

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST ended on a stronger note on Tuesday, as bond yields headed south with 10-year yields clawing back lower to reach 2.26% level. Levels tightened circa 6 bps versus previous session close. Sizeable trades seen dealt at UST futures space, suggesting that UST yields may be lower for longer despite looming Fed normalization market talks. Meanwhile latest foreign ownership of UST released, saw holdings by China gained for a fourth straight month, with levels increased by \$10b to \$1.1trillion in May.

MGS/GII

- Local govies saw renewed support, with benchmark MGS/GII traded tighter yesterday. Total volume traded for MGS/GII was over RM2.5b transacted. Yields on mid to long-ends of the MGS curve eased lower, with 30-year benchmark rallying to reach 4.76%, circa 7 bps tighter versus previous session close. 10-year MGS 11/27 saw levels traded at 3.93%, near parity with the current 7-year MGS 9/24 benchmark. All eyes on June CPI release today. We expect inflationary pressure to moderate going into the 2H2017, paving the way for OPR to stay unchanged at 3.00%.

PDS/Sukuk

- In the corporate bonds and sukuk space, trading volume remained thin with only RM386m transacted. A slew of BEWG bonds maturing 2020-2023 seen emerging on the secondary trading space, with combined amount of RM30m changing hands. BEWG '7/23 ended at 5.40% level. Other notable trades include IJM '6/22 with RM70m traded with levels crossed at 4.49% level.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.35	-1
5-yr UST	1.81	-5
10-yr UST	2.26	-6
30-yr UST	2.85	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.38	0	3.59	-2
5-yr	3.75	0	3.80	-4
7-yr	3.82	-1	4.01	-5
10-yr	3.93	-4	4.07	0
15-yr	4.42	-2	4.53	-3
20-yr	4.56	-3	4.72	0
30-yr	4.76	-7	4.94	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.63	0
5-yr	3.75	-2
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	3.049	310	3.000	14/07/2017	5
MGS	10/17	3.054	74	3.027	14/07/2017	3
MGS	02/18	3.188	212	3.152	17/07/2017	4
MGS	03/18	3.174	5	3.191	14/07/2017	-2
MGS	09/18	3.361	61	3.320	14/07/2017	4
MGS	10/19	3.464	14	3.514	17/07/2017	-5
MGS	11/19	3.481	20	3.488	14/07/2017	-1
MGS	03/20	3.553	89	3.608	14/07/2017	-6
MGS	07/20	3.643	16	3.639	14/07/2017	0
MGS	10/20	3.644	29	3.625	17/07/2017	2
MGS	07/21	3.792	1	3.711	17/07/2017	8
MGS	09/21	3.800	1	3.741	17/07/2017	6
MGS	11/21	3.780	31	3.787	17/07/2017	-1
MGS	08/22	3.877	89	3.855	17/07/2017	2
MGS	09/22	3.842	101	3.901	12/07/2017	-6
MGS	03/23	3.935	68	3.956	12/07/2017	-2
MGS	08/23	3.986	67	3.964	17/07/2017	2
MGS	07/24	3.999	28	4.032	17/07/2017	-3
MGS	09/24	3.915	257	3.923	17/07/2017	-1
MGS	09/25	4.098	8	4.063	17/07/2017	4
MGS	04/26	4.116	61	4.151	12/07/2017	-4
MGS	11/26	4.073	3	4.081	17/07/2017	-1
MGS	03/27	4.196	10	4.242	17/07/2017	-5
MGS	05/27	4.160	0	4.159	13/07/2017	0
MGS	11/27	3.928	12	3.970	13/07/2017	-4
MGS	04/30	4.466	70	4.508	17/07/2017	-4
MGS	06/31	4.505	53	4.524	14/07/2017	-2
MGS	04/33	4.421	80	4.440	17/07/2017	-2
MGS	05/35	4.542	0	4.593	17/07/2017	-5
MGS	04/37	4.562	79	4.587	17/07/2017	-2
MGS	09/43	4.853	3	4.860	14/07/2017	-1
MGS	03/46	4.761	29	4.833	14/07/2017	-7
GII	08/17	3.055	80	2.867	06/07/2017	19
GII	08/17	3.055	20	3.038	15/06/2017	2
GII	11/17	3.129	15	3.162	17/07/2017	-3
GII	04/20	3.592	205	3.607	17/07/2017	-2
GII	03/21	3.862	30	3.890	04/07/2017	-3
GII	04/22	3.803	60	3.831	17/07/2017	-3
GII	07/22	3.885	100	3.905	13/07/2017	-2
GII	07/23	4.038	10	4.079	14/07/2017	-4
GII	05/24	4.061	20	4.093	17/07/2017	-3
GII	08/24	4.012	30	4.061	13/07/2017	-5
GII	08/33	4.529	60	4.545	17/07/2017	-2
SPK	07/22	3.959	20	3.901	29/06/2017	6
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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	01/22	GG	4.069	5	4.040	01/06/2017	3	34
Pengurusan Air SPV Berhad	02/23	GG	4.181	20	4.195	14/07/2017	-1	38
DiGi Telecommunications Sdn Berhad	04/22	AAA	4.289	10	4.200	14/07/2017	9	79
Projek Lebuhraya Usahasama Berhad	01/20	AAA	4.095	5	4.035	01/03/2017	6	54
Gulf Investment Corporation G.S.C	03/21	AAA	5.040	11	5.104	19/01/2017	-6	136
Projek Lebuhraya Usahasama Berhad	01/22	AAA	4.209	20	4.183	05/05/2017	3	53
Cagamas Berhad	04/22	AAA	4.139	5	4.139	13/07/2017	0	41
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.321	20	4.290	21/06/2017	3	52
TNB Western Energy Berhad	01/30	AAA	4.809	10	4.810	11/07/2017	0	65
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.829	30	4.790	22/06/2017	4	67
Encorp Systembilt Sdn Berhad	11/18	AA1	4.144	0	4.446	19/12/2016	-30	65
Teknologi Tenaga Perlis Consortium Sdn Be	07/23	AA1	4.497	4	-	-	-	70
Encorp Systembilt Sdn Berhad	11/24	AA1	4.519	10	4.575	25/05/2017	-6	67
Imtiaz Sukuk Berhad	11/17	AA2	3.995	7	4.001	05/07/2017	-1	50
Hong Leong Islamic Bank Berhad	06/19	AA2	4.665	5	4.512	19/04/2017	15	111
BEWG	07/20	AA	5.100	5	-	-	-	148
BEWG	07/21	AA	5.200	10	-	-	-	152
BEWG	07/22	AA	5.300	7	-	-	-	157
Anih Berhad	11/22	AA	4.558	30	4.485	05/06/2017	7	82
BEWG	07/23	AA	5.400	5	-	-	-	160
Perbadanan Kemajuan Negeri Selangor	05/18	AA3	4.364	2	4.389	29/05/2017	-3	87
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.412	5	4.449	14/11/2016	-4	92
RHB Bank Berhad	07/19	AA3	4.400	1	4.480	14/07/2017	-8	84
IJM Corporation Berhad	04/21	AA3	4.418	1	4.350	14/06/2017	7	74
IJM Corporation Berhad	06/22	AA3	4.498	70	4.419	20/06/2017	8	76
BGSM Management Sdn Berhad	03/26	AA3	4.985	30	4.988	17/07/2017	0	109
Besraya (M) Sdn Berhad	07/26	AA3	4.719	10	4.707	07/06/2017	1	73
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.229	10	5.190	07/06/2017	4	173
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.289	10	5.259	21/06/2017	3	179
MMC Corporation Berhad	11/27	AA-	5.465	20	5.458	23/06/2017	1	148
Bank Muamalat Malaysia Berhad	11/21	A	5.287	8	5.246	29/06/2017	4	161
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Market/Corporate News: What's Brewing

Axiata Group Bhd, along with two other substantial shareholders of M1 Ltd, have decided against the sale of their respective stakes in the Singapore wireless carrier. The group told the stock exchange yesterday that the three parties, which collectively own over 61% in M1, had decided not to proceed further with the strategic review on their respective shareholdings. Axiata had announced earlier in March that it was undertaking the strategic review, together with Keppel Telecommunications & Transportation Ltd (Keppel T&T) and Singapore Press Holdings Ltd, that "may or may not lead to a transaction". In the announcement yesterday, Axiata said the decision was made after taking into consideration the proposals from the interested parties which, despite a favourable level of interest, did not meet the minimum criteria and parameters as determined by the majority shareholders. "No arrangement or agreement with any third party has been reached in relation to each majority shareholders' respective shareholdings in M1 Ltd," it said in the filing. Axiata has 28.39%, Keppel T&T 19.23% and Singapore Press Holdings 13.38% in M1. M1 has some 2.06 million customers. At its closing price of S\$2.10 (RM6.59), it has a market capitalisation of S\$1.95bil (RM6.13bil). The stock is up 7.14% on a year-to-date basis. In March, Axiata said the three parties had jointly appointed Morgan Stanley Asia (Singapore) Pte as their financial adviser to assist with the strategic review. It said there was no assurance that any transaction would materialise from the strategic review or that any definitive or binding agreement would be reached. At the time, analysts estimated that the sale of Axiata's stake in M1 could raise RM1.8bil. (Source : The Star)

Prestariang Bhd has entered into a 15-year concession agreement with the government for the implementation of a RM3.5bil integrated technology platform to modernise the core applications and infrastructure of the country's immigration system. In a filing with the stock exchange, the group said Prestariang Skin Sdn Bhd (Pskin), a unit of Prestariang Services Sdn Bhd, which in turn is a subsidiary of Prestariang, had entered into the agreement yesterday with the

government, represented by the Home Affairs Ministry. Prestariang, which was suspended yesterday, closed 8.18% higher at RM2.38 on Monday. The stock will resume trading today at 9am. Via the agreement, it said, the company has been granted the authority to undertake the planning, design, financing, development, customisation, supply, delivery, installation, configuration, integration, interfacing, testing and commissioning of the system as well as carrying out maintenance services. It said the project, Sistem Kawalan Imigresen Nasional (Skin), will be implemented by way of a public private partnership through the build, operate, maintain and transfer method. The group added that payment would only commence upon full commissioning of the system (after three years), with an average annual payment of RM294.7mil from year four to year 15 during the maintenance and technical operation phase. It said the concession agreement was conditional upon Pskin having obtained a written notice from the government confirming that the company had fulfilled the conditions precedent within six months from the date of execution of the agreement, or an extended period not exceeding three months as may be granted by the government. "The concession is expected to contribute positively to the future earnings and earnings per share and net assets per share of the Prestariang group. "The development cost is expected to be financed via a combination of internally generated funds, borrowings and/or other fund-raising exercises," it said. (The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
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Nil

Source: MARC and RAM ratings

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