

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.55	3
5-yr UST	2.73	1
10-yr UST	2.83	0
30-yr UST	2.95	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.25	-33	3.61	0
5-yr	3.81	0	3.95	-3
7-yr	4.03	0	4.13	-2
10-yr	4.16	-1	4.28	-3
15-yr	4.62	0	4.71	-1
20-yr	4.84	-3	5.00	0
30-yr	4.94	0	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.76	0
5-yr	3.86	0
7-yr	3.98	0
10-yr	4.17	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries were pressured on the front-end yesterday following the release of the FOMC minutes which affirmed a gradual rate path for the Fed even as trade risks loom. Benchmark yields were generally mixed between -1 to +3 bps as the 2Y spiked by 3bps at 2.55% whilst the much-watched 10Y ended within 1bps at 2.83% levels. Meanwhile investors continue to monitor and digest the looming trade tensions with the official commencement of US tariffs on \$34b worth of Chinese goods. Primary thoughts on the aftermath is that China may invest less in UST's and capable of massive movements in their Treasury holdings. To sum it up we also have the important NFP data out tonight which will determine whether June payrolls can outrun the current Trade War turmoil.

MGS/GII

- Trading momentum in Govvies pulled back with total volume at RM4.63b; as interest continued to be seen mainly in off-the-run short-end GII 18's, MGS 21'-23's and both the 10Y benchmark bonds. Overall benchmarks yields generally between 0-3 bps lower save for the 3Y which may have ended an data error. The 10Y GII 10/28 ended 3bps lower at 4.28% whilst the 10Y MGS 6/28 edged 1bps lower at 4.16%; both on strong volume of RM750m. Meanwhile yesterday's auction of the new 30Y MGS 7/48 notched a decent BTC ratio of 1.87x; averaging 4.921%.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk eased slightly to RM350m with interest spanning across 31 different bonds compared to 28 prior day. The bulk of the trades were focused on the GG and AA-part of the curve. A slew of Govt-guaranteed DANAINFRA bonds hogged the limelight with the long 39-42's rallying between 0-16bps at 5.09-5.12% compared to previous-done levels whilst the 7/24 closed a whopping 16bps lower at 4.36%. Aquasar 7/23, TNB Western 1/25 and PLUS 27 were among several AAA-rated bonds that closed 5bps lower. In the AA-rated space SPR Energy closed mixed on yields with the 7/21 and 7/24 closing higher at 4.75% and 4.97% respectively whilst the 7/35 moved 3 bps lower at 5.69%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/19	3.411	15	3.401	04/07/2018	1
MGS	10/19	3.415	0	3.417	04/07/2018	0
MGS	10/20	3.472	360	3.482	04/07/2018	-1
MGS	07/21	3.674	3	3.674	04/07/2018	0
MGS	09/21	3.658	20	3.716	03/07/2018	-6
MGS	11/21	3.249	236	4.755	04/07/2018	-151
MGS	08/22	3.802	180	3.802	04/07/2018	0
MGS	09/22	3.794	36	3.807	04/07/2018	-1
MGS	03/23	3.856	124	3.903	04/07/2018	-5
MGS	08/23	3.821	509	3.919	04/07/2018	-10
MGS	07/24	4.030	60	4.448	04/07/2018	-42
MGS	09/24	4.058	40	4.122	04/07/2018	-6
MGS	09/25	4.174	92	4.182	04/07/2018	-1
MGS	04/26	4.261	37	4.262	04/07/2018	0
MGS	09/26	4.299	7	4.331	04/07/2018	-3
MGS	11/26	4.253	37	4.264	04/07/2018	-1
MGS	11/27	4.198	370	4.258	04/07/2018	-6
MGS	06/28	4.158	267	3.791	04/07/2018	37
MGS	06/31	4.646	12	4.678	03/07/2018	-3
MGS	04/33	4.695	41	4.685	04/07/2018	1
MGS	05/35	4.866	14	4.880	04/07/2018	-1
MGS	04/37	4.893	1	4.901	04/07/2018	-1
MGS	06/38	4.838	187	4.865	04/07/2018	-3
MGS	06/48	4.940	240	-	-	-
GII	08/18	3.275	200	3.279	04/07/2018	0
GII	11/18	3.299	20	3.312	04/07/2018	-1
GII	05/20	3.597	20	3.630	04/07/2018	-3
GII	08/20	3.601	10	3.641	04/07/2018	-4
GII	08/21	3.810	1	3.837	03/07/2018	-3
GII	04/22	3.860	30	3.846	04/07/2018	1
GII	07/22	3.952	20	3.948	09/04/2018	0
GII	07/23	3.978	51	4.052	02/07/2018	-7
GII	11/23	3.948	260	3.979	04/07/2018	-3
GII	08/25	4.127	230	4.144	04/07/2018	-2
GII	10/25	4.231	80	4.247	04/07/2018	-2
GII	09/26	4.269	40	4.361	29/06/2018	-9
GII	07/27	4.312	120	4.416	27/06/2018	-10
GII	10/28	4.275	550	4.309	04/07/2018	-3
GII	06/33	4.710	110	4.723	04/07/2018	-1
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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*	
DanaInfra Nasional Berhad	07/24	GG	4.360	20	4.520	15/05/2018	-16	40
Pengurusan Air SPV Berhad	02/26	GG	4.471	15	4.477	04/07/2018	-1	37
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.501	15	4.539	27/06/2018	-4	36
DanaInfra Nasional Berhad	05/31	GG	4.769	15	4.770	14/03/2018	0	14
DanaInfra Nasional Berhad	04/39	GG	5.090	15	5.100	03/07/2018	-1	26
DanaInfra Nasional Berhad	03/42	GG	5.119	10	5.218	31/05/2018	-10	29
DanaInfra Nasional Berhad	05/42	GG	5.119	5	5.159	28/03/2018	-4	29
DanaInfra Nasional Berhad	11/42	GG	5.119	5	5.222	16/11/2017	-10	29
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/47	GG	5.160	30	5.189	28/06/2018	-3	33
GENM Capital Berhad	03/22	AAA	4.895	10	4.805	14/05/2018	9	114
Aquasar Capital Sdn Berhad	07/23	AAA	4.518	10	4.571	05/06/2018	-5	71
Aman Sukuk Berhad	05/24	AAA	4.650	10	4.606	07/06/2018	4	69
TNB Western Energy Berhad	01/25	AAA	4.644	2	4.698	28/05/2018	-5	61
Projek Lebuh raya Usahasama Berhad	01/27	AAA	4.681	10	4.728	07/06/2018	-5	54
Tenaga Nasional Berhad	08/37	AAA	5.089	10	5.100	04/07/2018	-1	26
Hong Leong Financial Group Berhad	11/18	AA1	4.151	10	4.246	13/04/2018	-10	76
Sarawak Energy Berhad	01/27	AA1	4.864	10	4.769	26/12/2017	9	72
Sarawak Energy Berhad	12/32	AA1	5.249	20	5.319	25/06/2018	-7	62
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/26	AA+	4.960	5	4.969	04/07/2018	-1	86
Hong Leong Bank Berhad	09/39	AA2	4.643	20	4.717	02/05/2018	-7	-19
Sime Darby Plantation Sdn Bhd	03/16	AA	5.258	10	5.298	28/06/2018	-4	43
Perbadanan Kemajuan Negeri Selangor	08/18	AA	4.180	20	4.232	20/06/2018	-5	79
SPR Energy (M) Sdn Berhad	07/21	AA3	4.745	10	4.704	14/07/2017	4	117
SPR Energy (M) Sdn Berhad	07/24	AA3	4.968	10	4.910	30/11/2017	6	101
Tanjung Bin Energy Issuer Berhad	03/25	AA3	4.800	4	4.708	08/12/2017	9	77
Edra Energy Sdn Berhad	07/26	AA3	5.457	10	5.490	27/06/2018	-3	136
Edra Energy Sdn Berhad	07/34	AA3	6.044	5	6.030	05/01/2018	1	142
SPR Energy (M) Sdn Berhad	07/35	AA3	5.685	20	5.711	18/12/2017	-3	106
Hong Leong Financial Group Berhad	11/17	A1	5.026	1	5.026	04/07/2018	0	19
UMW Holdings Berhad	04/18	A1	5.969	10	6.006	03/07/2018	-4	114
Alliance Bank Malaysia Berhad	10/25	A2	4.598	3	4.829	02/07/2018	-23	57
			<u>350</u>					

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

Market/Corporate News: What's Brewing

Global passenger traffic results for May 2018 showing that demand (measured in revenue passenger kilometers, or RPKs) rose 6.1% year-on-year (y-o-y), according to the International Air Transport Association (IATA). In a statement yesterday, IATA said this was a slight pickup from 6.0% y-o-y growth for April 2018. It said capacity climbed 5.9% and load factor rose 0.1 percentage point to 80.1%. IATA's director general and CEO Alexandre de Juniac said May was another solid month in terms of demand growth. "As had been expected, we saw some moderation, as rising airline costs are reducing the stimulus from lower airfares. "In particular, jet fuel prices are expected to be up nearly 26% this year compared to 2017. "Nevertheless, the record load factor for the month signifies that demand for air connectivity is strong," he said. (Source: *The Star*)

China's second-quarter economic growth is expected to have slowed slightly from the previous quarter, a Reuters poll showed, as the government's efforts to tackle debt risks crimp activity and a looming US trade war threatens exports. The economy has already felt the pinch from a multi-year crackdown on riskier lending that has driven up corporate borrowing costs, promoting the central bank to pump out more cash by cutting reserve requirements for lenders. Recent data have started to show signs of fatigue as credit expansion slowed and domestic demand ranging from government-funded infrastructure investment to consumer spending looked to be softening. This comes as a deepening trade war with the United States looks set to hit China's export machine. A poll of 55 economists showed growth in gross domestic product likely eased marginally to 6.7% in the second quarter from a year earlier, compared with the 6.8% clip in the previous three quarters. Forecasts in the poll ranged from 6.5% to 6.9%. "The synchronised slowdown in domestic and external demand is likely to put pressure on economic growth in the second half," said Lian Ping, chief economist at Bank of Communications. Lian said he expected GDP growth to slow to 6.6% in the third quarter and stay steady in the fourth quarter, bringing full-year growth to 6.7% — above the government's target of around 6.5%. China's Commerce Ministry on Thursday warned the proposed US tariffs would hit international supply chains, including foreign companies in the world's second-largest economy. Faced with a slowdown in domestic demand and the potential fallout from the trade war, Chinese policymakers are likely to step up policy support for the economy and soften their stance on deleveraging. The People's Bank of China, which has cut banks' reserve requirements three times this year, has recently replaced its use of the term "deleveraging" with "structural deleveraging", a change that suggests less harsh curbs on debt. The central bank also said it will keep liquidity "reasonably ample", a shift from the previous wording of "reasonably stable". Chinese currency and equity markets have been volatile ahead of July 6, when US tariffs on US\$34 billion worth of Chinese goods are set to kick in, with the yuan losing about 3.3% in June against the dollar — its worst month on record. Beijing has said it would retaliate with tariffs on US products. "On monetary policy, we expect the PBoC to ease policy further in the quarters ahead in a more proactive and forward-looking manner," economists at Nomura said in a note. The Nomura economists said they expected the PBoC to deliver at least one more RRR cut before year-end, likely by 100 basis points and increase direct funding to the real economy via other liquidity injection tools, such as the supplementary lending facility. Despite the economic uncertainty, China is comfortable with a weakening yuan, policy insiders told Reuters, and will intervene only to prevent any rapid and destabilising declines or to restore market confidence, as the economy loses momentum and faces further trade risks. China releases second quarter GDP on July 16, along with June industrial output, retail sales, property sales and investment, and fixed asset investment data. (Source: *The Edge/Reuters*)

Rating Actions							
Issuer	PDS Description			Rating/Outlook		Action	
Sepangar Bay Power Corporation Sdn Bhd	RM575 million	Nominal	Value	Sukuk	AA1/Stable	Reaffirmed	

Source: RAM Ratings; MARC

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