

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.41	2
5-yr UST	2.41	3
10-yr UST	2.59	4
30-yr UST	2.99	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.44	5	3.51	4
5-yr	3.62	5	3.72	4
7-yr	3.66	0	3.81	0
10-yr	3.81	4	3.91	6
15-yr	4.13	5	4.11	0
20-yr	4.34	5	4.37	1
30-yr	4.58	-1	4.62	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.53	0
3-yr	3.55	2
5-yr	3.64	2
7-yr	3.73	2
10-yr	3.91	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries were weaker on Tuesday amid whilst equities showed strength and resilience at current high levels. Overall benchmark yields closed between 2-4bps higher with the UST 2Y up 2bps at 2.41% whilst the much-watched 10Y rose 4bps at 2.59%; the highest level since the March Federal Reserve meeting. Interestingly, that is actually back to its high levels before the Fed's announcement. Walmart's \$4b debt offering weighed on UST's following its announcement whilst investors weigh Chinese economic data. The Fed's revised projections for interest rates led traders to position more aggressively for a recession, sending 10-year yields as low as 2.338% on 28th of March. However those concerns have abated following better-than-expected U.S. data, including the jobs recovery in March.

MGS/GII

- Local govvnies closed weaker on news that FTSE Russell may drop MYR debt from the FTSE World Government Bond Index as part of reviews into the accessibility of global bond markets. Secondary market volume was higher at RM4.76b with trades focused on benchmark 5Y,10Y and 15Y bonds. Overall benchmark yields ended 0-6bps higher save for the 30Y MGS. The benchmark 5Y MGS 4/23 spiked 5bps at 3.62% whilst the 10Y MGS 8/29 rose 4bps at 3.81%. GII bond trades formed 43% of overall trades. Meanwhile both Malaysian Ringgit and Korean won led Asian currencies lower of fears of a slowdown in the upcoming release of China's economic numbers.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk space saw secondary volume ease to RM594m with interest mainly across the GG-segment. A slew of DANA 2022 tranches closed 2-29bps lower compared to previous-done at 3.70% levels whilst DANA 5/24 and PTPTN 7/26 were the sole GG trades that ended 2bps higher at 3.80% and 3.98% respectively. AAA-rated PLUS 25 also closed sharply lower on yields at 4.10%. Likewise, AAA-rated MANJUNG 11/31 also closed 2bps lower at 4.26%. The AA-energy-related SEB bonds saw both the 6/26 and 7/29 tranches close 0-3bps lower at 4.23% and 4.30% each whilst Country Garden 3/22 closed unchanged at 6.15%. The banking space saw Alliance Bank 25NC20 close 38bps lower at 4.63%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.292	50	3.190	15/04/2019	10
MGS	10/19	3.341	5	3.301	15/04/2019	4
MGS	11/19	3.359	140	3.311	15/04/2019	5
MGS	03/20	3.381	104	3.373	15/04/2019	1
MGS	10/20	3.416	87	3.366	15/04/2019	5
MGS	07/21	3.393	20	3.403	15/04/2019	-1
MGS	11/21	3.424	47	3.410	15/04/2019	1
MGS	03/22	3.435	112	3.385	12/04/2019	5
MGS	09/22	3.531	43	3.516	15/04/2019	2
MGS	03/23	3.587	21	3.557	15/04/2019	3
MGS	04/23	3.622	252	3.573	15/04/2019	5
MGS	08/23	3.623	84	3.618	15/04/2019	1
MGS	07/24	3.694	11	3.669	15/04/2019	2
MGS	09/24	3.768	99	3.662	10/04/2019	11
MGS	03/25	3.796	105	3.701	15/04/2019	9
MGS	11/26	3.838	177	3.755	15/04/2019	8
MGS	11/27	3.885	214	3.823	15/04/2019	6
MGS	06/28	3.844	84	3.785	12/04/2019	6
MGS	08/29	3.814	209	3.779	15/04/2019	4
MGS	04/30	3.950	87	3.952	10/04/2019	0
MGS	06/31	3.994	33	4.002	15/04/2019	-1
MGS	04/32	4.077	10	4.047	15/04/2019	3
MGS	04/33	4.128	136	4.095	15/04/2019	3
MGS	11/33	4.126	230	4.060	12/04/2019	7
MGS	05/35	4.280	170	4.244	15/04/2019	4
MGS	04/37	4.303	24	4.257	15/04/2019	5
MGS	06/38	4.339	30	4.291	15/04/2019	5
MGS	09/43	4.573	10	4.523	10/04/2019	5
MGS	07/48	4.581	126	4.589	15/04/2019	-1
GII	04/20	3.422	270	3.391	15/04/2019	3
GII	03/21	3.472	40	3.467	15/04/2019	0
GII	04/21	3.476	50	3.489	04/04/2019	-1
GII	04/21	3.476	50	3.615	12/12/2018	-14
GII	03/22	3.513	120	3.465	12/04/2019	5
GII	04/22	3.546	3	3.887	15/04/2019	-34
GII	11/23	3.722	84	3.687	15/04/2019	4
GII	05/24	3.705	50	3.696	10/04/2019	1
GII	08/24	3.735	190	3.717	15/04/2019	2
GII	10/24	3.696	70	3.668	12/04/2019	3
GII	08/25	3.805	10	3.801	15/04/2019	0
GII	10/25	3.815	90	3.815	15/04/2019	0
GII	03/26	3.759	100	3.731	11/04/2019	3
GII	07/27	3.901	20	3.872	15/04/2019	3
GII	10/28	3.919	170	3.901	15/04/2019	2
GII	12/28	3.949	20	3.879	04/04/2019	7
GII	07/29	3.907	258	3.849	15/04/2019	6
GII	06/33	4.109	50	4.106	09/04/2019	0
GII	10/35	4.268	40	4.256	12/04/2019	1
GII	08/37	4.365	260	4.355	15/04/2019	1
GII	09/39	4.338	100	4.338	11/04/2019	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	3.580	10	3.618	08/04/2019	-4	19
Malaysia Debt Ventures Berhad	01/22	GG	3.688	50	3.689	15/04/2019	0	29
Danainfra Nasional Berhad	03/22	GG	3.700	30	3.910	21/02/2019	-21	30
Danainfra Nasional Berhad	04/22	GG	3.701	50	3.992	11/01/2019	-29	30
Danainfra Nasional Berhad	07/22	GG	3.703	50	3.680	05/04/2019	2	30
Prasarana Malaysia Berhad	03/24	GG	3.792	30	3.788	10/04/2019	0	20
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	3.845	30	3.959	25/03/2019	-11	26
Danainfra Nasional Berhad	05/24	GG	3.800	35	3.780	10/04/2019	2	21
Prasarana Malaysia Berhad	03/25	GG	3.864	30	3.909	27/03/2019	-4	18
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	3.858	30	3.891	29/03/2019	-3	17
Danainfra Nasional Berhad	04/26	GG	3.900	15	3.915	09/04/2019	-2	20
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.981	30	3.965	12/04/2019	2	29
GovCo Holdings Berhad	06/31	GG	4.209	20	4.325	26/03/2019	-12	41
Telekom Malaysia Berhad	12/24	AAA	4.108	3	4.300	28/02/2019	-19	42
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.098	10	4.329	25/02/2019	-23	41
Danga Capital Berhad	02/26	AAA	4.040	3	4.180	11/03/2019	-14	34
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/20	AA1	3.938	6	4.229	05/11/2018	-29	58
Sabah Development Bank Berhad	05/22	AA1	4.726	2	4.694	28/03/2019	3	133
TRIpIc Medical Sdn Berhad	10/24	AA1	4.228	10	4.401	25/02/2019	-17	54
Sarawak Energy Berhad	06/26	AA1	4.225	10	4.257	28/03/2019	-3	53
Sarawak Energy Berhad	07/29	AA1	4.303	10	4.305	09/04/2019	0	50
Benih Restu Berhad	06/25	AA2	4.288	10	4.448	12/03/2019	-16	60
PBFIN Berhad	11/59	AA2	3.999	13	4.318	03/01/2019	-32	-31
Country Garden Real Estate Sdn Berhad	03/22	AA3	6.147	5	6.151	15/04/2019	0	275
Bandar Serai Development Sdn Berhad	08/23	AA3	4.407	15	4.650	27/08/2018	-24	90
CIMB Thai Bank Public Company Limited	07/24	AA3	4.108	20	4.165	10/04/2019	-6	52
Edra Energy Sdn Berhad	07/26	AA3	5.330	4	5.406	13/03/2019	-8	163
MEX II Sdn Berhad	04/29	AA-	4.688	10	4.800	28/03/2019	-11	89
Edra Energy Sdn Berhad	07/32	AA3	5.778	5	5.780	15/04/2019	0	168
UEM Sunrise Berhad	06/19	AA-	4.078	10	4.136	25/01/2019	-6	72
MMC Corporation Berhad	11/27	AA-	5.368	1	5.368	15/04/2019	0	158
Southern Power Generation Sdn Berhad	10/28	AA-	4.321	10	4.680	17/12/2018	-36	52
MEX II Sdn Berhad	04/31	AA-	4.829	10	5.140	14/12/2018	-31	103
Affin Bank Berhad	02/27	A1	4.675	3	4.871	28/03/2019	-20	92
CIMB Group Holdings Berhad	05/16	A1	4.575	1	4.806	09/04/2019	-23	27
CIMB Group Holdings Berhad	05/16	A1	4.656	1	4.574	15/04/2019	8	35
Alliance Bank Malaysia Berhad	10/25	A2	4.630	10	5.005	10/04/2019	-38	93
Mah Sing Perpetual	-	-	5.592	2	5.852	09/04/2019	-26	-
				594				

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

Market/Corporate News: What's Brewing

BlackRock Inc rebounded from a rocky end of last year, as customers jumped into its fixed-income products and showed interest in illiquid alternatives. The world's largest asset manager saw US\$65 billion in net inflows in the first quarter, the strongest total since 2017. The results Tuesday helped lift the New York-based company's assets under management above US\$6 trillion again, after a drop amid market turmoil at the end of 2018. BlackRock saw clients put money to work, moving from cash to fixed income, Chief Executive Larry Fink said in an interview on CNBC after the earnings report. "We're seeing huge excitement in fixed income," Fink said. BlackRock's fixed income products took in US\$80 billion in the first quarter, driving the company's US\$59 billion in long-term net flows. Investors have shown renewed interest in bonds since the Federal Reserve officials signaled this year that an increase in rates is on hold. The pause came after many traders were instead positioning for a stretch of hikes. The strength in BlackRock's fixed income business and US\$6.8 billion in alternatives flows, helped mute the impact of investors pulling US\$26 billion out of BlackRock's equity products in the period. Fink commented in the CNBC interview that investors haven't rushed back into equities even as the stock market bounced back this year. "There are huge pools of money sitting on the sidelines," Fink said on an earnings conference call later Tuesday. BlackRock's iShares division is the largest global issuer of exchange-traded funds and a key piece of its business. The asset manager often points to fixed-income ETFs as a source of future growth for the industry. Its fixed-income exchange-traded products brought in US\$32 billion in the first quarter, offsetting US\$1.6 billion in outflows from its equity ETFs. iShares saw flows of US\$30.7 billion overall in the period, down from a record US\$81 billion in the fourth quarter. BlackRock is recovering from

2018, when the firm saw its share price drop about 24% and confronted three straight quarters of institutional outflows. In the first quarter, the company reversed that trend and gathered institutional inflows of US\$29.1 billion. "Asset inflows should support BlackRock's long-term earnings gains, even as global concerns may weigh near-term. Secular expansion and higher market share in the alternative-investments industry may also fuel growth, as the company targets greater ETF exposure as a key opportunity." Said Alison Williams, Financials Analyst at Bloomberg Intelligence. BlackRock shares were up 2% on Tuesday at 10:11 a.m. in New York. It reported earnings per share of US\$6.61, beating estimates of US\$6.13 per share, according to analysts surveyed by Bloomberg. Revenue of US\$3.3 billion fell 7% from the same period a year earlier, and was in line with analyst estimates. "We've had a significantly better market tone than we saw in the second half of the year," said Gary Shedlin, the firm's chief financial officer, in an interview. Quarterly net flows were driven by key businesses the company's invested in, he said. "We feel those investments are paying off," Shedlin added. In the Asia-Pacific region, where BlackRock is seeking to expand its presence, the company saw US\$2.9 billion in outflows. "It seems like things are getting stuck there," said Kyle Sanders, an analyst for Edward Jones & Co. "It's a top priority for them and we're not seeing any progress yet unfortunately." The company's assets under management rose to US\$6.52 trillion in the period. The firm recently announced some big management changes. In an effort to be more global, it transferred oversight of institutional client businesses to regional leaders. The company reported an 11% growth in technology services year-over-year. To further its technology focus, in March BlackRock agreed to acquire French software provider eFront for US\$1.3 billion. (Source: *The EdgeMarkets*)

Hopes of luring back global investors to a battered stock market are dimming by the day for Malaysia. The benchmark FBM KLCI is down 14% from a record in May 2018 and it's the worst major market in the world so far this year, having slipped 3.4%. That's even amid a rally in global equities spurred by the Federal Reserve's dovish pivot and a potential trade deal between the United States and China. The gloomy outlook for Malaysian stocks isn't likely to end anytime soon, says Samsung Asset Management Co. "Malaysia will likely disappoint over the next year because since the new government came in power in May 2018, it has been lowering public debt with fiscal tightening," said Alan Richardson, a regional fund manager at Samsung Asset in Hong Kong. "This will be the theme from May 2018 to May 2020." Euphoria about Malaysian stocks has faded after almost one year since Pakatan Harapan's surprise election victory in May, as the new administration struggled to clean up government inefficiencies and corruption. Unfulfilled campaign promises partly due to the legacy it inherited have also hurt its popularity. The new administration last month lowered its 2019 economic growth forecast and has been on an austerity drive to rein in its budget deficit. The stocks gauge fell to its lowest since 2016 last week even as the price of crude oil, one of its major exports, has risen by a third in 2019. "The perception that Malaysia is the only beneficiary in Asia from rising oil prices is a fallacy," Richardson said. "Rising oil price is negative for Malaysia" because it imports more oil products than what it exports as crude, he said. Not everyone is bearish. Bharat Joshi, a Jakarta-based fund manager at Aberdeen Standard Investments, is "neutral" on Malaysia stocks and sees green shoots in infrastructure and oil-related stocks. Construction shares and oil and gas stocks will outperform the market following the resumption of talks on projects including the East Coast Rail Link and a rebound in commodity prices, he said. However, Joshi and Richardson shared a view that the weak performance of the new government and companies have weighed on sentiment so far. Richardson said he is bearish on Malaysia stocks not because there is a downside risk, but "just that there is nothing to be positive about over the next 12 months." (Source: *The Star/Bloomberg*)

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

Source: RAM, MARC

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