

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.51	-3
5-yr UST	2.70	-5
10-yr UST	2.83	-5
30-yr UST	2.97	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.60	-1	3.63	0
5-yr	3.87	0	4.02	0
7-yr	4.06	2	4.18	-1
10-yr	4.21	0	4.33	-1
15-yr	4.61	0	4.72	0
20-yr	4.89	0	5.00	0
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	3.89	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

US Treasuries

- US Treasuries rallied on flight-to-safety theme arising from lingering global trade tensions and expectations that the Fed rate interest rate path remains intact for another one (1) to two (2) hikes. Currencies and emerging market equities faced the brunt, causing the USD to rise. Benchmark UST yields were 3-6bps lower with the 2Y lower by 3bnps at 2.51% and the much-watched 10Y yields down by 5bps at 2.83% on higher than average volumes. Yesterday's auction of US\$36bn 5Y note saw solid demand with BTC at 2.55x; the highest since August last year averaging 2.719%. We expect demand for UST especially on the front-end of the curve to remain supported for now due to ongoing global trade tariff issues.

MGS/GII

- Trading momentum in Govvies maintained strong investor interest with volume at RM3.55b as focus was seen mainly off-the-runs at the belly of the curve involving 23-27's. Overall benchmark yields were generally unchanged save for the 3Y and 7Y. The 7Y MGS 3/25 closed 2bps higher at 4.06% whilst the 10Y MGS 6/28 closed unchanged; unlike its Islamic equivalent which saw stronger investor interest at 4.33%. Meanwhile attention is expected to be focused on today's auction reopening of the 15Y GII 6/33. The escalating global trade friction and diverging monetary policy theme between US and other countries may impact equities, currencies and foreign bond holdings in particularly for South-East Asian economies.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk too continued to impress; with volume improving to RM502m as a flurry of trades in about 45 different securities were notched in total. The bulk of the trades were seen across the GG-AA-part of the yield curve. Govt-guaranteed GOVCO 6/23 jumped 13bps higher at 4.28% compared to previous-done levels whilst a slew of DANA and PRASA bonds 2026-2039 were traded between 0-4bps higher. AAA-rated PLUS 31 and 32 rallied 1-6bps lower closing at 4.90% and 4.95%. RM50m of TNB Western 25-29 bonds exchanged hands closing missed on yields on yields between 4.67-4.84% levels. Various infra-cum-power related bonds in the AA-space also saw keen interest i.e. EDRA Energy, BGSM, Malakoff, DUKE 3 to name a few as per the table below.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.285	16	3.288	26/06/2018	0
MGS	03/19	3.438	39	3.439	26/06/2018	0
MGS	07/19	3.396	12	3.430	07/06/2018	-3
MGS	10/19	3.435	65	3.436	26/06/2018	0
MGS	11/19	3.485	5	3.482	26/06/2018	0
MGS	03/20	3.549	30	3.531	26/06/2018	2
MGS	10/20	3.557	40	3.557	26/06/2018	0
MGS	09/21	3.701	12	3.711	26/06/2018	-1
MGS	11/21	3.604	40	3.610	25/06/2018	-1
MGS	03/22	3.805	17	3.793	25/06/2018	1
MGS	09/22	3.820	55	3.820	26/06/2018	0
MGS	03/23	3.925	6	3.972	26/06/2018	-5
MGS	08/23	3.973	228	3.951	26/06/2018	2
MGS	07/24	4.162	512	4.115	26/06/2018	5
MGS	09/24	4.175	486	4.139	26/06/2018	4
MGS	03/25	4.062	60	4.042	22/06/2018	2
MGS	09/25	4.279	364	4.258	26/06/2018	2
MGS	04/26	4.310	32	4.307	26/06/2018	0
MGS	11/26	4.365	530	4.328	22/06/2018	4
MGS	11/27	4.350	402	4.290	26/06/2018	6
MGS	06/28	4.205	75	4.204	26/06/2018	0
MGS	04/30	4.642	4	4.642	25/06/2018	0
MGS	04/33	4.752	52	4.744	26/06/2018	1
MGS	05/35	4.918	23	4.944	26/06/2018	-3
MGS	09/43	4.928	1	4.968	22/06/2018	-4
GII	03/21	3.676	104	3.792	25/06/2018	-12
GII	04/21	3.768	60	3.814	26/06/2018	-5
GII	08/21	3.793	19	3.826	26/06/2018	-3
GII	04/22	3.861	3	3.867	26/06/2018	-1
GII	11/23	4.019	10	4.010	25/06/2018	1
GII	08/24	4.175	10	4.184	26/06/2018	-1
GII	08/25	4.180	60	4.188	26/06/2018	-1
GII	07/27	4.416	2	4.415	25/06/2018	0
GII	10/28	4.327	180	4.333	26/06/2018	-1
			<u>3554</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*	
GovCo Holdings Berhad	06/23	GG	4.281	30	4.153	16/04/2018	13	44
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	08/26	GG	4.510	20	4.476	13/03/2018	3	37
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/27	GG	4.539	20	4.542	26/06/2018	0	35
DanaInfra Nasional Berhad	11/30	GG	4.790	5	4.760	13/03/2018	3	59
GovCo Holdings Berhad	02/32	GG	4.951	15	4.935	21/05/2018	2	32
DanaInfra Nasional Berhad	05/37	GG	5.050	20	5.010	16/03/2018	4	16
DanaInfra Nasional Berhad	07/39	GG	5.114	20	5.118	07/06/2018	0	22
Genting Capital Berhad	06/22	AAA	5.099	1	5.097	21/06/2018	0	133
TNB Western Energy Berhad	07/25	AAA	4.672	15	4.663	07/05/2018	1	62
TNB Western Energy Berhad	07/26	AAA	4.739	10	4.578	24/10/2017	16	60
Manjung Island Energy Berhad	11/26	AAA	4.699	10	4.629	23/03/2015	7	56
TNB Western Energy Berhad	07/29	AAA	4.838	25	4.849	06/06/2018	-1	64
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.895	10	4.959	24/05/2018	-6	26
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.949	10	4.961	26/04/2018	-1	31
EKVE Sdn Berhad	01/33	AAA	5.074	10	5.092	05/06/2018	-2	44
Projek Lebuhraya Usahasama Berhad	01/36	AAA	5.120	10	5.040	09/02/2018	8	23
Sarawak Energy Berhad	06/21	AA1	4.538	5	4.538	12/06/2018	0	91
Sarawak Energy Berhad	01/22	AA1	4.601	5	4.603	20/06/2018	0	83
YTL Power International Berhad	10/24	AA1	4.779	6	4.686	17/04/2018	9	80
TRIPIC Medical Sdn Berhad	10/28	AA1	4.788	10	4.899	04/04/2018	-11	59
TRIPIC Medical Sdn Berhad	10/29	AA1	4.848	10	4.949	04/04/2018	-10	65
TRIPIC Medical Sdn Berhad	10/33	AA1	5.099	14	5.098	26/06/2018	0	46
TRIPIC Medical Sdn Berhad	10/34	AA1	5.190	15	5.189	06/06/2018	0	56
UMW Holdings Berhad	06/22	AA2	4.646	10	4.632	11/04/2018	1	87
UMW Holdings Berhad	10/23	AA2	4.707	20	4.719	20/06/2018	-1	87
PBFIN Berhad	06/59	AA2	4.533	10	4.655	20/06/2018	-12	-36
BGSM Management Sdn Berhad	06/24	AA3	4.768	6	4.818	21/05/2018	-5	79
Edra Energy Sdn Berhad	07/26	AA3	5.490	2	5.489	25/04/2018	0	135
Edra Energy Sdn Berhad	01/27	AA3	5.509	10	5.529	25/04/2018	-2	132
Tanjung Bin Energy Issuer Berhad	03/27	AA3	4.889	6	4.940	28/05/2018	-5	70
Edra Energy Sdn Berhad	01/28	AA3	5.561	10	5.581	26/04/2018	-2	136
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	06/19	AA-	4.544	10	4.527	30/04/2018	2	113
WCT Holdings Berhad	05/22	AA-	5.139	10	5.039	16/04/2018	10	137
Malakoff Power Berhad	12/25	AA-	4.919	9	4.770	12/02/2018	15	86
SAJ Capital Sdn Berhad	01/27	AA-	5.448	15	0.000	00/01/1900	545	126
Jimah East Power Sdn Berhad	12/31	AA-	5.189	10	5.208	31/05/2018	-2	55
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	5.305	1	5.173	19/04/2018	13	67
Southern Power Generation Sdn Berhad	04/34	AA-	5.298	10	5.314	26/06/2018	-2	66
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	5.413	1	5.399	31/05/2018	1	78
CIMB Group Holdings Berhad	05/16	A1	5.350	1	5.350	26/06/2018	0	46
Hong Leong Financial Group Berhad	11/17	A1	5.229	5	5.158	08/06/2018	7	34
Alliance Bank Malaysia Berhad	10/25	A2	4.832	10	4.752	26/06/2018	8	78
SAJ Capital Sdn Berhad	01/22	AA-	5.201	20	5.068	02/03/2018	13	143
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	10/21	AA+	4.671	10	4.676	20/12/2017	0	104
Celcom Networks Sdn Berhad [fka Celcom Transmission (M) Sdn Berhad]	08/22	AA+	4.735	20	4.750	26/06/2018	-1	96
			<u>502</u>					

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

Market/Corporate News: What's Brewing

The number of unsold completed residential units – including serviced apartments and small office, home offices (SoHos) – totalled 34,532 worth RM22.26bil for the first quarter of this year, the National Property Information Centre said in its latest report on Property Overhang Q1 2018. These are cumulative figures from previous years. This represents an increase of 55.72% in the number of unsold units compared to a year ago, when unsold units totalled 22,175, inclusive of serviced apartments and SoHos, which are built on land zoned as commercial but have a residential element to them. In ringgit value, this represents a rise of 67.82%, from RM13.27bil a year ago to RM22.26bil as at March 31, 2018. Excluding serviced apartments/SoHos, about a third of all residential units in their respective price segments remained unsold. Most of the units launched were priced between RM500,000 and RM1mil, of which a third remained unsold. Those priced between RM300,000 and RM400,000 also saw 33% of the launched units being left on the shelf. For the first quarter of this year, the number of SoHos and serviced apartments numbered about 48,000, with about 25,000 units located in Johor alone. Although serviced apartments and SoHos are not found in Kedah and the east coast states, Kelantan, Kedah and Terengganu have the largest number of unsold residential units at 48.08%, 48.20% and 44.20%, respectively. Ironically, the states with the largest number of serviced apartments and SoHos – Johor, Kuala Lumpur and Selangor – have unsold stock of 29.12%, 13.53% and 17.86%, respectively. Penang has unsold stock of 33.12%. Increasingly, Melaka is building more serviced apartments, with 1,520 units launched in the first quarter of this year, of which only 130 units were unsold. PPC International managing director Datuk Siders Sittampalam said the overhang in Malaysia was due to two factors – unaffordable property prices and locations that were less-than-ideal. “You can’t say there is no demand, because there is latent demand. But one reason for the overhang is because prices of these units are just too high.” He said the various cooling measures implemented by Bank Negara made it difficult for potential homebuyers to secure financing to purchase property. “Unless the financing regime changes, this (the overhang situation) will continue,” he said. Other than high house prices, Siders noted that some properties may not be sold due to poor or limited accessibility. “Some properties may be built in less-than-ideal locations – they may be too far away to live in or may not have the suitable amenities like proper public transport. “We can talk of economic factors improving but nothing will change unless these two (affordability and accessibility) factors improve.” Knight Frank Malaysia managing director Sarkunan Subramaniam said while the overhang situation in the country was high, “it wasn’t at alarming levels.” “Alarming is when you see abandoned projects or developers going bust. So, the situation is not alarming – but affirmative action needs to be taken.” He said improvement in the economy would help spur the local property market. “With the level of transparency being shown by the Pakatan Harapan government, we will see more confidence in the economy. By next year, the overhang situation should reduce.” Sarkunan said now would be a good time for the central bank to make adjustments to the lending policies. “The non-performing loan rates ... they haven’t increased by much. People are still holding on to their assets and that is a good sign.” Sarkunan is also hopeful that the new government would implement clearer policies to help bolster affordable housing developments in the country. “Under the previous government, there was no clear direction in terms of housing policies, except for affordable housing. Developers did their best to make the sales happen,” he said. Last November, Bank Negara said the number of unsold residential properties was at a decade high, with a majority of the units in the RM250,000-and-above price range. However, in spite of large numbers of unsold units, some industry experts still believe that the residential property market is facing an undersupply. At the 11th Malaysian Property Summit 2018 in January, CBRE|WTW managing director Foo Gee Jen observed that a mismatch of price, location and products had led to this conundrum.

“Based on the population growth rate of 1.3% of 32 million people as of 2016, the annual growth is around 390,000. Based on the average household of four people, we need about 97,500 units per year. “But annual completions are only at 78,216 units,” Foo said at the summit. According to him, Bank Negara estimates that average Malaysians can afford houses priced RM250,000 and below. “But 78.7% of new launches in the first half of 2017 were priced beyond RM250,000” he said, adding that almost half of the launches (49.8%) comprised units priced over RM400,000, and 25.4% of them were above RM500,000. The main concerns are distribution of household incomes and distribution of houses in the market, which have contributed to the high overhang. According to the Valuation and Property Services Department market report, residential property continued to support the overall sector with a 62.4% market share, followed by agriculture property with a 22.5% share. The residential property market recorded 194,684 transactions worth RM68.47bil in 2017, 4.1% lower in volume compared with 2016. It rose marginally in value terms by 4.4%. Demand was seen in units priced RM200,000 and below, which accounted for nearly 45% of the residential market volume in 2017.. (Source: The Star)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Aquasar Capital Sdn Bhd	Aquasar Capital Sdn Bhd's RM1,500 million Sukuk Murabahah Programme (2014/2029).	AAA(s)	Reaffirmed

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

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.