

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 ended supported with bond yields ending the day 1 bp inside from previous session close despite soft demand for 10-year UST auction sale. \$23b of 10-year UST auction sale drew a softer BTC cover of 2.23x, which was the lowest since last November. Meanwhile on the data front, MBA mortgage applications rebounded to 3.0% versus a prior levels of 2.8%. We expect continue range-bound trading in UST.

MGS/GII

- Local govies saw RM1.7b transacted, with benchmark yields supported. Yields on 3-year MGS eased lower to 3.27%, whilst 7-year and 10-year MGS ended 1 bp inside to close at 3.91% and 3.98% level respectively. 10-year MGS saw RM210m traded whilst 3-year GII saw RM220m changing hands at 3.56% level. Focus on Malaysia's industrial production release and manufacturing sales release this afternoon.

PDS/Sukuk

- In the corporate bonds/sukuk space, RM596m worth of transacted amounts seen changing hands. Long-dated DanaInfra '5/32 and '5/37 crossed at 4.87% and 5.01% level respectively with combined amount of RM40m. AAA rated Telekom '6/21 and '5/22 saw levels exchanged at 4.10% and 4.18% level respectively. In the AA3 segment, we saw a slew of TBEI sukuk and Duke 3 sukuk dealt. Long-dated Duke '8/36 and '8/37 traded at 5.28% and 5.34% level.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.34	-1
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	3.27	-2	3.56	1
5-yr	3.66	0	3.78	-2
7-yr	3.91	-1	4.01	0
10-yr	3.98	-1	4.10	0
15-yr	4.39	0	4.53	0
20-yr	4.56	0	4.74	0
30-yr	4.74	0	4.91	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.43	0
3-yr	3.64	0
5-yr	3.76	0
7-yr	3.86	0
10-yr	3.99	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	2.962	15	3.141	08/08/2017	-18
MGS	02/18	3.107	20	3.124	08/08/2017	-2
MGS	03/18	3.112	58	3.121	08/08/2017	-1
MGS	09/18	3.233	4	3.215	08/08/2017	2
MGS	03/19	3.274	44	3.292	08/08/2017	-2
MGS	10/19	3.360	49	3.375	08/08/2017	-2
MGS	11/19	3.391	10	3.388	08/08/2017	0
MGS	07/20	3.460	100	3.453	08/08/2017	1
MGS	10/20	3.407	4	3.450	08/08/2017	-4
MGS	07/21	3.555	8	3.557	08/08/2017	0
MGS	03/22	3.662	20	3.662	08/08/2017	0
MGS	08/22	3.783	50	3.780	08/08/2017	0
MGS	09/22	3.779	24	3.799	08/08/2017	-2
MGS	03/23	3.838	1	3.830	08/08/2017	1
MGS	09/24	3.908	80	3.913	08/08/2017	0
MGS	09/25	4.064	11	4.058	08/08/2017	1
MGS	11/26	4.048	115	4.095	07/08/2017	-5
MGS	11/27	3.982	210	3.994	07/08/2017	-1
MGS	04/30	4.378	4	4.373	08/08/2017	0
MGS	09/43	4.826	2	4.790	04/08/2017	4
GII	11/17	3.061	190	3.193	08/08/2017	-13
GII	05/18	3.262	142	3.249	08/08/2017	1
GII	08/18	3.334	98	3.319	13/07/2017	2
GII	08/18	3.429	10	3.326	25/05/2017	10
GII	09/19	3.614	20	3.449	22/06/2017	17
GII	09/19	3.590	20	3.566	03/08/2017	2
GII	04/20	3.558	220	3.554	08/08/2017	0
GII	05/20	3.686	4	3.632	08/08/2017	5
GII	04/22	3.782	100	3.794	08/08/2017	-1
GII	05/24	4.050	8	4.052	08/08/2017	0
GII	08/24	4.003	70	4.012	27/07/2017	-1
GII	10/25	4.167	27	4.193	01/08/2017	-3
GII	07/27	4.098	25	4.104	04/08/2017	-1
			1763			

Daily Trades: PDS / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**	
Khazanah Nasional Berhad	06/22	GG	4.126	80	4.141	01/08/2017	-1	36
Pengurusan Air SPV Berhad	02/23	GG	4.113	10	4.119	07/08/2017	-1	35
Danainfra Nasional Berhad	05/32	GG	4.874	20	4.859	01/08/2017	1	70
Danainfra Nasional Berhad	05/37	GG	5.010	20	4.999	08/08/2017	1	84
HSBC Amanah Malaysia Berhad	09/17	AAA	3.698	120	3.886	03/05/2017	-19	21
HSBC Amanah Malaysia Berhad	03/20	AAA	4.238	5	4.210	01/08/2017	3	60
Telekom Malaysia Berhad	06/21	AAA	4.104	10	4.104	08/08/2017	0	41
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.277	20	4.289	31/07/2017	-1	51
Telekom Malaysia Berhad	05/22	AAA	4.177	10	4.177	08/08/2017	0	41
Tenaga Nasional Berhad	08/37	AAA	5.110	20	5.101	08/08/2017	1	94
Public Bank Berhad	09/18	AA1	4.278	30	4.271	08/08/2017	1	79
Malayan Banking Berhad	01/19	AA1	4.706	1	4.708	03/08/2017	0	122
Malayan Banking Berhad	05/19	AA1	4.121	1	4.580	01/08/2017	-46	56
AmBank (M) Berhad	03/18	AA2	4.002	30	4.110	09/03/2017	-11	51
OCBC Bank (Malaysia) Berhad	04/19	AA2	4.614	20	4.995	27/02/2017	-38	105
Cahaya Mata Sarawak Berhad	05/22	AA3	4.608	30	4.637	03/08/2017	-3	112
Perbadanan Kemajuan Negeri Selangor	10/17	AA3	4.017	10	4.050	05/07/2017	-3	53
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.367	10	4.312	19/09/2016	5	88
CIMB Thai Bank Public Company Limited	07/19	AA3	5.002	1	4.522	07/08/2017	48	144
AMMB Holdings Berhad	08/19	AA3	4.611	40	4.548	03/08/2017	6	105
BGSM Management Sdn Berhad	12/23	AA3	4.842	40	4.849	02/08/2017	-1	103
Tanjung Bin Energy Issuer Berhad	03/30	AA3	4.993	20	4.999	26/04/2017	-1	82
Tanjung Bin Energy Issuer Berhad	03/31	AA3	5.056	10	5.072	12/07/2017	-2	89
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.280	15	5.290	08/08/2017	-1	111
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.340	10	5.350	08/08/2017	-1	117
CIMB Group Holdings Berhad	05/21	A1	5.150	4	5.151	08/08/2017	0	146
Tan Chong Motor Holdings Berhad	11/21	A1	5.957	8	5.956	08/08/2017	0	227
Mah Sing	-	NR	6.478	1	-	-	-	-
				596				

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

Market/Corporate News: What's Brewing

MISC Bhd recorded a 58.7% drop in its earnings for the second quarter of this year compared to the previous corresponding quarter. It announced a net profit of RM556.5mil in its quarter ending June 30, 2017, compared to RM1.34bil in the last corresponding quarter. The decrease in profit was in part owing to an impairment loss on ships, property, plant and equipment of RM133.6mil. Group revenue of RM2.3bil in 2Q was 3.8% lower than the previous corresponding quarter's revenue of RM2.39bil, as the petroleum and heavy engineering segments posted weaker revenue in the current quarter. The petroleum unit posted 12% lower revenue compared to the previous corresponding quarter owing to lower freight rates and earnings days in the current quarter. Meanwhile, a revenue posting that was 13.5% lower year-on-year for the heavy engineering unit was mainly due to most ongoing projects in the sub-segment nearing completion. MISC cites production cuts, and a drawdown of crude oil and products inventory as having a negative impact on demand for petroleum tankers. "Freight rates have also been affected by high fleet growth in 2017, but demand for vessels have improved with the year-end seasonal demand. "In the heavy engineering segment, the business will focus on diversifying into new revenue streams while working towards replenishing the order book," according to MISC. MISC declared a tax-exempt dividend of 7 sen a share with ex and payment dates on Aug 21 and Sept 7 respectively (Source : The Star)

Boustead Heavy Industries Corp Bhd's (BHIC) net profit for the second quarter ended June 30 slipped 5% to RM23.94mil from RM25.26mil a year ago. Revenue stood at RM43.8mil. In a statement, BHIC executive deputy chairman and managing director Tan Sri Ahmad Ramli Mohd Nor said the oil and gas (O&G) segment recorded an additional revenue of RM5.8mil in relation to the Belum Topside project. On its prospects going forward, BHIC said the group expected the contracts awarded recently to its joint-venture companies to contribute positively to future earnings. "In addition, the group will continue to pursue potential contracts with parties other than the Defence Ministry such as the police and the Malaysian maritime enforcement agency." Separately, BHIC said commercial shipbuilding would continue to come under pressure from the low demand for ships, tonnage overcapacity, tight financing, low oil prices and the uncertain global economic outlook. "This will continue to put pressure on shipyards, which are already reeling from thin orderbooks and cancelled deliveries." "The crude oil prices continue to be volatile. The trend of oil majors scaling down on capital expenditure is expected to continue and pose challenges to players in the O&G industry for the major part of the year." (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Sepangar Bay Power Corporation Sdn Bhd	RM575 million nominal value Sukuk Murabahah	AA1 / Stable	Reaffirmed

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@hbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.