

Global Markets Research

Fixed Income

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Fixed Income Daily Market Snapshot

US Treasuries

- UST crept higher yesterday following upbeat data releases from the US. Manufacturing activities improved for the US economy, with empire manufacturing expanded to 25.2 in August versus a prior print of 9.8. Retail sales meanwhile improved from 0.6% versus a prior month level of 0.3%. 10-year yields ended 7 bps higher to end at 2.27% level. Meanwhile latest report on foreign holdings of UST showed China reclaiming its position as top foreign holder, with latest levels at \$1.15 trillion in June.

MGS/GII

- Local govies meanwhile continue to trade on range-bound mode with RM2.5b worth transacted. Bond yields ended range-bound with yields on the mid to long ends of MGS shaved 1-2 bps lower. 30-year benchmark MGS closed 2 bps lower to settle at 4.75%. Tracking the upwardly movement in UST yields, we expect sentiments may turn a tad more cautious as recent data prints from the US seems to suggest recovery for the US economy is gaining traction. All eyes on Malaysia's upcoming 2QGDP release scheduled this Friday.

PDS/Sukuk

- MYR corporate bonds/sukuk saw RM441m transacted, with Prasa '8/28 and DanaInfra '11/30 traded at 4.59% and 4.75% level respectively. Putrajaya '12/21 and '5/25 seen changing hands at 4.27% and 4.50% level. In the AA segment, we saw UMW Holdings '6/20 traded at 4.63% whilst First Resources '10/21 closed at 4.72% level. Other notable trades include Affin Bank '2/22 with levels crossed at 5.03% level.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.35	3
5-yr UST	1.83	5
10-yr UST	2.27	7
30-yr UST	2.85	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.42	0	3.54	0
5-yr	3.63	1	3.76	0
7-yr	3.90	0	4.01	2
10-yr	3.98	-1	4.10	0
15-yr	4.38	-1	4.52	0
20-yr	4.57	0	4.73	0
30-yr	4.75	-2	4.91	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.49	0
3-yr	3.63	0
5-yr	3.76	1
7-yr	3.86	0
10-yr	3.98	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	10/17	3.062	517	3.082	08/08/2017	-2
MGS	02/18	3.078	172	3.070	11/08/2017	1
MGS	03/18	3.127	74	3.071	14/08/2017	6
MGS	03/19	3.240	25	3.248	14/08/2017	-1
MGS	07/19	3.384	1	3.358	14/08/2017	3
MGS	10/19	3.372	47	3.365	14/08/2017	1
MGS	11/19	3.367	82	3.353	14/08/2017	1
MGS	03/20	3.435	20	3.398	14/08/2017	4
MGS	07/20	3.454	148	3.444	14/08/2017	1
MGS	10/20	3.459	3	3.456	14/08/2017	0
MGS	07/21	3.558	0	3.536	14/08/2017	2
MGS	09/21	3.587	9	3.587	14/08/2017	0
MGS	11/21	3.627	220	3.650	11/08/2017	-2
MGS	03/22	3.630	103	3.606	14/08/2017	2
MGS	08/22	3.739	0	3.750	14/08/2017	-1
MGS	09/22	3.766	211	3.755	14/08/2017	1
MGS	03/23	3.831	77	3.881	14/08/2017	-5
MGS	08/23	3.887	82	3.883	11/08/2017	0
MGS	07/24	3.950	3	3.957	14/08/2017	-1
MGS	09/24	3.904	95	3.898	14/08/2017	1
MGS	09/25	4.057	102	4.042	14/08/2017	2
MGS	04/26	4.090	5	4.101	14/08/2017	-1
MGS	11/26	4.027	69	4.061	14/08/2017	-3
MGS	11/27	3.982	30	3.979	14/08/2017	0
MGS	06/31	4.431	4	4.456	14/08/2017	-3
MGS	04/33	4.377	2	4.391	14/08/2017	-1
MGS	05/35	4.492	2	4.484	10/08/2017	1
MGS	09/43	4.789	20	4.870	14/08/2017	-8
MGS	03/46	4.749	80	4.768	14/08/2017	-2
GII	04/19	3.446	10	3.441	04/08/2017	1
GII	08/19	3.516	120	3.538	14/08/2017	-2
GII	04/20	3.540	160	3.538	14/08/2017	0
GII	07/23	4.028	3	4.022	11/08/2017	1
GII	08/24	4.012	40	3.999	10/08/2017	1
GII	09/26	4.152	0	4.149	10/08/2017	0
			<u>2536</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**
Bank Pembangunan Malaysia Berhad	09/21	GG	4.013	50	4.010	04/08/2017	0	33
Prasarana Malaysia Berhad	08/28	GG	4.592	15	4.590	03/08/2017	0	61
DanInfra Nasional Berhad	11/30	GG	4.753	5	4.719	21/03/2017	3	59
ADCB Finance (Cayman) Limited	11/17	AAA	4.138	35	4.227	20/07/2017	(9)	65
Putrajaya Holdings Sdn Berhad	04/19	AAA	4.064	5	4.025	07/03/2017	4	50
Putrajaya Holdings Sdn Berhad	12/21	AAA	4.267	15	4.268	07/08/2017	(0)	59
Malaysia Airports Capital Berhad	12/24	AAA	4.434	30	4.428	04/08/2017	1	58
Putrajaya Holdings Sdn Berhad	05/25	AAA	4.502	10	-	-	-	61
Projek Lebuhraya Usahasama Berhad	01/28	AAA	4.598	20	4.589	13/03/2017	1	62
Projek Lebuhraya Usahasama Berhad	01/29	AAA	4.684	5	4.674	31/05/2017	1	70
TNB Northern Energy Berhad	11/30	AAA	4.839	10	5.000	10/09/2013	(16)	68
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.944	10	4.954	08/08/2017	(1)	78
Tenaga Nasional Berhad	08/32	AAA	4.909	10	4.930	03/08/2017	(2)	75
Malayan Banking Berhad	01/19	AA1	4.718	1	4.706	09/08/2017	1	123
Malayan Banking Berhad	09/18	AA2	4.239	0	4.453	07/08/2017	(21)	75
UMW Holdings Berhad	06/20	AA2	4.628	15	4.601	14/08/2017	3	100
First Resources Limited	10/21	AA2	4.721	45	4.651	31/07/2017	7	104
RHB Bank Berhad	11/17	AA3	4.167	50	4.136	10/08/2017	3	68
BGSM Management Sdn Berhad	12/19	AA3	4.489	3	4.448	28/07/2017	4	92
Hong Leong Assurance Berhad	02/20	AA3	4.727	10	4.770	27/04/2017	(4)	116
CIMB Thai Bank Public Company Limited	07/21	AA3	4.831	1	4.832	14/08/2017	(0)	115
WCT Holdings Berhad	12/18	AA-	4.589	30	4.727	15/05/2017	(14)	110
Malakoff Power Berhad	12/20	AA-	4.544	10	4.578	12/07/2017	(3)	91
UEM Sunrise Berhad	04/22	AA-	4.728	10	4.738	11/08/2017	(1)	97
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.290	5	5.280	09/08/2017	1	113
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.350	15	5.340	09/08/2017	1	119
Tan Chong Motor Holdings Berhad	11/21	A1	5.961	3	5.960	11/08/2017	0	228
CIMB Group Holdings Berhad	12/21	A1	5.180	1	4.877	02/08/2017	30	150
Affin Bank Berhad	02/22	A1	5.026	20	5.028	14/08/2017	(0)	135
Quill Retail Malls Sdn Berhad	03/24	A3	7.500	1	7.500	15/05/2017	-	365
Mah Sing	-	NR	6.476	1	-	-	-	-
				<u>441</u>				

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

Market/Corporate News: What's Brewing

Moody's Investors Service says that it would take a significant deterioration of Malaysia's (A3 stable) external metrics from current levels for the country's credit profile to weaken. Moody's conclusion is contained in its just-released report titled "Government of Malaysia: Credit profile relatively resilient despite external vulnerabilities". In its report issued on Wednesday, the ratings agency explains that Malaysia's foreign currency reserves have climbed out of a recent trough, but remain lower than aggregate cross-border debt due over the next year. "An active non-resident investor presence in Malaysia's financial markets also leaves the country vulnerable to sudden swings in capital flows," it noted. Since mid-2016, Malaysia's short-term external debt by original maturity has risen to nearly half of external debt, presenting rollover risks. In addition, almost 60% of total external debt is denominated in foreign currency, which gives rise to some currency risk. While foreign reserves are still larger than short-term debt by original maturity, once currently maturing medium- and long-term debt is added, the ratio of annual external liabilities due over the next year to reserves (the external vulnerability indicator, or EVI) has been significantly above the 100% threshold for years. "Moody's forecasts Malaysia's EVI at 143% for 2018," it said. The ratings agency noted that currency flexibility, prudent monetary policy and a large domestic institutional investor base buffer the impact of capital flow volatility, with large export proceeds and external assets acting as a further cushion. Moody's points out that since its assessment of Malaysia's overall sovereign credit profile incorporates its vulnerability to capital volatility, trends in the EVI and the basic balance, its credit profile is relatively resilient to periods when such external volatility heightens. "Other sources of credit risk would be a sharp growth slowdown or meaningful weakening in public finances; neither factors of which Moody's deems likely at this time," it said. (Source : The Star)

Petronas Gas Bhd (PetGas) reported a 5.6% jump in net profit for the second quarter (Q2) ended June 30 to RM425.93mil, putting it on track for a bottom-line rebound this year. The improvement, achieved on 4.9% higher revenue of RM1.17bil, was mainly due to higher contribution from the gas transportation and regasification segments and higher other income and share of profit from joint ventures. These were partially offset by lower contribution from gas processing segment due to higher operating costs, the Petrolia Nasional Bhd (Petronas) subsidiary said in a stock exchange filing on Tuesday. For the first six months of the year, the country's sole gas processor and transporter and liquefied natural gas regasification service provider posted a net profit of RM889.09mil, up 4.5% from the corresponding period of 2016. At around this time last year, PetGas reported a 32.9% drop in half-year profit to RM850.71mil. This led to the group's net profit tumbling 12.6% to RM1.74bil for the financial year ended Dec 31, 2016 (FY16). The board of directors has approved a second interim dividend of 16 sen per share amounting to RM316.6mil in respect of this financial year ending Dec 31, 2017 (Q2 FY16: 14 sen). (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

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