

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.67	1
5-yr UST	2.85	0
10-yr UST	2.96	-1
30-yr UST	3.08	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	1	3.55	0
5-yr	3.75	0	3.86	-2
7-yr	3.96	-1	4.05	-2
10-yr	4.07	-2	4.19	0
15-yr	4.53	-2	4.61	-2
20-yr	4.77	-1	5.00	0
30-yr	4.92	2	4.94	-4

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	0
5-yr	3.84	-1
7-yr	3.98	1
10-yr	4.17	0

Source: Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries yield curve ended flatter as the long-end rallied. Overall yields ended mixed between -2 to +1bps with the 2Y up 1bps higher at 2.67% whilst the much-watched 10Y yield eased at 2.96% but still shy of the 3.00% level. Global bond markets rallied in response to the BOJ's decision to keep interest rates low for an extended period of time. Meanwhile despite inflation pegged at below 2% in US, investors are expected to watch the Fed's moves and decision on its gradual rate hikes as 2Y yields are close to a record high compared to the German bunds and UK. On the data front we have important data releases including ISM Manufacturing tonight, FOMC rate decision on tomorrow, followed by the jobs data i.e. NFP on Friday.

MGS/GII

- Trading momentum in Govvies ramped up with volume at a whopping RM4.62b with interest seen across the curve focused. Overall benchmark MGS yields were 1-4bps lower from prior day's close save for the short 3Y and 30Y. Both benchmark 10Y Govvies saw active trades. The 7Y MGS 3/25 saw yields edge 1bps lower at 3.96% whilst the much-watched 10Y MGS 6/28 rallied 2bps at 4.07% levels. GII bond trades formed 34% of total trades; down from 50% prior day as both foreign and local institutions were seen active. Up next is the Nikkei PMI data expected out in the evening.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk continued to maintain strong volume of RM663m yesterday with interest across the GG-AA part of the curve, involving 39 different bonds compared to 31 the previous day. PTPTN 3/27 and 3/32 moved 2-4bps lower at 4.41% and 4.777% levels respectively compared to previous-done levels whilst DANA 5/24 saw substantial traded amounts; rallying 4bps lower at 4.19%. AAA-rated TNB Western 7/28 and RANTAU 3/29 similarly ended 4-9bps lower between 4.65-69% levels. Meanwhile the AA-rated space was dominated by power-related bonds within the infrastructure sub-sector with various names i.e. YTL Power 27, BGSM 19-20's and JEP 27-28's which closed mixed on levels. The banking space saw AMBANK 27nc22 trade 13bps higher on RM120m nominal amounts; closing at 5.03% levels. Expect investors to continue participating the Corp Bonds/Sukuk space.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.286	36	3.252	27/07/2018	3
MGS	03/19	3.343	23	3.355	30/07/2018	-1
MGS	07/19	3.426	84	3.409	30/07/2018	2
MGS	10/19	3.651	272	3.453	30/07/2018	20
MGS	11/19	3.439	111	3.412	30/07/2018	3
MGS	03/20	3.471	6	3.502	30/07/2018	-3
MGS	07/20	3.507	3	3.492	27/07/2018	2
MGS	10/20	3.500	16	3.475	30/07/2018	2
MGS	02/21	3.565	2	3.565	26/07/2018	0
MGS	07/21	3.602	111	3.595	30/07/2018	1
MGS	09/21	3.635	2	3.625	27/07/2018	1
MGS	11/21	3.567	42	3.555	30/07/2018	1
MGS	03/22	3.666	12	3.673	27/07/2018	-1
MGS	08/22	3.781	87	3.765	30/07/2018	2
MGS	09/22	3.778	39	3.789	30/07/2018	-1
MGS	03/23	3.837	11	3.825	30/07/2018	1
MGS	04/23	3.754	120	3.754	27/07/2018	0
MGS	08/23	3.861	11	3.870	30/07/2018	-1
MGS	07/24	3.962	23	3.985	30/07/2018	-2
MGS	09/24	3.990	125	4.003	30/07/2018	-1
MGS	03/25	3.965	471	3.979	30/07/2018	-1
MGS	09/25	4.043	92	4.069	30/07/2018	-3
MGS	04/26	4.177	21	4.184	27/07/2018	-1
MGS	11/26	4.183	37	4.194	30/07/2018	-1
MGS	11/27	4.144	97	4.147	30/07/2018	0
MGS	06/28	4.066	274	4.086	30/07/2018	-2
MGS	04/30	4.459	196	4.470	27/07/2018	-1
MGS	06/31	4.573	56	4.570	27/07/2018	0
MGS	04/33	4.585	207	4.585	30/07/2018	0
MGS	11/33	4.530	362	4.550	30/07/2018	-2
MGS	05/35	4.727	1	4.713	27/07/2018	1
MGS	04/37	4.791	111	4.778	26/07/2018	1
MGS	06/38	4.772	46	4.783	30/07/2018	-1
MGS	03/46	4.919	0	4.875	23/07/2018	4
MGS	07/48	4.921	71	4.905	25/07/2018	2
GII	08/19	3.481	10	3.487	25/07/2018	-1
GII	09/19	3.488	305	3.480	30/07/2018	1
GII	08/20	3.601	50	3.451	17/07/2018	15
GII	08/21	3.742	3	3.725	27/07/2018	2
GII	04/22	3.804	202	3.804	30/07/2018	0
GII	07/23	3.910	130	3.917	27/07/2018	-1
GII	11/23	3.858	140	3.875	30/07/2018	-2
GII	08/24	4.015	40	4.026	27/07/2018	-1
GII	08/25	4.054	50	4.070	30/07/2018	-2
GII	09/26	4.172	4	4.201	30/07/2018	-3
GII	07/27	4.184	40	4.191	30/07/2018	-1
GII	10/28	4.192	485	4.198	30/07/2018	-1
GII	06/33	4.606	70	4.621	25/07/2018	-2
GII	08/33	4.628	93	4.637	30/07/2018	-1
GII	05/47	4.937	20	4.977	14/06/2018	-4
			<u>4819</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Small Medium Enterprise Development Bank Malaysia Berhad	03/19	GG	3.770	10	3.764	30/07/2018	1	38
Pengurusan Air SPV Berhad	06/23	GG	4.218	20	4.354	25/06/2018	-14	46
DanaInfra Nasional Berhad	05/24	GG	4.189	60	4.230	19/07/2018	-4	28
Pengurusan Air SPV Berhad	06/24	GG	4.232	20	4.270	19/01/2018	-4	32
Jambatan Kedua Sdn Berhad	05/25	GG	4.303	20	4.330	24/07/2018	-3	34
Pengurusan Air SPV Berhad	02/26	GG	4.312	20	4.321	24/07/2018	-1	25
Perbadanan Tabung Pendidikan Tinggi Nasional	03/27	GG	4.410	15	4.452	17/05/2017	-4	33
Perbadanan Tabung Pendidikan Tinggi Nasional	03/32	GG	4.771	30	4.789	24/07/2018	-2	24
Prasarana Malaysia Berhad	03/33	GG	4.792	5	4.900	28/06/2018	-11	26
DanaInfra Nasional Berhad	05/41	GG	5.020	15	5.124	30/03/2018	-10	24
Sabah State Government	12/19	AAA	4.341	1	4.583	23/01/2018	-24	95
GENM Capital Berhad	08/20	AAA	4.617	10	4.360	14/09/2017	26	113
GENM Capital Berhad	07/23	AAA	4.850	3	4.963	25/07/2018	-11	109
Sarawak Hidro Sdn Berhad	08/26	AAA	4.563	10	4.588	27/07/2018	-3	50
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.682	10	4.772	04/05/2018	-9	60
TNB Western Energy Berhad	07/28	AAA	4.688	10	4.779	28/06/2018	-9	61
Rantau Abang Capital Berhad	03/29	AAA	4.649	10	4.699	19/07/2018	-5	57
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.980	2	4.979	18/07/2018	0	44
EKVE Sdn Berhad	01/34	AAA	5.049	2	5.065	31/10/2017	-2	51
Sabah Development Bank Berhad	08/19	AA1	4.619	10	4.589	12/07/2018	3	123
Sabah Development Bank Berhad	08/19	AA1	4.614	20	4.650	24/07/2018	-4	123
Malayan Banking Berhad	12/23	AA1	4.154	10	4.104	30/07/2018	5	39
Public Bank Berhad	04/27	AA1	4.653	75	4.678	17/07/2018	-3	57
YTL Power International Berhad	05/27	AA1	4.908	15	4.916	30/07/2018	-1	82
AmBank Islamic Berhad	03/20	AA2	4.415	10	4.447	10/07/2018	-3	93
Sime Darby Plantation Sdn Bhd	03/16	AA	5.128	10	5.258	05/07/2018	-13	35
Media Chinese International Limited	02/19	AA3	4.902	10	5.012	17/07/2018	-11	151
BGSM Management Sdn Berhad	12/19	AA3	4.398	10	4.399	04/07/2018	0	101
BGSM Management Sdn Berhad	12/20	AA3	4.501	5	4.489	12/07/2018	1	102
AmBank (M) Berhad	10/27	AA3	5.026	120	4.900	13/10/2017	13	94
Jimah East Power Sdn Berhad	06/27	AA-	4.830	30	4.774	08/09/2017	6	75
SPR Energy (M) Sdn Berhad	07/34	AA3	5.530	1	5.529	24/07/2018	0	99
UEM Sunrise Berhad	12/22	AA-	4.748	5	4.753	30/07/2018	0	107
Jimah East Power Sdn Berhad	12/27	AA-	4.840	5	5.350	29/01/2016	-51	76
Jimah East Power Sdn Berhad	12/28	AA-	4.870	5	5.028	17/05/2018	-16	80
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.489	2	5.489	26/07/2018	0	71
TF Varlik Kiralama A. S	06/19	A1	6.396	40	5.821	27/07/2018	58	301
Affin Bank Perpetual ATICS	-	A3	5.339	2	5.453	27/07/2018	-11	-
Bank Muamalat Malaysia Berhad	11/21	A	5.099	5	5.274	30/07/2018	-18	154
				<u>663</u>				

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

Market/Corporate News: What's Brewing

Permodalan Nasional Bhd (PNB) and the Employees Provident Fund (EPF), which are proposing to purchase the commercial assets being developed within phase two of the Battersea Power Station (BPS) project in London, have mutually agreed to extend the time period by when they can complete the transaction. In a filing with Bursa Malaysia yesterday, SP Setia Bhd, which has a stake in the BPS project, said the parties involved in the transaction had mutually agreed to extend the exclusivity and were continuing to work positively and constructively together towards completing the proposed transaction. The parties have until Sept 30, 2018 to complete the transaction. Back in January, PNB and the EPF had signed a heads of terms with Battersea Phase 2 Holding Co Ltd to buy the commercial assets for £1.61bil (RM8.8bil). Battersea Phase 2 Holding Co is a unit of Battersea Project Holding Co Ltd, in which SP Setia and Sime Darby Property Bhd own a 40% stake each. The proposed transaction is to reorganise the ownership of BPS' commercial property under PNB and the EPF, who are long-term investors, whilst Sime Darby Property and SP Setia are principally property developers. *(Source: The Star)*

More voices have weighed in on Prime Minister Tun Dr Mahathir Mohamad's plan to restrict the import of foreign cars and start a third national car, and the tone was mostly negative. Yesterday, the Institute for Democracy and Economic Affairs (IDEAS) warned against protectionist measures in the auto sector. "The government should be clear about its plan for automotive policy. Technical standards for imports to ensure passenger safety are welcome but other barriers to trade, including taxes and duties designed to protect Malaysia's domestic industry, should be avoided," IDEAS economist Adli Amirullah said in a statement. He also challenged claims that Malaysia's car industry is in an "infant" stage, pointing out that both Proton and Perodua have been in the market for at least 33 years and 24 years respectively. On Dr Mahathir's proposal for a third national car, Adli welcomed new players coming into the automotive industry if and only if the government itself stays away from the market. "In principle, we should not prevent any market players from entering the industry if they have the capacity to do so. But the government needs to stay away from the market and should not involve itself directly or indirectly in the process of setting up a third national car." Instead, he argued that the government should focus on promoting competition. "One of the ways is to reduce excise duties on imported cars to reduce prices and motivate local car manufacturers to produce better quality products," he said. Affin Hwang Investment Bank foresees the dynamics of the auto sector to change should the import of foreign cars into the country be restricted. "We believe that the Malaysian automotive dynamics will change altogether if the curb on foreign car imports does materialise. Proton (DRB-Hicom Bhd) and Perodua (UMW Holdings Bhd and MBM Resources Bhd) will benefit from this restriction at the expense of foreign car brands like BMW (Sime Darby Bhd), Mazda (Bermaz Auto Bhd), Mercedes-Benz (Cycle & Carriage Bintang Bhd and Hap Seng Consolidated Bhd) and Nissan (Tan Chong Motor Holdings Bhd)," said Affin Hwang in a report yesterday. It also added that local auto parts makers like APM Automotive Holdings Bhd and MBM Resources would indirectly benefit from higher local car production. Similar to Affin Hwang, MIDF Research analyst Hafriz Hezry said in his report that if the move suggested involves outright restrictions even on well-localised completely knocked down models, it will have an impact on the industry, creating an uneven level playing field and stunt foreign investment growth in the sector. "Such a move is akin to allowing national cars to solely drive sector growth in the future, which requires a much larger market than just domestic for volume competitiveness," he said. Both Affin Hwang and MIDF Research, however, noted that the National Automotive Policy (NAP) 2018 review had yet to be finalised and is still subject to further revision. On Monday, the Malaysian Automotive Association (MAA)

called the proposal to impose restrictions on the import of foreign vehicles to protect the interest of national carmakers, in particular Proton, as a move backwards for a country that is trying to ensure a conducive car industry. "It (imposing restrictive measures) is a regressive move for the auto market. I do not think it is right for the government to put restrictions on carmakers, other than Proton, on cars being brought into the country," MAA president Datuk Aishah Ahmad told the media after a 30-minute briefing with the five-man Council of Eminent Persons on Monday. Dr Mahathir has said that foreign-made cars imported freely into the country, without any conditions imposed, have hurt local automakers such as Proton, which struggled to stay afloat in the face of intense competition. He said in parliament on Monday that the government was in the midst of studying the new NAP, which could be tweaked to include restrictions on car imports by foreign manufacturers. Auto stocks saw a mixed performance on Bursa Malaysia following the statement made by Dr Mahathir. Some of the decliners yesterday included Cycle & Carriage, Hap Seng Consolidated, Tan Chong Motor and DRB-Hicom. Cycle & Carriage shares fell six sen or 3.06% to RM1.90, while Hap Seng Consolidated slipped one sen or 0.1% to RM9.80. Both companies are Mercedes-Benz dealers in Malaysia. Tan Chong Motor closed three sen or 1.7% lower at RM1.73. It is the franchise holder and exclusive distributor of Nissan passenger and commercial vehicles as well as Renault vehicles in the country. DRB-Hicom, which has a 50.1% stake in Proton, which is expected to be the main beneficiary of protectionism measures, was also affected. Its share price fell three sen or 1.33% to close at RM2.22. Other marques under DRB-Hicom include Honda, Isuzu and Mitsubishi. Meanwhile, Sime Darby, which is the official distributor of BMW, MINI and Motorrad vehicles in Malaysia, closed unchanged at RM2.52. UMW Holdings, which distributes Toyota vehicles, was also unchanged at RM6. The group also has a stake in local carmaker Perodua, along with MBM Resources, which closed unchanged at RM2.40. Bermaz Auto, which distributes Mazda vehicles and spare parts, bucked the trend, with its counter gaining one sen or 0.46% to RM2.18.. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

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