

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.47	-1
5-yr UST	2.81	-3
10-yr UST	2.98	-4
30-yr UST	3.16	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.79	2	3.84	8
5-yr	3.89	1	3.93	1
7-yr	4.10	3	4.18	8
10-yr	4.21	4	4.28	0
15-yr	4.69	4	4.75	0
20-yr	4.75	13	4.86	0
30-yr	4.89	-1	4.92	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.77	1
3-yr	3.85	0
5-yr	3.93	0
7-yr	4.06	0
10-yr	4.20	0

Source : Bloomberg

US Treasuries

- US Treasuries advanced taking cue from Bunds following Draghi's conference with gains led by the long-end as the curve flattened. Overall benchmark yields ended 1-4bps lower. The 2Y (most sensitive to interest rate outlook) edged 1bps lower at 2.47% whilst the much-watched 10Y fell 4bps to 2.98%. The \$29b 7Y auction averaged 2.952%; the highest since 2010 at a BTC of 2.56x; denoting good demand compared to the average of 2.48x for the previous six sales. Nevertheless market participants are expecting Treasury to further ramp up supply next week in order to fund the tax changes and new budget. This in turn may put pressure on yields going forward also taking into account the Fed's ongoing shrinkage of its \$4.4 trillion balance sheet.

MGS/GII

- Trading volume in local Govvies was maintained at RM2.92b as both MGS and GII bonds continued to weaken across the curve. Overall benchmark yields were 1-4bps higher save for odd-lot trades on the long-ends. The benchmark 7Y MGS 3/25 closed 3bps higher at 4.07% whilst the 10Y MGS 11/27 jumped 4bps to 4.21% compared to previous-done levels. The higher net supply of govovies coupled with the slightly weaker ringgit may cause investors to remain subdued for now.

Corp Bonds/Sukuk

- Corporate Bonds saw market volume actually lower @ RM281m; stripping off debut issuances of MKD Kenchana and unrated Jaya Persada bonds. Govt-guaranteed PLUS 12/38 rose a massive 42 bps to 5.11% compared to previous-done levels (last seen in September, 2016). AAA-rated TELEKOM 9/27 and TENAGA 8/37 closed higher on yields at 4.65% and 5.10% respectively. AA-rated infra-related bonds; EDRA Energy saw a slew of 2023, 2028 and 2032 tranches traded 0-5bps higher between 5.25-90% 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	3.384	324	3.425	25/04/2018	-4
MGS	03/19	3.486	90	3.409	25/04/2018	8
MGS	07/19	3.615	30	3.606	25/04/2018	1
MGS	10/19	3.589	30	3.585	25/04/2018	0
MGS	11/19	3.667	129	3.592	25/04/2018	7
MGS	03/20	3.599	10	3.681	25/04/2018	-8
MGS	10/20	3.723	28	3.744	25/04/2018	-2
MGS	02/21	3.828	137	3.819	25/04/2018	1
MGS	07/21	3.844	50	3.799	25/04/2018	4
MGS	09/21	3.827	138	3.843	25/04/2018	-2
MGS	11/21	3.785	110	3.769	25/04/2018	2
MGS	03/22	3.888	51	3.887	25/04/2018	0
MGS	08/22	3.966	184	3.965	25/04/2018	0
MGS	09/22	3.974	170	3.914	24/04/2018	6
MGS	03/23	4.022	31	4.049	25/04/2018	-3
MGS	04/23	3.891	71	3.877	25/04/2018	1
MGS	08/23	4.032	8	3.989	25/04/2018	4
MGS	07/24	4.083	47	4.015	24/04/2018	7
MGS	09/24	4.067	2	4.041	25/04/2018	3
MGS	03/25	4.097	154	4.092	25/04/2018	1
MGS	09/25	4.193	104	4.193	25/04/2018	0
MGS	11/26	4.165	10	4.207	25/04/2018	-4
MGS	03/27	4.253	1	4.198	24/04/2018	5
MGS	05/27	4.376	5	4.181	23/04/2018	20
MGS	11/27	4.213	141	4.171	25/04/2018	4
MGS	09/28	4.313	1	4.138	02/04/2018	18
MGS	04/30	4.553	9	4.577	25/04/2018	-2
MGS	06/31	4.588	50	4.547	25/04/2018	4
MGS	04/33	4.692	130	4.648	25/04/2018	4
MGS	04/37	4.747	11	4.614	19/04/2018	13
GII	08/18	3.455	320	3.349	18/04/2018	11
GII	04/20	3.760	80	3.760	25/04/2018	0
GII	08/21	3.832	8	3.774	05/04/2018	6
GII	04/22	3.926	130	3.920	25/04/2018	1
GII	07/23	4.065	6	3.992	20/04/2018	7
GII	08/24	4.126	20	4.099	24/04/2018	3
GII	08/25	4.175	100	4.095	24/04/2018	8
GII	06/33	4.752	5	4.742	25/04/2018	1
GII	10/35	4.885	2	4.714	12/04/2018	17
			<u>2923</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/m m/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
MKD Kenchana Sdn Bhd	04/23	GG	4.326	210	-	-	-	-
Projek Lebuhraya Usahasama Berhad	12/38	GG	5.109	15	4.690	07/09/2016	42	36
Putrajaya Holdings Sdn Berhad	09/20	AAA	4.245	10	4.119	07/03/2018	13	62
Telekom Malaysia Berhad	09/27	AAA	4.649	10	4.578	03/04/2018	7	49
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.961	5	4.869	13/04/2018	9	31
Danga Capital Berhad	09/33	AAA	5.031	15	5.030	24/04/2018	0	38
Tenaga Nasional Berhad	08/37	AAA	5.100	15	5.091	20/04/2018	1	35
Sabah Credit Corporation	12/21	AA1	4.714	40	4.613	06/10/2017	10	88
Malayan Banking Berhad	01/24	AA1	4.499	4	4.890	20/04/2018	-39	50
Public Islamic Bank Berhad	06/24	AA1	4.406	15	4.324	15/03/2018	8	41
Hong Leong Bank Berhad	09/39	AA2	5.280	1	4.535	05/03/2018	75	53
CIMB Group Holdings Berhad	12/25	AA	5.180	1	5.151	13/04/2018	3	105
Edra Energy Sdn Berhad	01/23	AA3	5.251	5	5.198	11/04/2018	5	137
Edra Energy Sdn Berhad	07/23	AA3	5.279	10	5.277	25/04/2018	0	140
UITM Solar Power Sdn Bhd	04/25	AA3	5.400	5	-	-	-	-
Edra Energy Sdn Berhad	01/28	AA3	5.581	10	5.531	07/02/2018	5	140
Edra Energy Sdn Berhad	07/32	AA3	5.909	5	5.880	10/04/2018	3	125
Southern Power Generation Sdn Berhad	04/29	AA-	4.978	10	4.974	07/02/2018	0	79
MEX II Sdn Berhad	04/33	AA-	5.539	5	5.457	01/03/2018	8	88
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.348	1	5.262	24/01/2018	9	69
UMW Holdings Berhad	04/18	A1	6.105	1	6.179	24/04/2018	-7	136
Alliance Bank Malaysia Berhad	10/25	A2	4.960	1	4.956	23/04/2018	0	83
MEX II Sdn Berhad	04/29	AA-	5.221	5	5.137	24/01/2018	8	104
Jaya Persada Sdn Bhd	04/30	NR	6.800	25	-	-	-	-
Jaya Persada Sdn Bhd	04/31	NR	6.900	25	-	-	-	-
Eco World International Bhd	04/23	NR	6.296	93	-	-	-	-
Jaya Persada Sdn Bhd	07/32	NR	7.000	30	-	-	-	-
				<u>571</u>				

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

Market/Corporate News: What's Brewing

The establishment of new policies and proper management of the cost of living are vital to ensure economic sustainability, according to Universiti Kebangsaan Malaysia vice-chancellor Professor Tan Sri Noor Azlan Ghazali. Noor Azlan, who is also head of the economics and management cluster at the National Council of Professors Malaysia, said that the three areas of focus were housing, transportation and food. "There should be a dedicated team established to tackle these issues and look at increasing the income opportunities of the people. "Some of the recommendations include increasing the nation's productivity, modernising the agricultural sector, as well as monitoring the supply chain to weed out monopolistic behaviour and collusion," he told a media briefing here on the national economy and challenges in conjunction with the coming general election. On the other hand, Noor Azlan noted that the overall fiscal management of Malaysia was good, and the Government's current debt levels were manageable. He said fiscal deficit was not an absolute marker of a well-managed nation. Instead, it was more important to know what the deficit was for and if the country had the ability to pay off its debts. It was not necessary to have a fiscal surplus, but rather, a well-managed fiscal deficit that resulted in a progressing nation. In 2016, the gross domestic product (GDP) of Malaysia was RM1,230bil, while total government debt was at RM648bil. Over the years, Malaysia's GDP has grown at a higher rate compared with total debt, and the percentage of debt service payments is on a downward trend. In 2017, the percentage of debt service payment was at 4.2% compared with 7.2% in 2000. On the goods and services tax (GST), Noor Azlan said that the abolition of the GST would not result in the lower prices of goods. "High cost of living is a structural issue that comes in tandem with urbanisation. It is not cause by policies and the GST, and definitely not because of mismanagement of the economy," he said. (Source: The Star)

Telekom Malaysia Bhd (TM) is allocating between 25% and 30% of its revenue for capital expenditure (capex) this year, which will primarily be spent on its fiberisation efforts, as well as to expand its mobile business. Group chief financial officer Nor Fadhilah Mohd Ali said the group spent RM2.76 billion on capex last year, which represented 22.8% of its revenue, and anticipates 2018's capex to be higher owing to an increase in revenue. "We expect 3%-4% growth in revenue for this year, driven by the convergence of all our services," she told a press conference after TM's annual general meeting yesterday. On its fiberisation plans, Nor Fadhilah said TM will continue to invest in fibre-optic fittings such as the high-speed broadband (HSBB) and suburban broadband projects to deliver end-to-end connectivity to a wider population. The group will also remain invested in infrastructure to expand its LTE coverage and improve HSBB connectivity. The commitment to infrastructure, Nor Fadhilah said, is to give customers a better convergent experience on all of its services. TM is in the midst of a two-year strategic plan to consolidate all its services including HSBB, TV and mobile under one brand, UniFi. TM managing director and group chief executive officer Datuk Seri Mohammed Shazalli Ramly said the group is focusing on being a full convergent telecommunications service provider and that the convergence of services was initiated to increase its average revenue per customer by capitalising on household customers already secured, and cross-selling its other services. "We made a very big decision in the second half of 2017 to consolidate, positioning away from being a standalone play for all our respective brands inclusive of mobile UniFi, WiFi, home broadband and video. We have spent the last six months building up on that capability," he said. Most standalone mobile services have declining average revenue per user, he observed, adding that TM is trying to avoid the trend. As TM has 2.3 million subscribers to its home broadband under UniFi and Streamyx, Shazalli said the group aims to have at least 50% of its household customers subscribe to at least three of its services. "TM is positioned to deliver that (service consolidation) largely because we have all the capabilities now," he said, adding that a well-executed programme would reinforce TM's upper hand over its competitors. "This dynamic transformational change will be the precursor of the new TM in the next few months," he added. Shazalli noted that TM's consolidation programme would also entail a unified approach in the company's marketing and advertising of all its services. TM's net profit surged 19.8% year-on-year to RM929.75 million last year, while revenue grew marginally to RM12.09 billion from RM12.06 billion.. (Source: The Edge)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Public Bank Berhad	Proposed RM10 billion Additional Tier-1 Capital Securities Programme (AT-1 Programme).	AA3/Stable	Assigned
Al-'Aqar Capital Sdn Bhd	RM575 million Issue 2 Sukuk Ijarah (Issue 2) under its RM1 billion Islamic Medium Term Notes Programme		
	Class A Sukuk Ijarah	AAA	Assigned
	Class B Sukuk Ijarah	AA2	Assigned
	Class C Sukuk Ijarah	Unrated	Assigned
UEM Edgenta Berhad	Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) under its Sukuk Murabahah programme of up to RM1.0 billion	MARC-1-IS / AA-IS	Affirmed

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Menara Hong Leong

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

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