

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

(603) 2773 0532

Fixed Income Daily Market Snapshot

US Treasuries

- UST ended well supported last Friday, with benchmark yields eased circa 1-3 bps across the curve. Growth expansion in the 2Q came in at 2.6% QoQ returning US growth on a steadier path. (Consensus: 2.7%, Prior : 1.2%). 10-year yields ended 2 bps lower to close at 2.29% level. Personal consumption in the 2Q (QoQ) climbed higher, gained 2.8% in line with survey and was higher than prior print of 1.9%. Macro prints, suggest that the US economy is on a firmer path to recovery.















MGS/GII



- Local govies ended a tad softer with bond yields inched higher for selective benchmarks. Total traded volume for MYR govies remained thin with over RM1.5b changing hands. RM120m seen changing hands for SPK 7/22, with levels closing at 3.95% level. Newly reopened MGS 11/27 seen traded flat at 3.98%, unchanged from previous last traded levels. Focus to shift towards upcoming trade data for Malaysia which is scheduled for release on Friday.

PDS/Sukuk

- In the corporate bonds/sukuk space, total transacted volume last Friday was circa RM445m with traded dominated by the AA segment. In the GG segment, we saw long-dated DanaInfra '3/32 traded at 4.87%, with RM20m changing hands. In the AA space, we saw AA1 rated power sector credits SEB traded, with '8/25, '1/27 and '4/31 dealt with combined amounts of RM90m. Levels ended at 4.62%, 4.69% and 5.04% level respectively.

UST			
Tenure	Closing (%)		Chg (bps)
2-yr UST	1.35		-2
5-yr UST	1.84		-1
10-yr UST	2.29		-2
30-yr UST	2.89		-3

MGS		GII*				
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)		
3-yr	3.31		-1	3.59		1
5-yr	3.69		1	3.81		0
7-yr	3.92		2	4.01		0
10-yr	3.98		0	4.09		0
15-yr	4.39		6	4.53		0
20-yr	4.56		0	4.75		0
30-yr	4.82		0	4.94		0

MYR IRS Levels			
IRS	Closing (%)	Chg (bps)	
1-yr	3.50		0
3-yr	3.64		0
5-yr	3.76		0
7-yr	3.87		0
10-yr	4.00		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	3.030	91	3.073	25/07/2017	-4
MGS 02/18	3.132	130	3.131	26/07/2017	0
MGS 03/18	3.117	16	3.087	25/07/2017	3
MGS 09/18	3.240	101	3.226	26/07/2017	1
MGS 03/19	3.311	77	3.324	27/07/2017	-1
MGS 10/19	3.456	10	3.466	27/07/2017	-1
MGS 11/19	3.469	41	3.461	27/07/2017	1
MGS 03/20	3.562	0	3.558	26/07/2017	0
MGS 07/20	3.605	27	3.588	27/07/2017	2
MGS 07/21	3.707	7	3.721	27/07/2017	-1
MGS 09/21	3.733	27	3.799	27/07/2017	-7
MGS 11/21	3.771	1	3.773	26/07/2017	0
MGS 03/22	3.692	42	3.679	27/07/2017	1
MGS 09/22	3.820	10	3.833	26/07/2017	-1
MGS 03/23	3.903	22	3.898	27/07/2017	0
MGS 08/23	3.987	39	3.997	27/07/2017	-1
MGS 07/24	3.985	59	3.973	27/07/2017	1
MGS 09/24	3.916	5	3.910	27/07/2017	1
MGS 09/25	4.079	21	4.064	27/07/2017	1
MGS 04/26	4.116	3	4.129	27/07/2017	-1
MGS 11/26	4.075	24	4.110	27/07/2017	-4
MGS 11/27	3.981	100	3.982	27/07/2017	0
MGS 06/28	4.301	2	4.298	25/07/2017	0
MGS 04/30	4.373	121	4.396	27/07/2017	-2
MGS 06/31	4.441	4	4.426	27/07/2017	1
MGS 04/33	4.390	10	4.433	26/07/2017	-4
MGS 05/35	4.498	25	4.501	26/07/2017	0
MGS 09/43	4.826	0	4.846	25/07/2017	-2
GII 08/17	3.139	170	3.053	29/06/2017	9
GII 08/17	3.139	155	3.143	27/07/2017	0
GII 08/17	3.139	9	3.071	27/07/2017	7
GII 04/20	3.594	22	3.579	27/07/2017	1
GII 04/22	3.809	50	3.807	27/07/2017	0
GII 07/27	4.094	30	4.093	27/07/2017	0
SPK 07/22	3.949	120	3.899	27/07/2017	5
		<u>1571</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**
Pengurusan Air SPV Berhad	02/21	GG	4.023	5	4.003	25/04/2017	2	33
LPPSA	04/22	GG	4.077	10	4.128	06/07/2017	-5	32
Sarawak Hidro Sdn Berhad	10/28	GG	4.549	3	4.508	07/02/2017	4	55
Danainfra Nasional Berhad	03/32	GG	4.870	20	4.889	19/07/2017	-2	70
Cagamas MBS Berhad	12/17	AAA	3.684	4	3.751	11/07/2017	-7	19
GB Services Berhad	11/19	AAA	4.508	12	4.514	24/07/2017	-1	94
Aquasar Capital Sdn Berhad	07/20	AAA	4.303	10	4.089	23/08/2016	21	66
Rantau Abang Capital Berhad	12/20	AAA	4.101	20	4.124	26/07/2017	-2	46
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.300	40	4.291	11/07/2017	1	55
Cagamas Berhad	04/22	AAA	4.129	5	4.132	27/07/2017	0	37
TNB Northern Energy Berhad	11/26	AAA	4.561	2	4.750	03/11/2014	-19	56
Aman Sukuk Berhad	07/27	AAA	4.624	1	4.599	30/06/2017	2	62
Public Bank Berhad	09/18	AA1	4.351	1	4.347	26/07/2017	0	86
Maybank Islamic Berhad	04/19	AA1	4.428	6	4.433	19/07/2017	0	86
Sarawak Energy Berhad	08/25	AA1	4.621	30	4.620	03/07/2017	0	71
Sarawak Energy Berhad	01/27	AA1	4.690	40	4.680	19/07/2017	1	69
YTL Power International Berhad	05/27	AA1	4.980	50	4.967	19/07/2017	1	98
Sarawak Energy Berhad	04/31	AA1	5.039	20	5.000	26/05/2017	4	87
Kapar Energy Ventures Sdn Berhad	07/19	AA+	4.378	1	4.338	18/05/2017	4	81
CIMB Bank Berhad	08/21	AA+	5.651	0	4.800	10/07/2017	85	196
Celcom Networks Sdn Berhad	10/21	AA+	4.738	10	4.740	27/07/2017	0	105
Kesas Sdn Berhad	10/18	AA2	4.149	10	4.232	07/02/2017	-8	65
Imtiaz Sukuk II Berhad	03/19	AA2	4.297	2	4.267	20/06/2017	3	73
First Resources Limited	06/20	AA2	4.549	2	4.495	19/06/2017	5	91
Anih Berhad	11/19	AA	4.335	10	4.354	20/07/2017	-2	77
Perbadanan Kemajuan Negeri Selangor	08/18	AA3	4.427	10	4.519	03/04/2017	-9	93
Bumitama Agri Ltd	03/19	AA3	4.516	1	4.532	12/07/2017	-2	95
CIMB Thai Bank Public Company Limited	07/19	AA3	4.523	0	4.527	24/07/2017	0	96
BGSM Management Sdn Berhad	12/19	AA3	4.448	10	4.455	27/07/2017	-1	88
KT Kira Sertifikalari Varlik Kiralama A.S.	03/20	AA3	5.525	3	5.540	29/06/2017	-1	189
Jimah Energy Ventures Sdn Berhad	05/20	AA3	4.386	10	4.740	25/02/2016	-35	75
Perbadanan Kemajuan Negeri Selangor	05/20	AA3	4.848	20	4.791	24/07/2017	6	121
AmBank Islamic Berhad	12/20	AA3	4.828	2	4.796	24/05/2017	3	119
BGSM Management Sdn Berhad	12/20	AA3	4.572	20	4.587	19/07/2017	-1	93
IJM Corporation Berhad	06/22	AA3	4.506	2	4.498	18/07/2017	1	75
BGSM Management Sdn Berhad	06/24	AA3	4.892	20	4.900	19/07/2017	-1	102
Affin Bank Berhad	02/22	A1	5.045	20	5.046	20/07/2017	0	129
Bank Muamalat Malaysia Berhad	11/21	A	5.278	6	5.287	19/07/2017	-1	159
Mah Sing	-	NR	6.401	6	-	-	-	-
Mah Sing	-	NR	6.534	1	-	-	-	-
				<u>445</u>				

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

Market/Corporate News: What's Brewing

Engineering and construction services company Eversendai Corp Bhd is confident of achieving its turnover target of RM2bil in its current financial year ending Dec 31, 2017. Executive chairman and group managing director Tan Sri A.K. Nathan said the company will focus on its core businesses, adding that its diversification into the oil and gas (O&G) sector will eventually bear fruit for Eversendai. "We ventured into O&G in the last three years. But when we embarked on it, oil prices crashed and we have been facing challenges," he told a packed audience during a two-hour session at the Star Media Group's PowerTalk: Business Series event on Saturday. "However, we started Eversendai from ground zero with no track record and we have done well. The volume is not there to support the investments that we've done. But this year, we will achieve our RM2bil turnover. The company has grown and we will hold it at that level." For its financial year ended Dec 31, 2016, Eversendai reported a net loss of RM257.50mil on revenue of RM1.57bil. The dip in earnings was largely contributed by the Middle East and oil and gas divisions. The company had diversified into the O&G sector in 2012 as part of its strategy to double revenue to RM2bil by 2017. In 2014, the company clinched its maiden O&G contract in Malaysia valued at RM72.2mil, where its scope of work included to supply and install steel structures, as well as to fabricate and erect piping and mechanical equipment, which is Eversendai's expertise. Nathan said the company's global presence will help it "sail through" the tough times. "We will focus on our core businesses in the 16 countries that we are in. Anybody who is able to sail through the difficult times will certainly be able to take off once things start to improve." Nathan pointed out that it was the company's international presence that helped it weather the storm of the global financial crisis in 2008. "We don't depend on a single market or client. Between 2008 and 2010, Eversendai continued to grow because we had exposure in different countries. We were able to sail through the global financial crisis." In light of its international presence, which accounts for 90% of total business, Nathan said the slight weakening of the dollar against the ringgit is unlikely to have an impact on earnings. "We are not concerned about any foreign exchange impairments. In whatever we do, our risks are always hedged." Despite the fact that the bulk of Eversendai's earnings are from its foreign operations, Nathan said there would always be a future for the company in Malaysia. "There is a future here. The only concern is the flurry of contractors from China. "The construction industry is also cyclical. That's why we are very much spread out. But every country will have its own unique challenges. As an entrepreneur, you have to deal with what comes." Separately, Nathan said he was unsure of the reason for the sudden drop in Eversendai's share price this month. "A month ago it went to RM1.38. On Friday it was RM1.15. What did we do wrong in the past few weeks? There is no logic to it. The company is doing well and it has prospects." (Source : The Star)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Pac Lease Berhad	Proposed CP/MTN Programme of up to RM1.0 billion	AA3 / Stable	Assigned
APM Automotive Holdings Berhad	Islamic debt programmes	AA2 / Stable	Reaffirmed

Source: MARC and RAM ratings

Hong Leong Bank Berhad

Fixed Income & 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@hbb.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.