

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries were little changed with overall benchmark yields within a mere 1bps change with the 2Y at 2.61% whilst the much-watched 10Y UST was edged 1bps lower at 2.86% levels. Meanwhile US and China plan further talks to end the ongoing trade barriers. Treasury plans to sell \$96b in 3-month and 6-month bills this week along with \$14b in 5-year TIPS. The week sees the commencement of "Fed-speak" together with the release of FOMC minutes that will be key towards digesting the Fed's balance sheet unwinding and rate policy matters.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.61	-1
5-yr UST	2.74	0
10-yr UST	2.86	-1
30-yr UST	3.02	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.49	-4	3.55	-1
5-yr	3.71	-4	3.85	-2
7-yr	3.93	-4	4.04	-1
10-yr	4.06	1	4.14	-1
15-yr	4.49	-1	4.56	-1
20-yr	4.69	0	4.76	0
30-yr	4.89	0	4.94	0

\*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.68	-2
3-yr	3.72	-2
5-yr	3.83	-3
7-yr	3.94	-4
10-yr	4.16	-1

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

##### MGS/GII

- Trading momentum in Govvies rose following weaker than expected GDP numbers with volume at a high of RM4.79b volume. Interest was seen mainly on 3-10Y benchmarks together with short off-the-run MGS and GII 18-19's. Overall benchmark yields were generally lower between 0-4bps. GII trades formed 45% of total trades. The benchmark 7Y MGS rallied 4bps at 3.93% whilst the 10Y MGS 6/28 ended almost unchanged at 4.06% levels. MYR Interest rates swap movements reflected lower rates following the expected softening of the economy going forward. Up next are the foreign reserves data expected out tomorrow.

##### Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume spike to RM1.06b yesterday with interest seen across the GG to AA-part of the curve on 30 different bonds compared to 43 prior day as yields generally continued to be driven lower. The new 5Y DANA 8/23 made its debut at 4.08%. DANA b27-28's traded 2-4bps lower between 4.34-38% levels compared to previous-done levels whilst JKSB 25 closed unchanged at 4.27% on RM90m volume churned. Likewise SARAWAK Hidro saw similar trading interest closing a whopping 15bps lower at 4.46%. AAA-rated DANGA 1/33 ended 7bps lower at 4.81% whilst a slew of AA-rated JEP 26-31's reversed gains somewhat; closing 0-3bps higher between 4.76-99% levels. In the banking space both MBB 24nc19 and Hong Leong Financial Group 11/18 saw contrasting fortunes; ending 4.31% and 4.10% respectively.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.530	385	3.250	16/08/2018	28
MGS	03/19	3.221	64	3.335	14/08/2018	-11
MGS	07/19	3.389	20	3.358	14/08/2018	3
MGS	10/19	3.487	8	3.411	14/08/2018	8
MGS	11/19	3.434	2	3.468	16/08/2018	-3
MGS	03/20	3.436	54	3.461	16/08/2018	-2
MGS	10/20	3.463	12	3.492	16/08/2018	-3
MGS	02/21	3.530	2	3.555	14/08/2018	-3
MGS	07/21	3.591	24	3.592	16/08/2018	0
MGS	09/21	3.601	3	3.625	16/08/2018	-2
MGS	11/21	3.489	383	3.531	16/08/2018	-4
MGS	03/22	3.670	7	3.661	16/08/2018	1
MGS	08/22	3.745	7	3.766	15/08/2018	-2
MGS	09/22	3.707	52	3.768	15/08/2018	-6
MGS	03/23	3.785	1	3.803	15/08/2018	-2
MGS	04/23	3.714	745	3.751	15/08/2018	-4
MGS	08/23	3.822	20	3.836	15/08/2018	-1
MGS	07/24	3.958	2	3.960	16/08/2018	0
MGS	03/25	3.934	300	3.974	16/08/2018	-4
MGS	09/25	4.045	6	4.094	16/08/2018	-5
MGS	11/26	4.166	8	4.166	16/08/2018	0
MGS	03/27	4.197	0	4.230	14/08/2018	-3
MGS	06/28	4.063	244	4.062	16/08/2018	0
MGS	06/31	4.516	23	4.521	16/08/2018	0
MGS	04/33	4.517	160	4.521	16/08/2018	0
MGS	11/33	4.486	40	4.495	16/08/2018	-1
MGS	06/38	4.693	50	4.696	16/08/2018	0
GII	08/18	3.283	50	3.275	09/08/2018	1
GII	04/19	3.406	1140	3.377	14/08/2018	3
GII	04/20	3.545	1	3.557	16/08/2018	-1
GII	04/22	3.749	202	3.769	16/08/2018	-2
GII	07/22	3.795	140	3.797	13/08/2018	0
GII	07/23	3.890	60	3.901	16/08/2018	-1
GII	11/23	3.850	120	3.865	15/08/2018	-2
GII	08/25	4.040	50	4.053	16/08/2018	-1
GII	09/26	4.165	11	4.172	15/08/2018	-1
GII	10/28	4.142	340	4.157	16/08/2018	-1
GII	06/33	4.563	20	4.574	16/08/2018	-1
GII	08/37	4.759	30	4.759	15/08/2018	0
			<u>4785</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	07/22	GG	4.001	20	4.070	14/08/2018	-7	35
MKD Kencana Sdn Berhad	04/23	GG	4.151	60	4.230	07/08/2018	-8	43
Jambatan Kedua Sdn Berhad	05/25	GG	4.270	90	4.272	10/08/2018	0	32
Danainfra Nasional Berhad	07/27	GG	4.340	50	4.370	15/08/2018	-3	27
Sarawak Hidro Sdn Berhad	08/28	GG	4.474	50	4.486	13/02/2017	-1	42
Sarawak Hidro Sdn Berhad	10/28	GG	4.458	100	4.608	03/07/2018	-15	41
Danainfra Nasional Berhad	10/28	GG	4.381	5	4.420	13/08/2018	-4	33
Prasarana Malaysia Berhad	03/30	GG	4.510	10	4.529	03/08/2018	-2	46
Prasarana Malaysia Berhad	02/31	GG	4.587	75	4.681	27/07/2018	-9	9
Prasarana Malaysia Berhad	09/42	GG	5.029	20	5.029	06/08/2018	0	34
Danainfra Nasional Berhad	08/23	GG	4.080	290	-	-	-	-
Inverfin Sdn Berhad	02/24	AAA	5.005	20	0.000	00/01/1900	501	113
GENM Capital Berhad	08/25	AAA	5.083	1	5.083	16/08/2018	0	113
Danga Capital Berhad	01/33	AAA	4.811	80	4.879	30/07/2018	-7	32
Hong Leong Financial Group Berhad	11/18	AA1	4.099	5	4.151	05/07/2018	-5	72
Sabah Credit Corporation	08/20	AA1	4.485	10	4.470	18/04/2018	2	103
Malayan Banking Berhad	05/24	AA1	4.314	70	4.299	16/08/2018	1	43
YTL Power International Berhad	10/24	AA1	4.660	20	4.779	27/06/2018	-12	78
Gamuda Berhad	10/18	AA3	4.158	5	4.216	21/06/2018	-6	78
RHB Bank Berhad	07/24	AA3	4.146	1	4.649	16/07/2018	-50	27
RHB Investment Bank Berhad	04/25	AA3	4.800	1	4.698	16/08/2018	10	85
Malakoff Power Berhad	12/20	AA-	4.505	10	4.445	22/03/2018	6	105
UEM Sunrise Berhad	12/18	AA-	4.161	20	4.202	09/08/2018	-4	78
Jimah East Power Sdn Berhad	12/26	AA-	4.761	10	4.760	06/04/2017	0	72
Jimah East Power Sdn Berhad	12/29	AA-	4.901	5	4.868	14/08/2018	3	85
Jimah East Power Sdn Berhad	06/30	AA-	4.911	15	4.889	14/08/2018	2	86
Jimah East Power Sdn Berhad	12/30	AA-	4.961	5	4.952	16/08/2018	1	91
Jimah East Power Sdn Berhad	12/31	AA-	4.991	10	4.988	08/08/2018	0	50
Golden Assets International Finance Limited	08/19	A1	4.914	5	4.967	09/08/2018	-5	153
CIMB Group Holdings Berhad	05/16	A1	5.100	0	5.029	20/07/2018	7	41
				<u>1062</u>				

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

### Market/Corporate News: What's Brewing

**The US economy will be hit many times harder than the rest of the world by an escalating global trade war, according to the chief executive officer of AP Moller-Maersk A/S. Soren Skou, who runs the world's biggest shipping company from Copenhagen, said the fallout of the current protectionist wave "could easily end up being bigger in the US".** "Tariffs could slow global annual trade growth by 0.1% to 0.3%, though for the US the effect could be "3% or 4%," he said at Maersk's headquarters on Friday. The company transports about 20% of the world's seaborne consumer goods, putting it in a unique position to gauge the fallout of tariffs on trade flows. Maersk has in the past broken with its culture of steering clear of any political debate to criticise the trade policies of US President Donald Trump. Maersk focuses on trade flows between Europe and Asia and so far its industry hasn't been directly hurt by tariffs. In fact, demand grew 4% in the second quarter. But Skou says that may change if the US starts targeting consumer goods. "The first thing the American importers would do if tariffs are put on Chinese consumer goods would be to buy in Vietnam, in Indonesia or elsewhere in Asia," Skou said. "Big US consumer brands like Nike produce in all of Asia, not just in one country, so there will be a substitution effect." The US put duties on US\$34bil of Chinese goods last month, citing unfair trade practices by the world's second-biggest economy. The Trump administration has said it will impose tariffs on a further US\$16bil on Aug 23, and even signalled it won't shy away from targeting the entire US\$500bil in Chinese exports to the US. (Source: *The Star, Bloomberg*)

**BEIJING: Kuala Lumpur will go all out to forge better ties with Beijing as this would bring mutual benefits to both sides, said Prime Minister Tun Dr Mahathir Mohamad.** He said focusing on economic development rather than confrontation should be the way forward in terms of relations between Malaysia and China. In this regard, Chinese businessmen are welcome to invest in Malaysia, he said, when addressing some 400 top Chinese entrepreneurs and business leaders here yesterday. Dr Mahathir is on a five-day official visit to China. The prime minister also made it clear what is the new Malaysian government's stand on investments from China. "We are not against any Chinese company but against Malaysians who borrow huge sums of money to carry out unnecessary projects," he told the China Entrepreneur Club Leaders Forum. There had been worries that touchy issues concerning some Chinese projects in Malaysia were standing in the way of good relations between the two countries lately. Dr Mahathir noted that Malaysia had had a relationship with China for almost 2,000 years. "Today, China's trade with Malaysia is the biggest, compared with other countries in the region," he said. "There was a time when China was very poor, but now China is rich ... even at a time when it was poor, it was a market for Malaysia, but now that it is rich, we feel that China is a big market," said Dr Mahathir. He said with China trading and investing in Malaysia, both sides would be able to build a big market for China as well. "So there are mutual benefits in having good relations with each other, solving problems between us not through confrontation but through negotiation, arbitration and the court of law. "That is the way we should go," Dr Mahathir said, adding that confrontation would not help build the economies of the two countries. The prime minister said both countries could complement each other, especially in the economic field, for the benefits of their people. Dr Mahathir also touched on how China's development came about, which led to its emergence as a major producer of goods and services for the world. Calling on the country's business community to invest in Malaysia, Dr Mahathir said this would help Malaysia become a producer country from merely a consumer country. Answering a question from the floor, he underscored that the new government of Malaysia under his leadership would not allow corruption in the Malaysian business environment. He said this in response to a Chinese businessman's claim that he previously had to make a

certain amount of payment in order to do business in Malaysia. “I give you assurances that this new government will not allow that [kind of thing to continue] to happen,” he added. The China Entrepreneur Club, which organised the forum, consists of the republic’s top 60 entrepreneurs whose companies posted revenue totalling US\$600 billion last year. Alibaba Group Holding Ltd co-founder Jack Ma, who is the club’s chairman, moderated the forum. (Source: *The Edge, Bernama*)

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

Source: RAM, MARC

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