

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- US markets closed yesterday in conjunction with 4th of July public holiday. We expect focus to shift towards upcoming durable goods order ahead of June non-farm payroll release on Friday. We expect upward pressure for UST yields to persist as looming concerns on concerted tapering measures by Fed and now ECB may influence upward biasness for bond yields. However, any excessive yield movements will be somewhat capped by still benign inflation outlook, with oil price still hovering below \$50/barrel.

MGS/GII

- Despite thinner volume of over RM1.1b, local govies saw renewed support after selling momentum moderated. As mentioned earlier recent excessive yield movements seen paving the way for buying on dips from onshore real money investors. Yields on 10-year MGS 11/27 and GII 7/27 tightened back to 3.96% and 4.12% level, circa 4 bps lower from previous session close on Monday. Reopening of 7-yearc MGS 9/24 details was announced yesterday, with tender size coming in at RM3b, with separate private placement worth RM1b. (tender size within our expected range of RM3.5b – RM4.0b). Given the significant kink on the 7-year space, which is trading near parity with the 10-year benchmark, we expect support from real money investors.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.41	0
5-yr UST	1.93	0
10-yr UST	2.35	0
30-yr UST	2.87	0

MGS		GII*			
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	3.42		1	3.62	-1
5-yr	3.75		0	3.85	-4
7-yr	3.94		-2	4.11	0
10-yr	3.96		-4	4.12	-4
15-yr	4.47		-6	4.50	0
20-yr	4.61		-4	4.60	0
30-yr	4.76		0	4.88	3

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	-1
3-yr	3.85	0
5-yr	3.77	-1
7-yr	3.88	0
10-yr	4.02	0

Source: Bloomberg

PDS/Sukuk

- Meanwhile in the corporate bonds/sukuk space, we saw RM293m changing hands with trades skewed towards the AA space. In the GG segment, we saw Prasa '5/18 dealt at 3.54%, whilst PASB '6/22 ended at 4.08% level. YTL Power '5/27 saw levels changing hands at 4.98%, whilst Lafarge '1/20 traded at 4.66% level. Bank papers Affin '2/22 seen transacted at 5.05% with RM20m dealt.

Upcoming Government Bond Tenders

Reopening of 7-year MGS 9/24, Tender on Thursday (Size: RM3b, with separate private placement of RM1b)

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/17	3.169	0	3.107	03/07/2017	6
MGS	02/18	3.254	1	3.237	03/07/2017	2
MGS	09/18	3.317	4	3.310	03/07/2017	1
MGS	03/19	3.420	20	3.451	03/07/2017	-3
MGS	10/19	3.462	3	3.472	03/07/2017	-1
MGS	11/19	3.521	65	3.436	03/07/2017	9
MGS	03/20	3.572	6	3.549	03/07/2017	2
MGS	07/21	3.741	0	3.707	03/07/2017	3
MGS	09/21	3.827	1	3.751	03/07/2017	8
MGS	11/21	3.754	20	3.744	03/07/2017	1
MGS	08/22	3.826	26	3.808	03/07/2017	2
MGS	09/22	3.783	34	3.837	03/07/2017	-5
MGS	03/23	3.914	1	3.924	30/06/2017	-1
MGS	09/24	3.946	118	3.962	03/07/2017	-2
MGS	09/25	4.060	2	3.973	03/07/2017	9
MGS	04/26	4.117	10	4.054	03/07/2017	6
MGS	11/26	4.028	30	3.947	03/07/2017	8
MGS	11/27	3.958	5	4.006	03/07/2017	-5
MGS	04/30	4.518	42	4.497	03/07/2017	2
MGS	06/31	4.484	28	4.450	03/07/2017	3
MGS	04/33	4.467	90	4.523	03/07/2017	-6
MGS	05/35	4.550	17	4.546	03/07/2017	0
MGS	04/37	4.606	60	4.645	03/07/2017	-4
MGS	03/46	4.772	1	4.761	03/07/2017	1
GII	11/17	3.109	250	2.895	19/06/2017	21
GII	04/20	3.618	40	3.633	03/07/2017	-2
GII	03/21	3.890	50	3.760	18/05/2017	13
GII	04/22	3.854	95	3.889	03/07/2017	-3
GII	07/23	4.055	80	3.956	30/06/2017	10
GII	10/25	4.188	20	4.097	30/06/2017	9
GII	09/26	4.201	3	4.118	30/06/2017	8
GII	07/27	4.117	70	4.172	03/07/2017	-5
GII	05/47	4.882	5	4.850	14/06/2017	3
			<u>1197</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**	
Prasarana Malaysia Berhad	05/18	GG	3.542	10	3.506	28/09/2016	4	5
PASB	06/22	GG	4.080	5	-	-	-	32
EKVE Sdn Berhad	01/36	AAA (BG)	5.161	4	5.209	10/04/2017	-5	97
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.569	10	4.557	16/06/2017	1	108
Sabah State Government	12/19	AAA	4.362	1	3.999	21/07/2016	36	80
Gulf Investment Corporation G.S.C	06/27	AAA	5.338	10	5.274	31/05/2016	6	133
TNB Northern Energy Berhad	05/34	AAA	5.010	10	5.010	29/06/2017	0	82
Malayan Banking Berhad	01/19	AA1	4.684	11	4.603	22/06/2017	8	112
YTL Power International Berhad	05/27	AA1	4.980	67	4.969	03/07/2017	1	97
Kapar Energy Ventures Sdn Berhad	07/18	AA+	4.218	10	4.232	18/05/2017	-1	73
Lafarge Cement Sdn Berhad	01/20	AA2	4.659	20	4.506	20/06/2017	15	117
First Resources Limited	12/17	AA2	4.238	10	4.248	21/06/2017	-1	75
Bright Focus Berhad	01/31	AA2	5.308	4	5.295	21/06/2017	1	112
CIMB Thai Bank Public Company Limited	07/19	AA3	5.070	0	4.566	23/06/2017	50	151
AMMB Holdings Berhad	08/19	AA3	4.843	5	4.679	25/04/2017	16	128
KT Kira Sertifikalari Varflik Kiralama A.S.	07/20	AA3	5.563	20	5.549	21/03/2016	1	192
BGSM Management Sdn Berhad	03/26	AA3	4.989	10	4.977	23/06/2017	1	108
UEM Sunrise Berhad (fka UEM Land Holding)	12/18	AA-	4.496	4	4.436	21/06/2017	6	101
Malakoff Power Berhad	12/18	AA-	4.351	20	4.337	21/06/2017	1	86
UEM Sunrise Berhad (fka UEM Land Holding)	06/19	AA-	4.501	15	4.514	29/05/2017	-1	94
Malakoff Power Berhad	12/19	AA-	4.461	20	4.416	29/05/2017	4	90
WCT Holdings Berhad	05/22	AA-	5.252	5	5.227	29/06/2017	2	149
Affin Bank Berhad	02/22	A1	5.054	20	5.057	30/06/2017	0	129
AMMB Holdings Berhad	03/22	A1	4.837	1	4.847	30/06/2017	-1	107
Mah Sing	-	NR	6.491	1	-	-	-	-
			<u>1</u>					
			<u>293</u>					

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

Market/Corporate News: What's Brewing

IGB Corp Bhd will present the revised terms of its takeover offer by Goldis Bhd to its shareholders for deliberation, before making a decision to take it private. In a filing with Bursa Malaysia yesterday, IGB Corp, which is the owner of Mid Valley Megamall, said that the proposal by its biggest shareholder, Goldis, will be based on the preliminary opinion of independent adviser Kenanga Investment Bank Bhd. IGB said its scheme shareholders are advised not to take any action until the receipt of the independent advice letter, together with the explanatory statement for the proposed scheme. Originally, Goldis had offered three options available to IGB shareholders – a cash only or a cash plus Goldis shares on a 30:70 ratio. The third option was a cash plus new redeemable convertible cumulative preference shares (RCCPS) on a 20:80 ratio. Shareholders owning fewer than 100 IGB shares would be offered cash only. However, Goldis later said it wanted to allow all scheme shareholders to have the same election rights. This meant that those with fewer than 100 IGB shares could elect for either the cash option, the cash and share option, or the revised cash and new RCCPS option. The proportion of cash to new RCCPS to be offered under the cash and new RCCPS option has been revised from 20% in cash and 80% new RCCPS to 12% in cash and 88% new RCCPS. Goldis said this was to cater to scheme shareholders who wished to maximise their equity holdings in Goldis, with the aim of benefitting from and being able to realise the long-term potential value in the consolidated group. Goldis said the revised option would not have any material effect on the group structure, share capital, substantial shareholders' shareholding and audited consolidated net assets per share and gearing. Goldis, which owns 73.43% of IGB, had proposed to privatise IGB Corp for an offer price of RM3 for each IGB share not yet owned by itself and Goldis' persons acting in concert. It is envisaged that the full consolidation of the businesses of IGB and Goldis will create a more cohesive and efficient operating structure, going forward. Goldis is a property investment company that is controlled by the Tan family, led by Datuk Tan Chin Nam. The crown jewel of the group is located at Goldis' subsidiaries, IGB Corp Bhd and IGB Reit, while the family's interest is mainly concentrated at Goldis. IGB has prized assets such as Mid Valley City, which comprises 2.7 million sq ft of retail mall space, 3.2 million sq ft of prime office space in Kuala Lumpur and over 5,500 hotel rooms across the globe, according to a note by AllianceDBS Research. IGB also owns a 52.3% stake in IGB Reit, which, in turn, owns Mid Valley Megamall and The Gardens Mall. IGB's balance sheet received an additional boost with the sale of the Renaissance Kuala Lumpur Hotel earlier this year for RM765mil.. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

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