y that saw yields sliding 1bp to 3.54%. Benchmark 10Y climbed 1bp higher to 3.94% while the 7Y rose 2bps to 3.83%. In the GII space, yields were flattish save for the 10Y and 20Y, with yields rising 3bps each to 4.16% and 4.78% respectively at close. We expect trading sentiments to stay cautious ahead of FOMC meeting this week.

Corp Bonds/Sukuk

- Secondary market volume for Corporate Bonds pulled back by about a third to RM687m on Friday, from RM990m a day ago. Trading interests were scattered through the curve but the GG and AAA-rated space continued to attract the most interests. Government-guaranteed DanaInfra collectively saw RM205m changed hands, with yields gyrating between -3 to 6bps for various issuances encompassing 10/23, 3/32, 5/32 and 5/37. Corporate issuances that dominated trades were TNB 8/37 (RM90m) and YTLP 10/24 and YTLP 5/27 (RM70m cumulatively). Energy papers aside, banking issuances also attracted sizeable interests in the secondary market. We expect trading interests to track that of the govies space ahead of this week's policy outcome and policy guidance from the Fed.

Upcoming Government Bond Tenders

FIXED INCOME

March 19, 2018


Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.268	150	3.302	15/03/2018	-3
MGS 11/19	3.286	415	3.320	13/03/2018	-3
MGS 10/20	3.360	200	3.372	14/03/2018	-1
MGS 07/21	3.433	82	3.437	15/03/2018	0
MGS 09/21	3.534	91	3.550	14/03/2018	-2
MGS 11/21	3.423	60	3.410	15/03/2018	1
MGS 03/22	3.536	107	3.547	15/03/2018	-1
MGS 03/23	3.757	85	3.750	15/03/2018	1
MGS 07/24	3.880	168	3.839	15/03/2018	4
MGS 09/24	3.884	96	3.872	15/03/2018	1
MGS 03/25	3.825	150	3.808	15/03/2018	2
MGS 11/27	3.936	77	3.931	15/03/2018	0
MGS 04/33	4.411	173	4.407	15/03/2018	0
GII 09/19	3.446	400	3.455	28/02/2018	-1
GII 04/22	3.824	90	3.832	15/03/2018	-1
GII 08/25	4.002	60	4.002	15/03/2018	0
GII 09/26	4.218	50	4.210	15/03/2018	1
GII 07/27	4.160	50	4.134	15/03/2018	3
GII 10/35	4.739	100	4.788	12/03/2018	-5
		<u>2604</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*	
Perbadanan Tabung Pendidikan Tinggi Nasional	03/21	GG	3.985	10	3.986	07/03/2018	0	59
Danahra Nasional Berhad	10/23	GG	4.269	30	4.212	25/09/2017	6	51
Danahra Nasional Berhad	03/32	GG	4.825	10	4.849	07/03/2018	-2	41
Danahra Nasional Berhad	05/32	GG	4.825	85	4.840	14/03/2018	-1	41
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/32	GG	4.830	20	4.850	14/03/2018	-2	42
Danahra Nasional Berhad	05/37	GG	5.010	80	5.040	15/03/2018	-3	47
Pengurusan Air SPV Berhad	11/19	AAA	4.137	10	4.119	30/08/2017	2	82
Perdana Petroleum Berhad (fka Petra Perdana Berhad)	04/20	AAA	4.717	6	4.725	05/02/2018	-1	140
GENM Capital Berhad	03/22	AAA	4.683	30	4.668	22/02/2018	1	120
TNB Western Energy Berhad	01/25	AAA	4.548	30	4.558	20/02/2018	-1	72
Sarawak Hidro Sdn Berhad	08/26	AAA	4.678	2	4.679	15/03/2018	0	79
EKVE Sdn Berhad	01/27	AAA	4.722	10	4.580	21/08/2017	14	79
TNB Western Energy Berhad	07/28	AAA	4.717	30	4.728	18/12/2017	-1	78
Sarawak Hidro Sdn Berhad	08/30	AAA	4.879	4	4.870	12/01/2018	1	94
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.926	20	4.929	23/02/2018	0	51
Tenaga Nasional Berhad	08/37	AAA	5.079	90	5.099	08/03/2018	-2	53
A; Dzahab Assets Berhad	03/23	AAA	4.909	5	4.909	16/03/2018	0	-
YTL Corporation Berhad	04/23	AA1	4.639	5	4.608	07/02/2018	3	109
YTL Power International Berhad	10/24	AA1	4.708	10	4.718	22/02/2018	-1	88
YTL Power International Berhad	05/27	AA1	4.890	60	4.849	15/03/2018	4	96
Sarawak Energy Berhad	12/32	AA1	5.239	25	5.239	14/03/2018	0	83
Kapar Energy Ventures Sdn Berhad	07/18	AA+	3.868	10	3.917	14/03/2018	-5	69
Kesas Sdn Berhad	10/18	AA2	4.056	5	4.079	14/03/2018	-2	88
Al-Aqar Capital Sdn Berhad	05/20	AA2	4.760	1	4.750	26/01/2018	1	145
First Resources Limited	10/21	AA2	4.596	10	4.630	09/03/2018	-3	112
Tanjung Bin Power Sdn Berhad	08/27	AA2	4.798	10	4.808	26/02/2018	-1	87
Anih Berhad	11/18	AA	4.126	5	4.150	14/03/2018	-2	95
Gamuda Berhad	03/19	AA3	4.241	5	4.256	14/03/2018	-2	107
CIMB Group Holdings Berhad	04/60	AA3	5.648	4	5.021	08/03/2018	63	110
Gamuda Berhad	03/23	AA3	4.742	5	-	-	-	-
Al Dzahab Assets Berhad	09/26	AA3	5.946	5	5.946	16/03/2018	0	-
Malakoff Power Berhad	12/18	AA-	4.216	10	4.210	13/02/2018	1	104
AMMB Holdings Berhad	03/27	A1	4.971	20	4.996	15/03/2018	-3	104
RHB Bank Berhad	12/39	A1	4.698	20	4.655	11/08/2017	4	15
CIMB Group Holdings Berhad	05/16	A1	5.249	3	5.249	15/03/2018	0	70
Mah Sing Group Berhad	03/15	-	6.288	2	6.262	3/15/2018	3	-
				<u>687</u>				

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

Market/Corporate News: What's Brewing

Top Glove Corp Bhd is investing an initial RM100 million in Vietnam to set up a new plant to produce vinyl gloves. The allocation will also be used towards the land cost, machinery and raw materials, said Top Glove executive chairman Tan Sri Dr Lim Wee Chai. "It is basically to expand our vinyl glove production, instead of in China, as the cost of operation in China is getting higher. Also, we also see potential to expand our latex glove production there. "Normally we will start the operation with 10 production lines. The plant will be built on an industrial plot in Vietnam, measuring more than 20 acres," he told reporters here after Top Glove's signing ceremony of US\$310 million syndicated loan agreement with eight banks. The consortium of eight banks is led by Citibank Bhd while the other seven participating lenders are Bank of Tokyp-Mitsubishi UFJ (Malaysia) Bhd, Hong Leong Bank, Mizuho Bank (Malaysia) Bhd, Sumitomo Mitsui Banking Corp Malaysia Bhd, BNP Paribas, Bangkok Bank Bhd and Bank of China. The US\$310 million package comprises of US\$155 million 2-year term loan and US\$155 million 5-year murabaha. Lim said the money borrowed from the banks will fund the Aspion Sdn Bhd acquisition, one of the world's largest surgical glove producers, for RM1.37 billion. The Aspion acquisition is set to complete early next month and would contribute positively towards Top Glove's earnings in the quarters ahead. When asked on Top Glove's diversification into condom manufacturing and exports, Lim replied the plant is expected to start operations from mid-2018. All this while, he explained some of Top Glove's existing customers also procure condoms, which is also classified as a medical device. "We will produce the condoms on the basis of original equipment manufacturing. Toward the end of 2018, we plan to launch our own condoms under the brandname 'Top Feel'," Lim said. (Source: NST online)

Malaysian Rail Industry Consortium (MARIC) plans to create a railway industrial park in Malaysia, an initiative to step towards streamlining a centralised industrial ecosystem that is being seriously addressed by the government. MARIC president Datuk Dr Mohd Yusoff Sulaiman said the proposal, which is set out in the consortium-led National Rail Initiative (NRI), is currently being streamlined and expected to be realised by the second quarter of this year. The proposal has been presented to the International Trade and Industry (MITI) minister Datuk Seri Mustapa Mohamed and MARIC expects it to be submitted to the Economic Council, chaired by Prime Minister Datuk Seri Najib Razak, soon. He said with Malaysian rail-related projects reaching RM200 billion in value by 2030, the initiative to build a rail industrial parks is appropriate to support the relevant infrastructure development agenda. "Malaysia already has industrial parks for automotive in Gurun and Pekan, while for aerospace in Serendah. Thus, it is becoming a necessity to establish a rail-related industrial park. "We are currently identifying a suitable location for this industrial park, which will be located in the Klang Valley. We also found that Rawang is a great location for establishing a rail ecosystem centre in Malaysia because of its surroundings, as well as the aerospace industry is also there. "In fact, 28 MARIC members have also agreed to move to the industrial park if it can be realised later," he told the media after MARIC's first annual general meeting in Cyberjaya yesterday. MARIC is represented by 28 members from local rail industry companies. Mohd Yusoff said the rail industrial park would also serve as a centre for research and development, human capital development centre as well as the regulatory and industrial policy centre. He said if the NRI and rail industrial parks were to be finalised, it would create a positive network of local industry players and make the industry potentially spur the country's economy more systematically. "We hope the government will see MARIC's development effort as important for the survival of the local industry, thereby boosting local expertise to a higher level. "MARIC is strategically positioned to empower and develop local rail industry," he said. (Source: NST online)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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