

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.55	2
5-yr UST	2.76	2
10-yr UST	2.87	1
30-yr UST	2.99	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	0	3.60	0
5-yr	3.85	0	4.02	1
7-yr	4.06	0	4.17	0
10-yr	4.20	0	4.31	0
15-yr	4.64	0	4.77	4
20-yr	4.87	0	5.00	0
30-yr	4.95	0	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.72	0
3-yr	3.79	0
5-yr	3.88	0
7-yr	4.01	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries drifted lower; erasing gains as equities recovered and caused safe haven bids to fizzle out. The long-end swap spreads widened as the curve flattened. Overall benchmark yields were 0-2bps higher with both the 2Y and much-watched 10Y ending at 2.55% and 2.87% respectively. A lack of general demand for short T-bills was evident based on poor BTC ratios on Monday. Trade friction issues continued to weigh on businesses and impact the general economic outlook with Canada, China and Europe engaging in tit-for-tat policies.

MGS/GII

- Trading momentum in Govvies improved with volume at RM3.21b; as interest was mainly seen pouring into off-the-run short-end 19's and also the 21's. Overall benchmark yields were generally unchanged and up to 1bps from previous close save for the 15Y GII 6/33 which rose 4bps to 4.77%. Both the 7Y MGS 3/25 and 10Y MGS 6/28 remained unchanged at 4.06% and 4.20% respectively. S&P's recent affirmation on 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 was good news to investors.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk improved further with volume at RM445m; involving 28 different bonds compared to 24 prior day. The bulk of the trades were focused on the AAA-AA part of the curve. Govt-guaranteed PRASA 12/27 and PTPTN moved 6bps lower at 4.52% and 5.14% respectively compared to previous-done levels. AAA-rated PLUS 31 saw RM80m nominal amounts traded also 1-7bps lower on yields between 4.94-99% levels. In the AA-space we note EDRA Energy 23 and 28 ending mixed at 5.31% and 5.58% respectively whilst BGSM 12/19 moved 6bps lower; ending at 4.40%. In the banking space CIMB Thai 24NC19 and CIMB Group 60NC 20 rallied to close at 4.77% and 4.91% whilst Bank Islam 27NC22 edged 1bps lower at 4.92.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.269	462	3.255	29/06/2018	1
MGS	03/19	3.401	31	3.431	29/06/2018	-3
MGS	10/19	3.456	12	3.511	29/06/2018	-6
MGS	11/19	3.453	7	3.453	29/06/2018	0
MGS	03/20	3.562	31	3.532	29/06/2018	3
MGS	07/20	3.545	11	3.535	28/06/2018	1
MGS	10/20	3.556	7	3.565	29/06/2018	-1
MGS	02/21	3.622	5	3.622	28/06/2018	0
MGS	07/21	3.667	518	3.710	29/06/2018	-4
MGS	11/21	3.619	243	3.635	29/06/2018	-2
MGS	03/22	3.807	13	3.822	29/06/2018	-2
MGS	09/22	3.820	2	3.833	28/06/2018	-1
MGS	03/23	3.973	121	4.009	29/06/2018	-4
MGS	08/23	3.985	24	3.995	29/06/2018	-1
MGS	07/24	4.128	40	4.122	29/06/2018	1
MGS	09/24	4.141	79	4.150	28/06/2018	-1
MGS	09/25	4.247	264	4.255	29/06/2018	-1
MGS	04/26	4.315	5	4.307	28/06/2018	1
MGS	11/26	4.329	77	4.344	29/06/2018	-2
MGS	11/27	4.278	340	4.311	29/06/2018	-3
MGS	06/28	4.202	1	4.200	29/06/2018	0
MGS	04/30	4.631	16	4.625	29/06/2018	1
MGS	06/31	4.678	15	4.688	29/06/2018	-1
MGS	04/33	4.713	70	4.700	29/06/2018	1
MGS	11/33	4.637	6	4.632	29/06/2018	0
MGS	05/35	4.924	32	4.921	29/06/2018	0
MGS	04/37	4.919	1	4.918	29/06/2018	0
MGS	06/38	4.865	2	4.869	29/06/2018	0
MGS	09/43	4.969	3	4.943	29/06/2018	3
GII	10/18	3.293	2	3.287	28/06/2018	1
GII	11/18	3.300	4	3.388	29/06/2018	-9
GII	04/19	3.479	600	3.566	29/06/2018	-9
GII	04/21	3.774	99	3.768	27/06/2018	1
GII	08/21	3.827	10	3.793	27/06/2018	3
GII	11/23	4.017	20	4.004	29/06/2018	1
GII	06/33	4.768	40	4.733	29/06/2018	4
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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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/27	GG	4.519	10	4.580	25/06/2018	-6	34
Danainfra Nasional Berhad	10/28	GG	4.600	5	4.632	29/06/2018	-3	40
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	5.138	10	5.200	28/05/2018	-6	26
Putrajaya Bina Sdn Berhad	09/22	AAA	4.545	10	4.339	09/02/2018	21	77
Ranhill Powertron II Sdn Berhad	06/23	AAA	4.782	10	4.690	07/02/2018	9	94
DiGi Telecommunications Sdn Berhad	04/24	AAA	4.489	25	4.499	30/01/2018	-1	51
Telekom Malaysia Berhad	05/28	AAA	4.745	20	4.746	26/06/2018	0	55
West Coast Expressway Sdn Berhad	08/31	AAA	5.011	10	4.999	30/04/2018	1	38
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.941	60	4.949	27/06/2018	-1	31
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.989	20	5.059	24/05/2018	-7	36
Malayan Banking Berhad	01/24	AA1	4.302	2	4.499	13/06/2018	-20	32
TRPlc Medical Sdn Berhad	10/35	AA1	5.319	10	5.319	06/06/2018	0	69
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/26	AA+	5.002	30	5.027	25/06/2018	-3	87
BGSM Management Sdn Berhad	12/19	AA3	4.396	50	4.459	23/05/2018	-6	98
Edra Energy Sdn Berhad	07/23	AA3	5.305	10	5.279	26/04/2018	3	146
CIMB Thai Bank Public Company Limited	07/24	AA3	4.772	40	5.067	30/05/2018	-30	79
Edra Energy Sdn Berhad	07/28	AA3	5.583	10	5.599	24/04/2018	-2	138
CIMB Group Holdings Berhad	04/60	AA3	4.913	30	5.531	25/06/2018	-62	4
Segi Astana Sdn Berhad	01/19	AA-	4.761	10	4.723	03/04/2018	4	135
SAJ Capital Sdn Berhad	01/20	AA-	5.062	10	5.119	14/06/2018	-6	151
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.895	10	4.908	07/06/2018	-1	71
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	5.235	10	5.077	13/10/2017	16	60
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.401	10	5.413	27/06/2018	-1	77
Bank Islam Malaysia Berhad	11/27	A1	4.919	20	4.925	25/06/2018	-1	74
CIMB Group Holdings Berhad	05/16	A1	4.930	2	4.997	29/06/2018	-7	5
CIMB Group Holdings Berhad	05/16	A1	4.989	1	5.400	28/06/2018	-41	11
Alliance Bank Malaysia Berhad	10/25	A2	4.829	10	4.832	27/06/2018	0	77
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

With a trade kerfuffle bruising investors, assets across emerging markets started the week with more declines. Mexico's peso reversed early gains to weaken 1.1% against the dollar by 3:11pm in London after 64-year-old leftist Andres Manuel Lopez Obrador's landslide election victory, according to the earliest figures announced by officials. The zloty, rand, lira and yuan also fell as the Bloomberg Dollar Spot Index rose 0.6%. Attention will then turn to US jobs data and the Federal Reserve minutes on Thursday, as well as unemployment data on Friday as investors gauge whether trade friction has impacted the nation's economic outlook. A US deadline for US\$34 billion in tariffs on China is also due Friday. The Asian country has pledged to retaliate if President Donald Trump follows through. "Things have got to get worse before they get better — that's the disturbing situation," Claudio Piron, co-head of Asian currency and rates strategy at Bank of America Merrill Lynch in Singapore, told Bloomberg TV's Haidi Lun and Rishaad Salamat. This week will be highly critical with election results in Mexico "and how that will have a bearing on Nafta," Piron said. The deadline for tariffs is "going to be key" in determining how much worse the situation will get "before things can possibly get better," he said. The war of words between the world's biggest economies over commerce added fuel to a sell-off sparked by a rising dollar and hawkish central banks in developed economies. It sent a Bloomberg currency index that measures carry-trade returns from eight emerging markets, funded by short positions in the dollar, tumbling the most on a quarterly basis since 2011. Emerging-market stocks and currencies dropped the most since 2015 in the three months through June, and a Bloomberg Barclays index of local-currency bonds posted its first quarterly retreat since 2016. Both the equity and currency gauges extended their declines on Monday, with the latter heading for its lowest since August. "The practical impact of the trade wars is small thus far and is beneficial to many emerging-market credits, for example oil and metals companies, but the bearish impact on sentiment and possibility of a downward spiral overwhelms this," said Richard Segal, a senior analyst at Manulife Asset Management Ltd. in London. "It's advisable to remain cautious for a while, and better buying opportunities will appear later in the summer," he said.

- The escalating trade tensions have already seen the yuan, which has been an anchor of stability during the emerging-market sell-off in recent months, weaken to its lowest since August. Trade frictions and concerns about whether the economy is slowing down further have sent Chinese stocks into a bear market
- The Shanghai Stock Exchange Composite Index dropped 2.5% by close to its lowest since March 2016
- A private measure for June of China's manufacturing activity from Caixin Media and Markit Economics slightly undershot expectations at 51 versus a 51.1 median estimate in a Bloomberg survey of analysts
- Traders will also be looking at the strength of Lopez Obrador's party in Congress
- Wells Fargo said the peso could climb back to 19 per dollar if the Morena party fails to secure a majority, or weaken to 21 if it wins control in both houses of Congress. The currency strengthened as much as 1.4% against the dollar following the exit polls before falling to 20.137 •Traders will also be on the lookout for signs Lopez Obrador will pursue measures he marketed during his campaign, such as public works programs
- A South African manufacturing PMI slumped to the lowest level in three months in June. Meanwhile, whole-economy PMI data will be released on Wednesday, and the South African Reserve Bank will post data on gold and foreign-exchange reserves on Friday. The rand suffered its worst quarter in about seven years

•Traders following Brazil's interest rates will be eyeing June's inflation figures. While inflation is low, analysts want to know if the 11-day truckers' strike impacted prices. Brazil's central bank slashed its 2018 growth estimate and forecast consumer prices below target until at least 2020 — fueling bets that interest rates won't go up any time soon •Stock investors will also follow news on Petrobras as Brazil's lower house is expected to vote on amendments to a bill allowing the state-controlled oil producer to sell up to 70% of a major offshore oil development. The government plans to get the bill approved by the Senate quickly to sell surplus oil in an auction that could bring in more than US\$25 billion in revenue

•Poland is readying for June PMI at 9 a.m. on Monday, followed by preliminary inflation data for June. The sell-off in the zloty against the euro drove its 14-week relative strength index above 70 for the first time since January 2016

•South Korea and Malaysia will release trade numbers. Inflation data from South Korea, Philippines and Taiwan are also due. Currencies from all the nations mentioned declined against the dollar last week

•Thailand reported inflation slowed in June to 1.38% from a year earlier compared with 1.49% the previous month

•Indonesia's annual headline inflation eased to 3.1% in June, the slowest pace since December 2016

•Hungary's forint, at a record low against the euro, is in the spotlight. Despite a lawmaker's proposal that central bank Governor Gyorgy Matolcsy should speak in parliament this week, a statement from the regulator suggests he probably won't because the invitation is "politically motivated." The central bank appears to be comfortable with its pledge to keep financing conditions loose •Minutes released on Wednesday may also provide investors with some clarity on the rate setters' intentions

•Romania's central bank is scheduled to hold a rate meeting on Wednesday. Investors are assessing whether the next hike will come in July or at a later stage with inflation at the fastest clip since 2013. Any comments from governor Mugur Isarescu on the leu will also be closely watched. The currency, which is managed by the central bank, has remained relatively stable throughout the sell-off. (Source: *The Edge/Bloomberg*)

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

Source: RAM Ratings; MARC

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