

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries saw little movement with mild steepening of the curve seen as overall benchmark yields closed 1-2bps higher. Both the 2Y and much-watched 10Y UST edged 1bps higher at 2.61% and 2.88% levels respectively. The 5s30s spread was steeper at ~ 30bps as a busy afternoon saw several IG bond deals take shape; including long-end i.e. 30Y tranches. Meanwhile the Libor-OIS continued to tighten more than 5bps and by more than 30bps since its peak in April possibly due to large movements of funds to the front-end; helping to off-set the rising bill supplies whilst driving short-term rates higher. Meanwhile investors continue to watch the turmoil in Turkey's financial markets and potential slowdown in China's economic growth on credit clampdown. Likewise the Congressional Budget Office (CBO) has lowered its forecast for US economic growth amid increasing uncertainty on broadening trade tariffs.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.61	1
5-yr UST	2.75	1
10-yr UST	2.88	1
30-yr UST	3.05	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.54	1	3.57	0
5-yr	3.74	0	3.85	0
7-yr	3.97	1	4.04	2
10-yr	4.06	2	4.15	1
15-yr	4.48	0	4.56	0
20-yr	4.67	0	4.77	0
30-yr	4.89	0	4.94	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.73	1
5-yr	3.84	1
7-yr	3.95	0
10-yr	4.15	0

Source : Bloomberg

#### Upcoming Government Bond Tender

RM3.0b of 15Y MGS 11/33 on Tue, 14<sup>th</sup> Aug

##### MGS/GII

- Trading momentum in Govvies took a breather as volume dipped slightly to RM1.83b with interest seen in the 10Y benchmark GII 10/28 and some off-the run 20's and 27's. GII bond trades formed half of total govvies traded as overall benchmarks were within 1bps move compared to prior day. The benchmark 7Y MGS 3/25 edged 1bps higher at 3.97% whilst the 10Y MGS 6/28 rose 2bps at 4.06% levels. Meanwhile investors are expected to focus on today's auction of RM3.0b 15Y MGS 4/33 bonds auction for further readings on institutional demand.

##### Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk tapered off as volume halved to RM337m yesterday with focus mainly on the AA-part of the curve. Both Govt-guaranteed MKD Kenchana 2/25 and DANA 10/28 closed unchanged at 4.30% and 4.42% respectively compared to previous-done levels. AAA-rated AMAN 21's edged 2-3 bps lower 4.31-32% levels. The AA-space was dominated by power related names i.e. JEP, MALAKOFF and Southern Power bonds which ended lower on yields. JEP 6/27 and 12/30 closed at 4.77% and 4.92% respectively totaling RM70m nominal value whilst Southern Power 29-30's ended 12-13bps lower between 4.90-92% levels. UniTapah 28-30's traded again with the 12/28 unchanged on yields whilst the 6/30 rallied 11bps lower. Among the bank names, Krung Thai 25nc20 closed unchanged at 4.80% levels.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.305	40	3.281	10/08/2018	2
MGS	03/19	3.322	1	3.354	10/08/2018	-3
MGS	07/19	3.365	20	3.361	10/08/2018	0
MGS	10/19	3.443	116	3.447	10/08/2018	0
MGS	03/20	3.458	160	3.465	08/08/2018	-1
MGS	10/20	3.512	1	3.512	10/08/2018	0
MGS	09/21	3.597	1	3.618	09/08/2018	-2
MGS	11/21	3.541	70	3.522	10/08/2018	2
MGS	03/22	3.670	80	3.665	10/08/2018	0
MGS	08/22	3.738	26	3.720	09/08/2018	2
MGS	09/22	3.741	54	3.728	08/08/2018	1
MGS	04/23	3.744	29	3.747	10/08/2018	0
MGS	08/23	3.789	6	3.833	10/08/2018	-4
MGS	07/24	3.941	1	3.942	10/08/2018	0
MGS	09/24	3.980	15	3.966	09/08/2018	1
MGS	03/25	3.969	40	3.960	10/08/2018	1
MGS	09/25	4.046	1	4.028	10/08/2018	2
MGS	11/27	4.153	130	4.148	10/08/2018	0
MGS	06/28	4.056	50	4.037	10/08/2018	2
MGS	04/30	4.450	12	4.455	10/08/2018	0
MGS	06/31	4.521	4	4.526	10/08/2018	0
MGS	04/33	4.520	53	4.505	08/08/2018	1
GII	08/21	3.708	20	3.704	10/08/2018	0
GII	04/22	3.770	160	3.770	10/08/2018	0
GII	07/22	3.797	100	3.807	03/08/2018	-1
GII	07/23	3.891	2	3.901	09/08/2018	-1
GII	11/23	3.851	22	3.853	10/08/2018	0
GII	08/24	4.017	170	4.007	07/08/2018	1
GII	08/25	4.037	20	4.021	09/08/2018	2
GII	09/26	4.143	20	4.163	07/08/2018	-2
GII	10/28	4.154	370	4.141	10/08/2018	1
GII	08/37	4.765	40	4.761	10/08/2018	0
			<u>1832</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*
MKD Kencana Sdn Berhad	02/25	GG	4.300	20	4.300	10/08/2018	0	34
Danainfra Nasional Berhad	10/28	GG	4.420	10	4.415	08/08/2018	0	37
Jambatan Kedua Sdn Berhad	07/41	GG	5.019	10	5.160	03/07/2018	-14	34
Aman Sukuk Berhad	02/21	AAA	4.305	10	4.338	25/07/2018	-3	76
Aman Sukuk Berhad	05/21	AAA	4.324	15	4.344	06/08/2018	-2	78
Aquasar Capital Sdn Berhad	07/25	AAA	4.526	15	4.528	25/09/2017	0	57
Sarawak Energy Berhad	06/21	AA1	4.391	15	4.395	07/08/2018	0	85
Sabah Development Bank Berhad	04/23	AA1	5.065	1	0.000	00/01/1900	507	131
Malayan Banking Berhad	01/24	AA1	4.619	1	4.193	26/07/2018	43	87
UniTapah Sdn Berhad	12/28	AA1	4.770	5	4.770	10/08/2018	0	72
Samalaju Industrial Port Sdn Berhad	12/29	AA1	5.040	10	5.129	09/07/2018	-9	99
UniTapah Sdn Berhad	06/30	AA1	4.820	5	4.929	30/06/2017	-11	77
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.286	3	4.287	06/08/2018	0	90
United Growth Berhad	06/22	AA2	4.497	2	4.507	15/03/2018	-1	82
Krung Thai Bank Public Company Limited	07/25	AA2	4.795	20	4.797	08/08/2018	0	84
Media Chinese International Limited	02/19	AA3	4.797	20	4.902	31/07/2018	-11	141
Jimah East Power Sdn Berhad	12/30	AA-	4.924	50	5.037	27/07/2018	-11	88
SPR Energy (M) Sdn Berhad	07/31	AA3	5.275	10	5.475	29/06/2018	-20	79
Malakoff Power Berhad	12/18	AA-	4.237	20	4.248	10/08/2018	-1	85
UEM Sunrise Berhad	06/19	AA-	4.382	30	4.544	27/06/2018	-16	100
Malakoff Power Berhad	12/19	AA-	4.466	20	4.499	01/08/2018	-3	108
Southern Power Generation Sdn Berhad	04/23	AA-	4.567	20	4.568	10/08/2018	0	81
WCT Holdings Berhad	01/25	AA-	5.388	5	5.408	16/04/2018	-2	150
Jimah East Power Sdn Berhad	06/27	AA-	4.769	5	4.770	06/08/2018	0	70
Southern Power Generation Sdn Berhad	10/29	AA-	4.897	10	5.027	25/06/2018	-13	85
Southern Power Generation Sdn Berhad	04/30	AA-	4.924	2	5.064	25/06/2018	-14	88
Bank Islam Malaysia Berhad	12/25	A1	4.619	2	4.643	27/07/2018	-2	66
CIMB Group Holdings Berhad	05/16	A1	4.900	1	4.775	10/08/2018	13	23
				<u>337</u>				

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

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

**More than 75 per cent of airports in Malaysia are not commercially viable and are managed on a cross-subsidization model to provide the Malaysian people with the required connectivity among its smaller towns and rural outposts.** Malaysia Airports Holdings Bhd (MAHB), which manages a network of 39 airports - five international airports, 16 domestic airports and 18 short-takeoff and landing (STOL) ports in Malaysia, said maintaining this network of airports involved a huge outlay of both capital and operational expenses. The airport operator said, in a statement, that it has been supporting the growth of airlines operating in Malaysia throughout the years with its low charges and incentive programmes. "In the case of low-cost airlines operating at our airports, over the last ten years this had amounted to more than RM1.5 billion market advantage through differentiated charges excluding the incentives," it said in response to an article published in a local daily last week. The article, among others, said the absolute lack of competition meant that passenger service charge (PSC) can be imposed on passengers, as well as, any landing, parking fees and ancillary charges can be imposed on airlines. MAHB, said the article was incorrect as airport charges were regulated by the government and airport operations and management in Malaysia was done in a highly regulated environment. Prior to the formation of the Malaysian Aviation Commission (MAVCOM), this decision was under the purview of the Ministry of Transport (MOT) Malaysia. It was made known by MAVCOM that in determining the charges, the commission had engaged a world-renowned consultant to perform a detailed independent research and gone through a comprehensive user consultation process. "It is inaccurate to insinuate that Malaysia Airports can charge whatever price it likes because it is a monopoly. We are governed by the operating agreements we have with the Malaysian government which has a stringent mechanism for revision of charges. "It is also part of the operating agreements that these charges must be below regional levels. Malaysia Airports is not able to introduce any ancillary charges unless decided by the government and by this argument, cannot be considered a monopoly," it added. MAHB also reiterated that charges at both terminals in KLIA were the lowest in the region for domestic PSC and average international PSC. Its landing and parking charges are also the lowest in the world among similar-sized airports. "Annual authoritative study by LeighFisher, covering North America, Europe and Asia, found that Malaysia's charges are only one-third of the world's average for aeronautical revenue per aircraft movement (ATM), as well as for aeronautical revenue per passenger. "The study had also shown that it was the lowest among the 50 airport operator group of companies benchmarked in the study," it said. MAHB also noted that the comparison made by the article between KLIA's ranking in Skytrax against Singapore's Changi International Airport (Changi) cannot be deemed as an 'apple to apple' comparison. "Changi subscribes to the International Civil Aviation Organisation (ICAO) principle of non-discriminatory airport charges, i.e. the same airport charges apply to all airlines. "Changi's charges are higher and more varied than KLIA's in that they include additional items such as airport levy and airport development fee which are used to pay for its airport development cost, on top of the PSC, said MAHB. The airport operator also said it was worth noting that 70 per cent of the international passenger traffic for Malaysia comprised foreigners who enjoyed the lower PSC when they travel to Malaysia. On the contrary, Malaysians and other nationalities who travel to or from other countries pay a much higher PSC at other foreign airports which have contributed to the development and betterment of those airports such as Changi. "The higher aeronautical revenue enjoyed by Changi may have allowed for more superior facilities leading to the retention of its position in Skytrax's ranking," it said, adding that, if Malaysia was to compete against Changi's ranking, it may be in the nation's interest to consider emulating their charging model. Nevertheless, MAHB said, Skytrax is not the only global airport benchmark being used by airports worldwide. An important one used by airports worldwide is the global Airport Service Quality (ASQ) by Airports

Council International (ACI) where KLIA had ranked 12th in the world in 2017 for airports handling more than 40 million passengers per annum, surpassing other major airports such as Dubai which was ranked 20th and Amsterdam Schiphol which was ranked 26th. (Source: *The Star*)

**The third national car, if it materializes, will be done via private investments, according to Finance Minister Lim Guan Eng.** In his winding up speech for the Supply (Reallocation of Appropriated Expenditure) Bill 2018, Lim said he has clarified the matter with Prime Minister Tun Dr Mahathir Mohamad. "When I asked the Prime Minister about this, he said if the Third National Car project happens, it will not be financed by public funds or money from the government, it will be done through private investments," he said. Earlier this month, Entrepreneur Development Minister Mohd Redzuan Yusof reportedly said Putrajaya is set to launch the national car project 3.0 by 2020, as the current government believes that the move could revitalize the national automotive industry. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM Ratings; MARC

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