

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST bond yields headed north across the curve, with 10-year surged circa 8-9 bps higher to end at 2.34% level. Sale of \$26b 2-year UST drew a BTC of 3.06x which was higher than the previous average of 3.03x. Rally in US equities as well as slight rebound in oil price seen influencing bond yields to edge higher. We expect focus to shift towards upcoming FOMC meeting this week. Current implied probabilities from Fed fund futures suggest dimmer prospects of a July Fed hike, suggesting that the Fed may maintain its key policy rate unchanged at this week's meeting. However rhetoric will still be closely watched for future monetary policy directions as well as clues on timing of Fed's tapering plans.

MGS/GII

- Trading volume remained thin, with benchmark yields generally higher yesterday, circa RM1.5b transacted. Details of 10-year reopening for MGS 11/27 was announced with tender size of RM3b, with separate private placement worth RM1b. Expect focus to shift towards external front ahead of Fed's FOMC meeting this week. Recent upward movement in bond yields may prompt some bargain hunting interest from real money investors.

PDS/Sukuk

- On a similar note, trading volume of corporate bonds/sukuk was rather thin with only RM135m transacted. Notable transacted amounts include Govco '2/21 and Bank Pembangunan '9/21 at 4.04% and 4.02% respectively. Toll road bonds KESTURI '11/29 and '12/30 seen changing hands at 4.98% and 5.06% level respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.40	4
5-yr UST	1.89	7
10-yr UST	2.34	9
30-yr UST	2.92	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	3	3.57	1
5-yr	3.69	3	3.80	1
7-yr	3.92	4	4.00	1
10-yr	3.97	5	4.10	3
15-yr	4.37	-1	4.53	0
20-yr	4.56	0	4.75	0
30-yr	4.76	0	4.94	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.63	1
5-yr	3.75	1
7-yr	3.86	1
10-yr	4.00	1

Source: Bloomberg

Upcoming Government Bond Tenders

Reopening of RM3.0b 10-year MGS 11/27 on Thursday, with separate private placement worth RM1b

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/17	3.073	250	3.098	24/07/2017	-2
MGS 10/17	3.250	0	3.061	24/07/2017	19
MGS 03/18	3.087	3	3.155	24/07/2017	-7
MGS 09/18	3.226	17	3.275	24/07/2017	-5
MGS 03/19	3.345	10	3.315	24/07/2017	3
MGS 11/19	3.434	58	3.480	24/07/2017	-5
MGS 10/20	3.608	3	3.575	24/07/2017	3
MGS 07/21	3.749	70	3.761	21/07/2017	-1
MGS 09/21	3.747	43	3.724	21/07/2017	2
MGS 11/21	3.750	4	3.750	24/07/2017	0
MGS 03/22	3.689	327	3.656	24/07/2017	3
MGS 08/22	3.855	0	3.857	24/07/2017	0
MGS 09/22	3.820	60	3.811	21/07/2017	1
MGS 03/23	3.898	13	3.938	24/07/2017	-4
MGS 08/23	3.991	5	3.978	24/07/2017	1
MGS 07/24	3.982	51	3.980	24/07/2017	0
MGS 09/24	3.896	190	3.888	24/07/2017	1
MGS 09/25	4.056	23	4.042	24/07/2017	1
MGS 11/27	3.970	30	3.916	24/07/2017	5
MGS 06/28	4.298	10	4.312	21/07/2017	-1
MGS 09/28	4.318	0	4.325	13/07/2017	-1
MGS 04/30	4.373	3	4.451	20/07/2017	-8
MGS 06/31	4.421	49	4.416	24/07/2017	0
MGS 04/33	4.366	0	4.375	21/07/2017	-1
MGS 05/35	4.525	7	4.508	24/07/2017	2
MGS 04/37	4.560	32	4.549	24/07/2017	1
MGS 09/43	4.846	0	4.834	21/07/2017	1
GII 08/17	3.105	75	3.055	18/07/2017	5
GII 04/20	3.571	120	3.555	24/07/2017	2
GII 04/22	3.802	30	3.779	24/07/2017	2
GII 08/24	4.004	10	3.996	24/07/2017	1
GII 07/27	4.098	10	4.062	21/07/2017	4
		<u>1503</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**	
GovCo Holdings Berhad	02/21	GG	4.040	15	3.988	23/05/2017	5.2	35
Bank Pembangunan Malaysia Berhad	09/21	GG	4.016	10	3.982	30/05/2017	3.4	32.6
GovCo Holdings Berhad	02/32	GG	4.839	10	4.851	22/06/2017	-1.2	64.9
Sarawak Hidro Sdn Berhad	08/27	AAA	4.687	30	4.689	21/07/2017	-0.2	68.7
UniTapah Sdn Berhad	12/23	AA2	4.564	10	4.558	20/06/2017	0.6	74.4
MMC Corporation Berhad	11/20	AA-	4.918	40	4.917	13/07/2017	0.1	129.3
KESTURI	11/29	AA-	4.979	10	4.879	16/05/2017	10	97.9
KESTURI	12/30	AA-	5.059	10	4.984	03/07/2017	7.5	86.9
			<u>135</u>					

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

Market/Corporate News: What's Brewing

Public Bank Bhd, which saw its net profit rise 6% to RM1.33bil in the second quarter ended June 30, has declared an interim dividend of 27 sen amounting to a payout of RM1.04bil. The bank's revenue in the second quarter rose 3.75% to RM5.17bil against RM4.98bil a year ago. Its earnings per share for the period rose to 34.49 sen per share from 32.53 sen per share a year ago. For the first six months, Public Bank posted a net profit of RM2.58bil, or 66.81 sen in earnings per share, on a revenue of RM10.19bil. Its pre-tax profit increased to RM3.37bil, up 5.1% from the corresponding period in 2016. "The Public Bank group has continued with its positive momentum in sustaining profitability growth. The group's clear and focused business strategy, coupled with its prudent credit culture, continues to underpin its consistent financial performance under the current challenging operating environment," founder and chairman Tan Sri Teh Hong Piow said in a statement. The bank's sustained profitability continued to be driven by the expansion in its loan and deposit portfolio, which led to a growth of 8.3% in its net interest income. "With the improved profitability, the Public Bank group achieved a net return on equity of 15.3%. The group's financial strength was also attributed to its strong asset quality and efficient cost management as reflected in its gross impaired loan ratio of 0.5% and cost-to-income ratio of 33.8% as at the end of June 2017," Teh said. In view of the group's favourable performance, Teh said: "The board of directors has declared a first interim dividend of 27 sen per share, which will result in a total dividend payout of RM1.04bil. "The first interim dividend will be paid on Aug 17 based on the dividend entitlement date of Aug 9, 2017." (Source : The Star)

Prime Minister Datuk Seri Najib Tun Razak officially launched Bursa Malaysia's Leading Entrepreneur Accelerator Platform (Leap) Market at Invest Malaysia Kuala Lumpur 2017 here yesterday. The new market aims to provide small and medium enterprises (SMEs) with an alternative and efficient fund-raising platform and visibility through the capital market. With the addition of the Leap Market, the three markets on Bursa Malaysia would create a complete range of investment opportunities in the country. "The Leap market is an alternative capital-raising platform for SMEs and it is the first of its kind in Asean. "It is designed to address the funding gap for SMEs and make it easier for them to take their businesses to the next level through raising funds in the capital market. It also provides them with a new investable asset class," Bursa Malaysia chief executive officer Datuk Seri Tajuddin Atan said. Tajuddin said the availability of the Leap platform would further aid the development of SMEs and support broader economic activities. Trading on the Leap Market, however, would be limited to sophisticated investors, according them with an opportunity to broaden their investment options in a transparent and regulated environment. During the launch, Najib also witnessed the exchange of memorandum of understanding between Bursa Malaysia and its four strategic partners – Malaysia Digital Economy Corp, Malaysia Technology Development Corp, SME Corp and Unit Peneraju Agenda Bumiputera. The strategic partners would support the identification of potential SMEs to be listed on the Leap Market as well as collaborate to jointly develop the SME financing ecosystem and capacity building. Najib said the launch of the Leap Market was in line with the government's SME Masterplan, which aims to raise the share of gross domestic product contributed by SMEs, their number of employees, and their export volume. "It is another of the many initiatives that my government has put in place in pursuit of our transformation, and that proves our trustworthiness as the business-friendly government of a vibrant economy," Najib added. SMEs at present make up 97% of businesses in Malaysia. To date, 11 SMEs have engaged approved advisers to assist them with the listing process on the Leap Market. These potential issuers are Cloudearon Pte Ltd, Agrofresh International Group Sdn Bhd, Red Ideas Holdings Sdn Bhd, Polymer Link Sdn Bhd, Trustgate Bhd, Accent Wellness Global Sdn Bhd, East West One Group Sdn Bhd, Macfeam Sdn Bhd, Upstream Downstream Process & Services Sdn Bhd, ProEight Sdn Bhd and Safetyware Sdn Bhd. (Source : The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Tenaga Nasional Berhad	Proposed Islamic Medium-Term Notes Sukuk Wakalah Programme of up to RM5 billion in nominal value (2017/2067)	AAA/ Stable	Assigned

Source: MARC and RAM ratings

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