

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

**US Treasuries**

- US Treasuries continued to chart higher yields as markets stayed on the sideline awaiting FOMC announcement and summary of economic and rate projections. Yields ended up 4bps across the curve, with the 2s ended at 2.35% and the 10s at 2.90%, pushing near the highs last seen since the global financial crisis. We continue to expect markets to remain in cautious mode until the release of FOMC statement and projection. There could be a relief rally in UST should the Fed disappoint. Home sales and mortgage applications data due tonight will most likely than not be sidelined.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.35	4
5-yr UST	2.70	4
10-yr UST	2.90	4
30-yr UST	3.13	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.40	0	3.59	0
5-yr	3.58	3	3.85	0
7-yr	3.84	-2	4.00	-1
10-yr	3.96	1	4.17	0
15-yr	4.41	-1	4.54	0
20-yr	4.56	1	4.78	0
30-yr	4.80	2	4.93	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	4.11	1

Source: Bloomberg

**MGS/GII**

- Even amid market anxiety ahead of US FOMC meeting, trading in local govies saw increased momentum with trade volumes climbing back up the RM2.0bn mark again, with RM2.07bn dealt, probably due to pent-up demand after softer trade on Monday. Yields were seen zigzagging across the curve, within the range of -2 to +3bps in benchmark MGS. 5Y saw the biggest move higher to 3.58% (+3bps) while the 7Y saw the biggest decline in yields to 3.84% (-2bps). Trading was widespread across the curve with 5Y MGS 9/22 garnered the heaviest trade with RM245m changed hands, On top of that, MGS 5/35, MGS 11/27, MGS 3/22 were among the top trades during the day. On the contrary, interests were seen skewed to the short end led by 3Y GII 3/21 that saw RM209m done. FOMC guidance aside, Malaysia will release CPI for the month of February today where a print below 2.0% is expected, affirming softer inflation outlook this year that would allow BNM to stay pat on OPR.

**Corp Bonds/Sukuk**

- Tracking the pick-up in local govies trading, secondary market volume for Corporate Bonds also jumped to RM780m yesterday, surpassing the YTD daily average of approximately RM400m. We continue to see interests in the GG to AA-rated segment. Danga 9/33 took center stage with RM245m dealt at 5.000%. Other Danga issuance namely 4/20 and 1/33 also attracted investor interests, collectively seeing another RM40m transacted.

**Upcoming Government Bond Tenders**

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.068	24	3.093	19/03/2018	-2
MGS 03/19	3.031	6	3.136	19/03/2018	-11
MGS 10/19	3.298	47	3.268	19/03/2018	3
MGS 07/20	3.355	75	3.343	16/03/2018	1
MGS 10/20	3.392	10	3.368	19/03/2018	2
MGS 02/21	3.404	90	3.393	16/03/2018	1
MGS 09/21	3.548	60	3.533	19/03/2018	2
MGS 03/22	3.582	172	3.55	19/03/2018	3
MGS 08/22	3.710	14	3.68	15/03/2018	3
MGS 09/22	3.750	245	3.693	16/03/2018	6
MGS 08/23	3.758	102	3.769	16/03/2018	-1
MGS 09/24	3.901	25	3.882	19/03/2018	2
MGS 03/25	3.837	50	3.854	19/03/2018	-2
MGS 09/25	3.963	6	3.958	19/03/2018	0
MGS 04/26	4.069	12	4.004	19/03/2018	7
MGS 11/26	4.023	1	4.009	19/03/2018	1
MGS 11/27	3.954	178	3.946	19/03/2018	1
MGS 06/28	3.984	40	3.948	15/03/2018	4
MGS 04/30	4.363	8	4.337	19/03/2018	3
MGS 04/32	4.401	44	4.464	14/03/2018	-6
MGS 04/33	4.412	44	4.421	19/03/2018	-1
MGS 05/35	4.588	202	4.584	19/03/2018	0
MGS 04/37	4.555	7	4.541	19/03/2018	1
MGS 09/43	4.799	11	4.772	19/03/2018	3
MGS 03/46	4.801	69	4.782	09/03/2018	2
GII 05/18	3.133	5	3.299	19/03/2018	-17
GII 11/20	3.715	0	3.656	17/01/2018	6
GII 03/21	3.787	209	3.783	19/03/2018	0
GII 04/22	3.846	100	3.84	19/03/2018	1
GII 07/23	3.985	20	3.992	16/03/2018	-1
GII 07/27	4.160	100	4.166	19/03/2018	-1
GII 06/33	4.544	60	4.545	19/03/2018	0
GII 08/33	4.646	0	4.627	19/03/2018	2
GII 05/47	4.927	30	4.927	19/03/2018	0
		<u>2066</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*	
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/19	GG	3.646	100	3.651	26/02/2018	0	49
Johor Corporation	06/19	GG	3.769	10	3.770	07/11/2017	0	61
Cagamas Berhad	12/18	AAA	3.857	5	3.872	08/03/2018	-1	70
Danga Capital Berhad	04/20	AAA	4.135	30	4.144	07/03/2018	-1	81
Putrajaya Holdings Sdn Berhad	05/20	AAA	4.124	25	4.098	08/03/2018	3	80
Cagamas Berhad	11/20	AAA	4.174	30	4.100	13/03/2018	7	78
Telekom Malaysia Berhad	03/24	AAA	4.418	40	4.433	02/03/2018	-1	65
TNB Western Energy Berhad	07/24	AAA	4.509	20	4.498	05/02/2018	1	74
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.500	10	4.489	28/02/2018	1	66
Rantau Abang Capital Berhad	03/29	AAA	4.719	10	4.739	26/02/2018	-2	76
Danga Capital Berhad	01/33	AAA	4.929	10	4.939	08/03/2018	-1	51
Projek Lebuhraya Usahasama Berhad	01/37	AAA	5.090	20	5.142	20/01/2017	-5	53
Danga Capital Berhad	09/33	AAA	5.000	245	-	-	-	-
Westports Malaysia Sdn Berhad	04/23	AA+	4.558	20	4.594	18/12/2017	-4	102
UMW Holdings Berhad	06/22	AA2	4.627	40	4.630	12/03/2018	0	115
Tanjung Bin Power Sdn Berhad	08/25	AA2	4.701	10	4.699	14/03/2018	0	86
Bright Focus Berhad	01/28	AA2	4.899	40	4.880	23/08/2016	2	94
Bright Focus Berhad	01/29	AA2	4.967	40	4.968	28/02/2018	0	101
PBFIN Berhad	06/59	AA2	4.497	2	4.947	13/03/2018	-45	-6
TSH Sukuk Ijarah Sdn Berhad	08/20	AA-	4.739	10	5.078	11/05/2016	-34	142
WCT Holdings Berhad	10/21	AA-	5.038	6	5.087	01/11/2017	-5	156
TSH Sukuk Ijarah Sdn Berhad	03/22	AA-	4.881	10	4.905	07/12/2017	-2	140
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/22	AA-	4.840	20	4.838	14/03/2018	0	130
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.857	10	4.897	02/03/2018	-4	132
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	4.670	10	4.726	21/11/2017	-6	83
WCT Holdings Berhad	02/25	AA-	5.468	7	5.500	21/02/2018	-3	163
CIMB Group Holdings Berhad	05/16	A1	5.230	0	4.993	19/03/2018	24	67
CIMB Group Holdings Berhad	05/16	A1	4.874	0	5.286	15/03/2018	-41	32
			<u>780</u>					

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

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

Bank Negara Malaysia will officially launch the value-based intermediation (VBI) initiative scorecard in October this year at the Global Islamic Finance Forum 2018 (GIFF 2018). Bank Negara director of Islamic banking and Takaful Mohd Zabidi Md Nor said the scorecard is currently being finalised with the help of participating banks. "VBI is very much a game changer in Islamic finance as it gives equal weight to both economic value creation and upholding ethical values," he said at the Standard Chartered Saadiq (Saadiq)'s forum on 'VBI at the core of sustainable banking,' here, earlier today. "We are in the midst of developing the scorecard with the help of the VBI Community of Practitioners (COP). It is important that we have the input of the practitioners so that the scorecard stays practical and achievable," he said. To date, there are already nine Islamic banking institutions in the VBI COP, namely Bank Islam, Bank Muamalat, CIMB Islamic, Agrobank, HSBC Amanah, Maybank Islamic, AmBank Islamic, Alliance Islamic and Saadiq. "All the banks are already working towards getting a good score on their VBI scorecard that will be announced at GIFF2018 in October," said Zabidi. He explained that the scorecard comprises quantitative and qualitative elements that measures different segments. "For quantitative elements, it singles out the elements of financing that focuses on the triple bottom line, namely social, environmental (or ecological) and financial," said Zabidi, while noting that specific details will be revealed at the official announcement in October. Meanwhile Employees Provident Fund (EPF) Head of Equity Research, Nor Azam Yahya said EPF is leading by example when it comes to both VBI and ESG. "As you know, EPF is a majority shareholder in a lot of public listed companies (PLC) in Malaysia and it has been our long time practice to incorporate transparency in integrated financial reporting in these companies," he said. "However, VBI is beyond integrated financial reporting and a lot of work have to be done with the PLCs and the smaller cap companies. The EPF is leading by example and we hope that by doing this, the trickle down effect will take place from the bigger players to the smaller players." The adoption of VBI into the local Islamic finance scene was first announced by the central bank in late last year and has slowly grown traction among industry players. (Source: NST Online)

Bank Negara Malaysia has issued the interoperable credit transfer framework (ICTF) to foster an efficient, competitive and innovative payment landscape in Malaysia. According to a statement posted on its website, the ICTF will enable the interoperability of credit transfer services and promote collaborative competition between banks and non-bank electronic money (e-money) issuers through fair and open access to shared payment infrastructure. Credit transfer services, particularly when offered through the use of mobile devices, have the potential to complement debit cards as a cost-effective and convenient alternative to cash and cheques. Bank Negara said the growing penetration of smartphones and the availability of various mobile payment solutions offered by banking institutions and non-bank e-money issuers have the potential to accelerate the migration to electronic payments (e-payments). This will also enable every adult in Malaysia to make or receive payments electronically, it said. The ICTF outlines requirements target to enable interoperability of credit transfer services leveraging on shared payment infrastructure. This is to expand network reach and avoid market fragmentation. The framework is also to ensure fair and open access to shared payment infrastructure to promote a level playing field and foster collaboration at the infrastructure level. It also seeks to facilitate effective oversight of shared payment infrastructure to maintain the safety and integrity of credit transfer systems and to ensure the integrity and stability of the financial system. Bank Negara also said the framework would also encourage innovation through the establishment of innovation sandbox facilities and publication of Application Programming Interfaces (APIs) by an operator of a shared payment infrastructure. The framework seeks to establishing risk management measures proportionate to the nature, scale and complexity of the activities and risk profile of the respective providers of credit transfer services. Importantly, the framework seeks to strengthen customer protection and foster confidence in the use of credit transfer services. (Source: The Start Online)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
TTM Sukuk Berhad	RM600.0 million Sukuk Murabahah	AAA <sub>IS</sub> (Stable)	Affirmed
UiTM Solar Power Sdn Bhd	Proposed Green SRI Sukuk of up to RM240.0 million	AA <sub>-IS</sub> (Stable)	Assigned preliminary rating

Source: RAM Ratings; MARC

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

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.