

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

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**US Treasuries**

- UST yields continue to ease a tad lower, with benchmark stocks ending the day steady. Sale of \$24b 3-year notes drew a BTC ratio of 2.87x. Oil price (Brent) seen rebounding with levels hovering at \$48/barrel at time of writing. Upcoming Fed speeches, with Yellen delivering her comments before the US House panel and Banking panel this week will be a key focus for market players.

**MGS/GII**

- Local govies traded mixed with benchmark MGS yields mostly a tad lower whilst 15-year GII seen backing up to reach 4.58% level. Total MGS/GII transacted was over RM1.6b, lower than RM3b worth transacted on Monday. All eyes on industrial production and manufacturing sales release today, with Bloomberg consensus expecting a 4.1% gain for industrial production. Rhetoric from BNM on Thursday will be another key watch, and we expect OPR to stay unchanged in 2017 at 3.00%.

**PDS/Sukuk**

- In the corporate bonds and sukuk space, we saw RM166m traded with transactions skewed towards AAA/AA space. Putrajaya '7/23 seen traded at 4.39%, whilst TNB WE '1/30 exchanged at 4.81%. A slew of UEM Sunrise papers maturing 2021-2023, saw RM15m worth dealt.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.38	-1
5-yr UST	1.92	-2
10-yr UST	2.36	-1
30-yr UST	2.92	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	-1	3.61	2
5-yr	3.79	0	3.84	0
7-yr	3.95	-1	4.06	0
10-yr	3.96	-2	4.11	-3
15-yr	4.50	0	4.58	8
20-yr	4.61	0	4.70	0
30-yr	4.80	0	4.88	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.51	-1
3-yr	3.67	-1
5-yr	3.80	0
7-yr	3.90	-1
10-yr	4.06	-1

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	3.218	1	3.075	10/07/2017	14
MGS	02/18	3.164	212	3.169	10/07/2017	0
MGS	03/18	3.160	156	3.208	10/07/2017	-5
MGS	09/18	3.313	300	3.265	10/07/2017	5
MGS	03/19	3.422	3	3.429	10/07/2017	-1
MGS	07/19	3.562	20	3.493	10/07/2017	7
MGS	07/21	3.820	8	3.807	10/07/2017	1
MGS	09/21	3.847	10	3.801	10/07/2017	5
MGS	11/21	3.807	10	3.769	10/07/2017	4
MGS	03/22	3.789	74	3.763	10/07/2017	3
MGS	08/22	3.887	6	3.827	10/07/2017	6
MGS	08/23	4.033	240	4.061	10/07/2017	-3
MGS	07/24	4.090	21	4.049	10/07/2017	4
MGS	09/24	3.954	32	3.947	10/07/2017	1
MGS	09/25	4.117	1	4.063	10/07/2017	5
MGS	11/26	4.042	32	4.068	10/07/2017	-3
MGS	05/27	4.155	1	4.158	03/07/2017	0
MGS	11/27	3.958	10	3.970	05/07/2017	-1
MGS	06/28	4.450	33	4.451	03/07/2017	0
MGS	04/30	4.529	146	4.513	10/07/2017	2
MGS	04/33	4.495	3	4.495	10/07/2017	0
MGS	04/37	4.614	9	4.614	10/07/2017	0
GII	08/19	3.558	20	3.473	29/06/2017	9
GII	04/20	3.613	20	3.589	07/07/2017	2
GII	08/20	3.808	68	3.652	29/06/2017	16
GII	07/22	3.928	17	4.005	10/07/2017	-8
GII	07/23	4.065	6	4.067	10/07/2017	0
GII	10/25	4.161	100	4.221	10/07/2017	-6
GII	07/27	4.111	30	4.135	10/07/2017	-2
GII	08/33	4.582	20	4.504	30/06/2017	8
			<u>1609</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**
Cagamas MBS Berhad	12/17	AAA	3.751	60	3.633	01/06/2017	12	25
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.291	10	4.231	18/04/2017	6	51
Putrajaya Holdings Sdn Berhad	07/23	AAA	4.390	5	4.348	09/05/2017	4	55
Cagamas Berhad	07/24	AAA	4.359	5	4.310	19/04/2017	5	47
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.568	5	4.558	21/06/2017	1	63
TNB Western Energy Berhad	01/30	AAA	4.810	30	4.878	08/03/2017	-7	59
EKVE Sdn Berhad	01/31	AAA	4.919	10	4.899	22/06/2017	2	70
Sepangar Bay Power Corporation Sdn Berhad	07/23	AA1	4.558	10	4.540	28/04/2017	2	72
Malaysia Airport Holdings Berhad	12/24	AA2	5.232	3	4.897	21/06/2017	34	135
RHB Bank Berhad	07/19	AA3	4.316	1	4.379	10/07/2017	-6	73
CIMB Thai Bank Public Company Limited	07/19	AA3	4.535	1	5.070	04/07/2017	-54	95
UEM Sunrise Berhad	06/21	AA-	4.687	10	4.690	26/05/2017	0	97
UEM Sunrise Berhad	05/23	AA-	4.809	10	4.811	07/07/2017	0	97
Bank Muamalat Malaysia Berhad	06/21	A3	5.810	5	5.793	23/05/2017	2	210
Mah Sing	-	NR	6.477	1	-	-	-	-
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\*spread against nearest indicative tenured IRS (Source : BPAM)

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

The merger of Malaysia Building Society Bhd (MBSB) and Asian Finance Bhd (AFB) will lead to stiffer competition among smaller Islamic banks to secure deposits, according to Moody's Investors Service. It said such a deal would likely lead to the larger of the two financial institutions, MBSB, emerging as the surviving entity. "MBSB's credit profile would be enhanced because the acquisition of AFB and its Islamic banking licence would give MBSB access to cheaper funding and broaden its revenue stream," said Moody's vice-president and senior analyst Simon Chen in a statement. He said MBSB's entry into the current and savings account deposit market would further intensify competition for low-cost deposits among institutions that are not part of big integrated banking groups. "Nevertheless, while competition among Islamic banks is growing, their profitability remains robust," he said. Moody's analysis is contained in its report entitled Islamic Banking – Malaysia: Potential merger is credit positive for MBSB but will raise funding pressure on sector, written by Chen. The report said that broader sector consolidation was unlikely for now, because the favourable operating environment would allow standalone Islamic institutions to fare well on their own. Moody's explained that the MBSB-AFB proposed merger is driven by unique circumstances that are not shared by the other Islamic banks in Malaysia. The ratings agency said the growth potential of Islamic banks in Malaysia was strong, given the availability of well-established infrastructure and growing consumer awareness of syariah-compliant products. The stable macroeconomic environment is also supportive of credit demand for all banks in the country. (Source : The Star)

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Country Garden Real Estate Sdn Bhd	IMTN Programme of RM1.5 billion in Nominal Value (2015/2035)	AA3 / Stable	Affirmed, outlook revised to Stable from Negative
Sabah Credit Corporation	Outstanding sukuk instruments.	AA1 / Stable	Affirmed

Source: MARC and RAM ratings

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