

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.67	2
5-yr UST	2.85	3
10-yr UST	2.98	3
30-yr UST	3.10	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.55	-3	3.56	0
5-yr	3.78	0	3.90	0
7-yr	3.99	0	4.08	-1
10-yr	4.08	1	4.20	-1
15-yr	4.55	0	4.62	2
20-yr	4.81	0	5.00	0
30-yr	4.91	0	4.98	0

*Market indicative

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.71	-2
3-yr	3.75	0
5-yr	3.84	-1
7-yr	3.97	-2
10-yr	4.17	-1

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM3.0b 7Y MGS 3/25 on 27th July

US Treasuries

- US Treasuries dropped as news filtered through on Trump securing concessions from Europe to avoid a trade war. The curve moved higher as overall benchmark yields rose 3bps compared to prior day's session. The 2Y ended at 2.67% whilst the much-watched 10Y yield fell short of the 3.00% level; at 2.98%. Meanwhile the 5Y auction involving \$36b saw an improved BTC of 2.61x vs 2.55x at the previous 5Y note auction; averaging 2.815%. Meanwhile the increase in overnight rates in US may be due to the surge in T-bill supply. US GDP data is expected out tomorrow night.

MGS/GII

- Trading momentum in Govvies dropped with volume at RM1.8b as interest was focused on both benchmark 10Y bonds along with the short off-the-run MGS and GII 18-19's. GII bonds formed a lower portion @ 50% of overall trades. Overall benchmark MGS yields were mixed between -1 to +3 bps from prior day's close. The 7Y MGS 3/25 continued to be untraded with the auction date set for tomorrow whilst the 10Y MGS 6/28 edged 1bps higher at 4.08%. Moody's positive statement on the Malaysia's efforts to create a dynamic local Islamic Finance market vide the increasing use of Sukuk to fund its budget deficit was lauded as investors traded the secondary market.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk remained strong yesterday on solid volume of RM798m with interest seen mainly in the GG, followed by the AA-part of the curve involving 32 different bonds compared to 37 the previous day. The GG-segment was dominated by DANAINFRA and PRASARANA bonds. DANA 24 and 29-30's edged 2-3bps lower at 4.22% and 4.53-67% levels compared to previous-done levels whilst the longer-end 32's rose 1-2bps higher between 4.77-78% levels. PRASA 12/30 saw RM100m nominal amounts traded; ending 8bps lower at 4.66%. AAA-rated TNB 8/37 edged 1bps lower at 5.08% whilst the AA-rated space was dominated by telco, power and highway names. CELCOM 24-27 rallied 2-3bps whereas Southern Power 4/26 and 4/29 closed stronger at 4.78% and 4.95% respectively. In the banking space, MBB 68nc18 saw huge volume traded in several tranches; closing at 3.86% levels.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.294	53	3.370	20/07/2018	-8
MGS	03/19	3.345	206	3.355	24/07/2018	-1
MGS	07/19	3.409	0	3.427	23/07/2018	-2
MGS	10/19	3.447	3	3.448	24/07/2018	0
MGS	11/19	3.432	0	3.445	24/07/2018	-1
MGS	02/21	3.552	18	3.564	19/07/2018	-1
MGS	07/21	3.608	13	3.615	24/07/2018	-1
MGS	09/21	3.610	51	3.627	20/07/2018	-2
MGS	11/21	3.549	138	3.577	24/07/2018	-3
MGS	03/22	3.688	10	3.676	23/07/2018	1
MGS	03/23	3.826	2	3.838	24/07/2018	-1
MGS	11/27	4.163	7	4.178	24/07/2018	-1
MGS	06/28	4.082	170	4.067	24/07/2018	1
MGS	04/33	4.617	24	4.622	24/07/2018	0
MGS	11/33	4.554	10	4.550	24/07/2018	0
MGS	04/37	4.803	120	4.827	24/07/2018	-2
MGS	07/48	4.905	40	4.908	20/07/2018	0
GII	10/18	3.272	100	3.291	13/07/2018	-2
GII	04/19	3.405	110	3.406	24/07/2018	0
GII	08/19	3.487	2	3.478	24/07/2018	1
GII	03/21	3.655	70	3.636	12/07/2018	2
GII	04/21	3.690	50	3.712	17/07/2018	-2
GII	04/22	3.830	32	3.830	24/07/2018	0
GII	05/24	4.025	22	4.054	20/07/2018	-3
GII	08/24	4.045	74	4.026	23/07/2018	2
GII	08/25	4.080	22	4.095	24/07/2018	-1
GII	09/26	4.201	20	4.222	24/07/2018	-2
GII	10/28	4.201	410	4.210	24/07/2018	-1
GII	12/28	4.256	20	4.257	20/07/2018	0
GII	06/33	4.621	6	4.602	23/07/2018	2
			<u>1801</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	03/24	GG	4.210	60	4.230	19/07/2018	-2	29
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	4.228	35	4.261	19/07/2018	-3	31
Danainfra Nasional Berhad	07/24	GG	4.219	20	4.249	17/07/2018	-3	30
Prasarana Malaysia Berhad	11/28	GG	4.501	5	4.530	17/07/2018	-3	42
Danainfra Nasional Berhad	04/29	GG	4.528	20	4.554	24/07/2018	-3	44
Danainfra Nasional Berhad	11/30	GG	4.670	50	4.689	17/07/2018	-2	59
Prasarana Malaysia Berhad	12/30	GG	4.660	100	4.740	23/08/2017	-8	58
Danainfra Nasional Berhad	03/32	GG	4.770	25	4.750	23/07/2018	2	22
Danainfra Nasional Berhad	05/32	GG	4.782	40	4.770	19/07/2018	1	23
Aman Sukuk Berhad	02/21	AAA	4.338	10	4.317	27/07/2017	2	77
GENM Capital Berhad	07/23	AAA	4.963	20	4.879	24/07/2018	8	119
Tenaga Nasional Berhad	08/37	AAA	5.079	30	5.091	11/07/2018	-1	28
Public Bank Berhad	09/23	AA1	4.290	1	4.298	24/07/2018	-1	52
YTL Power International Berhad	05/27	AA1	4.938	10	4.938	23/07/2018	0	84
Sarawak Energy Berhad	04/31	AA1	5.079	30	5.110	21/02/2018	-3	53
Celcom Networks Sdn Berhad	08/24	AA+	4.766	10	4.791	20/07/2018	-3	85
Celcom Networks Sdn Berhad	10/26	AA+	4.891	30	4.908	20/07/2018	-2	83
Celcom Networks Sdn Berhad	08/27	AA+	4.932	10	4.948	24/07/2018	-2	83
Tanjung Bin Power Sdn Berhad	08/25	AA2	4.688	10	4.701	20/03/2018	-1	69
Malayan Banking Berhad	09/68	AA2	3.856	100	4.050	23/07/2018	-19	-95
Perbadanan Kemajuan Negeri Selangor	08/18	AA3	4.048	10	4.180	05/07/2018	-13	66
SPR Energy (M) Sdn Berhad	07/24	AA3	4.908	10	4.968	05/07/2018	-6	99
SPR Energy (M) Sdn Berhad	07/25	AA3	4.968	10	4.958	17/01/2018	1	97
UEM Sunrise Berhad	05/23	AA-	4.775	10	4.801	23/07/2018	-3	100
UEM Sunrise Berhad	12/22	AA-	4.756	25	4.888	21/06/2018	-13	107
Southern Power Generation Sdn Berhad	04/26	AA-	4.777	10	4.789	23/07/2018	-1	71
Southern Power Generation Sdn Berhad	04/29	AA-	4.949	10	4.997	09/07/2018	-5	87
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.440	30	5.340	30/03/2018	10	64
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.478	25	5.529	01/06/2018	-5	68
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.590	30	5.539	05/04/2018	5	79
UMW Holdings Berhad	04/18	A1	5.889	10	5.928	19/07/2018	-4	109
Bank Muamalat Malaysia Berhad	11/21	A	4.775	2	4.776	24/07/2018	0	121
				<u>798</u>				

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

Market/Corporate News: What's Brewing

Relations between Malaysia and Singapore are expected to cool over the coming years under Prime Minister Tun Dr Mahathir Mohamad, although the countries will remain dependent on each other in terms of trade, said BMI Research. The research house expects Mahathir's administration to be more confrontational towards Singapore, marking a shift in relations, which had been friendly under the leadership of Malaysia's previous prime minister Datuk Seri Najib Tun Razak. BMI Research, which is a unit of Fitch Group, noted that Malaysia and Singapore have had some ongoing minor disputes over issues such as water supply and maritime borders. "However, from 1981 to 2003, when Mahathir served his first tenure as Malaysia's prime minister, there were frequent tensions between Singapore and Malaysia, and in our view, this serves as a negative precedent for the relations of the two nations over the coming years," it said in a report. The research house said there were already signs that relations between Singapore and Malaysia have cooled since the Pakatan Harapan coalition took over, and said this was likely to persist over the coming years. It said the two key issues that will likely result in lengthy negotiations between the two countries were the KL-Singapore High-Speed Rail (HSR) project and 99-year 1962 Water Agreement, which is set to expire in 2061. "However, despite cooler ties, both countries are likely to remain dependent on each other, particularly on trade, given the high degree of geographical proximity," the research house said. Malaysia is Singapore's second largest export destination, even though its share has trended lower from a high of almost 20% in 1994 to 10.6% in 2017. Singapore is also among Malaysia's top overseas shipment locations, accounting for 14.3% of total exports in 2017, despite declining from 23.3% in 1991. (Source: *The Star*)

Westports Holdings Bhd 's gateway volume remains the bright spot as earnings hit an expected lull with lower transshipment throughput and higher overheads. It is believed that Westports has seen the worst and is poised for an earnings recovery through sustained container throughput growth come 2H18. Recovery in container throughput and a gateway tariff hike revision by 14% in Sep 2018 is expected to shore up earnings heading into 2H18. "Organic growth may normalise in Q3'18 after Westports' lost transshipment cargo to Singapore in Apr 2017. Westports is believed to be well-insulated from an immediate direct overspill of a trade war as the utilised Asia-Transpacific trade lane falls beyond Westports. The group had reported lower net profit of RM121.81mil in the second quarter ended June 30, 2018, impacted by major changes in the global container shipping industry. The port owner and operator announced on Wednesday that net profit was down by 18.1% from RM148.82mil a year ago. Its revenue fell by 21.4% to RM394.03mil from RM501.44mil. While there may be lingering concerns over global trade, Westports might have just weathered the worst. Aside from being poised for an earnings recovery, Westports 2 potentially catalyses valuations further, once results of its feasibility study emerges in late 2018. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Dar Al Arkan Real Estate Development Company	Corporate Credit rating	A3/Stable/P2	Reaffirmed

Source: RAM Ratings; MARC

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