

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

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US Treasuries

- UST continue to remain well supported, with bond yields easing lower across the curve. Yields on the belly of the curve tightened further with 5-year shaved circa 3 bps lower to end at 1.73% level. We expect renewed support to emerge for safe haven UST amid flight to safety for now, following this morning's missile launch by North Korea. Retreating equities this morning reinforces our view on risk aversion for now. Upcoming non-farm payroll release this week for August will be another key data watch for market players. Easing unemployment level may warrant a stronger case for the Fed to embark on balance sheet reduction relatively soon.

MGS/GII

- Local govies stayed supported, with renewed interest emerging taking cue from rebound in local currency performance. Hence, we expect today's 7-year GII reopening to be supported. Tender size of RM3.5b is within our expected range (separate private placement of RM500m). When Issue for the 7-year GII was seen trading at 3.97% level yesterday. Overall total volume for MGS/GII traded yesterday was over RM2.2b transacted, with good amount of RM380m traded for 7-year MGS 9/24, with levels closing at 3.86% level.

PDS/Sukuk

- MYR corporate bonds and sukuk meanwhile saw RM651m changing hands. In the GG segment, we saw long-dated DanaInfra '5/37 and '3/47 traded with combined amount of RM85m, with levels dealt at 4.94% and 5.13% level. Other notable trades seen emerging include SEB '7/24 with levels crossed at 4.55%, unchanged from previous last traded levels. Also traded were a slew of Celcom bonds maturing 2022-2027, with combined amount of RM60m. Levels seen hovering at 4.83% - 5.10%. New primary prints coming into the MYR bonds space include Northern Gateway. The bonds have been assigned rating of AA1(s).

UST			
Tenure	Closing (%)	Chg (bps)	
2-yr UST	1.33		-1
5-yr UST	1.73		-3
10-yr UST	2.16		-1
30-yr UST	2.76		1

MGS		GII		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	1	3.49	-1
5-yr	3.56	0	3.71	-1
7-yr	3.86	-1	3.97	-1
10-yr	3.91	-2	4.08	0
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	3.49	-1
3-yr	3.63	0
5-yr	3.73	0
7-yr	3.83	0
10-yr	3.97	0

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	09/17	3.035	241	3.056	24/08/2017	-2
MGS	10/17	2.971	255	3.000	25/08/2017	-3
MGS	03/18	3.039	35	3.061	24/08/2017	-2
MGS	09/18	3.085	83	3.142	25/08/2017	-6
MGS	07/19	3.342	5	3.342	18/08/2017	0
MGS	10/19	3.373	0	3.388	24/08/2017	-1
MGS	11/19	3.374	215	3.381	23/08/2017	-1
MGS	02/21	3.357	40	3.354	24/08/2017	0
MGS	11/21	3.619	1	3.619	24/08/2017	0
MGS	08/22	3.696	35	3.741	24/08/2017	-4
MGS	09/22	3.718	60	3.721	25/08/2017	0
MGS	08/23	3.860	10	3.876	24/08/2017	-2
MGS	09/24	3.859	380	3.868	25/08/2017	-1
MGS	09/25	3.955	52	3.962	25/08/2017	-1
MGS	04/26	4.038	27	4.018	25/08/2017	2
MGS	03/27	4.105	20	4.148	24/08/2017	-4
MGS	05/27	4.181	10	4.211	14/08/2017	-3
MGS	11/27	3.914	38	3.928	25/08/2017	-1
MGS	06/31	4.397	7	4.427	23/08/2017	-3
MGS	04/33	4.332	1	4.323	25/08/2017	1
GII	08/17	3.255	50	3.076	24/08/2017	18
GII	05/18	3.115	182	3.140	24/08/2017	-2
GII	04/20	3.494	200	3.497	24/08/2017	0
GII	08/21	3.797	0	3.789	22/08/2017	1
GII	04/22	3.710	130	3.704	22/08/2017	1
GII	05/24	4.032	50	4.032	25/08/2017	0
GII	08/24	3.970	12	3.982	25/08/2017	-1
GII	07/27	4.075	120	4.072	25/08/2017	0
GII	05/47	4.891	30	4.895	21/08/2017	0
			<u>2289</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	4.111	20	4.109	25/08/2017	0	39
Danainfra Nasional Berhad	05/37	GG	4.940	40	4.960	24/08/2017	-2	79
Danainfra Nasional Berhad	03/47	GG	5.126	45	-	-	-	98
Cagamas Berhad	03/18	AAA	3.652	35	3.700	08/08/2017	-5	16
Rantau Abang Capital Berhad	08/19	AAA	4.019	10	4.046	14/08/2017	-3	46
Berjaya Land Berhad	12/19	AAA	4.449	20	4.406	21/08/2017	4	89
Rantau Abang Capital Berhad	12/20	AAA	4.077	20	4.097	08/08/2017	-2	45
Malaysia Airports Capital Berhad	12/22	AAA	4.369	8	4.355	18/08/2017	1	64
Projek Lebuh raya Usahasama Berhad	01/29	AAA	4.659	30	4.699	16/08/2017	-4	69
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.929	30	4.944	15/08/2017	-1	78
Tenaga Nasional Berhad	08/37	AAA	5.080	2	-	-	-	93
YTL Power International Berhad	08/18	AA1	4.151	10	4.006	10/07/2017	15	66
Maybank Islamic Berhad	04/19	AA1	4.734	1	4.458	01/08/2017	28	118
Sabah Credit Corporation	05/20	AA1	4.538	10	4.441	06/10/2016	10	91
Public Bank Berhad	04/22	AA1	4.617	20	4.657	10/08/2017	-4	89
Sarawak Energy Berhad	07/24	AA1	4.548	60	4.548	22/08/2017	0	72
YTL Power International Berhad	05/27	AA1	4.898	7	4.900	25/08/2017	0	93
Sarawak Energy Berhad	04/31	AA1	5.043	2	5.039	28/07/2017	0	89
Kapar Energy Ventures Sdn Berhad	07/19	AA+	4.222	0	4.378	28/07/2017	-16	67
Celcom	08/22	AA+	4.830	25	-	-	-	111
Celcom	08/24	AA+	5.000	5	-	-	-	117
Celcom	08/27	AA+	5.100	30	-	-	-	113

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**
Imtiaz Sukuk Berhad	11/17	AA2	3.992	10	3.974	08/08/2017	2	50
Krung Thai Bank Public Company Limited	07/20	AA2	5.002	1	4.455	23/08/2017	55	138
First Resources Limited	10/21	AA2	4.704	4	4.707	23/08/2017	0	103
Bright Focus Berhad	01/24	AA2	4.573	2	4.928	14/03/2016	-36	79
Anih Berhad	11/22	AA	4.499	10	4.558	18/07/2017	-6	77
RHB Bank Berhad	11/17	AA3	4.009	10	4.191	17/08/2017	-18	52
RHB Investment Bank Berhad	12/17	AA3	4.394	20	4.306	15/06/2017	9	90
AmBank Islamic Berhad	12/17	AA3	3.916	0	4.044	05/04/2017	-13	43
Perbadanan Kemajuan Negeri Selangor	08/18	AA3	4.325	20	4.500	07/08/2017	-18	84
RHB Islamic Bank Berhad	05/19	AA3	4.466	45	4.498	24/08/2017	-3	91
TF Varlik Kiralama A. S	06/19	AA3	5.732	2	5.882	22/06/2017	-15	218
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.757	20	4.848	28/07/2017	-9	113
Tadau Energy Sdn Berhad	07/22	AA3	4.884	1	-	-	-	116
BGSM Management Sdn Berhad	12/22	AA3	4.733	3	4.748	16/08/2017	-2	101
Tadau Energy Sdn Berhad	07/27	AA3	5.420	4	-	-	-	145
UEM Sunrise Berhad	12/17	AA-	4.151	2	4.236	16/08/2017	-9	66
Malakoff Power Berhad	12/18	AA-	4.320	10	4.343	31/07/2017	-2	83
KESTURI	12/19	AA-	4.345	10	4.424	03/04/2015	-8	79
KESTURI	11/29	AA-	4.929	10	4.959	24/08/2017	-3	96
MEX II Sdn Berhad	04/31	AA-	5.290	4	5.310	04/08/2017	-2	114
KESTURI	12/31	AA-	5.125	8	5.061	03/07/2017	6	98
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.109	3	5.110	04/08/2017	0	96
Golden Assets International Finance Limited	08/18	A1	5.178	8	5.175	21/08/2017	0	169
CIMB Group Holdings Berhad	12/21	A1	5.217	1	4.877	22/08/2017	34	154
Golden Assets International Finance Limited	11/17	A1	4.884	6	4.896	24/08/2017	-1	139
Bank Muamalat Malaysia Berhad	11/21	A	5.245	7	5.278	28/07/2017	-3	157
				<u>651</u>				

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

Market/Corporate News: What's Brewing

CIMB Group Holdings Bhd expects its net interest margin (NIM) to remain stable this year amid easing pressure on funding costs and liquidity concerns. The second-largest banking group by assets in Malaysia saw its NIM improve to 2.71% for the first six months of 2017 compared with 2.63% in the corresponding period last year. According to CIMB Group chief executive officer Tengku Datuk Seri Zafrul Aziz, there would unlikely be further risk of NIM compression as the group continued to see healthy deposit growth, which helped maintain its solid liquidity position. "We do not expect any further NIM compression; for the group level, NIM is expected to be where it is today for the rest of the year," Tengku Zafrul said. "Year-on-year (y-o-y), our NIM has actually improved, so we take (it as an indication that) for the full year, it will be relatively flat compared with last year," he told a press briefing on CIMB's financial results for the second quarter ended June 30, 2017 (2Q17) here yesterday. CIMB's net profit stayed above the RM1bil mark in 2Q17 on the back of firmer revenue. It has declared a higher interim dividend of 13 sen, which would translate into a payout ratio of 51.6% for the first half of the year (1H17). Its earnings growth of 26.3% to RM1.10bil in 2Q17 from RM872.82mil in the corresponding period last year was driven by loan growth across segments, improvements in NIM and a better-performing capital market. In addition, the group also reported good topline growth in consumer banking in Malaysia and Thailand, and in regional commercial and corporate banking businesses. During the quarter, CIMB's earnings per share rose to 12.25 sen from 10.07 sen while its revenue grew 10.8% to RM4.33bil from RM3.90bil in the previous corresponding period. For 1H17, CIMB's net profit grew 35.3% y-o-y to RM2.28bil, or 25.56 sen, with an annualised return on equity of 9.9%. Its revenue rose 13.8% y-o-y to RM8.68bil in the period. (Source : The Star)

Scomi Group Bhd will focus on strengthening its merged entity with Scomi Energy Services Bhd and Scomi Engineering Bhd's financial fundamentals with the implementation of cash realisation initiatives. The company said in a filing with Bursa Malaysia that cash realisation initiatives would help it raise at least US\$50mil (RM213.6mil) by disposing of and/or streamlining the merged entity's existing assets within 12 months from the completion of the exercise. It will also continue to pursue the current growth strategies of both Scomi Energy and Scomi Engineering to improve their financial performance, moving forward. For Scomi Energy, it will continue to explore oil well rejuvenation programmes focusing on markets for producing chemicals. Scomi Energy will also pursue opportunities in new markets, primarily those focused on land-based production, such

as Algeria, Kuwait and Iraq which are more cost-effective than offshore drilling and have maintained or are increasing their momentum of activity. "With the crude oil price hovering between US\$40 and US\$60 per barrel, there seems to be a gradual increase in capital expenditure by oil and gas (O&G) majors and national oil companies. With this development, the prospects of the Scomi Energy Group are expected to be positive, moving forward, with possible increased drilling activities in the global O&G sector, barring any major geo-political developments," it pointed out. "The present oil prices present an opportunity for companies to re-invest and will likely contribute to increased exploration and production activities in the global O&G sector. Scomi Energy's key markets such as the Middle East, Russia and Turkmenistan continue to see a progressive increase in rig counts," it added. Scomi Energy's recovery is expected to be gradual and the effects will be more apparent in the later part of its financial year ending March 31, 2018 and beyond, it said. (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Pacific & Orient Insurance Co Berhad	RM150 million Subordinated Notes Programme (2012/2024)	A3 / stable	Reaffirmed

Source: MARC and RAM ratings

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