

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.48	0
5-yr UST	2.84	1
10-yr UST	3.03	3
30-yr UST	3.21	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.77	9	3.76	7
5-yr	3.88	0	3.92	0
7-yr	4.07	-1	4.10	0
10-yr	4.18	0	4.28	7
15-yr	4.65	3	4.75	0
20-yr	4.61	0	4.86	0
30-yr	4.90	5	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	3.93	1
7-yr	4.06	3
10-yr	4.20	2

Source : Bloomberg

US Treasuries

- US Treasuries bear-steepened with the longer-end moving to new-lows whilst the short-ends were somewhat unchanged. Overall benchmark yields ended 0-3bps higher. The 2Y (most sensitive to interest rate outlook) was within 1bps at 2.48% whilst the much-watched 10Y edged up another 3bps to 3.03%; the highest since Jan 2014. Market again displayed muted reaction to the \$35b 5Y auction which averaged 2.837% at a BTC of 2.49x; denoting good demand compared to the average of 2.45x for the previous six sales. Upcoming auction this week include the remainder of \$29b of 7Y bonds. Despite the burgeoning supply, global fund managers are evaluating the current attractiveness of the 10Y bearing in mind the potential rise of short-term funding rates as the Fed continues with its balance sheet runoff.

MGS/GII

- Trading volume in local Govvies dropped to RM2.84b as both MGS and GII bonds were on the receiving end; especially across both ends of the curve. Overall benchmark yields were 0-9bps higher (save for the 7Y which recovered by a mere basis point). The benchmark 7Y MGS 3/25 closed at 4.07% whilst the 10Y MGS 11/27 was unchanged at 4.18% compared to previous-done levels. Expect market to remain subdued ahead of tomorrow's RM4.0b auction of 10.5Y GII Islamic bonds.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume maintain at RM487m with interest mainly seen in both the AAA and AA-rated papers. Investors were seen favoring especially the 10-20Y tenures. Govt-guaranteed PRASA 9/47 closed 2bps higher at 5.26% compared to previous-done levels whilst AAA-rated TENAGA 8/37 also edged higher to close at 5.10% on RM30m nominal trades. AA-rated infra-related bonds notched substantial trades with names like DUKE 30-31's closing 7-13bps higher between 5.08-14% levels. JIMAH East Power 32's similarly grinded higher to close at 5.20-26% levels. Selective trades are expected as investors seek value in current volatile market conditions.

Upcoming Government Bond Tenders

RM4.0 billion of 10.5Y GII 10/28 on Friday, 27th April

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.376	438	3.402	24/04/2018	-3
MGS 03/19	3.501	111	3.456	24/04/2018	4
MGS 07/19	3.606	150	3.559	24/04/2018	5
MGS 10/19	3.647	133	3.561	24/04/2018	9
MGS 11/19	3.592	241	3.595	24/04/2018	0
MGS 03/20	3.681	5	3.681	24/04/2018	0
MGS 10/20	3.744	98	3.744	24/04/2018	0
MGS 02/21	3.819	10	3.697	23/04/2018	12
MGS 07/21	3.848	50	3.786	24/04/2018	6
MGS 09/21	3.843	80	3.843	24/04/2018	0
MGS 11/21	3.769	143	3.702	24/04/2018	7
MGS 03/22	3.881	115	3.895	24/04/2018	-1
MGS 08/22	3.965	20	4.004	24/04/2018	-4
MGS 03/23	4.049	86	3.864	24/04/2018	19
MGS 04/23	3.877	80	3.879	24/04/2018	0
MGS 08/23	3.989	80	3.989	24/04/2018	0
MGS 07/24	4.046	20	4.052	24/04/2018	-1
MGS 09/24	4.041	1	4.023	24/04/2018	2
MGS 03/25	4.065	304	4.070	24/04/2018	0
MGS 09/25	4.240	82	4.113	24/04/2018	13
MGS 11/26	4.207	8	4.052	24/04/2018	16
MGS 11/27	4.177	145	4.167	24/04/2018	1
MGS 04/30	4.577	1	4.368	19/04/2018	21
MGS 06/31	4.547	1	4.485	24/04/2018	6
MGS 04/33	4.648	7	4.658	24/04/2018	-1
MGS 03/46	4.901	1	4.848	23/04/2018	5
GII 08/18	3.319	10	3.349	18/04/2018	-3
GII 02/19	3.739	30	3.851	01/12/2015	-11
GII 04/20	3.760	5	3.687	23/04/2018	7
GII 03/21	3.873	42	3.803	24/04/2018	7
GII 04/22	3.920	152	3.920	24/04/2018	0
GII 07/27	4.277	25	4.205	20/04/2018	7
GII 06/33	4.747	165	4.752	24/04/2018	0
		<u>2836</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]	09/47 GG	5.260	20	5.239	17/04/2018	2	52
Berjaya Land Berhad	12/18 AAA	4.500	25	-	-	-	-
Rantau Abang Capital Berhad	08/19 AAA	4.100	10	4.025	05/04/2018	7	69
Projek Lebuhraya Usahasama Berhad	01/27 AAA	4.737	5	4.589	08/03/2018	15	59
Tenaga Nasional Berhad	08/37 AAA	5.100	30	5.091	20/04/2018	1	36
UMW Holdings Berhad	10/19 AA2	4.397	20	4.354	18/04/2018	4	99
CIMB Bank Berhad	10/38 AA	4.616	50	4.600	17/04/2018	2	-12
Bumitama Agri Ltd	09/19 AA3	4.693	20	4.513	01/03/2018	18	128
KT Kira Sertifikalari Varlik Kiralama A.S.	03/20 AA3	5.506	1	5.458	07/09/2017	5	192
Edra Energy Sdn Berhad	07/23 AA3	5.277	2	5.261	05/02/2018	2	141
Al Dzahab Assets Berhad	09/25 AA3	5.022	1	5.769	24/11/2017	-75	95
Edra Energy Sdn Berhad	07/26 AA3	5.489	15	5.880	04/01/2018	-39	137
Edra Energy Sdn Berhad	01/27 AA3	5.529	17	5.910	04/01/2018	-38	138
CIMB Group Holdings Berhad	04/60 AA3	4.897	5	4.772	16/04/2018	13	16
MMC Corporation Berhad	03/28 AA-	5.719	1	5.699	23/04/2018	2	154
Southern Power Generation Sdn Berhad	04/30 AA-	5.037	10	5.036	14/03/2018	0	86
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31 AA-	5.138	20	5.059	29/03/2018	8	49
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/30 AA-	5.080	70	4.949	27/09/2017	13	90
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31 AA-	5.140	100	5.065	19/04/2018	7	49
Jimah East Power Sdn Berhad	06/32 AA-	5.198	30	5.139	27/02/2018	6	55
Jimah East Power Sdn Berhad	12/32 AA-	5.258	30	5.179	14/03/2018	8	61
CIMB Group Holdings Berhad	05/16 A1	5.257	5	5.299	23/04/2018	-4	52
			<u>487</u>				

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

Market/Corporate News: What's Brewing

Malaysia's Islamic bond market could attract Chinese companies if there were more foreign currency-denominated issues, a chief investment officer at fund manager Franklin Templeton Investments said. Malaysia is one of the largest markets for Islamic finance, which follows religious principles such as bans on interest and monetary speculation. Chief investment officer for global sukuk and MENA fixed income, Mohieddine Kronfol, said some Chinese companies are coming into the sukuk market and Malaysia was well positioned to benefit, but it would need to go beyond ringgit-denominated issuances. "The policy makers have expressed interest to make Malaysia a hub for Islamic finance and to a certain extent it's very difficult to do that if everything is denominated in the local currency," he said. "That segment is something that I feel like Malaysia could play a role in, in trying to attract Chinese companies. But to really be able to (do that), it has to be not just (fundraising) in Malaysia but internationally," he said in a group interview on Wednesday. He said Malaysia has attracted foreign companies to issue sukuk, but they were predominantly in ringgit and largely domestically bought. Mohieddine said there should be more transactions in international currencies like the U.S. dollar, and a currency regime or some central bank support that facilitates that. "If you want to have a more global role, you need to be able to cater to demand that's outside of Malaysia," he said. "That happens when the currency is a little more freely convertible and when you have issues in different currencies." Mohieddine said the Chinese interest in sukuk is nascent but the appetite for sukuk would likely start with big issuers like Chinese real estate and financial services companies. "If the sukuk market remains healthy and policy makers take steps to make the Malaysian market more international, and the Chinese look to diversify their source of funding ... (it's) feasible, arguably, to happen in the next few years," he said. Franklin Templeton Investments projects global sukuk growth at 15-20 percent this year on the back of stable oil prices, better growth outlook in markets that issue sukuks and sustained demand for Islamic finance. (Source: Reuters, The Edge)

Asia is getting richer and that's fuelling growth thousands of miles away at Credit Suisse Group AG. The Zurich-based firm — which reported better-than-expected first-quarter earnings and revenue — added 6.2 billion francs (US\$6.3 billion) of new assets in its Asia Pacific business in the first quarter, the most in at least two years and accounting for more than 40 percent of new inflows at the bank. The results helped drive the shares up as much as 5 percent. **Asian countries are at the forefront of wealth creation, driving demand for private banking as rich individuals seek a haven for their assets.** Wealth in India is predicted to pace gains over the next decade, with wealth tripling to about US\$25 trillion, the Global Wealth Migration Review said earlier this year, while China's is set to increase 180 percent to US\$69 trillion. Asia has been at the forefront of Thiam's drive into wealth management, with the bank deepening a push recently into southeast Asia. Growth is quickening as the firm enters the final stages of a three-year turnaround plan that included tapping shareholders for more than 10 billion francs of fresh capital and paring back investment banking as it shifts to managing money for the rich. Credit Suisse rose as much as 5.3 percent to 17.07 francs and was trading 4.5 percent higher at 16.94 francs as of 1:57 p.m. local time. Rising wealth in emerging Asia is encouraging firms to look for more customers outside the traditional private banking hubs of Singapore and Hong Kong. Many Southeast Asian businesses are owned by rich families and entrepreneurs who may also need to tap capital markets by selling shares or bonds, providing a potential sweet spot for global banks including Credit Suisse. Total private wealth held worldwide amounts to about US\$215 trillion, according to the Global Wealth report. While the average person has net assets of US\$28,400, there are some 15.2 million HNWIs in the world, defined as those with net assets of US\$1 million or more. Net new assets at Credit Suisse's combined wealth management businesses were 14.4 billion francs (US\$14.7 billion) in the first quarter, beating analyst estimates. Profit at the key international wealth business rose 66 percent to 484 million francs, while overall both earnings and revenue were better than expected. "I'm reluctant to predict net new assets, it's quite volatile," Thiam, who's led the Zurich-based bank for three years, said in a Bloomberg Television interview on Wednesday. "We had a 13 percent increase in Asia, that's really extraordinary. But a single-digit to mid-single digit rate is achievable." Thiam, a former insurance executive, is betting on rising affluence to help drive earnings in Asia and other emerging markets such as Latin America. The CEO is boosting collaboration between the firm's wealth units and pared down trading businesses. He's also putting deal-makers alongside private bankers in client meetings with the aim of devising financing ideas for their companies as well as topics such

as their personal wealth and succession plans. About 4 billion francs of the Asia inflows stemmed from referrals from investment bankers, Thiam said. While wealth managers have been under pressure from negative interest rates and generally higher cash holdings of investors since the financial crisis, Swiss banks — including Credit Suisse's key competitors Julius Baer and UBS Group AG — have sought to offset the challenges through cost cuts, recruiting initiatives and increasing loans. Growth in net new assets of 7.5 percent is faster than at UBS, but its rival is still far bigger. UBS added 19 billion francs of net new money in the first quarter and has about 2 trillion under management, compared with 776 billion francs at Credit Suisse. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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