

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.65	0
5-yr UST	2.80	-1
10-yr UST	2.94	-1
30-yr UST	3.09	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.52	-5	3.56	-2
5-yr	3.74	-1	3.85	-2
7-yr	3.95	-1	4.01	0
10-yr	4.04	1	4.14	-1
15-yr	4.48	0	4.56	4
20-yr	4.66	-4	4.76	-3
30-yr	4.90	0	4.91	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.74	0
5-yr	3.84	0
7-yr	3.95	0
10-yr	4.13	0

Source: Bloomberg

#### Upcoming Government Bond Tender

Nil

#### US Treasuries

- US Treasuries maintained small gains in the belly as overall benchmark yields ended within 1bps from prior day's close. In an otherwise uneventful day as some flows were seen based on IG credit issuances. The 2Y closed at 2.65% whilst the much-watched 10Y edged 1bps lower at 2.94%. Meanwhile markets are weighing the potential impact on yields stemming from ongoing trade spats and also the upward pressure on JGB yields arising from the BOJ policy. Further headwinds include the ongoing balance sheet reduction, additional Treasury issuances (especially long-dated ones) to fund fiscal deficits, The Fed's imminent rate hikes and also inflationary pressures.

#### MGS/GII

- Trading momentum in Govvies improved following two straight days of easing as volume notched RM3.03b in total, largely due to the 20Y GII auction and interest in the short-off-the-run 19's. Overall bonds rallied with benchmark yields 0-5bps lower (save for the 15Y GII bonds). The benchmark 7Y MGS 3/25 edged almost 1bps lower at 3.95% whilst the 10Y MGS 6/28 turned reversed at 4.04% levels. Yesterday's RM2.5b auction reopening of 20Y GII 8/37 was well-received with a BTC ratio of 2.11x; averaging 4.768%. Up next is the release of Foreign Reserves for period ending 31<sup>st</sup> July scheduled this afternoon.

#### Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk saw volume tank to only RM278m yesterday with focus mainly on the AAA-segment, followed by the AA-part of the curve; involving 22 different bonds compared to a whopping 47 the previous day. Both DANA 5/32 and PRASA 9/37 ended 1bps lower at 4.92% and 5.03% levels compared to previous-done levels as GG bond yields are seen to stabilize at current levels. AAA-rated CAGAMAS 8/19 made its maiden trade at 3.95% despite being issued in 2016 whilst AMAN 5/21 spiked 5bps at 4.34% levels. PLUS 26 too saw yields close higher at 4.64%. Meanwhile the AA-rated WCT 4/26 ended 4bps lower at 5.56% whereas JEP 6/23 and 6/27 similarly saw demand causing yields to also move lower at 4.62% and 4.77% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.255	70	3.280	02/08/2018	-2
MGS	03/19	3.324	100	3.336	02/08/2018	-1
MGS	07/19	3.379	20	3.391	02/08/2018	-1
MGS	10/19	3.441	130	3.450	02/08/2018	-1
MGS	11/19	3.451	201	3.447	02/08/2018	0
MGS	03/20	3.452	2	3.459	02/08/2018	-1
MGS	10/20	3.480	29	3.490	02/08/2018	-1
MGS	07/21	3.569	1	3.588	02/08/2018	-2
MGS	09/21	3.609	4	3.623	02/08/2018	-1
MGS	11/21	3.516	30	3.522	02/08/2018	-1
MGS	03/22	3.630	196	3.674	02/08/2018	-4
MGS	08/22	3.710	9	3.722	01/08/2018	-1
MGS	09/22	3.723	14	3.755	02/08/2018	-3
MGS	03/23	3.730	45	3.809	02/08/2018	-8
MGS	04/23	3.742	80	3.756	02/08/2018	-1
MGS	08/23	3.778	305	3.855	02/08/2018	-8
MGS	07/24	3.897	15	3.950	02/08/2018	-5
MGS	09/24	3.968	20	3.984	01/08/2018	-2
MGS	03/25	3.947	100	3.942	02/08/2018	0
MGS	09/25	4.056	25	4.036	02/08/2018	2
MGS	11/26	4.110	3	4.133	02/08/2018	-2
MGS	03/27	4.199	3	4.198	26/07/2018	0
MGS	11/27	4.108	19	4.110	02/08/2018	0
MGS	06/28	4.036	80	4.024	02/08/2018	1
MGS	04/30	4.437	20	4.444	01/08/2018	-1
MGS	11/33	4.482	51	4.485	02/08/2018	0
MGS	06/38	4.655	49	4.674	02/08/2018	-2
MGS	03/46	4.865	17	4.868	02/08/2018	0
MGS	07/48	4.895	30	4.895	02/08/2018	0
GII	04/19	3.392	200	3.400	02/08/2018	-1
GII	04/20	3.563	50	3.550	02/08/2018	1
GII	05/20	3.603	20	3.563	10/07/2018	4
GII	04/22	3.747	11	3.786	02/08/2018	-4
GII	11/23	3.845	82	3.854	02/08/2018	-1
GII	08/24	4.007	90	4.015	31/07/2018	-1
GII	08/25	4.013	20	4.013	02/08/2018	0
GII	09/26	4.164	10	4.166	01/08/2018	0
GII	10/28	4.139	185	4.144	02/08/2018	0
GII	06/33	4.559	190	4.523	02/08/2018	4
GII	08/37	4.771	505	4.787	02/08/2018	-2
			<u>3030</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*	
Prasarana Malaysia Berhad	08/23	GG	4.120	5	4.167	27/07/2018	-5	37
Danainfra Nasional Berhad	05/32	GG	4.723	10	4.729	02/08/2018	-1	23
Prasarana Malaysia Berhad	09/37	GG	4.919	10	4.931	01/08/2018	-1	24
Prasarana Malaysia Berhad	09/42	GG	5.029	5	5.049	15/09/2017	-2	35
Danainfra Nasional Berhad	11/42	GG	5.035	5	5.119	05/07/2018	-8	36
Cagamas Berhad	08/19	AAA	3.951	40	-	-	-	57
Aman Sukuk Berhad	05/21	AAA	4.344	15	4.285	04/04/2018	6	80
Aquasar Capital Sdn Berhad	07/23	AAA	4.400	20	4.518	05/07/2018	-12	65
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.639	50	4.526	18/04/2018	11	69
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.668	10	4.682	31/07/2018	-1	61
Danajamin Nasional Berhad	10/27	AA1	4.697	10	4.737	26/07/2018	-4	64
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.287	5	4.381	29/06/2018	-9	90
Fortune Premiere Sdn Berhad	03/23	AA	4.789	20	4.796	02/08/2018	-1	104
BGSM Management Sdn Berhad	06/24	AA3	4.693	5	4.768	27/06/2018	-8	80
UEM Sunrise Berhad	12/22	AA-	4.723	10	4.748	31/07/2018	-3	106
Jimah East Power Sdn Berhad	06/23	AA-	4.623	10	4.785	04/07/2018	-16	87
WCT Holdings Berhad	04/26	AA-	5.558	30	5.600	18/04/2018	-4	152
Jimah East Power Sdn Berhad	06/27	AA-	4.770	5	4.830	31/07/2018	-6	71
Bank Islam Malaysia Berhad	11/27	A1	4.835	10	4.869	30/07/2018	-3	77
CIMB Group Holdings Berhad	05/16	A1	5.013	1	4.865	01/08/2018	15	34
Affin Bank Berhad	07/18	A3	5.300	2	5.453	01/08/2018	-15	62
Bank Muamalat Malaysia Berhad	11/21	A	4.768	1	4.769	02/08/2018	0	122
			<u>278</u>					

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

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

**IJM Plantations Bhd (IJMP) has emerged as a takeover target as demand picks up for mature plantations in Sabah.** It is learnt that there is renewed demand for brown-field plantations in Sabah and prospective parties feel that the current environment is right given the low price of crude palm oil (CPO). CPO is trading at between RM2,180 and RM2,206 per tonne, which is in the lower range of the average price of the commodity in the last three years. Going forward, analysts expected CPO to average between RM2,300 and RM2,350 per tonne next year. "There is demand for mature and well-managed plantations in Sabah because there are almost no large plantations available in the peninsula. In the case of IJMP, it also has plantations in Indonesia that will start yielding in two years," said a banker. It is learnt that among the suitors eyeing IJMP, which has 61,000ha of planted area in Sabah, Kalimantan and Sumatra, are plantation groups such as IOI Corp Bhd and Hap Seng Plantations Holdings Bhd. Sources said IOI, which has the bulk of its plantations in Sabah and Sarawak, is said to be the leading candidate to take over IJMP if a deal materializes. "The bulk of IOI's plantations are in Sabah and it has the financial resources to undertake the deal. IOI is almost three times the size of IJMP and a takeover would create the largest plantation group from Sabah, where the yields are high due to fertile soil conditions," a source said. IOI has 175,447ha of planted area, with 66% in Sabah and Sarawak. Moreover, IOI is cash-rich following the disposal of a 70% stake in Loders Croklaan Group BV to US-listed Bunge Ltd for RM3.79bil. Loders Croklaan is involved in the processing of vegetable fats that are used in the food industry from bakeries to confectionery and human nutrition. Hap Seng had proposed to take over the plantations belonging to Kretam Holdings Bhd early this year for RM750mil. However, the deal did not go through. "IJMP is too big for Hap Seng, as its market capitalisation is close to RM3bil based on today's price. However, if a deal is to go through and for IJM Corp Bhd to be convinced, it has to be an offer that it cannot refuse," said a banker. IJM Corp is the single largest shareholder in IJMP with a 55% stake. The Employees Provident Fund is the largest shareholder in IJM Corp with 13%, while the rest is held by other funds. The other plantation group on an acquisition trail in Sabah is Boustead Plantations Bhd. Boustead Plantations acquired 11,597ha belonging to Dutaland Bhd for RM750mil in a deal completed in January. IJM Corp owns 55% of IJMP, which contributes to only 15% of the group's total profitability. It is believed that the shareholders of IJM Corp would be open to a disposal of IJMP because the market does not attach a value to the plantation business. "There is a 20% discount to IJM Corp's real value because it is seen as a holding company. Apart from plantations, IJM Corp is also seen as the holding company for the property development and toll highway divisions. "Toll highways and property development are related to the core construction business of IJM Corp. However, the plantation business is not viewed as part of IJM Corp's core business," said the banker. In the past, the earnings of IJMP provided the cushion for the lumpy earnings from the construction sector. However, IJM Corp now has a mature toll and port division to give it recurring earnings. IJM Corp's property division also is sitting on a decent landbank that is ripe for township development. "When the economy improves, IJM Corp can count on the property and construction sector to give it the upside in earnings. Plantations are no longer seen as crucial to give it steady earnings as they used to be some 10 years ago," said a source. Sources also added that IJMP's plantations were all located in Sabah and not suitable for property development in the near term. Also, going forward, the plantation sector, as a whole, will face cost pressures due to the higher minimum wage and continued pressure from an oversupply of CPO in the market. (Source: *The Star*)

**The decision whether to continue or not the construction of the Phase Three East Coast Highway (LPT) connecting Kuala Terengganu, Terengganu to Pengkalan Kubur, Kelantan will be announced in Budget 2019 this November.** Deputy Works Minister Mohd Anuar Mohd Tahir said the government basically was considering the construction of the 147 km expressway that was proposed during the 11th Malaysia Plan in 2015 as a requirement, but the construction should take into account the latest government finances. "The previous government has somehow postponed this program as their consideration and focus had shifted to other (programs). In the context of the new government, we will review what Barisan Nasional (formerly) did not do whether it can be implemented now. (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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