

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.61	-1
5-yr UST	2.77	1
10-yr UST	2.87	1
30-yr UST	2.99	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	0	3.61	6
5-yr	3.77	0	3.91	0
7-yr	3.96	0	4.10	4
10-yr	4.10	-1	4.22	-1
15-yr	4.56	0	4.63	0
20-yr	4.79	1	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	3.77	1
5-yr	3.86	-1
7-yr	3.99	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries were slightly weaker as curve steepens due to the front-end being somewhat anchored; possibly due to some support from 3Y IG issuances and also weaker data on Housing Starts. The 2Y edged lower to 2.61% whilst the much-watched 10Y similarly saw yields edge up 1bps at 2.87% levels; reflecting an overall tepid movements of only 8bps for the month of July to date. Inflation expectations as priced by the bond market have seen dropping based on 5Y breakeven rates. 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 \$1.18 trillion and Japan's by \$17.6b to \$1.05 trillion. Meanwhile Russia has aggressively cut its holdings instead to \$15b levels.

MGS/GII

- Trading momentum in govies improved with total volume at RM2.06b with interest mainly seen across the curve with some investors dabbling in both the 10Y benchmark MGS and GII bonds. Overall benchmark MGS yields were generally mixed within 1bps save for the 3Y and 7Y GII's. The 7Y MGS 3/25 was unchanged and the 10Y MGS 6/28 ~1bps lower at 4.10%. Meanwhile the latest release of lower CPI data is largely due to the outcome from the recent removal of GST and is not expected to necessitate BNM's reaction via monetary policy changes for now. We note that foreign bond outflows have dissipated of late.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk saw one of its highest secondary market volume of RM902m as interest spawned across a high of 48 different bonds compared to 44 the previous day. Several tranches of both DANA and PRASA bonds saw active trades. PRASA 25-28's rallied 0-16bps to close between 4.34-5.8% levels compared to previous-done levels whilst DANA 4/39 and 11/47 edged 2bps lower at 5.01% and 5.15% respectively. AAA-rated TELEKOM 6/24 notched 7bps lower at 4.49% whilst GENTING CAP 7/23 ended weaker at 5.03%. Power and infra-related bonds in the AA-rated segment saw various names like SEB., Southern Power, BGSM and MEX II bonds exchange hands; closing lower on yields as well. In the banking space HLBB 24nc19 closed at 4.38% whereas MBB 68nc18 closed at 4.16% levels.

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.288	32	3.287	16/07/2018	-2
MGS 03/19	3.380	80	3.374	17/07/2018	1
MGS 07/19	3.416	10	3.442	17/07/2018	-3
MGS 11/19	3.430	37	3.463	17/07/2018	-3
MGS 03/20	3.478	32	3.441	12/07/2018	4
MGS 10/20	3.503	43	3.526	17/07/2018	-2
MGS 07/21	3.608	100	3.577	17/07/2018	3
MGS 09/21	3.631	15	3.633	17/07/2018	0
MGS 11/21	3.571	21	3.578	17/07/2018	-1
MGS 03/23	3.853	150	3.881	13/07/2018	-3
MGS 08/23	3.898	50	3.909	17/07/2018	-1
MGS 07/24	4.010	2	3.963	17/07/2018	5
MGS 09/24	4.031	3	4.012	17/07/2018	2
MGS 09/25	4.142	22	4.048	17/07/2018	9
MGS 04/26	4.223	20	4.179	17/07/2018	4
MGS 03/27	4.232	10	4.204	12/07/2018	3
MGS 11/27	4.179	57	4.166	17/07/2018	1
MGS 06/28	4.098	392	4.104	17/07/2018	-1
MGS 04/30	4.497	3	4.514	17/07/2018	-2
MGS 06/31	4.541	24	4.551	12/07/2018	-1
MGS 04/33	4.661	44	4.647	17/07/2018	1
MGS 11/33	4.564	20	4.568	17/07/2018	0
MGS 04/37	4.839	1	4.824	17/07/2018	2
MGS 06/38	4.794	140	4.787	13/07/2018	1
MGS 03/46	4.936	7	4.933	17/07/2018	0
MGS 07/48	4.912	50	4.911	16/07/2018	0
GII 04/20	3.613	3	3.553	17/07/2018	6
GII 08/21	3.715	10	3.718	12/07/2018	0
GII 07/22	3.915	100	3.921	17/07/2018	-1
GII 07/23	3.964	1	3.975	09/07/2018	-1
GII 11/23	3.906	30	3.910	17/07/2018	0
GII 05/24	4.074	20	4.184	13/06/2018	-11
GII 08/25	4.101	20	4.064	12/07/2018	4
GII 10/28	4.217	420	4.229	17/07/2018	-1
GII 12/28	4.272	90	4.298	17/07/2018	-3
		<u>2060</u>			

Daily Trades: Corp Bonds / Sukuk

Securities	Maturity (dd/mm/yyyy)	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Pengurusan Air SPV Berhad	06/23	GG	4.240	50	4.335	22/06/2018	-9	46
Lembaga Pembiayaan Perumahan Sektor Awam	04/24	GG	4.268	85	4.291	17/04/2018	-2	35
Bank Pembangunan Malaysia Berhad	09/24	GG	4.329	10	4.271	20/09/2017	6	41
Turus Pesawat Sdn Berhad	11/24	GG	4.310	20	4.320	11/12/2017	-1	39
Turus Pesawat Sdn Berhad	02/25	GG	4.320	20	4.398	07/03/2018	-8	36
MKD Kencana Sdn Berhad	02/25	GG	4.361	60	4.428	23/02/2018	-7	40
Jambatan Kedua Sdn Berhad	05/25	GG	4.347	40	4.364	17/07/2018	-2	38
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/25	GG	4.349	5	4.370	12/07/2018	-2	38
Pengurusan Air SPV Berhad	02/26	GG	4.351	5	4.471	05/07/2018	-12	31
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/26	GG	4.349	5	4.508	25/06/2018	-16	31
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/27	GG	4.450	5	4.491	10/07/2018	-4	36
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/28	GG	4.480	60	4.479	12/07/2018	0	38
Danalinfa Nasional Berhad	10/28	GG	4.481	40	4.600	02/07/2018	-12	38
Danalinfa Nasional Berhad	03/32	GG	4.780	10	4.792	17/07/2018	-1	21
Danalinfa Nasional Berhad	05/32	GG	4.780	10	4.821	09/07/2018	-4	21
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	4.948	10	4.972	17/07/2018	-2	14
Danalinfa Nasional Berhad	04/39	GG	5.009	10	5.028	17/07/2018	-2	21
Danalinfa Nasional Berhad	11/47	GG	5.149	20	5.169	13/07/2018	-2	35
GENM Capital Berhad	07/23	AAA	4.879	11	4.879	16/07/2018	0	109
Telekom Malaysia Berhad	06/24	AAA	4.488	40	4.559	26/06/2018	-7	57
Genting Capital Berhad	06/27	AAA	5.030	15	4.941	24/01/2018	9	94
GENM Capital Berhad	07/28	AAA	5.102	1	5.150	12/07/2018	-5	100
Bank Pembangunan Malaysia Berhad	03/32	AAA	4.979	20	5.008	13/07/2018	-3	41
Sarawak Energy Berhad	06/21	AA1	4.454	20	4.487	13/07/2018	-3	88
Public Bank Berhad	11/23	AA1	4.281	45	4.308	13/07/2018	-3	50
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/24	AA+	4.801	5	4.809	17/07/2018	-1	89
Hong Leong Bank Berhad	06/24	AA1	4.375	20	4.514	11/07/2018	-14	46
Sarawak Energy Berhad	07/24	AA1	4.669	10	4.750	13/06/2018	-8	75
Sarawak Energy Berhad	12/32	AA1	5.199	20	5.199	17/07/2018	0	63
Bright Focus Berhad	01/30	AA2	5.178	6	5.219	07/05/2018	-4	108
Hong Leong Bank Berhad	09/39	AA2	4.651	10	4.643	05/07/2018	1	-15
Malayan Banking Berhad	09/68	AA2	4.158	76	4.352	13/07/2018	-19	-65
Malaysia Airport Holdings Berhad	12/14	AA2	4.947	15	5.039	01/06/2018	-9	14
Bumitama Agri Ltd	09/19	AA3	4.568	10	4.578	17/07/2018	-1	119
BGSM Management Sdn Berhad	08/21	AA3	4.567	10	4.648	28/05/2018	-8	100
UEM Edgenta Berhad [fka Faber Group Berhad]	04/22	AA-	4.684	15	4.719	09/07/2018	-4	99
CIMB Thai Bank Public Company Limited	07/24	AA3	5.061	1	4.584	12/07/2018	48	115
BGSM Management Sdn Berhad	08/25	AA3	4.785	15	4.737	10/04/2018	5	82
Southern Power Generation Sdn Berhad	10/23	AA-	4.668	10	4.739	15/05/2018	-7	88
Southern Power Generation Sdn Berhad	10/24	AA-	4.728	10	4.728	17/07/2018	0	81
MEX II Sdn Berhad	04/30	AA-	5.318	2	5.281	29/11/2017	4	122
MEX II Sdn Berhad	04/32	AA-	5.519	1	5.529	29/06/2018	-1	95
Special Power Vehicle Berhad	05/19	A1	4.635	2	4.825	29/08/2017	-19	125
RHB Bank Berhad	03/39	A1	4.606	40	4.611	10/04/2018	0	-20
Bank Muamalat Malaysia Berhad	06/26	A3	5.680	5	5.653	04/07/2018	3	164
DRB-Hicom Berhad	12/14	A-	7.739	1	7.796	04/06/2018	-6	294
Bank Muamalat Malaysia Berhad	11/21	A	4.779	2	5.274	17/07/2018	-50	121
Alliance Bank Malaysia Berhad	11/17	BBB1	5.669	1	5.669	04/06/2018	0	86
				<u>902</u>				

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

Market/Corporate News: What's Brewing

The ongoing trade war between US and China, two of the largest economies in the world, could wipe out about 0.2% to 0.3% of the Asean region's gross domestic product (GDP), says ASEAN+3 Macroeconomic Research Office Ltd (AMRO) chief economist Dr Khor Hoe Ee. “The trade tariffs will have an impact on demand. Some emerging markets will be affected more than others, especially those that manufacture for exports, which are plugged into the global value chain. Countries that produce commodities will be less affected,” he told reporters at the Asean Roundtable Series titled “What Lessons Learned from Financial Crises of Recent Times”, organised by CIMB Asean Research Institute (CARI) today. The US had slapped a tariff of 25% on US\$34 billion Chinese goods earlier this month, with Beijing retaliating by imposing tariffs of the same magnitude. Another tariff on US\$16 billion is expected to kick in soon, while the US administration has also announced a new 10% tariff on US\$200 billion Chinese imports. The new tariff will not take effect for at least two months, in order for the US industry to have time to comment on the products selected for levies. According to Khor, taking into consideration the new tariffs on US\$200 billion Chinese goods, it will probably increase the impact by another 0.1 and 0.2 percentage points. The bigger concern lies on the effect it would have on the financial market and its spillover impact on confidence, investment, as well as the interest rates, he noted. “If for any reason, interest rates were to go up, central banks around the world will be forced to tighten policy and this would lower growth further,” he said. Earlier during the panel discussion which was chaired by CARI chairman and Asean Business Club president Tan Sri Dr Munir Majid, concerns were raised on whether a “perfect storm” is in the making with increased uncertainties and potential spillover effects on the financial markets, due to the US-led trade wars. “US President Donald Trump’s ‘America First’ policy is causing global instability in geopolitics, economies and trade. The US Federal Reserve is also showing less concern than ever, about the impact of its monetary policies on non-American economies. “The so-called normalisation of central bank monetary management in Europe as well, has seen outflows from Asean capital and financial markets,” Munir said. Another panelist, Tan Sri Andrew Sheng, who is also the advisor for CARI, as well as the chairman of Khazanah Research Institute (KRI), emphasised the over-dependency on monetary policy and financial regulations, post-global financial crisis about a decade ago. “Democratic politics refused the use of painful structural reforms and taxation (fiscal tool) to address the structural imbalances and social inequalities. The choice was made to over-use monetary policy and complex financial regulations that led to even more capture and concentration within the system, namely growing income and wealth inequalities, because the super-rich gained excessively at the expense of the less rich,” Sheng said. Policy-making needs a holistic view that recognises and responds to the six megatrend shifts: geopolitics, geography, gender, geo-climate change, generational and G5 (fifth generation) technology, he added. Sheng pointed to the rise of populism as seen in US and in some European countries as evidence of major, complex disruptions aggravating inequality and social losses. David Marsh, another panelist who is chairman and co-founder of The Official Monetary and Financial Institutions Forum, concurred, saying policy makers need to be cautious of the trigger points for crises, including political developments, which are not within the purview of central banks. “It is prudent to have in place, contingency plans for emergency action on multiple fronts. Never overestimate a nation’s abilities to overcome its difficulties by itself. It will almost certainly need international support and lining up such action in advance can be crucial,” Marsh said. Dr Hans Genberg, adviser for macroeconomic and monetary policy management, South East Asian Central Banks, who was also on the panel, believes emerging markets in the region is capable of weathering any potential crisis stemming from the US or Europe. However, he cautioned that most experts have yet to identify potential crises from within

the region itself. Frank Scheidig, global head of senior executive banking at DZ Bank, said he doesn't see serious recession happening in Asean. (Source: *The Star*)

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

Source: RAM Ratings; MARC

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