

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST advanced sending bond yields lower on Friday, with 10-year shaved 3 bps lower to close at 2.17% level. Comments from Yellen seen assuring a more gradual approach in terms of interest rate normalization plans, whilst September remains a live month for the announcement of upcoming tapering measures which is expected to kick in relatively soon. Durable goods orders in July contracted -6.8% after a 6.4% gain in June. Expect continue range-bound trading for UST.

MGS/GII

- Local govies stayed supported with bond yields generally range-bound. Reopening of the 7-year GII was announced with tender size coming in within our expected range, with a RM3.5b print size. All eyes on tender tomorrow. Total volume traded last Friday was over RM2.3b. With the recent rebound in local currency tracking the positive vibe from upbeat 2Q GDP release for Malaysia, we expect tomorrow's tender to be supported.

PDS/Sukuk

- MYR corporate bonds/sukuk saw RM384m transacted, with RM100m seen changing hands for Cagamas '6/22 with levels crossed at 4.09%. Other notable trades emerging include YTLIP International '6/22 and 5/27 with levels dealt at 4.49% and 4.90% level respectively. Moving down the credit curve, we saw Besraya '7/19 traded at 4.28%, whilst Affin Bank '2/22 ended at 5.03% level.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.34	1
5-yr UST	1.76	-2
10-yr UST	2.17	-3
30-yr UST	2.75	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	0	3.50	0
5-yr	3.56	-1	3.70	0
7-yr	3.87	0	3.98	-1
10-yr	3.93	-1	4.08	1
15-yr	4.33	0	4.52	0
20-yr	4.54	0	4.71	0
30-yr	4.73	0	4.89	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.63	0
5-yr	3.73	0
7-yr	3.83	0
10-yr	3.97	-1

Source: Bloomberg

Upcoming Government Bond Tenders

Reopening of 7-year GII 8/24, tender size : RM3.5b (Tender date : 29 August 2017)

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	10/17	3.000	97	3.073	24/08/2017	-7
MGS	02/18	2.997	50	3.020	24/08/2017	-2
MGS	09/18	3.142	240	3.172	24/08/2017	-3
MGS	10/20	3.451	2	3.404	22/08/2017	5
MGS	02/21	3.354	60	3.354	24/08/2017	0
MGS	07/21	3.519	100	3.547	24/08/2017	-3
MGS	03/22	3.561	10	3.564	24/08/2017	0
MGS	08/22	3.723	3	3.741	24/08/2017	-2
MGS	09/22	3.721	23	3.751	24/08/2017	-3
MGS	03/23	3.813	48	3.823	24/08/2017	-1
MGS	07/24	3.896	2	3.931	22/08/2017	-4
MGS	09/24	3.868	360	3.872	24/08/2017	0
MGS	09/25	3.962	206	3.984	24/08/2017	-2
MGS	04/26	4.018	0	4.059	23/08/2017	-4
MGS	11/26	3.932	51	3.925	24/08/2017	1
MGS	11/27	3.934	319	3.943	24/08/2017	-1
MGS	04/30	4.342	9	4.373	23/08/2017	-3
MGS	04/33	4.323	40	4.323	24/08/2017	0
MGS	05/35	4.434	2	4.492	23/08/2017	-6
MGS	04/37	4.537	170	4.536	24/08/2017	0
MGS	03/46	4.729	26	4.742	24/08/2017	-1
GII	08/18	3.188	31	3.334	09/08/2017	-15
GII	04/20	3.498	20	3.497	24/08/2017	0
GII	07/22	3.855	170	3.851	24/08/2017	0
GII	07/23	3.973	50	3.983	22/08/2017	-1
GII	05/24	4.032	10	4.042	17/08/2017	-1
GII	08/24	3.982	60	3.993	24/08/2017	-1
GII	09/26	4.136	0	4.176	23/08/2017	-4
GII	07/27	4.075	160	4.078	24/08/2017	0
GII	09/30	4.479	37	4.510	21/08/2017	-3
			<u>2356</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	02/23	GG	4.109	15	4.111	24/08/2017	0	33
Jambatan Kedua Sdn Berhad	07/31	GG	4.749	10	4.771	13/03/2017	-2	60
DanaInfra Nasional Berhad	03/32	GG	4.829	10	4.846	23/08/2017	-2	68
Cagamas Berhad	06/22	AAA	4.085	100	4.091	23/08/2017	-1	36
GENM Capital Berhad	08/25	AAA	4.751	5	4.771	17/08/2017	-2	88
Sarawak Hidro Sdn Berhad	08/30	AAA	4.848	10	4.900	10/08/2017	-5	70
EKVE Sdn Berhad	01/35	AAA	5.118	10	5.130	03/08/2017	-1	97
Encorp Systembilt Sdn Berhad	11/17	AA1	3.758	20	4.097	24/01/2017	-34	27
Encorp Systembilt Sdn Berhad	05/19	AA1	4.152	10	4.027	26/08/2016	13	60
YTL Power International Berhad	06/22	AA1	4.497	50	4.497	16/08/2017	0	77
Public Islamic Bank Berhad	08/22	AA1	4.587	10	-	-	-	86
YTL Power International Berhad	05/27	AA1	4.900	6	4.899	23/08/2017	0	93
First Resources Limited	12/17	AA2	4.110	30	4.166	16/08/2017	-6	62
Widad Capital Sdn Berhad	09/18	AA2	4.707	5	4.670	14/06/2017	4	122
Kesas Sdn Berhad	10/19	AA2	4.243	20	4.248	24/08/2017	0	69
Widad Capital Sdn Berhad	09/20	AA2	5.049	5	5.028	14/06/2017	2	142
Tanjung Bin Energy Issuer Berhad	03/19	AA3	4.233	10	4.242	07/06/2017	-1	68
Bumitama Agri Ltd	03/19	AA3	4.480	4	4.474	18/08/2017	1	93
Besraya (M) Sdn Berhad	07/19	AA3	4.280	20	4.275	16/08/2017	0	73
MEX II Sdn Berhad	04/29	AA-	5.139	10	5.079	14/11/2016	6	117
CIMB Group Holdings Berhad	05/21	A1	4.825	1	4.825	24/08/2017	0	115
Tan Chong Motor Holdings Berhad	11/21	A1	5.970	1	5.970	24/08/2017	0	230
Affin Bank Berhad	02/22	A1	5.027	20	5.014	22/08/2017	1	135
Alliance Bank Malaysia Berhad	12/20	A2	5.207	1	4.989	14/07/2017	22	158
Mah Sing	-	NR	6.477	1	-	-	-	-
				<u>384</u>				

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

Market/Corporate News: What's Brewing

Westports Holdings Bhd is expected to invest up to RM10bil to double its container-handling capacity and the company will tap the bond market to partly finance this plan. Sources told StarBiz that Westports, the largest port operator in the country, was considering options from the debt market such as sukuk and other forms of borrowings to finance the expansion besides using internally-generated funds. "The approval for the capacity expansion is important as Malaysia needs to prepare itself to cater to the growing need for container-handling capacity from shipping lines," said a source. The increase in Westports' capacity by 2040 will ensure that Port Klang keeps up with the planned consolidation and expansion of Singapore's ports in Tuas as well as maintaining its lead against other planned terminals in Indonesia. Last Friday, Westports said in a filing with Bursa Malaysia that it had secured the approval-in-principle from the Government for the expansion of its container terminal facilities (CT10 to CT19), which could handle up to 30 million twenty-foot equivalent unit (TEU) a year by 2040. The proposed expansion of an additional 10 terminals is an extension of Westports' current CT1 to CT9 development. The first phase of the development will be undertaken from 2019 to 2024. (Source : The Star)

The Retirement Fund Inc (KWAP) has narrowed its options to three foreign-owned insurance companies and it is appointing an adviser on the matter, according to chief executive officer Datuk Wan Kamaruzaman Wan Ahmad. "We are at the point of appointing an investment bank as our adviser... The companies are Great Eastern, Prudential and AIA," he said. KWAP, Malaysia's second-largest pension fund, also has the option to partner other institutional investors as the percentage of shares that must be owned in these insurance companies will be relatively big. "It (stake acquisition) depends on valuation. We might also be looking at partnering with institutional investors but it depends because the stake is quite sizeable. We may buy smaller stakes in the companies, let's say 10% in each of the companies," he told Bernama on the sidelines of the Bumiputra Agenda Steering Unit's super series II event. Wan Kamaruzaman said KWAP would appoint an adviser to conduct the selection process on its behalf so that it would not be deeply involved in the task. KWAP will make the final decision after the process is

completed and the result of the selection is expected to be known by year-end, according to Wan Kamaruzaman. KWAP's fund size grew 200% from RM42bil in 2007 to RM125bil in December 2016, and of the amount, RM53.6bil resulted from increased investment income which would be used to fund pension liabilities. Bank Negara has instructed foreign insurers namely Tokio Marine Holdings Inc, AIA Group Ltd, Great Eastern Holdings Ltd and Prudential to comply with the foreign ownership rule which requires overseas insurers to increase local shareholding to at least 30%. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

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