

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury benchmarks were were-off the highs as yields were seen tracking equity indices on continued lack of meaningful leads. Yields were generally 1-2bps lower compared to the prior day closing. Both the 2Y and 10Y ended lower at 2.55% and 2.90% respectively. Meanwhile China's patience in lieu of continued steady holdings of \$1.18 trillion of UST holdings will be put to test in the light of tariff threats by US. The odds of a 3rd rate hike in the September FOMC meeting is widely anticipated for now; while potential of a further 4th hike for the year in December is debatable.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.55	-1
5-yr UST	2.77	-2
10-yr UST	2.90	-2
30-yr UST	3.03	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.62	-2	3.71	-5
5-yr	3.83	1	4.01	0
7-yr	4.04	1	4.18	0
10-yr	4.22	3	4.33	0
15-yr	4.64	0	4.72	0
20-yr	4.87	0	4.84	0
30-yr	4.90	-4	4.98	0

* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.73	0
3-yr	3.80	0
5-yr	3.88	0
7-yr	3.98	0
10-yr	4.15	-1

Source : Bloomberg

Upcoming Government Bond Tender Nil

MGS/GII

- Trading momentum in govies improved to RM2.35b with some decent interest across the curve with significant trades seen in the 20-22 tenors. Offshore interest on diverging requirements with yields ending mixed. Overall benchmark yields were between -4 to +3bps for MGS bonds with the ultra-short and long rallying for the session. GII bonds were largely unchanged save for the 3Y. The 7Y MGS 3/25 edged 1bps higher at 4.04% whilst the 10Y MGS 6/28 rose 3bps higher at 4.22%. Expect market to remain subdued due to the Hari Raya Aidil Fitri celebrations, school holidays and also the World Cup distractions at least for this week. CPI data for May is expected out by noon today with general consensus pegged at 1.8% versus 1.4% in April.

Corp Bonds/Sukuk

- Corporate Bonds however saw little interest with volume at a mere RM138m; with some trades seen across the yield curve. The long-end Govt-guaranteed DANAINFRA bonds saw a slew of trades with the 46-48's closing mixed between -8 to +10bps at 5.22% levels compared to previous-done levels. In the AA-space FRL 10/21 was 1bps lower at 4.79% whereas Sports Toto 6/19 ended weaker at 4.60% levels. Meanwhile in the banking space we saw continued interest in Bank Muamalat 11/21 papers which traded 10bps higher at 5.10%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.249	34	3.256	18/06/2018	-1
MGS	03/19	3.336	31	3.336	18/06/2018	0
MGS	10/19	3.424	56	3.447	18/06/2018	-2
MGS	11/19	3.492	50	3.444	18/06/2018	5
MGS	03/20	3.531	28	3.537	18/06/2018	-1
MGS	07/20	3.530	25	3.551	18/06/2018	-2
MGS	10/20	3.567	204	3.567	18/06/2018	0
MGS	07/21	3.721	108	3.700	18/06/2018	2
MGS	09/21	3.700	151	3.736	18/06/2018	-4
MGS	11/21	3.620	282	3.638	18/06/2018	-2
MGS	03/22	3.881	30	3.872	18/06/2018	1
MGS	08/22	3.904	132	3.891	18/06/2018	1
MGS	09/22	3.909	12	3.930	13/06/2018	-2
MGS	03/23	3.963	30	3.970	18/06/2018	-1
MGS	04/23	3.825	30	3.813	14/06/2018	1
MGS	08/23	4.048	225	4.013	18/06/2018	4
MGS	07/24	4.143	6	4.152	18/06/2018	-1
MGS	09/24	4.168	1	4.135	18/06/2018	3
MGS	03/25	4.042	20	4.034	01/06/2018	1
MGS	09/25	4.233	46	4.238	18/06/2018	-1
MGS	04/26	4.315	70	4.308	18/06/2018	1
MGS	11/26	4.328	140	4.335	18/06/2018	-1
MGS	11/27	4.283	20	4.276	18/06/2018	1
MGS	06/28	4.216	150	4.191	14/06/2018	3
MGS	04/30	4.675	37	4.649	18/06/2018	3
MGS	06/31	4.676	27	4.703	12/06/2018	-3
MGS	04/33	4.759	96	4.762	18/06/2018	0
MGS	05/35	4.925	50	4.920	18/06/2018	0
MGS	04/37	4.934	1	4.893	18/06/2018	4
MGS	03/46	4.898	10	4.935	18/06/2018	-4
GII	04/20	3.706	31	3.752	18/06/2018	-5
GII	08/21	3.904	60	3.932	08/06/2018	-3
GII	04/22	3.933	3	3.904	14/06/2018	3
GII	07/22	3.968	10	3.961	07/06/2018	1
GII	07/23	4.080	80	4.069	14/06/2018	1
GII	08/24	3.842	7	4.192	28/05/2018	-35
GII	08/33	4.811	60	4.839	13/06/2018	-3
			<u>2354</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	05/46	GG	5.219	10	5.179	18/01/2018	4	33
DanaInfra Nasional Berhad	10/46	GG	5.219	10	5.122	13/03/2017	10	33
DanaInfra Nasional Berhad	02/48	GG	5.209	10	5.290	16/05/2018	-8	32
CJ Capital Sdn Berhad	07/20	AAA	4.524	1	4.543	12/06/2018	-2	96
Projek Lebuhraya Usahasama Berhad	01/23	AAA	4.489	5	4.322	06/11/2017	17	65
Rantau Abang Capital Berhad	05/31	AAA	4.887	10	4.847	19/04/2018	4	25
Hong Leong Islamic Bank Berhad	06/24	AA1	4.423	1	4.442	12/06/2018	-2	45
First Resources Limited	10/21	AA2	4.709	20	4.715	12/06/2018	-1	104
PBFIN Berhad	06/59	AA2	4.536	10	4.681	18/06/2018	-15	-35
Sports Toto Malaysia Sdn Berhad	06/19	AA-	4.595	20	4.495	10/01/2018	10	121
Fortune Premiere Sdn Berhad	03/23	AA-	4.916	3	4.929	05/06/2018	-1	108
Southern Power Generation Sdn Berhad	10/26	AA-	4.878	10	4.892	06/06/2018	-1	75
Bank Muamalat Malaysia Berhad	11/21	A	5.100	25	5.000	18/06/2018	10	143
Mah Sing Perpetual	-	-	5.590	2	5.591	18/06/2018	0	-
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

T. Ananda Krishnan, the single largest shareholder in Maxis Bhd and Astro Malaysia Holdings Bhd, is believed to be looking at a corporate exercise involving the two entities to strengthen their position in the changing technology and media landscape. Sources said the low-profile tycoon, who controls the companies through privately-owned Usaha Tegas Sdn Bhd, has been looking at how to position the group's telecommunications and media business in line with increasing competition. "The global trend is for a consolidation between the companies that provides connection to consumers and content providers. It is happening everywhere and Usaha Tegas is in the best position to capitalise on it," said a source. Ananda, who tends to read the trend well ahead of others especially in the area of technology, sees increasing competition for both Astro and Maxis. "Broadband rates are not going to go up. That is a given as both the new and the old government want faster connectivity at lower rates. Going forward it would be hard to maximise further unless competitors drop out. "As for Astro, it is facing competition from multiple fronts. Illegal satellite dishes are being installed to tap into the services of other pay-TV operators located in other countries. Astro is also facing competition from over-the-top (OTT) service providers offering specialised content at lower rates," said the source. Among the OTTs are Netflix, which features largely western movies and dimsum that concentrates on oriental contents from South Korea to Thailand. An analyst said he would not be surprised if Ananda uses Maxis to takeover Astro. "It is similar in the United States where traditional telecommunication companies are buying entertainment companies. Corporate exercises between telco and entertainment companies have received the nod from the US legal system last week," said an analyst. The US court gave the green-light for telecommunications giant AT&T to take over Time Warner – a deal that is valued at US\$80bil (RM240bil). The 21st Century Fox, which is owned by Rupert Murdoch, is another media entertainment company being eyed by two suitors. They are cable and media company Comcast and Walt Disney, which is also a giant media company. CBS Corp and Viacom, two companies owned by Sumner Redstone, are looking at a re-merger after a split 13 years ago. The split was done to help enhance value of Viacom, a company that creates content for the media industry. As for CBS, it is giant media company providing services from cable network to owning publishing houses. Astro was reported to be a subject of privatisation by Ananda two weeks ago. However the company denied that it had been informed of such developments by its major shareholder. Astro's share price took a beating due to lower earnings and it was losing its position as the sole broadcaster of the World Cup. After May 9, the new government embarked on a fund raising to telecast some of the matches over RTM's free-to-air channels. The government has stated its intention to end monopolies – something that is not expected to affect Astro much because its 10-year protection of being the only satellite pay-TV is already at the tail-end. Ananda is the single largest shareholder in Astro with 40%. He has 62.42% in Maxis, the leading mobile telecommunication service provider in the country. Astro has a market capitalisation of RM8.34bil while Maxis towers above it with a value of RM44.16bil. The tycoon is known to embark on corporate exercises that takes the market by surprise. In 2007 he took Maxis Communications Bhd, a company that had domestic and international operations private and re-listed only the Malaysian operations less than three years later. Astro was re-listed in 2012 and its share price has not taken off as anticipated. (Source: *The Star*)

Global stock markets fell with U.S. bond yields and agricultural commodities on Tuesday, while the dollar rose and investors flocked to safety in the face of a rapidly escalating U.S.-China trade conflict. U.S. soybean futures were among the biggest casualties after President Donald Trump threatened to impose a 10 percent tariff on another \$200 billion of Chinese goods, a threat that China's commerce ministry described as "blackmailing," vowing to retaliate. Government bonds and the Japanese

yen rallied as investors sought protection. Oil futures pulled back as the dollar rose, with U.S. crude seeing the deepest declines. Wall Street's three major indexes closed lower, though the S&P 500's 0.4 percent drop was much more measured than that of overseas markets such as China's. A preference for more domestically-focused U.S. sectors such as utilities and telecommunications showed investors trying to insulate themselves from a trade war, according to Jack Ablin, chief investment officer at Cresset Wealth in Chicago. Stocks were vulnerable to a sell-off on trade headlines because some are overvalued at a time when the U.S. Federal Reserve is raising rates, said Jim Paulsen, chief investment strategist at The Leuthold Group in Minneapolis "Trade is not as big an issue for us as overseas economies and it's easy to believe Trump is bluffing because he does a lot of it." said Paulsen. "It's starting to feel more like a true trade war. I think people still don't think we'll blow up into a full global trade war that'll cause a recession." While the strong dollar affected commodities across the board, investors in U.S. agricultural commodities appeared particularly worried. Cresset's Ablin said Trump may be willing to suffer near-term pain in commodities in a spat that is "less about soybeans and more about intellectual property." Chicago Board of Trade front month soybean futures settled down 2.1 percent after falling as much as 7.3 percent, to the lowest spot price on a continuous chart since December 2008. "When you get in a fight with your biggest buyer of agriculture, and the world's largest soybean buyer (China), even if (it) were to buy 20 percent less, it's a big deal," said Dan Basse, president of Chicago-based consultancy AgResource Co. He estimated that U.S. crop farmers have lost \$100 per acre in revenue over the past two weeks in the most rapid erosion of U.S. farm profit since at least 1979 due to the administration's battle with China. In currencies the dollar and the yen rose as investors piled in to currencies that are perceived less risky. (Source: *The Edge/Reuters*)

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

Source: RAM Ratings; MARC

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