

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw bull-flattening following Fed Bostic's expectation of one additional rate hike this year (instead of market's expectations of two) along with Trump's continued rumblings and dislike for Powell's hawkish interest rate policy. Overall benchmark yields within 2-4bps lower with the 2Y ending at 2.59% whilst the much-watched 10Y UST rallied 4bps lower at 2.82% levels. Meanwhile market participants awaits further news (if any) on Turkey and potential EM strains. US and China plan to engage in further talks to end the ongoing trade barriers. The week continues with the Jackson Hole meeting of Fed speakers along with the release of FOMC minutes on Thurs for updates on the Fed's balance sheet unwinding and rate policy matters.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.59	-2
5-yr UST	2.70	-4
10-yr UST	2.82	-4
30-yr UST	2.99	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.46	-3	3.55	0
5-yr	3.69	-3	3.81	-4
7-yr	3.93	0	4.03	-1
10-yr	4.04	-2	4.14	0
15-yr	4.49	0	4.56	0
20-yr	4.68	-1	4.76	0
30-yr	4.89	0	4.95	1

* Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.69	1
3-yr	3.74	2
5-yr	3.84	0
7-yr	3.96	2
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Trading momentum in Govvies was decent at RM3.96b with interest across with focus on the shorter end off-the-run 18-20's and also the 23's and 25's part of the curve. Overall benchmark yields were generally lower between 0-4bps. GII trades as a whole fell to 36% of total trades. The benchmark 7Y MGS was unchanged at 3.93% whilst the 10Y MGS 6/28 ended almost 2bps lower at 4.04% levels. MYR Interest rates swap movements reversed; edging slightly higher. Up next is the foreign reserves data expected out today.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk saw volume tank at 246m yesterday with interest seen mainly along the AAA-AA-part of the curve only involving 20 different bonds compared to 30 prior day with yields generally unchanged to lower. There were nil GG trades whilst AAA-rated DANGA 33's ended 0-3bps lower at 4.83% levels compared to previous-done levels. Likewise PLUS 33 saw it trend 2bps lower at 4.85%. In the AA-space, JEP 28-32's saw total RM50m nominal amounts traded 0-3bps lower between 4.84-5.02% levels. PKNS 21 and 23 made their debut trade 12bps and 8bps lower respectively from recently issued coupon levels. Expect market to turn quiet ahead of the Hari Raya Qurban holidays tomorrow.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.277	221	3.281	17/08/2018	0
MGS	03/19	3.322	140	3.326	17/08/2018	0
MGS	10/19	3.409	237	3.435	17/08/2018	-3
MGS	11/19	3.406	180	3.434	17/08/2018	-3
MGS	03/20	3.374	337	3.439	17/08/2018	-6
MGS	07/20	3.431	61	3.491	16/08/2018	-6
MGS	10/20	3.477	28	3.477	17/08/2018	0
MGS	07/21	3.572	9	3.591	17/08/2018	-2
MGS	09/21	3.588	126	3.601	17/08/2018	-1
MGS	11/21	3.459	389	3.492	17/08/2018	-3
MGS	03/22	3.630	16	3.670	17/08/2018	-4
MGS	09/22	3.694	69	3.715	17/08/2018	-2
MGS	03/23	3.768	5	3.803	15/08/2018	-4
MGS	04/23	3.686	365	3.713	17/08/2018	-3
MGS	08/23	3.822	11	3.836	17/08/2018	-1
MGS	07/24	3.922	14	3.958	17/08/2018	-4
MGS	09/24	3.980	5	3.982	15/08/2018	0
MGS	03/25	3.934	90	3.934	17/08/2018	0
MGS	09/25	4.061	4	4.078	17/08/2018	-2
MGS	11/26	4.144	7	4.130	17/08/2018	1
MGS	11/27	4.148	21	4.175	16/08/2018	-3
MGS	06/28	4.037	76	4.050	17/08/2018	-1
MGS	09/28	4.309	9	4.306	06/08/2018	0
MGS	04/30	4.425	4	4.455	16/08/2018	-3
MGS	04/33	4.506	30	4.521	17/08/2018	-1
MGS	11/33	4.485	40	4.500	17/08/2018	-1
MGS	06/38	4.682	20	4.693	17/08/2018	-1
MGS	03/46	4.888	1	4.882	17/08/2018	1
GII	04/19	3.390	195	3.406	17/08/2018	-2
GII	05/20	3.574	10	3.632	02/08/2018	-6
GII	06/20	3.608	30	3.576	23/07/2018	3
GII	04/21	3.686	5	3.666	10/08/2018	2
GII	04/22	3.811	1	3.749	17/08/2018	6
GII	07/22	3.770	30	3.795	17/08/2018	-2
GII	03/23	3.914	40	3.943	08/08/2018	-3
GII	04/23	3.930	10	3.729	02/11/2016	20
GII	07/23	3.858	200	3.890	17/08/2018	-3
GII	11/23	3.806	242	3.850	17/08/2018	-4
GII	08/24	4.035	1	4.017	13/08/2018	2
GII	08/25	4.025	280	4.040	17/08/2018	-1
GII	10/25	4.079	150	4.123	14/08/2018	-4
GII	07/27	4.154	20	4.181	16/08/2018	-3
GII	10/28	4.138	225	4.142	17/08/2018	0
GII	05/47	4.947	4	4.940	08/08/2018	1
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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*
Aquasar Capital Sdn Berhad	07/26	AAA	4.555	20	4.617	14/03/2018	-6	52
Telekom Malaysia Berhad	05/28	AAA	4.611	5	4.745	02/07/2018	-13	57
Projek Lebuhraya Usahasama Berhad	01/33	AAA	4.849	30	4.869	08/08/2018	-2	36
Danga Capital Berhad	01/33	AAA	4.830	40	4.828	17/08/2018	0	34
GENM Capital Berhad	07/33	AAA	5.416	3	5.417	16/08/2018	0	93
Danga Capital Berhad	09/33	AAA	4.830	10	4.859	09/08/2018	-3	34
Tenaga Nasional Berhad	08/37	AAA	5.055	16	5.079	25/07/2018	-2	37
Hong Leong Bank Berhad	06/24	AA1	4.740	1	4.360	16/08/2018	38	87
CIMB Bank Berhad	08/26	AA+	4.743	1	4.962	26/07/2018	-22	71
Berih Restu Berhad	06/25	AA2	4.598	10	4.619	07/08/2018	-2	67
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	4.882	10	-	-	-	141
Perbadanan Kemajuan Negeri Selangor	08/23	AA3	5.067	10	-	-	-	138
Jimah East Power Sdn Berhad	12/28	AA-	4.836	40	4.870	31/07/2018	-3	79
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.557	1	5.558	16/08/2018	0	87
Jimah East Power Sdn Berhad	06/30	AA-	4.870	10	4.879	16/08/2018	-1	83
Jimah East Power Sdn Berhad	12/32	AA-	5.021	10	5.024	08/08/2018	0	53
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.338	18	5.339	15/08/2018	0	85
CIMB Group Holdings Berhad	05/16	A1	5.049	1	4.900	13/08/2018	15	36
Affin Bank Berhad	07/18	A3	5.463	11	5.799	16/08/2018	-34	78
Mah Sing Perpetual	#N/A	-	6.362	1	6.384	22/06/2018	-2	-
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Umno-linked media company Utusan Melayu (M) Bhd has been classified as a Practice Note 17 (PN17) company, denoting its financials were inadequate as a listed entity. In a filing with Bursa Malaysia yesterday, the company, which has defaulted on loans from Bank Muamalat Malaysia Bhd and Maybank Islamic Bhd, said that it would need to come up with a regularization plan within the next 12 months. If it fails to come up with a plan, it risks being delisted from the stock exchange. For its first quarter ended March 31, 2018, Utusan continued its losing streak, chalking up a loss of RM5.8mil. In the same period last year, it lost RM22.8mil. The company has been bleeding over the past few years, and its shareholders' fund has declined to RM89.9mil with accumulated losses of more than RM71mil as of end-June this year. The company had been depending on government assistance to stay afloat over the past two years and all hopes of such nature to stay afloat faded when Umno-led Barisan Nasional was ousted from the government on May 9. Cash-flow has been so tight that it had to call for a private placement exercise of up to 10% of its issued shares to raise a measly RM2.1mil to repay its borrowings. (Source: *The Star*)

Shares in DRB-Hicom Bhd rose as much as 9.3% yesterday, as investors reacted positively to news regarding a joint venture (JV) between its 50.1%-owned subsidiary Proton Holdings Bhd and China's Zhejiang Geely Holding Group that will pave the way for Proton to assemble and market its cars in China. However, shares in other automotive makers did not garner as much interest from investors yesterday even though the Malaysian Automotive Association (MAA) announced last Thursday that new vehicle sales in Malaysia rose by 41% to 68,465 units in July from 48,553 units a year ago. And MAA expects sales volume for August to be maintained at the July level. That is because analysts are expecting only a marginal acceleration in total industry volume (TIV) growth of 2% this year as the euphoria from the three-month tax holiday settles down. The zero-rated goods and services tax (GST) will end this month and the sales and services tax (SST) is introduced on Sept 1. Shares in Tan Chong Motor Holdings Bhd, Bermaz Auto Bhd and MBM Resources Bhd (MBMR) ended the day unchanged at RM1.71, RM2.12 and RM2.38 respectively, while UMW Holdings Bhd closed slightly higher by five sen or 0.85% at RM5.90 and Sime Darby Bhd finished up one sen or 0.39% at RM2.60. Pecca Group Bhd shares were down 3.5 sen or 3.65% at 92.5 sen. Year to date (YTD), total vehicle sales also climbed 7.6% to 358,179 units from 333,006 units a year ago. Hong Leong Investment Bank (HLIB) Research analyst Daniel Wong said even though the YTD sales volume showed an improvement, he is maintaining his 2018 TIV assumption at 588,100 units, up 2% from 576,635 units in 2017. "We do expect a continued strong number in August TIV, mainly due to the zero-rating of the GST, but subsequently we expect auto sales to come down quite significantly from September onwards [as the SST kicks in]. "There could be some recovery in November and December due to year-end sales campaigns, which is why we still expect to see growth of 2% in TIV for 2018," he told *The Edge Financial Daily*. Other analysts expect the auto sector to deliver higher earnings in second quarter of 2018 (2Q18) and 3Q18, driven by stronger TIV growth due to the tax holiday, new model launches and favorable foreign exchange compared with 2017. "Nevertheless, we think the strong earnings potential for 2018 is already reflected in the sector's valuation as it is currently trading at 16.7 times [the 2019 forecast earnings], which is above the last industry up-cycle mean of 15 times over 2010 to 2014," the firm said in a note on the sector yesterday. On auto companies, analysts are positive on companies that leverage on Perusahaan Otomobil Kedua Sdn Bhd's (Perodua) sales such as MBMR and Pecca. Perodua as up to July, [the carmaker] has achieved 18.8% in sales growth — surpassing its 2018 target of 2%, while Pecca is the main leather car seat supplier to Perodua. Entering China will give

Proton the opportunity to ride the growth of the world's largest automotive market and reduce its dependency on the domestic market. The China market sold about 24 million cars in 2017 compared with some 12 million cars in 2011 — doubling in just six years. Geely has also proven itself as a prominent player in the market [as] it sold about 1.2 million cars in 2017 with a market share of 5%. However, the market remains fragmented with fierce competition. This could also pose a risk to Proton if it overstretches and expands too quickly before it manages to put its own house — the domestic market — in order and consolidate its manufacturing facilities. Overstretching could place demand on DRB-Hicom to keep funding Proton. Geely holds the remaining 49.9% in Proton.

(Source: *The Edge*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
United Overseas Bank (Malaysia) Bhd	Financial Institution Rating	AAA/Stable/P1	Reaffirmed
	RM1 billion Tier-2 Subordinated Bonds (2015/2025)	AA1/Stable	Reaffirmed
	RM8 billion Medium Term Notes Programme: •Senior Notes •Tier-2 Subordinated Notes	AAA/Stable AA1/Stable	

Source: RAM, MARC

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