

## Global Markets Research

### Fixed Income

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### Fixed Income Daily Market Snapshot

#### US Treasuries

- UST remain supported with bond yields ending steady, easing circa 1 bp for selective benchmarks. 10-year yields ended 1 bp inside to close at 2.25%. Gains in UST were generally capped amid upcoming influx of large investment grade pipelines. Kraft and UBS seen as some of the upcoming large USD prints in the offing. Upcoming Fed speeches this week will be closely watched with Fed's Kashari, Dudley and Kaplan expected to deliver their views at scheduled events this week. Rhetoric from James Bullard's comments last night suggest that tapering will likely be executed soon but soft inflation was seen as one the impediments, which may slow the process of the balance sheet reduction.

#### MGS/GII

- Local govies continue to range trade, with circa RM1.9b worth changing hands. Off the runs MGS 11/19 seen changing hands at 3.41% with RM481m dealt. Benchmark yields ended little changed despite the upbeat US data released last Friday. 10-year yields ended unchanged at 3.99% level. SPK 2/24 seen crossed at 4.04% level. Upcoming macro releases this week include industrial production and manufacturing sales.

#### PDS/Sukuk

- In the corporate bonds/sukuk space, trading volume remained thin with only RM394m traded. In the GG segment, we saw PASB '2/23 and '6/24 traded at 4.11% and 4.28%. Aman Sukuk '5/25 and '10/26 traded at 4.54% and 4.62% level respectively. Meanwhile toll road concessionaire bonds Anih'23 and '26 seen crossed at 4.59% and 4.77% level respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.35	0
5-yr UST	1.81	-1
10-yr UST	2.25	-1
30-yr UST	2.83	-1

MGS		GII		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.29	1	3.57	0
5-yr	3.69	0	3.81	0
7-yr	3.92	1	4.01	0
10-yr	3.99	0	4.10	0
15-yr	4.38	-2	4.53	0
20-yr	4.56	0	4.74	0
30-yr	4.74	0	4.93	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.43	0
3-yr	3.65	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	3.040	216	3.085	03/08/2017	-4
MGS 09/18	3.216	135	3.217	04/08/2017	0
MGS 03/19	3.286	10	3.276	04/08/2017	1
MGS 10/19	3.395	79	3.394	04/08/2017	0
MGS 11/19	3.412	481	3.423	03/08/2017	-1
MGS 03/20	3.491	105	3.471	03/08/2017	2
MGS 07/20	3.514	58	3.525	03/08/2017	-1
MGS 10/20	3.474	45	3.491	04/08/2017	-2
MGS 07/21	3.596	207	3.604	04/08/2017	-1
MGS 09/21	3.745	4	3.714	03/08/2017	3
MGS 09/22	3.816	27	3.794	04/08/2017	2
MGS 03/23	3.860	25	3.849	03/08/2017	1
MGS 07/24	3.973	61	3.981	04/08/2017	-1
MGS 09/24	3.916	144	3.913	04/08/2017	0
MGS 09/25	4.072	24	4.079	04/08/2017	-1
MGS 04/26	4.122	1	4.143	02/08/2017	-2
MGS 11/26	4.095	1	4.069	04/08/2017	3
MGS 11/27	3.994	80	3.988	04/08/2017	1
MGS 04/30	4.390	69	4.378	04/08/2017	1
MGS 04/33	4.376	10	4.378	04/08/2017	0
MGS 03/46	4.742	19	4.736	04/08/2017	1
GII 08/19	3.521	4	3.450	03/08/2017	7
GII 04/20	3.572	35	3.575	04/08/2017	0
GII 04/21	3.822	1	3.826	17/07/2017	0
GII 07/23	4.006	61	4.018	02/08/2017	-1
SPK 02/24	4.037	10	4.050	05/06/2017	-1
		<u>1912</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	02/23	GG	4.119	85	4.119	31/07/2017	0	35
Pengurusan Air SPV Berhad	06/24	GG	4.279	20	-	-	-	41
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.900	50	4.900	17/04/2017	0	77
Putrajaya Holdings Sdn Berhad	01/18	AAA	3.832	10	3.937	07/03/2017	-11	33
Cagamas Berhad	07/19	AAA	3.931	5	3.951	24/07/2017	-2	35
Putrajaya Holdings Sdn Berhad	12/21	AAA	4.268	30	4.203	14/06/2017	6	56
Aman Sukuk Berhad	05/25	AAA	4.539	20	4.171	28/09/2016	37	62
Aman Sukuk Berhad	10/26	AAA	4.619	10	4.278	02/11/2016	34	62
YTL Power International Berhad	01/00	AA1	4.948	10	4.917	02/08/2017	3	145
Malaysia Building Society Berhad	05/18	AA1	4.320	30	4.356	16/02/2017	-4	82
Malayan Banking Berhad	09/18	AA2	4.453	1	4.601	20/07/2017	-15	95
Malaysia Airport Holdings Berhad	12/24	AA2	4.909	40	4.931	01/08/2017	-2	104
Anih Berhad	11/23	AA	4.588	10	4.607	04/04/2017	-2	77
Anih Berhad	11/26	AA	4.778	10	4.750	09/06/2017	3	78
PKNS	08/18	AA3	4.500	20	-	-	-	100
CIMB Thai Bank Public Company Limited	07/19	AA3	4.522	1	4.523	04/08/2017	0	94
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.798	10	4.802	01/08/2017	0	80
MMC Corporation Berhad	11/20	AA-	4.915	10	4.918	25/07/2017	0	125
Jimah East Power Sdn Berhad	12/32	AA-	5.179	10	5.153	08/06/2017	3	105
Tan Chong Motor Holdings Berhad	11/21	A1	5.956	11	5.955	04/08/2017	0	225
Mah Sing	-	NR	6.478	1	-	-	-	-
			<u>394</u>					

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

### Market/Corporate News: What's Brewing

Business prospects remain broadly positive for the rest of the year, in line with the acceleration of economic growth momentum and improved trade figures, according to RAM Holdings Bhd. In the rating agency's latest Business Confidence Index, it noted that the rather bullish sentiment was underpinned largely by the improvement in confidence logged by the small and medium enterprises (SMEs). "Firms continued to be optimistic about business prospects for the third and fourth quarters (Q3-Q4) of 2017, in the third successive positive sentiment reading of the survey-based RAM Business Confidence Index. "SMEs' sentiment rose to 54 from 52.1 while the sentiment among the corporates likewise stayed positive at 55.3, albeit dipping slightly from 55.8," said RAM in a press release. Strong momentum in trade activities has led export-oriented businesses to continue registering higher index values, compared to more domestic-oriented firms. Between December 2016 and June 2017, Malaysia recorded seven consecutive months of double-digit export growth. As for June this year, exports rose by 10% or RM73.10bil, albeit well below the median of 18.3% in a survey of economists. Overall, trade was up 7% at RM136.3bil. Malaysia also recorded a 34.7% year-on-year higher trade surplus in the second quarter of this year. RAM also pointed out that greater business expansion and more hiring could be expected in the second half of the year, following the improvement in economic activities. "All seven component indices for both corporates and SMEs registered values of above 50, suggesting broad-based confidence about business prospects for the second half of 2017. "Across the board, businesses indicated a higher likelihood of undertaking business expansion, increasing hiring and greater capacity utilisation," said RAM. Moving forward, concerns on profitability continue to linger, despite the generally sanguine sentiment on business outlook among the surveyed firms. RAM indicated that rising cost of production and sluggish demand conditions are the key reasons for the concerns. Notably, the profitability component index of both SMEs (50.6) and the corporates (51.9) lags all other components. "That said, we highlight that the previously negative profitability sentiment among SMEs has rebounded for this period, as firms generally expect to chart a higher turnover in the second half of 2017. "Meanwhile, the corporates expect a build-up in inventory, which will compel firms to price their products competitively, and a higher production cost to exert pressure on margins, going forward," it stated. In the recent Business Conditions Index (BCI) by the Malaysian Institute of Economic Research (Mier), the economic think-tank projected business prospects to deteriorate in the third quarter of the year, with production and export orders anticipated to decline in the coming months. This was despite the continued improvement in BCI from the fourth quarter of 2016. In the second quarter of 2017, the index gained 1.4 points to register 114.1 points. (Source: The Star)

Eastern & Oriental Bhd's (E&O) shareholders have approved the disposal of a portion of the company's Seri Tanjung Pinang phase 2 (STP2) project to Kumpulan Wang Persaraan (Diperbadankan) (KWAP) for RM766mil. In a statement, E&O said the approval was obtained at its EGM yesterday and covered the sale of 20% of net development land measuring 1.45 million sq ft of Phase 2A of STP2 (STP2A). The company said STP2A, the first phase of the 760-acre STP2 reclamation project on the northeast coast of Penang island, will be reclaimed and developed by subsidiary Tanjung Pinang Development Sdn Bhd. STP2A has a total gross area of approximately 250 acres. Pursuant to the terms of the reclamation contract and barring any unforeseen circumstances, E&O managing director Kok Tuck Cheong expects works to be completed within the second half of next year. "We are targeting a first launch at STP2A in 2019, marking a significant new chapter in the E&O group's vision of creating an exemplar integrated masterplanned development – one that takes pride in what has been achieved in Seri Tanjung Pinang Phase 1, that serves as a ready benchmark for innovation and standards to be elevated at STP2," he said in a statement. On March 30, E&O and KWAP signed a RM887.6mil deal that would see KWAP pay RM766mil for the 20% stake in the former's STP2A. The remaining RM121.6mil will be via the issuance of new shares that will give KWAP an estimated 5.52% stake in E&O. (Source : The Star)

### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Cagamas Berhad	Conventional and Islamic Medium-Term Notes (MTN/IMTN) Programmes of up to RM40.0 billion ICP and IMTN Programmes with a combined aggregate limit of RM5.0 billion	AAA / Stable	Affirmed
Celcom Networks Sdn Bhd	RM5.0 billion Sukuk Murabahah Programme	AA+ /Negative	Affirmed, maintains Negative outlook

Source: MARC and RAM ratings

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