

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.59	1
5-yr UST	2.75	0
10-yr UST	2.85	0
30-yr UST	2.95	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	-1	3.56	0
5-yr	3.74	0	3.90	0
7-yr	3.96	2	4.06	0
10-yr	4.07	0	4.22	1
15-yr	4.54	1	4.63	0
20-yr	4.79	0	5.00	0
30-yr	4.91	0	4.98	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.74	0
5-yr	3.84	0
7-yr	3.96	0
10-yr	4.13	0

Source : Bloomberg

**Upcoming Government Bond Tender**

RM4.0b 10Y GII 10/28 on Fri, 13<sup>th</sup> July

**US Treasuries**

US Treasuries displayed lethargy yet again on a tepid trading session with overall benchmark yields ending within 1bps. The auction reopening for the long bond (30Y) reflected moderate demand with a BTC ratio of 2.38x; averaging 2.958%. The 2Y (reflective of interest rate predictions) edged higher at 2.59% and the much-watched 10Y ended flat at 2.85% levels. Meanwhile Powell's comments reaffirmed a modest yet sanguine economic outlook amid uncertainty over trade tariff wars. Meanwhile worries persist as the yield curve continued its move toward inversion as the Fed projects another two (2) more rate hikes this year.

**MGS/GII**

Trading momentum in Govvies tapered-off on continued profit-taking activities with total volume sharply lower at RM728m as GII trades formed a higher ratio i.e. 50% of overall trades. Both Inter-bank and offshore investors nibbled on the shorter off-the-run 18's and 21's whilst overall benchmark yields were largely within 1bps of prior day's close. The 7Y MGS 3/25 ended higher yield-wise at 3.96% whereas the 10Y MGS 6/28 was untraded. The auction for 10Y GII 10/28 will be watched closely today. Separately BNM may not be expected to change its monetary policy stance due to the resilience of the Ringgit as recent fiscal policy changes and updates take place positively.

**Corp Bonds/Sukuk**

Trading activity in Corporate Bonds/Sukuk however was impressive on volume of RM569m with interest mainly along the Govt-guaranteed and AA-part of the curve. Interest spanned across 32 various bonds versus 26 the previous session. The GG-space was dominated by DANA 24-25's and 32-33's together with PRASA 24-28's which rallied between 4-21bps. AAA-rated PLUS 31 and 32 closed mixed on yields at 4.78% and 4.84% respectively compared to previous-done levels. The AA-space saw repeat trades for SEB 1/27; 2bps lower at 4.81% whilst a slew of Southern Power 33-35's ended 1-8bps lower between 5.17-36% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.250	100	3.248	11/07/2018	0
MGS	03/19	3.340	1	3.377	10/07/2018	-4
MGS	07/19	3.447	22	3.400	11/07/2018	5
MGS	10/19	3.453	4	3.407	11/07/2018	5
MGS	11/19	3.418	2	3.424	11/07/2018	-1
MGS	03/20	3.441	10	3.450	11/07/2018	-1
MGS	10/20	3.475	9	3.486	11/07/2018	-1
MGS	02/21	3.569	11	3.534	11/07/2018	4
MGS	11/21	3.537	7	3.540	11/07/2018	0
MGS	03/22	3.710	58	3.733	11/07/2018	-2
MGS	08/22	3.696	1	3.686	11/07/2018	1
MGS	08/23	3.887	27	3.854	11/07/2018	3
MGS	07/24	3.936	32	3.964	11/07/2018	-3
MGS	09/24	3.994	2	3.970	11/07/2018	2
MGS	03/25	3.957	10	3.941	11/07/2018	2
MGS	09/25	4.063	7	4.076	11/07/2018	-1
MGS	04/26	4.178	11	4.178	11/07/2018	0
MGS	03/27	4.204	1	4.194	11/07/2018	1
MGS	05/27	4.252	6	4.269	11/07/2018	-2
MGS	11/27	4.133	8	4.175	11/07/2018	-4
MGS	04/30	4.470	5	4.438	11/07/2018	3
MGS	06/31	4.551	21	4.520	11/07/2018	3
MGS	04/32	4.617	3	4.580	11/07/2018	4
MGS	05/35	4.775	1	4.653	11/07/2018	12
MGS	04/37	4.815	1	4.774	11/07/2018	4
GII	03/21	3.636	160	3.636	11/07/2018	0
GII	04/21	3.694	100	3.654	11/07/2018	4
GII	08/21	3.718	4	3.708	09/07/2018	1
GII	04/22	3.822	4	3.797	11/07/2018	2
GII	07/27	4.282	82	4.312	09/07/2018	-3
GII	10/28	4.220	20	4.206	11/07/2018	1
			<u>728</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*	
GovCo Holdings Berhad	02/21	GG	4.045	10	4.030	11/07/2018	1	50
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/24	GG	4.303	20	4.399	15/05/2018	-10	42
Danainfra Nasional Berhad	07/24	GG	4.269	5	4.330	10/07/2018	-6	38
Danainfra Nasional Berhad	04/25	GG	4.296	60	4.464	26/06/2018	-17	34
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/25	GG	4.370	10	4.479	29/06/2018	-11	42
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/28	GG	4.479	20	4.610	08/03/2018	-13	39
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	11/28	GG	4.519	50	4.730	22/11/2016	-21	43
Danainfra Nasional Berhad	03/32	GG	4.801	15	4.811	10/07/2018	-1	26
Danainfra Nasional Berhad	02/33	GG	4.830	15	4.900	19/02/2018	-7	29
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	4.980	30	5.020	09/07/2018	-4	19
GENM Capital Berhad	07/23	AAA	4.923	21	4.850	11/07/2018	7	117
GENM Capital Berhad	07/28	AAA	5.150	2	5.149	09/07/2018	0	106
Projek Lebuhraya Usahasama Berhad	01/30	AAA	4.780	10	4.767	27/03/2018	1	69
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.840	5	4.895	27/06/2018	-5	30
Sabah Development Bank Berhad	08/19	AA1	4.589	10	4.747	17/05/2018	-16	121
Sabah Development Bank Berhad	09/20	AA1	5.097	1	5.252	08/06/2018	-15	161
Public Bank Berhad	10/23	AA1	4.442	35	4.336	21/06/2018	11	69
TRIplic Medical Sdn Berhad	10/25	AA1	4.614	10	4.698	06/04/2018	-8	66
TRIplic Medical Sdn Berhad	10/26	AA1	4.658	10	4.690	22/06/2018	-3	63
Sarawak Energy Berhad	01/27	AA1	4.809	60	4.834	11/07/2018	-2	73
Krung Thai Bank Public Company Limited	07/25	AA2	4.836	30	4.541	26/06/2018	30	88
BGSM Management Sdn Berhad	12/20	AA3	4.489	10	4.570	25/05/2018	-8	100
CIMB Thai Bank Public Company Limited	07/24	AA3	4.584	0	4.853	11/07/2018	-27	70
RHB Bank Berhad	04/25	AA3	4.554	10	4.499	27/02/2018	6	60
Southern Power Generation Sdn Berhad	04/32	AA-	5.109	20	5.158	26/06/2018	-5	57
Jimah East Power Sdn Berhad	12/32	AA-	5.180	20	5.278	05/06/2018	-10	64
Southern Power Generation Sdn Berhad	04/33	AA-	5.168	10	5.241	08/06/2018	-7	62
Southern Power Generation Sdn Berhad	04/34	AA-	5.239	10	5.249	10/07/2018	-1	69
Southern Power Generation Sdn Berhad	10/35	AA-	5.358	10	5.434	26/06/2018	-8	81
Tan Chong Motor Holdings Berhad	11/19	A1	6.124	10	6.115	11/07/2018	1	275
Hong Leong Financial Group Berhad	11/17	A1	4.994	1	4.997	11/07/2018	0	21
Southern Power Generation Sdn Berhad	10/33	AA-	5.199	40	5.274	26/06/2018	-8	65
			<u>569</u>					

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

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

The European Union, Japan, Canada, Malaysia, Mexico, along with automotive trade groups, Volkswagen AG, and the United Auto Workers union are among those scheduled to testify at a July 19 hearing on the Trump administration's investigation into whether imported autos and parts pose a national security threat, according to a document seen Thursday by Reuters. The U.S. Commerce Department in May launched an investigation into whether imported vehicles pose a national security threat. U.S. President Donald Trump has repeatedly threatened to impose a 20 or 25 percent import tariff on vehicles and parts. Last month, two major U.S. auto trade groups warned that tariffs of up to 25 percent on imported vehicles would cost hundreds of thousands of jobs in auto manufacturing, dramatically raise prices on vehicles, and threaten industry investment on self-driving cars. Major automakers have also filed comments warning of job losses and lost sales. At a July 19 hearing, those two groups, the Alliance of Automobile Manufacturers and Association of Global Automakers, will testify, as will the National Automobile Dealers Association, National Association of Manufacturers, Motors & Equipment Manufacturers Association and groups representing German and Japanese automakers, according to a draft agenda not yet made public. A Commerce Department spokeswoman declined to comment. Among those testifying are Canada, the EU, Mexico, and South Africa's ambassadors to the United States, along with other government officials from Korea, Malaysia, Taipei, Turkey as well as the China Chamber of International Commerce. Executives from Volkswagen, Polaris Industries Inc, LG Electronics Inc, auto parts firm Jtekt Corp and Sumitomo Rubber Industries Ltd. Some aides have said that Trump is pursuing the national security probe to put pressure on Canada and Mexico to agree to concessions in talks to renegotiate the North American Free Trade Agreement. The Commerce Department had initially planned two days of hearings but now will hear testimony for one day. Commerce Secretary Wilbur Ross said in June he aimed to wrap up the probe into whether imported vehicles represent a national security threat by late July or August. Ross said in May "there is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry." He asked for comments on "domestic production needed for projected national defence requirements." The U.S. Chamber of Commerce noted U.S. auto production has doubled over the past decade, and said tariffs "would deal a staggering blow to the very industry it purports to protect and would threaten to ignite a global trade war. (Source: *The Star/Reuters*)

WCT Holdings Bhd has secured a RM555 million contract from Lendlease Projects (M) Sdn Bhd for a proposed mixed development in the Tun Razak Exchange (TRX) Lifestyle Quarter. In a stock exchange filing, WCT said Lendlease had, in a letter dated July 11, confirmed its intent to award the works for the project known as the 'Proposed Commercial Mixed Development on Plot 1' to WCT Bhd (WCTB), a wholly-owned subsidiary of the company. The contract comprises the construction of a four-level shopping complex, three levels of car park, a level of open landscape with retail space, an information centre (future development), as well as the future development of Lot PT157 in Seksyen 67 of Jalan Tun Razak. The award is subject to the terms of a preliminary works agreement (PWA) executed between Lendlease and WCTB today, and the execution of a trade contract prior to Oct 10, which is when the PWA will expire. Pursuant to the PWA, WCTB shall proceed with certain preliminary works, such as the procurement of performance bond and the relevant insurance, commencement of mobilisation activities, mobilisation of project staff, plants and equipment, and sending of notification to local authorities. WCTB is entitled to be paid up to a maximum of RM27.75 million for carrying the preliminary works under the PWA. The Lifestyle Quarter is a 17-acre retail-led mixed use development that will be delivered by a joint venture between

the Australian property and infrastructure group Lendlease (60%), and TRX City Sdn Bhd (40%). TRX City is a wholly-owned subsidiary of the Malaysian Ministry of Finance. Lendlease is the development and construction manager for the Lifestyle Quarter project, which comprises a luxury hotel, six residential towers and a large-scale retail destination connected to the TRX Park, with a dedicated Mass Rapid Transport (MRT) station. .  
*(Source: The Edge)*

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
APM Automotive Holdings Berhad	RM1.5 billion IMTN Programme (2016/2036)	AA2/Stable	Reaffirmed

Source: RAM Ratings; MARC

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