

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.48	2
5-yr UST	2.82	2
10-yr UST	2.98	1
30-yr UST	3.14	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.65	3	3.69	6
5-yr	3.77	6	3.92	4
7-yr	4.05	10	4.02	0
10-yr	4.15	11	4.21	0
15-yr	4.66	8	4.75	12
20-yr	4.61	0	4.86	5
30-yr	4.85	1	4.92	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.85	2
5-yr	3.93	3
7-yr	4.03	2
10-yr	4.18	3

Source : Bloomberg

US Treasuries

- US Treasuries ended slightly weaker yet again for the 4th session across the yield curve with overall benchmark yields 0-2bps higher. The 2Y (most sensitive to interest rate outlook) rose 2bps at 2.48% whilst the much-watched 10Y also edged by 1bps to 2.98%; the highest since Jan 2014. With oil's latest price push, aluminium and steel prices coupled with this week's upcoming \$96b worth of auctions; markets are expected to be pressured due to in inflation (due to the former) and swelling budget gaps. Mitigating factor is that the Fed's large \$11.4b holdings of UST 2Y, 5Y and 7Y might help to stem the slide in yields.

MGS/GII

- Trading volume in local govies improved to RM2.36b with interest mainly in benchmark 5-15Y MGS and GII bonds. Overall benchmark yields were 0-12bps weaker as jittery investors turned net sellers in line with weaker US Treasuries and higher commodity prices for oil, aluminum and steel. The benchmark 7Y MGS 3/25 was 10bps higher at 4.05% whilst the 10Y MGS 11/27 jumped by 11bps to 4.15% compared to previous-done levels. Expect market to remain subdued ahead of GE14 and in the absence of local data.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume dwindled yet again to RM136m with some interest seen in 5-15Y AA papers. AA-rated Southern Power saw several tranches between 2028-32 move -2 to +3bps; closing between 4.90% and 5.19% respectively compared to previous-done levels. In the banking space we note Affin Bank 27's close 4-5bps higher between 4.86-90% levels whereas Public Bank 23nc18 notched RM20 worth of nominal trades closing unchanged at 4.33%. Expect cautious trading for this week as investors reassess portfolios in line with moves by MGS bonds

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	09/18	3.391	86	3.335	19/04/2018	6
MGS	03/19	3.468	131	3.416	19/04/2018	5
MGS	11/19	3.516	4	3.469	20/04/2018	5
MGS	03/20	3.626	12	3.545	19/04/2018	8
MGS	07/20	3.655	10	3.496	19/04/2018	16
MGS	10/20	3.637	11	3.591	19/04/2018	5
MGS	02/21	3.697	12	3.515	17/04/2018	18
MGS	09/21	3.796	60	3.734	20/04/2018	6
MGS	11/21	3.649	10	3.616	20/04/2018	3
MGS	03/22	3.769	1	3.714	20/04/2018	6
MGS	04/23	3.857	230	3.801	20/04/2018	6
MGS	09/24	3.979	11	3.927	20/04/2018	5
MGS	03/25	4.049	120	3.945	20/04/2018	10
MGS	09/25	4.057	1	4.002	20/04/2018	6
MGS	11/27	4.154	718	4.051	20/04/2018	10
MGS	06/28	4.122	60	4.060	20/04/2018	6
MGS	04/33	4.657	27	4.515	20/04/2018	14
MGS	05/35	4.682	1	4.638	19/04/2018	4
MGS	03/46	4.848	85	4.868	19/04/2018	-2
GII	05/18	3.276	10	3.299	19/04/2018	-2
GII	10/18	3.246	100	3.310	18/04/2018	-6
GII	11/18	3.340	2	3.259	16/04/2018	8
GII	04/20	3.687	40	3.622	19/04/2018	6
GII	04/21	3.868	10	3.748	13/04/2018	12
GII	04/22	3.920	355	3.882	20/04/2018	4
GII	08/24	4.062	11	4.071	18/04/2018	-1
GII	09/26	4.284	1	4.226	18/04/2018	6
GII	06/33	4.752	160	4.631	20/04/2018	12
GII	08/37	4.859	60	4.811	19/04/2018	5
SPK	02/24	4.136	20	4.123	03/04/2018	1
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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*
Public Bank Berhad	09/23	AA1	5.098	0	5.259	18/04/2018	-16	125
Public Bank Berhad	10/23	AA1	4.326	20	4.325	16/04/2018	0	38
Westports Malaysia Sdn Berhad	10/24	AA+	4.705	10	4.659	04/01/2018	5	66
Krung Thai Bank Public Company Limited	07/25	AA2	4.709	1	5.006	04/04/2018	-30	67
PBFIN Berhad	06/59	AA2	4.560	1	5.122	20/04/2018	-56	-13
MMC Corporation Berhad	03/28	AA-	5.699	10	5.697	19/04/2018	0	155
Southern Power Generation Sdn Berhad	04/28	AA-	4.898	10	4.909	28/03/2018	-1	75
Southern Power Generation Sdn Berhad	10/30	AA-	5.049	10	5.059	27/03/2018	-1	46
Southern Power Generation Sdn Berhad	04/31	AA-	5.099	10	5.069	02/04/2018	3	51
Southern Power Generation Sdn Berhad	10/31	AA-	5.119	10	5.109	16/04/2018	1	53
Southern Power Generation Sdn Berhad	04/32	AA-	5.159	10	5.139	16/04/2018	2	57
Southern Power Generation Sdn Berhad	10/32	AA-	5.187	10	5.203	14/03/2018	-2	60
Affin Bank Berhad	02/27	A1	4.858	10	4.818	05/04/2018	4	73
Affin Bank Berhad	09/27	A1	4.904	10	4.857	05/04/2018	5	78
CIMB Group Holdings Berhad	05/16	A1	5.299	1	5.270	18/04/2018	3	61
UMW Holdings Berhad	04/18	A1	6.179	10	6.201	20/04/2018	-2	149
Alliance Bank Malaysia Berhad	10/25	A2	4.956	1	4.716	18/04/2018	24	87
Alliance Bank Malaysia Berhad	11/17	BBB1	6.249	2	5.708	04/01/2018	54	156
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Malaysian shares and the ringgit may today take cue from higher US government bond yields, which led to a stronger US dollar. Anticipation of Malaysia's 14th General Election (GE14) may also dictate market sentiment. US government bond yields, which neared 3%, led to expectation of higher demand for US dollar-denominated assets. Such sentiment did not bode well for Asian markets. Reuters reported that the spike in crude oil prices has driven up both market expectations of future inflation and long-term bond yields. It was reported that the last time yields neared this number in 2013 it rocked risk appetite and sent stocks sliding. At Bursa Malaysia yesterday, the FBM KLCI fell 7.39 points or 0.4% to close at 1,880.36 while the small-cap index dropped 252.72 points or 1.7% to 14,638.24. In currency markets, the ringgit was traded at 3.8977 against the US dollar. Today, investors will continue to watch Malaysian markets against news on GE14, the polling day of which, falls on May 9, 2018. GE14 nomination day is on Saturday (April 28, 2018). The spotlight today could be on the lists of GE14 candidates as investors look at market dynamics ahead of the polling day. (Source: The Edge)

Kumpulan Wang Persaraan (Diperbadankan) (KWAP) is looking inwards to focus on the domestic property market as it offers better returns, said its chief executive officer (CEO) Datuk Wan Kamaruzaman Wan Ahmad. "We currently have a presence in 31 countries, with more focus on the UK and Australia. Our aspiration is to have a bigger international [property] exposure, but of course it depends on the opportunities. Our focus remains on the local market [for now]," he told a news conference to announce the country's second-largest pension fund's annual investment performance for the financial year ended Dec 31, 2017 (FY17) yesterday. "When we buy and lease back the property [overseas], it is hard for us (KWAP) to get a minimum return of 5% while the local opportunities can give us that kind of returns. Why should we diversify our business overseas when the returns in the local market are better?" he said. The fund in the fourth quarter of last year set up a new property unit, KWAP Real Estate Sdn Bhd (KWEST) that will serve as its prime investment platform to tap into opportunities and invest in property development projects. KWEST's investment strategies and priorities are set to execute growth through partnerships and selected projects, working on innovative property developments aligned to KWAP's environmental, social and governance practices. As of Dec 31, 2017, 87% of KWAP's property investments were in the local market and the remaining 13% were foreign properties. In March last year, KWAP bought eight parcels of land in Phase 2A of Seri Tanjung Pinang 2 (STP2A) within Penang's Tanjung Tokong district, being developed by Eastern & Oriental Bhd (E&O). The fund is paying RM766.02 million for 20% of the 760 acres (307.56ha) being reclaimed for the project. As part of the land purchase, KWAP will take a 20% shareholding in Persada Mentari Sdn Bhd, an indirect subsidiary of E&O that is undertaking the development. The deal marks KWAP's first equity participation in an ongoing property development. The reclamation of the parcel bought by KWAP is expected to be completed no later than March 31, 2019. "We should be obtaining the land title sometime this year for the STP2A project," he said. In January 2016, KWAP completed the purchase of a 1.25-acre parcel in Persiaran Stonor here from the federal government for RM140 million. In 2015, the fund bought a 0.72-acre freehold parcel in Jalan Changkat Kia Peng here for RM87.92 million from Guocoland (M) Bhd. On its financial highlights for 2017, KWAP registered a gross income of RM9.03 billion — the highest since its inception in 2007, from RM6.36 billion a year earlier on the back of higher investment income. Wan Kamaruzaman said investment income remained the highest contributor to the fund in FY17 at 69%, followed by employers' contribution at 27% and the portion from the federal government made up the remaining 4%. The overall gross return on investment grew marginally to 5.77%, from 5.35% in the previous year. "We will continue seizing new opportunities that could help us grow the fund, without compromising our risk appetite. "We like the banks and telecommunications sectors as they are looking good and robust. We also like the technology sector although it has gone through some corrections. However, there are not many local technology companies [to invest in] at this point of time. "We are adopting the total return approach as our primary performance metric, a more dependable method for retirement income strategies and in mitigating certain risks to generate consistent returns," he said. Wan Kamaruzaman also said in view of the global market outlook, KWAP is reviewing its strategic asset allocation to ensure it remains dynamic and in tune with the fund's long-term investment aspirations. KWAP's current asset allocation comprises a 46% portion for fixed income, 40% in equity, and 14% in alternative investment. Its property investments are parked under its alternative investment segment. "The

breakdown of our alternative investment is the property sector (10%), private equity (3%) and infrastructure (1%," he said, adding that KWAP is seeking to expand its assets under management to RM150 billion by year end from RM140.80 billion as at end-2017. (Source: The Edge)

Rating Actions						
Issuer	PDS Description				Rating/Outlook	Action
Tenaga Nasional Berhad (TNB or the Group)	USD500 million-equivalent	Murabahah	MTN		AAA/Stable	Reaffirmed
	Programme (2005/2025)					Reaffirmed
	RM5 billion Islamic MTN Sukuk Wakalah Programme (2017/2067) (Sukuk Wakalah				AAA/Stable	

Source: RAM Ratings; MARC

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