

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.48	0
5-yr UST	2.83	1
10-yr UST	3.00	2
30-yr UST	3.18	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.68	3	3.69	0
5-yr	3.88	2	3.92	0
7-yr	4.07	2	4.10	8
10-yr	4.18	3	4.21	0
15-yr	4.61	-4	4.75	0
20-yr	4.61	0	4.86	0
30-yr	4.85	0	4.92	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.84	0
5-yr	3.92	-1
7-yr	4.03	0
10-yr	4.18	0

Source: Bloomberg

**US Treasuries**

- US Treasuries ended slightly mixed with the front-end steady and long-end selling-off; causing the yield curve to steepen. Overall benchmark yields ended 0-4bps higher. The 2Y (most sensitive to interest rate outlook) was little changed at 2.48% whilst the much-watched 10Y edged up by 2bps to 3.00%; the highest since Jan 2014. Market displayed muted reaction to the soft \$32b 2Y auction which averaged 2.493% at a BTC of 2.61x; lower than the average of 2.81x for the previous six sales. Upcoming auctions this week include the remainder of \$64b worth of 5Y and 7Y tenures. Financial markets are expected to feel pressured due to the burgeoning supply and inflationary fears. The 10Y UST may be expected to rise further due to duration risk if compared to 1Y bills which fetch attractive levels of 2.20% currently.

**MGS/GII**

- Trading volume in local Govvies spiked to RM4.25b as some selling in the belly intensified following yesterday's heavy volume in both the 7Y and 10Y MGS bonds. Overall benchmark yields were 0-3bps higher (save for the 15Y which witnessed odd-lot trade closing 4bps lower). The benchmark 7Y MGS 3/25 was 2bps higher at 4.07% whilst the 10Y MGS 11/27 jumped 3bps to 4.18% compared to previous-done levels. Expect market to remain subdued ahead of fears of rising rates in US coupled with cautious sentiments ahead of GE14.

**Corp Bonds/Sukuk**

- Corporate Bonds saw market volume jump to RM418m with interest seen across the yield curve; capped to 15Y tenures. Govt-guaranteed 2021 papers were traded mixed on yields between 4.05-4.08% levels on names such as PASB, PTPTN and DANAINFRA. AAA-rated BPMB 3/32 and TENAGA 8/32 closed 4bps higher at 4.97% and 4.93% respectively compared to previous-done levels. AA-rated Southern Power continued to see decent secondary market trades with the 2031 bonds chalking RM50m nominal value; closing unchanged between 5.10-5.12% levels. YTL Power 8/18 however rallied to close 15bps lower at 4.20%. In the banking space; CIMB Bank 26nc21 closed unchanged at 4.80%. Expect selective trades as investors reassess portfolios in line with movements in local Govvies.

**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	3.402	1026	3.332	23/04/2018	7
MGS	07/19	3.559	154	3.498	19/04/2018	6
MGS	10/19	3.534	380	3.527	20/04/2018	1
MGS	11/19	3.595	121	3.516	23/04/2018	8
MGS	03/20	3.627	35	3.626	23/04/2018	0
MGS	07/20	3.701	80	3.655	23/04/2018	5
MGS	10/20	3.659	112	3.637	23/04/2018	2
MGS	07/21	3.792	80	3.603	20/04/2018	19
MGS	09/21	3.827	251	3.796	23/04/2018	3
MGS	11/21	3.679	242	3.649	23/04/2018	3
MGS	03/22	3.895	43	3.769	23/04/2018	13
MGS	08/22	4.004	134	3.804	19/04/2018	20
MGS	09/22	3.914	51	3.844	20/04/2018	7
MGS	03/23	3.864	13	3.864	23/04/2018	0
MGS	04/23	3.879	40	3.846	23/04/2018	3
MGS	08/23	3.999	61	3.883	23/04/2018	12
MGS	07/24	4.015	37	3.925	20/04/2018	9
MGS	09/24	4.005	4	3.979	23/04/2018	3
MGS	03/25	4.074	470	4.049	23/04/2018	2
MGS	09/25	4.113	39	4.057	23/04/2018	6
MGS	11/26	4.193	2	4.079	20/04/2018	11
MGS	03/27	4.198	5	4.200	20/04/2018	0
MGS	11/27	4.180	270	4.167	23/04/2018	1
MGS	06/28	4.141	30	4.060	20/04/2018	8
MGS	06/31	4.485	1	4.413	19/04/2018	7
MGS	04/32	4.616	1	4.402	10/04/2018	21
MGS	04/33	4.613	48	4.628	23/04/2018	-1
MGS	05/35	4.695	99	4.682	23/04/2018	1
GII	03/21	3.803	48	3.774	18/04/2018	3
GII	04/22	3.920	30	3.920	23/04/2018	0
GII	07/22	3.972	70	3.884	11/04/2018	9
GII	11/22	4.026	10	3.926	06/04/2018	10
GII	08/24	4.099	10	4.062	23/04/2018	4
GII	08/25	4.095	20	4.016	17/04/2018	8
GII	09/30	4.706	40	4.585	16/04/2018	12
GII	06/33	4.750	190	4.752	23/04/2018	0
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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*	
Pengurusan Air SPV Berhad	02/21	GG	4.046	50	3.945	05/02/2018	10	40
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	4.079	10	4.010	05/04/2018	7	43
DanaInfra Nasional Berhad	11/21	GG	4.065	10	4.120	09/03/2018	-5	31
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/21	GG	4.140	5	-	-	-	-
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	4.529	10	4.524	14/11/2017	0	41
Cagamas Berhad	04/21	AAA	4.220	20	-	-	-	-
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.969	10	4.931	28/03/2018	4	38
Tenaga Nasional Berhad	08/32	AAA	4.929	10	4.891	01/03/2018	4	34
Danga Capital Berhad	09/33	AAA	5.030	50	4.998	20/04/2018	3	44
YTL Power International Berhad	08/18	AA1	4.198	15	4.351	18/04/2018	-15	83
TRIplic Medical Sdn Berhad	10/35	AA1	5.342	10	5.366	18/04/2018	-2	66
CIMB Bank Berhad	08/26	AA2	4.798	40	4.798	20/04/2018	0	71
Bumitama Agri Ltd	03/19	AA3	4.471	10	4.436	09/04/2018	4	110
SPR Energy (M) Sdn Berhad	07/27	AA3	5.149	10	5.169	19/07/2017	-2	103
Edra Energy Sdn Berhad	07/28	AA3	5.599	7	5.561	07/02/2018	4	145
Edra Energy Sdn Berhad	01/29	AA3	5.630	9	6.030	04/01/2018	-40	148
CIMB Group Holdings Berhad	04/60	AA3	5.045	1	4.772	16/04/2018	27	36
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	4.719	10	4.659	10/04/2018	6	68
Sinar Kamiri Sdn Berhad	01/26	AA-	5.599	20	-	-	-	151
Jimah East Power Sdn Berhad	12/29	AA-	4.999	10	4.949	17/11/2017	5	85
Southern Power Generation Sdn Berhad	04/31	AA-	5.100	40	5.099	23/04/2018	0	51
Southern Power Generation Sdn Berhad	10/31	AA-	5.120	10	5.119	23/04/2018	0	53
Tan Chong Motor Holdings Berhad	11/19	A1	5.995	1	6.285	09/04/2018	-29	247
UMW Holdings Berhad	04/18	A1	6.179	41	6.179	23/04/2018	0	149
Mah Sing Perpetual	-	-	6.100	1	-	-	-	-
MEX II Sdn Berhad	04/24	AA-	4.869	10	4.908	28/03/2017	-4	92
			<u>418</u>					

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

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

**U.S. stocks slid on Tuesday as 10-year Treasury yields hit the highly anticipated 3 percent mark for the first time in four years, stoking concerns over higher borrowing rates for companies already facing rising costs, and as quarterly results failed to deliver positive outlooks.** The S&P 500 and the Dow fell the most in two-and-a-half weeks, while the Dow Jones Industrial Average was down for a fifth day in a row. The S&P 500 is now down 1.5 percent year-to-date. The 10-year yield, a benchmark for global borrowing costs, has been driven steadily higher by a combination of concerns over inflation, growing debt supply and rising Federal Reserve borrowing costs. "It makes borrowing costs more expensive for corporations. This market rally for the last nine years has been driven by low interest rates, accommodating monetary policy and excess liquidity," said Oliver Pursche, chief market strategist for Bruderman Asset Management in New York. Higher bond yields could also prompt portfolio managers to weigh moving money into more attractive fixed-income securities at the expense of equities. The stock market had already been spooked by a climb in bond yields earlier in the year, sliding sharply in February. "We're seeing some of the earnings numbers have come out, and after further review, (investors) realized where all this revenue was coming from," said Paul Nolte, portfolio manager at Kingsview Asset Management in Chicago. "They didn't see it as recurring or indicative of the core business. "I think what investors had hoped the benefit from taxes would get redeployed back into the company. That's not happening," Nolte said. So far, 24 percent of S&P 500 companies have reported first-quarter results, with 77.1 percent coming in above the Street consensus, versus the 64 percent average since 1994. Analysts estimate 21.1 percent growth in earnings for the quarter, according to Thomson Reuters data. On the economic front, U.S. consumer confidence rebounded in April, according to the Conference Board, as short-term optimism improved and the share of consumers expecting their incomes to decline in the coming months hit its lowest level since December 2000. Oil rose above \$75 a barrel to its highest level since November 2014, but then reversed course as U.S. President Donald Trump and French President Emmanuel Macron pledged to try to resolve U.S.-European differences on Iran, easing concerns that the United States might reinstate sanctions against Iran. (Source: Reuters, The Edge)

**Westports Holdings Bhd, which expects to register weak performance in container volume in the first half of this year, expects container traffic to pick up in the second half, driven by normalisation in the realignment of shipping alliances.** However, the terminal operator in Port Klang is unlikely to recover this year to its record container volume of 9.95 million TEUs (20-foot equivalent units) seen in 2016, despite the projected improvement in the second half, its group managing director Datuk Ruben Emir Gnanalingam said. "We expect to have a slight modest growth of low single digit for 2018. We expect to see a slight decline in the first quarter; second quarter will be flat and then, it will start growing strongly in the third and fourth quarters," Ruben told reporters after the group's annual general meeting today. Westports handled 9 million TEUs of containers in 2017. Usually, the impact from realignment of alliances, which began in April last year, would last for about 15 months, he said. "This one-off adjustment (in alliances) will be completed by the first half of this year. It started in April last year and we expect the adjustment [to] end by June. "Of course, this is barring a trade war between China and the US. If that happens, it could have an impact on worldwide cargo and if worldwide cargo is affected, of course we will be affected as well," Ruben added. The realignment of alliances has resulted in a new base being created. "The alliances actually cause the readjustment to the market and I think the market has now readjusted to the new base and we will continue to see growth, going forward. "If we are lucky enough, we might see growth earlier than that," he said. The realignment in shipping alliances include Ocean Alliance of CMA CGM, China Cosco Shipping, Evergreen and Orient Overseas Container Line. Westports posted a 5.6% rise in net profit to RM651.51 million in the financial year ended Dec 31, 2017 (FY17), from RM616.83 million in FY16, while revenue grew 2.6% to RM2.09 billion, from RM2.04 billion. However, Westports' operational revenue dipped 5% year-on-year to RM1.716 billion in FY17, mainly due to a reduction in container throughput. On its expansion plan, Ruben said Westports, which is currently undertaking a technical study aimed at doubling its container-handling capacity, is expected to invest up to RM15 billion over the next 20 years. "We expect operations at Container Terminal (CT) 10 to CT19 to kick start within two years," Ruben said. The 10 new CTs will boost the port's capacity by 16 million TEUs, raising total capacity to about 30 million TEUs. Westports currently operates nine CTs, namely CT1 to CT9. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Menara ABS Berhad; a trust-owned SPV incorporated by Telekom Malaysia Berhad	Tranche A1	AAA/Stable	Reaffirmed
	Tranche A2	AA2/Stable	Reaffirmed
	Tranche A3	AA3/Stable	Reaffirmed
	Tranche A4	AA3/Stable	Reaffirmed
	Tranche B1	AAA/Stable	Reaffirmed
	TrancheB2	AAA/Stable	Reaffirmed
	TrancheB3	AAA/Stable	Reaffirmed
UiTM Solar Power Sdn Bhd	Green SRI Sukuk of up to RM240.0 million.	AA-IS	Assigned

Source: RAM Ratings; MARC

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