

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST stayed supported with bond yields lower on the short to mid tenured space. Both 2-year and 5-year yields shaved 3 bps lower to close at 1.30% and 1.74% level respectively. CPI for July came in at 1.7% yoy, inched higher from previous 1.6% level. Core inflation remained at the same level, settling at 1.7%. Sale of \$15b 30-year notes auction drew a BTC cover of 2.32x. Focus to shift towards FOMC minutes, retail sales, housing starts and building permits release this week.








MGS/GII

- Local govies continue to trade with thinner transacted volume, pending of fresh leads. Total MGS/GII transacted amount was over RM1.2b. Benchmark yields ended ranged bound with 10-year MGS 11/27 traded 2 bps tighter to close at 3.90%. Focus to shift towards new RM3.5b 3-year MGS 2/21 tender which replaces as the new 3-year benchmark MGS. Given the benchmark status of today's tender, we expect demand to be well supported.

PDS/Sukuk

- On a similar tone, traded volumes for corporate bonds/sukuk remained thin with only RM288m changing hands. In the GG segment, we saw RM100m traded for Khazanah '3/21 with levels closing at 4.02% level. Newly printed 20-year TNB '8/37 seen traded tighter to close at 5.09% level with RM40m crossed. In the AA- segment, UEM Sunrise 4/22 and '5/23 seen traded with a combined amount of RM50m. Levels ended at 4.74% and 4.80% level respectively.

| UST | | | |
|-----------|-------------|-------------------------------------------------------------------------------------|-----------|
| Tenure | Closing (%) | | Chg (bps) |
| 2-yr UST | 1.30 |  | -3 |
| 5-yr UST | 1.74 |  | -3 |
| 10-yr UST | 2.19 |  | -1 |
| 30-yr UST | 2.79 |  | 2 |

| MGS | | GII* | | |
|--------|-------------|-------------------------------------------------------------------------------------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.26 |  | 3.55 | 0 |
| 5-yr | 3.65 |  | 3.77 | 0 |
| 7-yr | 3.90 |  | 3.99 | 0 |
| 10-yr | 3.99 |  | 4.10 | 0 |
| 15-yr | 4.37 |  | 4.53 | 0 |
| 20-yr | 4.57 |  | 4.74 | 0 |
| 30-yr | 4.74 |  | 4.91 | 0 |

| MYR IRS Levels | | |
|----------------|-------------|-------------------------------------------------------------------------------------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 3.49 |  |
| 3-yr | 3.64 |  |
| 5-yr | 3.76 |  |
| 7-yr | 3.86 |  |
| 10-yr | 3.98 |  |

Source : Bloomberg

Upcoming Government Bond Tenders

3-year MGS 2/21 New Tender, RM3.5b (with tender date scheduled on 14th August, Monday)

Daily Trades : Government Bonds

| Securities | | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|------------|-------|----------------|-----------------|-----------------|----------------------------------------|-------------|
| MGS | 09/17 | 3.045 | 128 | 3.021 | 10/08/2017 | 2 |
| MGS | 02/18 | 3.070 | 5 | 3.107 | 09/08/2017 | -4 |
| MGS | 03/18 | 3.109 | 84 | 3.112 | 09/08/2017 | 0 |
| MGS | 09/18 | 3.175 | 80 | 3.194 | 10/08/2017 | -2 |
| MGS | 03/19 | 3.262 | 100 | 3.274 | 09/08/2017 | -1 |
| MGS | 11/19 | 3.387 | 40 | 3.379 | 10/08/2017 | 1 |
| MGS | 03/20 | 3.411 | 0 | 3.451 | 10/08/2017 | -4 |
| MGS | 10/20 | 3.450 | 110 | 3.456 | 10/08/2017 | -1 |
| MGS | 07/21 | 3.539 | 0 | 3.555 | 09/08/2017 | -2 |
| MGS | 09/21 | 3.626 | 6 | 3.582 | 10/08/2017 | 4 |
| MGS | 11/21 | 3.650 | 20 | 3.695 | 10/08/2017 | -4 |
| MGS | 03/22 | 3.647 | 20 | 3.642 | 10/08/2017 | 0 |
| MGS | 09/22 | 3.773 | 22 | 3.773 | 10/08/2017 | 0 |
| MGS | 03/23 | 3.841 | 20 | 3.871 | 10/08/2017 | -3 |
| MGS | 08/23 | 3.883 | 101 | 3.890 | 10/08/2017 | -1 |
| MGS | 07/24 | 3.939 | 1 | 3.940 | 10/08/2017 | 0 |
| MGS | 09/24 | 3.904 | 150 | 3.900 | 10/08/2017 | 0 |
| MGS | 09/25 | 4.050 | 22 | 4.060 | 10/08/2017 | -1 |
| MGS | 04/26 | 4.060 | 16 | 4.120 | 10/08/2017 | -6 |
| MGS | 11/26 | 4.043 | 50 | 4.069 | 10/08/2017 | -3 |
| MGS | 03/27 | 4.160 | 50 | 4.166 | 10/08/2017 | -1 |
| MGS | 05/27 | 4.153 | 10 | 4.178 | 08/08/2017 | -3 |
| MGS | 11/27 | 3.993 | 119 | 3.976 | 10/08/2017 | 2 |
| MGS | 06/31 | 4.426 | 6 | 4.426 | 10/08/2017 | 0 |
| MGS | 04/33 | 4.372 | 7 | 4.386 | 08/08/2017 | -1 |
| GII | 11/17 | 3.065 | 25 | 3.047 | 10/08/2017 | 2 |
| GII | 08/19 | 3.538 | 20 | 3.521 | 07/08/2017 | 2 |
| GII | 04/20 | 3.548 | 50 | 3.553 | 10/08/2017 | 0 |
| GII | 07/23 | 4.022 | 21 | 4.005 | 10/08/2017 | 2 |
| | | | <u>1283</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** |
|---------------------------------------|-------|----------|----------------|-----------------|-----------------|----------------------------------------|-------------|----------------------------|
| Malaysia Debt Ventures Berhad | 08/20 | GG | 3.938 | 10 | 3.947 | 20/07/2017 | -1 | 30 |
| Khazanah Nasional Berhad | 03/21 | GG | 4.018 | 100 | 4.030 | 02/06/2015 | -1 | 33 |
| Prasarana Malaysia Berhad | 12/25 | GG | 4.419 | 15 | 4.364 | 14/07/2017 | 5 | 52 |
| Boustead Holdings Berhad | 11/17 | AAA (BG) | 4.015 | 5 | 4.146 | 27/04/2017 | -13 | 52 |
| Genting Capital Berhad | 06/22 | AAA | 4.700 | 1 | 4.699 | 06/07/2017 | 0 | 95 |
| GENM Capital Berhad | 08/25 | AAA | 4.782 | 5 | 4.779 | 08/08/2017 | 0 | 89 |
| Tenaga Nasional Berhad | 08/37 | AAA | 5.095 | 40 | 5.110 | 09/08/2017 | -2 | 94 |
| UMW Holdings Berhad | 06/20 | AA2 | 4.602 | 1 | 4.628 | 08/08/2017 | -3 | 96 |
| Konsortium ProHAWK Sdn Berhad | 06/33 | AA2 | 5.252 | 0 | 5.275 | 11/04/2017 | -2 | 109 |
| UEM Sunrise Berhad | 04/22 | AA- | 4.738 | 20 | 4.736 | 01/08/2017 | 0 | 98 |
| UEM Sunrise Berhad | 05/23 | AA- | 4.798 | 30 | 4.808 | 12/07/2017 | -1 | 100 |
| KESTURI | 12/23 | AA- | 4.630 | 15 | 4.651 | 01/08/2017 | -2 | 83 |
| CIMB Thai Bank Public Company Limited | 07/19 | AA3 | 4.815 | 5 | 4.520 | 10/08/2017 | 30 | 125 |
| BGSM Management Sdn Berhad | 12/20 | AA3 | 4.539 | 20 | 4.572 | 28/07/2017 | -3 | 90 |
| Gamuda Berhad | 04/21 | AA3 | 4.380 | 5 | 4.436 | 26/07/2017 | -6 | 70 |
| CIMB Thai Bank Public Company Limited | 07/21 | AA3 | 4.832 | 0 | 5.201 | 01/08/2017 | -37 | 115 |
| RHB Bank Berhad | 12/19 | A1 | 4.655 | 1 | 4.837 | 20/07/2017 | -18 | 109 |
| CIMB Group Holdings Berhad | 05/21 | A1 | 4.828 | 12 | 5.106 | 10/08/2017 | -28 | 114 |
| Tan Chong Motor Holdings Berhad | 11/21 | A1 | 5.960 | 2 | 6.070 | 10/08/2017 | -11 | 228 |
| Mah Sing | - | NR | 6.279 | 1 | - | - | - | - |
| | | | | <u>288</u> | | | | |

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

Market/Corporate News: What's Brewing

A new blueprint for the Northern Corridor Economic Region (NCER) is targeting 80 projects across four states that planners expect will boost gross domestic product (GDP) in the area to RM300bil by 2025. It will also create 161,197 new jobs opportunities in Perak, Penang, Kedah and Perlis. Northern Corridor Implementation Authority (NCIA) chief executive Datuk Redza Rafiq told StarBiz that NCER Blueprint 2.0 would have seven catalytic growth node projects, 28 transcending border projects, and 45 localised high-impact projects. The NCER Blueprint 2.0 will be launched by Prime Minister Datuk Seri Najib Abdul Razak on Thursday at the Subterranean Penang International Convention and Exhibition (SPICE) Arena. "The catalytic projects are aimed at creating significant economic multiplying effect, which will reduce regional imbalances by expanding development to priority areas," he said. Meanwhile, the transcending border projects, which will involve the collaboration between two or more states, will have diverse outcome in terms of economic and social growth. The localised high-impact projects are aimed at producing specific outcomes to the state, Redza said. These projects may require NCIA's support in terms of funding, approval and other forms of facilitation. "The seven catalytic growth node projects will be located in Perlis, Kedah, Perak and Penang," he said. In Batu Kawan, Penang, the projects will focus on manufacturing, property, logistics and tourism. For Kedah, the focus clusters are agro-science, advanced materials as well as information technology. Redza added that there would be a Manjung-Aman Jaya Maritime City near Pulau Pangkor, which would include components such as manufacturing, fisheries and aquaculture, infrastructure, human resource and labour, agriculture, tourism, and halal hub. (Source : The Star)

Genting Hong Kong Ltd and two other shareholders of Norwegian Cruise Line Holdings Ltd (NCLH) are reducing their stakes in the global cruise company. Star NCLC Holdings Ltd, a unit of Genting Hong Kong, together with Apollo Global Management LLC-affiliated funds and TPG Viking Funds have entered into underwriting agreement with three banks to offer a total of 15 million shares in NCHL for sale, according to stock exchange filings by NCLH. The Miami-based NCLH is listed on the Nasdaq Global Select Market. The underwriters, Citigroup Global Markets Inc, Barclays Capital Inc and Goldman Sachs & Co LLC, are now the new owners of the shares. The banks will seek to dispose of the shares "from time to time." There is no fixed price for the secondary share sale. NCLH said the shares would be sold in one or more transactions on the Nasdaq Global Select Market, in the over-the-counter market, through negotiated transactions or otherwise at prevailing market prices, at prices related to prevailing market prices or at negotiated prices. NCLH shares were last traded at US\$57.77 on Friday. The sale, once completed, will lower Genting Hong Kong's stake from 11.13% to 8.94% (based on the ordinary shares issued and outstanding as of July 31). Genting Hong Kong (formerly Star Cruises Ltd), majority owned by Tan Sri Lim Kok Thay, has a primary listing on the Stock Exchange of Hong Kong and a secondary listing on the Singapore Exchange. The cruise and resort operator on July 31 issued a profit warning that the group was expecting a consolidated net loss of US\$200mil to US\$220mil (RM859.3mil to RM945.2mil) for the first half-year to June 30, 2017, up from a loss of US\$73.7mil (RM316.6mil) in the 2016 corresponding period. However, the comparison did not take into account the group's share of results of Travellers International Hotel Group Inc, which operates Resorts World Manila, as Travellers is a listed company on an overseas stock exchange (the Philippine Stock Exchange) and its results had not been announced then. (Source : The Star)

Rating Actions

| Issuer | PDS Description | Rating/Outlook | Action |
|--------|-----------------|----------------|--------|
| Nil | | | |

Source: MARC and RAM ratings

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