

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST regained some support, with benchmark yields reversing lower. FOMC meeting minutes seen reaffirming the Fed's gradual rate hike stance despite subdued inflation, reiterating that recent soft inflation data remains transitory. 10-year yields ended at 2.32%, circa 3 bps lower versus previous session close. Brent seen trading at \$48/barrel at time of writing. ADP report tonight will be a key watch for market players, ahead of upcoming non-farm payroll release on Friday.

MGS/GII

- Local govies regained support with buying on dips trades emerging sending benchmark yields to end the day lower. Trading volume for MGS/GII climbed higher to reach RM3.2b. Yields on the 7-year GII 8/24 tighten to close at 4.01%. We expect all eyes to shift towards reopening of 7-year MGS 9/24. We expect today's tender to be supported given the still significant kink on the 7-year space, with the 7-year benchmark trading near parity with the 10-year MGS 11/27.

PDS/Sukuk

- Trading volume for corporate bonds/sukuk remained thin with only RM316m changing hands. We saw Danalnfra '7/19 and '11/21 traded with levels closing at 3.83% and 4.05% level. Bank Pembangunan '3/27 traded at 4.57%, whilst Sarawak Energy '8/35 traded at 5.27%. UEM Sunrise '5/23 traded at 4.81% with RM20m dealt.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.40	-1
5-yr UST	1.91	-2
10-yr UST	2.32	-3
30-yr UST	2.85	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.39	-4	3.61	-1
5-yr	3.71	-4	3.83	-2
7-yr	3.94	0	4.01	-9
10-yr	3.97	1	4.09	-3
15-yr	4.43	-3	4.50	0
20-yr	4.60	-1	4.60	0
30-yr	4.76	0	4.88	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.49	-1
3-yr	3.65	0
5-yr	3.77	0
7-yr	3.87	-1
10-yr	4.01	-1

Source: Bloomberg

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	09/17	3.049	900	3.070	03/07/2017	-2
MGS	10/17	3.087	6	3.028	03/07/2017	6
MGS	09/18	3.300	41	3.317	04/07/2017	-2
MGS	03/19	3.389	11	3.407	04/07/2017	-2
MGS	11/19	3.498	345	3.521	04/07/2017	-2
MGS	10/20	3.619	25	3.625	03/07/2017	-1
MGS	07/21	3.741	0	3.707	03/07/2017	3
MGS	09/21	3.712	168	3.827	04/07/2017	-12
MGS	03/22	3.705	30	3.752	03/07/2017	-5
MGS	07/24	3.962	0	3.951	03/07/2017	1
MGS	09/24	3.940	380	3.946	04/07/2017	-1
MGS	09/25	4.041	20	4.063	03/07/2017	-2
MGS	04/26	4.084	2	4.111	04/07/2017	-3
MGS	11/26	4.041	60	4.028	04/07/2017	1
MGS	11/27	3.970	20	3.958	04/07/2017	1
MGS	04/30	4.435	25	4.477	04/07/2017	-4
MGS	06/31	4.470	4	4.514	04/07/2017	-4
MGS	04/33	4.430	20	4.467	04/07/2017	-4
MGS	04/37	4.599	150	4.606	04/07/2017	-1
GII	08/18	3.243	20	3.308	09/06/2017	-6
GII	10/18	3.236	200	3.363	30/06/2017	-13
GII	04/19	3.413	50	3.434	15/06/2017	-2
GII	04/20	3.611	220	3.618	04/07/2017	-1
GII	04/22	3.831	90	3.854	04/07/2017	-2
GII	07/23	4.038	20	4.055	04/07/2017	-2
GII	05/24	4.073	30	4.010	15/06/2017	6
GII	08/24	4.012	80	4.110	03/07/2017	-10
GII	07/27	4.081	300	4.117	04/07/2017	-4
			<u>3217</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	5	3.542	04/07/2017	0	5
DanaInfra Nasional Berhad	07/19	GG	3.831	15	3.851	03/07/2017	-2	26
DanaInfra Nasional Berhad	11/21	GG	4.049	75	4.049	30/06/2017	0	34
Rantau Abang Capital Berhad	08/19	AAA	4.025	20	4.006	30/06/2017	2	45
DiGi Telecommunications Sdn Berhad	04/22	AAA	4.297	40	4.272	21/06/2017	2	53
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.419	50	4.402	22/06/2017	2	55
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.573	10	4.548	09/05/2017	3	56
Sarawak Energy Berhad	08/35	AA1	5.269	20	5.205	08/02/2017	6	108
Imtiaz Sukuk Berhad	11/17	AA2	4.001	10	4.002	03/07/2017	0	51
Mukah Power Generation Sdn Berhad	12/17	AA2	4.187	10	4.264	06/02/2017	-8	70
Lafarge Cement Sdn Berhad	01/18	AA2	4.204	5	4.207	27/02/2017	0	71
Lafarge Cement Sdn Berhad	01/20	AA2	4.562	5	4.659	04/07/2017	-10	92
Besraya (M) Sdn Berhad	07/17	AA3	3.902	5	4.057	22/05/2017	-16	41
Perbadanan Kemajuan Negeri Selangor	10/17	AA3	4.050	10	4.286	17/04/2017	-24	56
UEM Sunrise Berhad	12/18	AA-	4.496	4	4.496	04/07/2017	0	101
WCT Holdings Berhad	05/22	AA-	5.247	5	5.252	04/07/2017	0	148
UEM Sunrise Berhad	05/23	AA-	4.809	20	4.777	28/06/2017	3	100
MEX II Sdn Berhad	04/34	AA-	5.425	1	5.420	30/06/2017	0	124
Alliance Bank Malaysia Berhad	10/20	A2	5.151	0	4.999	30/06/2017	15	151
Mah Sing	-	NR	6.511	6	-	-	-	-
			<u>316</u>					

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

Market/Corporate News: What's Brewing

The Retirement Fund Inc (KWAP) is keen on purchasing Australia and New Zealand Banking Group Ltd's (ANZ) stake after the proposed merger between RHB Bank Bhd and AMMB Holdings Bhd. However, KWAP is prepared to increase its stake in the merged entity up to 10%, something that the fund would be able to undertake without the need for Bank Negara's approval. If KWAP is able to hold up to 10% in the RHB-AMMB merged entity, it would mark the fund's maiden entry as one of the major shareholders in the financial sector. KWAP chief executive officer Datuk Wan Kamaruzaman Wan Ahmad said the fund was keen on buying ANZ's stake after the proposed RHB and AMMB merger. At present, ANZ owns 24% of AMMB and is the single largest shareholder. Post-proposed merger, ANZ's stake will be down to about 11% in the enlarged banking group. The Australian lender had in the past made it clear that it wants to divest its interest in AMMB and had attracted several suitors. However, because the size of its stake was large and it had an overwhelming presence in AMMB, it was not easy to get a buyer that would also get the nod from Bank Negara. "The size of the (ANZ) stake in the combined RHB-AMMB banking group fits our investment appetite," Wan Kamaruzaman told StarBiz in an interview at his office. "We are interested, but of course at the right price, and we are going to subscribe up to a 10% stake from ANZ," he said. On June 1, AMMB and RHB announced in a joint statement that both banks had received Bank Negara's approval to commence merger negotiations. The proposed exercise would be an all-share merger and the two banks have until Aug 30 to exclusively discuss the deal. KWAP already has small stakes in both banks with a 3.05% stake in AMMB and 3.94% stake in RHB, Bloomberg data showed. Wan Kamaruzaman said that the new stake in the merged entity is estimated to involve about RM3bil-RM4bil worth of investment. KWAP has managed RM134bil worth of funds to date and its investment in the merged entity will mark the fund's first major investment in a local bank. "We may ask for a board seat in the new entity to see through the merger," Wan Kamaruzaman said. Previously, KWAP had refrained from asking for board representation in companies in which it was a substantial shareholder, except in Malakoff Corp Bhd and Prestariang Bhd. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Development Bank of Kazakhstan	RM1.5 billion Sukuk Murabahah Programme (2012/2032)	AA3 / Stable	Reaffirmed

Source: MARC and RAM ratings

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