

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.66	-2
5-yr UST	2.86	-2
10-yr UST	2.99	-2
30-yr UST	3.12	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.52	-2	3.55	-7
5-yr	3.76	0	3.85	-1
7-yr	3.94	-1	4.01	-3
10-yr	4.02	-3	4.13	-4
15-yr	4.49	-1	4.52	-2
20-yr	4.68	-5	4.79	-21
30-yr	4.89	-1	4.91	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.75	0
5-yr	3.83	-1
7-yr	3.96	-1
10-yr	4.13	-1

Source: Bloomberg

#### Upcoming Government Bond Tender

RM2.5b of 20Y GII 8/37 on Monday, 6<sup>th</sup> August

#### US Treasuries

- US Treasuries yields ended 1-2bps lower as the curve continued to reflect steepening bias as Asian and European equities declined. Both the 2Y and much-watched 10Y closed 2bps lower at 2.66% and 2.99% respectively. With investors looking ahead to July's US jobs market data tonight, questions abound on the prior month's puzzling larger-than forecast NFP increase which was outweighed by lower-than-forecast increase in average hourly earnings and unexpected uptick in the unemployment rate. The other point of concern is the ongoing trade tensions with China.

#### MGS/GII

- Trading momentum in Govvies eased as volume fell to RM3.9b with interest seen across the curve. Nevertheless overall benchmark MGS/ GII yields were 1-7bps lower from prior day's save for the 20Y GII which rallied 21bps. The benchmarks 7Y MGS 3/25 edged 1bps lower at 3.94% whilst the 10Y MGS 6/28 rallied a further 3bps at 4.02% levels. GII bond trades eased to constitute 48% of total trades; up from 27% prior day with both foreign and local institutions seen active in the morning session. Meanwhile the government plans to auction RM2.5b of 20Y GII 8/37 next Monday which may be deemed to be attractive at current valuations. Up next is the release of June Trade data expected out today.

#### Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk continued to reflect strong appetite on volume of RM611m yesterday with focus mainly on GG, followed by AAA and AA-part of the curve; involving 27 different bonds compared to 33 the previous day. DANA and PRASA bonds dominated the GG-space on various tranches with the DANA 11/25 and 10/28 ending 6-8bps lower at 4.27% and 4.42% respectively compared to previous-done levels whilst PRASA 9/29 and 3/30 saw RM110m in nominal amounts traded between 4.49-54% levels. AAA-rated PLUS 23, 27 and 32 moved 2-6bps lower at 4.43%, 4.66% and 4.85% respectively. Meanwhile the AA-rated space saw KESTURI 12/23 rise 7bps to 4.68% whilst SEB 22 rallied 5bps at 4.49%. In the banking space AA1-rated Hong Leong Bank 39nc19 edged 1bps lower at 4.64% levels whereas Krung Thai 25nc20 closed unchanged at 4.82% on substantial volume. Expect market activity to taper off ahead of the weekend.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.253	83	3.262	01/08/2018	-1
MGS 03/19	3.342	304	3.342	01/08/2018	0
MGS 07/19	3.391	5	3.440	01/08/2018	-5
MGS 10/19	3.450	103	3.485	01/08/2018	-3
MGS 11/19	3.447	42	3.463	01/08/2018	-2
MGS 03/20	3.459	3	3.484	01/08/2018	-2
MGS 10/20	3.490	43	3.481	01/08/2018	1
MGS 02/21	3.562	10	3.565	31/07/2018	0
MGS 11/21	3.522	40	3.539	01/08/2018	-2
MGS 03/22	3.675	19	3.657	01/08/2018	2
MGS 04/23	3.756	111	3.751	01/08/2018	0
MGS 07/24	3.933	8	3.952	01/08/2018	-2
MGS 03/25	3.942	240	3.951	01/08/2018	-1
MGS 09/25	4.036	101	4.044	01/08/2018	-1
MGS 11/26	4.158	20	4.150	01/08/2018	1
MGS 11/27	4.109	23	4.147	01/08/2018	-4
MGS 06/28	4.024	127	4.049	01/08/2018	-3
MGS 06/31	4.505	25	4.570	01/08/2018	-7
MGS 04/33	4.490	254	4.550	01/08/2018	-6
MGS 11/33	4.485	190	4.500	01/08/2018	-1
MGS 05/35	4.694	61	4.682	01/08/2018	1
MGS 06/38	4.682	5	4.721	01/08/2018	-4
MGS 03/46	4.868	50	4.919	01/08/2018	-5
MGS 07/48	4.886	182	4.895	01/08/2018	-1
GII 04/19	3.400	50	3.405	25/07/2018	0
GII 08/19	3.507	54	3.490	01/08/2018	2
GII 04/20	3.550	7	3.560	01/08/2018	-1
GII 05/20	3.632	10	3.643	22/06/2018	-1
GII 04/21	3.685	5	3.694	27/07/2018	-1
GII 04/22	3.751	100	3.780	01/08/2018	-3
GII 07/23	3.889	190	3.891	01/08/2018	0
GII 11/23	3.854	11	3.863	01/08/2018	-1
GII 05/24	4.004	30	4.025	25/07/2018	-2
GII 08/25	4.013	160	4.039	01/08/2018	-3
GII 07/27	4.177	80	4.177	01/08/2018	0
GII 10/28	4.128	831	4.171	01/08/2018	-4
GII 06/33	4.523	140	4.565	01/08/2018	-4
GII 08/33	4.591	120	4.616	01/08/2018	-2
GII 08/37	4.787	60	5.000	22/06/2018	-21
		<u>3898</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*	
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.210	30	4.238	20/07/2018	-3	33
Danainfra Nasional Berhad	11/25	GG	4.271	10	4.411	09/02/2018	-14	33
Jambatan Kedua Sdn Berhad	07/26	GG	4.342	65	4.388	24/07/2018	-5	31
Danainfra Nasional Berhad	10/28	GG	4.421	60	4.481	18/07/2018	-6	39
Prasarana Malaysia Berhad	11/28	GG	4.431	10	4.435	01/08/2018	0	40
Prasarana Malaysia Berhad	09/29	GG	4.494	80	4.659	27/03/2018	-17	46
Prasarana Malaysia Berhad	03/30	GG	4.535	30	4.729	10/08/2017	-19	50
Danainfra Nasional Berhad	05/32	GG	4.729	10	4.749	01/08/2018	-2	24
Prasarana Malaysia Berhad	03/38	GG	4.930	20	5.069	13/03/2018	-14	22
Danainfra Nasional Berhad	05/41	GG	5.010	20	5.020	31/07/2018	-1	30
Aman Sukuk Berhad	10/18	AAA	3.924	5	4.048	25/04/2017	-12	53
Cagamas Berhad	12/18	AAA	3.722	50	4.100	02/05/2018	-38	33
Projek Lebuhraya Usahasama Berhad	01/23	AAA	4.429	5	4.489	19/06/2018	-6	75
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.659	10	4.681	05/07/2018	-2	63
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.849	20	4.879	26/07/2018	-3	36
Sarawak Energy Berhad	01/22	AA1	4.487	10	4.533	17/07/2018	-5	95
Malayan Banking Berhad	12/23	AA1	4.012	15	4.154	31/07/2018	-14	25
Krung Thai Bank Public Company Limited	07/25	AA2	4.821	70	4.819	27/07/2018	0	88
Hong Leong Bank Berhad	09/39	AA2	4.642	20	4.651	18/07/2018	-1	-7
Malaysia Airport Holdings Berhad	12/14	AA2	4.900	10	4.947	18/07/2018	-5	19
Fortune Premiere Sdn Berhad	03/23	AA	4.796	20	4.916	19/06/2018	-12	104
Bumitama Agri Ltd	03/19	AA3	4.448	10	4.481	06/07/2018	-3	106
CIMB Group Holdings Berhad	04/60	AA3	4.749	0	4.814	31/07/2018	-7	4
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/23	AA-	4.680	10	4.614	05/04/2018	7	92
Southern Power Generation Sdn Berhad	04/24	AA-	4.648	10	4.757	26/06/2018	-11	77
Bank Islam Malaysia Berhad	11/27	A1	4.853	10	4.869	30/07/2018	-2	79
Bank Muamalat Malaysia Berhad	11/21	A	4.769	1	4.771	01/08/2018	0	123
			<u>611</u>					

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

### Market/Corporate News: What's Brewing

Telecommunication players will have little excuse not to provide broadband access via fibre to users across the nation, as Telekom Malaysia Bhd 's (TM) ducts (carriageway) will soon be open to them. Communications and Multimedia Minister Gobind Singh Deo has even asked Tenaga Nasional Bhd (TNB) to open its fibre optic network, and potentially ducts and poles to telecoms players. If the latter agrees, then it could signal the end of TM's monopoly in the fibre space. "Our position would be that now other telcos have a right to use those ducts, subject to payment to TM for the right of way, of course with a reasonable payment, and they can use those ducts (pipes) to lay fibre and extent their network," Gobind said in an interview. The move is intended to create the much-needed competition in the fixed broadband space by having more players slugging it out. Hopefully, such a move will see a drop in the pricing of broadband packages, the quality of services including the speed improved, and more people potentially having access to fixed broadband services. There are over 2.5 million fixed broadband users in the country in a market where there are 6.5 million households, leaving much room for growth in this space. "The process of opening the ducts to all eliminates the need for players to dig the ground to lay fibre, which is a costly process, or to deal with state agencies/local councils. Instead, they just need to run fibre alongside TM's in its existing carriageway. "These options are significant for players to allow for access and extension of their networks without having to dig the ground and face challenges.... we can (then) move faster, reduce cost significantly and I am hoping to achieve this in the first three months in office," Gobind said. For the longest time, TM's ducts were solely meant for its own use although the access to high-speed broadband (HSBB) was open to all players. With the new mandatory standard access pricing coming into force, any player can use TM's ducts to lay fibre to reach out to existing and new areas. The wholesale pricing for HSBB usage has also been lowered. As for TNB, it has to decide whether to lease out its fibre, poles and ducts to players. If it does, it will change the demographics of access in the country. Companies wanting to ride on TNB or even TM's ducts will also have to invest to pull fibre optic cables to places where they want to offer connectivity. While TNB's poles may be available, TM's poles are not regulated and players will have to hammer out commercial agreements for that. TNB was supposed to discuss the matter in its board meeting this week, but queries to it went unanswered. "The other option is to use TNB's fibre infrastructure, which spans 12,600km across the nation including Sabah and Sarawak," said Gobind. TNB has over 12,000km of fibre across the country with 9.2 million customers, while TM has over 54,000km of fibre deployed globally and over two million broadband customers. Combined with Time dotCom and Maxis Bhd's fibre network, the nation has a lot of fibre, but most of it is in the major cities and towns..

*(Source: The Star)*

Economic Affairs Minister Datuk Seri Mohamed Azmin Ali has refuted claims by former Prime Minister Datuk Seri Najib Tun Razak that RM2.7 billion will have to be paid to take over Syarikat Pengeluar Air Selangor Holdings (Splash). The former Selangor Menteri Besar noted that negotiations on the acquisitions and restructuring of the water industry in Selangor were still ongoing between the State government and the company. "When I left the State after the election, the negotiation process was extended until July 4. It was mutually agreed by the Federal and State governments. "I was told that with the Cabinet's approval it was extended for another month since then," he told reporters at the Parliament lobby in commenting on Najib's claims that the Selangor government would purchase Splash for RM2.7 billion. According to him the negotiation process between the parties involved resumed under the new Menteri Besar. Mohamed Azmin added that the previous Federal government had engaged an independent valuer but "we do not know what was the value cited by the independent valuer". "However, by now I'm sure the

State will have access to all this information and they will have to sit down, discuss and decide on the actual value that needs to be paid to Splash. But I'm not part of the negotiation team," he said. At the same time he stressed that the interests of the people of Selangor should be protected and they must not be burdened with high tariff rates following the acquisition of Splash. Water, Land and Natural Resources Minister Dr A. Xavier Jayakumar, when asked to comment on the matter said, announcement on the latest development over the water restructuring issue would only be made after negotiations between the related parties were completed. "I still want to keep to the deadline of Aug 10 this year...I think we will make an announcement in a few days," he said. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
NUR Power Sdn Bhd	RM650 million Guaranteed Sukuk Mudharabah (2012/2027)	AAA(BG)/Stable and AAA(FG)/Stable	Reaffirmed

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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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