

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.53	0
5-yr UST	2.72	0
10-yr UST	2.83	0
30-yr UST	2.96	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.58	-3	3.61	-2
5-yr	3.81	-3	3.98	-3
7-yr	4.03	-4	4.14	-2
10-yr	4.16	-3	4.31	0
15-yr	4.62	-1	4.72	-2
20-yr	4.87	0	5.00	0
30-yr	4.92	-3	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	-1
3-yr	3.76	-2
5-yr	3.86	-1
7-yr	3.99	-2
10-yr	4.17	0

Source: Bloomberg

Upcoming Government Bond Tender

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

US Treasuries

- Financial markets in US were closed yesterday to celebrate Independence Day. Meanwhile investors continue to monitor and digest the looming trade tensions which are feared to result in major trade conflicts as deadlines (US-China) loom tomorrow. Primary thoughts on the aftermath is that China may invest less in UST's and capable of "weaponizing" their Treasury holdings. Hence whether these issues occur to the detriment of UST's yields; remain to be seen. Also Japan seems keen to acquire higher yields by possibly switching out from UST's into US stocks and corporate bonds due to the high costs to hedge the dollar's volatile movements.

MGS/GII

- Trading momentum in Govvies spiked yet again with total volume at a new 2018 high of RM6.26b; as interest continued pile mainly in off-the-run short-end MGS and GII 18's along with 19'-21's. Overall benchmarks rallied with yields generally ending 0-4bps lower from previous. The 7Y MGS 3/25 moved 4bps lower at 4.03% whilst the 10Y MGS 6/28 rallied 3bps lower on heavy volume of RM680m. Meanwhile attention is expected to be on today's auction involving the new issuance of long-bond i.e. 30Y MGS 7/48.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk also jumped to RM452m in line with govvies. Total interest spanned across 28 different bonds compared to 22 prior day. The bulk of the trades were focused on the GG and AA-part of the curve. Govt-guaranteed PTPTN 3/24 moved 3bps lower at 4.43% compared to previous-done levels whilst PASB 25-26's rallied 2-12bps; ending between 4.43-46% levels. In the AA-space; CELCOM saw a slew of 2021-2026 tranches traded 2-3bps lower; closing between 4.65-97% levels. Likewise several power-related AA-bonds eg BGSM 12/19, TBEI 9/31 and Southern Power 4/35 saw buying interest. JEP 6/23 however saw yields spike by 23bps at 4.79% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.305	311	3.287	03/07/2018	2
MGS	03/19	3.372	34	3.372	03/07/2018	0
MGS	07/19	3.401	48	3.367	02/07/2018	3
MGS	10/19	3.399	565	3.423	03/07/2018	-2
MGS	03/20	3.460	299	3.490	03/07/2018	-3
MGS	10/20	3.449	370	3.570	03/07/2018	-12
MGS	07/21	3.674	204	3.702	03/07/2018	-3
MGS	09/21	3.716	27	3.719	03/07/2018	0
MGS	11/21	3.581	338	3.610	03/07/2018	-3
MGS	03/22	3.810	2	3.807	03/07/2018	0
MGS	08/22	3.819	303	3.828	03/07/2018	-1
MGS	09/22	3.807	10	3.845	03/07/2018	-4
MGS	03/23	3.926	262	3.959	03/07/2018	-3
MGS	04/23	3.814	10	3.848	28/06/2018	-3
MGS	08/23	3.952	140	3.978	03/07/2018	-3
MGS	07/24	4.096	150	4.077	03/07/2018	2
MGS	09/24	4.122	1	4.141	02/07/2018	-2
MGS	03/25	4.027	10	4.071	03/07/2018	-4
MGS	09/25	4.182	100	4.239	03/07/2018	-6
MGS	04/26	4.262	20	4.284	03/07/2018	-2
MGS	09/26	4.292	60	4.352	03/07/2018	-6
MGS	11/26	4.264	70	4.293	03/07/2018	-3
MGS	11/27	4.265	1	4.280	03/07/2018	-2
MGS	06/28	4.164	680	4.192	03/07/2018	-3
MGS	04/30	4.558	80	4.614	03/07/2018	-6
MGS	04/33	4.685	20	4.722	03/07/2018	-4
MGS	11/33	4.622	1	4.634	03/07/2018	-1
MGS	05/35	4.903	1	4.898	03/07/2018	0
MGS	04/37	4.901	3	4.919	02/07/2018	-2
MGS	06/38	4.865	80	4.865	02/07/2018	0
GII	08/18	3.279	427	3.283	03/07/2018	0
GII	08/18	3.292	47	3.260	28/06/2018	3
GII	10/18	3.299	5	3.293	02/07/2018	1
GII	11/18	3.312	7	3.300	02/07/2018	1
GII	04/19	3.429	32	3.479	03/07/2018	-5
GII	04/20	3.611	35	3.635	03/07/2018	-2
GII	05/20	3.630	10	3.658	25/06/2018	-3
GII	08/20	3.641	110	3.690	03/07/2018	-5
GII	04/22	3.846	40	3.863	03/07/2018	-2
GII	11/22	3.950	20	4.429	18/11/2016	-48
GII	11/23	3.979	150	4.014	03/07/2018	-4
GII	08/25	4.144	100	4.167	03/07/2018	-2
GII	10/25	4.247	20	4.297	06/06/2018	-5
GII	10/28	4.309	960	4.314	03/07/2018	0
GII	06/33	4.723	100	4.738	03/07/2018	-2
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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*
Malaysia Debt Ventures Berhad	09/18	GG	3.654	20	3.630	28/06/2018	2	26
GovCo Holdings Berhad	06/23	GG	4.267	20	4.281	27/06/2018	-1	43
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.427	70	4.458	06/06/2018	-3	45
Pengurusan Air SPV Berhad	09/25	GG	4.461	40	4.580	12/06/2018	-12	42
Pengurusan Air SPV Berhad	02/26	GG	4.477	30	4.498	03/05/2018	-2	37
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	5.189	10	5.254	22/06/2018	-6	32
Cagamas Berhad	12/22	AAA	4.371	5	4.448	08/06/2018	-8	60
Putrajaya Bina Sdn Berhad	03/25	AAA	4.652	5	4.646	18/06/2018	1	61
Tenaga Nasional Berhad	08/37	AAA	5.100	20	5.168	05/06/2018	-7	23
Hong Leong Bank Berhad	06/24	AA1	4.386	20	4.407	05/06/2018	-2	41
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.825	5	4.839	26/06/2018	-1	78
CIMB Bank Berhad	08/26	AA+	5.222	1	5.222	03/07/2018	0	111
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/21	AA+	4.654	15	4.671	27/06/2018	-2	104
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/22	AA+	4.709	15	4.735	27/06/2018	-3	94
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/26	AA+	4.969	15	5.002	02/07/2018	-3	86
UMW Holdings Berhad	10/26	AA2	4.838	10	4.899	25/05/2018	-6	73
TF Varlik Kiralama A. S	06/19	AA3	5.847	10	5.732	28/08/2017	12	245
BGSM Management Sdn Berhad	12/19	AA3	4.399	30	4.396	02/07/2018	0	100
Cahaya Mata Sarawak Berhad	05/22	AA3	4.766	10	4.767	03/07/2018	0	99
Tanjung Bin Energy Issuer Berhad	09/31	AA3	5.118	10	5.161	25/06/2018	-4	48
Jimah East Power Sdn Berhad	06/23	AA-	4.785	15	4.558	21/12/2017	23	95
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/24	AA-	4.998	10	5.028	08/06/2018	-3	102
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.912	40	4.917	29/06/2018	0	108
Southern Power Generation Sdn Berhad	04/35	AA-	5.363	10	5.394	21/06/2018	-3	73
CIMB Group Holdings Berhad	05/16	A1	5.351	0	5.150	03/07/2018	20	48
Hong Leong Financial Group Berhad	11/17	A1	5.026	1	5.229	27/06/2018	-20	15
UMW Holdings Berhad	04/18	A1	5.992	5	6.007	03/07/2018	-1	112
Bank Muamalat Malaysia Berhad	06/26	A3	5.653	10	5.606	05/06/2018	5	154
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

IJM Land Bhd has unsold properties totalling about RM1bil throughout the country, but this figure includes bumiputra units which can only be released in the open market after getting government approval. Managing director Edward Chong said up to 95% of these unsold properties are landed and high-rise residential units, while the rest are commercial properties. He was speaking to the media at a Hari Raya lunch yesterday. IJM has projects in Penang, the Klang Valley, Johor, Seremban, Sabah and Sarawak. Explaining the RM22.26bil worth of overhang residential units totalling 34,532 units in the country as at the end of March 31, highlighted by the National Property Information Centre (Naptic) at the end of June, Chong said the term "overhang" must be viewed objectively. He said the company's unsold stock includes bumiputra units. In some projects, developers have to put aside up to 40% of total units built for this purpose. Although these units are not sold, they need not necessarily fall into the "overhang" category. There is a difference between overhang and unsold units. Naptic defines overhang as completed units which have been certified fit for occupation but remain unsold despite having been put on the market for at least nine months. "I am not saying there is no overhang in the country, but this figure (of RM22.2bil: 33,532 units) may be inflated," he said. Chong said it is hard to say how much of it comprises bumiputra units because each state has a different release mechanism as to when the units can be released for sale in the open market. Chong said the slower pace in which developers' units are sold, coupled with more units being launched, may also inflate the figure. So, there is an increase in the overhang figure simply because sales are not moving as quickly as before, he said. Chong said the company has RM1.5bil worth of new projects, 85% of them residential units, to be launched until March 2019 in the country. The company's financial year is from April to March. "We are mainly involved in township development which involves all segments of residential units. So, we have the flexibility of not going ahead with launching high-rise apartments. We find that landed units up to RM1mil have strong demand while for high-rise units, those priced up to RM800,000,"

he said. Chong said for units priced at about RM500,000, the company is mindful of the per sq ft (psf) price. There may be demand for a RM500,000 unit if it has a built-up area of 1,000 sq ft, but not for a built-up of 500 sq ft. On his hope for the property sector under the new government, Chong said the Real Estate and Housing Developers' Association has expressed to the new government the need for a single agency to collate and mine data submitted by developers. "Timely and transparent information will give us a level playing field," he said. Chong said developers would like to encourage the government to gazette the structure plan in the respective states. This gives transparency as to what can be built at a particular location, what is the plot ratio and other information that would help a developer size up a site. "Under the previous government, I may have the know-how but am given a lower plot ratio, while another who does not have the know-how but has the know-who is given a high plot ratio," said Chong. Separately, the Selangor state executive council (exco) on housing and urban living said it is aware of the unsold residential units in the state. Chairman for the state committee on housing and urban living Haniza Mohamed Talha said this situation is the result of "excessive" pricing, making these unsold units beyond the reach of many. "Many are not eligible nor financially qualified to purchase the units," she said in a statement. Haniza said the department's data revealed that there are 44,454 eligible applicants out of 156,138 applications for the Rumah Selangorku affordable housing scheme. "Under (this scheme), an applicant is successful if the applicant does not possess other property and the income does not exceed certain parameters. We interpret this data to mean that the demand for residential units, especially affordable ones are high," she said. "However, regarding the unsold completed residential units in question, we believe that the price of such units is prohibitive to would-be applicants," she said. Haniza said the state exco will engage with developers, associations of buyers, financial institutions, suppliers, contractors and other bodies as part of a series of proactive steps to address the issue of unsold residential units. (Source: *The Star*)

A \$33 billion selloff in Malaysian stocks since Mahathir Mohamad's election has got Nikko Asset Management on the hunt for bargains. Some of the nation's banks, consumer and healthcare stocks have now fallen to attractive levels, according to Kenneth Tang, a fund manager at the \$220 billion Japanese investor. "Companies that we have always wanted to own and felt that valuations were the only issue are now coming back in our favor," Tang said in a recent telephone interview. "This is a good opportunity to get back into some of these growth proxies." In a one-two punch for Malaysian investors, Mahathir's surprise election ignited concern about the country's fiscal policies just as a resurgent dollar and higher U.S. yields sparked a slump in global emerging markets. The benchmark FTSE Bursa Malaysia KLCI Index has fallen about 9 percent since he was sworn in as prime minister on May 10, and foreign investors have withdrawn \$1.8 billion from the market so far this year. Construction stocks have plunged 27 percent since the election as the government reviews its infrastructure spending. State-linked phone carrier Telekom Malaysia Bhd. has tumbled 44 percent. However, like Nikko, others now believe the declines have gone too far. Jalil Rasheed, a managing director at Invesco Asset Management, says now is a good time for investors to look at domestic-demand plays. "We are buyers of Malaysia currently as there are pockets of good quality companies trading at attractive valuations," said Rasheed. "These are companies that are not government linked rather they are mass market consumer companies." Consumer firms were among the biggest winners following the new government's removal of the goods and services tax on June 1, to be replaced with a new sales tax planned for September, according to Mahathir. Nestle Malaysia Bhd. is the top performer in the benchmark since the election with a 43 percent rise and the Bursa Malaysia Consumer Product Index is heading for its best year since 2010. And for Tushar Mohata, the head of Malaysia research at Nomura Holdings Inc., the country's banks,

which account for 34 percent of the benchmark index, are other obvious beneficiaries of the new government. Public Bank Bhd. and Hong Leong Bank Bhd. are among consumer-focused firms that will benefit from the uptick in consumption, he said. Still, as the new administration sets its course for reducing government debt and stemming corruption, the uncertainty of whether it will be able to institute reform while meeting fiscal targets is keeping some foreign investors away. "I don't know whether they're ready to give the new administration the benefit of the doubt yet," said Gerald Ambrose, Chief Executive Officer of Aberdeen Standard Investments Malaysia who helps manage about \$3 billion in the country's equities. "There are so many unanswered questions." Toward the end of last month, the cost of insuring Malaysian bonds against default soared past that for India and the Philippines, ranked two levels lower by Moody's Investors Service. On top of the scrapped goods and services tax, the new government has reinstated fuel subsidies, while Maybank Kim Eng Securities has estimated it may cost as much as \$8.6 billion to service state fund 1MDB's debt from 2019 to 2023. Nevertheless, there's also a risk to investors from avoiding the stock market, according to Arthur Kwong, head of Asia Pacific equities at BNP Paribas Asset Management. "Of course you want more details, you want more clarity, more action," said Kwong. "The more you see, the more you will be convinced, but the more you see, the more the market has already moved up." (Source: *The Edge/Bloomberg*)

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

Source: RAM Ratings; MARC

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