

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 yields edged higher on Tuesday after German bunds ended on a softer note following hawkish comments from Draghi's recent speech. 10-year yields closed circa 6-7 bps higher to hover at 2.21% level. Sale of \$34b 5-year notes drew soft BTC cover of 2.33x versus previous average of 2.67x. All eyes on US 1Q GDP release this week as well as PCE release. Investors will be looking out for inflation data to confirm if the recent softer inflation outlook was transitory.

MGS/GII

- Local govies saw razor thin trading volume last Friday in conjunction with Raya holidays as well as US GDP release this week. Transacted amount remained thin with only RM718m seen changing hands. Overall bond yields ended little changed. 3-year GII 4/20 ended tighter to close at 3.57% level. Other notable trades seen changing hands include SPK 7/22, dealt at 3.90% level with RM50m traded. Amid a data light week on the local front, investors will be focusing on upcoming macro release from the US, with PCE and 1Q US GDP on the cards.

PDS/Sukuk

- Tracking a similar tone in the local govies space, traded volume remained thin in the corporate bonds/sukuk space with RM121m changed hands. A slew of BGSM maturing 2023-2026 traded with combined amounts of RM30m, with level ranged 4.84% 4.97% level. Bank papers RHB '3/19 and AmBank '8/19 seen crossed at 4.65% and 4.61% level respectively. Expect trading volume to pick up as most players will be returning to their respective trading desk next week.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.37	2
5-yr UST	1.83	1
10-yr UST	2.21	7
30-yr UST	2.75	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.33	3	3.57	-3
5-yr	3.59	1	3.80	0
7-yr	3.84	-2	3.94	0
10-yr	3.90	0	4.05	0
15-yr	4.33	0	4.48	0
20-yr	4.54	0	4.60	0
30-yr	4.74	0	4.85	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.49	-1
3-yr	3.61	0
5-yr	3.71	1
7-yr	3.79	0
10-yr	3.94	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)	Spread Against MGS*	Spread Against IRS**
MGS	02/18	3.152	0	3.152	22/06/2017	0	-	-34
MGS	09/18	3.223	95	3.260	22/06/2017	-4	-	-27
MGS	03/19	3.333	1	3.291	22/06/2017	4	-	-22
MGS	10/19	3.406	40	3.392	22/06/2017	1	-	-14
MGS	11/19	3.416	0	3.414	21/06/2017	0	-	-13
MGS	03/20	3.498	105	3.494	22/06/2017	0	-	-11
MGS	07/20	3.550	102	3.562	22/06/2017	-1	-	-6
MGS	03/22	3.594	0	3.583	22/06/2017	1	-	-12
MGS	08/22	3.748	8	3.719	21/06/2017	3	-	4
MGS	08/23	3.836	13	3.864	22/06/2017	-3	-	10
MGS	07/24	3.870	3	3.894	22/06/2017	-2	-	9
MGS	09/24	3.842	22	3.859	22/06/2017	-2	-	6
MGS	09/25	3.954	2	3.962	22/06/2017	-1	-	13
MGS	11/26	3.900	9	3.893	21/06/2017	1	-	-4
MGS	04/30	4.394	20	4.374	22/06/2017	2	-	27
MGS	06/31	4.396	1	4.386	22/06/2017	1	-	28
GII	07/19	4.566	0	4.681	22/06/2017	-12	-	102
GII	09/19	4.398	0	4.405	15/06/2017	-1	-	85
GII	04/20	3.569	133	3.604	22/06/2017	-4	-	-4
GII	08/21	3.794	1	3.773	22/06/2017	2	-	14
GII	07/23	3.938	20	3.936	22/06/2017	0	-	20
GII	08/24	3.939	40	3.939	22/06/2017	0	-	15
GII	09/26	4.115	23	4.096	21/06/2017	2	-	18
GII	07/27	4.045	20	4.046	22/06/2017	0	-	11
GII	08/33	4.485	10	4.477	19/06/2017	1	-	37
SPK	07/22	3.900	50	3.885	09/06/2017	2	-	19
			<u>718</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**
YTL Power International Berhad	03/27	AA1	4.969	1	4.970	22/06/2017	0	103
First Abu Dhabi Bank PJSC	12/27	AA1	4.787	10	4.809	09/05/2017	-2	85
CIMB Bank Berhad	08/21	AA+	4.976	1	4.880	22/06/2017	10	132
Malayan Banking Berhad	09/18	AA2	4.618	1	4.572	21/06/2017	5	113
UniTapah Sdn Berhad	06/23	AA2	4.522	10	4.575	27/04/2017	-5	78
Sime Darby Berhad	03/26	AA	4.816	10	4.844	09/05/2017	-3	99
CIMB Group Holdings Berhad	04/20	AA3	4.681	1	-	-	-	108
BGSM Management Sdn Berhad	12/23	AA3	4.837	10	4.839	22/06/2017	0	105
BGSM Management Sdn Berhad	06/24	AA3	4.887	10	4.898	22/06/2017	-1	110
BGSM Management Sdn Berhad	03/26	AA3	4.977	10	4.978	22/06/2017	0	115
MMC Corporation Berhad	04/27	AA-	5.419	10	-	-	-	148
MMC Corporation Berhad	11/27	AA-	5.458	6	5.459	22/06/2017	0	152
RHB Bank Berhad	03/19	A1	4.654	19	4.710	13/03/2017	-6	110
AmBank (M) Berhad	08/19	A1	4.614	10	4.656	16/06/2017	-4	106
CIMB Group Holdings Berhad	05/21	A1	5.192	10	5.188	21/06/2017	0	154
CIMB Group Holdings Berhad	12/21	A1	4.900	1	4.902	20/06/2017	0	125
Mah Sing	-	NR	6.373	1	-	-	-	-
				<u>121</u>				

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

Market/Corporate News: What's Brewing

Noble Group Ltd shares slid after Fitch Ratings cut the embattled commodities trader's credit rating to a score indicating that a default is possible. The company's stock dropped 3.8% as of 12.02pm in Singapore yesterday after a public holiday on Monday. It earlier fell as much as 7.6%. Fitch slashed its rating late Friday by two steps to CCC, its third downgrade since the middle of last month. Fitch's definition for that rating says it indicates "substantial credit risk" and that "default is a real possibility." The moves mark a reversal following a 63% surge in Noble Group's shares last week, when the company said it remains in talks with potential investors after agreeing with lenders to extend its US\$2bil credit facility for four months. The struggle to sustain the rally flags challenges for the company, in which Abu Dhabi fund Goldilocks Investment Co became a major holder last week, as it searches for a strategic investor to restore confidence following a collapse in its shares and bonds this year. "The extension of Noble's US\$2bil borrowing base facilities by 120 days from June 20, 2017 does not provide evidence of medium-term funding stabilisation," Fitch said in its statement on Friday. The uncertainty surrounding the outcome of the facility may constrain the company's flexibility in its trading operations, according to Fitch. Noble Group didn't immediately respond to a request for comment yesterday on Fitch's downgrade. "We recognize Noble's effort to sell part of the group or its assets to aid in the restructuring of its business," Fitch said. "But visibility over the form or success of any transaction is low given current market conditions." (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

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@hlbb.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.