

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.64	-2
5-yr UST	2.81	-4
10-yr UST	2.95	-4
30-yr UST	3.09	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	5	3.59	4
5-yr	3.76	0	3.86	1
7-yr	3.96	2	4.01	0
10-yr	4.03	1	4.15	2
15-yr	4.49	0	4.52	0
20-yr	4.69	1	4.79	0
30-yr	4.90	1	4.91	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.74	-1
5-yr	3.84	0
7-yr	3.96	0
10-yr	4.13	0

Source: Bloomberg

#### Upcoming Government Bond Tender

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

#### US Treasuries

- US Treasuries extended gains as overall benchmark yields ended 2-4bps lower following Trump's economic advisor Kudlow's comments on US uniting with EU in the event China undermines US trade tariffs. Both the 2Y and much-watched 10Y closed 2bps lower at 2.66% and 4bps lower at 2.95% respectively with the curve shifting lower. UST's were little affected by last Friday's jobs reports as a slightly smaller than estimated NFP headline reading was offset by upward revision for June, whilst hourly earnings and unemployment rate were in line with consensus. Elsewhere Eskom Holdings which generates, transmits and distributes electricity issues \$1.0b and \$500m of 10Y guaranteed and non-guaranteed at 336bps and 546bps over UST's.

#### MGS/GII

- Trading momentum in Govvies continued to ease for the 2<sup>nd</sup> straight day as volume fell to RM2.01b with interest seen mainly in the short-off-the-run 18-20's and also on the benchmark 10Y GII bonds. Slight weakness was seen as overall benchmark MGS/ GII yields were 0-2bps higher from prior day's save for both 3Y bonds with yields reflecting odd-lot trades. The benchmark 7Y MGS 3/25 rose 2bps at 3.96% whilst the 10Y MGS 6/28 edged 1bps higher at 4.03% levels. Meanwhile attention is expected to be focused on today's RM2.5b auction of 20Y GII 8/37. Up next is the release of Foreign Reserves for period ending 31<sup>st</sup> July scheduled for tomorrow.

#### Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk continued to reflect strong appetite on volume of RM735m yesterday with focus mainly on GG, followed by the AA-part of the curve; involving 45 different bonds compared to 27 the previous day. DANA and PRASA bonds dominated the GG-space on various tranches. PRASA 19-28's rallied 2-6bps save for the longer-tenured 3/30 which ended 20bps lower compared to previous-done levels at 4.53%. Both DANA 3/24 and 2/25 similarly ended 4bps lower at 4.17% and 4.23% respectively. Meanwhile the AA-rated space saw highway-operator, KESTURI 23-31 generally close lower on yields (save for the 12/23) between 4.69-82% levels on nominal amounts of RM110m. Meanwhile GAMUDA 3/19, 11/22 and 3/23 were equally active, closing at 4.26%, 4.65% and 4.72% respectively.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.247	107	3.280	02/08/2018	-3
MGS	03/19	3.326	150	3.336	02/08/2018	-1
MGS	07/19	3.396	11	3.391	02/08/2018	0
MGS	10/19	3.454	30	3.450	02/08/2018	0
MGS	11/19	3.453	24	3.447	02/08/2018	1
MGS	03/20	3.408	226	3.459	02/08/2018	-5
MGS	10/20	3.504	22	3.490	02/08/2018	1
MGS	02/21	3.579	10	3.562	02/08/2018	2
MGS	07/21	3.591	168	3.588	02/08/2018	0
MGS	11/21	3.571	2	3.522	02/08/2018	5
MGS	03/22	3.647	95	3.674	02/08/2018	-3
MGS	08/22	3.749	5	3.722	01/08/2018	3
MGS	09/22	3.747	1	3.755	02/08/2018	-1
MGS	04/23	3.756	60	3.756	02/08/2018	0
MGS	08/23	3.800	149	3.855	02/08/2018	-6
MGS	07/24	3.937	7	3.950	02/08/2018	-1
MGS	09/24	3.994	24	3.984	01/08/2018	1
MGS	03/25	3.958	107	3.942	02/08/2018	2
MGS	09/25	4.044	157	4.036	02/08/2018	1
MGS	11/26	4.121	74	4.133	02/08/2018	-1
MGS	11/27	4.160	11	4.110	02/08/2018	5
MGS	06/28	4.030	52	4.024	02/08/2018	1
MGS	04/30	4.441	5	4.444	01/08/2018	0
MGS	06/31	4.526	0	4.505	02/08/2018	2
MGS	04/33	4.505	51	4.505	02/08/2018	0
MGS	06/38	4.690	25	4.674	02/08/2018	2
MGS	03/46	4.868	6	4.868	02/08/2018	0
MGS	07/48	4.896	10	4.895	02/08/2018	0
GII	08/18	3.274	6	3.275	05/07/2018	0
GII	08/19	3.475	20	3.507	02/08/2018	-3
GII	04/20	3.587	19	3.550	02/08/2018	4
GII	08/21	3.708	10	3.718	01/08/2018	-1
GII	04/22	3.771	82	3.786	02/08/2018	-2
GII	07/22	3.807	12	3.823	01/08/2018	-2
GII	11/23	3.862	22	3.854	02/08/2018	1
GII	05/24	4.033	2	4.004	02/08/2018	3
GII	10/25	4.103	4	4.215	06/07/2018	-11
GII	10/28	4.146	250	4.144	02/08/2018	0
			2014			

## 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	03/19	GG	3.698	20	3.753	09/07/2018	-6	31
Prasarana Malaysia Berhad	12/22	GG	4.110	5	4.140	23/07/2018	-3	43
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	4.167	10	4.273	08/12/2017	-11	41
Prasarana Malaysia Berhad	08/23	GG	4.149	5	4.167	27/07/2018	-2	39
Danainfra Nasional Berhad	03/24	GG	4.170	5	4.211	24/07/2018	-4	29
Danainfra Nasional Berhad	02/25	GG	4.230	20	4.269	19/07/2018	-4	29
Jambatan Kedua Sdn Berhad	05/25	GG	4.275	50	4.303	31/07/2018	-3	33
Pengurusan Air SPV Berhad	09/25	GG	4.250	20	4.272	01/08/2018	-2	31
Prasarana Malaysia Berhad	02/26	GG	4.273	10	4.299	01/08/2018	-3	24
Prasarana Malaysia Berhad	03/28	GG	4.390	5	4.400	01/08/2018	-1	35
Danainfra Nasional Berhad	10/28	GG	4.409	50	4.421	02/08/2018	-1	37
Prasarana Malaysia Berhad	11/28	GG	4.409	30	4.431	02/08/2018	-2	37
Prasarana Malaysia Berhad	03/30	GG	4.529	40	4.729	10/08/2017	-20	49
Danainfra Nasional Berhad	05/32	GG	4.725	10	4.729	02/08/2018	0	23
MKD Kencana Sdn Berhad	10/32	GG	4.808	50	4.809	01/08/2018	0	32
Danainfra Nasional Berhad	11/32	GG	4.750	5	4.780	19/07/2018	-3	26
Genting Capital Berhad	06/22	AAA	5.027	1	4.854	19/07/2018	17	134
GENM Capital Berhad	07/23	AAA	4.749	1	4.850	31/07/2018	-10	99
GENM Capital Berhad	08/25	AAA	5.307	2	5.287	27/07/2018	2	136
Danga Capital Berhad	01/30	AAA	4.699	20	4.759	20/07/2018	-6	66
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/19	AA1	4.323	10	4.279	28/08/2014	4	93
Imtiyaz Sukuk II Berhad	12/18	AA2	4.153	10	4.119	16/01/2018	3	76
Imtiyaz Sukuk II Berhad	03/19	AA2	4.248	20	4.343	07/06/2018	-9	86
UMW Holdings Berhad	06/22	AA2	4.578	3	4.586	24/07/2018	-1	89
Tanjung Bin Power Sdn Berhad	08/28	AA2	4.798	10	4.890	21/08/2013	-9	76
Fortune Premiere Sdn Berhad	03/23	AA	4.787	20	4.796	02/08/2018	-1	103
BGSM Management Sdn Berhad	12/18	AA3	4.201	10	4.203	10/07/2018	0	81
Gamuda Berhad	03/19	AA3	4.257	10	4.266	17/07/2018	-1	87
Bumitama Agri Ltd	03/19	AA3	4.420	10	4.448	02/08/2018	-3	103
Gamuda Berhad	11/22	AA3	4.649	10	4.717	24/07/2018	-7	97
Gamuda Berhad	03/23	AA3	4.720	45	4.798	13/07/2018	-8	96
UEM Sunrise Berhad	12/18	AA-	4.251	10	4.262	30/07/2018	-3	86
Malakoff Power Berhad	12/18	AA-	4.265	10	4.285	24/07/2018	-2	87
UEM Sunrise Berhad	04/22	AA-	4.705	30	4.835	11/07/2018	-13	102
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/23	AA-	4.691	20	4.614	05/04/2018	8	93
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	4.717	40	4.746	10/07/2018	-3	84
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/25	AA-	4.778	20	4.788	27/07/2018	-1	84
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/26	AA-	4.818	20	4.834	27/07/2018	-2	79
MMC Corporation Berhad	11/27	AA-	5.599	20	5.645	27/07/2018	-5	154
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	5.059	10	5.155	17/05/2018	-10	57
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/38	AA-	5.509	10	5.570	06/07/2018	-6	80
Tan Chong Motor Holdings Berhad	11/21	A1	6.581	1	6.572	30/07/2018	1	305
UMW Holdings Berhad	04/18	A1	5.829	20	5.889	25/07/2018	-6	112
Affin Bank Berhad	07/18	A3	5.304	7	5.453	01/08/2018	-15	59
Bank Muamalat Malaysia Berhad	11/21	A	4.769	1	4.769	02/08/2018	0	123
				735				

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

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

**Local technology companies, especially those exposed to the Apple supply chain, will be closely watched back home. This is because Apple Inc, which is listed in the United States, had reported a set of stellar results last week that firmly beat analysts' estimates.** The maker of iPhones had touched the US\$1 trillion market-value mark on Thursday, the biggest market capitalisation ever achieved by any company on the US stock exchange, following its impressive quarterly results. Apple's report had caused some bulls to return to the US market and its upward move seems to have upended the continued selling that was seen on the US' tech-dominant Nasdaq just a day before the results were released. Facebook, which is part of the popular "FANG" group of tech growth stocks, had seen a big selloff recently, with its shares plunging almost 20% in a day as its second quarter topline missed analyst expectations while daily active user count also disappointed. In contrast, Apple's strong quarterly report was mainly boosted by software and services revenue as well as average iPhone selling prices. It was reported that Apple slightly missed analyst forecasts for sales of the iPhone but surpassed estimates for average selling price. Growth in the software and services segment had also aided its top and bottom line. The strong performance at Apple could be a catalyst for greater interest into several semiconductor companies at home because Apple is a substantial end-client in the supply chain for their products. One of those companies is Globetronics Technology Bhd that had also seen an impressive jump in its bottom line for the second quarter ended June 30. The company's results were also released last week, about the same time as Apple announced its financial performance. Globetronics saw its second-quarter net profit rising 32% to RM9.34mil from a year ago because of forex gains and a higher volume loading of products. The jump in bottom line was also amplified due to it having recorded a forex loss of RM1mil in the same period a year ago. Globetronics is involved in producing components operating within the Apple iPhone supply chain ecosystem. A report last week said Globetronics' first-half core earnings at 40% of its full-year forecast are above expectations. This is because it is expecting a "much stronger" second half on an anticipated surge in demand at the sensors business segment to prepare for the coming smartphone launches in the third quarter of this year. "We make upward adjustments in our proximity and wearable sensor volumes to incorporate strong first-half 2018 volume shipments. "We have also raised our gesture sensor volumes, incorporating capacity expansion undertaken by Globetronics as required by its key sensor client, ams AG," it said. According to earlier reports, Globetronics is one of the companies with a more significant exposure to the Apple supply chain. However, Globetronics has ramped up contribution from other smartphone makers also of late. Other companies that are also deriving some of their sales from the Apple supply chain include Inari Amertron Bhd, Malaysian Pacific Industries (MPI) and Unisem (M) Bhd. Inari derived close to 50% of its revenue from the radio frequency (RF) division, which mainly serves the smartphone market. Meanwhile, MPI is estimated to derive 30% of its revenue from RF and Unisem 30%. These figures, however, do not only cater to Apple but also other South Korean and China-based smartphone manufacturers. Unisem, which has a relatively lesser contribution from the smartphone segment compared to its peers, had in the week before reported a weak second quarter. Its net profit fell 27% to RM31mil in quarter ended June 30, with revenue dropping 6% to RM343mil. The company attributed the decline in earnings to unfavorable exchange rates and lower margins due to a change in product mix. The company had also issued a word of caution to investors that a prolonged trade war between the US and China would affect it adversely. Other tech companies that are part of the Apple supply chain which have yet to report their quarterly earnings for this season are Inari and MPI. It would be interesting to watch the movement of these companies in the days ahead with the developments at Apple amid the ongoing trade war between the superpowers of the East and West. (Source: *The Star*)

The wholly-owned subsidiary of Malaysia Airports Holdings Bhd, Istanbul Sabiha Gokcen International Airport (ISGIA) experienced increased capacity to 41 million passengers per annum (mppa) from 33 million passengers per annum with the recent opening of its new domestic boarding hall. In a statement dated Aug 2, **Malaysia Airports said ISGIA, which is celebrating its 10th anniversary this year, has been a wholly-owned subsidiary of Malaysia Airports since 2015 and is also the second largest airport in Turkey.** The new boarding hall, constructed at €26 million, was the first link in the chain of investment projects in ISGIA's tenth year of operations. The new 26,000 square metre boarding hall features four new aerobridges, 1,000 square metres of shopping area, as well as, comfortable waiting lounges and prayer rooms. ISGIA chief executive officer Ersel Goral, was quoted as saying in the statement that the airport had taken major steps in meeting the evolving needs of Turkey's rapidly growing tourism industry. "For seven consecutive years from 2009 to 2016, we were recognised as Europe's fastest-growing airport in terms of number of passengers. "We expect to register 33.0 million passenger traffic movements this year, which will represent a nine-fold growth over the last ten years. "For the first half of 2018, we are already registering double-digit growth of 12% compared with the same period last year, increasing to 16.2 million passenger traffic movements," Goral said of the new terminal building which was fully operational since July 31, 2018. From January to June 2018, International passenger traffic movement increased 13% to 5.2 million and domestic passenger traffic movement rose 12% to 11.0 million. ISGIA is also looking forward to the opening of its second runway which is currently being constructed by the Turkish government and is expected to become operational by end-2019. The second runway will allow the airport to handle up to 80 flight movements per hour, doubling its present capacity. Future developments to the airport will also ultimately increase the airport system's capacity to beyond 60 mppa by 2021, the statement said. As a destination preferred by the likes of Emirates, Qatar Airways, Fly Dubai, Air Arabia, and also a hub for both Turkish Airlines and Pegasus to fly to more and more destinations, the airport keeps expanding its scope in Europe, the Middle East and Africa. On top of this, the new subway line linking the airport to the Pendik-Kadikoy subway line is expected to be completed at the beginning of next year. This direct connection would shorten the travelling time to 45 minutes from ISGIA, which is located on the Asian side, to Taksim on the European side of Istanbul. ISGIA is significant contributor to Malaysia Airports' overseas growth strategy. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Serba Dinamik Holdings Berhad's	RM500 million multi-currency Islamic Commercial Papers Programme and RM1.5 billion Islamic Medium-Term Notes Programme	MARC-1 IS/AA-IS	Assigned

Source: RAM Ratings; MARC

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