

Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.53	-6
5-yr UST	2.83	-7
10-yr UST	2.99	-7
30-yr UST	3.15	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.74	-2	3.71	0
5-yr	3.81	0	3.93	1
7-yr	4.03	0	4.19	0
10-yr	4.21	-1	4.33	0
15-yr	4.61	4	4.77	0
20-yr	4.90	-1	4.84	0
30-yr	4.90	-1	5.03	0

* Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.84	0
5-yr	3.93	1
7-yr	4.02	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries rallied with bull-steepening seen across the curve as overall benchmark yields ended 5-7bps lower; following Fed's FOMC minutes. The 2Y strengthened 6bps at 2.53% levels whilst the much-watched 10Y closed 7bps lower at 2.99%. Whilst majority of Fed officials acknowledged that a June hike is a strong possibility; FOMC signaled caution in the pace of rate hikes as there appears to be some form of "muted" wage pressure. Meanwhile, trade barrier issues between US and China are expected to gain traction.

MGS/GII

- Trading volume in local Govvies improved yet again to RM3.17b yesterday with about 30% on GII trades. The shorter end i.e. MGS and GII 18-19's continue to attract attention. However, overall benchmark bonds were mixed between -2 to +4bps. Both the benchmark 7Y MGS 3/25 and 10Y MGS 11/27 edged within 1bps at 4.03% and 4.21% respectively compared to previous-done levels. The auction for the 10Y MGS 6/28 saw a muted BTC of 1.851x; averaging 4.202%. Nevertheless attention may be focused on USDMYR and equities market as some uncertainties linger and dampen sentiment on fiscal-related updates.

Corp Bonds/Sukuk

- Corporate Bonds saw volume rise to RM677m largely due to maiden debut of 7Y CAGA at 4.50%. Interest was nevertheless mainly on AAA and AA-part of the curve. MAHB 8/20 and TELEKOM 10/24 saw investor interest as yields ended 13-27bps higher at 4.38% and 4.59% respectively compared to previous-done levels. AA-rated BGSM 12/19 and 8/21 saw RM80mio nominal change hands albeit on higher yields; closing at 4.46% and 4.65% respectively whilst UMW 2118nc28 also ground higher at 6.10% levels. Meanwhile in the banking space Hong Leong Islamic Bank 24nc19 rallied 1bps at 4.46%. Expect interest to be sustained on names unaffected by structural changes in operating environment.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.296	36	3.327	22/05/2018	-3
MGS	03/19	3.355	339	3.425	22/05/2018	-7
MGS	10/19	3.472	142	3.530	22/05/2018	-6
MGS	11/19	3.487	210	3.529	22/05/2018	-4
MGS	03/20	3.575	9	3.727	21/05/2018	-15
MGS	10/20	3.658	53	3.724	22/05/2018	-7
MGS	11/21	3.742	10	3.758	22/05/2018	-2
MGS	08/22	3.935	2	3.974	22/05/2018	-4
MGS	09/22	3.920	20	3.920	18/05/2018	0
MGS	03/23	3.987	43	3.570	22/05/2018	42
MGS	07/24	4.147	1	4.162	22/05/2018	-1
MGS	09/24	4.176	12	4.158	22/05/2018	2
MGS	09/25	4.251	4	4.203	22/05/2018	5
MGS	04/26	4.316	30	4.327	21/05/2018	-1
MGS	11/26	4.310	17	4.282	22/05/2018	3
MGS	03/27	4.339	1	4.303	15/05/2018	4
MGS	11/27	4.222	131	4.196	22/05/2018	3
MGS	06/28	4.206	815	4.148	04/05/2018	6
MGS	04/30	4.674	3	4.650	21/05/2018	2
MGS	06/31	4.727	60	4.706	22/05/2018	2
MGS	04/32	4.715	39	4.607	30/04/2018	11
MGS	04/33	4.781	4	4.765	22/05/2018	2
MGS	11/33	4.606	90	4.588	22/05/2018	2
MGS	05/35	4.909	5	4.923	22/05/2018	-1
MGS	04/37	4.901	41	4.901	21/05/2018	0
MGS	09/43	4.935	22	4.931	18/05/2018	0
MGS	03/46	4.901	18	4.911	18/05/2018	-1
GII	10/18	3.351	141	3.380	22/05/2018	-3
GII	11/18	3.349	605	3.396	21/05/2018	-5
GII	03/21	3.831	40	3.845	07/05/2018	-1
GII	04/22	3.925	40	3.914	22/05/2018	1
GII	07/22	4.071	20	4.114	14/05/2018	-4
GII	08/24	4.184	10	4.186	17/05/2018	0
GII	08/25	4.192	10	4.192	22/05/2018	0
GII	10/28	4.333	150	4.345	21/05/2018	-1
			<u>3170</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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/20	GG	4.098	5	3.900	10/04/2018	20	48
DanaInfra Nasional Berhad	11/21	GG	4.179	5	4.065	24/04/2018	11	36
Senari Synergy Sdn Berhad	08/18	AAA	4.357	10	4.391	22/05/2018	-3	95
Malaysia Airports Capital Berhad	08/20	AAA	4.376	40	4.245	17/04/2018	13	76
Telekom Malaysia Berhad	10/24	AAA	4.588	40	4.319	24/10/2017	27	62
Cagamas Berhad	05/23	AAA	4.500	300	-	-	-	-
YTL Power International Berhad	08/18	AA1	4.284	10	4.308	14/05/2018	-2	87
Malayan Banking Berhad	05/24	AA1	4.484	10	4.488	17/05/2018	0	51
Hong Leong Islamic Bank Berhad	06/24	AA1	4.463	10	4.469	17/05/2018	-1	49
United Overseas Bank (Malaysia) Berhad	05/25	AA1	4.611	3	4.649	17/05/2018	-4	58
CIMB Islamic Bank Berhad	09/24	AA+	4.983	1	4.969	22/05/2018	1	101
CIMB Bank Berhad	08/26	AA+	5.001	1	5.203	08/05/2018	-20	89
Bright Focus Berhad	01/28	AA2	5.018	5	5.020	22/05/2018	0	82
Bright Focus Berhad	01/29	AA2	5.078	5	5.080	22/05/2018	0	88
Malayan Banking Berhad	09/68	AA2	4.299	10	4.219	17/04/2018	8	-59
Malaysia Airport Holdings Berhad	12/14	AA2	5.100	10	5.088	17/05/2018	1	21
Fortune Premiere Sdn Berhad	12/22	AA	4.908	1	4.918	22/05/2018	-1	103
BGSM Management Sdn Berhad	12/19	AA3	4.459	50	4.440	17/05/2018	2	85
BGSM Management Sdn Berhad	08/21	AA3	4.648	30	4.518	29/03/2018	13	93
Gamuda Berhad	11/22	AA3	4.817	40	4.639	13/04/2018	18	94
Sinar Kamiri Sdn Berhad	01/22	AA-	5.296	5	5.299	22/05/2018	0	148
MEX II Sdn Berhad	04/22	AA-	4.865	5	4.869	22/05/2018	0	105
MEX II Sdn Berhad	04/23	AA-	4.929	5	4.932	22/05/2018	0	105
Golden Assets International Finance Limited	08/18	A1	4.931	10	4.948	29/03/2018	-2	152
Tan Chong Motor Holdings Berhad	11/19	A1	5.920	3	5.981	14/05/2018	-6	231
UMW Holdings Berhad	04/18	A1	6.099	40	6.006	22/05/2018	9	121
Alliance Bank Malaysia Berhad	10/25	A2	4.698	3	4.901	16/05/2018	-20	67
Malakoff Power Berhad	12/18	AA-	4.351	20	4.347	21/05/2018	0	94
				<u>677</u>				

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

Market/Corporate News: What's Brewing

The Pakatan Harapan government decided it would not buy Proton Holdings Bhd, paving the way for Chinese strategic partner Zhejiang Geely Holding Group Co Ltd to proceed with the turnaround of the national car company without political intervention. Shares in DRB-Hicom closed up 28 sen, or 16%, at RM2.03. One industry observer said "it was a good thing" for the Government to "leave Proton be." "Of course it is a good thing because Geely should be given a chance to turn around Proton without political interference. "At the end of the day, it is about making cars that people want to buy; not about politicians telling car companies how to build them," he said. At a press conference after chairing a Cabinet meeting yesterday, Prime Minister Tun Dr Mahathir Mohamad said the new government would not buy back Proton, as it now belonged to tycoon Tan Sri Syed Mokhtar Al-Bukhary. Syed Mokhtar holds an indirect 55.92% stake in Proton's parent company DRB-Hicom via his private vehicle, Etika Strategi Sdn Bhd. Set up in 1983, Proton was Malaysia's first national car and Dr Mahathir's brainchild during his 22-year premiership. However, poor brand perception eventually resulted in lagging sales over the years and this ultimately led to Geely acquiring a 49.9% stake in Proton in September last year. The takeover by Geely, which owns Volvo, was a welcomed move and considered "long overdue," said an analyst. "The emergence of Geely as Proton's foreign strategic partner was a milestone for the national carmaker. It will provide turnaround opportunities for the company and help it regain its market leadership." Vehicles engineered with Volvo technology, such as its GC9 sedan and the Boyue sport-utility vehicle (SUV), have been a hit in China, the world's biggest auto market. The five-seater Boyue is in the pipeline for production in Tanjung Malim, Perak, and will be Proton's first SUV model. Proton sold 70,991 cars in 2017, lower than the 72,291 units sold in 2016. This was a far cry from the 204,900 units sold by market leader Perodua – the second national carmaker. Separately, Dr Mahathir also expressed interest in setting up another national car manufacturing company if he didn't get Proton back. Prior to the general election, he said the new national car company would become a catalyst for the growth of the country's engineering know-how and capabilities. Dr Mahathir believes that many local businesses suffered after Proton was sold to Geely. (Source: *The Star*)

Malaysia rose two spots on the 2018 World Competitiveness ranking to 22, from 24 previously, according to annual rankings by the Switzerland-based IMD World Competitiveness Center. The top five most competitive economies in the world remain the same as in the previous year, but their order changes. The United States returned to the first spot, followed by Hong Kong, Singapore, the Netherlands and Switzerland. The Netherlands moves one place to 4th, swapping with Switzerland which moves down to 5th. The remaining places in the top 10 are occupied largely by Nordic countries: Denmark, Norway and Sweden rank 6th, 8th and 9th respectively. Meanwhile, China rose five notches to number 18. (Source: *The Edge*)

The Ministry of Finance (MoF) will appoint PwC to conduct a special position audit and review of 1Malaysia Development Bhd (1MDB) to be submitted to the 1MDB Special Committee upon completion, said Finance Minister Lim Guan Eng today. According to a statement by Lim, he has also instructed MoF legal advisers to review Arul Kanda Kandasamy's position as 1MDB president. The decisions, said Lim, came on the back of conflicting statements obtained in two separate meetings between Lim and three deputy treasury-generals with 1MDB personnel earlier today. "The purpose of the meetings was to determine the financial status of 1MDB, especially with regards to its ability to repay and service its debt obligations," said Lim. The first meeting was with 1MDB directors Norazman Ayob and Datuk Kamal Mohd Ali, and the other was with its president Arul Kanda. Accompanying Arul Kanda was 1MDB former chief financial officer (CFO) Azmi Tahir and general counsel Ivan Chan. Lim said the two directors of 1MDB claimed that the troubled firm is "insolvent" and that it has been "scammed" out of RM9.8 billion worth of investments. The investments refer to US\$940 million worth of investment "units" previously held with BSI Bank, Singapore, as well as US\$1.56 billion worth of overseas investment funds belonging to 1MDB Global Investments Ltd. "Together, these investments are worth purportedly some RM9.8 billion, which if redeemed, would be more than sufficient to meet 1MDB's financial obligations for the next few years," said Lim. The director's statement on 1MDB's insolvency, said Lim, was in line with a letter from Azmi dated March 2018, which stated

that 1MDB "will not be able to service its interest due in April and May 2018". Lim said both Norazman and Kamal claimed that they have repeatedly disputed the value and existence of these investments during the monthly board meetings. "This is because the 1MDB management has repeatedly failed to supply the board with any evidence over the existence of these investments over the past two years. Kamal called these 1MDB investments a 'scam'," he added. However, Azmi defended that the investments exist even though BSI Bank has wound up, but gave the "unbelievable excuse that the fund managers refused to communicate with 1MDB in writing because of the ongoing investigations by the US Department of Justice (DOJ)", Lim said. Arul Kanda, meanwhile, claimed to be "in the dark" with regards to the firm's financial standing, saying he is on "garden leave" until the end of his contract in June 2018, Lim added. "Arul Kanda on the other hand, claimed that all financial matters were handled strictly by the company CFO, and he is absolutely uncertain as to what the value of these 'investments' are, or whether they even exist in the first place," Lim said. Lim described Arul Kanda's stance and answers as "utterly shocking and preposterous". "Prior to the change of government, he (Arul Kanda) toured the country preaching the financial viability of 1MDB and the soundness of its investments," said Lim. "It is completely unbelievable that a highly paid and 'experienced' investment banker can be so irresponsibly clueless as to not know whether RM9.8 billion worth of investments are even real," he added. Yesterday, it was revealed that 1MDB has interest payout amounting to RM143.75 million due May 30, with another RM810.21 million worth of interest due between September and November this year. According to Lim, under 1MDB's debt agreement, the government will have to continue to pay on 1MDB's behalf if the fund fails to meet its debt obligations. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Malakoff Power Berhad	RM5.4 billion Sukuk Murabahah	AA-IS	Affirmed

Source: RAM Ratings; MARC

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