

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.68	1
5-yr UST	2.88	3
10-yr UST	3.01	5
30-yr UST	3.13	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	-3	3.62	7
5-yr	3.75	0	3.86	0
7-yr	3.96	-1	4.04	-2
10-yr	4.06	-1	4.17	-2
15-yr	4.50	-3	4.54	-6
20-yr	4.74	-4	5.00	0
30-yr	4.90	-3	4.91	-2

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.75	0
5-yr	3.85	1
7-yr	3.97	-1
10-yr	4.14	-2

Source: Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries yield sold-off as the curve reversed to a steeper mode with the long-end losing ground. Overall yields ended up between 1-5bps with the 2Y at 2.68% whilst the much-watched 10Y yield rose 5bps to ~3.01% levels. Concerns rose over Treasury's announcement of unusually large 3Q 2018 issuances; with capacity to increase the 5Y notes and longer tenors. Despite FOMC staying pat on rates, the Fed on Wednesday upgraded its assessment of the economy; hinting at another rate hike as soon as September. On the data front we have the jobs data i.e. NFP on Friday.

MGS/GII

- Trading momentum in Govvies spiked with volume at RM6.8b with interest seen across the curve. Overall benchmark MGS/GII yields were 0.5-6bps lower from prior day's save for odd-lot trades on the short 3Y GII's. Both benchmarks 7Y MGS 3/25 and the much-watched 10Y MGS 6/28 edged 1bps lower at 3.96% and 4.06% levels respectively. GII bond trades eased to form 27% of total trades; down from 34% prior day as both foreign and local institutions were seen active. Meanwhile Malaysia's govies notched a commendable 1% returns for July; coming out second after Indonesian sovereigns. Globally bonds from both countries lagged during the 2Q 2018. Up next is the release of June Trade data expected out tomorrow.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk maintained strong volume of RM780m yesterday with focus on GG, followed by AAA and AA-part of the curve; involving 33 different bonds compared to 39 the previous day. PTPTN 3/24 closed 7bps lower at 4.21% compared to previous-done levels whilst a slew of PRASA bonds namely 2025-28's also rallied between 1-7bps closing 4.24-4.44% levels (save for the PRASA 12/25). MKD Kenchana issued October last year made its debut trade at 4.81%; 4bps below coupon. AAA-rated RANTAU 3/29 and DANGA 9/33 ended 3-6bps lower at 4.64% and 4.87% levels respectively. Meanwhile the AA-rated space saw power-related bonds i.e. WESTPORTS 12/21 and MALAKOFF Power 12/19 edge 1bps lower at 4.48% and 4.50% each. The banking space saw AA1-rated Hong Leong Bank 24nc19 and A1-rated AFFIN 27nc22 attract investor interest; closing 1bps lower at 4.37% and 4.91% respectively.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.249	136	3.299	31/07/2018	-5
MGS	03/19	3.425	51	3.361	31/07/2018	6
MGS	07/19	3.458	505	3.401	31/07/2018	6
MGS	10/19	3.485	229	3.456	31/07/2018	3
MGS	11/19	3.401	9	3.455	31/07/2018	-5
MGS	03/20	3.490	153	3.490	31/07/2018	0
MGS	07/20	3.464	2	3.507	31/07/2018	-4
MGS	10/20	3.514	4	3.510	31/07/2018	0
MGS	07/21	3.590	136	3.601	31/07/2018	-1
MGS	09/21	3.621	2	3.618	30/07/2018	0
MGS	11/21	3.538	937	3.548	31/07/2018	-1
MGS	03/22	3.642	6	3.666	31/07/2018	-2
MGS	08/22	3.722	303	3.781	31/07/2018	-6
MGS	09/22	3.721	57	3.781	31/07/2018	-6
MGS	03/23	3.807	3	3.827	31/07/2018	-2
MGS	04/23	3.751	201	3.754	31/07/2018	0
MGS	08/23	3.877	147	3.844	30/07/2018	3
MGS	07/24	3.952	20	3.962	31/07/2018	-1
MGS	09/24	3.984	19	3.997	31/07/2018	-1
MGS	03/25	3.956	330	3.958	31/07/2018	0
MGS	09/25	4.069	73	4.036	31/07/2018	3
MGS	04/26	4.146	10	4.177	31/07/2018	-3
MGS	11/26	4.150	108	4.165	31/07/2018	-1
MGS	11/27	4.127	22	4.134	31/07/2018	-1
MGS	06/28	4.055	210	4.066	31/07/2018	-1
MGS	04/30	4.444	10	4.459	31/07/2018	-1
MGS	06/31	4.515	80	4.557	31/07/2018	-4
MGS	04/33	4.550	147	4.559	31/07/2018	-1
MGS	11/33	4.500	577	4.533	31/07/2018	-3
MGS	05/35	4.695	45	4.727	31/07/2018	-3
MGS	04/37	4.762	34	4.811	31/07/2018	-5
MGS	06/38	4.736	166	4.772	31/07/2018	-4
MGS	03/46	4.953	2	4.919	31/07/2018	3
MGS	07/48	4.895	180	4.895	31/07/2018	0
GII	08/19	3.490	110	3.481	31/07/2018	1
GII	04/20	3.621	8	3.546	27/07/2018	8
GII	08/21	3.718	40	3.742	31/07/2018	-2
GII	04/22	3.780	65	3.804	31/07/2018	-2
GII	07/22	3.823	180	3.846	30/07/2018	-2
GII	07/23	3.890	110	3.910	31/07/2018	-2
GII	11/23	3.863	152	3.858	31/07/2018	0
GII	08/25	4.039	60	4.054	31/07/2018	-2
GII	09/26	4.166	52	4.193	31/07/2018	-3
GII	07/27	4.177	10	4.184	31/07/2018	-1
GII	10/28	4.170	838	4.190	31/07/2018	-2
GII	06/33	4.542	210	4.606	31/07/2018	-6
GII	08/33	4.616	40	4.630	31/07/2018	-1
GII	05/47	4.914	30	4.937	31/07/2018	-2
			<u>6818</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.209	80	4.277	06/10/2017	-7	32
Prasarana Malaysia Berhad	03/25	GG	4.239	60	4.249	26/07/2018	-1	29
Pengurusan Air SPV Berhad	09/25	GG	4.272	10	4.297	19/07/2018	-2	32
Prasarana Malaysia Berhad	12/25	GG	4.324	15	4.308	23/07/2018	2	37
Prasarana Malaysia Berhad	02/26	GG	4.299	5	4.332	23/07/2018	-3	26
Prasarana Malaysia Berhad	08/26	GG	4.299	60	4.331	23/07/2018	-3	26
DanaInfra Nasional Berhad	07/27	GG	4.382	10	4.410	20/07/2018	-3	32
Prasarana Malaysia Berhad	03/28	GG	4.400	40	4.451	19/07/2018	-5	35
Prasarana Malaysia Berhad	11/28	GG	4.435	10	4.501	25/07/2018	-7	38
GovCo Holdings Berhad	02/32	GG	4.880	5	4.929	17/07/2018	-5	37
DanaInfra Nasional Berhad	05/32	GG	4.749	60	4.782	25/07/2018	-3	24
MKD Kencana Sdn Berhad	10/32	GG	4.809	90	-	-	-	-
DanaInfra Nasional Berhad	02/33	GG	4.779	20	4.789	20/07/2018	-1	27
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.939	20	4.950	14/03/2017	-1	21
Prasarana Malaysia Berhad	09/37	GG	4.931	5	4.940	26/07/2018	-1	20
Cagamas Berhad	02/19	AAA	3.838	30	3.878	21/06/2018	-4	45
Bank Pembangunan Malaysia Berhad	03/22	AAA	4.520	5	4.490	30/03/2018	3	83
Rantau Abang Capital Berhad	03/29	AAA	4.637	30	4.662	31/07/2018	-3	58
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.939	20	4.980	31/07/2018	-4	43
Danga Capital Berhad	09/33	AAA	4.869	30	4.929	27/07/2018	-6	36
Sabah Development Bank Berhad	09/20	AA1	4.695	1	5.192	17/07/2018	-50	122
Hong Leong Financial Group Berhad	09/20	AA1	4.393	10	4.438	11/04/2018	-4	92
Malayan Banking Berhad	05/24	AA1	4.323	30	4.766	24/07/2018	-44	44
Hong Leong Bank Berhad	06/24	AA1	4.368	10	4.375	18/07/2018	-1	48
Westports Malaysia Sdn Berhad	12/21	AA+	4.480	20	4.490	09/01/2018	-1	93
Malakoff Power Berhad	12/19	AA-	4.499	20	4.508	30/07/2018	-1	111
Jimah East Power Sdn Berhad	12/29	AA-	4.875	25	5.052	13/07/2018	-18	82
TF Varlik Kiralama A. S	06/19	A1	6.386	20	6.512	31/07/2018	-13	300
Golden Assets International Finance Limited	08/19	A1	5.000	5	5.396	12/07/2018	-40	162
Affin Bank Berhad	09/27	A1	4.914	30	4.926	20/07/2018	-1	86
CIMB Group Holdings Berhad	05/16	A1	4.865	1	5.447	31/07/2018	-58	14
Affin Bank Berhad	07/18	A3	5.453	2	5.339	31/07/2018	11	73
Bank Muamalat Malaysia Berhad	11/21	A	4.771	2	5.099	31/07/2018	-33	123
				<u>780</u>				

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

Market/Corporate News: What's Brewing

DRB-Hicom Bhd is selling its entire stake in Alam Flora Sdn Bhd to Malakoff Corp Bhd for RM944.6mil. Proceeds from the disposal, DRB-Hicom told Bursa Malaysia today, will be utilise to repay debts totalling RM500mil and the rest as working capital for Proton. "The proposed disposal provides an opportunity for DRB-Hicom to unlock the value and monetise its investment in Alam Flora at an attractive price," it said. Alama Flora has a 22 year concession - expiring on Sept 1, 2033 to collect solid waste and garbage in Pahang, Kuala Lumpur and Putrajaya. It reported a pre-tax profit of RM99.66mil for the financial year ended March 31, 2018. Based on the selling price, DRB-Hicom will net RM735.4mil from the disposal. "The proceeds, if required by Proton, will be mainly used to part finance the development cost for new models expected to be incurred within the next 12 months," DRB-Hicom said. Both DRB-Hicom and Malakoff are linked to Tan Sri Syed Mokhtar Al-Bukhary.. (Source: *The Star*)

Cagamas Berhad has successfully concluded a two-year SGD65 million foreign currency conventional Medium Term Notes (MTN) issuance, marking Malaysia's first SGD-denominated issuance for the year. The SGD was issued through the National Mortgage Corporation of Malaysia's wholly-owned subsidiary Cagamas Global P.L.C under a USD2.5 billion Conventional Multicurrency Medium Term Note (EMTN) Programme. "Despite an increase in short term yields as evidenced by the increase in 2-year US Treasury Yields, marking a high of 2.6815% on 26 July 2018, the SGD-denominated bond was competitively priced at a fixed rate of 2.52%. This represented a spread of 60 basis points above the corresponding 2-year Singapore Offer Rate (SOR)," said president cum chief executive officer Datuk Chung Chee Leong in a statement. "We are pleased with the conclusion of the SGD issuance which carries an issue rating of A3, representing the Company and Malaysia's first SGD-denominated issuance for the year. "The conclusion of the deal brings the Company' foreign currency funding for the year to 8% of its total year-to-date issuances of RM8.5 billion," Chung added. The issue is Cagamas' fourth successive foreign currency issuance priced within the same month. Through the issuance of foreign currency denominated bonds, Chung said Cagamas has successfully purchased RM650 million equivalent of domestic mortgages. The issued SGD-denominated bond will be fully and unconditionally guaranteed by Cagamas Berhad. The issuance, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of the company, ranking pari passu among themselves and with all other existing unsecured obligations of the company. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
F&N Capital Sdn Bhd	RM750 million MTN Programme (2013/2028) and RM750 million CP Programme (2013/2020)	AA1(s)/Stable and P1(s)	Reaffirmed
Axis REIT Sukuk Berhad's (ARSB)	RM155 million Class A, Class B, Class C and Class D Sukuk under its Second Sukuk Issue (collectively, the Second Sukuk	AAA, AA1, AA2 and AA3 respectively	Reaffirmed
Malayan Banking Berhad's (Maybank)	Financial Institution Rating	AAA/MARC	Affirmed
	RM10.0 billion Senior Medium-Term Notes (MTN) programme	AAA	Affirmed

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

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.