

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.68	1
5-yr UST	2.86	0
10-yr UST	2.98	0
30-yr UST	3.10	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	2	3.56	0
5-yr	3.76	-3	3.87	-3
7-yr	3.99	0	4.06	-2
10-yr	4.07	-1	4.20	0
15-yr	4.54	-1	4.62	0
20-yr	4.79	-3	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	0
3-yr	3.75	0
5-yr	3.85	1
7-yr	3.97	0
10-yr	4.17	0

Source: Bloomberg

Upcoming Government Bond Tender

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

US Treasuries

- US Treasuries lacked momentum with the curve seen pivoted along the 5-10Y segment with the front-end lagging despite earlier attempts to rally; fueled in part by the NASDAQ sell-off. Overall benchmark yields were within 1bps move compared to prior day's session. The 2Y edged 1bps higher at 2.68% whilst the much-watched 10Y yield was still short of the 3.00% level; at 2.98% levels. Meanwhile, the 7Y auction involving \$30b saw an improved BTC of 2.49x vs 2.55x average for the previous six (6) auctions; with average yield at 2.93%. Meanwhile steady reduction in purchases of longer-maturity debt and more expensive hedging costs may cause Japanese funds to flow-back into their home country. Up next on the data front is the 2Q GDP data expected tonight.

MGS/GII

- Trading momentum in Govvies spiked with volume at RM3.1b 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 @ 43% of overall trades compared to 60% earlier in the week. Overall benchmark MGS yields were mixed between 0-3bps lower from prior day's close save for the short 3Y. The 7Y MGS 3/25 was traded; closing unchanged at 3.99% levels with all eyes focused on its auction reopening of RM3.0b nominal amount today. The 10Y MGS 6/28 however edged 1bps lower at 4.07% levels.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk continued to notch solid volume of RM510m yesterday with interest mainly in the AA-part of the curve, followed by the GG space, involving 30 different bonds compared to 30 the previous day. The GG-segment was dominated by DANAINFRA and PRASARANA bonds which rallied 0-7bps compared to previous-done levels. DANA 4/25 and 11/29 closed at 4.25% and 4.57% respectively whilst PRASA 3/25 and 9/37 settled at 4.25% and 4.94% each. AAA-rated PLUS 32 edged 2bps lower at 4.88% whilst the AA-rated space was dominated by power and highway-related names. YTL Power 5/27 and SEB 12/32 moved 1-2 bps lower at 4.93% and 5.16% respectively whilst DUKE3 bonds saw the 2034-2037 tranches close unchanged between 5.33-49% levels. We expect secondary market to be vibrant.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.287	50	3.294	25/07/2018	-1
MGS	03/19	3.340	660	3.345	25/07/2018	-1
MGS	10/19	3.422	1	3.448	24/07/2018	-3
MGS	02/21	3.565	28	3.573	25/07/2018	-1
MGS	11/21	3.574	71	3.549	25/07/2018	2
MGS	03/22	3.649	10	3.703	25/07/2018	-5
MGS	09/22	3.786	1	3.781	24/07/2018	0
MGS	03/23	3.836	3	3.838	24/07/2018	0
MGS	04/23	3.756	50	3.784	24/07/2018	-3
MGS	07/24	3.981	24	3.998	24/07/2018	-2
MGS	09/24	4.003	200	4.031	24/07/2018	-3
MGS	03/25	3.985	75	3.985	20/07/2018	0
MGS	09/25	4.101	4	4.101	23/07/2018	0
MGS	04/26	4.177	32	4.204	25/07/2018	-3
MGS	11/26	4.172	67	4.222	24/07/2018	-5
MGS	11/27	4.134	31	4.178	24/07/2018	-4
MGS	06/28	4.074	22	4.076	25/07/2018	0
MGS	04/30	4.464	61	4.481	24/07/2018	-2
MGS	04/33	4.613	281	4.617	25/07/2018	0
MGS	11/33	4.542	90	4.554	25/07/2018	-1
MGS	05/35	4.693	5	4.713	24/07/2018	-2
MGS	04/37	4.778	3	4.803	25/07/2018	-3
MGS	06/38	4.787	10	4.812	24/07/2018	-3
GII	11/18	3.269	30	3.284	17/07/2018	-1
GII	04/22	3.813	61	3.830	25/07/2018	-2
GII	07/22	3.856	10	3.878	24/07/2018	-2
GII	07/23	3.940	100	3.963	24/07/2018	-2
GII	11/23	3.874	170	3.901	24/07/2018	-3
GII	08/25	4.062	210	4.080	25/07/2018	-2
GII	07/27	4.204	40	4.226	24/07/2018	-2
GII	10/28	4.199	700	4.205	25/07/2018	-1
			<u>3099</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*
Small Medium Enterprise Development Bank Malaysia Berhad	08/22	GG	4.269	15	4.197	06/04/2018	7	59
Prasarana Malaysia Berhad	03/25	GG	4.249	30	4.260	20/07/2018	-1	26
Danainfra Nasional Berhad	04/25	GG	4.249	30	4.248	19/07/2018	0	26
Danainfra Nasional Berhad	11/29	GG	4.571	50	4.639	16/03/2017	-7	49
Turus Pesawat Sdn Berhad	11/32	GG	4.810	10	4.880	11/12/2017	-7	27
Prasarana Malaysia Berhad	09/37	GG	4.940	10	4.945	24/07/2018	0	14
Cagamas Berhad	03/20	AAA	4.059	5	4.100	09/07/2018	-4	58
Cagamas Berhad	09/20	AAA	4.081	5	4.110	13/07/2018	-3	61
Bank Pembangunan Malaysia Berhad	04/21	AAA	4.431	5	4.368	23/03/2018	6	88
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.879	50	4.897	24/07/2018	-2	33
Malayan Banking Berhad	01/24	AA1	4.193	4	4.365	20/07/2018	-17	29
YTL Power International Berhad	05/27	AA1	4.928	20	4.938	25/07/2018	-1	84
Danajamin Nasional Berhad	10/27	AA1	4.473	20	4.767	11/07/2018	-29	39
Northern Gateway Infrastructure Sdn Berhad	08/30	AA1	4.899	10	4.990	04/04/2018	-9	82
Sarawak Energy Berhad	12/32	AA1	5.159	20	5.179	24/07/2018	-2	61
TRIpIc Medical Sdn Berhad	10/34	AA1	5.110	10	5.158	11/07/2018	-5	57
CIMB Bank Berhad	08/26	AA+	4.962	1	5.222	04/07/2018	-26	92
Bright Focus Berhad	01/23	AA2	4.579	5	4.555	10/08/2017	2	90
Edra Energy Sdn Berhad	07/25	AA3	5.465	1	5.380	07/02/2018	9	148
BGSM Management Sdn Berhad	03/26	AA3	4.830	10	4.831	19/07/2018	0	78
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	4.891	5	4.895	02/07/2018	0	81
Southern Power Generation Sdn Berhad	04/29	AA-	4.934	10	4.949	25/07/2018	-1	86
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	5.329	10	5.329	01/06/2018	0	78
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/36	AA-	5.439	20	5.440	25/07/2018	0	64
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.489	20	5.490	25/07/2018	0	69
Special Power Vehicle Berhad	05/20	A1	4.770	10	4.795	07/12/2017	-3	129
Special Power Vehicle Berhad	11/20	A1	4.841	10	5.085	17/07/2017	-24	137
CIMB Group Holdings Berhad	05/16	A1	4.928	1	5.450	20/07/2018	-52	12
Affn Bank perpetual AT1CS	07/18	A3	5.330	113	-	-	-	-
Bank Muamalat Malaysia Berhad	11/21	A	4.773	1	4.775	25/07/2018	0	122
				<u>510</u>				

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

Market/Corporate News: What's Brewing

A rare public spat in corporate Malaysia escalated when AirAsia Bhd claimed that it had made significant contributions to Malaysia Airports Holdings Bhd's (MAHB) revenue growth. This is after MAHB said that the low-cost carrier had benefited the most from its incentive programmes, to the tune of RM376mil to date. The latest round of feuding between the two companies came about after news broke that AirAsia's founder, Tan Sri Tony Fernandes, had met with Sabah Chief Minister Datuk Seri Shafie Apdal to discuss the budget carrier's plan to operate the Kota Kinabalu International Airport (KKIA) Terminal 2 as an independent, low-cost terminal. Fernandes said he had never wanted to move out of Terminal 2, prompting MAHB to respond by saying that AirAsia's decision to relocate to Terminal 1 was driven by its own expansion needs. KKIA is the country's second-busiest airport ahead of the Penang International Airport, thanks largely to the growth of low-cost air travel. CIMB Research, in a note on Monday, said that the plan to allow AirAsia to re-open KKIA Terminal 2, if it goes through, would be positive for AirAsia and negative for MAHB. "Any growth AirAsia experiences directly contributes to MAHB's coffers," AirAsia Malaysia CEO Riad Asmat said in a statement yesterday. The low-cost carrier claimed it had contributed at least RM3.5bil in revenue to MAHB since it started operations in 2001. This is in the form of aeronautical charges – landing, parking, aerobridges, check-in counters, passenger service charges, passenger security service charges, and others such as rental and utilities. "We do not deny that MAHB had played a big part in our early success. In addition to incentives, it also provided us with a low-cost carrier terminal and we are grateful for that. "Since then, however, MAHB has undone much of this good work," he said. Riad also claimed that the incentives given to AirAsia had generated more returns. "For every RM1 in incentives we get, we give back at least RM9.33 to MAHB – and that is just in terms of direct contributions. "If we look at indirect contributions from the retail, F&B and duty-free revenue that MAHB earns from our guests, that is another RM44.39 per RM1 in incentives just for KL International Airport 2 in 2017 alone," Riad said. (Source: *The Star*)

Debt-laden commodities trader Noble Group said it expected to post a loss in the second quarter, citing restructuring expenses and net finance costs. The company forecast a net loss of about US\$115 million to US\$140 million for the period. It expects to report restructuring expenses of about US\$95 million along with net finance costs and tax of US\$70 million to US\$80 million for the quarter. While operating income from supply chains improved in the quarter, Noble's performance continued to be hit by constraints on liquidity and availability of competitive trade finance to support its operations, along with the impact of restructuring expenses, it said. Last month, the company won over a key shareholder with a sweetened equity offer for its US\$3.4 billion debt restructuring plan that it sees as crucial to its survival. The company has sold billions of dollars of assets, taken hefty writedowns and cut hundreds of jobs over the past three years to slash debt. On Thursday, it also said more than 86% of its senior creditors supported the debt plan. The company said it would not be paying the coupon on its 2020 bond due on July 30. Noble had reported a quarterly loss of US\$1.75 billion in the year-ago period and had recorded a net loss of US\$72 million in the first quarter of this year. It will report its latest results on Aug 14. (Source: *The Edge*)

Prestariang Bhd has entered into an agreement with Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) to drive employability and engagement of student borrowers. The agreement follows and supersedes a Memorandum of Understanding (MOU) signed between Prestariang and PTPTN on March 8 this year. "The collaboration will be through a pilot borrowers' employability programme called

'JobMatching PTPTN' targeted at upskilling current PTPTN borrowers to the job market through 'Place and Train model. The 'Place & Train' model will include job matching to industry requirements through talent profiling and a series of soft skills and communications training," it said in an exchange filing today. The information and communication technology (ICT) company said the agreement did not state total contract price. However, the group said PTPTN shall grant financial assistant up to RM2000 to each eligible programme participant. For training fees above RM2000 educational loans to the participants will be considered subject to the terms and conditions as imposed by PTPTN. The agreement is for one year, expiring on July 25 next year, but both entities can extend the deadline further via a mutual written agreement. The group said it expected the agreement to contribute positively to its future earnings, net tangible assets and gearing. (Source: *The Edge*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Chellam Plantations (Sabah) Sdn Bhd	RM150 million 10-year tranche (2016/2026)	AAA(FG)/Stable	Reaffirmed

Source: RAM Ratings; MARC

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