

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries came under pressure again as investor sentiments improved and stocks gained as a result, reducing demand for safety bids in UST. Yields were higher across the board by 1-3bps, bear steepening the curve with the 2/10 spread widening 2bps to 45bps. G7 Summit turned out calmer than expected even as tensions between the US and other member countries remained elevated. Focus will now be on Trump-Kim meeting in Singapore tomorrow. US Treasury will also be selling US\$32bn of 3-year and US\$22bn 10-year bonds today followed by US\$14bn 30-year notes on Tuesday. We also have US CPI readings on the deck today that markets will relentlessly scrutinized for inflation and hence, the Fed rate hike outlook. Even though another 25bps rate hike in the upcoming FOMC meeting this week is a done deal in our view, markets are looking for more clues if the Fed will deliver a 4<sup>th</sup> rate hike for the year.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.50	1
5-yr UST	2.79	3
10-yr UST	2.95	3
30-yr UST	3.09	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.73	3	3.74	0
5-yr	3.85	1	4.02	0
7-yr	4.03	0	4.18	1
10-yr	4.23	3	4.34	1
15-yr	4.62	0	4.76	-1
20-yr	4.89	0	4.94	1
30-yr	4.88	-3	5.01	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.75	0
3-yr	3.81	0
5-yr	3.89	0
7-yr	3.99	0
10-yr	4.15	0

Source : Bloomberg

#### Upcoming Government Bond Tender

##### MGS/GII

- Trading momentum in local govies regained some momentum last Friday, with volume done picking up to RM1.63bn from RM1.31bn the preceding day. Benchmark 10Y MGS 6/28 (RM200m) and GII 10/28 (RM181m) were actively traded with yields wider by 3bps to 4.23% and 1bp higher at 4.34% respectively. MGS 9/18 and newly issued MGS 6/38 also drew substantial interests, the former traded 4bps inner to 3.25% while the 20Y notes flat at 4.89%. We expect market sentiments to remain cautious pending more policy clarity domestically and ahead of next week's FOMC and ECB policy meetings. Malaysia IPI release today will unlikely sway underlying trend in the local govies space.

##### Corp Bonds/Sukuk

- Trading activities in local corporate Bonds retreated for the 3<sup>rd</sup> straight day with volume dealt reduced further to RM229m last Friday. Interests were concentrated on the AAA- and AA-rated papers. Short-dated Caga '3/19 and '4/19 dominated the AAA-rated followed by Genting '6/22 and Danga '9/33, each of which saw RM10m done. AA-rated Celcom '10/26 was the most actively traded paper, 2bps inner at 5.06% with RM50m dealt. Banking names that made in to the list included CIMB Group (RM40m), HLFM '11/17 and PBB '4/19. We expect trading in corporate bonds/ sukuk to stay soft.

## Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.250	525	3.292	07/06/2018	-4
MGS 10/19	3.495	2	3.489	05/06/2018	1
MGS 11/19	3.528	38	3.464	06/06/2018	6
MGS 10/20	3.635	69	3.671	07/06/2018	-4
MGS 02/21	3.776	42	3.724	06/06/2018	5
MGS 07/21	3.779	12	3.793	06/06/2018	-1
MGS 11/21	3.728	1	3.706	06/06/2018	2
MGS 03/22	3.866	31	3.866	07/06/2018	0
MGS 08/22	3.915	3	3.927	06/06/2018	-1
MGS 04/23	3.847	10	3.836	05/06/2018	1
MGS 08/23	4.015	6	3.997	07/06/2018	2
MGS 09/24	4.162	5	4.158	06/06/2018	0
MGS 09/25	4.253	10	4.232	07/06/2018	2
MGS 11/26	4.334	40	4.312	07/06/2018	2
MGS 11/27	4.315	2	4.291	06/06/2018	2
MGS 06/28	4.227	200	4.195	06/06/2018	3
MGS 06/31	4.692	20	4.693	07/06/2018	0
MGS 04/33	4.747	10	4.752	06/06/2018	0
MGS 04/37	4.917	0	4.909	06/06/2018	1
MGS 06/38	4.888	290	4.886	06/07/2018	0
MGS 03/46	4.881	26	4.908	07/06/2018	-3
GII 11/18	3.375	4	3.105	01/06/2018	27
GII 08/21	3.932	1	3.888	08/05/2018	4
GII 04/22	3.947	12	3.938	07/06/2018	1
GII 11/23	4.020	60	4.018	07/06/2018	0
GII 08/25	4.184	20	4.173	07/06/2018	1
GII 07/27	4.378	7	4.365	06/06/2018	1
GII 10/28	4.350	181	4.332	07/06/2018	2
GII 08/33	4.839	1	4.796	05/06/2018	4
		<u>1628</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*
Cagamas Berhad	03/19 AAA	4.048	10	4.012	13/03/2018	4	64
Public Bank Berhad	04/19 AAA	4.057	10	4.059	30/03/2018	0	65
Putrajaya Holdings Sdn Berhad	04/22 AAA	4.430	5	4.279	14/03/2017	15	63
DiGi Telecommunications Sdn Berhad	04/22 AAA	4.482	5	4.358	29/01/2018	12	68
Genting Capital Berhad	06/22 AAA	4.793	10	5.026	17/05/2018	-23	99
Cagamas Berhad	12/22 AAA	4.448	5	4.259	09/02/2018	19	62
Danga Capital Berhad	09/33 AAA	4.999	10	5.000	07/06/2018	0	38
Sabah Development Bank Berhad	09/20 AA1	5.252	0	4.749	07/03/2018	50	164
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/26 AA+	5.061	50	5.083	31/05/2018	-2	96
Tanjung Bin Power Sdn Berhad	08/19 AA2	4.412	30	4.311	15/03/2018	10	101
UMW Holdings Berhad	10/19 AA2	4.426	5	4.438	05/06/2018	-1	102
CIMB Group Holdings Berhad	12/25 AA	4.738	10	4.736	01/06/2018	0	63
CIMB Group Holdings Berhad	11/27 AA	4.930	20	4.803	06/03/2018	13	78
Jimah Energy Ventures Sdn Berhad	05/20 AA3	4.426	1	4.420	07/06/2018	1	82
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/24 AA-	5.028	10	5.008	30/04/2018	2	100
Southern Power Generation Sdn Berhad	10/28 AA-	4.987	10	4.961	03/05/2018	3	80
Southern Power Generation Sdn Berhad	04/29 AA-	5.021	5	4.978	26/04/2018	4	83
Southern Power Generation Sdn Berhad	04/33 AA-	5.241	5	5.189	10/04/2018	5	62
Tan Chong Motor Holdings Berhad	11/19 A1	5.720	5	5.901	05/06/2018	-18	232
CIMB Group Holdings Berhad	05/16 A1	5.137	10	5.352	06/06/2018	-22	24
Hong Leong Financial Group Berhad	11/17 A1	5.158	10	5.002	24/04/2018	16	26
UMW Holdings Berhad	04/18 A1	6.049	3	6.048	07/06/2018	0	115
			<u>229</u>				

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

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

Tan Sri Mohd Hassan Marican (*pic*) is speculated to make a return to Petroliam Nasional Bhd (Petronas) as its new chairman, succeeding Tan Sri Mohd Sidek Hassan who is said to tender his resignation soon. Formerly Petronas president and chief executive officer from 1995 until his retirement in February 2010, Hassan has over 30 years of experience in the energy sector as well as in finance and management. It was also believed that Hassan's contract with Petronas was not renewed by former prime minister Datuk Seri Najib Tun Razak. More recently, Hassan was appointed as one of the members of Prime Minister Tun Dr Mahathir Mohamad's Council of Eminent Persons. He is also chairman of Sembcorp Marine Ltd and senior international adviser at Temasek International Advisors. Hassan holds an honorary doctorate from Universiti Malaya and is a Fellow of the Institute of Chartered Accountants in England and Wales. (Source: The Star)

Dialog Group Bhd's unit is acquiring the remaining 20% interests in Langsat Terminal (One) Sdn Bhd and Langsat Terminal (Two) Sdn Bhd from Puma Energy Asia Pacific BV for a total sum of RM59.6mil. As part of the deal, Dialog Terminals Sdn Bhd will take over Puma's portion of shareholder's loan to the Langsat Terminals amounting to RM32.4mil. The two Langsat terminals are principally engaged in the provision of centralised tankage and tank terminal facilities to the O&G and petrochemicals industry. According to filing with the stock exchange, the terminals with a combined storage capacity of 647,000 cubic metres are currently fully utilised on term contracts. "The Acquisition presents the right opportunity for DIALOG to increase its equity ownership of existing tank terminals built by DIALOG with proven track records," the group said in the filing. "Together with the potential expansion of Langsat Terminals, and development of Phase 3 and future phases of Pengerang Deepwater Terminals, the Acquisition is in line with DIALOG's strategy to grow sustainable and recurring income thereby further enhancing shareholders' value in the long term." (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Telekom Malaysia Berhad	Islamic Commercial Papers Programme (2013/2020) and Islamic Medium-Term Notes Programme (2013/2033) with a combined nominal value of up to RM3 billion	AAA/Stable/P1	Reaffirmed
	Islamic Commercial Papers Programme and Islamic Medium-Term Notes Programme with a combined aggregate nominal value of up to RM2 billion (2011/2026)	AAA/Stable/P1	Reaffirmed
Hijrah Pertama Berhad	RM2,925 million Islamic Stapled Income Securities (2007/2018)	AAA/Stable	Reaffirmed

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: HLMarkets@hlbb.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.