

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.55	-2
5-yr UST	2.89	-5
10-yr UST	3.06	-6
30-yr UST	3.20	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.75	2	3.72	0
5-yr	3.89	0	3.94	1
7-yr	4.05	0	4.21	-2
10-yr	4.17	-4	4.35	0
15-yr	4.61	0	4.77	0
20-yr	4.87	-3	4.84	0
30-yr	4.91	-2	4.92	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.85	0
5-yr	3.96	0
7-yr	4.03	-1
10-yr	4.18	-3

Source: Bloomberg

**Upcoming Government Bond Tenders**

**US Treasuries**

- US Treasuries saw yields retreat as the dollar strengthened with steepening bias of the curve seen. Overall benchmark yields ended between 2-6bps lower across with the UST 2Y notching pushing yields 2bps lower to 2.55% whilst the much-watched 10Y rallied 6bps to 3.06%. The trade barrier issues between US and China continue unresolved for now as China has yet to take steps to ensure trade differentials in its favor of up to \$200b are cut. The general rise in yields is seen to affect the US stock market as it displays vulnerability to bad news. Meanwhile the current odds for a June hike remains elevated at 72%.

**MGS/GII**

- Trading volume in local Govvies tanked to RM1.97b last Friday ahead of the weekend with bulk of trades seen sporadically in off-the-run bonds i.e. MGS 7/19, 10/20 and 8/23's. Overall benchmark bonds were 0-4bps lower save for the short 3Y. The benchmark 7Y MGS 3/25 closed unchanged at 4.05% whilst the popular 10Y MGS 11/27 rallied 4bps closing at 4.17% compared to previous-done levels. Markets are expected to turn cautious temporarily whilst awaiting impact of campaign promises by the newly-sworn in government. Meanwhile consumer sentiment may be ramped up once fiscal consolidation plans are clearer.

**Corp Bonds/Sukuk**

- Corporate Bonds saw market volume fizzle out at RM113m with interest lower down the AA to single A part of the curve. There were neither Govt-guaranteed nor AAA-rated bonds traded. Meanwhile AA-rated CELCOM 8/19 moved 1bps higher at 4.44% whilst IJM 10/24 also closed weaker at 4.86% levels compared to previous-done levels. UEM Sunrise 20-23's also leapt 14-18 bps higher between 4.72-99% levels whilst in the banking space, OCBC 39nc19 rallied to close at 4.69%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.445	48	3.504	17/05/2018	-6
MGS	07/19	3.518	370	3.598	15/05/2018	-8
MGS	10/19	3.653	53	3.610	17/05/2018	4
MGS	11/19	3.592	39	3.669	17/05/2018	-8
MGS	03/20	3.771	4	3.742	17/05/2018	3
MGS	10/20	3.812	169	3.763	17/05/2018	5
MGS	07/21	3.836	32	3.819	17/05/2018	2
MGS	09/21	3.864	55	3.826	17/05/2018	4
MGS	11/21	3.751	6	3.711	15/05/2018	4
MGS	03/22	3.895	1	3.895	17/05/2018	0
MGS	08/22	3.940	25	3.946	17/05/2018	-1
MGS	09/22	3.920	80	3.907	17/05/2018	1
MGS	08/23	4.030	214	3.993	17/05/2018	4
MGS	07/24	4.180	63	4.162	17/05/2018	2
MGS	09/25	4.300	83	4.280	17/05/2018	2
MGS	04/26	4.241	25	4.301	17/05/2018	-6
MGS	11/26	4.301	1	4.281	17/05/2018	2
MGS	11/27	4.169	323	4.208	17/05/2018	-4
MGS	04/30	4.691	16	4.597	17/05/2018	9
MGS	04/33	4.770	164	4.760	17/05/2018	1
MGS	04/37	4.872	4	4.901	17/05/2018	-3
MGS	03/46	4.911	1	4.928	17/05/2018	-2
GII	04/19	3.556	30	3.556	17/05/2018	0
GII	04/22	3.939	74	3.933	17/05/2018	1
GII	08/25	4.208	70	4.224	17/05/2018	-2
GII	08/33	4.837	25	4.638	09/04/2018	20
			1974			

## 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*
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/19	AA+	4.440	40	4.432	13/04/2018	1	98
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.686	10	5.160	04/05/2018	-47	-21
IJM Corporation Berhad	10/24	AA3	4.858	20	4.782	04/05/2018	8	87
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/20	AA-	4.718	10	4.543	06/04/2018	18	109
Alpha Circle Sdn Berhad	02/21	AA-	5.411	2	5.295	12/01/2018	12	168
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.993	10	4.853	18/04/2018	14	111
Southern Power Generation Sdn Berhad	04/32	AA-	5.228	10	5.159	23/04/2018	7	62
Southern Power Generation Sdn Berhad	10/32	AA-	5.270	10	5.187	23/04/2018	8	66
UMW Holdings Berhad	04/18	A1	6.286	1	6.145	16/05/2018	14	139
				113				

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

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

**The automotive segment looks set to be the first to benefit from the new Pakatan Harapan government's plan to abolish the goods and services tax (GST), which is expected to boost consumers' buying sentiment.** This is because of the tax holiday that will come into the picture once the GST gets zero-rated come June 1, to pave the way for the transition to the sales and services tax (SST). This means consumers get to enjoy lower prices before the SST kicks in, which is expected to result in a temporary sales boost to automotive players. This will be a temporary boon to the auto sector. However, Alan Chung, executive director of indirect tax and GST at Grant Thornton, said that the price movement will be "V-shaped" as automakers cannot leave prices unchanged once the SST is reintroduced. "Automakers can continue to enjoy zero-rating on existing stocks, for which they can still claim for GST. But once [the] SST kicks in, they will have to increase prices once again," he said. He also pointed out that vehicle prices had been higher under the SST regime, and were subsequently lowered when the GST was introduced in 2015. However, consumers may not face the "double-edged sword" of unaffordability as they did when the GST was introduced, since they will be enjoying higher purchasing power. On top of that automakers are likely to continue keeping prices competitive after the reintroduction of the SST. Overall, the impact on the automotive sector will be fairly "neutral" although sales volume will be accelerated. "Post-SST, [the] sales volume will take a dip and normalise later on," she said, as she maintained a full-year growth forecast for total industry volume at 3%. Beyond the GST abolition, the new government's plan to reduce the excise duty for imported cars below 1,600cc for first car purchases by households with a monthly income below RM8,000 could lead to improved sales of imported cars. This could benefit auto players such as DRB-Hicom Bhd, Tan Chong Motor Holdings Bhd, Bermaz Auto Bhd and Sime Darby Bhd, she noted, though there are no indications yet when the excise duty reduction will take place, or how much of the existing 65% to 75% excise duty rate will be reduced. "However, for DRB-Hicom, the cannibalisation effect [of imported cars] on its Proton models may dampen its overall sales volume. Meanwhile Tan Chong Motor Holdings Bhd has reported a net profit of RM4.25 million for its first quarter ended March 31, 2018 (1QFY18), from a net loss of RM35.32 million in the corresponding period last year, owing to reduced net debt. (Source: The Edge)

**Bonds and sukuk issued by toll road concessionaires will be affected by the new administration's proposal to abolish highway tolls,** said RAM Ratings Services Bhd. "While the government has indicated that it will uphold the terms of the concessions in implementing the proposal, the terms of a settlement in the event of expropriation differ for each concession agreement," the ratings agency said in a media statement today. However, it believes the government will balance its plan against any implications on the bond market. As of May 15, the toll-road sector comprised of 23 issuers, with bonds and sukuk worth a total RM52.83 billion outstanding (of which RM39.79 billion are rated), largely held by local institutional investors and government-linked pension funds. "As concession terms are not uniform across the sector, the issued rating for each toll road would have to be assessed on a case-by-case basis, with an emphasis on the timing of and the eventual payment amount from the government, weighed against the financial obligations of the concessionaires," said RAM's co-head of infrastructure and utilities ratings Chong Van Nee. RAM suggests if tariffs are not implemented as per the toll-rate schedule in the concession agreements, the government is obligated to compensate concessionaires as was done in the past. The previous government allocated a sum of RM448 million in Budget 2018 for compensation to toll concessionaires. (Source: RAM, The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Sistem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT)	RM340m Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS)	A+ IS	Affirmed
Mercedes-Benz Services Malaysia Sdn Bhd (MBSM)	Proposed CP and/or MTN Programme of up to RM3 billion	AAA(s)/Stable/P1	Assigned

Source: RAM Ratings; MARC

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