

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.53	2
5-yr UST	2.74	2
10-yr UST	2.86	2
30-yr UST	2.99	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	1	3.60	-3
5-yr	3.85	0	4.00	-2
7-yr	4.06	0	4.18	0
10-yr	4.20	0	4.31	0
15-yr	4.63	0	4.73	-1
20-yr	4.87	-1	5.00	0
30-yr	4.95	0	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.73	0
3-yr	3.79	0
5-yr	3.88	0
7-yr	4.01	1
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw curve-flattening into the month-end quarter as the 5s30s spread narrowed as low as 24bps; a level not seen since 2007. Overall benchmark yields were 2bps higher with both the 2Y and much-watched 10Y ending at 2.53% and 2.86% respectively. Real money filtered into the long-end on re-balancing flows. The trade friction is seen to weigh on business and cause impact to the general economic outlook with Canada and China and Europe set to engage in tit-for-tat policies. Nevertheless Investors expect demand for UST especially on the longer-end of the curve to remain supported for now. On the data front we have ISM Manufacturing and Employment figures pending release tonight.

MGS/GII

- Trading momentum in Govvies maintained with volume at RM2.01b; with interest seen in the short-end MGS and GII 20's and also off-the-run MGS 3/23. Overall benchmark yields were generally unchanged save for the short 3Y and 20Y which ended -1 to +1bps. Both the 7Y MGS 3/25 and 10Y MGS 6/28 closed unchanged at 4.06% and 4.20% respectively. Meanwhile S&P affirms Malaysia's stable rating at A-/A-2 on the expectations that the country's strong external position, monetary flexibility and well-established institutions will remain in place following the change in government.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk improved; with volume at RM355m involving 24 different bonds compared to 16 prior day. The bulk of the trades continued to be seen across the yield curve. Govt-guaranteed PRASA 12/25 ended 12bps higher at 4.48% compared to previous-done levels whereas KHAZA 3/19 and DANA 10/28 saw RM40m traded each closing stronger at 3.82% and 4.63% respectively. AAA-rated DANGA 33's closed mixed on yields between 5.00-02% levels. In the banking space Maybank 31NC19 closed unchanged at 4.20%. AA-rated infra-cum-power related bonds continued to see interest with names like SEB 6/21, Malakoff 12/18 and Southern Power 22, 31 and 34 notching trades. DRB-HICOM 6/21 made its debut trade at 6.17% compared to its coupon of 6.30%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.255	68	3.326	27/06/2018	-7
MGS	03/19	3.431	2	3.438	27/06/2018	-1
MGS	07/19	3.503	37	3.396	27/06/2018	11
MGS	10/19	3.651	23	3.435	27/06/2018	22
MGS	11/19	3.453	1	3.485	27/06/2018	-3
MGS	03/20	3.532	23	3.549	27/06/2018	-2
MGS	10/20	3.565	6	3.566	27/06/2018	0
MGS	07/21	3.710	13	3.722	26/06/2018	-1
MGS	09/21	3.719	26	3.701	27/06/2018	2
MGS	11/21	3.619	213	3.610	27/06/2018	1
MGS	03/22	3.851	12	3.776	27/06/2018	8
MGS	08/22	3.841	13	3.867	26/06/2018	-3
MGS	09/22	3.858	22	3.820	27/06/2018	4
MGS	03/23	4.009	632	3.925	27/06/2018	8
MGS	08/23	3.995	30	3.973	27/06/2018	2
MGS	07/24	4.122	82	4.115	27/06/2018	1
MGS	09/24	4.196	1	4.152	27/06/2018	4
MGS	09/25	4.272	160	4.279	27/06/2018	-1
MGS	11/26	4.365	24	4.334	27/06/2018	3
MGS	11/27	4.344	4	4.350	27/06/2018	-1
MGS	06/28	4.200	67	4.197	27/06/2018	0
MGS	04/30	4.625	33	4.642	27/06/2018	-2
MGS	06/31	4.688	9	4.688	26/06/2018	0
MGS	04/32	4.754	1	4.744	26/06/2018	1
MGS	04/33	4.720	92	4.749	27/06/2018	-3
MGS	11/33	4.632	1	4.610	22/06/2018	2
MGS	05/35	4.921	1	4.921	27/06/2018	0
MGS	04/37	4.918	1	4.943	22/06/2018	-2
MGS	06/38	4.869	84	4.893	26/06/2018	-2
MGS	09/43	4.943	1	4.928	27/06/2018	1
GII	11/18	3.388	20	3.308	11/06/2018	8
GII	04/20	3.599	12	3.630	27/06/2018	-3
GII	06/20	3.699	236	3.850	21/05/2018	-15
GII	04/22	3.818	1	3.861	27/06/2018	-4
GII	09/26	4.361	8	4.419	22/06/2018	-6
GII	06/33	4.733	50	4.724	04/06/2018	1
			<u>2008</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Khazanah Nasional Berhad	03/19	GG	3.821	40	3.948	25/05/2018	-13	41
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/25	GG	4.479	60	4.362	04/10/2017	12	43
Danainfra Nasional Berhad	10/28	GG	4.632	40	4.662	26/06/2018	-3	43
Senari Synergy Sdn Berhad	08/18	AAA	4.165	10	4.357	23/05/2018	-19	75
HSBC Amanah Malaysia Berhad	03/20	AAA	4.237	5	4.311	15/05/2018	-7	69
Al Dzahab Assets Berhad	09/24	AAA	4.880	15	4.901	21/06/2018	-2	90
Malayan Banking Berhad	11/31	AAA	4.199	20	4.200	09/06/2017	0	-44
Danga Capital Berhad	01/33	AAA	5.000	10	4.929	20/03/2018	7	37
Danga Capital Berhad	09/33	AAA	5.024	10	5.032	13/06/2018	-1	39
Sarawak Energy Berhad	06/21	AA1	4.535	10	4.538	27/06/2018	0	90
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.381	10	4.412	08/06/2018	-3	97
SPR Energy (M) Sdn Berhad	07/31	AA3	5.475	2	5.435	13/12/2017	4	84
Malakoff Power Berhad	12/18	AA-	4.332	10	4.356	26/06/2018	-2	92
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	04/22	AA-	4.842	10	4.778	29/03/2018	6	107
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.917	10	4.937	11/06/2018	-2	107
Southern Power Generation Sdn Berhad	04/22	AA-	4.601	5	4.628	05/06/2018	-3	83
MEX II Sdn Berhad	04/33	AA-	5.599	20	5.597	22/06/2018	0	96
Southern Power Generation Sdn Berhad	04/31	AA-	5.105	10	5.108	05/06/2018	0	47
MEX II Sdn Berhad	04/32	AA-	5.529	10	5.499	04/05/2018	3	89
MEX II Sdn Berhad	04/34	AA-	5.649	10	5.619	04/05/2018	3	101
Southern Power Generation Sdn Berhad	10/34	AA-	5.319	10	5.343	26/06/2018	-2	68
CIMB Group Holdings Berhad	05/16	A1	4.997	3	5.350	27/06/2018	-35	12
UMW Holdings Berhad	04/18	A1	6.001	10	6.249	20/06/2018	-25	112
DRB-HICOM IMTN	06/21	A-	6.170	15	-	-	-	-
			<u>355</u>					

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

Market/Corporate News: What's Brewing

The Pan Borneo Highway project in Sarawak, which is now more than one-third into its construction period, is gaining momentum. With site clearing activities all completed, the project's 11 work packages have advanced into their next stages of construction activities, ranging from earthworks to drainage system, geotechnical to bridge works. For the most advanced package, the new two-lane carriageway is taking shape at some stretches alongside the existing two-lane single carriageway." Here, pavement works have progressed till base and sub-base levels," according to Lebuhraya Borneo Utara Sdn Bhd (LBU) in its latest updates on the project's progress. The Sarawak portion of the Pan Borneo Highway covers a total length of 1,060km, out of which 193km is dual carriageway. LBU, which is the project delivery partner, awarded the 11 work packages to about 20 companies for a combined contract value of RM16.49bil in 2016. Eleven of these companies are public-listed firms in Sarawak and Peninsular Malaysia which, together with their joint-venture (JV) partners, bagged seven work packages worth RM10.02bil. Four other privately-owned companies clinched the remaining four packages and share construction contracts valued at RM6.47bil. Phase 1, which links Telok Melano in southern Sarawak to Miri in the north, is slated for completion in 2021. Phase 2, which covers 77km to link up to Sabah, is in planning stage. On the project's drainage works, LBU said it involved construction of berm, median, toe and roadside drains. "Works on (laying of) 1,662 units of pipe culverts and 418 units of box culverts has also begun," it added. For bridge works, it said it involved the construction of new bridges and demolition of existing bridges that did not comply with the Public Works Department R5 standard. "Phase 1 will include a total of 115 pairs of (new) bridges to support the R5 four-lane dual carriageway." According to LBU, construction works on structural beams for the new bridges is also gaining momentum across all work packages. "The longest bridge to be constructed is a twin bridge across Rejang River, more popularly known as the Duran Bridge. "When completed, the Durin Bridge will rise up to 22m from the ground. "It will mirror the existing bridge with three navigation channels, one of them 150m wide and a height clearance of 20m," it said. The twin bridge project under the Bintangor junction to Julau junction & Sibul Airport to Sungai Kua Bridge work package (75.97km) (contract value RM1.71bil) is undertaken by Hock Seng Lee Bhd-Dhaya Maju Infrastructure (Asia) Sdn Bhd JV. The other six work packages secured by public-listed companies and their JV partners are Naim Holdings Bhd-Gamuda Bhd JV (Pantu junction to Batang Skrang – 89.44km) (RM1.57bil); Zecon Bhd-Kimlun Sdn Bhd JV (Serian roundabout to Pantu junction – 75.02km) (RM1.46bil); PPES Works (Sarawak) Sdn Bhd (a subsidiary of Cahya Mata Sarawak Bhd)-Bina Puri Holdings Bhd JV (Sungai AWIK bridge to Bintangor junction – 64.49km) (RM1.36bil); Musyati Sdn Bhd-Mudajaya Group Bhd JV (Sungai Kua bridge to Sungai Arip bridge – 63.68km) (RM1.33bil), Endaya Construction Sdn Bhd-TRC Synergy Bhd-Pembinaan Kuantiti Sdn Bhd JV (Batang Skrang to Singai AWIK – 67.94km) (RM1.31bil) and KKB Engineering Bhd-WCT Holdings Bhd JV (Sungai Arip bridge to Bintulu Airport junction – 64.53km) (RM1.29bil). Miri-based Samling Resources Sdn Bhd is implementing two work packages: Telok Melano to Sematan (95.4km) and Sematan to Sungai Moyan Bridge (32.77km). Perkerjaan Piasau Konkerit Sdn Bhd (PPK)'s work package is from Bakun to Sungai Tangap (77.19km). PPK, which is the civil engineering arm of the diversified Shin Yang group, was awarded the Pan Borneo Highway kick-off project – Nyabau-Bakun stretch (42.97km) in 2015. Konsortium KPE Sdn Bhd (JV between KACC Sdn Bhd and Perbena Emas Sdn Bhd) is the main contractor for the Sungai Tangap to Pujut Link Road package (79.98km). (Source: *The Star*)

The Negeri Sembilan state government plans to develop an aviation hub in the state, saying it is confident the hub would benefit the economy of not just the state but also the country. State Investment, Industrialisation, Entrepreneurship, Education and Human Capital Committee chairman Dr Mohamad Rafie Ab Malek said the state government has already obtained agreements from AirAsia Group Bhd and Sime Darby Property Bhd to collaborate in making the project a reality. "AirAsia is the largest purchaser of aircraft from Airbus, that is why I have proposed that Airbus open a finishing and assembly facility here. "AirAsia group chief executive officer Tan Sri Tony Fernandes is very excited about the proposal, and he has promised me he would convey the state government's wish to Airbus," he told reporters here today. Mohamad Rafie said the hub is planned for Labu as it is near the Kuala Lumpur International Airport. "I also hope we can at the very least build a maintenance, repair and overhaul facility for commercial aircraft, engines and components at the hub. "Malaysia is one of Airbus' biggest customers and this is a good opportunity we need to fully benefit from," he said.. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Tan Chong Motor Holdings Berhad (TCMH or the Group)	Corporate Credit rating	A1/P1	Reaffirmed
	RM1.50 billion MTN Programme (2014/2034)	A1/P1	Reaffirmed
	RM1.50 billion CP Programme (2014/2021).	A1/P1	Reaffirmed
	Long-term outlook	Negative	Reaffirmed
First Resources Limited's (FRL or the Group)	RM2.0 billion Sukuk Musharakah Programme (2012/2022)	AA2/Stable	Reaffirmed
Telekom Malaysia Berhad	Islamic CP Programme (2013/2020) and Islamic MTN Programme (2013/2033) with a combined nominal value of up to RM3 billion	AAA/Stable/P1	Reaffirmed
	Islamic CP Programme and Islamic MTN Programme with a combined aggregate nominal value of up to RM2 billion (2011/2026)	AAA/Stable/P1	Reaffirmed
Bina Darulaman Berhad (BDB)	RM100.0 million Islamic Commercial Papers (ICP) Programme.	MARC-2IS	Affirmed

Source: RAM Ratings; MARC

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