

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.62	2
5-yr UST	2.76	1
10-yr UST	2.86	0
30-yr UST	2.97	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	1	3.55	-1
5-yr	3.77	0	3.91	0
7-yr	3.96	0	4.06	0
10-yr	4.10	-1	4.23	1
15-yr	4.57	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	3.71	0
3-yr	3.76	1
5-yr	3.87	1
7-yr	3.99	1
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries was pressured on the front-end as the yield curve continued to bear-flatten with the 2s10s spread touching a low of 24bps. In an otherwise smooth US congressional testimony with little surprises overall including two gradual policy rate hikes; benchmark yields ended 0-2bps higher. The 2Y (reflective of interest rate predictions) edged higher to 2.62% whilst the much-watched 10Y similarly saw yields within 1bps at 2.86% levels. Meanwhile foreign investors were net buyers of UST's to the tune of \$27b in May (April: \$22.6b) with China's holdings rising modestly by \$1.2b to \$1.18b and Japan's by \$17.6b to \$1.05b.

MGS/GII

- Trading momentum in govies lagged on steady yields with total volume at RM1.78b with interest mainly seen in the off-the-run 19's and both the 10Y benchmarks. Overall benchmark MGS and GII yields were generally unchanged to within 1bps of prior day with the 7Y MGS 3/25 unchanged and the 10Y MGS 6/28 1bps lower at 4.10%. It is noted that emerging-market local bonds are offering a real-yield premium of 4.0% over developed-market government bonds and investors expect Malaysia under the new government to eventually make their financial assets attractive.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk spiked on tremendous volume of RM824m as interest spawned across a high of 44 different bonds compared to a mere 14 the previous day. A slew of DANA, PRASA and GOVCO and PASB bonds across most tenures exchanged hands literally rallying as much as 16bps save for PASB 9/20 which closed 12bps higher at 4.02% compared to previous-done levels. AA-rated SEB 22 and 27 also ended 2-7bps lower at 4.53% and 4.79% respectively. Southern Power 24-26 together with the 35's saw several tranches traded 6-8bps lower between 4.72-76% and 5.28% levels.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 03/19	3.374	110	3.352	16/07/2018	2
MGS 07/19	3.442	40	3.447	12/07/2018	0
MGS 10/19	3.448	198	3.435	16/07/2018	1
MGS 11/19	3.443	218	3.409	13/07/2018	3
MGS 07/20	3.529	2	3.370	11/07/2018	16
MGS 10/20	3.526	24	3.475	16/07/2018	5
MGS 02/21	3.563	10	3.625	16/07/2018	-6
MGS 07/21	3.577	1	3.609	13/07/2018	-3
MGS 09/21	3.633	11	3.623	13/07/2018	1
MGS 11/21	3.571	97	3.565	16/07/2018	1
MGS 08/23	3.909	54	3.896	16/07/2018	1
MGS 07/24	3.963	4	4.010	16/07/2018	-5
MGS 09/24	4.012	121	4.018	16/07/2018	-1
MGS 09/25	4.048	5	4.092	16/07/2018	-4
MGS 11/27	4.166	12	4.179	16/07/2018	-1
MGS 06/28	4.104	150	4.111	16/07/2018	-1
MGS 04/30	4.514	80	4.470	12/07/2018	4
MGS 04/33	4.641	3	4.641	16/07/2018	0
MGS 11/33	4.568	20	4.558	13/07/2018	1
MGS 05/35	4.801	16	4.762	16/07/2018	4
MGS 04/37	4.824	1	4.860	16/07/2018	-4
GII 11/18	3.284	10	3.291	13/07/2018	-1
GII 04/20	3.553	8	3.560	06/07/2018	-1
GII 08/20	3.451	1	3.551	10/07/2018	-10
GII 04/21	3.712	100	3.696	13/07/2018	2
GII 07/22	3.921	120	3.950	11/07/2018	-3
GII 11/23	3.910	70	3.912	16/07/2018	0
GII 07/27	4.278	30	4.282	12/07/2018	0
GII 10/28	4.229	230	4.217	16/07/2018	1
GII 12/28	4.298	30	4.282	11/07/2018	2
GII 06/33	4.630	10	4.630	11/07/2018	0
		1785			

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*	
Pengurusan Air SPV Berhad	09/20	GG	4.022	10	3.902	23/03/2018	12	53
GovCo Holdings Berhad	02/21	GG	4.035	10	4.045	12/07/2018	-1	46
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/22	GG	4.212	10	4.119	17/01/2018	9	50
Pengurusan Air SPV Berhad	02/23	GG	4.232	10	4.291	03/07/2018	-6	45
Pengurusan Air SPV Berhad	06/23	GG	4.260	10	4.335	22/06/2018	-8	47
DanaInfra Nasional Berhad	07/24	GG	4.249	5	4.285	04/04/2018	-4	34
Jambatan Kedua Sdn Berhad	05/25	GG	4.361	40	4.374	02/04/2018	-1	40
Pengurusan Air SPV Berhad	06/25	GG	4.310	20	4.468	03/07/2018	-16	34
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	08/26	GG	4.387	25	4.402	16/07/2018	-2	34
GovCo Holdings Berhad	02/27	GG	4.510	50	4.508	13/07/2018	0	41
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.451	55	4.460	11/07/2018	-1	35
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	11/28	GG	4.530	5	4.519	12/07/2018	1	42
DanaInfra Nasional Berhad	11/30	GG	4.689	30	4.790	27/06/2018	-10	58
GovCo Holdings Berhad	02/32	GG	4.929	20	4.951	27/06/2018	-2	36
DanaInfra Nasional Berhad	03/32	GG	4.792	5	4.789	13/07/2018	0	22
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	4.799	10	4.789	13/03/2018	1	23
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	4.972	25	4.980	12/07/2018	-1	17
DanaInfra Nasional Berhad	04/39	GG	5.028	10	5.064	09/07/2018	-4	23
DanaInfra Nasional Berhad	07/39	GG	5.029	20	5.074	09/07/2018	-4	23
DanaInfra Nasional Berhad	11/47	GG	5.159	10	5.169	13/07/2018	-1	36
Aman Sukuk Berhad	05/24	AAA	4.620	60	4.648	06/07/2018	-3	71
GENM Capital Berhad	07/28	AAA	5.145	48	5.150	12/07/2018	-1	103
Sarawak Energy Berhad	01/22	AA1	4.533	30	4.601	27/06/2018	-7	83
Sarawak Energy Berhad	01/27	AA1	4.788	10	4.809	12/07/2018	-2	69
Public Bank Berhad	04/27	AA1	4.678	20	4.678	19/04/2018	0	58
Sarawak Energy Berhad	12/32	AA1	5.199	20	5.224	11/07/2018	-3	63
TRPlc Medical Sdn Berhad	10/33	AA1	5.019	10	5.040	13/07/2018	-2	45
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/22	AA+	4.684	10	4.709	04/07/2018	-2	98
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/24	AA+	4.809	15	4.862	19/02/2018	-5	90
Intiaz Sukuk II Berhad	05/22	AA2	4.593	10	4.587	06/07/2018	1	89
OCBC Bank (Malaysia) Berhad	04/39	AA2	4.448	1	4.604	09/07/2018	-16	-35
Media Chinese International Limited	02/19	AA3	5.012	70	4.790	28/05/2018	22	163
Gamuda Berhad	03/19	AA3	4.266	15	4.268	21/06/2018	0	88
Bumitama Agri Ltd	09/19	AA3	4.578	10	4.599	25/06/2018	-2	119
SPR Energy (M) Sdn Berhad	07/20	AA3	4.605	10	4.598	26/01/2018	1	112
Jimah Energy Ventures Sdn Berhad	05/21	AA3	4.467	10	4.398	15/12/2017	7	89
RHB Islamic Bank Berhad	05/24	AA3	4.491	10	4.590	24/05/2018	-10	58
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/19	AA-	4.377	10	4.415	12/06/2018	-4	99
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	05/23	AA-	4.832	15	4.874	16/07/2018	-4	105
Southern Power Generation Sdn Berhad	10/24	AA-	4.728	10	4.799	13/06/2018	-7	82
Southern Power Generation Sdn Berhad	04/25	AA-	4.759	10	4.824	13/06/2018	-6	79
Tanjung Bin O&M Berhad	07/26	AA-	4.840	20	4.719	14/09/2017	12	79
Southern Power Generation Sdn Berhad	04/35	AA-	5.279	15	5.363	04/07/2018	-8	71
Bank Muamalat Malaysia Berhad	11/21	A	5.274	5	4.780	16/07/2018	49	170
				824				

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

Market/Corporate News: What's Brewing

Retail sales are expected to drop significantly in the first two months following the reintroduction of the sales and services tax (SST) on Sept 1, as consumers adopt a more cautious approach to spending. However, sales levels are expected to “return to normal” from November in conjunction with the school holidays and festive season, Retail Group Malaysia (RGM) managing director Tan Hai Hsin said. “These are based on the lessons learnt when the goods and services tax (GST) was implemented in 2015,” he said in a statement. An analyst concurred, pointing out that sales fell sharply when the GST was introduced in April 2015. “There was a knee-jerk reaction following the implementation of the GST as shoppers became cautious. However, many retailers started seeing a pick-up in sales by the fourth quarter of that year, as consumers got used to it. “The year-end school and Christmas holidays also bolstered spending. Furthermore, the year-end is usually a time when employees get paid their annual bonuses, which will bolster retail spending.” Yesterday, Finance Minister Lim Guan Eng announced that the provision of services would be taxed at 6% under the reintroduced SST, while the sales of goods would incur a 10% tax, effective Sept 1. “Under the proposed SST bill, goods will be taxed at 10%, while the provision of services will be taxed at 6%,” he said. Tan, however, said there is still a need for more information on the implementation of the SST. With greater clarity, he said it would be easier for the public to better understand the workings of the SST compared with the GST. RGM is projecting the retail sector to chalk up a growth of 5.3% this year following the 14th general election, revising its earlier estimate of 4.7%. Tan said the projection was based on measuring consumer sentiment that was boosted following the election on May 9. On the general outlook for the second half of 2018, Tan said the inability of the ringgit to improve in the immediate term would lead to a higher cost of imports, namely raw materials, semi-finished goods and end-products. “The minimum wage is set to increase from RM1,000 to RM1,500, which would lead to higher retail prices. “The new pricing system on petrol would also affect the cost of living and retail prices,” he said. (Source: *The Star*)

Malaysia Airports Holdings Bhd (MAHB) is partnering IER Group to co-design a proof of concept on digital automation process that provides profiling of passengers and destinations, for one of the four international airports in Malaysia. “We hope that this will be a successful implementation with the onboarding of our strategic partners which could potentially result in a development of a joint intellectual property,” MAHB chief strategy officer Azli Mohamed said in a statement today. IER is the French subsidiary of the Bolloré Group and is involved in the design, manufacturing and marketing of solutions for passenger transport networks. Earlier today, the airport operator signed Memoranda of Understanding (MoUs) with four major aviation players — Daher, ExecuJet, IER and XPeranti and Sigfox — at the Farnborough International Airshow in the UK. Azli said the partnerships with Daher and ExecuJet are part of its Subang Airport regeneration initiative. “Earlier this year, we initiated the Subang Airport regeneration initiative by partnering with several major aerospace and industry players such as Axis REIT Real Estate Investment Trust, Senior Aerospace UPECA and Skyways Technics as a catalyst for the Subang Aerotech Park development,” he said. “This further regeneration of the Subang Airport ecosystem that also houses Spirit AeroSystems, Airbus Helicopters Malaysia, GE Aviation and Global Turbine Asia-Safran Helicopter Engines, is expected to create a spill-over effect into KLIA Aeropolis in the future. “Therefore, by partnering Daher and ExecuJet, which is part of the Luxaviation Group, we hope to boost the current airport ecosystems and provide more solutions to the industry,” he added. (Source: *The Edge*)

"We selected Subang Airport as our Southeast Asia hub for all maintenance, repair and overhaul (MRO) activities due to its centralised location, high traffic and ease of doing business," Graeme Duckworth, executive vice-president MRO services of Luxaviation Group said. "The existing facility attracts clients from Malaysia, Indonesia, Singapore, Thailand, Hong Kong, Australia and China and by expanding our presence, we will be able to offer an even greater service to a larger number of clients," he added. Meanwhile, MAHB, XPeranti and Sigfox have entered into a collaborative arrangement on its Internet of Things technology and solutions in Malaysia. "The partnership with IER and XPeranti and Sigfox will be the kickstart of the co-creation framework that would translate in passengers experiencing the enhanced services that are automated and digitalised. We are embarking on the Airports 4.0 digital transformation journey and today's collaborations formed are timely," said Azli

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
IJM Corporation Berhad (IJM)	RM3 billion Sukuk Programme	AA3/Stable	Reaffirmed

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

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