

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

Chang Wai Ming

Fixed Income Strategist

Hong Leong Bank Berhad, Global Markets

Fixed Income & Economic Research

WMChang@hlbb.hongleong.com.my

(603) 2773 0532

US Treasuries

- UST yields inched higher circa 2-3 bps for selective benchmarks after comments from Fed's Williams. William addressed that inflation should close in on the Fed's 2% goal within the next year or two. He later added that "to keep the US economy on a sustainable growth path, we need to gradually reduce monetary stimulus put in place during the recession and recovery" periods. 10-year yields ended 2 bps higher to close at 2.27%. Tonight's factory orders and durable goods orders, coupled with ISM non-manufacturing release will be closely watched by market players ahead of non-farm payroll release on Friday.

MGS/GII

- Trading volume for MYR govies saw RM1.9b worth changing hands, with levels hovering near previous session closing. Benchmark 7-year MGS and 10-year levels seen closing at 3.92% and 4.00% level, inched 1 bp higher versus Tuesday's last traded levels. Trading activities for the 3-year GII 4/20 was rather active with RM430m worth changing hands, with levels ending the day at 3.59%. All eyes on new issue of RM2.5b 20-year GII 8/37 today. The long-dated nature of the mentioned print may appeal more to real money onshore investors i.e. lifers and pension funds for asset-liability matching initiatives.

PDS/Sukuk

- In the corporate bonds/sukuk space, trading volume halved to RM549m with trades skewed towards AAA/AA segment. New TNB '8/37 seen debuting at the secondary trading space with levels traded at 5.18%, with RM25m changing hands. AA3 rated BGSM '12/23 and '3/26 traded at 4.85% and 4.97% level, whilst Tan Chong '11/19 and '11/21 ended wider in yield terms to close at 6.19% and 6.32% level respectively. Both Tan Chong tranche saw a combined amount of RM165m changing hands.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.36	2
5-yr UST	1.83	3
10-yr UST	2.27	2
30-yr UST	2.86	0

MGS		GII		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.30	0	3.59	0
5-yr	3.69	1	3.81	1
7-yr	3.92	1	4.01	0
10-yr	4.00	1	4.09	0
15-yr	4.40	1	4.54	0
20-yr	4.56	0	4.75	0
30-yr	4.74	0	4.93	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.65	1
5-yr	3.77	0
7-yr	3.88	1
10-yr	4.05	5

Source: Bloomberg

Upcoming Government Bond Tenders

New issue of 20-year GII 8/37, tender size RM2.5b (Tender date : Thursday, 3rd August)

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/17	3.024	130	3.012	01/08/2017	1
MGS	10/17	3.031	40	3.123	01/08/2017	-9
MGS	02/18	3.061	13	3.073	01/08/2017	-1
MGS	03/18	3.082	20	3.135	31/07/2017	-5
MGS	09/18	3.221	5	3.256	01/08/2017	-3
MGS	03/19	3.302	90	3.309	01/08/2017	-1
MGS	10/19	3.442	0	3.447	01/08/2017	0
MGS	11/19	3.450	131	3.473	01/08/2017	-2
MGS	03/20	3.563	0	3.538	01/08/2017	3
MGS	07/20	3.569	0	3.594	31/07/2017	-2
MGS	10/20	3.541	22	3.508	01/08/2017	3
MGS	07/21	3.706	10	3.715	31/07/2017	-1
MGS	09/21	3.732	10	3.728	01/08/2017	0
MGS	11/21	3.733	79	3.783	01/08/2017	-5
MGS	03/22	3.695	93	3.681	01/08/2017	1
MGS	09/22	3.827	64	3.827	01/08/2017	0
MGS	08/23	3.922	80	3.941	01/08/2017	-2
MGS	07/24	3.985	91	4.001	01/08/2017	-2
MGS	09/24	3.918	150	3.905	01/08/2017	1
MGS	09/25	4.060	1	4.079	01/08/2017	-2
MGS	04/26	4.143	10	4.115	31/07/2017	3
MGS	11/26	4.108	4	3.951	01/08/2017	16
MGS	05/27	4.178	1	4.166	24/07/2017	1
MGS	11/27	4.006	167	3.994	01/08/2017	1
MGS	04/30	4.368	47	4.371	01/08/2017	0
MGS	06/31	4.426	6	4.436	01/08/2017	-1
MGS	04/33	4.403	0	4.390	01/08/2017	1
MGS	05/35	4.400	0	4.517	01/08/2017	-12
MGS	04/37	4.558	2	4.560	01/08/2017	0
GII	11/17	3.319	200	3.325	31/07/2017	-1
GII	04/20	3.590	430	3.591	01/08/2017	0
GII	04/22	3.813	20	3.804	31/07/2017	1
GII	07/23	4.018	60	4.026	31/07/2017	-1
GII	05/24	4.061	0	4.053	27/07/2017	1
GII	07/27	4.094	3	4.092	31/07/2017	0
			<u>1979</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**
Pengurusan Air SPV Berhad	02/26	GG	4.460	23	4.298	05/05/2017	16	54
Public Bank Berhad	04/18	AAA	3.856	10	3.978	12/04/2017	-12	36
Cagamas Berhad	10/20	AAA	4.012	30	4.037	16/05/2017	-3	36
Telekom Malaysia Berhad	12/20	AAA	4.074	31	-	-	-	42
Malaysia Airports Capital Berhad	12/22	AAA	4.362	15	4.338	19/07/2017	2	60
Projek Lebuhraya Usahasama Berhad	01/23	AAA	4.276	10	4.259	19/07/2017	2	51
Suria KLCC Sdn Berhad	12/24	AAA	4.389	20	4.350	16/06/2017	4	51
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.579	10	4.568	11/07/2017	1	65
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.601	50	4.590	31/07/2017	1	60
EKVE Sdn Berhad	01/35	AAA	5.130	15	5.139	07/02/2017	-1	95
EKVE Sdn Berhad	01/36	AAA	5.160	20	5.176	01/08/2017	-2	98
Tenaga Nasional Berhad	08/37	AAA	5.180	25	-	-	-	100
YTL Power International Berhad	05/27	AA1	4.917	15	4.980	28/07/2017	-6	142
Public Bank Berhad	09/18	AA1	4.196	6	4.351	28/07/2017	-16	70
Lafarge Cement Sdn Berhad	01/18	AA2	4.159	6	4.204	05/07/2017	-4	66
RHB Bank Berhad	07/19	AA3	4.439	4	4.594	01/08/2017	-16	86
CIMB Thai Bank Public Company Limited	07/19	AA3	4.648	2	4.527	31/07/2017	12	107
BGSM Management Sdn Berhad	12/23	AA3	4.849	20	4.837	23/06/2017	1	102
BGSM Management Sdn Berhad	03/26	AA3	4.970	50	4.983	21/07/2017	-1	105
Jimah East Power Sdn Berhad	06/31	AA-	5.037	20	4.999	20/06/2017	4	86
AMMB Holdings Berhad	03/22	A1	4.752	0	4.984	19/07/2017	-23	126
Tan Chong Motor Holdings Berhad	11/19	A1	6.197	70	5.112	25/05/2017	109	262
Tan Chong Motor Holdings Berhad	11/21	A1	6.315	95	5.535	14/06/2017	78	261
CIMB Group Holdings Berhad	12/21	A1	4.877	1	4.877	01/08/2017	0	117
Mah Sing	-	NR	6.482	1	-	-	-	-
				<u>549</u>				

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

Market/Corporate News: What's Brewing

The consortium of CRRC Zhuzhou Locomotive Co Ltd, Siemens Ltd China and Tegap Dinamik Sdn Bhd has secured a RM1.56bil light rail vehicle work package under the Light Rail Transit (LRT3) project. Prasarana Malaysia Bhd said on Wednesday the consortium would undertake from the designing to manufacturing and commissioning of 42 six-car LRVs for the LRT3 project – which will stretch 37km from Bandar Utama to Klang. Prasarana's group chairman Tan Sri Ismail Adam said the award marks a key milestone in the LRT3 project. Speaking at the signing ceremony at Hilton Kuala Lumpur, he said: "The LRT3 project is officially underway and this award shows that our construction is gaining momentum. "With the three companies' proven track record, experience and quality of delivery, I am confident that works will be completed within the time and cost." CRRC Corporation Ltd chairman Liu Hualong said the consortium would provide the necessary experience and skill sets to ensure the smooth delivery of the works involved. The LRV work package is considered as one of the largest systems work packages offered by the LRT3 project. Five companies had pre-qualified for the tender in May 2016, with only CRRC Zhuzhou Locomotive Co Ltd-Siemens Ltd China-Tegap Dinamik Sdn Bhd consortium submitting its bid when tenders closed in November 2016. Capable of carrying 1,271 passengers per LRV, these LRT3's LRVs are Malaysia's first six-car driverless trains. Each of the LRV has a capacity equivalent to 28 units of single-deck buses. To ensure the comfort of passengers, the LRVs will be equipped with jerk limit controls, sound insulations and disabled friendly facilities. So far, 11 out of 59 LRT3 work packages have been awarded. The 59 work packages among which are 10 viaduct guideway and station packages, one underground works package and two train depot work packages. Spanning the LRT3 will provide accessibility to approximately 74,000 commuters daily in Klang, Shah Alam, and Petaling Jaya upon completion in 2020. In Sept 2015, Prasarana picked Malaysian Resources Corporation Bhd and George Kent (M) Bhd as the project delivery partner (PDP) for the light rail transit three, which is estimated to cost RM9bil. Prasarana Malaysia had then said the new LRT 3 line will link Bandar Utama to Shah Alam and Klang and it is expected to be completed by Aug 31, 2020. The group said the RM9bil excludes the land acquisition costs. (Source: The Star)

RAM Ratings expects Malaysia's export growth to slow down in June after the jump in May due to slower demand for exports from China and Singapore, after consecutive months of rapid build-up in capacity and re-stocking. The ratings agency said in a statement that it expected June export growth to be a healthy 17.5% though slower than the steep 32.5% in May. "Moreover, a high-base effect arising from the rebound in growth in June 2016 also contributed to the moderation," it said. RAM Ratings also expected imports to expand at a slower pace of 12.6% which is nearly half of the preceding month's 30.4%. "Imports are projected to decelerate in line with the moderation in exports. The upside support from re-exports vis-à-vis overall import growth in May is unlikely to carry through to June, thus further reducing its momentum. As such, the trade balance is projected to widen to RM9.4bil in June," it said. Demand for machinery and transport equipment had driven the robust expansion in exports to Malaysia's key markets. It also pointed out the growth of exports to several key partners also charted multi-year highs in May. "Nevertheless, such elevated levels may not be sustainable as demand for input components by foreign producers will ease once their inventory requirements have been fulfilled and the current electronics growth cycle comes to an end after the release of the next wave of smartphones," it said. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
State Government of Sabah	RM1.0 billion Bonds (2014/2019)	AAA / Stable	Affirmed

Source: MARC and RAM ratings

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.hongleong.com.my

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