

Global Markets Research

Fixed Income

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Fixed Income Daily Market Snapshot

US Treasuries

- UST ended relatively unchanged with only 10-year and 30-year yields inched 1 bp higher from previous close. On the data front, Chicago PMI moderated lower with a reading of 58.9 following a prior 65.7 in June whilst pending home sales for the month of June, improved from -0.7% in May to latest level of 1.5%. The improved home sales data yesterday suggest that housing demand is stabilizing following a 3-month downturn. Focus to shift towards upcoming Markit PMI manufacturing tonight.

MGS/GII

- Local govies ended supported, with trading volume circa RM2.25b seen changing hands. We saw SPK 7/22 traded at 3.94% with RM100m dealt. Short-dated 3-year MGS 3/19 seen crossed at 3.30% level with RM226m crossed. Focus to shift towards Malaysia's upcoming trade data. Sustained export data strength may continue to anchor domestic growth prospects and hence positive catalyst for the local currency performance. Spreads between 10-year MGS versus GII currently at circa 10 bps differential.

PDS/Sukuk

- In the corporate bonds/sukuk space, trading volume improved with over RM499m changing hands. Bank Pembangunan '9/21 seen traded at 4.02% whilst Govco '2/24 saw levels done at 4.28% level. AAA Sarawak Hidro '8/30 saw RM10m dealt at 4.90% level. Other notable trades include Benih Restu' 6/25 and CIMB '10/18 with levels crossed at 4.62% and 4.47% level respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.35	0
5-yr UST	1.84	0
10-yr UST	2.30	1
30-yr UST	2.90	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	-1	3.59	0
5-yr	3.70	1	3.80	-1
7-yr	3.91	-1	4.01	0
10-yr	3.99	1	4.09	0
15-yr	4.41	2	4.53	0
20-yr	4.57	1	4.75	0
30-yr	4.74	-8	4.93	-3

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.64	0
5-yr	3.76	0
7-yr	3.87	0
10-yr	4.00	0

Source: Bloomberg

Upcoming Government Bond Tenders

Nil

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/17	3.017	40	3.030	28/07/2017	-1
MGS	10/17	3.063	4	3.047	26/07/2017	2
MGS	02/18	3.132	12	3.132	28/07/2017	0
MGS	03/18	3.135	39	3.087	25/07/2017	5
MGS	09/18	3.239	31	3.249	28/07/2017	-1
MGS	03/19	3.303	226	3.342	28/07/2017	-4
MGS	07/19	3.432	2	3.456	20/07/2017	-2
MGS	10/19	3.442	14	3.456	28/07/2017	-1
MGS	11/19	3.468	2	3.469	28/07/2017	0
MGS	03/20	3.531	11	3.526	27/07/2017	1
MGS	07/20	3.594	1	3.605	28/07/2017	-1
MGS	10/20	3.608	14	3.593	27/07/2017	2
MGS	07/21	3.715	2	3.735	27/07/2017	-2
MGS	09/21	3.759	1	3.746	27/07/2017	1
MGS	11/21	3.758	21	3.771	28/07/2017	-1
MGS	03/22	3.698	16	3.691	28/07/2017	1
MGS	08/22	3.859	10	3.825	27/07/2017	3
MGS	09/22	3.833	107	3.820	28/07/2017	1
MGS	03/23	3.920	26	3.903	28/07/2017	2
MGS	08/23	3.969	51	3.991	28/07/2017	-2
MGS	07/24	3.981	49	3.973	28/07/2017	1
MGS	09/24	3.910	33	3.903	27/07/2017	1
MGS	09/25	4.092	22	4.079	28/07/2017	1
MGS	04/26	4.115	55	4.095	28/07/2017	2
MGS	03/27	4.187	3	4.178	26/07/2017	1
MGS	11/27	3.988	162	3.981	28/07/2017	1
MGS	04/30	4.384	57	4.373	28/07/2017	1
MGS	06/31	4.441	89	4.441	28/07/2017	0
MGS	04/32	4.511	2	4.516	27/07/2017	0
MGS	04/33	4.408	3	4.390	28/07/2017	2
MGS	05/35	4.517	35	4.501	26/07/2017	2
MGS	04/37	4.557	61	4.560	27/07/2017	0
MGS	03/46	4.736	22	4.823	27/07/2017	-9
GII	11/17	3.325	203	3.129	18/07/2017	20
GII	05/18	3.232	3	3.263	07/07/2017	-3
GII	08/19	3.580	200	3.526	26/07/2017	5
GII	04/20	3.593	105	3.594	28/07/2017	0
GII	05/20	3.720	3	3.686	03/07/2017	3
GII	08/20	3.652	310	3.781	12/07/2017	-13
GII	04/22	3.804	50	3.809	28/07/2017	-1
GII	11/22	3.973	0	4.003	14/07/2017	-3
GII	07/23	4.026	50	4.017	27/07/2017	1
GII	09/26	4.151	3	4.168	20/07/2017	-2
GII	07/27	4.092	2	4.093	27/07/2017	0
GII	08/33	4.529	1	4.531	20/07/2017	0
GII	10/35	4.691	5	4.720	14/07/2017	-3
GII	05/47	4.928	1	4.936	17/07/2017	-1
SPK	07/22	3.940	100	3.949	28/07/2017	-1
			<u>2259</u>			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	4.470	10	4.480	03/07/2017	-1	98
Prasarana Malaysia Berhad	05/18	GG	3.509	10	3.542	05/07/2017	-3	1
Perbadanan Tabung Pendidikan Tinggi Nasional	03/21	GG	3.997	10	3.959	29/05/2017	4	31
Bank Pembangunan Malaysia Berhad	09/21	GG	4.021	10	4.021	27/07/2017	0	33
Pengurusan Air SPV Berhad	02/23	GG	4.119	10	4.181	18/07/2017	-6	30
GovCo Holdings Berhad	02/24	GG	4.283	20	4.249	09/06/2017	3	41
Prasarana Malaysia Berhad	08/26	GG	4.452	5	4.371	29/05/2017	8	45
DanInfra Nasional Berhad	07/27	GG	4.495	10	4.500	19/01/2017	0	50
GovCo Holdings Berhad	02/32	GG	4.800	5	4.839	25/07/2017	-4	63
Cagamas Berhad	03/18	AAA	3.718	3	3.721	28/06/2017	0	22
Cagamas Berhad	10/18	AAA	3.812	5	3.863	29/03/2017	-5	32
Manjung Island Energy Berhad	11/18	AAA	4.004	5	3.978	21/07/2017	3	51
Aman Sukuk Berhad	04/19	AAA	4.096	10	4.150	26/07/2017	-5	53
Cagamas Berhad	10/19	AAA	3.958	20	3.975	05/04/2017	-2	39
HSBC Amanah Malaysia Berhad	03/20	AAA	4.222	3	4.176	16/06/2017	5	58
Manjung Island Energy Berhad	11/21	AAA	4.231	3	4.231	27/07/2017	0	54
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.289	5	4.300	28/07/2017	-1	52
Gulf Investment Corporation G.S.C	06/22	AAA	5.057	1	5.070	13/06/2017	-1	129
Sarawak Hidro Sdn Berhad	08/23	AAA	4.412	1	4.381	21/06/2017	3	59
Cagamas Berhad	10/25	AAA	4.441	10	4.399	21/03/2017	4	53
Bank Pembangunan Malaysia Berhad	11/26	AAA	4.561	60	4.507	19/06/2017	5	56
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.590	20	4.573	05/07/2017	2	59
Sarawak Hidro Sdn Berhad	08/30	AAA	4.900	10	4.901	17/02/2017	0	73
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.970	10	4.980	03/07/2017	-1	80
Teknologi Tenaga Perlis Consortium Sdn Berhad	01/18	AA1	4.020	2	3.873	05/10/2016	15	52
Batu Kawan Berhad	06/23	AA1	4.503	35	4.478	06/06/2017	3	68
Kuala Lumpur Kepong Berhad	08/25	AA1	4.569	20	4.554	20/07/2017	1	65
CIMB Islamic Bank Berhad	09/17	AA+	3.941	2	5.001	23/06/2017	-106	45
CIMB Islamic Bank Berhad	09/19	AA+	4.349	10	4.398	23/06/2017	-5	78
AmBank (M) Berhad	03/19	AA2	4.227	45	4.306	01/03/2017	-8	66
First Resources Limited	12/17	AA2	4.128	4	4.180	24/07/2017	-5	63
First Resources Limited	10/21	AA2	4.651	10	4.654	14/07/2017	0	96
Benih Restu Berhad	06/25	AA2	4.615	20	4.627	26/07/2017	-1	70
CIMB Bank Berhad	10/18	AA	4.472	30	4.505	30/06/2017	-3	98
SPR Energy (M) Sdn Berhad	07/18	AA3	4.504	8	4.510	14/07/2017	-1	101
BGSM Management Sdn Berhad	12/18	AA3	4.303	10	4.328	12/07/2017	-3	81
Perbadanan Kemajuan Negeri Selangor	05/19	AA3	4.453	5	-	-	-	89
RHB Bank Berhad	07/19	AA3	4.502	1	4.175	27/07/2017	33	94
CIMB Thai Bank Public Company Limited	07/19	AA3	4.527	0	4.523	28/07/2017	0	96
AI Dzahab Assets Berhad	06/23	AA3	5.926	10	5.999	22/05/2017	-7	211
BGSM Management Sdn Berhad	06/24	AA3	4.884	10	4.892	28/07/2017	-1	101
Malakoff Power Berhad	12/18	AA-	4.343	10	4.351	04/07/2017	-1	85
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/27	AA-	4.809	10	4.787	07/06/2017	2	81
CIMB Group Holdings Berhad	12/21	A1	5.180	1	4.923	21/07/2017	26	149
				<u>499</u>				

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

Market/Corporate News: What's Brewing

AMMB Holdings Bhd says both itself and RHB Bank Bhd will submit to the authorities on whether or not to proceed with their merger by the end of August or beginning September. Both banks are at the negotiation stage now for the merger, said AMMB's group chief executive officer Datuk Sulaiman Tahir. "We negotiate well and hopefully, things are ironed out and we would then come back to the market in late August or early September. "We need to prove to the authorities that everything is okay and that we'd like to get the approval to merge," he told a press conference after the group's AGM. "After August it will be non-exclusive, meaning that AMMB or RHB can talk to any other parties. But assuming that we want to do it, we can still do it. This is what it means. If we want to do it, then we will do it very quickly," he added. He said if the merger happens, it would provide economies of scale for both banks and give AMMB an overseas presence. "It's highly complementary for both parties. If this merger happens, we will be the fourth-largest bank. But if you compare the Malaysian numbers alone for both RHB and AMMB, and then compare with our peers we would be very close to the top-three actually," he said. "In

terms of fund management, when combined we should be the largest fund manager. In Islamic banking, we would be at number two, just slightly below Malayan Banking Bhd. The merger has plenty of benefits, given that the investments that I make will be the same while the returns the combined entity gets is from a bigger base. Scale in banking is very important,” he added. He said that the merger could help the combined entity see how it can drive Islamic banking across the region. In June, both RHB and AMMB announced that they had obtained approval from Bank Negara to commence discussions on a proposed merger. The banks said they envisaged that the transaction would be an all-share merger. The two lenders have until the end of next month to discuss the merger deal on an exclusive basis. Shares in AMMB closed one sen up to RM4.95, while RHB closed higher by three sen to RM5 yesterday. (Source : The Star)

Malaysian Resources Corp Bhd (MRCB) has received resounding approval for its proposed renounceable rights issue, with some 89% of its shareholders voting for the cash call. The exercise, which will raise some RM2.2bil, will not only pave a smooth path for MRCB's biggest fund-raising exercise, but will also see its gearing being reduced significantly. Both the major shareholders of MRCB, the Employees Provident Fund (EPF) and Gapurna Sdn Bhd, which hold 33.48% and 16.63%, respectively, will be undertaking this portion of the rights share, and may also apply for the excess. Gapurna is a private vehicle of MRCB's managing director Tan Sri Mohamad Salim Fateh Din. “Gapurna's undertaking clearly shows management's commitment to growing the company as it will be pumping capital into the company,” said an analyst. Via Gapurna's 16.63% stake in MRCB, Salim will be entitled to subscribe for 418.18 million rights shares (assuming he exercises all his warrants). Based on the assumed indicative issue price of 85 sen for the rights, Salim will be forking out roughly some RM355.45mil for the exercise. Following this, Gapurna will have a 14.64% stake in the company, along with 83.64 million free warrants. Shares of MRCB closed three sen lower to RM1.22 on a volume of 22 million shares. MRCB is undertaking refurbishment work for the National Sports Complex in Bukit Jalil, in exchange for 76.14 acres in Bukit Jalil from the government. The refurbishment work will cost some RM1.39bil. The EPF has taken up a substantial stake in this Bukit Jalil project, with it buying an 80% stake in Bukit Jalil Sentral Sdn Bhd, the owner of the land, for RM1.14bil. MRCB will own the remaining 20% stake in Bukit Jalil Sentral through its 85%-owned subsidiary Rukun Juang Sdn Bhd. The rights issue entails the issuance of some 2.86 billion renounceable rights shares together with 571.34 million free detachable warrants. (Source: The Star).

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
NUR Power Sdn Bhd	RM650 million Guaranteed Sukuk Mudharabah (2012/2027)	AAA/ bg (Stable) AAA/ fg (Stable)	Reaffirmed

Source: MARC and RAM ratings

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