

## Global Markets Research

### Fixed Income

#### Chang Wai Ming

Fixed Income Strategist

Hong Leong Bank Berhad, Global Markets

Fixed Income & Economic Research

[WMChang@hlbb.hongleong.com.my](mailto:WMChang@hlbb.hongleong.com.my)

(603) 2773 0532

### Fixed Income Daily Market Snapshot

#### US Treasuries

- UST advanced on the back of renewed flight to safety stoke by President's Trump remark on shutting down the government should funding for the US-Mexican border wall is not approved. This roiled global financial markets as the US draws closer to its debt ceiling deadline in end-September. 10-year UST yields lost 4bps to 2.17% while the 2s shed 1bp to 1.31%, flattening the curve. Expect continued risk aversion ahead of Jackson Hole Symposium to keep UST supported, and chances are US economic releases namely initial jobless claims and existing home sales will be sidelined.

#### MGS/GII

- Local govies halted a two-day rally and ended little changed with yields barely moved beyond 1bps yesterday. Trading activities turned a tad softer with total volume transacted coming in below RM2.0bn at RM1.9bn (RM2.4bn on Tuesday). Trading interests were pretty well spread across the curve. Of note, MGS 02/21 saw RM346m changed hands at 3.37% while a total of RM301m of MGS 09/24 was dealt at 3.88%. In the GII space, trading centered on the front end to the belly of the yield curve with a combined RM545m done, thinning from RM754m a day ago. Yesterday's release of July CPI which reiterated the case of dissipating inflationary pressure will continue to support our OPR pause view.

#### PDS/Sukuk

- Trading in the MYR corporate bonds/sukuk space continued to pick up steam, with trading volume doubling to RM1.45bn on Wednesday, from RM733m a day ago. Yesterday's trading was more well-spread across the rating universe with non-AAA/ GG papers accounted for RM1.30bn of total trade. AA3-rated BGSM '12/17 and '12/18 collectively made up RM994m of this, last dealt 1-4bps inner at 4.153% and 4.292% respectively. In the GG/ AAA space, Prasa, Danalnfra, Caga and PLUS remained the more popular trades.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.31	-1
5-yr UST	1.75	-3
10-yr UST	2.17	-4
30-yr UST	2.75	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.37	0	3.52	2
5-yr	3.56	0	3.71	0
7-yr	3.88	0	3.99	0
10-yr	3.97	1	4.08	0
15-yr	4.33	0	4.53	0
20-yr	4.55	0	4.73	0
30-yr	4.74	1	4.89	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.49	0
3-yr	3.64	0
5-yr	3.74	-1
7-yr	3.84	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 02/18	3.065	42	3.013	21/08/2017	5
MGS 03/18	3.044	38	3.006	22/08/2017	4
MGS 09/18	3.174	130	3.139	22/08/2017	4
MGS 03/20	3.410	24	3.435	15/08/2017	-2
MGS 07/20	3.435	15	3.457	16/08/2017	-2
MGS 02/21	3.367	346	3.364	22/08/2017	0
MGS 07/21	3.535	80	3.511	22/08/2017	2
MGS 09/21	3.584	20	3.584	22/08/2017	0
MGS 09/22	3.751	43	3.751	21/08/2017	0
MGS 09/24	3.883	301	3.880	22/08/2017	0
MGS 09/25	4.003	35	4.002	22/08/2017	0
MGS 11/27	3.970	210	3.960	22/08/2017	1
MGS 04/30	4.373	31	4.378	22/08/2017	0
MGS 04/37	4.551	40	4.548	22/08/2017	0
GII 04/20	3.513	170	3.509	22/08/2017	0
GII 04/20	3.602	60	3.669	10/08/2017	-7
GII 08/20	3.693	100	3.728	18/08/2017	-4
GII 10/25	4.165	160	4.179	18/08/2017	-1
GII 09/26	4.176	55	4.136	22/08/2017	4
		<u>1900</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**	
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	05/23	GG	4.170	15	4.191	08/08/2017	-2	38
GovCo Holdings Berhad	02/24	GG	4.269	20	4.283	31/07/2017	-1	43
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/24	GG	4.265	10	4.269	21/08/2017	0	43
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/30	GG	4.744	20	4.701	18/05/2017	4	58
DanaInfra Nasional Berhad	03/32	GG	4.846	20	4.849	01/08/2017	0	69
DanaInfra Nasional Berhad	05/32	GG	4.846	20	4.874	09/08/2017	-3	69
Cagamas Berhad	06/22	AAA	4.091	24	4.091	22/08/2017	0	36
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.527	10	4.489	28/06/2017	4	55
Tenaga Nasional Berhad	03/37	AAA	5.080	15	5.088	17/08/2017	-1	92
Malaysia Building Society Berhad	10/17	AA1	4.099	20	4.123	28/06/2017	-2	61
Sarawak Energy Berhad	06/21	AA1	4.341	10	4.356	18/08/2017	-1	66
Sarawak Energy Berhad	01/22	AA1	4.378	30	4.378	21/08/2017	0	69
YTL Power International Berhad	03/27	AA1	4.899	15	4.914	22/08/2017	-1	92
Kapar Energy Ventures Sdn Berhad	07/22	AA+	4.396	30	4.494	18/06/2015	-10	66
Imtiaz Sukuk II Berhad	03/19	AA2	4.279	30	4.300	18/08/2017	-2	72
Imtiaz Sukuk II Berhad	11/19	AA2	4.360	10	4.379	17/08/2017	-2	80
UMW Holdings Berhad	06/20	AA2	4.582	20	4.601	22/08/2017	-2	95
Krung Thai Bank Public Company Limited	07/20	AA2	4.455	10	4.463	22/08/2017	-1	82
UMW Holdings Berhad	10/21	AA2	4.694	30	4.748	13/07/2017	-5	101
First Resources Limited	10/21	AA2	4.707	20	4.721	15/08/2017	-1	102
UMW Holdings Berhad	10/23	AA2	4.836	10	4.899	13/06/2017	-6	105
BGSM Management Sdn Berhad	12/17	AA3	4.153	814	4.195	21/06/2017	-4	66
BGSM Management Sdn Berhad	12/18	AA3	4.292	180	4.303	04/08/2017	-1	80
Tanjung Bin Energy Issuer Berhad	09/30	AA3	5.028	10	5.038	12/07/2017	-1	87
Tanjung Bin Energy Issuer Berhad	09/31	AA3	5.089	20	5.094	29/05/2017	0	93
Jimah East Power Sdn Berhad	06/23	AA-	4.548	10	4.568	07/07/2017	-2	76
Jimah East Power Sdn Berhad	12/24	AA-	4.678	20	4.689	25/05/2017	-1	84
Jimah East Power Sdn Berhad	12/29	AA-	4.909	10	4.848	12/05/2017	6	93
			<u>1453</u>					

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

### Market/Corporate News: What's Brewing

DRB-Hicom Bhd's plan to develop high-end boutique luxury mixed development project in Langkawi's Rebek Island has hit a snag. The conglomerate, which owns the Rebek Marina Resort on the island, failed to get the Kedah government's approval to change the status of 134.76ha there to non-Malay Reserve (non-MR). Hence DRB-Hicom's wholly owned subsidiary Rebek Island Marina Bhd and Northern Gateway Free Zone Sdn Bhd (NGFZ) mutually decided to terminate their land status swap agreement inked in December 2011. The swapping of the land status is an allowed exercise to convert the status of MR land to non-MR land subject to the relevant conditions imposed by the Kedah state government. Rebek Island Marina Bhd had sought to change the designation of 134.76ha that it owned in Rebek Island to non-MR by swapping with the non-MR status of 141.64ha of NGFZ-owned freehold land in Bandar Kota Perdana in Kubang Pasu, Kedah, for a total cash settlement of RM76mil. DRB-Hicom intended to develop a high-end "boutique" luxury mixed developments targeted mainly at the high net worth individuals. According to its announcement to the exchange on Dec 21, 2011, there was then a surge in the exodus of high net worth individuals to the Asean region which had contributed to the success of "boutique" luxury concept projects undertaken in the region, including in Phuket, Koh Samui and Bali. "Malaysia is the only country in the region that does not have the 'boutique' luxury concept developments," the company said. DRB-Hicom had originally expected the proposed land status swap to be completed by the second quarter of 2012. "Approval from the Kedah state authority for the proposed land status swap exercise was not obtained despite several mutual extensions to the approval period whilst the change in the land status is crucial for the development of the Rebek land," it said. "By undertaking the land status swap agreement termination, Rebek (Island Marina Bhd) would then be able to explore any other possible land status swap with other parties in its pursuit to develop the Rebek land." (Source : The Star Online)

### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Northern Gateway Infrastructure Sdn Bhd	Proposed issuance of up to RM340 million in nominal value Medium-Term Notes Programme (MTN Programme)	AA1/stable	Assigned
Titijaya Land Berhad	Proposed RM150 million Islamic Commercial Papers (ICP) Programme	MARC-1 <sub>IS</sub>	Assigned
Lebuhraya DUKE Fasa 3 Sdn Bhd	RM3.64 billion Sukuk Wakalah	AA- <sub>IS</sub> /Stable	Affirmed

Source: MARC and RAM ratings

**Hong Leong Bank Berhad**

Fixed Income &amp; 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.