Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.59	-2
5-yr UST	2.73	-3
10-yr UST	2.84	-3
30-yr UST	2.96	-3

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	0	3.61	0
5-yr	3.77	0	3.91	0
7-yr	3.96	2	4.08	-2
10-yr	4.10	0	4.22	0
15-yr	4.55	-1	4.61	-2
20-yr	4.80	0	5.00	0
30-yr	4.91	0	4.98	0

*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.70	0
3-yr	3.77	1
5-yr	3.86	0
7-yr	3.98	0
10-yr	4.17	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries held steady on flight-to-safety theme following resumption of trade fears and Trump's dislike for stronger dollar and higher interest rates. Price action in response to his Fed comments remained stable. Overall benchmark yields ended 2-3bps lower with the 2Y at 2.59% whilst the much-watched 10Y ended at 2.84% levels. Meanwhile the US Treasury plans to sell $135b in debt next week. With the Fed having kicked-off the trend on interest rate hikes, other central banks too are seen to consider tightening policy rates as flatter yield curves continue to appear in UK, India and Indonesia.

MGS/GII

- Trading momentum in Govvies maintained albeit at slightly lower volume of RM1.57b with interest switching to GII bonds which formed ~50% of total trades; mainly on the short-end 19's and 22's. Overall benchmark MGS yields were generally mixed within 2bps from prior day's close with the 7Y MGS 3/25 2bps higher at 3.96% unchanged whilst the 10Y MGS 6/28 was untraded. The shrinking of inflation based on the latest CPI data is expected to provide positive, real yield in spite of the new SST which will dent only part of the positive yield spread. Despite marginally higher USDMYR levels; this is line with other Asian currencies but the Ringgit is quite stable on the crosses.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk remained commendable on volume of RM691m as interest was seen across the curve on 36 different bonds compared to 48 the previous day. Many tranches of both DANA, PRASA and PASB bonds saw active trades. DANA 24's closed 2-3bps lower at 4.23% levels compared to previous-done levels whilst the DANA 32's also gained traction moving lower yield-wise @ 4.77-78% levels. PRASA 2/31 saw RM50m nominal amounts traded a whopping 18bps lower, ending at 4.68%. AAA-rated RANTAU 3/29 and DANGA 9/33 rallied 7-8bps at 4.70% and 4.96% respectively. Power and infra-related bonds in the AA-space i.e. BGSM 12/22, 3/26 and TBEI 3/28 also saw yields go lower between 4.66-92% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.267	30	3.300	18/07/2018	-3
MGS	03/19	3.411	2	3.380	18/07/2018	3
MGS	10/19	3.424	2	3.448	17/07/2018	-2
MGS	11/19	3.407	9	3.430	18/07/2018	-2
MGS	07/20	3.496	18	3.529	17/07/2018	-3
MGS	10/20	3.511	22	3.488	18/07/2018	2
MGS	02/21	3.564	1	3.563	17/07/2018	0
MGS	07/21	3.589	27	3.625	18/07/2018	-4
MGS	09/21	3.628	120	3.631	18/07/2018	0
MGS	11/21	3.571	20	3.571	18/07/2018	0
MGS	03/22	3.712	197	3.706	18/07/2018	1
MGS	03/23	3.849	2	3.853	18/07/2018	0
MGS	09/24	4.012	142	4.058	18/07/2018	-5
MGS	09/25	4.166	1	4.048	17/07/2018	12
MGS	11/26	4.229	20	4.221	16/07/2018	1
MGS	03/27	4.205	30	4.232	18/07/2018	-3
MGS	11/27	4.189	4	4.179	18/07/2018	1
MGS	06/31	4.578	4	4.551	12/07/2018	3
MGS	11/33	4.550	45	4.564	18/07/2018	-1
MGS	06/38	4.798	20	4.807	18/07/2018	-1
MGS	09/43	4.919	4	4.921	18/07/2018	0
GII	02/19	3.500	30	3.739	25/04/2018	-24
GII	04/19	3.421	369	3.464	11/07/2018	-4
GII	04/22	3.816	213	3.822	12/07/2018	-1
GII	11/23	3.906	3	3.906	18/07/2018	0
GII	05/24	4.055	50	4.074	18/07/2018	-2
GII	08/25	4.082	10	4.101	18/07/2018	-2
GII	07/27	4.281	40	4.278	17/07/2018	0
GII	10/28	4.217	60	4.221	18/07/2018	0
GII	06/33	4.611	70	4.630	11/07/2018	-2
			1565			

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	02/23	GG	4.241	35	4.232	17/07/2018	1	46
Pengurusan Air SPV Berhad	06/23	GG	4.239	35	4.240	18/07/2018	0	46
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.261	10	4.369	10/07/2018	-11	35
DanaInfra Nasional Berhad	04/24	GG	4.230	5	4.248	06/04/2018	-2	31
DanaInfra Nasional Berhad	05/24	GG	4.230	5	4.262	10/04/2018	-3	31
PR1MA Corporation Malaysia	10/24	GG	4.341	20	4.297	11/04/2018	4	43
DanaInfra Nasional Berhad	11/24	GG	4.231	5	4.280	09/01/2018	-5	32
DanaInfra Nasional Berhad	02/25	GG	4.269	70	4.369	27/03/2018	-10	30
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/25	GG	4.260	10	4.346	30/03/2018	-9	29
DanaInfra Nasional Berhad	04/25	GG	4.248	25	4.296	12/07/2018	-5	28
Pengurusan Air SPV Berhad	06/25	GG	4.293	5	4.310	17/07/2018	-2	33
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/26	GG	4.331	30	4.349	18/07/2018	-2	30
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/31	GG	4.679	50	4.858	20/11/2017	-18	12
Jambatan Kedua Sdn Berhad	07/31	GG	4.732	40	4.709	18/09/2017	2	18
DanaInfra Nasional Berhad	03/32	GG	4.770	10	4.780	18/07/2018	-1	21
DanaInfra Nasional Berhad	05/32	GG	4.770	10	4.780	18/07/2018	-1	21
DanaInfra Nasional Berhad	11/32	GG	4.780	10	4.850	28/06/2018	-7	22
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/37	GG	4.950	35	4.958	18/07/2018	-1	15
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/41	GG	5.039	10	5.039	14/09/2017	0	24
DanaInfra Nasional Berhad	05/42	GG	5.071	10	5.119	05/07/2018	-5	27
Genting Capital Berhad	06/22	AAA	4.854	10	5.099	27/06/2018	-25	116
GENM Capital Berhad	07/23	AAA	4.879	1	4.879	18/07/2018	0	110
Danga Capital Berhad	09/27	AAA	4.650	10	4.633	02/05/2018	2	56
GENM Capital Berhad	07/28	AAA	5.162	5	5.102	18/07/2018	6	107
Rantau Abang Capital Berhad	03/29	AAA	4.699	10	4.778	07/06/2018	-8	60
Danga Capital Berhad	09/33	AAA	4.959	20	5.024	29/06/2018	-7	40
Public Bank Berhad	09/23	AA1	4.118	30	4.238	10/07/2018	-12	34
Sarawak Energy Berhad	12/32	AA1	5.189	40	5.201	18/07/2018	-1	63
Malayan Banking Berhad	09/68	AA2	4.085	65	4.158	18/07/2018	-7	-72
Gamuda Berhad	11/22	AA3	4.731	15	4.759	13/07/2018	-3	103
BGSM Management Sdn Berhad	12/22	AA3	4.659	10	4.740	24/05/2018	-8	96
BGSM Management Sdn Berhad	03/26	AA3	4.831	10	4.889	06/06/2018	-6	80
Tanjung Bin Energy Issuer Berhad	03/28	AA3	4.916	10	4.948	26/06/2018	-3	82
UMW Holdings Berhad	04/18	A1	5.928	10	5.969	05/07/2018	-4	113
Mudajaya Corporation Berhad	01/19	A2	5.621	13	5.690	05/06/2018	-7	223
Bank Muamalat Malaysia Berhad	11/21	A	4.777	3	4.779	18/07/2018	0	120
				691				

spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

The global trade war kicking off between the United States and China will not trigger a spate of credit rating downgrades, Fitch's top sovereign analyst says, but the dollar's growing strength could. The recent imposition of tariffs between the world's two largest economies and the threat they could reach US$200 billion means a trade war has gone from "a risk to a reality", Fitch's head of government ratings James McCormack told Reuters. It has changed the firm's overall view of the world. Fitch had hoped the trade tension might blow over, but now believes it could wipe as much as 0.5 percentage points off US economic growth and probably the same off Chinese growth too. While that certainly isn't healthy, the developments on their own however shouldn't cause a mass wave of downgrades. "I wouldn't anticipate it to be honest on a trade war alone," McCormack said. "The US is on the strong side of triple A," he said, adding that US debt as a proportion of its GDP would have to rise somewhere between 20-35 percent before Fitch's in-house model started flashing downgrade warnings. China's A+ rating should also be able to handle it, although there are some caveats. "Weaker growth in itself wouldn't bring the (China) rating lower, it would be a policy response to weaker growth to try to prevent that." "In other words, another run up in credit growth such that the corporate debt stock got larger and concerns about the imbalances got larger — that would be a rating issue." Some signs of that old reflex are starting to emerge. But even zooming out to the global list of countries that could see tariff increases, there are hardly any obvious rating cuts in store. Mexico is one that could see one, but it faces the specific threat of the NAFTA trade pact being unravelled. Its new government could also potentially roll back energy reforms which have helped its finances since being introduced. Could that move the rating outlook to 'negative' on its own? "Potentially yes." McCormack said. "It depends on the magnitude of the changes and what the government wants to do." Scrapping NAFTA, meanwhile, would certainly be damaging. One example cited was that 9 percent of Mexico's exports to the United States are "light" trucks. Under NAFTA there are no tariffs, without it they would be an eye-watering 25 percent. More broadly the bigger risk for emerging market ratings in particular is the ongoing rise of the dollar. The greenback hit its highest level in a year on Thursday, having surged 7 percent since April and for four months in a row, a run not seen for over 3 years. There is a 20-year pattern of downgrades for poorer countries whenever the US currency strengthens and their FX reserves drop. EM ratings fell 1-1.5 notches on average between 2013 and 2017 when the greenback surged 30 percent. It could mean a turnaround for emerging market ratings which had only just started to creep higher again. Fitch's overall balance between positive and negative rating 'outlooks' has just gone back into negative territory again. "We think what might happen to the dollar is a more important question (than the trade war one)," McCormack said. "When EM dollar income is growing faster than local currency income, in that environment we are tending to upgrade sovereigns when it is the other way round we are tending to downgrade sovereigns. That is the relationship that has always held." There are plenty of other country by country issues to judge, too. Turkey, which remains on a downgrade warning, needs to refinance over US$200 billion of debt between its government and companies this year. That is more than all other emerging markets. Mexico has its NAFTA issues, while on the plus side Brazil's economy looks to "have turned a corner", and South Africa's rating "has stabilised" thanks to a potentially "meaningful" change in policy direction by the government. With the dollar so dominant though it is the broader EM strains that McCormack was wary of. "The rhetorical question is whether we have seen the peak (of rating upgrade cycle) for emerging markets," he said. *(Source: The Edge/Reuters)*

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

Source: RAM Ratings; MARC

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