

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.29	2
5-yr UST	2.60	2
10-yr UST	2.78	1
30-yr UST	3.02	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.41	1	3.59	1
5-yr	3.55	0	3.83	0
7-yr	3.82	0	4.00	-1
10-yr	3.94	-1	4.15	0
15-yr	4.41	0	4.55	0
20-yr	4.54	-1	4.76	0
30-yr	4.82	2	4.91	-1

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.76	0
3-yr	3.79	-1
5-yr	3.85	-1
7-yr	3.96	-1
10-yr	4.08	-1

Source : Bloomberg

**Upcoming Government Bond Tenders**

**RM3.0b reopening of 3Y MGS 11/21 on Thursday, 29<sup>th</sup> March**

**US Treasuries**

- US Treasuries curve was flatter ahead of the month-end with yields mixed as the front-end sagged. However overall yields settled between -1 to +2 bps. The 2Y, most sensitive to interest rate outlook, closed 2bps higher at 2.29% while the 10Y also edged 1bps to 2.78%. Meanwhile the \$29b auction of new 7Y UST saw sizeable tail and averaged 2.72% on a weak BTC ratio of 2.34x compared to 2.54x for the past six auction with average of 2.44x. Meanwhile the LIBOR-OIS spread widening and its significance for the macro outlook are being monitored by investors on clues to market liquidity. Upcoming data include personal income, personal spending and initial jobless claims.

**MGS/GII**

- Trading volume in local govies maintained at RM2.43b with MGS share of overall trades improving to about 70%. Interest was concentrated in the 7-10Y benchmarks with overall yields mixed between -1 to +2 bps across the curve. The benchmark 7Y MGS 3/25 was unchanged at 3.82% whilst the much-watched 10Y MGS 11/27 moved 1bps lower at 3.94%. Meanwhile focus will be shifted to the reopening of the 3Y MGS today.

**Corp Bonds/Sukuk**

- Corporate Bonds saw decent secondary market volume of RM744m interest returning in AA-rated bonds. Long-tenured Govt-Guaranteed DANA 41-42's saw demand; moving 1-4bps lower between 5.12-5.16% levels compared to previous-done levels. AAA-rated PLUS 31 and 32 similarly rallied to 4.80% and 4.87% respectively whilst a slew of AA-rated power bonds i.e. Southern Power 4/23, 10/24 and TBEI 9/19 saw yields also moving lower. Meanwhile Hong Leong Assurance 25nc20 bonds saw RM30m nominal trades closing 1bps lower at 4.68%.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.140	21	3.110	27/03/2018	3
MGS 03/19	3.113	131	3.131	27/03/2018	-2
MGS 10/19	3.259	32	3.281	27/03/2018	-2
MGS 11/19	3.293	23	3.320	27/03/2018	-3
MGS 03/20	3.413	3	3.404	27/03/2018	1
MGS 07/20	3.406	3	3.364	21/03/2018	4
MGS 10/20	3.418	4	3.386	26/03/2018	3
MGS 02/21	3.414	14	3.403	26/03/2018	1
MGS 09/21	3.554	32	3.546	27/03/2018	1
MGS 11/21	3.435	5	3.453	26/03/2018	-2
MGS 03/22	3.545	5	3.538	27/03/2018	1
MGS 08/22	3.692	9	3.666	26/03/2018	3
MGS 09/22	3.707	50	3.717	27/03/2018	-1
MGS 03/23	3.757	20	3.753	27/03/2018	0
MGS 08/23	3.799	21	3.783	27/03/2018	2
MGS 07/24	3.878	16	3.873	27/03/2018	0
MGS 09/24	3.871	29	3.880	27/03/2018	-1
MGS 03/25	3.822	150	3.827	27/03/2018	0
MGS 09/25	3.934	135	3.970	27/03/2018	-4
MGS 11/26	4.010	9	4.021	27/03/2018	-1
MGS 05/27	4.143	1	4.140	15/03/2018	0
MGS 11/27	3.939	620	3.943	27/03/2018	0
MGS 06/28	3.948	180	3.973	27/03/2018	-2
MGS 09/28	4.186	2	4.100	19/03/2018	9
MGS 04/30	4.353	47	4.358	27/03/2018	0
MGS 04/33	4.412	20	4.412	27/03/2018	0
MGS 05/35	4.498	3	4.552	26/03/2018	-5
MGS 09/43	4.800	3	4.799	20/03/2018	0
MGS 03/46	4.821	40	4.798	27/03/2018	2
GII 08/18	3.159	20	3.249	23/03/2018	-9
GII 04/20	3.661	40	3.571	26/03/2018	9
GII 06/20	3.683	40	3.588	05/03/2018	9
GII 08/20	3.597	160	3.598	27/03/2018	0
GII 04/22	3.828	162	3.831	27/03/2018	0
GII 11/22	3.914	40	3.948	21/03/2018	-3
GII 08/24	4.071	60	4.111	21/03/2018	-4
GII 08/25	4.004	3	4.009	27/03/2018	-1
GII 07/27	4.147	180	4.144	27/03/2018	0
GII 12/28	4.295	30	4.307	22/03/2018	-1
GII 08/37	4.760	60	4.762	27/03/2018	0
GII 05/47	4.914	9	4.927	23/03/2018	-1
		<u>2432</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.337	4.358	15/03/2018	-2	58
DanaInfra Nasional Berhad	05/41	GG	5.120	5.131	23/03/2018	-1	57
DanaInfra Nasional Berhad	05/42	GG	5.159	5.199	14/03/2018	-4	61
Gulf Investment Corporation G.S.C	03/21	AAA	5.014	5.015	27/03/2018	0	160
Aman Sukuk Berhad	04/24	AAA	4.469	4.477	17/01/2018	-1	71
Putrajaya Bina Sdn Berhad	03/28	AAA	4.680	-	-	-	-
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.804	4.810	15/03/2018	-1	39
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.869	4.939	02/11/2017	-7	45
Danga Capital Berhad	09/33	AAA	4.950	4.950	27/03/2018	0	54
West Coast Expressway Sdn Berhad	08/35	AAA	5.148	5.249	19/05/2017	-10	73
TNB Western Energy Berhad	07/24	AAA	4.491	4.509	20/03/2018	-2	73
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.931	4.926	16/03/2018	0	52
CIMB Bank Berhad	09/23	AA1	4.296	4.758	12/02/2018	-46	75
Sarawak Energy Berhad	07/24	AA1	4.599	4.588	14/02/2018	1	84
YTL Power International Berhad	05/27	AA1	4.894	4.898	26/03/2018	0	96
Danajamin Nasional Berhad	10/27	AA1	4.708	4.738	23/02/2018	-3	76
UniTapah Sdn Berhad	12/30	AA1	4.919	4.899	15/01/2018	2	50
Tanjung Bin Energy Issuer Berhad	09/19	AA3	4.238	4.319	07/12/2017	-8	107
Jati Cakerawala Sdn Berhad	07/21	AA3	5.199	4.656	06/09/2016	54	179
Gamuda Berhad	11/22	AA3	4.697	4.698	22/03/2018	0	116
Hong Leong Assurance Berhad	02/25	AA3	4.684	4.693	15/03/2018	-1	86
RHB Investment Bank Berhad	04/25	AA3	4.685	4.682	19/03/2018	0	86
CIMB Thai Bank Public Company Limited	07/26	AA3	5.020	5.035	23/02/2018	-2	114
RHB Islamic Bank Berhad	04/27	AA3	4.678	4.681	22/03/2018	0	74
WCT Holdings Berhad	05/22	AA-	5.055	5.097	14/03/2018	-4	158
Southern Power Generation Sdn Berhad	04/23	AA-	4.612	4.658	23/02/2018	-5	107
Southern Power Generation Sdn Berhad	10/24	AA-	4.708	4.728	21/03/2018	-2	88
MMC Corporation Berhad	11/25	AA-	5.468	5.278	22/03/2018	19	158
MMC Corporation Berhad	03/28	AA-	5.700	5.700	23/03/2018	0	176
Southern Power Generation Sdn Berhad	04/28	AA-	4.909	4.913	07/02/2018	0	97
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	4.708	4.695	19/01/2018	1	82
Tan Chong Motor Holdings Berhad	11/19	A1	6.046	6.024	27/03/2018	2	272
CIMB Group Holdings Berhad	05/16	A1	5.049	5.230	20/03/2018	-18	50
Alliance Bank Malaysia Berhad	10/25	A2	5.132	4.748	19/03/2018	38	125
			<u>609</u>				

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

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

**Sapura Energy Bhd's net loss for the fourth quarter ended Jan 31, 2018 ballooned to RM2.29bil compared with RM172.32mil in the previous corresponding quarter, due to impairments and lower revenue from the engineering, construction and drilling business segments.** In a filing with Bursa Malaysia, the oil and gas (O&G) service provider said earnings in the fourth quarter were also affected by a lower share of profit from associates and joint ventures (JVs). The O&G company made a provision for an impairment on property, plant and equipment of RM2.13bil during the three-month period. Revenue during the quarter dropped to RM1.19bil from RM1.81bil a year earlier. For the financial year ended Jan 31, Sapura Energy suffered a net loss of RM2.50bil compared with a net profit of RM208.32mil in the previous corresponding period, while revenue dropped to RM5.89bil from RM7.65bil a year earlier. "In addition, included in the current year's share of profit from associates and JVs is the share of loss on the disposal of vessel by SapuraAcergy amounting to RM46.1mil," said Sapura Energy. In a statement, president and group chief executive officer Tan Sri Shahril Shamsuddin said the company continued to assess all aspects of its asset life-cycle periodically based on market changes, and views impairment assessments as a healthy industry practice. "The impairment recorded, which has no impact on cash, creates a lighter asset base for the group by reducing the total carrying value and depreciation charge of our drilling rigs, going forward. "This enables us to operate at a lower cost base in the future while enhancing our competitiveness for growth and at the same time improve profitability." He added that the company remained focused on maintaining a strong operational performance and replenishing its orderbook - by strengthening its position in existing markets and embedding into new markets to enlarge bid opportunities. "We are confident that our strong track record and proven technical capabilities will position us for further growth, as the industry gradually experiences renewed optimism." Last week, Sapura Energy won a RM2bil contract from Mubadala Petroleum to undertake engineering, procurement, construction, installation and commissioning works for the Pegaga gas development field in Block SK320, offshore Sarawak. The contract marks the company's sixth job win since the beginning of 2018 - bringing its year-to-date job wins to nearly RM3bil. Prior to the contract from Mubadala Petroleum, Sapura Energy had secured five contracts worth a combined value of over RM900mil since the start of 2018. The five contract wins earlier this year were with Petronas Carigali, Hess Exploration and Production Malaysia BV, Malaysia Marine and Heavy Engineering Sdn Bhd and Mumbai Port Trust. It is also making inroads into New Zealand with a series of farm-in agreements to five offshore exploration permits within the Taranaki Basin. (Source: The Star)

**Malaysia's economy is expected to grow at between 5.5% to 6% this year, underpinned by robust domestic demand and improving exports on the back of a global economic recovery, according to a central bank forecast.** In Bank Negara Malaysia's (BNM) 2017 annual report released yesterday, the central bank said strong private-sector expenditure would remain the key driver of growth, bolstered by continued expansion in wages and employment, business optimism and favourable demand. "Private consumption growth is projected to remain sustained at 7.2% in 2018. The key factors that will support consumption spending during the year include continued growth in employment and income, lower inflation and improving sentiments." Meanwhile, private investment growth is forecast to be maintained at 9.1%, supported by ongoing and new capital spending in both the manufacturing and services sectors. However, public-sector expenditure is expected to decline due to a contraction in public investment amid a more moderate growth in public consumption. "Public consumption is expected to register a marginal expansion of 0.6% in 2018 on account of a more moderate growth in emoluments amid prudent spending on supplies and services. [Meanwhile], public investment is projected to decline by 3.2% due to lower capital spending by public corporations following the near completion of large-scale projects." BNM drew particular attention to Malaysia's robust export performance, which it expects to support wages in export-oriented industries amid continued growth in domestic economic activity. "The strong growth momentum will also be supported by continued positive spillovers from the external sector to domestic economic activity." However, downside risks to growth remain, BNM noted, as trade protectionism policies by major trading partners and a sharper-than-expected growth moderation in China could dampen the strength of Malaysia's exports.

“A re-emergence of volatile commodity prices or abrupt corrections in international financial markets could also weigh down sentiments, dampening the strength of domestic economic activity.” On the supply side, all major economic sectors are expected to register an expansion, with the services and manufacturing sectors the key contributors to overall growth. The electrical and electronics sector is expected to sustain production in line with the expected normalisation of global semiconductor demand. Malaysia’s gross domestic product (GDP) expanded 5.9% last year, beating the central bank’s initial forecast of 4.3% to 4.8%. ( Source: The Edge )

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Cendana Sejati Sdn Bhd	RM360 million Senior Sukuk Murabahah MTN Programme (2015/2025)	BB2	Update

Source: RAM Ratings; MARC

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