

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST yields ended little changed as retreating oil price seen supporting bond yields. Brent oil price seen hovering below \$45/barrel. Macro prints for existing home sales for month of May gained 1.1% MoM rebounded higher from a previous decline of -2.5%. All eyes on jobless claims release tonight ahead of Markit PMI come Friday. Upcoming Fed speeches from Powell, Bullard and Mester this week to be closely followed.

MGS/GII

- Local govies saw bond yields inched a tad higher for selective benchmarks. MGS/GII traded volume on Wednesday circa RM2.26b worth. We opine players seen staying on the sideline ahead of upcoming public holidays as well as recent hawkish comments from Fed officials. 10-year GII 7/27 ended at 4.05%, circa 1 bp higher versus previous session close. Meanwhile CPI in May moderated, gained 3.9% yoy versus previous level of 4.4% back in April. Moderating inflation outlook may help warrant a stronger case for OPR to stay accommodative at 3.00% in 2017.

PDS/Sukuk

- Moving into the corporate bonds and sukuk space, traded volume was boosted higher to reach RM1b worth. Increased traded volume due to of end-quarter trades as we gradually approach end-2Q2017. Long-dated DanaInfra '3/32 and '5/32 saw combined amount of RM80m traded, with levels closing at 4.85% respectively. Cagamas '4/22 seen hovering at 4.09% level with RM60m dealt, Danga '1/30 crossed at 4.76% level. Other notable trades include UMW Holdings '6/20 and '6/22 with combined amount of RM440m changing hands. Levels closed at 4.60% and 4.80% level respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.35	0
5-yr UST	1.77	1
10-yr UST	2.16	0
30-yr UST	2.73	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.29	2	3.60	0
5-yr	3.58	1	3.78	0
7-yr	3.84	0	3.93	0
10-yr	3.88	0	4.05	1
15-yr	4.33	0	4.48	0
20-yr	4.53	1	4.60	0
30-yr	4.74	0	4.85	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	1
3-yr	3.62	2
5-yr	3.69	-1
7-yr	3.79	0
10-yr	3.94	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	3.074	413	3.020	20/06/2017	5
MGS	02/18	3.143	321	3.115	20/06/2017	3
MGS	03/18	3.152	35	3.110	16/06/2017	4
MGS	09/18	3.251	40	3.227	20/06/2017	2
MGS	03/19	3.285	206	3.307	20/06/2017	-2
MGS	10/19	3.421	27	3.364	19/06/2017	6
MGS	11/19	3.414	109	3.418	20/06/2017	0
MGS	03/20	3.498	185	3.498	20/06/2017	0
MGS	07/20	3.535	1	3.581	14/06/2017	-5
MGS	10/20	3.577	1	3.558	20/06/2017	2
MGS	07/21	3.639	1	3.625	20/06/2017	1
MGS	09/21	3.639	54	3.639	20/06/2017	0
MGS	11/21	3.632	2	3.644	20/06/2017	-1
MGS	03/22	3.579	135	3.568	20/06/2017	1
MGS	08/22	3.719	13	3.697	20/06/2017	2
MGS	09/22	3.710	18	3.710	20/06/2017	0
MGS	03/23	3.783	1	3.822	19/06/2017	-4
MGS	08/23	3.851	55	3.838	20/06/2017	1
MGS	07/24	3.871	2	3.846	19/06/2017	2
MGS	09/24	3.836	124	3.994	20/06/2017	-16
MGS	09/25	3.969	22	3.940	20/06/2017	3
MGS	04/26	4.040	5	4.038	14/06/2017	0
MGS	11/26	3.893	92	3.888	20/06/2017	0
MGS	03/27	4.137	5	4.080	16/06/2017	6
MGS	04/30	4.359	31	4.364	19/06/2017	0
MGS	06/31	4.376	30	4.373	20/06/2017	0
MGS	04/32	4.441	1	4.414	19/06/2017	3
MGS	05/35	4.457	1	4.458	20/06/2017	0
MGS	04/37	4.530	112	4.515	19/06/2017	2
MGS	03/46	4.736	10	4.736	20/06/2017	0
GII	10/18	3.236	0	3.290	13/06/2017	-5
GII	09/19	3.470	100	3.471	20/06/2017	0
GII	08/21	3.760	20	3.784	20/06/2017	-2
GII	07/22	3.854	20	3.854	20/06/2017	0
GII	08/24	3.928	10	3.931	19/06/2017	0
GII	10/25	4.104	9	4.081	20/06/2017	2
GII	09/26	4.096	3	4.094	20/06/2017	0
GII	07/27	4.045	50	4.045	20/06/2017	0
			<u>2264</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**
SME Bank	03/22	GG	4.080	5	4.071	15/06/2017	1	39
Danainfra Nasional Berhad	04/22	GG	4.038	10	4.010	09/06/2017	3	34
Danainfra Nasional Berhad	05/24	GG	4.157	3	4.270	25/05/2017	-11	37
LPPSA	04/27	GG	4.460	35	4.439	19/06/2017	2	52
Danainfra Nasional Berhad	03/32	GG	4.851	30	4.860	19/06/2017	-1	73
GovCo Holdings Berhad	02/32	GG	4.829	1	4.830	19/06/2017	0	71
Danainfra Nasional Berhad	05/32	GG	4.850	50	4.880	14/06/2017	-3	73
Rantau Abang Capital Berhad	12/20	AAA	4.086	10	4.086	20/06/2017	0	47
DiGi Telecommunications Sdn Berhad	04/22	AAA	4.272	10	4.290	22/05/2017	-2	58
Cagamas Berhad	04/22	AAA	4.093	60	4.100	19/06/2017	-1	40
Projek Lebuhraya Usahasama Berhad	01/23	AAA	4.209	10	4.248	15/05/2017	-4	46
Sarawak Hidro Sdn Berhad	08/23	AAA	4.381	10	4.458	07/02/2017	-8	63
Projek Lebuhraya Usahasama Berhad	01/24	AAA	4.290	10	4.299	20/06/2017	-1	50
Putrajaya Holdings Sdn Berhad	05/26	AAA	4.558	10	4.559	15/06/2017	0	72
TNB Northern Energy Berhad	05/28	AAA	4.627	10	4.630	26/05/2016	0	69
Danga Capital Berhad	01/30	AAA	4.759	40	4.798	03/05/2017	-4	64
TNB Western Energy Berhad	01/31	AAA	4.849	10	5.050	24/02/2015	-20	73
Malayan Banking Berhad	01/19	AA1	4.903	1	4.721	19/06/2017	18	134
Maybank Islamic Berhad	04/19	AA1	4.457	10	4.417	19/06/2017	4	89
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.673	10	4.838	22/12/2016	-17	84
YTL Power International Berhad	05/27	AA1	4.969	22	4.969	13/06/2017	0	103
Celcom Networks Sdn Berhad	08/19	AA+	4.476	10	4.499	19/06/2017	-2	91
Celcom Networks Sdn Berhad	10/26	AA+	4.939	10	4.949	20/06/2017	-1	100
First Resources Limited	12/17	AA2	4.248	10	4.094	15/06/2017	15	75
Malayan Banking Berhad	09/18	AA2	4.572	0	4.623	08/06/2017	-5	107
Hong Leong Bank Berhad	06/19	AA2	5.002	1	4.401	10/03/2017	60	144
UMW Holdings	06/20	AA2	4.600	225	-	-	-	98
UMW Holdings	06/22	AA2	4.800	215	-	-	-	111
Malaysia Airport Holdings Berhad	12/24	AA2	4.897	2	4.896	19/06/2017	0	111
Bright Focus Berhad	01/30	AA2	5.100	120	5.030	08/09/2016	7	98
Bright Focus Berhad	01/31	AA2	5.295	40	5.219	08/09/2016	8	118
Anih Berhad	11/19	AA	4.308	10	4.399	13/03/2017	-9	74
BGSM Management Sdn Berhad	12/17	AA3	4.195	10	4.147	06/06/2017	5	70
Gamuda Berhad	10/18	AA3	4.227	1	4.215	16/06/2017	1	73
Hong Leong Bank Berhad	09/19	AA3	5.156	0	4.813	26/04/2017	34	159
RHB Investment Bank Berhad	04/20	AA3	5.148	0	4.796	15/05/2017	35	153
Mumtaz Rakyat Sukuk Berhad	06/21	AA3	4.689	10	4.710	05/06/2017	-2	103
BGSM Management Sdn Berhad	06/24	AA3	4.899	20	4.897	16/06/2017	0	111
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.320	10	5.289	22/05/2017	3	182
UEM Sunrise Berhad	12/18	AA-	4.436	1	4.559	05/04/2017	-12	94
MEX II Sdn Berhad	04/23	AA-	4.739	2	5.013	13/12/2016	-27	99
KESTURI	12/24	AA-	4.639	10	4.649	08/06/2017	-1	85
Northport (Malaysia) Berhad	12/24	AA-	4.969	10	5.069	21/03/2017	-10	113
Jimah East Power Sdn Berhad	06/25	AA-	4.700	2	4.778	11/01/2017	-8	87
KESTURI	12/25	AA-	4.669	10	4.668	16/05/2017	0	83
Jimah East Power Sdn Berhad	12/25	AA-	4.708	10	4.794	11/01/2017	-9	87
Jimah East Power Sdn Berhad	06/27	AA-	4.771	2	4.768	20/06/2017	0	83
CIMB Thai Bank Public Company Limited	07/19	AA3	4.809	1	4.572	16/06/2017	24	124
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.259	10	5.270	09/06/2017	-1	114
Malakoff Power Berhad	08/37	AA-	4.337	10	4.332	29/05/2017	0	22
CIMB Group Holdings Berhad	05/21	A1	5.188	2	5.231	14/06/2017	-4	153
AMMB Holdings Berhad	02/22	A1	4.989	1	4.833	15/06/2017	16	129
Mah Sing	-	NR	6.483	1	-	-	-	-
				<u>1123</u>				

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

Market/Corporate News: What's Brewing

Malaysian banks' credit profile remains stable but a number of challenges weigh on them, including high corporate and household debt as well as slower economic growth in recent years. Standard & Poor's Global Ratings analyst Rujun Duan said in a report that a combination of slower growth and higher leverage has increased the credit risk of the country's banks. "A weak energy sector, subdued global demand and tightened domestic spending continue to drag on growth. Meanwhile, corporate and household indebtedness has been steadily rising," she said. However, Duan said the Malaysian economy remained resilient, supported by stable employment conditions, deep financial markets and a prudent regulatory framework. "In our view, however, a number of counter-balancing factors support Malaysian banks' credit profile," Duan pointed out. Factors that support the credit profile include historically-low impaired loan ratios of 1.6% and more than ample capital and liquidity buffers, while prudential measures implemented by Bank Negara and tighter underwriting standards enforced by banks will also help to keep credit risks at bay. Duan said earnings would continue to be sluggish this year, continuing a trend from last year when Malaysian banks reported weak earnings growth. "This is due to slower loan growth, tight margins and weakening asset quality in a few areas, such as commodities-related overseas loan portfolios and household credit. "In addition, banks face potential risks due to their exposure to industries with structural or cyclical difficulties, such as commercial real estate and automobiles," she said. Malaysian banks generally improved their performance in the first quarter ended March 31 compared to the same quarter a year ago, although forecasts remain as underperforming. Banking stock analysts expect better net profit in the second quarter. Duan said domestic loan growth would remain at around 5% this year, with potential downside coming from faster-than-expected interest rate hikes from Bank Negara. "We are currently expecting one 25-basis-point (bps) hike in the overnight policy rate later this year, followed by a second 25 bps hike in 2018, as Malaysia catches up with the interest-rate normalisation cycle of the US Federal Reserve," she said, adding that rising interest rates may further pressure net profit. Duan noted that corporate debt has been building up in the country due to the ample supply of money in the market, with total outstanding corporate debt growing 8.6% last year and 12.7% in 2015. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

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