

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries rallied following solid demand for the \$18b of 30Y auction yesterday which ended with a BTC ratio of 2.27x; slightly lower than the previous average of 2.30x for the past four auctions. This was despite the softer-than-expected US PPI data. The yield curve was seen flattening with overall benchmark yields ending between 2-4bps lower across. The 2Y UST ended 2bps lower at 2.65% whilst the much-watched 10Y rallied 3bps at 2.93% levels. On a separate note total prime Money Market funds saw a fifth week on inflows as the Fed continues its tightening of monetary policy. Interestingly however, the acceleration bias evident in the core CPI earlier this year is seen to be fading; suggesting a plateau going forward. Upcoming data tonight includes the CPI for July.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.65	-2
5-yr UST	2.81	-2
10-yr UST	2.93	-3
30-yr UST	3.07	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	1	3.57	6
5-yr	3.75	0	3.86	1
7-yr	3.96	1	4.02	-1
10-yr	4.04	0	4.15	1
15-yr	4.49	1	4.56	0
20-yr	4.67	0	4.77	0
30-yr	4.90	0	4.94	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	4.14	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Trading momentum in Govvies was maintained on higher volume of RM3.42b in total, as interest was seen mainly in the off-the-run 18's, 23's and also both benchmark 10Y bonds. GI bond trades spiked to 68% of total govovies traded as overall benchmarks were within 1bps higher save for the short 3Y GII 4/20. The benchmark 7Y MGS 3/25 edged 1bps higher at 3.96% whilst the 10Y MGS 6/28 closed unchanged at 4.04% levels on decent volume. Meanwhile investors are expected look for further clarity on the current fiscal condition updates.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk remained decent, despite tapering off to RM520m yesterday with interest concentrated more on the AA-part of the curve involving total of 42 different bonds compared to 44 the previous day. Both PTPTN 3/24 and JKSB 5/25 closed unchanged at 4.18% and 4.27% respectively whilst DANA 2/23 ended a whopping 21bps lower at 4.11%. In the AAA-space PLUS 26-27's rallied 3bps lower between 4.61-63% levels whilst the long-end DANGA 9/33 closed unchanged at 4.86%. AA-rated power-related bonds in the infrastructure sector saw several tranches of KIMANIS, MALAKOFF and BGSM bonds traded lower on yields at the belly. CELCOM 8/19 and 8/24 notched trades at 4.26% and 4.70% respectively. In the banking space both Hong Leong Financial Group and Hong Leong Islamic Bank saw trades done at 4.39% each.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.323	61	3.323	08/08/2018	0
MGS	10/19	3.453	2	3.441	06/08/2018	1
MGS	11/19	3.463	0	3.449	07/08/2018	1
MGS	07/21	3.598	0	3.580	07/08/2018	2
MGS	09/21	3.618	3	3.605	07/08/2018	1
MGS	11/21	3.538	115	3.525	07/08/2018	1
MGS	03/22	3.671	50	3.626	08/08/2018	4
MGS	08/22	3.720	0	3.710	06/08/2018	1
MGS	03/23	3.791	100	3.778	08/08/2018	1
MGS	04/23	3.749	230	3.744	08/08/2018	0
MGS	08/23	3.822	81	3.767	07/08/2018	6
MGS	07/24	3.913	8	3.904	07/08/2018	1
MGS	09/24	3.966	3	3.957	08/08/2018	1
MGS	03/25	3.960	90	3.951	08/08/2018	1
MGS	09/25	4.045	72	4.020	08/08/2018	3
MGS	04/26	4.149	0	4.131	08/08/2018	2
MGS	11/26	4.151	2	4.152	08/08/2018	0
MGS	11/27	4.151	1	4.126	08/08/2018	2
MGS	06/28	4.043	230	4.043	08/08/2018	0
MGS	11/33	4.491	40	4.482	08/08/2018	1
MGS	04/37	4.721	3	4.744	07/08/2018	-2
GII	08/18	3.275	500	3.274	03/08/2018	0
GII	10/18	3.279	190	3.272	25/07/2018	1
GII	04/19	3.410	19	3.397	08/08/2018	1
GII	04/20	3.566	96	3.502	07/08/2018	6
GII	08/20	3.578	50	3.573	08/08/2018	0
GII	08/21	3.711	40	3.708	08/08/2018	0
GII	04/22	3.779	280	3.773	08/08/2018	1
GII	07/23	3.901	83	3.886	08/08/2018	1
GII	11/23	3.859	80	3.849	07/08/2018	1
GII	08/25	4.021	100	4.027	08/08/2018	-1
GII	07/27	4.163	30	4.150	08/08/2018	1
GII	10/28	4.147	731	4.136	08/08/2018	1
GII	06/33	4.555	130	4.559	08/08/2018	0
			<u>3418</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*	
Pengurusan Air SPV Berhad	06/22	GG	4.030	30	4.000	15/09/2017	3	35
DanaInfra Nasional Berhad	02/23	GG	4.113	5	4.322	11/06/2018	-21	36
Pengurusan Air SPV Berhad	06/23	GG	4.090	20	4.239	24/07/2018	-15	34
Prasarana Malaysia Berhad	08/23	GG	4.100	5	4.120	06/08/2018	-2	35
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.180	15	4.180	08/08/2018	0	28
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.180	15	4.228	25/07/2018	-5	28
Jambatan Kedua Sdn Berhad	05/25	GG	4.270	10	4.270	07/08/2018	0	31
Bank Pembangunan Malaysia Berhad	01/31	GG	4.700	10	4.711	18/01/2018	-1	65
Aman Sukuk Berhad	07/19	AAA	4.110	10	4.117	04/04/2018	-1	73
GENM Capital Berhad	07/23	AAA	4.898	15	4.933	08/08/2018	-4	114
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.607	25	4.639	06/08/2018	-3	65
Projek Lebuhraya Usahasama Berhad	01/27	AAA	4.629	30	4.659	02/08/2018	-3	59
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.924	10	4.939	01/08/2018	-1	44
Danga Capital Berhad	09/33	AAA	4.859	20	4.864	07/08/2018	0	37
Hong Leong Financial Group Berhad	09/20	AA1	4.389	20	4.393	01/08/2018	0	92
Maybank Islamic Berhad	04/24	AA1	4.090	10	4.379	17/05/2018	-29	19
Hong Leong Islamic Bank Berhad	06/24	AA1	4.391	3	4.798	26/06/2018	-41	49
Sarawak Energy Berhad	01/27	AA1	4.775	5	4.779	30/07/2018	0	73
UMW Holdings Berhad	06/22	AA2	4.560	10	4.578	03/08/2018	-2	88
Projek Lebuhraya Usahasama Berhad	01/21	AA	4.203	10	4.206	14/03/2018	0	73
Gamuda Berhad	03/23	AA3	4.725	5	4.728	08/08/2018	0	97
CIMB Thai Bank Public Company Limited	07/24	AA3	4.757	1	5.061	18/07/2018	-30	86
BGSM Management Sdn Berhad	08/25	AA3	4.748	10	4.768	07/08/2018	-2	79
RHB Islamic Bank Berhad	04/27	AA3	4.617	10	4.772	09/07/2018	-16	55
Celcom Networks Sdn Berhad	08/19	AA+	4.262	10	4.440	18/05/2018	-18	89
Celcom Networks Sdn Berhad	08/24	AA+	4.698	10	4.766	25/07/2018	-7	80
UEM Sunrise Berhad	12/18	AA-	4.202	20	4.216	08/08/2018	-1	83
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	4.455	20	4.457	30/07/2018	0	98
Jimah East Power Sdn Berhad	06/21	AA-	4.885	3	4.595	06/07/2018	29	134
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/21	AA-	4.548	10	4.554	07/08/2018	-1	100
Kimanis Power Sdn Berhad	08/23	AA-	4.588	20	4.578	04/01/2018	1	83
Malakoff Power Berhad	12/25	AA-	4.769	20	4.919	27/06/2018	-15	81
Kimanis Power Sdn Berhad	08/28	AA-	4.809	10	4.898	17/03/2017	-9	76
Malakoff Power Berhad	12/29	AA-	4.948	20	5.117	17/05/2018	-17	90
MEX II Sdn Berhad	04/32	AA-	5.381	10	5.519	18/07/2018	-14	89
MEX II Sdn Berhad	04/33	AA-	5.461	10	5.599	29/06/2018	-14	97
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.219	10	5.271	27/07/2018	-5	73
MEX II Sdn Berhad	04/34	AA-	5.509	20	5.649	29/06/2018	-14	102
Golden Assets International Finance Limited	08/19	A1	4.967	4	4.982	08/08/2018	-2	159
Tan Chong Motor Holdings Berhad	11/21	A1	5.946	14	6.581	03/08/2018	-64	240
CIMB Group Holdings Berhad	05/16	A1	5.400	1	4.981	08/08/2018	42	73
Mah Sing Perpetual	-	-	6.502	5	6.499	17/07/2018	0	-
			<u>520</u>					

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

Market/Corporate News: What's Brewing

The Government has decided to present a White Paper in Parliament in the next session to expose the real situation of the Federal Land Development Authority (Felda) and its strategic rehabilitation plan. Economic Affairs Minister Datuk Seri Mohamed Azmin Ali said Felda was facing a critical cash flow problem, but the Government was committed in revitalising the agency for the well-being of settlers in line with the Land Development Act 1956 goals. "The immediate focus of Felda's new board and management is to strengthen the agency's cash flow through discussions with creditors in order to restructure the agency's loans which have already reached RM8.025bil. "The next step taken to strengthen the cash flow is by selling non-strategic assets such as properties abroad and also within the country," he said when responding to a question from Ma'mun Sulaiman (Warisan-Kalabakan) during the ministers' question and answer session at the Dewan Rakyat today. Azmin also pointed out that the focus of the new management was to implement the statutory obligation for Felda settlers, hence, settlers could be rest assured that their advance loans for living costs and advance payments for their harvest would be paid according to schedule. The Pakatan Government in its 100-day manifesto promised to abolish 50% of the settlers' debts, which resulted from advance loans for living costs for replanting of crops. Azmin said Felda's financial position was a legacy of weak leadership in corporate governance and irresponsible financial management. However, the Government was confident that the new management of Felda would adhere to the principles of accountability and good governance to ensure the agency's recovery and sustainable development process. On whether Tawau Oil Products (TOP), a subsidiary of Felda Vegetable Oil Products Sdn Bhd (FVOP) will be closed, he said FVOP is a subsidiary of FGV Holdings Bhd, hence, it is not under Felda management. FGV is undergoing a rationalisation process to enhance its value and performance, but has no plan to close the TOP plant, he added. To Ma'mun's supplementary question on the status of Felda's agreement with the Sabah government to allocate 40,000 hectares (ha) to settlers as only 9,000 ha had been distributed so far, Azmin said the deal would be looked into again as the land distribution had been halted. In 2012 Felda handed over 400,000 ha of land to FGV Holdings for listing purposes, he said, adding that however, FGV was having problems paying dividends and fair profit-sharing to Felda, which was one of the reasons why Felda was facing critical financial management problems. (Source: *The Star, Bernama*)

Even as it endeavours to maintain a 100% payout of its distributable net income in the next fiscal year, Sunway Real Estate Investment Trust has cautioned of the "fundamentally challenging oversupply situation" brought about by tremendous new supply of retail, hotel, and commercial space in the market, exacerbated by lacklustre foreign direct investments and tourism activities. The caution comes amid a 5.36% fall in the REIT's net profit to RM207.11 million in the fourth quarter ended June, against RM218.84 million a year ago. An improved performance in the office segment however nudged its net property income (NPI) 1.8% higher to RM100.27 million from RM98.52 million before, according to an exchange filing. The REIT's office segment NPI gained 27.55% to RM5.41 million from RM4.24 million a year ago, contributed mainly by Sunway Putra Tower. Its 'others' segment improved 28.66% to RM7.16 million from RM5.57 million on the back of the new contribution from Sunway REIT Industrial — Shah Alam 1 of RM1.4 million. "Our acquisition growth strategy has yielded the desired results. The two newly completed properties, (namely Sunway REIT Industrial — Shah Alam 1 and Sunway Clio Property) have contributed positively to the income stream and cushioned the softer performance in some existing properties," said Sunway REIT Management Sdn Bhd chief executive officer Datuk Jeffrey Ng, in a separate statement

today. The REIT has declared a distribution per unit (DPU) of 2.15 sen in 4QFY18 totalling RM63.32 million, payable on Sept 12, compared with 2.27 sen in the same period last year. Ng said while the retail and hotels segments are expected to grow moderately, growth will be partially offset by income disruption from the ongoing refurbishment activities at Sunway Resort Hotel & Spa. Revenue in the fourth quarter rose 2.8% to RM136.25 million from RM132.54 million before, supported by higher average gross rent in Sunway Pyramid Shopping Mall, but partially offset by a softer financial performance in the other retail malls in the asset portfolio. "In view of a global interest rate normalisation cycle, the Manager is cautious of the prospects and endeavours to maintain the DPU in FY19," he said. The manager is committed to a full payout of its distributable net income for FY19. For the full year, the REIT's NPI was 8% higher at RM419.93 million, from RM388.82 million in the previous year. Its net profit rose marginally to RM427.69 million from RM424.48 million, while revenue was 7.18% higher at RM560.41 million from RM522.87 million. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	Financial Institution Ratings	AAA/Stable/P1	Reaffirmed
CIMB Thai Bank Public Company Limited	Financial Institution Ratings	AA2/Stable/P1	Reaffirmed

Source: RAM Ratings; MARC

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