

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.53	-2
5-yr UST	2.72	-3
10-yr UST	2.83	-4
30-yr UST	2.96	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	-1	3.63	4
5-yr	3.85	0	4.01	-1
7-yr	4.07	1	4.17	-1
10-yr	4.19	-1	4.31	1
15-yr	4.63	0	4.74	-3
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	3.78	-1
5-yr	3.87	-1
7-yr	4.01	0
10-yr	4.17	1

Source : Bloomberg

Upcoming Government Bond Tender

RM2.0b 30Y MGS 7/48 on Thurs, 5th July

US Treasuries

- US Treasuries advanced with overall benchmark yields 2-4bps richer despite prior reports of surge in manufacturing activity in June coupled with improvement in construction spending. Both the 2Y and much-watched 10Y ended 2 and 3bps lower at 2.53% and 2.83% respectively with the 2s10s spread moving into fresh lows ~ under 30bps. UST's also gained support from the pull-back in equity futures as the energy sector dragged US stocks lower. Trade friction issues with Mexico, Canada, China and Europe remain a concern; weighing on businesses and may impact the general economic outlook.

MGS/GII

- Trading momentum in Govvies spiked with volume at RM4.43b; as interest continued to be ramped up mainly in off-the-run short-end 19'-20's, the 23's and also 3Y MGS 11/21. Overall benchmark yields generally ended within 1bps from previous close save for the 3Y and 15Y benchmark GII bonds on odd lot trades. Both the 7Y MGS 3/25 and 10Y MGS 6/28 moved 1bps apart in contrast; closing at 4.07% and 4.19% respectively. Meanwhile all eyes are expected to be on tomorrow's auction involving the new issuance of long-bond i.e. 30Y MGS 7/48.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk saw commendable volume at RM332m; involving 22 different bonds compared to 28 prior day. The bulk of the trades were focused on the GG-AAA part of the curve with some spill-over unto the AA-space. Govt-guaranteed PASB 2/23 and 6/25 rallied 2-9bps at 4.29% and 4.47% respectively compared to previous-done levels. Likewise long-end DANA 5/32 and 4/39 closed visibly stronger with yields at 4.83% and 5.10% respectively. A slew of CAGAMAS 20-23's saw levels close mixed on yields; ending between 4.17-4.42% area. AA-rated YTL Power 3/23 however rose 7bps at 4.67%

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.287	660	3.290	02/07/2018	0
MGS	03/19	3.429	145	3.401	02/07/2018	3
MGS	10/19	3.471	201	3.457	02/07/2018	1
MGS	11/19	3.466	568	3.439	02/07/2018	3
MGS	03/20	3.520	235	3.562	02/07/2018	-4
MGS	07/20	3.560	56	3.545	02/07/2018	2
MGS	10/20	3.570	11	3.556	02/07/2018	1
MGS	02/21	3.616	42	3.626	02/07/2018	-1
MGS	07/21	3.698	33	3.692	02/07/2018	1
MGS	09/21	3.716	29	3.719	29/06/2018	0
MGS	11/21	3.610	842	3.629	02/07/2018	-2
MGS	03/22	3.796	10	3.807	02/07/2018	-1
MGS	08/22	3.828	17	3.841	29/06/2018	-1
MGS	09/22	3.858	24	3.820	02/07/2018	4
MGS	03/23	3.959	266	3.973	02/07/2018	-1
MGS	08/23	3.978	7	3.984	02/07/2018	-1
MGS	07/24	4.124	101	4.105	02/07/2018	2
MGS	03/25	4.071	17	4.057	29/06/2018	1
MGS	09/25	4.255	119	4.247	02/07/2018	1
MGS	04/26	4.292	78	4.315	02/07/2018	-2
MGS	09/26	4.352	5	4.314	28/06/2018	4
MGS	11/26	4.300	134	4.329	02/07/2018	-3
MGS	03/27	4.380	2	4.393	26/06/2018	-1
MGS	11/27	4.287	64	4.278	02/07/2018	1
MGS	06/28	4.192	1	4.202	02/07/2018	-1
MGS	09/28	4.470	1	4.472	26/06/2018	0
MGS	04/30	4.614	2	4.647	02/07/2018	-3
MGS	06/31	4.678	16	4.688	29/06/2018	-1
MGS	04/32	4.725	1	4.754	29/06/2018	-3
MGS	04/33	4.695	18	4.720	02/07/2018	-2
MGS	11/33	4.634	2	4.632	29/06/2018	0
MGS	05/35	4.912	19	4.924	02/07/2018	-1
MGS	04/37	4.918	7	4.919	02/07/2018	0
MGS	09/43	4.947	1	4.943	29/06/2018	0
GII	08/18	3.283	170	3.260	28/06/2018	2
GII	04/19	3.479	100	3.479	02/07/2018	0
GII	09/19	3.617	2	3.556	18/06/2018	6
GII	04/20	3.635	1	3.599	29/06/2018	4
GII	06/20	3.697	60	3.699	29/06/2018	0
GII	08/20	3.724	14	3.680	29/06/2018	4
GII	08/21	3.837	2	3.827	02/07/2018	1
GII	04/22	3.863	1	3.886	02/07/2018	-2
GII	07/22	3.963	2	3.950	28/06/2018	1
GII	11/23	4.012	310	4.017	02/07/2018	-1
GII	08/25	4.167	10	4.173	02/07/2018	-1
GII	10/28	4.314	20	4.308	28/06/2018	1
GII	06/33	4.738	1	4.768	02/07/2018	-3
GII	10/35	4.994	1	4.976	28/06/2018	2
			4426			

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*
Pengurusan Air SPV Berhad	02/23	GG	4.291	35	4.315	25/06/2018	-2	45
Pengurusan Air SPV Berhad	06/25	GG	4.468	20	4.560	04/06/2018	-9	41
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	08/26	GG	4.481	10	4.491	28/06/2018	-1	36
Sarawak Hidro Sdn Berhad	10/28	GG	4.608	10	4.549	28/07/2017	6	41
DanaInfra Nasional Berhad	05/32	GG	4.828	40	4.929	22/06/2018	-10	19
DanaInfra Nasional Berhad	04/39	GG	5.100	80	5.128	04/06/2018	-3	22
Jambatan Kedua Sdn Berhad	07/41	GG	5.160	4	5.119	18/08/2017	4	28
Cagamas MBS Berhad	05/19	AAA	4.155	20	4.079	09/03/2018	8	75
GB Services Berhad	11/19	AAA	4.503	20	4.500	11/06/2018	0	109
Cagamas Berhad	03/20	AAA	4.171	5	4.213	26/06/2018	-4	62
Cagamas Berhad	11/20	AAA	4.199	10	4.174	20/03/2018	2	65
Cagamas Berhad	05/23	AAA	4.421	5	4.458	22/06/2018	-4	58
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.910	20	4.941	02/07/2018	-3	27
YTL Power International Berhad	03/23	AA1	4.670	25	4.604	10/04/2018	7	83
CIMB Bank Berhad	08/26	AA+	5.222	1	4.793	26/06/2018	43	110
Cahaya Mata Sarawak Berhad	05/22	AA3	4.767	10	4.728	03/05/2018	4	100
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.870	2	4.889	27/06/2018	-2	69
AMMB Holdings Berhad	03/27	A1	4.931	10	4.936	25/06/2018	0	75
CIMB Group Holdings Berhad	05/16	A1	5.150	1	4.989	02/07/2018	16	27
CIMB Group Holdings Berhad	05/16	A1	4.907	1	4.930	02/07/2018	-2	3
UMW Holdings Berhad	04/18	A1	6.006	2	6.001	29/06/2018	0	113
MAH SING 6.900% PERPETUAL SECURITIES	-	-	6.500	1	6.499	12/06/2018	0	#VALUE!
				<u>332</u>				

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

Market/Corporate News: What's Brewing

The Government will implement the East Coast Rail Link (ECRL) project only after a significant cost reduction is obtained. The Finance Ministry said on Tuesday the final cost of the ECRL project is RM81bil and it does not include operating costs. "Based on the above facts and figures, as well as the feasibility studies of the project, we expect that the ECRL project will only become financially and economically feasible if there is a drastic price reduction of the project by the CCCC. Discussions on cost will be held with the contracting parties and others involved in the project," Finance Minister Lim Guan Eng said in a statement. Also disclosed in the statement is that Selangor state government had strong objection towards the ECRL project, especially with respect to the rail link from Integrated Transport Terminal (ITT) Gombak to Port Klang. The Selangor state government's objection is principally based on Selangor's application to establish the 16km-long Klang Gates Quartz Ridge, which is the longest of its kind in the world, as a UNESCO World Heritage Site. Completing the Gombak-Port Klang link would guarantee the failure of Selangor's application. "Only after a significant price reduction on the ECRL is obtained, will the Federal Government enter into discussions with the Selangor state government on the merits of the ECRL project as compared to the possible UNESCO World Heritage Site listing," Lim said. To recap, the ECRL project was first approved by the Cabinet on Oct 21, 2016 while the Engineering, Procurement, Construction and Commissioning Agreement was signed with China Communication Construction Company (CCCC) on 1 November 2016. The original project scope was to build a rail line from the ITT Gombak in Selangor to Wakaf Bharu in Kelantan at a cost of RM46bil. On May 13, 2017, the previous administration signed an additional agreement with CCCC to carry out Phase 2 of the project, which was to extend the line from ITT Gombak to Port Klang for RM9bil. Earlier on May 3 May, 2017, the Cabinet approved the northern extension of the project from Wakaf Bharu to Pengkalan Kubor in Kelantan, for the value of RM1.28bil. Subsequently on Aug 23, 2017, the Cabinet further approved the upgrading of the ECRL to a double-tracking project which would cost an additional RM10.5bil. Based on these figures, the basic cost of construction of the 688.3km rail line amounts to RM66.78bil. However, the total cost of ECRL will be RM80.92bil after taking into account land acquisition, interest, fees and other operational costs. (Source: *The Star*)

There is no immediate liquidity concern arising from the delayed commissioning of solar energy firm Tadau Energy Sdn Bhd's 48MWac solar photovoltaic plant in Kudat, Sabah, known as Unit 2, RAM Rating Services Bhd said today. The rating agency said the delay has exceeded its assumption of three months, that is, plant commissioning on June 30. Originally slated to begin commercial operations on March 31 under its power purchase agreement (PPA), Tadau now expects the plant to start operations by end-July. Eighty percent of Tadau Energy shares are owned by Kagayaki Energy Sdn Bhd, while Edra Solar Sdn Bhd held the remaining 20% stake as at May 15, 2017. "Based on the latest construction progress report, Unit 2 is largely completed, with overall progress standing at 96% as of May 15. The company is now working closely with Sabah Electricity Sdn Bhd to complete the remaining testing and commissioning works, and has also written to the Energy Commission for an extension of time until July 31," said RAM in a statement today. RAM noted that despite the delay, Tadau's liquidity position remains intact. "The upcoming profit payment under the company's RM250 million SRI Sukuk (2017/2033) due on July 27 is pre-funded as part of the overall project cost. "We also draw comfort from the substantial RM29.9 million contingency sum or 12% of the construction cost of the entire plant, which can be utilised to meet any shortfall in financial obligations and the minimum required balance under the Finance Service Account," said RAM. RAM added that in the event that there is no significant progress in the remaining testing and commissioning works, the RM250 million sukuk's rating of AA3 with a stable outlook, may be subject to a downward revision. (Source: *The Edge/RAM*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
AFFIN Bank Berhad	Proposed RM3.0 billion AT1CS Programme	A3/Stable	Assigned
	Financial Institution Rating	AA3/Stable/P1	Reaffirmed
	Senior and subordinated notes under the Bank's RM6.0 billion MTN Programme	AA3 & AA1	Reaffirmed
Singapore	Sovereign Rating	AAA/Stable	Affirmed

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

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.