

**Global Markets Research**  
**Fixed Income**

**Fixed Income Daily Market Snapshot**

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.63	4
5-yr UST	2.82	5
10-yr UST	2.96	6
30-yr UST	3.09	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.56	-2	3.61	0
5-yr	3.77	0	3.91	0
7-yr	3.99	0	4.07	0
10-yr	4.06	-1	4.21	-1
15-yr	4.55	0	4.60	0
20-yr	4.79	-1	5.00	0
30-yr	4.91	0	4.98	0

\*Market indicative

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	0
3-yr	3.75	0
5-yr	3.85	1
7-yr	3.97	0
10-yr	4.18	1

Source : Bloomberg

**Upcoming Government Bond Tender**

Nil

**US Treasuries**

- US Treasuries were weaker for the 2<sup>nd</sup> session following a sell-off as global yields were led higher following reports that the BOJ is considering adjusting its monetary policy. The curve steepened aggressively with the 2s10s spread up 3bps whilst the 5s30s spread widened by 2bps. However investors and analysts are viewing this a temporary technical retracement and that the Fed remains immune to political pressure. Overall benchmark yields ended 4-6bps higher as both the 2Y and the much-watched 10Y spiked at 2.63% and 2.96% levels each. Investors will get the latest read on US Manufacturing and Services activity when the PMI is released tonight.

**MGS/GII**

- Trading momentum in Govvies was slow with volume tapering off to a mere RM973m. Interest was centered on both benchmark 10Y bonds with GII bonds forming a substantial 60% of overall trades. Overall benchmark MGS yields were generally within 1bps from prior day's close save for the short 3Y which had recovered from the skewed levels on odd-lot trades. The 7Y MGS 3/25 was untraded whilst the 10Y MGS 6/28 edged 1bps higher at 4.06%. Meanwhile Moody's has lauded the country's efforts to create a local market for Islamic Finance instruments vide the increasing use of Sukuk to fund its budget deficit. This is evident from the portion of GII bonds forming ~40% of outstanding government debt.

**Corp Bonds/Sukuk**

- Trading activity in Corporate Bonds/Sukuk also eased slightly yesterday on volume of RM374m with interest seen in both the GG and AA-part of the curve on 30 different bonds compared to 21 the previous day. The GG-segment was dominated by PRASA bonds which rallied 0-7bps lower for the 2022-2037 maturities. PRASA 12/22 ended 7bps lower at 4.14% whilst the long-end 9/37 was traded unchanged at 4.95% compared to previous-done levels. AAA-rated RANTAU 12/20 saw yields move a whopping 30bps lower at 4.20% levels. Meanwhile both UEM Sunrise 4/20 and 5/23 also saw decent demand with yields ending lower at 4.59% and 4.80% respectively whilst Southern power 4/26 And 4/33 similarly saw yields lower between 3-4 bps at 4.79% and 5.15%.

## Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.341	63	3.349	20/07/2018	-1
MGS	07/19	3.427	2	3.396	20/07/2018	3
MGS	10/19	3.439	11	3.424	19/07/2018	2
MGS	03/20	3.456	1	3.499	20/07/2018	-4
MGS	10/20	3.478	12	3.511	20/07/2018	-3
MGS	07/21	3.620	20	3.588	20/07/2018	3
MGS	11/21	3.555	8	3.558	20/07/2018	0
MGS	03/22	3.676	34	3.712	19/07/2018	-4
MGS	08/22	3.733	1	3.778	17/07/2018	-4
MGS	09/22	3.768	1	3.781	18/07/2018	-1
MGS	08/23	3.898	10	3.898	18/07/2018	0
MGS	09/24	4.015	3	4.016	20/07/2018	0
MGS	09/25	4.101	21	4.158	20/07/2018	-6
MGS	03/27	4.198	2	4.183	20/07/2018	2
MGS	11/27	4.156	1	4.186	20/07/2018	-3
MGS	06/28	4.061	160	4.073	20/07/2018	-1
MGS	09/28	4.326	2	4.338	20/07/2018	-1
MGS	04/30	4.464	1	4.481	20/07/2018	-2
MGS	04/33	4.617	21	4.612	20/07/2018	0
MGS	06/38	4.794	20	4.798	19/07/2018	0
GII	04/19	3.433	150	3.421	19/07/2018	1
GII	06/20	3.576	10	3.551	10/07/2018	2
GII	07/23	3.974	10	3.964	18/07/2018	1
GII	11/23	3.905	30	3.906	19/07/2018	0
GII	09/26	4.200	20	4.269	05/07/2018	-7
GII	07/27	4.226	20	4.224	20/07/2018	0
GII	10/28	4.205	140	4.198	20/07/2018	1
GII	06/33	4.602	10	4.602	20/07/2018	0
GII	08/33	4.651	190	4.670	10/07/2018	-2
			<u>973</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	12/22	GG	4.140	15	4.212	17/07/2018	-7	45
Pengurusan Air SPV Berhad	02/23	GG	4.234	10	4.241	19/07/2018	-1	46
Jambatan Kedua Sdn Berhad	05/25	GG	4.340	5	4.347	18/07/2018	-1	37
Prasarana Malaysia Berhad	12/25	GG	4.308	5	4.349	18/07/2018	-4	33
Prasarana Malaysia Berhad	02/26	GG	4.332	20	4.331	19/07/2018	0	28
Prasarana Malaysia Berhad	08/26	GG	4.331	20	4.387	17/07/2018	-6	28
Danalinfra Nasional Berhad	03/27	GG	4.399	5	4.590	02/05/2018	-19	30
Danalinfra Nasional Berhad	11/27	GG	4.420	10	4.609	25/06/2018	-19	32
Prasarana Malaysia Berhad	12/27	GG	4.429	5	4.450	18/07/2018	-2	33
Bank Pembangunan Malaysia Berhad	09/29	GG	4.642	15	4.697	09/07/2018	-5	55
Danalinfra Nasional Berhad	03/32	GG	4.750	5	4.770	19/07/2018	-2	20
Prasarana Malaysia Berhad	09/37	GG	4.951	15	4.950	19/07/2018	0	15
Danalinfra Nasional Berhad	07/39	GG	4.999	20	5.029	17/07/2018	-3	20
GB Services Berhad	11/19	AAA	4.510	3	4.503	03/07/2018	1	113
Rantau Abang Capital Berhad	12/20	AAA	4.199	15	4.496	04/04/2018	-30	71
GENM Capital Berhad	07/28	AAA	5.050	1	5.144	20/07/2018	-9	96
Manjung Island Energy Berhad	11/29	AAA	4.769	5	4.705	13/10/2017	6	68
Manjung Island Energy Berhad	11/31	AAA	4.859	4	4.859	20/07/2018	0	31
YTL Power International Berhad	05/27	AA1	4.938	20	4.940	20/07/2018	0	84
Sarawak Energy Berhad	12/32	AA1	5.194	60	5.189	19/07/2018	0	64
UOBM 4.80% 25.07.2028	07/28	AA1	4.760	5	-	-	-	-
Malayan Banking Berhad	09/68	AA2	4.050	40	4.085	19/07/2018	-4	-75
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.205	10	4.405	30/04/2018	-20	82
Segi Astana Sdn Berhad	01/19	AA-	4.767	10	4.761	02/07/2018	1	139
UEM Sunrise Berhad	04/20	AA-	4.588	10	4.718	18/05/2018	-13	110
UEM Sunrise Berhad	05/23	AA-	4.801	10	4.832	17/07/2018	-3	102
Southern Power Generation Sdn Berhad	04/26	AA-	4.789	10	4.828	16/07/2018	-4	74
Southern Power Generation Sdn Berhad	04/33	AA-	5.149	10	5.168	12/07/2018	-2	60
Affin Bank Berhad	02/27	A1	4.889	10	4.977	25/05/2018	-9	79
Bank Muamalat Malaysia Berhad	11/21	A	4.776	1	4.777	20/07/2018	0	121
			<u>374</u>					

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

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

**Tenaga Nasional Bhd (TNB) and Telekom Malaysia Bhd (TM) have aborted a joint effort to roll out high-speed broadband (HSBB) Internet services to rural areas.** In separate filings with Bursa Malaysia yesterday, the two government-linked companies (GLCs) said they would not proceed with the proposed joint proposal to deliver the Nationwide Fiberisation Plan (NFP). Both companies had signed a memorandum of understanding (MoU) on Jan 16 to explore the implementation of the project. "The discontinuation of the MoU does not preclude TNB and TM from considering other collaborations should there be future business opportunities that are beneficial to both parties," TNB said. The NFP is a project announced in March 2017 by the previous government with the target of doubling the speed of fixed broadband and expanding the network reach into rural areas by leveraging on TNB's extensive fibre trunk network. It was reported that the "last-mile" fiberisation plan could cost some RM10bil. "TM wishes to announce that both TM and TNB have mutually agreed to discontinue the above MoU with immediate effect," TM said. The MoU between both TNB and TM earlier this year came soon after Broadnet Networks Sdn Bhd was named by the government to undertake the NFP, by teaming up with TNB to roll out an extensive broadband network that would capitalise on the latter's electrical cables reaching homes across the country. TNB has about 12,000km of fibre optic cables and its power lines are connected to 9.2 million customers in the country. Based on earlier news reports, it was said that the government would take a golden share in Broadnet, led by some high-profile corporate chiefs and civil servants. Many saw Broadnet's involvement in the NFP to undertake broadband infrastructure deployment as a threat to TM, which has been entrusted with the rollout of the country's HSBB infrastructure since 2008. Previously known as Nasmudi Sdn Bhd, Broadnet was the same company that in 2003 made the audacious attempt to buy out the Employees Provident Fund's minority stake in KFC Holdings (M) Bhd. That deal didn't pan out and Nasmudi faded from the public eye. The tie-up between TNB and TM - which are both GLCs - to undertake the NFP had surprised market observers and raised monopolistic concerns in the broadband arena. (Source: *The Star*)

**Fears that U.S. and Japanese policymakers will scale back economic stimulus sent quivers through debt markets on Monday, while U.S. stocks gained ahead of major company earnings reports.** Bond yields climbed as investors forecast the Federal Reserve will continue raising interest rates due to stronger growth and inflation pressures despite U.S. President Donald Trump's criticism and after a Reuters report that the Bank of Japan (BoJ) is discussing modifying its huge stimulus program sent Japan's 10-year bond yield soaring near six-month highs. The report rekindled anxiety about whether monetary policymakers will continue lending support to the global economy and piled pressure on investors navigating rising protectionism. U.S. 10-year Treasury yields hit the highest in a month, trading at 2.9615 percent. "It's all that concern investors have about the move from global quantitative easing to global quantitative tightening," said Rory McPherson, Psigma Investment Management Ltd's head of investment strategy. "That fear gets stoked when you have reports such as this." Sage Advisory Services Ltd President Bob Smith said there is no "800-pound gorilla" willing to absorb rising bond inventories. Several U.S. bond auctions are scheduled this week. "You're sitting right in the dead of summer," he said. "I don't think the superheroes are on the (trading) desks right now. They're probably on the beach." The dollar index rose 0.19 percent off two-week lows it hit after Trump criticized Fed rate hikes and accused the European Union and China of manipulating their currencies. Beijing said it does not intend to devalue the yuan to help exports. "We see the latest news on trade policy as pointing to continued high risk of escalation between the U.S. and China, and a renewed focus of the Trump Administration on currency matters," Goldman Sachs analysts said. Trump's warnings

last week about excessive rate hikes also widened the gap between short- and long-term Treasury yields. That yield curve "steepening" accelerated on Monday, with yields on 30-year Treasuries 0.46 percentage point higher than their 2-year counterparts, the biggest gap in nearly a month. Fed policy drives short-end Treasury yields, while inflation and growth expectations move longer-term yields. The gap has been shrinking this year, which some investors view as a cue for recession. (Source: *The Edge/Reuters*)

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

Source: RAM Ratings; MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

\*^

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.