

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.67	2
5-yr UST	2.84	4
10-yr UST	2.97	3
30-yr UST	3.12	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.53	1	3.50	-6
5-yr	3.74	0	3.85	0
7-yr	3.94	0	4.02	1
10-yr	4.04	0	4.14	0
15-yr	4.48	0	4.56	0
20-yr	4.66	0	4.76	0
30-yr	4.89	0	4.91	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.73	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 slid across the curve following the softer demand for the 3Y; which averaged 2.765%. Overall benchmark yields ended 2-4bps higher from prior day's close. The 2Y closed up at 2.67% whilst the much-watched 10Y rose 3bps higher at 2.97%. IG credit issuances and flows were again seen to the tune of \$10b; bringing the total by 18 issuers to some \$20b this week alone. Meanwhile US finalized tariffs on an additional \$16b of Chinese goods. Investors 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 and additional Treasury issuances.

#### MGS/GII

- Trading momentum in Govvies swung down back as volume notched RM2.24b in total, with interest seen in the belly i.e. 23's and also the 15Y benchmark MGS 11/33. Overall bonds were somewhat muted with benchmark yields within 1bps movement from prior day (save for odd-lot trade on the short 3Y GII bonds). The benchmark 7Y MGS 3/25 edged almost 1bps lower at 3.94% whilst the 10Y MGS 6/28 was untraded at 4.04% levels. Meanwhile foreign holdings of Malaysian govies saw an uptick as it improved by 1.9% to RM168.3b in July from prior month. The release of Foreign Reserves for period ending 31<sup>st</sup> July saw little change at \$104.5b.

#### Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk saw volume spike to a 4-month of RM900m yesterday with interest across the curve involving 47 different bonds compared to 22 the previous day. MKD Kenchana 4/23 and 4/25 saw RM120m nominal amounts traded 10-16bps lower at 4.23% and 4.31% respectively compared to previous-done levels whilst JKSB 5/25 edged 1bps lower at 4.27%. PLUS and DANGA 33's saw mixed fortunes with the former closing 10bps lower at 4.89% whereas DANGA 33 ended unchanged at 4.86% levels. AA-rated Bright Focus 27 and 29 similarly rallied to close at 4.71% and 4.91% respectively. In the banking space AFFIN 27's saw chunky amounts traded closing between -1 to +3bps between 4.86-93% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.271	1	3.255	06/08/2018	2
MGS	03/19	3.331	124	3.324	06/08/2018	1
MGS	11/19	3.449	3	3.444	06/08/2018	0
MGS	03/20	3.477	2	3.452	06/08/2018	2
MGS	07/20	3.496	2	2.969	03/08/2018	53
MGS	10/20	3.509	5	3.518	06/08/2018	-1
MGS	02/21	3.558	4	3.579	03/08/2018	-2
MGS	07/21	3.580	3	3.591	06/08/2018	-1
MGS	09/21	3.605	16	3.623	02/08/2018	-2
MGS	11/21	3.525	9	3.516	06/08/2018	1
MGS	03/22	3.622	1	3.650	06/08/2018	-3
MGS	09/22	3.728	30	3.723	06/08/2018	1
MGS	03/23	3.754	50	3.732	06/08/2018	2
MGS	04/23	3.740	140	3.742	06/08/2018	0
MGS	08/23	3.767	96	3.778	06/08/2018	-1
MGS	07/24	3.904	1	3.918	06/08/2018	-1
MGS	09/24	3.966	21	3.966	06/08/2018	0
MGS	03/25	3.944	41	3.951	06/08/2018	-1
MGS	09/25	4.036	134	4.036	06/08/2018	0
MGS	11/26	4.129	100	4.110	06/08/2018	2
MGS	11/27	4.121	1	4.108	06/08/2018	1
MGS	06/31	4.500	1	4.526	03/08/2018	-3
MGS	04/32	4.564	0	4.562	06/08/2018	0
MGS	04/33	4.525	3	4.505	03/08/2018	2
MGS	11/33	4.484	273	4.482	06/08/2018	0
MGS	04/37	4.744	18	4.707	06/08/2018	4
MGS	06/38	4.655	40	4.655	06/08/2018	0
MGS	03/46	4.851	3	4.835	06/08/2018	2
MGS	07/48	4.892	10	4.889	06/08/2018	0
GII	04/20	3.502	70	3.563	06/08/2018	-6
GII	08/20	3.599	20	3.601	31/07/2018	0
GII	04/22	3.779	70	3.791	06/08/2018	-1
GII	07/23	3.884	70	3.889	02/08/2018	0
GII	11/23	3.849	120	3.845	06/08/2018	0
GII	08/24	4.007	120	4.007	06/08/2018	0
GII	08/25	4.017	80	4.013	06/08/2018	0
GII	09/26	4.163	20	4.164	06/08/2018	0
GII	10/28	4.136	300	4.139	06/08/2018	0
GII	06/33	4.560	80	4.559	06/08/2018	0
GII	08/37	4.762	160	4.771	06/08/2018	-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	04/22	GG	4.083	10	4.090	11/04/2018	-1	41
Pengurusan Air SPV Berhad	02/23	GG	4.100	5	4.234	23/07/2018	-13	43
Prasarana Malaysia Berhad	02/23	GG	4.100	5	4.279	21/06/2018	-18	36
MKD Kencana Sdn Berhad	04/23	GG	4.230	60	4.328	27/04/2018	-10	49
MKD Kencana Sdn Berhad	04/25	GG	4.310	60	4.472	27/04/2018	-16	37
Jambatan Kedua Sdn Berhad	05/25	GG	4.270	100	4.275	03/08/2018	-1	33
Prasarana Malaysia Berhad	09/27	GG	4.350	20	4.410	30/07/2018	-6	29
Prasarana Malaysia Berhad	03/43	GG	5.034	20	-	-	-	38
DanaInfra Nasional Berhad	04/45	GG	5.079	10	5.110	24/07/2018	-3	42
DanaInfra Nasional Berhad	02/48	GG	5.110	20	5.209	19/06/2018	-10	45
Putrajaya Holdings Sdn Berhad	09/18	AAA	3.726	55	3.800	13/04/2018	-7	35
Projek Lebuhraya Usahasama Berhad	01/22	AAA	4.320	10	4.349	30/07/2018	-3	80
Gulf Investment Corporation G.S.C	06/22	AAA	5.064	3	5.167	04/05/2018	-10	139
Malaysia Airports Capital Berhad	12/22	AAA	4.368	25	4.414	03/04/2018	-5	70
GENM Capital Berhad	07/23	AAA	4.749	1	4.749	03/08/2018	0	100
Aquasar Capital Sdn Berhad	07/23	AAA	4.400	10	4.413	06/08/2018	-1	66
Projek Lebuhraya Usahasama Berhad	01/25	AAA	4.576	2	4.624	22/06/2018	-5	70
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.889	30	4.989	02/07/2018	-10	40
Danga Capital Berhad	09/33	AAA	4.864	20	4.869	01/08/2018	0	38
Sarawak Energy Berhad	06/21	AA1	4.395	10	4.452	24/07/2018	-6	87
YTL Corporation Berhad	04/23	AA1	4.629	10	4.639	16/03/2018	-1	88
Danajamin Nasional Berhad	10/27	AA1	4.697	20	4.697	06/08/2018	0	63
Sarawak Energy Berhad	12/32	AA1	5.101	20	5.149	30/07/2018	-5	61
Imtiaz Sukuk II Berhad	05/20	AA2	4.410	10	4.516	11/06/2018	-11	94
Benih Restu Berhad	06/25	AA2	4.619	30	4.607	19/01/2018	1	68
Bright Focus Berhad	01/27	AA2	4.787	20	4.819	23/08/2016	-3	76
Bright Focus Berhad	01/29	AA2	4.908	20	5.078	23/05/2018	-17	87
Tanjung Bin Energy Issuer Berhad	03/19	AA3	4.195	10	4.224	17/01/2018	-3	82
Gamuda Berhad	04/21	AA3	4.506	10	4.621	07/06/2018	-12	98
BGSM Management Sdn Berhad	06/24	AA3	4.672	10	4.693	06/08/2018	-2	80
Edra Energy Sdn Berhad	07/25	AA3	5.303	1	5.465	26/07/2018	-16	136
BGSM Management Sdn Berhad	08/25	AA3	4.768	20	4.785	18/07/2018	-2	83
Besraya (M) Sdn Berhad	07/27	AA3	5.122	2	4.802	06/11/2017	32	106
RHB Bank Berhad	09/27	AA3	4.727	20	4.757	09/04/2018	-3	66
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/21	AA-	4.554	20	4.527	13/04/2018	3	103
Southern Power Generation Sdn Berhad	10/25	AA-	4.698	10	4.843	05/06/2018	-15	76
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/26	AA-	4.814	20	4.818	03/08/2018	0	79
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.869	10	4.889	27/07/2018	-2	81
Southern Power Generation Sdn Berhad	10/28	AA-	4.869	10	4.987	08/06/2018	-12	83
Southern Power Generation Sdn Berhad	10/35	AA-	5.329	10	5.338	24/07/2018	-1	84
Affin Bank Berhad	02/27	A1	4.855	70	4.889	23/07/2018	-3	79
Affin Bank Berhad	09/27	A1	4.928	20	4.914	01/08/2018	1	87
AMMB Holdings Berhad	03/28	A1	5.049	20	4.929	14/03/2018	12	101
CIMB Group Holdings Berhad	05/16	A1	4.951	1	5.013	06/08/2018	-6	29
UMW Holdings Berhad	04/18	A1	5.889	1	5.829	03/08/2018	6	123
Bank Muamalat Malaysia Berhad	11/21	A	4.768	1	4.768	06/08/2018	0	125
Malakoff Power Berhad	12/18	AA-	4.249	30	4.265	03/08/2018	-2	87
				<u>900</u>				

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

## Market/Corporate News: What's Brewing

Malaysia is seeking help from Japanese automakers, including Nissan Motor, Toyota Motor and Daihatsu Motor, for its potential third national car project, according to a report by the Asian Nikkei Review, quoting Prime Minister Tun Dr Mahathir Mohamad. The premier reportedly told the press yesterday during his four-day working visit to Fukuoka, Japan, that gaining access to Japanese automotive expertise would be "essential" to making cars that meet modern standards. "Some members of my delegation will be visiting Daihatsu, but we have one company [that] has written to Nissan and Toyota to seek cooperation with them," he was quoted as saying, but he did not mention the company's name. Daihatsu is fully owned by Toyota Motor. Dr Mahathir proposed the new national car project during his visit to Japan in June, after winning the country's general election in May, where he led the Pakatan Harapan coalition to a stunning victory. He said then that his new national car ambition was born after China's Zhejiang Geely acquired a 49.9% stake in Proton. The sale was supported by the previous government, after Proton recorded years of disappointing performance, despite state assistance provided to the company. The country's second national car maker Perusahaan Otomobil Kedua (Perodua) is a joint venture with Japanese companies, including Daihatsu. When speaking to a group of high school students attending the Japan Future Leaders School summer camp yesterday, Dr Mahathir also said environmentally friendly electric cars are the choice of the future. (Source: The Edge)

**It turns out that a trade war isn't enough to tarnish President Donald Trump's favored report card: the American stock market.** The S&P 500 Index logged back-to-back gains the past two sessions that pushed the benchmark close to its January record, despite China's unveiling of tariff plans on Friday. The gauge was less than half a percent from the all-time high on Tuesday. With the S&P 500 climbing by some \$1.3 trillion since Trump unofficially kicked off the trade war by announcing aluminum and steel tariffs on March 1, he has all the more reason to escalate the trade battle between the world's two largest economies. Beijing's recent retaliation failed to spur any whiff of risk aversion when it came to U.S. stocks, unlike previous rounds of tariff threats between the nations. While China's Shanghai Composite Index is down nearly 16 percent year-to-date, helping spur its policy makers to cushion their economy, there's little market-driven incentive for Trump to take action. The danger, though, is that American equities are caught in a so-called Minsky Paradox. Srinivas Thiruvadhanthai, research director at the Jerome Levy Forecasting Center in Mt. Kisco, New York, mused about that earlier this year. The logic dictates that unless the market sells off, the president would feel confident in pushing forward with his trade offensive -- in turn raising the risk of an even bigger slide. "Over a period of apparently stable behavior the underlying financial conditions evolve so that the likelihood of instability increases," the economist Hyman Minsky wrote in 1986. "Trump's negotiating stance has clearly been emboldened by the resilient markets," said Michael Collins, a senior portfolio manager at PGIM Inc., on Bloomberg TV. The president himself validated that assessment last month, saying "this is the time" to confront China, noting that stocks were well up since he took office. "We're playing with the bank's money," he said in a CNBC interview. Even so, equities could have seen double the gains without the trade campaign, he said. With U.S. stocks "bullet-proof for now" in light of robust earnings growth, fixed income could be the asset class to deliver a rebuke on the administration's policies, according to Thiruvadhanthai. "The bond vigilante coming in would be more likely than the equity vigilante," he said. "The impact of trade wars on the global economy is too far out to see to price in easily, whereas the bond market is looking more at inflation." Tariff hikes could drive prices up, in turn spurring investors to demand a bigger term premium -- the extra compensation investors demand to hold longer-term debt over shorter-term securities. The premium has been languishing at historically low levels. A substantial rise in the premium would affect corporate-financing decisions as well as the discount rate on future earnings for U.S. equities -- potentially serving as a potent financial shock, said Karthik Sankaran, director of global strategy at Eurasia Group in New York. Yet there's little sign investors are worried about prices spiraling higher at this juncture. In fact, market-implied measures of inflation compensation are running below levels consistent with the Federal Reserve's target of 2 percent inflation. That gives more time for the potentially untenable equilibrium between U.S. markets and trade policy to endure. "We might get prices going up here and there, but by and large, people are not going to get upset, as things will be okay for now," said Thiruvadhanthai. "That gives Trump latitude to ratchet up the pressure before his voters feel the impact." (Source: *The Edge, Bloomberg*)

#### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Danajamin Nasional Berhad	Insurer Financial Strength (IFS) ratings	AAA/Stable/P1	Reaffirmed

Source: RAM Ratings; MARC

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