

**Global Markets Research**

**Fixed Income**

**Fixed Income Daily Market Snapshot**

**US Treasuries**

- US Treasuries gained due to a broad-based pull-back in risk assets especially US equities and commodities. Overall benchmark yields were 3-4bps lower as the curve shifted lower. The 2Y ended 3bps lower at 2.61% whilst and much-watched 10Y UST rallied 4bps at 2.86% levels. Meanwhile lagging indicator i.e. China and Japan Treasury holdings fell by a total \$22.8b to \$1.18 trillion and \$1.03 trillion respectively as at end-June. The US yield curve's frightening run towards inversion has been returning slowly to haunt investors as the 2s10s spread narrowed to the least since August 2007. Nevertheless it remains to be seen if the Turkey-induced turmoil will mitigate the expectations of the Fed tightening monetary policy and driving front-end yields higher.

**MGS/GII**

- Trading momentum in Govvies improved on volume of RM3.52b with interest seen mainly on the 10Y GII 10/28 benchmark and some off-the-run 23's. Overall benchmark yields were generally weaker in the region of -0.5 to +3.0bps on lesser bonds traded compared to prior day. The benchmark 7Y MGS 3/25 lost 2bps at 3.99% levels whilst the 10Y MGS 6/28 edged 1bps higher at 4.06% levels. Fitch in its latest assessment maintained Malaysia's rating at A- with a stable outlook; sees GDP to slow to 5.2% this year with fiscal deficit around 2.5% of GDP by 2020.

**Corp Bonds/Sukuk**

- Corporate Bonds/Sukuk saw sustained trading activity with volume at RM575m yesterday with interest along the GG to AA-part of the curve on 32 different bonds with yields generally lower. Many tranches of PRASA and DANA bonds dominated the Govt-guaranteed space. PRASA 24-27's ended lower on yields between 4.15-38% levels compared to previous-done levels whilst DANA 4/25 and 7/27 edged 1bps lower at 4.24% and 4.37% respectively. A slew of AAA-rated CAGA 20's ended mixed between -4 to +7bps at 4.02-05% area whilst a host of power and toll-related names continued to hog the limelight in the AA-segment. JEP 29-30's trade 0-5bps lower between 4.86-93% levels whilst MALAKOFF 18 and 20 saw mixed fortunes closing at 4.21% and 4.58% respectively. DUKE3 saw 2033-36 tranches traded lower as well on decent demand amounting to RM80m nominal amounts.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.61	-3
5-yr UST	2.74	-4
10-yr UST	2.86	-4
30-yr UST	3.03	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	3	3.59	0
5-yr	3.75	0	3.87	0
7-yr	3.99	2	4.06	2
10-yr	4.06	1	4.16	1
15-yr	4.50	0	4.56	0
20-yr	4.69	2	4.76	0
30-yr	4.89	0	4.94	0

\* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.74	0
5-yr	3.86	1
7-yr	3.98	1
10-yr	4.18	2

Source : Bloomberg

**Upcoming Government Bond Tender**

Nil

## 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	56	3.303	14/08/2018	-3
MGS	11/19	3.460	21	3.452	14/08/2018	1
MGS	10/20	3.512	182	3.512	13/08/2018	0
MGS	07/21	3.583	15	3.594	14/08/2018	-1
MGS	09/21	3.616	22	3.625	14/08/2018	-1
MGS	11/21	3.570	133	3.537	14/08/2018	3
MGS	03/22	3.667	57	3.655	14/08/2018	1
MGS	08/22	3.766	20	3.730	14/08/2018	4
MGS	09/22	3.768	1	3.755	14/08/2018	1
MGS	03/23	3.803	156	3.816	14/08/2018	-1
MGS	04/23	3.751	322	3.754	14/08/2018	0
MGS	08/23	3.836	20	3.851	14/08/2018	-2
MGS	07/24	3.941	15	3.961	14/08/2018	-2
MGS	09/24	3.982	30	4.006	14/08/2018	-2
MGS	03/25	3.986	100	3.969	14/08/2018	2
MGS	09/25	4.070	63	4.078	14/08/2018	-1
MGS	04/26	4.184	8	4.153	14/08/2018	3
MGS	11/26	4.150	44	4.166	14/08/2018	-2
MGS	11/27	4.168	142	4.155	14/08/2018	1
MGS	06/28	4.062	41	4.056	14/08/2018	1
MGS	06/31	4.553	55	4.521	14/08/2018	3
MGS	04/33	4.539	60	4.531	14/08/2018	1
MGS	11/33	4.495	420	4.504	14/08/2018	-1
MGS	05/35	4.687	32	4.678	14/08/2018	1
MGS	04/37	4.733	71	4.733	14/08/2018	0
MGS	06/38	4.693	40	4.672	08/08/2018	2
GII	04/22	3.770	121	3.770	14/08/2018	0
GII	07/23	3.902	250	3.902	14/08/2018	0
GII	11/23	3.865	90	3.861	14/08/2018	0
GII	08/25	4.062	210	4.045	14/08/2018	2
GII	09/26	4.172	10	4.168	14/08/2018	0
GII	07/27	4.177	80	4.163	09/08/2018	1
GII	10/28	4.156	472	4.150	14/08/2018	1
GII	06/33	4.564	70	4.557	14/08/2018	1
GII	08/37	4.759	91	4.758	14/08/2018	0
			<u>3519</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	02/22	GG	4.097	20	4.035	30/01/2018	6	43
Pengurusan Air SPV Berhad	06/23	GG	4.101	10	4.092	14/08/2018	1	35
Prasarana Malaysia Berhad	03/24	GG	4.146	10	4.189	30/07/2018	-4	25
DanaInfra Nasional Berhad	04/25	GG	4.240	10	4.254	27/07/2018	-1	27
Pengurusan Air SPV Berhad	02/26	GG	4.270	50	4.312	31/07/2018	-4	30
Prasarana Malaysia Berhad	02/26	GG	4.280	45	4.273	03/08/2018	1	24
Prasarana Malaysia Berhad	08/26	GG	4.290	5	4.299	01/08/2018	-1	25
DanaInfra Nasional Berhad	07/27	GG	4.370	20	4.382	01/08/2018	-1	30
Prasarana Malaysia Berhad	12/27	GG	4.380	20	4.379	10/08/2018	0	31
DanaInfra Nasional Berhad	04/33	GG	4.763	40	4.899	03/05/2018	-14	27
Cagamas Berhad	03/20	AAA	4.020	5	4.059	26/07/2018	-4	54
Malaysia Airports Capital Berhad	08/20	AAA	4.213	5	4.306	26/06/2018	-9	73
Cagamas Berhad	10/20	AAA	4.027	10	3.960	18/09/2017	7	54
Cagamas Berhad	10/20	AAA	4.050	5	4.071	08/08/2018	-2	57
Cagamas Berhad	05/23	AAA	4.251	5	4.370	11/07/2018	-12	50
Celcom Networks Sdn Berhad	08/22	AA+	4.564	5	4.571	08/08/2018	-1	89
Celcom Networks Sdn Berhad	08/27	AA+	4.848	10	4.932	25/07/2018	-8	78
First Resources Limited	10/21	AA2	4.566	15	4.709	19/06/2018	-14	103
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.078	10	4.205	23/07/2018	-13	68
AmBank Islamic Berhad	03/24	AA3	4.464	10	4.521	27/07/2018	-6	57
IJM Corporation Berhad	10/24	AA3	4.650	20	4.858	18/05/2018	-21	76
RHB Investment Bank Berhad	04/25	AA3	4.681	30	4.706	26/06/2018	-3	71
SPR Energy (M) Sdn Berhad	07/26	AA3	4.960	10	5.046	13/12/2017	-9	92
Malakoff Power Berhad	12/18	AA-	4.205	20	4.231	14/08/2018	-3	81
Malakoff Power Berhad	12/21	AA-	4.578	20	4.550	20/02/2018	3	104
Southern Power Generation Sdn Berhad	10/26	AA-	4.756	5	4.876	21/06/2018	-12	72
Jimah East Power Sdn Berhad	06/29	AA-	4.859	20	4.908	08/12/2017	-5	80
Jimah East Power Sdn Berhad	12/30	AA-	4.929	60	4.924	13/08/2018	0	87
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.219	20	5.219	09/08/2018	0	72
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.279	20	5.329	26/07/2018	-5	78
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.339	20	5.401	02/07/2018	-6	84
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.399	20	5.439	26/07/2018	-4	70
			<u>575</u>					

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

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

**The Ministry of international Trade and Industry (Miti) will initiate an administrative review of anti-dumping duties on imports of hot rolled coils (HRCs), chequered coils, and pickled and oiled coils.** The decision of the administrative review will then be made within 180 days from the date of initiation. In a statement today, Miti said this was based on a petition from an interested party received on July 17, which requested for the review on the ground that there is no more local production of HRCs in Malaysia. Lion Group's Megasteel Sdn Bhd, which was the sole HRC producer in the country, closed its 18-year-old Banting plant in Selangor in 2016 after suffering losses in the past years. In connection with the investigation, Miti said it will provide a set of questionnaires to interested parties listed in the petition. "Other interested parties may request for the questionnaires no later than Aug 30. Interested parties may also provide additional supporting evidence to Miti before Sept 14. "In the event no response is received within the specified period, the government will make its preliminary findings based on the best facts available," added Miti. The original anti-dumping investigation was initiated on June 18, 2014, which resulted in anti-dumping duties being imposed on Feb 14, 2015 until Feb 13, 2020; ranging from 2.49% to 25.4%. (Source: *The Edge*)

**Local business firms and investors are now worried about the implication of various macroeconomic issues such as the escalating US-China trade tensions, which could take a toll on the economy and further cloud business sentiment, according to PwC Malaysia executive chairman Datuk Mohammad Faiz Azmi.** "I guess there is nothing specific with regards to the local market that the investors are worried too much about [now], but everyone is concerned with what the big [economies] are doing," Mohammad Faiz told reporters on the sideline of the four-day International Malaysia Law Conference 2018 here today. At the same time, Mohamad Faiz said the collapse of the Turkish lira and the sanctions and trade spat among big economic giants will further add to the current uncertain and volatile environment, "which is not good for business". "Being a little country with an open economy, Malaysia will obviously be [part of the] collateral damage," he added. Earlier, Mohamad Faiz was asked to comment on the latest audit progress into troubled 1Malaysia Development Bhd (1MDB), which has been the subject of criminal investigations in multiple jurisdictions, including Switzerland, Singapore, United States and Malaysia. "Ah, no. I can't comment. That one, you can refer to the Attorney-General's Chambers," he added. On June 26, Finance Ministry appointed Treasury's deputy secretary-general Datuk Asri Hamidon as the new 1MDB chairman, and Mohammad Faiz as chairman of the executive committee which is tasked with recovering 1MDB's assets and managing the strategic development company's debt. On Malaysia's fiscal position, Mohamad Faiz said the strong outlook of the crude oil price will give the country a bit of headroom as the government seeks to improve tax revenue, which is expected to come in lower as a result of having abolished the unpopular goods and services tax (GST) and replacing it with the sales and services tax (SST). "One thing I would say is that Malaysia remains dependent on oil, in terms of tax in generating the revenue," he said. "If you look at the projection for the oil price, it is predicted to go up. That will give us (Malaysia) a bit of headroom," he added. Amid a resilient crude oil price outlook, Mohamad Faiz said the government must decide on various other measures to plug the imbalance in tax revenue, as the SST collection is expected to be RM21 billion in 2018, in contrast with the previous annual GST collection of RM43 billion. "Let's look at Budget 2019, when the government presents it later in November. Then, we can have a much more lively discussion," he added. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
AEON Credit Service (M) Berhad	RM1 billion Islamic CP Programme	P1 rating	Reaffirmed
State Government of Sabah	RM1.0 billion Bonds (2014/2019)	AAA/stable	Reaffirmed

Source: RAM Ratings; MARC

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