

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries rallied for a 2nd day in a row but this time driven by intensifying trade war concerns as President Trump formalized a US\$50bn tariff plans on China imports. Yields were seen falling 3-6bps across the curve, the most on the long end with the 10s and 30s shedding 6bps each to 2.83% and 3.06% respectively. We expect China's retaliation beginning with a tariff imposition on US\$3bn of US imports and touted legal action against the US under the WTO framework to continue instill more fear in the markets, hence keeping haven demand in UST supported in the near term. That said, we would not want to discount possibility of a correction after two days of hefty rally.

MGS/GII

- Trading volume in local govies picked up again to see RM2.38bn transacted with continued interests in GIIs. Trading in MGS and GII came in at a ratio of 40:60 with RM1.42bn done in the GII space, vs 33:67 the preceding day and the norms of 70:30. Of these, trading was well-spread across the curve with the reopening of 15Y GII 6/33 taking center stage. The reopening sale saw a bid-cover of 2x at an average yield of 4.55%. Other papers that dominated trades were GII 5/18, 4/19 and 4/22. Back to MGS, interests were seen concentrated on MGS 2/21, MGS 3/22 and MGS 3/25, which saw a collective RM654m changed hands. The MGS curve flattened considerably with the 2s added 2bps to 3.41% vis-à-vis a 2bps decline in the 10s to 3.94%. Meanwhile, yields on the GII curve were little changed, save for the 3bps increase in the 15Y. Rising risk aversion amid trade tension between the US and China could dampen demand for local govies today.

Corp Bonds/Sukuk

- Tracking increased momentum in local govies, secondary market volume for Corporate Bonds picked up to RM484m yesterday. Interests were concentrated on the AA-rated issuances, marking up ~ 60% of total trade transacted. PBB 4/27 led with RM50m changed hands, trading 5bps wider at 4.678%, followed by Bumitama 3/19 (RM30m; 4.457%), Gamuda 11/22 and 10/18 that saw a collective RM45m done at 4.703% and 4.200% respectively. Meanwhile, Khazanah 8/19 was the only GG papers traded (RM70m) and the AAA-rated segments were dominated by Rantau 8/19, First Abu Dhabi Bank 12/20 and Danga 9/33.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.28	-3
5-yr UST	2.62	-5
10-yr UST	2.83	-6
30-yr UST	3.06	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	2	3.60	1
5-yr	3.54	0	3.85	0
7-yr	3.83	-1	4.01	0
10-yr	3.94	-2	4.16	0
15-yr	4.42	0	4.56	3
20-yr	4.54	-1	4.78	0
30-yr	4.82	0	4.93	0

*Market indicative

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

Source : Bloomberg

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	3.078	2	3.006	21/03/2018	7
MGS 03/19	3.092	0	3.100	21/03/2018	-1
MGS 10/19	3.283	4	3.285	21/03/2018	0
MGS 03/20	3.383	1	3.363	16/03/2018	2
MGS 10/20	3.362	6	3.392	20/03/2018	-3
MGS 02/21	3.411	246	3.393	21/03/2018	2
MGS 07/21	3.433	1	3.497	21/03/2018	-6
MGS 03/22	3.54	216	3.582	20/03/2018	-4
MGS 09/22	3.715	4	3.750	20/03/2018	-4
MGS 03/23	3.747	6	3.768	21/03/2018	-2
MGS 08/23	3.768	14	3.758	20/03/2018	1
MGS 07/24	3.865	30	3.883	21/03/2018	-2
MGS 09/24	3.884	8	3.901	20/03/2018	-2
MGS 03/25	3.834	192	3.841	21/03/2018	-1
MGS 09/25	3.955	5	3.963	20/03/2018	-1
MGS 11/26	4.005	33	4.023	20/03/2018	-2
MGS 03/27	4.114	9	4.110	15/03/2018	0
MGS 11/27	3.943	13	3.959	21/03/2018	-2
MGS 06/28	3.96	50	3.984	20/03/2018	-2
MGS 04/30	4.347	0	4.363	20/03/2018	-2
MGS 06/31	4.367	25	4.377	16/03/2018	-1
MGS 04/33	4.417	20	4.421	21/03/2018	0
MGS 04/37	4.541	75	4.556	21/03/2018	-1
GII 05/18	3.249	338	3.248	21/03/2018	0
GII 04/19	3.35	226	3.370	21/03/2018	-2
GII 04/20	3.607	11	3.583	15/03/2018	2
GII 04/22	3.835	267	3.840	21/03/2018	0
GII 08/25	4.006	30	4.017	19/03/2018	-1
GII 07/27	4.143	120	4.153	21/03/2018	-1
GII 12/28	4.307	60	4.313	21/03/2018	-1
GII 06/33	4.557	370	4.527	21/03/2018	3
		<u>2382</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*	
Khazanah Nasional Berhad	08/19	GG	3.788	70	3.951	01/03/2017	-16	62
Rantau Abang Capital Berhad	08/19	AAA	4.029	60	4.040	09/03/2018	-1	86
First Abu Dhabi Bank PJSC (fka National Bank of Abu Dhabi PJSC)	12/20	AAA	4.273	30	4.262	11/12/2017	1	87
Berjaya Land Berhad	12/21	AAA	4.994	7	4.944	26/01/2018	5	152
Danga Capital Berhad	09/33	AAA	4.982	30	5.000	20/03/2018	-2	-
Sarawak Energy Berhad	06/18	AA1	3.986	20	4.003	26/02/2018	-2	82
UniTapah Sdn Berhad	06/19	AA1	4.125	1	4.140	14/03/2018	-1	96
TRlplc Medical Sdn Berhad	10/24	AA1	4.712	5	4.748	06/12/2017	-4	88
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.493	10	4.950	08/02/2018	-46	66
TRlplc Medical Sdn Berhad	10/25	AA1	4.772	5	4.768	27/02/2018	0	89
TRlplc Medical Sdn Berhad	10/26	AA1	4.841	5	4.837	09/03/2018	0	91
Public Bank Berhad	04/27	AA1	4.678	50	4.628	19/01/2018	5	75
YTL Power International Berhad	05/27	AA1	4.889	10	4.890	16/03/2018	0	96
UMW Holdings Berhad	10/21	AA2	4.564	5	4.586	26/02/2018	-2	109
CIMB Bank Berhad	08/26	AA2	4.739	3	4.720	16/01/2018	2	85
Malayan Banking Berhad	09/68	AA2	4.404	0	4.478	14/03/2018	-7	-15
Anih Berhad	11/19	AA	4.245	20	4.335	28/07/2017	-9	92
Gamuda Berhad	10/18	AA3	4.201	20	4.200	12/03/2018	0	104
Bumitama Agri Ltd	03/19	AA3	4.457	30	4.458	19/03/2018	0	129
Tanjung Bin Energy Issuer Berhad	09/21	AA3	4.525	20	4.637	19/05/2016	-11	112
Gamuda Berhad	11/22	AA3	4.698	25	4.703	14/02/2018	0	116
RHB Islamic Bank Berhad	04/27	AA3	4.681	10	4.701	12/03/2018	-2	75
Tanjung Bin Energy Issuer Berhad	09/30	AA3	5.008	10	5.019	26/09/2017	-1	105
Tanjung Bin Energy Issuer Berhad	03/32	AA3	5.12	10	5.130	05/03/2018	-1	71
Edra Energy Sdn Berhad	07/32	AA3	5.879	10	6.270	04/01/2018	-39	147
MMC Corporation Berhad	11/20	AA-	4.875	10	4.890	16/01/2018	-1	147
Malakoff Power Berhad	12/20	AA-	4.445	1	4.445	26/02/2018	0	104
MMC Corporation Berhad	11/25	AA-	5.278	5	5.278	30/11/2017	0	139
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	5.065	1	5.078	15/12/2017	-1	65
CIMB Group Holdings Berhad	05/16	A1	4.854	1	4.874	20/03/2018	-2	30
				<u>484</u>				

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

Market/Corporate News: What's Brewing

Malaysia's government debt to gross domestic product ratio of 51 percent is "quite high" compared with other countries with an "A" sovereign credit rating, Moody's Investors Service said. The high debt, however, was largely denominated in ringgit, mitigating external risks to the Southeast Asian nation. "Just to put things into perspective, Malaysia's government debt-to-GDP is about 51 percent and the median for A-rated sovereigns is 41 percent," Moody's sovereign risk analyst Anushka Shah said. Possible risks to Malaysia cited by Moody's include a slowdown or stall in economic growth, if the government debt burden continues to rise at a rapid pace or any external shocks that could weaken the ringgit. Although Malaysia's foreign reserves have grown in the past few years, serving as a buffer for external vulnerability and volatility, Moody's noted that maturing debt obligations have surpassed reserves. "Malaysia indicates to us that maturing debt obligations are larger than the stock of reserves simply because of certain peculiarities in the external debt profile," Shah said. "You have a large component of short term external debt and that means debt obligations each year are larger than the stock of reserves. So that's a vulnerability that we take into account when we look at Malaysia's profile," she said. On risks arising from bonds issued by 1Malaysia Development Bhd (1MDB), Shah said the credit rating agency did not view it as a threat to Malaysia's sovereign fiscal strength as a debt consolidation plan has proceeded as normal. "As of now there is one (5.3 billion ringgit) bond outstanding by 1MDB that is guaranteed by the government and another bond with a letter of support from the government that is about \$1.75 billion, so those are the risks we take into consideration but at this point the probability of debt crystallization is low," she said. (Source: The Star Online/ Reuters)

China gingerly raised a key short-term interest rate on Thursday following the U.S. Federal Reserve Bank's move overnight, in a symbolic reminder that Beijing is keeping an eye on global market trends even as it cracks down on financial risks at home. The People's Bank of China (PBOC) said it had increased the rate on 7-day reverse repurchase agreements by 5 basis points (bps) to 2.55 percent. Reverse repos are one of its most commonly used tools to control liquidity in the financial system. The Fed raised U.S. interest rates by 25 bps, or a quarter of a percentage point, on Wednesday and forecast at least two more hikes for 2018. The PBOC's move had been widely expected and was its first major policy decision under new Governor Yi Gang, who was appointed by parliament on Monday as part of a sweeping reshuffle of China's cabinet under ever-stronger President Xi Jinping. The PBOC also injected 10 billion yuan (\$1.58 billion) into the financial system on Thursday. (Source: The Star Online/ Reuters)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Cerah Sama Sdn Bhd	RM420.0 million sukuk	AA- <i>IS</i> (Stable)	Affirmed

Source: RAM Ratings; MARC

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