

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.51	-2
5-yr UST	2.81	-1
10-yr UST	2.98	-2
30-yr UST	3.13	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.74	0	3.71	0
5-yr	3.88	7	3.94	2
7-yr	4.03	0	4.23	4
10-yr	4.23	2	4.34	0
15-yr	4.61	0	4.77	0
20-yr	4.92	2	4.84	0
30-yr	4.94	3	5.00	-3

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.84	0
5-yr	3.94	0
7-yr	4.03	1
10-yr	4.17	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

US Treasuries

- US Treasuries continued its rally across the curve as overall benchmark yields ended 1-3bps lower; gains were however lesser than the prior day following decent \$30b 7Y auction outcome with a strong BTC ratio of 2.62x; averaging 2.93%. The numerous auctions have taken on more importance with the US in the midst of doubling its borrowing to \$1 trillion this year to pay for the growing federal budget deficit. Both the 2Y and 10Y strengthened 2bps at 2.51% and 2.98% levels respectively. Whilst majority of Fed officials acknowledged that a June hike is a strong possibility; FOMC signaled caution in the pace of rate hikes.

MGS/GII

- Trading volume in local Govvies dipped to RM2.81b yesterday. GII trades forming a quarter of overall interest. Attention shifted slightly to the MGS/ GII 21-22's from the 18-19's the prior session with offshore interest seen in these tenures. Overall benchmark bonds were slightly weaker i.e. 0-3bps higher save for the odd-lot trade on 5Y. The benchmark 7Y MGS 3/25 closed unchanged at 4.03% whilst the 10Y MGS 6/28 edged 2bps higher at 4.23% compared to previous-done levels. Investor attention continues to hinge on the country's classification and quantum on government debt along with the scrutiny on 1MDB's financial condition.

Corp Bonds/Sukuk

- Corporate Bonds saw volume tank to RM198m with trades centered mainly in the AA-space. The sole Govt-guaranteed transaction on long DANA 7/39 saw yields spike 9bps to 5.15% levels compared to previous-done levels. AAA-rated PLUS 31-33 also ended higher on yields between 4.96-5.06% levels whilst AA-rated power bonds i.e. Malakoff 12/18 and KEV 7/19 closed at 4.37% and 4.30% respectively. Sime Darby Pantation perp 2116nc26 settled higher at 5.45%. Meanwhile in the banking space CIMB Bank 23nc18 rallied to close at 4.44. 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	3.288	61	3.325	23/05/2018	-4
MGS	03/19	3.458	61	3.343	23/05/2018	12
MGS	07/19	3.440	13	3.518	18/05/2018	-8
MGS	10/19	3.451	45	3.472	23/05/2018	-2
MGS	11/19	3.548	5	3.517	23/05/2018	3
MGS	10/20	3.658	65	3.658	23/05/2018	0
MGS	07/21	3.834	173	3.832	22/05/2018	0
MGS	09/21	3.901	250	3.886	21/05/2018	1
MGS	11/21	3.743	83	3.742	23/05/2018	0
MGS	03/22	3.909	101	3.918	21/05/2018	-1
MGS	08/22	3.923	80	3.922	23/05/2018	0
MGS	09/22	3.936	172	3.920	23/05/2018	2
MGS	03/23	4.000	63	3.987	23/05/2018	1
MGS	04/23	3.881	3	3.813	22/05/2018	7
MGS	08/23	4.067	9	4.099	21/05/2018	-3
MGS	09/24	4.185	8	4.176	23/05/2018	1
MGS	03/25	4.034	10	4.034	22/05/2018	0
MGS	09/25	4.309	140	4.211	23/05/2018	10
MGS	04/26	4.346	75	4.316	23/05/2018	3
MGS	11/26	4.333	7	4.282	22/05/2018	5
MGS	05/27	4.418	3	4.438	17/05/2018	-2
MGS	11/27	4.206	52	4.215	23/05/2018	-1
MGS	06/28	4.225	130	4.207	23/05/2018	2
MGS	04/30	4.663	119	4.619	22/05/2018	4
MGS	06/31	4.765	192	4.738	23/05/2018	3
MGS	04/33	4.786	67	4.770	22/05/2018	2
MGS	04/37	4.917	100	4.859	23/05/2018	6
MGS	09/43	4.935	6	4.900	23/05/2018	3
MGS	03/46	4.935	25	4.908	23/05/2018	3
GII	08/20	3.750	49	3.723	22/05/2018	3
GII	03/21	3.816	250	3.831	23/05/2018	-2
GII	04/21	3.841	60	3.853	21/05/2018	-1
GII	04/21	3.849	10	3.737	03/11/2017	11
GII	04/22	3.941	20	3.925	23/05/2018	2
GII	07/23	4.073	11	4.073	22/05/2018	0
GII	08/25	4.229	190	4.192	23/05/2018	4
GII	08/28	4.521	1	4.364	01/03/2018	16
GII	10/28	4.337	32	4.333	23/05/2018	0
GII	08/33	4.862	68	4.837	18/05/2018	3
			<u>2807</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*	
DanaInfra Nasional Berhad	07/39	GG	5.148	15	5.059	05/04/2018	9	25
Aman Sukuk Berhad	04/19	AAA	4.137	10	4.077	07/09/2017	6	74
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.959	10	4.804	28/03/2018	15	35
Projek Lebuhraya Usahasama Berhad	01/33	AAA	5.059	10	4.929	15/03/2018	13	45
Tenaga Nasional Berhad	08/37	AAA	5.179	10	5.182	22/05/2018	0	28
CIMB Bank Berhad	09/23	AA1	4.443	15	4.792	07/05/2018	-35	55
Malayan Banking Berhad	01/24	AA1	4.293	4	4.725	22/05/2018	-43	31
Hong Leong Islamic Bank Berhad	06/24	AA1	4.460	1	4.463	23/05/2018	0	48
Hong Leong Bank Berhad	06/24	AA1	4.497	2	5.071	22/05/2018	-57	51
Hong Leong Bank Berhad	06/24	AA1	4.498	1	4.514	16/05/2018	-2	52
Samalaju Industrial Port Sdn Berhad	12/28	AA1	5.152	10	5.037	27/02/2018	12	93
Kapar Energy Ventures Sdn Berhad	07/19	AA+	4.303	20	4.197	07/11/2017	11	91
Konsortium ProHAWK Sdn Berhad	12/19	AA2	4.463	20	4.482	07/03/2017	-2	85
UMW Holdings Berhad	06/20	AA2	4.530	1	4.424	11/04/2018	11	92
PBFIN Berhad	06/59	AA2	4.496	2	4.555	22/05/2018	-6	-40
Bumitama Agri Ltd	09/19	AA3	4.697	10	4.659	27/04/2018	4	130
Jimah Energy Ventures Sdn Berhad	11/21	AA3	4.590	1	4.433	23/02/2018	16	86
BGSM Management Sdn Berhad	12/22	AA3	4.740	1	4.598	03/04/2018	14	85
RHB Bank Berhad	07/24	AA3	4.603	2	4.604	14/05/2018	0	62
RHB Investment Bank Berhad	04/25	AA3	4.706	3	4.802	09/04/2018	-10	67
Malakoff Power Berhad	12/18	AA-	4.371	20	4.347	21/05/2018	2	98
CIMB Group Holdings Berhad	05/16	A1	5.380	1	5.380	22/05/2018	0	48
Sime Darby Plantation Sdn Bhd	03/16	AA	5.447	30	4.854	22/12/2017	59	55
			<u>198</u>					

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

Market/Corporate News: What's Brewing

Sime Darby Property core net profit for the nine months ended March 31, 2018 saw 9MFY18 core earnings (excluding one-off gains from disposal of subsidiary) increased 34% year-on-year, mainly attributed to the stronger pretax profit from its property development segment (+11.8% year-on-year). Even by stripping out all the land sale gains (1QFY18: gain of RM84.4mil on land disposal, and land acquisition reversal gain of RM13.2mil; 1QFY17: RM79m provision for unsold stocks, and gain of RM259.8m on land disposal), property development's 9MFY18 pretax profit was actually up by 119% year-on-year. The 9MFY18 revenue rose 18% year-on-year, solely lifted by the 21% sales growth in the property development division due to higher sales and development activities at Elmina West, Elmina East, Serenia City, Taman Melawati and Serenity Cove, Australia. The group recorded gross sales value of RM1.3bn in 9MFY18, making up 65% of its FY18 sales target of RM2bil; 60% of the total sales were generated from City of Elmina and Bandar Bukit Raja. As at 9MFY18, SD Property launched projects with a combined gross development value (GDV) of RM2.26bn, driven by flagship townships, namely City of Elmina, Bandar Bukit Raja, Serenia City and Subang Jaya in Selangor, as well as Bandar Universiti Pagoh in Johor. "In 4QFY18, the group plans to launch projects with a total GDV of RM632mil. Unbilled sales as at end-March 2018 stood at RM1.5bil, representing approximately 0.6 times of FY17 revenue. (Source: *The Star*)

Malaysia's total debts amounted to RM1.087 trillion, or 80.3% of gross domestic product (GDP), at the end of last year after official debt, contingent liabilities and lease payments for public-private partnerships were tabulated together. In explaining the breakdown of the country's liabilities, the Finance Ministry said official debt amounted to RM686.8bil (50.8% of GDP). In addition, the government guarantees for various entities that were unable to service their debts were RM199.1bil (14.6% of GDP) and commitments to pay for lease payments through public private partnerships were RM201.4bil (14.9% of GDP). "Malaysians are rightly concerned with our debt situation, as we were when we were in the opposition," he said in a statement. "However, let me emphasise that the obligations and financial commitments of the federal government are unchanged before May 9 and after the election today. "The only change is that the new federal government has decided to call a spade a spade." He said that disclosing the true affairs of the country's financial position may unnerve ex-Prime Minister Datuk Seri Najib Tun Razak, but in the medium term, recognition of the country's true debt situation would enable the federal government to take concrete action to regularise and strengthen its financial state. Najib issued a statement criticising the government's announcement that the country's debt was now RM1 trillion, saying it would unsettle the financial markets, alarm the credit rating agencies and investor confidence. "We would like to explain that the new government will carry out its administration based on the principles of competency, accountability and transparency (CAT). We want to establish the true baseline on the state of financial affairs, diagnose the problems and then prescribe all necessary remedies," he said. In shedding more detail on its liabilities, Lim said that government guarantees for entities that cannot pay their debt were for entities such as Danainfra Nasional Bhd (RM42.2bil), Govco Holdings Bhd (RM8.8bil), Prasarana Malaysia Bhd (RM26.6bil) and Malaysia Rail Link Sdn Bhd (RM14.5bil), as well as an estimated RM38bil for 1Malaysia Development Bhd (1MDB). Government guarantees provided to entities that are able to service their debt, like Khazanah Nasional Bhd, Tenaga Nasional Bhd and MIDF, were not included. Based on the official debt of RM686.8bil and the guarantees for companies that cannot repay their debt, the federal government debt would amount to RM885.9bil, or 65.4% of GDP as highlighted by Prime Minister Tun Dr Mahathir Mohamad yesterday. "However, in addition to the above, the federal government has also been committed and obligated to make lease payments (including rental, maintenance and other charges) for a whole list of 'public private partnership' projects such as the construction of schools, hostels, roads, police stations, hospitals, etc. The lease commitments, which were designed specifically to circumvent the federal government guarantee and debt limits, amount to RM201.4bil (14.9% of GDP)," said Lim. He emphasised that the fundamentals of the economy remained strong and that the financial sector was stable, the banking sector was well-capitalised and there was sufficient liquidity in the market. "We believe that with the new administration focused on CAT, investor confidence will only be strengthened over time," he said. "Together with the commitment of the new government as well as the support of Malaysians all over the country, we will definitely succeed

in saving our country.” Lim thanked and gave credit to the professionalism of the Treasury officials led by deputy secretary-general Datuk Siti Zauyah Mohd Desa in preparing and presenting all the relevant information. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Cagamas MBS Berhad	RM2,110.0 million asset-backed Sukuk Musyarakah issuance (CMBS 2007-1-i) with a stable outlook.	AAA-IS	Affirmed
	RM2,410.0 million asset-backed fixed rate serial bonds (CMBS 2007-2)	AAA	Affirmed
	RM2,050.0 million asset-backed Sukuk Musyarakah issuance (CMBS 2005-1) for the final tranche of sukuk amounting to RM400.0 million	AAA-IS	Affirmed
	RM2,060.0 million asset-backed fixed rate serial bonds (CMBS 2005-2)	AAA	Affirmed

Source: RAM Ratings; MARC

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