

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.43	3
5-yr UST	2.73	4
10-yr UST	2.87	4
30-yr UST	3.06	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.53	1	3.61	0
5-yr	3.63	-1	3.86	1
7-yr	3.91	2	4.02	0
10-yr	4.02	2	4.21	1
15-yr	4.51	4	4.60	2
20-yr	4.61	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	3.88	0
7-yr	3.98	0
10-yr	4.10	0

Source : Bloomberg

US Treasuries

- US Treasuries sold-off curve led by bond futures as flattening of the curve intensified following views of potential inversion going forward. Overall benchmark yields were 3-4bps higher. The 2Y (most sensitive to interest rate outlook) rose another 3bps higher at 2.43% whilst the much-watched 10Y jumped 4bps to 2.87%. The persistent view of rising Fed rates combined with the effect of tepid inflation was evident in the shaping of the yield curve. Despite the Fed's large \$11.4b holdings of UST 2Y, 5Y and 7Y that might help to stem the slide in yields of next week's upcoming auctions; markets are expected to be volatile. Pressure on the yield curve may ensue as speculators make steepening bets; quite the opposite of real money managers.

MGS/GII

- Trading volume in local govies jumped to RM1.3b as interest continued to be seen in the shorter-end MGS 18-20's with GII bonds forming half of market share. Overall benchmark MGS yields moved 1-4bps higher save for the 5Y which recovered some lost ground ahead of its replacement). The lower CPI data for March indicating moderate inflation helped to stem the slide in yields seen over the past few trading sessions. Both the benchmark 7Y MGS 3/25 and 10Y MGS 11/27 yields jumped 2bps higher at 3.91% and 4.02% respectively. Expect attention to be focused on today's new auction issuance of RM4.0b 5Y MGS bonds.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume pick-up at RM643m mainly due to maiden debut of WCT 4/26 and UMW perpetual bonds; closing 5bps and 20bps respectively below recently-issued coupon levels). Govt-Guaranteed LPPSA 4/22 closed unchanged at 4.03% compared to previous-done levels whilst AAA-rated PLUS 26 and RANTAU 3/29 moved 1bps higher at 4.53% and 4.73% respectively. A slew of AA-rated papers i.e. GAMUDA 10/18, UEM 5/23 and ANIH 11/27 exchanged hands between 0-4bps lower. PROHAWK 6/27 which last traded in March 2016 notched RM20m worth of nominal trades; moving 3bps lower at 4.82%. The banking space saw various names traded with AA1-rated Sabah Credit Corp 8/20 and Sabah Development Bank 5/22 hogging the limelight; closing at 4.47% and 4.98% respectively.

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	3.350	29	3.260	17/04/2018	9
MGS	03/19	3.382	120	3.394	17/04/2018	-1
MGS	07/19	3.464	78	3.334	12/04/2018	13
MGS	11/19	3.454	60	3.379	17/04/2018	8
MGS	03/20	3.513	30	3.481	16/04/2018	3
MGS	07/20	3.520	4	3.516	16/04/2018	0
MGS	10/20	3.545	141	3.490	16/04/2018	5
MGS	09/21	3.658	62	3.649	17/04/2018	1
MGS	11/21	3.530	10	3.515	17/04/2018	1
MGS	03/22	3.631	23	3.645	17/04/2018	-1
MGS	08/22	3.743	1	3.744	12/04/2018	0
MGS	09/22	3.763	4	3.758	17/04/2018	0
MGS	03/23	3.784	1	3.772	16/04/2018	1
MGS	08/23	3.822	1	3.810	16/04/2018	1
MGS	09/24	3.922	1	3.908	17/04/2018	1
MGS	03/25	3.907	20	3.887	17/04/2018	2
MGS	09/25	3.981	10	3.970	16/04/2018	1
MGS	04/26	4.067	7	4.067	17/04/2018	0
MGS	11/27	4.018	61	4.000	17/04/2018	2
MGS	04/30	4.390	3	4.368	17/04/2018	2
MGS	04/33	4.505	30	4.464	17/04/2018	4
MGS	05/35	4.572	2	4.524	17/04/2018	5
MGS	04/37	4.605	0	4.603	16/04/2018	0
MGS	09/43	4.849	1	4.835	16/04/2018	1
MGS	03/46	4.854	8	4.851	13/04/2018	0
GII	08/18	3.349	2	3.297	12/04/2018	5
GII	08/18	3.349	1	3.302	09/04/2018	5
GII	10/18	3.310	4	3.306	12/04/2018	0
GII	04/20	3.610	22	3.614	16/04/2018	0
GII	04/22	3.860	212	3.846	16/04/2018	1
GII	07/23	3.982	20	3.983	11/04/2018	0
GII	08/24	4.071	20	4.062	17/04/2018	1
GII	09/26	4.226	60	4.226	10/04/2018	0
GII	07/27	4.205	101	4.192	17/04/2018	1
GII	06/33	4.599	160	4.581	16/04/2018	2
			<u>1309</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*	
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	4.027	25	4.030	17/04/2018	0	47
Manjung Island Energy Berhad	11/19	AAA	4.127	10	4.121	22/08/2017	1	73
Manjung Island Energy Berhad	11/20	AAA	4.227	10	4.201	07/03/2018	3	72
Genting Capital Berhad	06/22	AAA	4.690	10	4.687	02/04/2018	0	113
Putrajaya Holdings Sdn Berhad	07/24	AAA	4.459	10	4.400	10/10/2017	6	67
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.526	10	4.518	12/04/2018	1	59
Rantau Abang Capital Berhad	03/29	AAA	4.729	10	4.718	29/03/2018	1	73
EKVE Sdn Berhad	01/30	AAA	4.893	1	4.889	23/03/2018	0	89
Sarawak Hidro Sdn Berhad	08/30	AAA	4.845	15	4.879	16/03/2018	-3	85
Danga Capital Berhad	09/33	AAA	4.982	5	4.940	05/04/2018	4	51
YTL Power International Berhad	08/18	AA1	4.351	1	4.178	09/04/2018	17	107
Sabah Credit Corporation	08/20	AA1	4.470	20	4.538	30/11/2017	-7	107
Sabah Development Bank Berhad	05/22	AA1	4.975	10	4.975	14/03/2018	0	142
CIMB Bank Berhad	09/23	AA1	4.405	5	4.370	17/04/2018	4	80
Public Bank Berhad	09/23	AA1	5.259	1	5.252	13/04/2018	1	165
YTL Power International Berhad	05/27	AA1	5.250	1	4.909	13/04/2018	34	128
Sarawak Energy Berhad	12/32	AA1	5.266	10	5.279	16/04/2018	-1	79
TRIplic Medical Sdn Berhad	10/35	AA1	5.366	10	5.499	27/02/2018	-13	77
UMW Holdings Berhad	10/19	AA2	4.354	4	4.400	27/03/2018	-5	107
UMW Holdings Berhad	10/21	AA2	4.546	6	4.546	17/04/2018	0	104
Konsortium ProHAWK Sdn Berhad	06/27	AA2	4.819	20	4.845	18/03/2016	-3	85
Anih Berhad	11/27	AA	4.768	20	4.779	28/02/2018	-1	77
Gamuda Berhad	10/18	AA3	4.154	10	4.191	09/04/2018	-4	87
Cahaya Mata Sarawak Berhad	05/22	AA3	4.641	10	4.635	17/04/2018	1	108
RHB Islamic Bank Berhad	04/27	AA3	4.689	3	4.678	28/03/2018	1	72
Tadau Energy Sdn Berhad	07/31	AA3	5.740	2	5.753	24/01/2018	-1	127
Quantum Solar Park (Semenanjung) Sdn Berhad	10/22	AA-	4.985	1	4.984	08/12/2017	0	143
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.853	20	4.848	29/03/2018	0	125
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/27	AA-	4.827	1	4.790	27/02/2018	4	85
MMC Corporation Berhad	11/27	AA-	5.659	15	5.386	14/03/2018	27	166
Southern Power Generation Sdn Berhad	10/33	AA-	5.235	10	5.259	29/03/2018	-2	76
WCT Berhad	04/26	AA-	5.600	245	-	-	-	-
CIMB Group Holdings Berhad	05/16	A1	5.270	1	5.249	16/04/2018	2	67
CIMB Group Holdings Berhad	05/16	A1	4.832	1	5.401	16/04/2018	-57	23
UMW Perpetual	-	A1	6.147	111	-	-	-	-
Alliance Bank Malaysia Berhad	10/25	A2	4.716	1	4.693	11/04/2018	2	78
			<u>643</u>					

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

Market/Corporate News: What's Brewing

Resource stocks were on a roll in Asia on Thursday as oil prices hit heights not seen since late 2014, though the potential boost to inflation globally also pressured fixed-income assets.

Brent crude futures climbed another 34 cents in early trade to \$73.82 a barrel, adding to a 2.7 percent jump overnight. U.S. crude gained 30 cents to \$68.77. The surge came on a Reuters report that OPEC's new price hawk Saudi Arabia would be happy for crude to rise to \$80 or even \$100, a sign Riyadh will seek no changes to a supply-cutting deal even though the agreement's original target is within sight. "The Saudis and their colleagues in OPEC need higher oil for their fiscal positions and the Kingdom is on a bold – and costly – reform program," said Greg McKenna, chief market strategist at CFD and FX provider AxiTrader. "So, they might continue to squeeze the lemon while they have the chance and the hand." The leap in oil combined with fears that sanctions on Russia could hit supplies of other commodities to light a fire under the entire sector. Aluminium prices reached their highest since 2011, alumina touched an all-time peak and nickel jumped the most in 6-1/2 years. Such increases, if sustained, could fuel inflationary pressures and investors hedged by selling sovereign bonds. Yields on U.S. two-year Treasuries climbed to levels last visited in 2008 at 2.43 percent while 10-year yields jumped 6 basis points to 2.87 percent. Resource stocks were the big winners driving Australia's main index up 0.6 percent. Japan's Nikkei gained 0.4 percent, led by a 1.8 percent rise in basic material stocks. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.15 percent, while E-Mini futures for the S&P 500 edged up 0.1 percent. Wall Street had also seen hefty gains in the energy and industrial indexes, though that was offset by softness in sectors such as consumer staples and financials. IBM's 7.5 percent drop was the biggest drag on the S&P after the technology company's quarterly profit margins missed Wall Street targets. The Dow ended down 0.16 percent, while the S&P 500 gained 0.08 percent and the Nasdaq 0.19 percent. In currency markets, the U.S. dollar remained very much range bound with its index flat at 89.623. It was a fraction firmer on the yen at 107.33 yen, but still short of recent peaks at 107.78. The euro hovered at \$1.2379, after easing from the week's top of \$1.2413. The Canadian dollar hit a one-week low after the Bank of Canada sounded more dovish than expected, saying it did not know when or how aggressive it would need to be on tightening in order to keep inflation in check. Sterling was softer at \$1.4205 after a surprisingly tame reading on inflation led the market to reconsider the likely pace of future rate rises from the Bank of England. Data out on New Zealand on Thursday showed annual inflation there had slowed to just 1.1 percent in the first quarter, underlining expectations that interest rates would remain at record lows for many more months to come. (Source: Reuters, The Edge)

Japan's Mizuho Securities has lost a bond mandate for Saudi Arabia, on top of another for Qatar, banking sources said, highlighting how international banks have been caught up in Qatar's ongoing dispute with its neighbours. Saudi Arabia, the United Arab Emirates, Bahrain and Egypt, last year cut diplomatic and transport links with Qatar accusing it of financing terrorism.

Doha denies those charges and says the boycott is aimed at stripping it of its sovereignty. Last week Saudi Arabia and Qatar had more than US\$100 billion in total orders for competing US dollar denominated bonds. Mizuho Securities, part of Mizuho Financial Group, was offered a leading position in both the US\$11 billion Saudi issue and the US\$12 billion Qatar bonds. But Mizuho ended up without either role, losing a possible US\$1.5-US\$2 million in fees which would have accompanied the work, as it tried to juggle relationships on both sides of the rift, four banking sources with knowledge of the matter told Reuters. Mizuho confirmed in a statement that it had withdrawn from the Qatar bond transaction after it had been appointed as a bookrunner, but it declined to comment on Wednesday about its role on the Saudi Arabian bond. Saudi Arabia had chosen the banks for its planned bond before Qatar publicly announced its own list on April 6. However, Mizuho had not informed the Saudis that it was also in the running for the Qatar deal, two of the bankers said, adding this was the reason the Japanese bank was no longer on the Saudi transaction. Mizuho, which has significant business interests in the kingdom, then decided to pull out of the Qatar transaction. "The (Saudi) Ministry of Finance appoints banks based on their capability, commitments and availability to serve the kingdom," a Saudi finance ministry spokesperson told Reuters. A Qatari official declined to comment on Mizuho's decision, which shows how international banks with significant business ties to Saudi Arabia have been trading cautiously to maintain relations on both sides of the diplomatic and economic crisis. An expected wave of privatisations in Saudi Arabia and the expected IPO of Saudi Arabian oil giant Aramco, has given banks a money making opportunity they cannot afford to jeopardize. Mizuho, which earlier this year hired a banker to boost the growth and

development of its franchise, was recently hired by Saudi Arabia's state-owned National Water Co to advise it on bringing private companies into water distribution. "We are a top-tier banking partner to numerous leading entities in the public and private sectors and Saudi Arabia continues to be a key element of our regional franchise," Hidefumi Takeuchi, managing director and head of MENA & Central Asia at Mizuho Bank said in a statement earlier this year. Mizuho's case is not an isolated one. HSBC had turned down a role in Qatar's bond as it had decided not to take high-profile roles in major Qatari debt transactions, sources told Reuters earlier this year. The British bank arranged Saudi Arabia's \$11 billion bond last week, together with a consortium of banks including Citi, Goldman Sachs International, JPMorgan and Morgan Stanley. No bank on the Saudi deal was involved in Qatar's US\$12 billion bond, which was arranged by a group of banks including Deutsche Bank, Credit Suisse, Barclays and Standard Chartered. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
BEWG (M) Sdn Bhd	RM400 million Sukuk Wakalah	AA-IS	Affirmed

Source: RAM Ratings; MARC

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