

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury benchmarks were cheaper with the longer-ends feeling pressure by large IG issuance of \$16b Walmart bonds as the curve bear-steepened. Overall benchmark yields ended 2-5bps higher. The 2Y edged 2bps higher at 2.57% whilst the much-watched 10Y rose 4bps at 2.94%. Meanwhile trade concerns remain as investors read reports of China's intent on taking strong counter-measures against US trade tariffs. A 3rd rate hike in the September FOMC meeting is expected for now; while potential of a further 4th hike for the year in December remains to be seen.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.57	2
5-yr UST	2.81	4
10-yr UST	2.94	4
30-yr UST	3.08	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	0	3.71	0
5-yr	3.83	0	4.01	0
7-yr	4.04	0	4.18	-1
10-yr	4.21	-1	4.33	0
15-yr	4.63	-1	4.72	0
20-yr	4.89	1	4.84	0
30-yr	4.90	0	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.73	-1
3-yr	3.80	0
5-yr	3.89	0
7-yr	3.99	2
10-yr	4.15	0

Source : Bloomberg

Upcoming Government Bond Tender Nil

MGS/GII

- Trading momentum in govies was slightly slower with volume abating at RM1.89b as offshore and inter-bank players continued to nibble in the MGS off-the-run 19's and 21's whilst local investors were seen trading the GII 7/23's. Overall benchmark yields were merely within 1bps from prior day's close. The 7Y MGS 3/25 was unchanged at 4.04% whilst the 10Y MGS 6/28 edged 1 bps lower at 4.21%. Market activity is expected to be range-bound due to the Hari Raya Aidil Fitri celebrations, school holidays and also the World Cup distractions at least for this week. There were no surprises on the release of CPI data @ 1.8%.

Corp Bonds/Sukuk

- Corporate Bonds continued to see subdued interest with volume at RM152m; with some trades seen ONLY across the AA and single-A rated space. A slew of AA-rated PKNS 18's papers exchanged hands about 0-11bps lower between 4.23-38% levels. UMW 21 and 23 bonds closed mixed at 4.59% and 4.72% respectively. Meanwhile in the banking space Bank Islam 27nc22 hogged the limelight edging 1bps higher at 4.93% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.250	13	3.249	19/06/2018	0
MGS	03/19	3.404	201	3.336	19/06/2018	7
MGS	10/19	3.454	1	3.462	19/06/2018	-1
MGS	11/19	3.454	8	3.463	19/06/2018	-1
MGS	03/20	3.549	17	3.531	19/06/2018	2
MGS	10/20	3.566	43	3.567	19/06/2018	0
MGS	02/21	3.639	303	3.651	18/06/2018	-1
MGS	07/21	3.707	4	3.710	19/06/2018	0
MGS	09/21	3.686	270	3.700	19/06/2018	-1
MGS	11/21	3.613	2	3.620	19/06/2018	-1
MGS	03/22	3.805	41	3.808	19/06/2018	0
MGS	09/22	3.896	13	3.909	19/06/2018	-1
MGS	08/23	4.016	1	4.027	19/06/2018	-1
MGS	07/24	4.152	50	4.162	19/06/2018	-1
MGS	09/24	4.135	6	4.140	18/06/2018	0
MGS	03/25	4.044	1	4.042	19/06/2018	0
MGS	09/25	4.254	25	4.246	19/06/2018	1
MGS	04/26	4.308	8	4.315	19/06/2018	-1
MGS	09/26	4.344	9	4.077	19/04/2018	27
MGS	11/26	4.321	30	4.328	19/06/2018	-1
MGS	03/27	4.384	12	4.399	18/06/2018	-1
MGS	05/27	4.417	3	4.367	18/06/2018	5
MGS	11/27	4.286	8	4.283	19/06/2018	0
MGS	06/28	4.206	61	4.216	19/06/2018	-1
MGS	09/28	4.509	30	4.399	02/05/2018	11
MGS	06/31	4.709	61	4.676	19/06/2018	3
MGS	04/32	4.768	4	4.714	14/06/2018	5
MGS	04/33	4.764	95	4.559	19/06/2018	21
MGS	11/33	4.628	1	4.642	13/06/2018	-1
MGS	05/35	4.957	183	4.925	19/06/2018	3
MGS	04/37	4.934	2	4.913	19/06/2018	2
MGS	06/38	4.885	30	4.873	14/06/2018	1
GII	05/20	3.729	10	3.790	31/05/2018	-6
GII	03/21	3.888	20	3.811	18/06/2018	8
GII	08/21	3.860	10	3.904	19/06/2018	-4
GII	04/22	3.947	27	3.933	19/06/2018	1
GII	07/23	4.062	255	4.080	19/06/2018	-2
GII	02/24	4.170	30	4.136	23/04/2018	3
GII	09/26	4.389	6	4.384	06/06/2018	0
			<u>1893</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*
Sarawak Energy Berhad	01/22	AA1	4.603	10	4.615	15/05/2018	-1	83
YTL Power International Berhad	05/27	AA1	5.029	1	5.029	13/06/2018	0	85
UMW Holdings Berhad	10/21	AA2	4.587	10	4.627	25/05/2018	-4	95
UMW Holdings Berhad	10/23	AA2	4.719	10	4.704	14/03/2018	2	90
Perbadanan Kemajuan Negeri Selangor	08/18	AA3	4.232	10	4.227	11/04/2018	0	84
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.331	25	4.393	03/01/2018	-6	94
Perbadanan Kemajuan Negeri Selangor	12/18	AA3	4.379	15	4.490	30/05/2018	-11	99
AMMB Holdings Berhad	08/19	AA3	4.514	10	4.539	31/05/2018	-2	112
CIMB Group Holdings Berhad	04/60	AA3	5.529	1	5.595	04/05/2018	-7	64
Bank Islam Malaysia Berhad	11/27	A1	4.925	40	4.916	12/06/2018	1	75
RHB Bank Berhad	12/39	A1	4.800	1	4.699	04/05/2018	10	-9
Malakoff Power Berhad	12/18	AA-	4.370	10	4.378	31/05/2018	-1	98
Malakoff Power Berhad	12/19	AA-	4.543	10	4.568	01/06/2018	-2	115
				<u>152</u>				

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

Market/Corporate News: What's Brewing

Malakoff Corporation Bhd's indirect unit has drawn down A\$502mil (RM1.49bil) which was used to refinance the loan facility for the Macarthur Wind Farm in Australia. Malakoff, which is an independent power producer with the largest capacity in Southeast Asia, announced to Bursa Malaysia its indirect unit Win Macarthur Finco Pty Ltd (WMFPL) had drawn down the amount for the existing term loan. On June 15, WMFPL had entered into a syndicated facility agreement for a term loan facility of about A\$502mil with ING Bank (Australia) Ltd; Societe Generale, Singapore Branch; Mizuho Bank, Ltd; Oversea-Chinese Banking Corporation Ltd; BNP Paribas, Sydney branch; and Blackrock Real Assets. "The refinancing was completed today by drawing down the facility and utilising the entire fund for the repayment of all outstanding amounts, including fees and related expenses, under the existing term loan facility which was procured in 2013 to refinance the then project loan for the Macarthur Wind Farm," it said. Malakoff said the refinancing was for its 50% indirect participating interest in the unincorporated joint venture of the Macarthur Wind Farm through Malakoff Wind Macarthur Pty Ltd, a unit of its Australian subsidiary of Malakoff International Ltd. The wind farm, in Macarthur, Victoria, was acquired by the company in 2013 from Meridian Energy Ltd's wholly-owned subsidiaries, Three River Holdings No. 2 Ltd and Meridian Energy Australia Pty Ltd. According to Wikipedia, it is on a 5,500 ha site which has an installed capacity of 420 megawatts (MW). Based on the prevailing wind speeds at the site, it is estimated that the long-term average generation will be approximately 1,250 GWh per year, operating at a capacity factor of around 35%. "The tenure of the facility is for a period of seven years. The facility is secured on a non-recourse basis over, amongst others, the mortgage of shares, mortgage of land, mortgage of lease, fixed and floating charge of the assets and the assignment of rights over the project documents," Malakoff said. Malakoff said although the refinancing is not expected to change the gearing level of the group, it will result in a reduction in interest expense to the group through WMFPL due to the more favourable effective interest rate obtained for the facility. (Source: *The Star*)

Broadband users should expect prices to fall by at least 25% by the end of the year, said Communications and Multimedia Minister Gobind Singh Deo. This follows the implementation of the Mandatory Standard on Access Pricing (MSAP) by the Malaysian Communications and Multimedia Commission (MCMC) on June 8. In a statement today, Gobind said the relevant parties are currently in commercial discussions to finalise the wholesale prices. "I am made to understand that this process is scheduled to be concluded by the July/August timeframe after which new lower-priced broadband packages are expected to be rolled out to consumers," said Gobind, adding that lowering wholesale prices should translate to lower retail prices for consumers. He highlighted that the revised prices should have come into effect on Jan 1 this year, but that the revised prices were not implemented as Telekom Malaysia Bhd (TM) had appealed to MCMC to reconsider its position on some of the pricing components. "Hence, the decision to revise the prices for broadband was thereafter put on hold pending consideration of the Minister of Communications and Multimedia. "Upon my appointment as Minister of Communications and Multimedia, I announced that the Pakatan Harapan (PH) government would take steps to reduce the prices of broadband in the country and increase its speed," said Gobind. "This hopefully will result in a reduction of broadband prices across Malaysia by at least 25%, by the end of the year," he added. Gobind also announced that the government would consider recognising access to internet as a basic human right in Malaysia, even to the extent, if practicable, a constitutional right. He explained that this is in recognition of the fact that broadband services are critical for the transformation of our nation into a digital economy and to ensure that all Malaysians have access to information. Furthermore, access to broadband is critical to ensure that all

Malaysians are able to enjoy all the benefits that an e-industry can offer, he said. "In addition to this, I have directed MCMC to consider other options available which would further reduce the prices of broadband," Gobind said, adding that he had instructed MCMC to monitor broadband prices in Malaysia to ensure affordable entry-level packages are offered to Malaysians.. (Source: *The Edge/Reuters*)

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

Source: RAM Ratings; MARC

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