

Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST ended supported last Friday, as retreating oil price influenced bond yields to ease lower, dampening global inflation outlook. 10-year UST ended 2 bps tighter to close at 2.24% level. Investors will be keeping a close watch on FOMC meeting this week ahead and upcoming key data releases, Markit PMI releases from the US, durable goods orders, US 2Q GDP as well as US PCE release. Expect trading sentiments to turn cautious ahead of FOMC meeting.

MGS/GII

- Local govies ended supported albeit on thin trading volume, circa RM1.4b. Overall benchmark govies ended Friday, with yields lower with 5-year and 10-year MGS tightened circa 3 bps to end at 3.65% and 3.91% respectively. Similar momentum seen on 10-year GII, with yields shaved 3 bps to close at 4.06% level. Expect focus to shift towards upcoming Fed FOMC meeting this week, with players watching closely developments on the monetary policy front on timing of tapering plans.

PDS/Sukuk

- Moving into the corporate bonds/sukuk space, trading volume remained thin with only RM312m changing hands. In the GG segment, we saw DanaInfra '7/22 and Khazanah '8/23 changed hands at 4.06% and 4.23% level. A slew of AAA rated Sarawak Hidro maturing '8/25, '8/27 and '8/29 respectively seen emerging on the secondary trading space, with combined amounts of RM35m. In the AA3 segment, RHB '5/20 and Besraya '7/23 saw levels exchanged at 4.69% and 4.61% with RM50m and RM10m dealt respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.34	-1
5-yr UST	1.80	-2
10-yr UST	2.24	-2
30-yr UST	2.81	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	0	3.57	0
5-yr	3.65	-3	3.78	0
7-yr	3.89	0	4.01	0
10-yr	3.91	-3	4.06	-3
15-yr	4.38	0	4.53	0
20-yr	4.56	1	4.72	0
30-yr	4.76	0	4.94	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.62	-1
5-yr	3.74	-1
7-yr	3.85	0
10-yr	3.99	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	2.904	40	3.045	19/07/2017	-14
MGS 02/18	3.100	100	3.125	20/07/2017	-2
MGS 09/18	3.294	79	3.255	20/07/2017	4
MGS 11/19	3.401	141	3.485	19/07/2017	-8
MGS 07/20	3.603	10	3.597	19/07/2017	1
MGS 10/20	3.591	4	3.592	19/07/2017	0
MGS 07/21	3.761	20	3.764	20/07/2017	0
MGS 09/21	3.724	3	3.800	18/07/2017	-8
MGS 11/21	3.732	58	3.732	19/07/2017	0
MGS 03/22	3.656	170	3.680	20/07/2017	-3
MGS 08/22	3.834	1	3.830	20/07/2017	0
MGS 09/22	3.811	50	3.811	20/07/2017	0
MGS 08/23	3.987	23	3.973	19/07/2017	1
MGS 09/24	3.888	460	3.891	20/07/2017	0
MGS 09/25	4.059	7	4.056	20/07/2017	0
MGS 11/26	4.055	0	4.081	19/07/2017	-3
MGS 11/27	3.910	40	3.940	19/07/2017	-3
MGS 06/28	4.312	0	4.324	19/07/2017	-1
MGS 04/33	4.375	13	4.376	20/07/2017	0
MGS 04/37	4.560	10	4.549	20/07/2017	1
MGS 09/43	4.834	0	4.857	20/07/2017	-2
GII 04/20	3.567	100	3.574	20/07/2017	-1
GII 06/20	3.701	10	3.747	14/07/2017	-5
GII 07/27	4.062	70	4.098	20/07/2017	-4
		<u>1409</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**	
DanaInfra Nasional Berhad	07/22	GG	4.062	10	4.087	02/05/2017	-2	32
Khazanah Nasional Berhad	08/23	GG	4.232	10	3.940	23/09/2016	29	45
Manjung Island Energy Berhad	11/18	AAA	3.978	10	3.933	14/06/2017	5	48
Manjung Island Energy Berhad	11/19	AAA	4.048	10	4.016	12/05/2017	3	49
Sarawak Hidro Sdn Berhad	08/25	AAA	4.526	15	4.579	08/02/2017	-5	64
Sarawak Hidro Sdn Berhad	08/27	AAA	4.689	10	4.690	19/07/2017	0	70
Sarawak Hidro Sdn Berhad	08/29	AAA	4.839	10	4.840	19/07/2017	0	85
TNB Western Energy Berhad	01/30	AAA	4.799	10	4.809	18/07/2017	-1	63
Projek Lebuhraya Usahasama Berhad	01/36	AAA	5.164	30	5.169	19/07/2017	0	99
Public Bank Berhad	11/18	AA1	4.356	10	4.412	01/03/2017	-6	86
Sarawak Energy Berhad	07/19	AA1	4.196	10	4.202	09/06/2017	-1	64
Encorp Systembilt Sdn Berhad	11/21	AA1	4.351	6	4.318	25/05/2017	3	68
Sarawak Energy Berhad	01/22	AA1	4.386	2	4.299	04/05/2017	9	65
Hong Leong Islamic Bank Berhad	06/19	AA2	4.656	1	4.665	18/07/2017	-1	110
Hong Leong Bank Berhad	06/19	AA2	4.504	15	4.375	06/07/2017	13	94
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.314	10	4.293	29/05/2017	2	75
UniTapah Sdn Berhad	12/30	AA2	4.979	4	4.960	14/06/2017	2	81
AmBank (M) Berhad	12/18	AA3	4.525	3	4.517	20/06/2017	1	103
CIMB Thai Bank Public Company Limited	07/19	AA3	4.528	0	4.533	14/07/2017	-1	97
RHB Bank Berhad	05/20	AA3	4.686	50	4.827	06/02/2017	-14	107
Besraya (M) Sdn Berhad	07/23	AA3	4.613	10	4.699	13/04/2017	-9	83
Jimah Energy Ventures Sdn Berhad	11/23	AA3	4.707	1	4.718	19/06/2017	-1	92
BGSM Management Sdn Berhad	03/26	AA3	4.983	10	4.985	18/07/2017	0	110
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.472	10	4.435	19/05/2017	4	91
Malakoff Power Berhad	12/19	AA-	4.471	10	4.461	04/07/2017	1	91
Cerah Sama Sdn Berhad	01/21	AA-	4.504	10	4.325	23/09/2016	18	83
UEM Sunrise Berhad (fka UEM Land Holding)	04/22	AA-	4.746	10	4.739	20/07/2017	1	101
Malakoff Power Berhad	12/22	AA-	4.692	4	4.679	28/04/2017	1	95
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.290	20	5.289	19/07/2017	0	112
CIMB Group Holdings Berhad	12/21	A1	4.923	1	4.899	19/07/2017	2	125
Mah Sing	-	NR	6.478	0	-	-	-	-
			<u>312</u>					

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

Market/Corporate News: What's Brewing

Sarawak Energy Bhd (SEB) is currently in talks with Brunei and Sabah authorities on proposed power exchange agreements. Chairman Datuk Amar Abdul Hamed Sepawi said the agreements would provide a platform for SEB to develop the proposed Borneo power grid that would pave the way for Sarawak to export electricity to neighbouring Brunei and Sabah. He said SEB, which is now undertaking the fourth hydroelectric dam project in Baleh in central Sarawak, had taken the first step towards establishing a Trans-Borneo power grid with its first interconnection to west Kalimantan, Indonesia, last year. Under an agreement with Perusahaan Listrik Negara Persero (which is an Indonesian utility body), SEB commenced the export of 50MW initially to west Kalimantan last year and this would be gradually increased to 230MW. StarBiz had reported earlier that the final report for the feasibility study on the Sarawak-Brunei Power Interconnection System was completed about seven years ago. The study was carried out under a memorandum of understanding signed between SEB, Brunei's Prime Minister's Office and Brunei Department of Electrical Services to collaborate on the generation, connection and distribution of power as well as management of electricity supply between the Brunei and Sarawak governments. Brunei was said to have agreed to purchase 100MW of electricity from SEB, with an option to buy another 50MW. It was also reported that the proposed first phase of power export to Brunei would be from Tudan via the border point in Sg Tujuh, Miri, while the second phase might be via Limbang after a proposed hydro dam in Trusan is built. More recently, there were high-level discussions between Sarawak and Brunei leaders concerning the potential for Brunei to contribute equity to the development of hydroelectric dams in Sarawak. At SEB's Hari Raya gathering last Friday, Chief Minister Datuk Amar Johari Tun Openg said Sarawak would go ahead in building the proposed Trusan dam in Lawas, Limbang. The proposed dam is expected to generate up to 200MW and will be the first to be developed in the northern region. Johari was reported to have discussed with the Brunei Sultan on the proposed dam project during a recent visit to the sultanate. According to Abdul Hamed, the feasibility studies on the Trusan dam project were completed about four years ago. With Johari's green light, SEB is expected to carry out the design of the proposed Trusan dam. SEB had planned to build a 1,000MW Baram dam in northern Sarawak several years ago but the project was stopped by Johari's predecessor, the late Tan Sri Adenan Satem, after strong protests against the project by the villagers who would be affected. With the Baram dam project shelved, SEB decided to build the proposed 1,285MW Baleh dam, which is located together with the 2,400MW Bakun dam and 944MW Murun dam in the upper Rejang Basin, as there would be no relocation of villagers. Last month, SEB awarded the Baleh dam project's main civil works contract to a joint venture between China's Gezhouba Group Co Ltd and Untang Jaya Sdn Bhd. The contract includes the design and build of the main dam, water intake structures, spillway and penstocks. The design work for the 188m high concrete faced rockfill dam on the Baleh River is expected to start next month and construction work to commence in October 2018. To be carried out under several works packages, the dam is expected to be ready for full commissioning in 2025. SEB has recently agreed to buy the Bakun dam from the Federal Government. Besides the Murum dam, the state utility body also built the 100MW Batang Ai hydro dam in southern Sarawak more than 30 years ago. According to Abdul Hamed, SEB aims to ramp up its power generation to 7,000MW by 2026 to meet the projected demand, especially from industries in Samalaju Industrial Park within the Sarawak Corridor of Renewable Energy. Energy-intensive industries currently in operation in Samalaju include aluminium and ferroalloy/manganese smelters. Sarawak's current energy demand is around 3,400MW, which was a more than three-fold increase from 1,000MW a decade ago. Abdul Hamed said the 600MW coal-fired power plant in Balingian, Mukah Division, was expected to generate electricity later this year. SEB also owns similar plants in Mukah and Kuching. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Tanjung Bin Power Sdn Bhd	Sukuk Ijarah Programme of up to RM4.5 billion	AA2 / Stable	Reaffirmed
First Resources Limited	RM2.0 billion Sukuk Musharakah Programme (2012/2022).	AA2 / Stable	Reaffirmed

Source: MARC and RAM ratings

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