

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.24	2
5-yr UST	2.20	2
10-yr UST	2.41	2
30-yr UST	2.83	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	0	3.47	1
5-yr	3.60	0	3.65	-3
7-yr	3.77	-4	3.79	-3
10-yr	3.81	-2	3.88	-2
15-yr	4.12	-5	4.16	-2
20-yr	4.31	0	4.35	0
30-yr	4.59	-1	4.61	-4

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.47	0
3-yr	3.51	-2
5-yr	3.58	0
7-yr	3.66	1
10-yr	3.85	-1

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM4.0bn 10Y MGS 8/29 on 23 May (Thursday)

US Treasuries

- US Treasuries reversed gains to end the day softer despite lingering market jitters stemming not only from escalating trade spat, but also diplomatic ties between the US and China that has also heightened geopolitical risks. Benchmark yields ended 1-2bps higher across the curve, with the 2s and 10s adding 2bps each at 2.24% and 2.41% respectively at close. Even though latest news saying the US is delaying the Huawei sanction for another 90 days, markets is expected to stay nervous and risk-off in the near term, keeping demand for UST supported. Trade and diplomatic noises aside, all eyes will be on FOMC minutes and US\$11bn of 10Y TIPS reopening this week.

MGS/GII

- Trading in local govies saw momentum softened somewhat with secondary market volumes pulling back to RM3.26bn on Friday, down approximately 30% from Thursday's trade volume of RM4.60b. Benchmark yields ended 0-5bps lower with the exception of 3Y GII that edged 1bp higher, with interests well spread across the curve. The benchmark 5Y MGS 4/23 yield was unchanged at 3.60% whilst the 10Y MGS 8/29 yields lost 2bps at 3.81%. GII bond trades fell to form 37% of overall trades. We expect demand for local govies to stay supported as local institutions and some offshore investors were seen bidding up bonds as values were seen emerging. All eyes will be on Thursday's reopening of MGS 8/29 followed by release of CPI reading for the month of April on Friday.

Corp Bonds/Sukuk

- Contrary to the softer traction seen in the govies space, corporate bonds/sukuk saw a pick-up in secondary volume to RM833m on Friday, mainly driven by the debut of RHBIB '5/29 which garnered a massive RM500m trade at 4.32%. Excluding this, trading momentum was indeed softer with the GG and AAA part of the curve taking center stage. PRASA '12/30 and DANA '4/26 led the pack with RM45m and RM40m changed hands respectively at 4.09% and 3.89%. Danga '4/20 and BPMB '11/35 also topped the list with RM40m and RM20m dealt at 3.804% and 4.669%.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/19	3.155	103	3.157	15/05/2019	0
MGS 11/19	3.171	34	3.147	16/05/2019	2
MGS 03/20	3.238	50	3.239	16/05/2019	0
MGS 07/20	3.282	4	3.284	16/05/2019	0
MGS 10/20	3.311	9	3.310	16/05/2019	0
MGS 02/21	3.340	4	3.344	13/05/2019	0
MGS 07/21	3.370	41	3.394	15/05/2019	-2
MGS 09/21	3.380	4	3.397	16/05/2019	-2
MGS 11/21	3.424	2	3.412	16/05/2019	1
MGS 03/22	3.424	40	3.421	16/05/2019	0
MGS 09/22	3.504	30	3.508	16/05/2019	0
MGS 03/23	3.615	113	3.598	16/05/2019	2
MGS 04/23	3.303	242	3.597	15/05/2019	-29
MGS 09/25	3.811	38	3.814	16/05/2019	0
MGS 07/26	3.754	142	3.777	16/05/2019	-2
MGS 11/26	3.846	131	3.884	16/05/2019	-4
MGS 11/27	3.906	62	3.900	16/05/2019	1
MGS 06/28	3.878	160	3.900	16/05/2019	-2
MGS 08/29	3.813	20	3.799	16/05/2019	1
MGS 04/30	3.997	60	3.990	16/05/2019	1
MGS 04/32	4.122	50	4.137	16/05/2019	-1
MGS 11/33	4.094	409	4.124	16/05/2019	-3
MGS 06/38	4.304	30	4.312	08/05/2019	-1
MGS 03/46	4.592	5	4.567	16/05/2019	2
MGS 07/48	4.580	260	4.589	16/05/2019	-1
GII 04/20	3.270	27	3.263	14/05/2019	1
GII 04/20	3.280	230	3.277	10/05/2019	0
GII 05/20	3.280	230	3.280	16/05/2019	0
GII 05/20	3.280	10	3.519	10/01/2019	-24
GII 06/20	3.280	400	3.280	16/05/2019	0
GII 08/20	3.271	34	3.300	16/05/2019	-3
GII 03/22	3.461	55	3.469	16/05/2019	-1
GII 08/24	3.684	30	3.686	16/05/2019	0
GII 10/24	3.648	50	3.655	16/05/2019	-1
GII 08/25	3.782	10	3.782	16/05/2019	0
GII 03/26	3.784	20	3.792	16/05/2019	-1
GII 09/26	3.857	60	3.865	16/05/2019	-1
GII 07/29	3.877	50	3.883	16/05/2019	-1
GII 11/49	4.610	10	4.62	16/05/2019	-1
		<u>3259</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	04/26	GG	3.890	40	3.908	09/05/2019	-2	13
Lembaga Pembiayaan Perumahan Sektor Awam	04/26	GG	3.909	10	3.910	10/04/2019	0	15
Perbadanan Tabung Pendidikan Tinggi Nasional	07/26	GG	3.949	15	3.963	08/05/2019	-1	19
Pelabuhan Tanjung Pelepas Sdn Berhad	11/28	GG	4.101	5	4.131	28/03/2019	-3	27
Pelabuhan Tanjung Pelepas Sdn Berhad	11/30	GG	4.270	20	4.311	28/03/2019	-4	47
Prasarana Malaysia Berhad	12/30	GG	4.090	45	4.033	09/04/2019	6	29
Pelabuhan Tanjung Pelepas Sdn Berhad	10/31	GG	4.352	20	4.401	28/03/2019	-5	55
Prasarana Malaysia Berhad	12/32	GG	4.231	10	4.234	07/05/2019	0	10
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	4.649	8	4.649	16/05/2019	0	32
Danga Capital Berhad	04/20	AAA	3.804	40	3.895	19/04/2019	-9	55
Projek Lebuhraya Usahasama Berhad	01/22	AAA	3.976	10	4.000	16/05/2019	-2	55
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.428	20	4.460	30/04/2019	-3	30
TNB Northern Energy Berhad	05/32	AAA	4.291	10	4.890	09/03/2018	-60	16
Bank Pembangunan Malaysia Berhad	11/35	AAA	4.669	10	4.950	03/11/2016	-28	54
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/24	AA1	4.438	10	0.000	00/01/1900	444	71
BGSM Management Sdn Berhad	08/25	AA3	4.379	10	4.630	18/01/2019	-25	65
BGSM Management Sdn Berhad	03/26	AA3	4.408	10	4.509	12/04/2019	-10	65
CIMB Thai Bank Public Company Limited	07/26	AA3	4.554	10	4.493	16/05/2019	6	79
AmBank (M) Berhad	02/28	AA3	4.296	0	4.268	16/05/2019	3	46
Edra Energy Sdn Berhad	01/32	AA3	5.381	5	5.739	12/04/2019	-36	125
Edra Energy Sdn Berhad	07/32	AA3	5.468	10	5.778	16/04/2019	-31	134
Edra Energy Sdn Berhad	01/34	AA3	5.448	5	5.769	07/05/2019	-32	132
RHB Islamic Bank Berhad	05/29	AA3	4.320	500	4.320	5/17/2019	0	-
MMC Corporation Berhad	11/27	AA-	5.285	1	5.338	15/05/2019	-5	147
Special Power Vehicle Berhad	11/21	A1	4.507	6	4.731	15/02/2019	-22	108
Tan Chong Motor Holdings Berhad	11/21	A1	4.602	0	4.892	16/05/2019	-29	118
Bank Islam Malaysia Berhad	12/25	A1	4.171	2	4.203	30/04/2019	-3	41
CIMB Group Holdings Berhad	05/16	A1	4.417	1	4.755	14/05/2019	-34	9
CIMB Group Holdings Berhad	05/16	A1	4.433	0	4.300	16/05/2019	13	10
Alliance Bank Malaysia Berhad	10/25	A2	4.296	0	4.904	10/05/2019	-61	57
Affin Bank Berhad	07/18	A3	4.301	0	5.099	10/05/2019	-80	-3
				<u>833</u>				

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

Market/Corporate News: What's Brewing

The U.S. government on Monday temporarily eased some trade restrictions imposed last week on China's Huawei, a move that sought to minimize disruption for the telecom company's customers around the world. The U.S. Commerce Department will allow Huawei Technologies Co Ltd to purchase American-made goods in order to maintain existing networks and provide software updates to existing Huawei handsets. The company is still prohibited from buying American parts and components to manufacture new products without license approvals that likely will be denied. The new authorization is intended to give telecommunications providers that rely on Huawei equipment time to make other arrangements, U.S. Secretary of Commerce Wilbur Ross said in a statement. The authorization, which is in effect for 90 days, suggests changes to Huawei's supply chain may have immediate, far-reaching and unintended consequences for its customers. "The goal seems to be to prevent internet, computer and cell phone systems from crashing," said Washington lawyer Kevin Wolf, a former Commerce Department official. "This is not a capitulation. This is housekeeping." Huawei, the world's largest telecommunications equipment maker, did not immediately respond to a request for comment. The Commerce Department said it will evaluate whether to extend the exemptions beyond 90 days. On Thursday, the U.S. Commerce Department added Huawei and 68 entities to an export blacklist that makes it nearly impossible for the Chinese company to purchase goods made in the United States. The companies on the list are deemed to be engaged in activities contrary to the national security or foreign policy interests of the United States. Reuters reported Friday that the department was considering a temporary easing, citing a government spokeswoman. Monday's announcement said the authorization was created as a temporary general

license, in effect until Aug. 19. The license also allows disclosures of security vulnerabilities and for Huawei to engage in the development of standards for future 5G networks. Reuters reported Sunday that Alphabet Inc's Google suspended business with Huawei that requires the transfer of hardware, software and technical services except those publicly available via open source licensing, citing a source familiar with the matter. Google did not immediately respond to a request for comment on the new authorization. Out of \$70 billion Huawei spent buying components in 2018, some \$11 billion went to U.S. firms including Qualcomm, Intel Corp and Micron Technology Inc. "I think this is a reality check," said Washington trade lawyer Douglas Jacobson. "It shows how pervasive Huawei goods and technology are around the globe and if the U.S. imposes restrictions, that has impacts." Jacobson said the effort to keep existing networks operating appeared aimed at telecom providers in Europe and other countries where Huawei equipment is pervasive. The move also could assist mobile service providers in thinly populated areas of the U.S., such as Wyoming and eastern Oregon, that purchased network equipment from Huawei in recent years. Wolf, the former Commerce official, said the temporary license was similar to action taken by the department in July to prevent systems from crashing after the U.S. banned China's ZTE Corp, a smaller Huawei rival, from buying American-made components in April. The U.S. trade ban on ZTE wreaked havoc at wireless carriers in Europe and South Asia, sources told Reuters at the time. The ban on ZTE was lifted July 13 after the company struck an agreement with the Commerce Department that included a \$1 billion fine plus \$400 million in escrow and replacement of its board of directors and senior management. ZTE, which had ceased major operations as a result of the ban, then resumed business. (Source: The Star/ Reuters)

Oil prices edged up on Tuesday on signs that producer club OPEC will continue withholding supply this year and as tensions between the United States and Iran escalated. Brent crude futures, the international benchmark for oil prices, were at \$72.07 per barrel at 0033 GMT, up 10 cents, or 0.1 percent, from their last close. U.S. West Texas Intermediate (WTI) crude futures were up by 14 cents, or 0.2 percent, at \$63.24 per barrel. "Oil prices opened higher, after OPEC held onto its production cut deal," said ANZ on Tuesday. The Organization of the Petroleum Exporting Countries (OPEC), Russia and other non-member producers have been withholding production since the start of the year to prop up the market. A meeting has been scheduled for June 25-26 to discuss the policy, but the cartel is now considering moving the event to July 3-4, according to OPEC sources on Monday, with its de-facto leader Saudi Arabia signalling a willingness to continue withholding output. Meanwhile, U.S. President Donald Trump on Monday threatened Iran with "great force" if it attacked U.S. interests in the Middle East. This came after a rocket attack in Iraq's capital Baghdad, which Washington suspects to have been organised by militia with ties to Iran. ANZ bank said the rising tension in the Middle East meant a "risk premium is reflected in the price" of crude oil. (Source: The Star/ Reuters)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: RAM, MARC

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