

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasury remained under slight pressure as investors were divided between concerns over potential economic fallout stemming from lingering trade tensions and expectations that the Fed rate hike path remains intact. Benchmark UST yields ended relatively flat with only small gyrations across the curve save for the 1bps dip in 5Y note. Yesterday's auction of US\$34bn 2Y note saw solid demand with BTC at 2.73x at a high yield of 2.538%. We expect demand for UST to remain supported by ongoing development on global trade tariffs. UST movement has been taking lesser cue from macro data flow lately and we expect the same in the next few days unless the third reading of US 1Q GDP, personal income/ spending and core PCE surprises significantly.

MGS/GII

- Trading momentum in Govvies improved commendably with volume at RM3.41b with focus mainly on off-the-runs at the front end to the belly of the curve. MGS 10/19 topped the volume with RM844m done 2bps inner at 3.47% while the 3s to 5s MGS saw a combined RM1.47bn dealt with yields movement of between -3 to +5bps, contrasting to the benchmark yields that stayed unchanged. Benchmark GIIs saw bigger moves despite lower trading activities. Benchmark 3Y GII rose 7bps to 3.70% while the 15Y climbed 4bps higher to 4.76%. 20Y GII however fell 4bps to 4.96%. The escalating global trade tensions and diverging theme between US and other countries with regard to monetary policy may however impact equities, currencies and foreign bond holdings in South-East Asian economies for now.

Corp Bonds/Sukuk

- In line with local govies, trading in Corporate Bonds/Sukuk picked up to RM384m, in line with expectations that trading activity is gradually picking up from last week's low. The bulk of the trades were seen across the AA-part of the yield curve, overshadowing the GG and AAA-rated papers. DanaInfra '25-34 saw combined RM45m dealt in the GG space while Telekom '24-28 saw RM40m done. Power papers continued to top investor radar, including YTLP '5/27, TBE'3/28 and '9/28, Malakoff '12/18 and Southern Power '24-35.

UST

Tenure	Closing (%)	Chg (bps)
2-yr UST	2.54	0
5-yr UST	2.75	-1
10-yr UST	2.88	0
30-yr UST	3.03	0

MGS

GII*

Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	0	3.70	7
5-yr	3.87	0	4.02	1
7-yr	4.04	0	4.19	0
10-yr	4.20	0	4.33	0
15-yr	4.61	0	4.76	4
20-yr	4.89	1	4.96	-4
30-yr	4.93	0	4.98	0

*Market indicative

M YR IRS Levels

IRS	Closing (%)	Chg (bps)
1-yr	3.73	0
3-yr	3.79	0
5-yr	3.87	-1
7-yr	4.00	0
10-yr	4.16	0

Source: Bloomberg

Upcoming Government Bond Tender

RM3.5b of 15Y GII 6/33 on Thurs, 28th June

Daily Trades : Government Bonds

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/18	3.288	32	3.257	25/06/2018	3
MGS 03/19	3.439	23	3.398	25/06/2018	4
MGS 10/19	3.466	844	3.482	25/06/2018	-2
MGS 11/19	3.482	1	3.476	21/06/2018	1
MGS 03/20	3.531	50	3.502	25/06/2018	3
MGS 10/20	3.557	31	3.543	25/06/2018	1
MGS 02/21	3.641	100	3.649	25/06/2018	-1
MGS 07/21	3.722	21	3.722	25/06/2018	0
MGS 09/21	3.734	202	3.701	25/06/2018	3
MGS 08/22	3.867	403	3.879	25/06/2018	-1
MGS 09/22	3.884	311	3.832	25/06/2018	5
MGS 03/23	3.932	269	3.924	25/06/2018	1
MGS 08/23	3.951	160	3.984	22/06/2018	-3
MGS 07/24	4.115	21	4.100	25/06/2018	2
MGS 09/24	4.139	103	4.142	25/06/2018	0
MGS 09/25	4.246	134	4.250	22/06/2018	0
MGS 04/26	4.307	40	4.295	25/06/2018	1
MGS 11/26	4.328	2	4.328	22/06/2018	0
MGS 03/27	4.393	10	4.378	22/06/2018	1
MGS 11/27	4.290	18	4.293	25/06/2018	0
MGS 06/28	4.204	64	4.206	25/06/2018	0
MGS 09/28	4.472	30	4.467	25/06/2018	1
MGS 04/30	4.614	50	4.642	25/06/2018	-3
MGS 06/31	4.688	1	4.677	25/06/2018	1
MGS 04/33	4.744	10	4.756	22/06/2018	-1
MGS 05/35	4.944	2	4.912	25/06/2018	3
MGS 06/38	4.893	20	4.885	20/06/2018	1
GII 08/18	3.304	4	3.414	11/06/2018	-11
GII 08/18	3.304	3	3.304	06/06/2018	0
GII 10/18	3.378	4	3.351	23/05/2018	3
GII 04/21	3.812	60	3.740	22/06/2018	7
GII 08/21	3.826	1	3.860	20/06/2018	-3
GII 04/22	3.867	190	3.927	25/06/2018	-6
GII 07/23	4.072	125	4.101	22/06/2018	-3
GII 11/23	4.017	10	4.010	25/06/2018	1
GII 08/24	4.184	10	4.194	25/06/2018	-1
GII 08/25	4.188	30	4.193	25/06/2018	0
GII 10/28	4.333	20	4.332	22/06/2018	0
GII 10/35	4.998	5	4.981	13/06/2018	2
		<u>3414</u>			

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*
Pengurusan Air SPV Berhad	06/21	GG	4.170	5	4.223	25/05/2018	-5	54
Danainfra Nasional Berhad	04/25	GG	4.460	15	4.380	09/02/2018	8	41
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.540	10	4.585	06/06/2018	-4	35
Danainfra Nasional Berhad	10/28	GG	4.660	10	4.691	06/06/2018	-3	45
Danainfra Nasional Berhad	11/34	GG	5.025	20	4.989	02/12/2016	4	39
Cagamas Berhad	03/20	AAA	4.210	10	4.110	04/04/2018	10	66
Malaysia Airports Capital Berhad	08/20	AAA	4.310	10	4.376	23/05/2018	-7	76
CIMB Bank Berhad	05/24	AAA	4.623	15	4.597	10/04/2018	3	65
Telekom Malaysia Berhad	06/24	AAA	4.560	10	4.410	09/04/2018	15	58
Telekom Malaysia Berhad	12/24	AAA	4.590	20	4.608	25/05/2018	-2	61
Telekom Malaysia Berhad	05/28	AAA	4.745	10	-	-	-	53
Hong Leong Islamic Bank Berhad	06/24	AA1	5.099	1	4.423	19/06/2018	68	112
AI Dzahab Assets Berhad	12/24	AA1	4.710	5	4.707	22/06/2018	0	73
YTL Power International Berhad	05/27	AA1	5.010	21	5.000	25/06/2018	1	82
TRIpIc Medical Sdn Berhad	10/32	AA1	5.013	5	5.010	22/06/2018	0	37
TRIpIc Medical Sdn Berhad	10/33	AA1	5.100	5	5.099	22/06/2018	0	46
Westports Malaysia Sdn Berhad	04/22	AA+	4.610	10	4.398	13/07/2017	21	83
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/22	AA+	4.750	5	4.669	09/03/2018	8	97
CIMB Bank Berhad	08/26	AA+	4.800	1	5.349	11/06/2018	-55	67
Samalaju Industrial Port Sdn Berhad	12/25	AA1	4.843	20	4.854	16/05/2018	-1	71
Samalaju Industrial Port Sdn Berhad	12/26	AA1	4.942	20	4.918	20/11/2017	2	75
ImtiaZ Sukuk II Berhad	11/19	AA2	4.400	15	4.343	06/12/2017	6	99
Krung Thai Bank Public Company Limited	07/25	AA2	4.550	1	4.572	15/05/2018	-2	50
Bright Focus Berhad	01/31	AA2	5.412	5	5.411	22/06/2018	0	77
CIMB Thai Bank Public Company Limited	07/26	AA3	4.890	1	5.271	16/05/2018	-38	76
RHB Islamic Bank Berhad	04/27	AA3	4.825	10	4.689	18/04/2018	14	64
Tanjung Bin Energy Issuer Berhad	03/28	AA3	4.950	5	4.950	22/06/2018	0	74
Tanjung Bin Energy Issuer Berhad	09/28	AA3	4.970	10	4.968	25/06/2018	0	76
Malakoff Power Berhad	12/18	AA-	4.370	20	4.370	20/06/2018	0	96
WCT Holdings Berhad	10/23	AA-	5.360	5	5.361	22/06/2018	0	152
Southern Power Generation Sdn Berhad	04/24	AA-	4.755	25	4.668	19/04/2018	9	78
Southern Power Generation Sdn Berhad	04/32	AA-	5.162	10	5.174	06/06/2018	-1	52
Southern Power Generation Sdn Berhad	10/33	AA-	5.275	10	5.235	18/04/2018	4	64
Southern Power Generation Sdn Berhad	04/34	AA-	5.315	10	5.369	16/05/2018	-5	68
Southern Power Generation Sdn Berhad	10/34	AA-	5.345	15	5.359	25/06/2018	-1	71
Southern Power Generation Sdn Berhad	10/35	AA-	5.434	10	5.439	09/02/2018	0	80
CIMB Group Holdings Berhad	05/16	A1	4.990	5	5.401	21/06/2018	-41	10
CIMB Group Holdings Berhad	05/16	A1	5.350	0	5.351	14/06/2018	0	46
Alliance Bank Malaysia Berhad	10/25	A2	4.750	1	5.158	21/06/2018	-41	70
				<u>384</u>				

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

Market/Corporate News: What's Brewing

The government is looking to replace the current currency notes with new ones to combat corruption. Prime Minister Tun Dr Mahathir Mohamad said in an interview with Channel NewsAsia that there could be a change in the currency or go cashless to combat corruption. "It's not an easy thing because when you want to replace the currency, you must know how much currency is in circulation... because we have to replace what is in circulation and that is a very big amount," he said. "If you were to replace, you need to print huge amounts of paper money and that is not a decision that one makes lightly. "You have to study the effects on the economy," he added. Such a move is a demonetisation of the ringgit and Socio-Economic Research Centre's executive director Lee Heng Guie told *StarBiz* that such a move on the currency unit would strip its status as a legal tender and involve taking the old currency notes and coins out of circulation to be replaced with new ones. "In a general sense, there are a few reasons for demonetisation such as to fight hyperinflation, weed out corruption, eliminating ill-gotten money from money laundering or the black economy, counterfeiting or to encourage migration towards a cashless society and less dependence on hard currency," Lee said. The move, if embarked on, would incur a big cost with Bank Negara printing and minting expenditure to issue new notes and coins. "Currently, RM50 and RM100 notes account for 84.6% of the currency in circulation," Lee said. Ambank Research's chief economist and head of research Anthony Dass told *StarBiz* that the exercise could be an expensive one. He said that the process would first entail a design for a new banknote since the old ringgit cannot be used anymore. "It is a procedure where the central bank will provide designs or guidance, or sometimes a competition is held to produce ideas. Then you need to print it. To do this, special paper needs to be ordered, as well as millions of metres of security thread, watermarks, ultra-violet features and any other anti-counterfeiting devices. Then it will be distributed after that," Dass said. Dr Mahathir undertook a demonetisation exercise back in September 1998 during the period of the Asian Financial Crisis. In that year, Bank Negara announced that the RM500 and RM1,000 denominations would be demonetised and would cease to be legal tender from July 1, 1999. Such a move happened in India in November 2016 when it embarked on a demonetisation exercise to remove black money from the economy in its bid to combat terrorism and corruption. India's Government, led by Prime Minister Narendra Modi, demonetised all 500 and 1,000 rupee banknotes or exchanged them for newly introduced 500 and 2,000 rupee bills. Data that was released by the Reserve Bank of India, however, indicated that the demonetisation failed to flush out black money. Lee said that the data showed nearly 99% of the scrapped notes were deposited into the country's banks and have re-entered the country's monetary system. (Source: The Star)

Tan Sri Vincent Tan Chee Yioun says he will be divesting his entire stake in T7 Global Bhd in light of the recent controversy over the East Coast Rail Line (ECRL) project. The investment tycoon said he was selling his stake in the company to distance himself from reports that his interest in the company may be linked to the new government's decision not to cancel the project. "These news reports are mischievous and appear to imply a sinister link between my acquisition of a substantial stake in T7 Global and the decision of the Pakatan Harapan Government not to cancel the East Coast Rail Line (ECRL) project despite earlier reports to the contrary," he said in a press statement on Tuesday. "I believe these news reports and social media comments are intended to embarrass me and the new Government in Putrajaya." Tan explained that his acquisition of a stake in T7 Global was because the company was well positioned in the oil and gas services industry, and he was acquainted with the major shareholder of the company. "I had no knowledge that T7 Global is one of the contractors for the ECRL project when I purchased shares in the company," he added. Tan said he had begun disposing of some of his shares in T7 Global as of Monday, and intends to dispose of his entire stake in due

course. Further dispelling rumours surrounding him, he added that there is no truth to reports that he had invested in a financial startup developing a trading platform called Bitcoin Formula, or that he will be donating RM525mil to Tabung Harapan. Shares of T7 Global had jumped in Monday trading by eight sen or 19% to 50 sen apiece with over 31 million shares done. At Tuesday's close, the counter slid half a sen or 1% to 49.5 sen a share with 9.5 million shares changing hands. (Source: *The Star*)

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

Source: RAM Ratings; MARC

Hong Leong Bank Berhad

Fixed Income & 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

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