

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury benchmarks rallied across the curve as overall benchmark yields ended 3-4bps lower. The 2Y was 3bps lower at 2.54% whilst the much-watched 10Y moved 4bps lower at 2.90%. Meanwhile the US Treasury sold \$5b of 30Y inflation-indexed (TIPS) bonds at BTC ratio of 2.62x (versus 2.31x previously); averaging 0.934% (versus previous 1.003%). A US-China trade war raises concerns on the domestic economy and markets as supply chains may be disrupted and inflation potentially rising due to higher import prices. A 3rd rate hike in the September FOMC meeting in 2018 is expected for now; while potential of a further 4th hike for the year in December remains to be seen.

MGS/GII

- Trading momentum in Govvies tapered off with volume merely at RM844m as investors and inter-bank players were largely sidelined. Substantial portion of trades were centered on the off-the-run 19's. Benchmark yields were generally unchanged save for the 3Y and 10Y MGS which rose 1-2bps from prior day's close. Both the 7Y MGS 3/25 and 10Y MGS 6/28 closed unchanged at 4.04% and 4.22% respectively. Meanwhile the country's foreign reserves retreated slightly to \$107.9b. Market activity is expected to slowly pick-up; as we are nearing the end of the Hari Raya Aidil Fitri holiday celebrations and school holidays whilst the World Cup soccer tourney remains a distraction for now.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	-3
5-yr UST	2.77	-4
10-yr UST	2.90	-4
30-yr UST	3.04	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.63	1	3.71	0
5-yr	3.83	0	4.01	0
7-yr	4.04	0	4.18	0
10-yr	4.22	2	4.33	0
15-yr	4.63	0	4.72	0
20-yr	4.89	0	4.84	0
30-yr	4.90	0	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.74	0
3-yr	3.80	0
5-yr	3.89	0
7-yr	3.99	0
10-yr	4.16	0

Source: Bloomberg

Upcoming Government Bond Tender

Nil

Corp Bonds/Sukuk

- Interest in Corporate Bonds/Sukuk picked-up with volume at RM262m; with trades seen across the yield curve. PRASA 11/21 and 2/23 closed mixed on yields at 4.20% and 4.28% respectively compared to previous-done levels. In the AAA-space the shorter CAGAMAS 19's similarly traded for total nominal RM50m; ending wide between 3.88-4.18% levels. A slew of power-related bonds in the AA-sector saw Southern Power 2026-2035, SEB 6/26 and YTL Power 5/27 exchange hands closing between -1 to +12 bps. SEB 6/26 closed 12bps at 4.85% whilst YTL Power 5/27 edged 1bps lower at 5.02%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.325	5	3.250	20/06/2018	8
MGS	03/19	3.443	21	3.404	20/06/2018	4
MGS	10/19	3.460	31	3.424	19/06/2018	4
MGS	11/19	3.476	40	3.449	20/06/2018	3
MGS	03/20	3.531	3	3.531	19/06/2018	0
MGS	10/20	3.589	2	3.567	19/06/2018	2
MGS	07/21	3.688	4	3.721	19/06/2018	-3
MGS	09/21	3.687	9	3.687	20/06/2018	0
MGS	11/21	3.626	47	3.613	20/06/2018	1
MGS	03/22	3.822	22	3.793	20/06/2018	3
MGS	09/22	3.897	4	3.896	20/06/2018	0
MGS	03/23	3.925	62	3.963	19/06/2018	-4
MGS	08/23	3.983	76	4.016	20/06/2018	-3
MGS	07/24	4.128	78	4.152	20/06/2018	-2
MGS	09/24	4.150	2	4.134	20/06/2018	2
MGS	09/25	4.271	11	4.238	20/06/2018	3
MGS	04/26	4.315	18	4.308	20/06/2018	1
MGS	11/26	4.337	20	4.321	20/06/2018	2
MGS	03/27	4.379	9	4.384	20/06/2018	-1
MGS	11/27	4.286	1	4.300	20/06/2018	-1
MGS	06/28	4.222	3	4.206	20/06/2018	2
MGS	06/31	4.708	20	4.709	20/06/2018	0
MGS	04/33	4.769	3	4.768	20/06/2018	0
MGS	05/35	4.939	76	4.934	20/06/2018	0
MGS	04/37	4.926	6	4.936	20/06/2018	-1
MGS	03/46	4.901	1	4.898	19/06/2018	0
GII	04/19	3.434	200	3.544	05/06/2018	-11
GII	03/21	3.792	30	3.888	20/06/2018	-10
GII	04/22	3.961	5	3.947	20/06/2018	1
GII	07/23	4.068	30	4.101	20/06/2018	-3
GII	07/27	4.433	6	4.426	14/06/2018	1
			<u>844</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*
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/21	GG	4.199	10	4.248	22/05/2018	-5	43
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	02/23	GG	4.279	10	4.168	06/04/2018	11	45
Cagamas Berhad	02/19	AAA	3.878	10	3.930	22/05/2018	-5	47
Cagamas Berhad	09/19	AAA	4.182	40	4.107	12/02/2016	8	77
Genting Capital Berhad	06/22	AAA	5.097	1	4.789	14/06/2018	31	133
Al Dzahab Assets Berhad	09/24	AAA	4.901	10	4.809	23/05/2018	9	92
Sarawak Hidro Sdn Berhad	08/30	AAA	4.878	10	4.845	18/04/2018	3	67
Public Bank Berhad	10/23	AA1	4.336	10	4.319	31/05/2018	2	51
Public Bank Berhad	11/23	AA1	4.384	25	4.358	04/05/2018	3	56
Sarawak Energy Berhad	06/26	AA1	4.848	20	4.730	02/03/2018	12	72
YTL Power International Berhad	05/27	AA1	5.018	10	5.029	20/06/2018	-1	84
CIMB Bank Berhad	10/38	AA	4.557	10	4.616	25/04/2018	-6	-33
Gamuda Berhad	10/18	AA3	4.216	10	4.213	27/04/2018	0	80
Gamuda Berhad	03/19	AA3	4.268	10	4.310	05/06/2018	-4	86
Al Dzahab Assets Berhad	09/25	AA3	5.031	1	5.052	14/06/2018	-2	98
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/22	AA-	4.888	20	4.827	29/03/2018	6	112
Southern Power Generation Sdn Berhad	10/26	AA-	4.876	10	4.878	19/06/2018	0	75
Southern Power Generation Sdn Berhad	10/31	AA-	5.138	20	5.138	04/05/2018	0	50
Southern Power Generation Sdn Berhad	04/35	AA-	5.394	10	5.379	04/05/2018	2	75
Bank Muamalat Malaysia Berhad	11/21	A	5.102	1	5.100	19/06/2018	0	147
HLFG Tier 2 Subordinated Notes	-	-	4.730	15	-	-	-	-
				<u>262</u>				

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

Market/Corporate News: What's Brewing

Sapura Energy Bhd has secured contracts, including extensions to provide drilling and engineering services to several companies in Malaysia, India, Mexico and Australia totalling RM1.8bil. The oil and gas services company said on Thursday that for engineering and construction in Malaysia, it would provide services for Sarawak Shell Bhd's project at the SK408E Gorek development and F6 brownfield integrated module. It said the Gorek Wellhead Platform would be installed on a fixed four legged jacket in a water depth of 88 meters. The topside comprises three deck levels and a vent boom. As for the F6 brownfield, the host tie-in facility would be the F6 processing complex 179km north-northwest of Bintulu. The works are expected to be completed by Q3 of 2019. The others in Malaysia are the provision of engineering, procurement and construction (EPC) for SK408 Larak and Bakong development project. The works are expected to be completed by Q2 2019. In India, it will undertake the subsea wells and pipeline replacement project for the Oil and Natural Gas Corporation Ltd. The contract includes laying 25 segments of subsea pipelines of total length 114.83km of various sizes including tie-ins; laying of 11 of pipes measuring 57.91km to connect subsea wells to respective host platforms for control of subsea wells. It would also undertake the topside modification at 24 platforms and the works are expected to be completed by Q4 2019. Sapura Energy will also supply equipment and materials for Berth A2 and modification of Berth D at Marine Terminal, Jamnagar for Sikka Ports & Terminals Ltd, formerly known as Reliance Ports and Terminals Ltd. The works are expected to be completed by Q1 2020. It will build berth A2 and modify berth D at marine terminal, Jamnagar for Sikka Ports & Terminals. The works are expected to be completed by Q2 2020. In Mexico, SapuraKencana Mexicana will construct and build 30-inch diameter 20km gas oil pipeline from PP-Ayatsil-B Platform To E-KU-A1 Platform (Ayatsil Line 16) in the Gulf of Mexico for Pemex Exploration and Production. The works are expected to be completed by Q1 2019. In Australia, Normand Sapura Pty Ltd was awarded a contract to provide riserless lightwell intervention services for Montara Subsea Wells by PTTEP Australasia (Ashmore Cartier) Pty Ltd. The contract involves the provision of lightwell intervention services for three wells in Montara development area, Timor Sea. The works are expected to be completed by Q4 2018. As for its drilling division, it will provide a semi-submersible tender assist drilling rig "Sapura Berani" for Petronas Carigali Sdn Bhd for a firm three wells with an option to extend for an additional two + three + two wells for drilling in the Malaysian water. The work related to the three wells is expected to start in Q3 2018. Sapura Energy also secured an extension of its contract for the semi-submersible tender assist drilling rig "Sapura Esperanza" with Sarawak Shell Bhd / Sabah Shell Petroleum Company Ltd and EQ Petroleum Malaysia Ltd. The contract extension entails drilling of three wells with a further option of three wells extension. The firm two wells for EnQuest and one well for Shell, will be for their respective drilling operations offshore Sarawak and Terengganu. Work for the three wells is expected to be completed by Q3 2018. (Source: *The Star*)

The Tun Razak Exchange (TRX) project, which the government has decided to continue, will be viable if all stakeholders make a concerted effort to ensure that financial institutions set up regional headquarters and offices there. Dr Ahmed Razman Abdul Latiff, Putra Business School's Senior Lecturer and Manager of Business Development, said such effort would ensure the billions of ringgit invested in the proposed financial district were recouped as soon as possible. "The main priority is also to ensure that there is no empty space in the buildings. This is made more difficult considering there is already a glut of office space in Kuala Lumpur," he told Bernama today. Ahmed Razman said the government could play a more active role in encouraging and assisting financial institutions to relocate their offices to TRX by providing incentives such as tax relief and relaxation in hiring policy. Earlier in the day, Finance Minister Lim Guan Eng announced the Cabinet had decided to complete the TRX project in order to

prevent further financial losses to the government. He said RM2.8 billion would be injected into the project to ensure completion, hence avoiding the payment of a RM3.51 billion compensation. "Injecting the additional RM2.8 billion, in addition to the RM3.7 billion transferred earlier to (master developer) TRX City Sdn Bhd (TRXC), will bring the total funding by the government to RM6.5 billion. "The alternative of not coming up with the funding of RM2.8 billion and not completing the project is to pay RM3.51 billion in compensation, as well as having an eyesore abandoned mega-project in the heart of Kuala Lumpur," Lim explained. TRXC, the government-owned company that is developing TRX and Bandar Malaysia, did not have the funds to complete the project's infrastructure works and had sought government financial assistance, he added. (Source: *The Edge/Reuters*)

Rating Actions						
Issuer	PDS Description			Rating/Outlook	Action	
Musteq Hydro Sdn Bhd	RM80 million	Bank-Guaranteed	Sukuk	AAA(bg)/Stable	Reaffirmed	
	Musharakah (2012/2022).					
Etiqa Family Takaful Berhad (EFTB)	Insurer financial strength (IFS) rating			AAA/Stable/P1	Reaffirmed	
Etiqa General Insurance Berhad (EGIB)	Insurer financial ratings (IFS)			AAA/Stable/P1	Reaffirmed	
Tune Protect Group Berhad	Corporate credit ratings			A1/Stable/P1	Reaffirmed	
Tune Protect Re Ltd	National and ASEAN-scale insurer financial strength rating			A1/Stable/P1 and seaA1/Stable/seaP1	Reaffirmed	

Source: RAM Ratings; MARC

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