

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.57	2
5-yr UST	2.90	1
10-yr UST	3.06	0
30-yr UST	3.20	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.78	3	3.72	0
5-yr	3.89	0	3.94	0
7-yr	4.03	-3	4.22	2
10-yr	4.21	4	4.35	0
15-yr	4.61	0	4.77	0
20-yr	4.90	3	4.84	0
30-yr	4.91	0	5.03	11

\*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.85	0
5-yr	3.95	-1
7-yr	4.03	0
10-yr	4.18	0

Source: Bloomberg

#### Upcoming Government Bond Tenders

RM3.5b of 10Y MGS 6/28 reopening on 23<sup>rd</sup> May 2018

#### US Treasuries

- US Treasuries saw yields edge higher as directional catalysts were missing. Overall benchmark yields ended between 0-2bps higher across with the UST 2Y up 2bps at 2.57% whilst the much-watched 10Y was within 1bps at 3.06%. The trade barrier issues between US and China, while progressing, remains unresolved for now as China has yet to take steps to ensure trade differentials in its favor of up to \$200b are cut. Meanwhile interest rates on short-term T-Bills rose in yesterday's auction of the 3 and 6-month bills. The Fed's balance sheet normalization is expected to cause banks to ramp up reserves with a widening bias for the Libor-OIS spread as rising USD funding costs appear at the front-end of the curve.

#### MGS/GII

- Trading volume in local Govvies improved to RM2.24b yesterday with substantial interest seen in off-the-run ultra-short bonds i.e. MGS and GII 18's which closed lower on yields. However overall benchmark bonds were weaker as yields rose 0-4bps higher save for the odd-lot trade on the 7Y. The benchmark 7Y MGS 3/25 closed 3bps lower at 4.03% whilst the popular 10Y MGS 11/27 rose 4bps at 4.21% compared to previous-done levels. Markets are expected to turn cautiously optimistic over time as the new government undertakes new measures especially pertaining to the fiscal consolidation plans.

#### Corp Bonds/Sukuk

- Corporate Bonds continued to see subdued volume at RM171m with some interest mainly in the AA-part of the curve. The Govt-guaranteed GOVCO 2/32 rose 9bps at 4.94% level whilst PLUS 22 similarly lost ground closing at 4.38% compared to previous-done levels. Likewise AA-rated bonds in the infra cum power-related sectors i.e. BGSM 12/20, 6/24 together with MALAKOFF 18-19's and Jimah East Power 6/25 and 12/29 altogether jumped 8-19bps.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.327	309	3.445	18/05/2018	-12
MGS	03/19	3.502	20	3.492	17/05/2018	1
MGS	10/19	3.646	54	3.653	18/05/2018	-1
MGS	11/19	3.626	130	3.592	18/05/2018	3
MGS	03/20	3.727	13	3.771	18/05/2018	-4
MGS	07/20	3.724	46	3.744	16/05/2018	-2
MGS	10/20	3.746	6	3.741	18/05/2018	0
MGS	02/21	3.789	20	3.781	17/05/2018	1
MGS	07/21	3.791	41	3.825	18/05/2018	-3
MGS	09/21	3.886	287	3.887	18/05/2018	0
MGS	11/21	3.779	44	3.751	18/05/2018	3
MGS	03/22	3.918	9	3.895	17/05/2018	2
MGS	08/22	3.948	83	3.940	18/05/2018	1
MGS	03/23	4.033	26	4.056	17/05/2018	-2
MGS	08/23	4.099	84	4.017	18/05/2018	8
MGS	07/24	4.180	71	4.180	18/05/2018	0
MGS	09/24	4.167	20	4.185	17/05/2018	-2
MGS	03/25	4.025	44	4.051	17/05/2018	-3
MGS	09/25	4.308	23	4.300	18/05/2018	1
MGS	04/26	4.327	2	4.346	18/05/2018	-2
MGS	11/26	4.296	20	4.301	18/05/2018	0
MGS	11/27	4.205	68	4.176	18/05/2018	3
MGS	04/30	4.650	29	4.691	18/05/2018	-4
MGS	04/33	4.780	150	4.755	18/05/2018	3
MGS	04/37	4.901	15	4.872	18/05/2018	3
GII	11/18	3.396	360	3.659	14/05/2018	-26
GII	06/20	3.850	8	3.828	16/05/2018	2
GII	07/23	4.105	61	4.138	17/05/2018	-3
GII	08/25	4.224	160	4.208	18/05/2018	2
GII	10/28	4.345	40	4.345	17/05/2018	0
GII	05/47	5.027	1	4.921	30/04/2018	11
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## 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*	
GovCo Holdings Berhad	02/32	GG	4.935	10	4.848	06/04/2018	9	33
Projek Lebuhraya Usahasama Berhad	01/22	AAA	4.381	20	4.259	06/04/2018	12	56
Suria KLCC Sdn Berhad	12/24	AAA	4.568	30	4.446	11/04/2018	12	52
BGSM Management Sdn Berhad	12/20	AA3	4.566	10	4.452	03/04/2018	11	84
BGSM Management Sdn Berhad	06/24	AA3	4.818	10	4.668	06/04/2018	15	84
Malakoff Power Berhad	12/18	AA-	4.347	40	4.214	06/04/2018	13	89
Malakoff Power Berhad	12/19	AA-	4.534	20	4.371	22/02/2018	16	90
Jimah East Power Sdn Berhad	06/25	AA-	4.898	10	4.707	09/03/2018	19	85
Jimah East Power Sdn Berhad	12/29	AA-	5.078	20	4.999	24/04/2018	8	87
Mah Sing Perpetual	-	NR	6.499	1	6.080	24/04/2018	42	-
AMMB Holdings Berhad	02/28	A1	5.089	1	5.099	18/05/2018	-1	88
				<u>171</u>				

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

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

**U.S. crude hit its highest level since 2014 on Monday amid rising concerns that Venezuela's oil output could fall further following the country's presidential election and potential sanctions on the OPEC-member nation.** Prices firmed further as U.S. President Donald Trump had discussions with Russia and China about issuing new debt to Venezuela. Trump signed an executive order on Monday restricting Venezuela's ability to liquidate state assets, a senior administration official told reporters. Any restriction on Venezuela's financing, logistics or power supply could further depress the country's crude output. "It's been going down for a bit, but there is an expectation that the decline will accelerate," said Jamie Webster, senior director of the Center for Energy Impact at the Boston Consulting Group. "There's increasingly a view that this could be as bad as Libya was in its worst days - that production could fall to a very small percent of what it is capable of doing." U.S. crude futures settled 96 cents, or 1.4 percent, firmer at \$72.24 a barrel, after touching \$72.33, the highest since November 2014. In post-settlement trade, the benchmark hit a fresh 3-1/2 year high at 72.59. Brent crude futures gained 71 cents, or 0.9 percent, to settle at \$79.22 a barrel. In post-settlement trade, the global benchmark rallied to \$79.59, up more than a dollar from the previous close. Venezuela's socialist President Nicolas Maduro faced widespread international condemnation on Monday after his re-election in a weekend vote his critics denounced as a farce cementing autocracy in the crisis-stricken oil producer. The United States is actively considering oil sanctions on Venezuela, where output has dropped by a third in two years to its lowest in decades. "The spectre of U.S. oil sanctions on the embattled Latin American producer now looms large as Washington strives to tighten the financial noose," PVM Oil Associates strategist Stephen Brennock said in a note. Brent pushed past \$80 a barrel last week for the first time since 2014, and the market may again try to clear that hurdle, said Gene McGillian, vice president of research at Tradition Energy in Stamford, Connecticut. "It seems as if the pull backs are just short-term profit taking and we will see whether people are going to be willing to drive the market through \$80 again," he said. Beyond Venezuela's production woes, geopolitical concerns that U.S. sanctions on Iran could curb the country's crude exports have led prices to trade higher in recent weeks. Additionally, a possible U.S. trade war with China is "on hold" after the world's two largest economies agreed to drop their tariff threats while they work on a wider trade agreement, U.S. Treasury Secretary Steven Mnuchin said on Sunday, giving global markets a lift in early Monday trade. Stabilizing trade relations between the countries could boost oil demand, Tradition's McGillian said. Rising output from U.S. shale and key OPEC producers could end the rally, BP Chief Executive Bob Dudley told Reuters. Dudley said he expected a flood of U.S. shale and a possible reopening of OPEC taps to cool oil markets after crude rose above \$80 a barrel last week. Dudley said he saw oil prices falling to between \$50 and \$65 because of surging shale output and OPEC's capacity to boost production to cover a potential shortfall in Iranian supplies owing to U.S. sanctions. (Source: The Reuters, The Star)

**Sunway Bhd announced today net profit for the first financial quarter ended March 31, 2018 (1QFY18) grew 14.1% to RM121.92 million from RM106.89 million a year ago, mainly due to higher contribution from its property investment segment.** Quarterly revenue grew 20.2% to RM1.31 billion, from RM1.09 billion recorded for 1QFY17, as all segments — save for property development — showed improved contribution during the quarter under review. Its earnings per share expanded to 2.49 sen from 2.26 sen in the previous corresponding quarter last year. In its filing with Bursa Malaysia today, Sunway said its property investment segment reported a year-on-year increase in profit before tax (PBT) of 40.6%, mainly thanks to the better performance at Sunway Velocity Mall in Cheras — which began operations in September 2017 — compared with its initial period. PBT for its trading and manufacturing segment grew 16.2%, as sales of construction and industrial products and building materials, grew both locally and overseas, in tandem with strengthening market conditions and sentiment. There was also a 94.3% surge in PBT for its quarry segment during the quarter, driven by higher sales volume of premix compared with a year ago. However, the group highlighted that its property development segment saw a 16.2% decrease in PBT, due to lower sales and progress billings from local development projects, it said. The group's combined 'others' segment too showed a 13.2% lower PBT, impacted by a squeeze in operating margins in the building materials sub-segment. Its construction segment was nearly flat with a 0.8% drop in PBT, which resulted from lower profit

contribution from the precast division, despite recording 40% revenue growth overall, thanks to higher progress billings from local construction projects and lower intra-group eliminations. Sunway said in notes accompanying its financial statements that the onset of a new administration has injected a renewed sense of optimism. "In this new environment, the group is confident that its broad range of businesses will continue to expand and prosper in the years ahead," it said. In a separate statement, Sunway's chief financial officer Chong Chang Choong said the group is confident that it will continue to perform better in the next quarter, barring unforeseen circumstances. "Our strong balance sheet and diversified portfolio puts us in a good position to capitalise on any opportunities which may arise," he said, adding also that the construction's outstanding order book stood at RM6.1 billion as at end-March. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Encorp Systembilt Sdn Bhd	RM1.575 billion Sukuk Murabahah	AA1/stable	Reaffirmed
Northern Gateway Infrastructure Sdn Bhd's	RM340 million Medium-Term Notes Programme (2017/2034)	AA1/stable	Reaffirmed
Genting Berhad (Genting or the Group) global corporate credit ratings (CCR)	global corporate credit ratings (CCR)	A2/Stable/gP1 and its respective ASEAN and national CCR of seaAAA/Stable/seaP1 and AAA/Stable/P1	Reaffirmed
Genting Capital Berhad	RM2.0 billion MTN Programme (2012/2032)	AAA(s)/Stable	Reaffirmed
GB Services Berhad	RM1.60 billion MTN Programme (2009/2024)	AAA(s)/Stable	Reaffirmed

Source: RAM Ratings; MARC

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