

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.46	3
5-yr UST	2.80	5
10-yr UST	2.96	5
30-yr UST	3.5	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	7	3.62	0
5-yr	3.74	11	3.88	1
7-yr	3.95	1	4.02	0
10-yr	4.04	3	4.21	0
15-yr	4.58	7	4.63	3
20-yr	4.61	0	4.81	0
30-yr	4.83	-3	4.92	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.83	1
5-yr	3.91	2
7-yr	4.01	1
10-yr	4.5	0

Source : Bloomberg

US Treasuries

- US Treasuries ended weaker for the 3rd session across the yield curve. Overall benchmark yields were 3-5bps higher as the 2Y (most sensitive to interest rate outlook) rose 3bps at 2.46% whilst the much-watched 10Y also weakened by 5bps to 2.96%; the highest since 2014. 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 \$96b worth of auctions; markets are expected to be pressured due to swelling budget gaps. Treasury is expected to release its latest financing estimates for current and upcoming quarters. Data is light with Markit Manufacturing, Services and Composite data out tonight.

MGS/GII

- Trading volume in local govies dipped to RM1.70b with interest mainly in the short off-the-run 19's and recently issued 5Y benchmark. Overall benchmark MGS yields were generally 1-11bps weaker save for the 30Y which improved by 3bps to 4.83%. The benchmark 7Y MGS 3/25 was 1bps higher at 3.95% whilst the 10Y MGS 11/27 jumped 3bps higher at 4.04% compared to previous-done levels. Meanwhile Foreign Reserves rose to RM425b (\$110b) as at 13th April; sufficient to finance 7.7 months of retained imports and 1.1x short-term external debt.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume dwindled to RM268m with interest in some mid-to-long end AAA and AA bonds. CAGAMAS 10/18 saw hefty amounts traded higher on yields at 3.80% compared to previous-done levels. AAA-rated DANGA 9/27 and 9/32 closed unchanged at 4.69% and 5.00% respectively whilst TENAGA 8/37 grinded 2bps higher at 5.09%. In the banking space we note Ambank 3/19 and CIMB 26nc21 exchanging hands between 1-6bps higher. Expect cautious trading for this week as investors reassess portfolios.

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/19	3.527	600	3.449	19/04/2018	8
MGS	11/19	3.469	1	3.441	19/04/2018	3
MGS	07/21	3.603	2	3.565	17/04/2018	4
MGS	09/21	3.734	80	3.672	19/04/2018	6
MGS	11/21	3.616	40	3.542	19/04/2018	7
MGS	03/22	3.711	19	3.631	18/04/2018	8
MGS	09/22	3.844	40	3.763	18/04/2018	8
MGS	03/23	3.850	4	3.813	19/04/2018	4
MGS	04/23	3.738	403	3.740	19/04/2018	0
MGS	08/23	3.852	5	3.822	18/04/2018	3
MGS	07/24	3.925	6	3.898	17/04/2018	3
MGS	09/24	3.927	2	3.917	19/04/2018	1
MGS	03/25	3.945	70	3.932	19/04/2018	1
MGS	09/25	4.002	1	4.010	19/04/2018	-1
MGS	11/26	4.079	41	4.038	19/04/2018	4
MGS	03/27	4.200	0	4.128	16/04/2018	7
MGS	11/27	4.041	139	4.007	19/04/2018	3
MGS	06/28	4.060	10	4.048	19/04/2018	1
MGS	04/33	4.579	22	4.505	18/04/2018	7
MGS	03/46	4.834	69	4.868	19/04/2018	-3
GII	04/22	3.882	80	3.877	19/04/2018	1
GII	07/23	3.992	20	3.982	18/04/2018	1
GII	07/27	4.205	4	4.205	18/04/2018	0
GII	06/33	4.631	40	4.599	18/04/2018	3
			<u>1696</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*
Cagamas Berhad	10/18	AAA	3.802	80	3.752	12/04/2018	5	45
Genting Capital Berhad	06/22	AAA	4.691	10	4.690	18/04/2018	0	100
Danga Capital Berhad	09/27	AAA	4.688	35	4.685	09/03/2018	0	65
Danga Capital Berhad	09/33	AAA	4.998	5	5.003	19/04/2018	0	45
Tenaga Nasional Berhad	08/37	AAA	5.091	40	5.070	23/03/2018	2	44
CIMB Bank Berhad	09/23	AA1	4.774	21	4.405	18/04/2018	37	98
Malayan Banking Berhad	01/24	AA1	4.890	0	4.864	17/04/2018	3	103
AmBank (M) Berhad	03/19	AA2	4.089	10	4.081	10/04/2018	1	74
CIMB Bank Berhad	08/26	AA2	4.798	10	4.739	22/03/2018	6	80
UMW Holdings Berhad	10/26	AA2	4.829	10	4.859	11/04/2018	-3	84
CIMB Thai Bank Public Company Limited	07/24	AA3	6.463	1	5.251	16/04/2018	121	260
AMMB Holdings Berhad	03/27	A1	5.101	1	4.903	03/04/2018	20	107
UMW Holdings Berhad	04/18	A1	6.201	25	-	-	-	-
Mah Sing Perpetual	-	-	6.131	21	6.448	06/04/2018	-32	-
				<u>268</u>				

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

Market/Corporate News: What's Brewing

The possibility of Japan's world-famous Shinkansen bullet train system making its debut in Malaysia and Singapore has created some excitement within the International High Speed Rail Association (IHRA) with a senior official making a strong pitch for its adoption. IHRA vice-chairman Torkel Patterson said countries that previously had zero high-speed rail (HSR) working experience had proven that they could achieve the same level of success as Japan in operating the system despite initial scepticisms. He cited Taiwan and New Delhi as examples. Shinkansen's Total System Approach to HSR seamlessly integrates technology with the infrastructure and signalling system, with its key advantage being the approach to training and maintenance and the way of performing among the employees. "The hardware and software technology embedded in the total system provides the outcome Shinkansen is famous for - safe, fast, reliable, on-time and frequent service," he told Bernama via an email interview. He said the "most fascinating" thing happened with the Delhi Metro, and despite many sceptics, the subway is clean, runs on time, safe, reliable and frequent and later it became desired by every large city in India. "The factors that made the Delhi Metro a success are the same that made Taiwan HSR a success and that will make the Kuala Lumpur-Singapore HSR a success," said Patterson when asked to comment on Japan's bid to win international tenders to be called soon for the proposed two-city bullet train link, billed as South-East Asia's largest ever infrastructure project. American-born Patterson listed three characteristics that led to the success of the Shinkansen system when exported out of Japan – training, great local leadership and public support and encouragement. "The secret sauce in Japan's training methods is treating every employee with respect and valuing their opinion during the intense and repetitive training process. Through this process, ordinary men and women become 'railway men and women' in the highest sense." For years now, Taiwan had a 100% Taiwanese run and operated railway with world-class safety, reliability, on-time performance and service with its ridership exceeding even many of Shinkansen's lines in Japan itself, he said when asked how the Shinkansen system would step up to the challenge given the distance between Japan and Malaysia-Singapore where the personnel to be hired would have zero HSR working experience. "Many people wonder whether it is possible to deploy Shinkansen to other countries and whether those countries would be able to achieve the same level of success as in Japan. The answer is a resounding yes," added Patterson. On local leadership, he said the strong Malaysia-Singapore leadership of the system was imperative because, without commitment, vision and a positive outlook, nothing significant could be achieved while with it, everything was possible. Alluding to public support, he said: "The public, once they have a chance to experience HSR, falls in love with it and clamours for more. This support will assuage politicians who may not feel they can make risky decisions in the beginning. Having popular transport also fans ridership and helps bring transit-oriented development (TOD) as well. In Japan, TOD makes up a significant 20% to 40% of overall businesses, boosted by the fact that the railway companies own the land immediately around the stations and can develop it above, below and surrounding the stations. Patterson reckoned that in Malaysia, the proposed terminal stations at Bandar Malaysia in Kuala Lumpur, Iskandar Puteri in Johor and Jurong East in Singapore would be successful from the very beginning, while other stations would grow with the growth in ridership. "Almost all of the expertise for TOD already exists in Malaysia. The key is for their leadership and key employees to visit Japan and see the standards of construction, cleanliness and maintenance and make these high standards, Malaysian standard," he said. A former Raytheon International Inc President, Patterson previously also served in a variety of posts in the US government under three administrations, including special assistant to the President for Asia, Deputy assistant secretary of state for South Asia and senior country director for Japan in the office of the secretary of defence. (Source: Bernama, The Star)

The potential for an intensifying trade dispute to undercut the U.S. stock market could become clearer next week when a host of multinational companies reports quarterly results that may provide a glimpse into the impact of those global tensions. A broad trade war scaled up a list of worries for Corporate America and equity investors after U.S. President Donald Trump imposed tariffs last month on imports of steel and aluminum. His comments and posts on Twitter about unfair behavior by U.S. trade partners have rattled the market, which has pulled back from record highs early this year. China has responded with tariffs of its own, leading to fears about a full-blown trade war and injecting fresh volatility into a stock market that has been more jittery over the past two months. Of 25 U.S. companies seen by Credit Suisse as most exposed to a trade war, more

than half will report their results in the coming week. They include Halliburton Co on Monday, 3M Co and Texas Instruments Inc on Tuesday, Boeing Co on Wednesday, Intel Corp on Thursday and Chevron Corp on Friday. Overall, more than 180 companies in the benchmark S&P 500 index are due to report results next week. Some companies have already weighed in on trade tensions in the early stages of earnings season. "Management has to walk a fine line between flapping their arms and lobbying against tariffs, and presenting themselves as vulnerable to tariffs," said Jack Ablin, chief investment officer at Cresset Wealth Advisors in Chicago. Of particular concern will be executives' views about their exposure to China, the world's No. 2 economy and an important market for many U.S. companies. "I'd like to know if things do deteriorate with China, how much it would affect them," said David Joy, chief market strategist at Ameriprise in Boston. Omar Aguilar, chief investment officer of equities at Charles Schwab Investment Management in San Francisco, said he expects companies to start discussing how they may alter their budget for capital expenditure "depending on the outlook of policies related to trade." Company comments about tariffs and trade could blemish what is expected otherwise to be a stellar earnings season, which includes the first full quarter with the recently passed U.S. corporate tax cuts. With 87 companies having reported so far, S&P 500 profits in the first quarter are expected to have increased a whopping 20 percent, according to Thomson Reuters data. With investors focused on earnings, the S&P 500 was set to rise by almost 1 percent for the week, but the benchmark index is little changed from where it ended 2017. Trade tensions cast a shadow on an otherwise rosy report about U.S. economic growth from the U.S. Federal Reserve this week. In the latest "Beige Book," the Fed's periodic summary of contacts with businesses, the words "tariff" or "tariffs" were mentioned 36 times, compared to zero mentions in the March 7 Beige Book. "Contacts in various sectors including manufacturing, agriculture, and transportation expressed concern about the newly imposed and/or proposed tariffs," according to the report, which covered the period from March to early April. Martin Anstice, the chief executive of Lam Research, said this week that the chip equipment maker had yet to see an impact on its business from tariffs, but was watching for any dampening of consumer confidence or changes to domestic equipment company agendas. "If things got a little bit tit-for-tat, then there are obviously risks at a minimum that we need to be attentive to," Anstice told analysts on a conference call. Honeywell Chief Financial Officer Tom Szlosek called the China tariffs "a fluid situation", and that the diversified industrial manufacturer was assessing its exposure "while also actively developing mitigation plans." Any trade war would erode economic growth and affect its business, said Hamid Moghadam, CEO of Prologis Inc, a real estate company specializing in warehouses, but he added that "I don't think we're quite there yet." (Source: Reuters, The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
UMW Holdings Berhad	RM2 billion Perpetual Sukuk Programme.	A1	Assigned
	RM2 billion Islamic MTN Programme (2013/2028)	AA2	Reaffirmed

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

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