

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries experienced bear-flattening session with very little except for continued fragile situation in Turkey and ongoing fears of US-China trade barriers. Overall benchmark yields were stiff between -0.5 to +1bps with the 2Y at 2.62% whilst the much-watched 10Y UST was within 1bps at 2.87% levels. Meanwhile Treasury plans to sell \$96b in 3-month and 6-month bills next week along with \$14b in 5-year TIPS. Turkey meanwhile has rolled off its holdings in UST's to below \$30b; a threshold to be considered as a major holder. The US yield curve's run towards inversion has been returning slowly to haunt investors as the 2s10s spread narrowed to the least since August 2007.

MGS/GII

- Trading momentum in Govvies slowed on the back of RM1.66b volume with interest seen mainly on the off-the-run GII 4/22 and some off-the-run 20-23's. The short 3Y MGS and GII bonds saw continued odd-lot trades. Overall benchmark yields were generally lower between 1-14bps save for the 15Y GII. GII trades as a whole jumped to 56% of total trades. Both the benchmark 7Y MGS 3/25 and 10Y MGS 6/28 edged 1bps lower at 3.97% and 4.06% levels respectively. Key highlights today include the announcement on Malaysia's 2Q GDP performance as investors are expected to take the cue from local corporate earnings.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw trading activity spike with volume at RM959m yesterday with interest seen across the curve on 43 different bonds compared to 32 prior day as yields continued to be driven lower. The new 10Y IJM 8/28 made its debut 7bps lower than coupon, ending at 4.98%. Among the many tranches of PRASA, DANA, GOVCO and PASB bonds traded only PASB 6/23 and DANA 3/32 closed unchanged at 4.09% and 4.71% respectively compared to previous-done levels. The short MANJUNG 11/18 saw yields end 7bps lower at 3.84% levels whilst a slew of AA-rated JEP 30-31's closed mixed between -1 and +2bps between 4.88-98% levels on RM145m nominal amounts. The long end SEB 12/32 and 8/35 also traded 3-8bps lower at 5.02% and 5.14% respectively. Nevertheless the seldom-traded HSBS 27nc22 closed at 4.62% in the banking space.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.62	1
5-yr UST	2.74	1
10-yr UST	2.87	0
30-yr UST	3.03	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.53	-4	3.56	-3
5-yr	3.61	-14	3.87	0
7-yr	3.97	-1	4.05	-1
10-yr	4.06	-1	4.16	0
15-yr	4.50	0	4.57	1
20-yr	4.70	0	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	0
7-yr	3.98	0
10-yr	4.18	0

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	3.250	10	3.271	15/08/2018	-2
MGS	11/19	3.468	4	3.460	15/08/2018	1
MGS	03/20	3.461	70	3.471	14/08/2018	-1
MGS	07/20	3.491	20	3.496	14/08/2018	0
MGS	10/20	3.492	60	3.512	15/08/2018	-2
MGS	07/21	3.580	177	3.583	15/08/2018	0
MGS	09/21	3.625	4	3.616	15/08/2018	1
MGS	11/21	3.531	10	3.570	15/08/2018	-4
MGS	03/22	3.661	1	3.667	15/08/2018	-1
MGS	08/23	3.827	1	3.836	15/08/2018	-1
MGS	07/24	3.945	16	3.941	15/08/2018	0
MGS	03/25	3.974	12	3.986	15/08/2018	-1
MGS	11/26	4.140	47	4.150	15/08/2018	-1
MGS	05/27	4.181	20	4.187	10/08/2018	-1
MGS	11/27	4.175	141	4.157	15/08/2018	2
MGS	06/28	4.056	21	4.062	15/08/2018	-1
MGS	04/30	4.455	1	4.453	14/08/2018	0
MGS	06/31	4.521	3	4.553	15/08/2018	-3
MGS	04/33	4.521	2	4.539	15/08/2018	-2
MGS	11/33	4.495	80	4.495	15/08/2018	0
MGS	05/35	4.701	1	4.687	15/08/2018	1
MGS	04/37	4.697	3	4.733	15/08/2018	-4
MGS	06/38	4.696	20	4.693	15/08/2018	0
GII	10/18	3.250	42	3.260	14/08/2018	-1
GII	04/20	3.557	7	3.586	14/08/2018	-3
GII	08/21	3.715	7	3.708	13/08/2018	1
GII	04/22	3.764	581	3.770	15/08/2018	-1
GII	07/23	3.901	50	3.902	15/08/2018	0
GII	05/24	4.013	20	4.021	14/08/2018	-1
GII	08/25	4.053	20	4.062	15/08/2018	-1
GII	07/27	4.181	10	4.177	15/08/2018	0
GII	10/28	4.157	118	4.157	15/08/2018	0
GII	12/28	4.229	50	4.224	14/08/2018	0
GII	06/33	4.574	30	4.564	15/08/2018	1
			<u>1660</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*	
DanaInfra Nasional Berhad	05/23	GG	4.094	25	4.169	19/01/2018	-7	34
Pengurusan Air SPV Berhad	06/23	GG	4.091	40	4.091	14/08/2018	0	34
Prasarana Malaysia Berhad	03/24	GG	4.127	5	4.146	15/08/2018	-2	23
DanaInfra Nasional Berhad	03/24	GG	4.161	5	4.170	03/08/2018	-1	27
Pengurusan Air SPV Berhad	06/25	GG	4.202	5	4.293	19/07/2018	-9	23
Prasarana Malaysia Berhad	08/28	GG	4.422	20	4.510	17/07/2018	-9	36
DanaInfra Nasional Berhad	04/29	GG	4.470	6	4.528	25/07/2018	-6	41
GovCo Holdings Berhad	02/32	GG	4.839	30	4.880	01/08/2018	-4	34
DanaInfra Nasional Berhad	03/32	GG	4.710	20	4.709	10/08/2018	0	21
DanaInfra Nasional Berhad	05/32	GG	4.710	30	4.723	06/08/2018	-1	21
GovCo Holdings Berhad	09/32	GG	4.859	90	4.950	20/07/2018	-9	36
Manjung Island Energy Berhad	11/18	AAA	3.844	35	3.911	07/12/2017	-7	45
Cagamas Berhad	03/21	AAA	4.066	20	4.170	23/03/2018	-10	53
GENM Capital Berhad	08/25	AAA	5.083	3	5.097	14/08/2018	-1	111
GENM Capital Berhad	07/28	AAA	5.000	2	5.050	23/07/2018	-5	94
GENM Capital Berhad	07/33	AAA	5.417	5	-	-	-	92
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	05/19	AA1	4.382	10	4.455	09/07/2018	-7	99
Sabah Development Bank Berhad	09/20	AA1	4.691	1	4.695	01/08/2018	0	121
Malayan Banking Berhad	05/24	AA1	4.299	10	4.270	14/08/2018	3	40
Hong Leong Bank Berhad	06/24	AA1	4.360	10	4.368	01/08/2018	-1	47
YTL Power International Berhad	05/27	AA1	4.897	5	4.890	14/08/2018	1	81
HSBC Bank Malaysia Berhad	11/27	AA1	4.622	20	4.314	26/10/2016	31	54
Sarawak Energy Berhad	12/32	AA1	5.022	15	5.049	14/08/2018	-3	52
Sarawak Energy Berhad	08/35	AA1	5.139	40	5.214	08/08/2018	-8	64
Tanjung Bin Power Sdn Berhad	08/19	AA2	4.271	20	4.280	14/08/2018	-1	88
UMW Holdings Berhad	10/21	AA2	4.504	10	4.587	20/06/2018	-8	97
Gamuda Berhad	11/22	AA3	4.648	15	4.643	10/08/2018	0	96
RHB Investment Bank Berhad	04/25	AA3	4.698	10	4.681	15/08/2018	2	72
IJM IMTN	8/18/202	AA3	4.980	200	-	-	-	-
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/28	AA-	4.909	10	4.906	21/12/2017	0	85
Jimah East Power Sdn Berhad	06/30	AA-	4.879	20	4.889	14/08/2018	-1	82
Jimah East Power Sdn Berhad	12/30	AA-	4.952	35	4.929	15/08/2018	2	89
Southern Power Generation Sdn Berhad	04/31	AA-	4.929	10	5.105	29/06/2018	-18	43
Jimah East Power Sdn Berhad	06/31	AA-	4.979	70	4.959	14/08/2018	2	48
Jimah East Power Sdn Berhad	12/31	AA-	4.979	20	4.988	08/08/2018	-1	48
Malakoff Power Berhad	12/31	AA-	5.034	10	5.129	05/03/2018	-9	53
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.558	20	5.590	25/07/2018	-3	86
Celcom Networks Sdn Berhad	08/24	AA+	4.684	5	4.689	10/08/2018	0	79
Celcom Networks Sdn Berhad	08/27	AA+	4.849	10	4.848	15/08/2018	0	77
Affin Bank Berhad	09/27	A1	4.947	20	4.928	07/08/2018	2	86
Bank Muamalat Malaysia Berhad	11/21	A	4.762	1	4.763	15/08/2018	0	123
Affin Bank Berhad	07/18	A3	5.799	21	5.300	06/08/2018	50	110
DRB-Hicom Berhad	12/14	A-	7.434	1	7.496	11/07/2018	-6	274
			<u>959</u>					

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

Market/Corporate News: What's Brewing

Axiata Group Bhd will recognise a non-cash impairment of RM3.33 billion in the carrying value of its investment in Idea Cellular Ltd, which is now part of India's largest telecom company, Vodafone Idea Ltd. The RM3.33 billion write-down is expected to have a material impact on the group's earnings, earnings per share, net assets (NA) per share and gearing for the financial year ending Dec 31, 2018 (FY18). This follows the completion of the merger between Idea, Vodafone India Ltd and Vodafone Mobile Services Ltd, whose accounting standards require Axiata to de-recognise and reclassify its investment in Idea from associate to simple investment, as the group's shareholding in the combined entity is diluted to 8.17% from 16.33%. In a filing with Bursa Malaysia today, Axiata said the RM3.33 billion figure was arrived at after including the group's initial investment of RM2.17 billion based on Idea's market value as at Aug 15, 2018, against the deduction of RM5.44 billion from the carrying value of its investment in Idea. Axiata also announced that it has relinquished its rights to appoint a representative as a board member and to the board audit committee of Idea, as well as the anti-dilution rights, which will also result in Idea being "reclassified as a financial asset measured at fair value through other comprehensive income". For illustrative purposes, assuming the relinquishment of rights and Idea's reclassification was completed at end-2017, Axiata said it could have resulted in Axiata's incurring a net loss in FY17 to the tune of RM2.78 billion, from a net profit of RM909.48 million prior to the changes. Its gearing — based on FY17 — would also rise to 0.91 times from 0.78 times previously, while its NA would decrease to RM2.33 per share, a reduction of 40 sen from RM2.73 per share prior to its stake reduction in Idea. (Source: *The Edge*)

The southern Indian state of Kerala's worst floods in a century with rising water levels are likely to impact rubber and other plantations in the region. Torrential rains in Kerala, India's largest rubber producer and also a major tourism hub, have left over 30,000 people homeless, destroyed crops and disrupted air, rail and road traffic within the state for a week. "Ten people died today," said M. Sivasankar, an official at the chief minister's office. "(So far) 79 people have died in the most recent floods ... over (the course of) a week." Rubber output in India, the world's sixth biggest producer and second largest consumer, is likely to fall 13.5 percent from a year ago to 600,000 tonnes in the fiscal year to March 2019, according to N. Radhakrishnan, a dealer and former president of Cochin Rubber Merchants Association. "In July rubber production was hit by rains. Now with the situation worsening in August, farmers again cannot tap rubber trees," Rajiv Budhraj, director general of India's Automotive Tyre Manufacturers' Association, told Reuters. With industry officials saying that a quick rebound in local rubber output is unlikely, tyre makers will have to rely more on imports. That could lift India's imports to a record 500,000 tonnes due to high demand from tyre makers, Budhraj said. **Higher imports by India could support global rubber prices and lift shipments from major exporters like Thailand, Malaysia, Indonesia and Vietnam.** Production of other key plantation crops such as tea, coffee and black pepper in Kerala have also been severely hit, with the state having received about 30 percent more rain than it typically gets since the start of the monsoon season in late May. Tens of thousands of people, including tourists visiting Kerala for the annual Onam festival, were stranded in parts of the state as the provincial government sought more helicopters and central forces for rescue operations. "Floating devices, lifeboats and life jackets will be air dropped to stranded groups of 50 or more people," Chief Minister Pinarayi Vijayan's office said in a tweet on Thursday, appealing to people to stand in open areas or on top of houses and other buildings to ensure quick airlifting. Sivasankar, the official at the chief minister's office, said a total of 265 people had died since the onset of the monsoon in Kerala on May 29. Kochi, the state's commercial capital and a key gateway for tourists to the state, said it

was flooded, forcing a suspension of operations at the airport until Aug. 26. Railway tracks and roads connecting Kochi to other parts of India were also inundated after the state received rainfall eight times heavier than normal on Wednesday. Amazon.com's Indian unit, which just held its big annual Indian Independence Day sales event, said that it had been forced to temporarily halt deliveries in parts of Kerala. Heavy to very heavy rain is forecast in Kerala until Saturday, with a "red alert" for all 14 districts in the state. (Source: *The Star*, *Reuters*)

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

Source: RAM Ratings; MARC

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