

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.51	1
5-yr UST	2.71	1
10-yr UST	2.84	1
30-yr UST	2.97	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.61	1	3.63	0
5-yr	3.85	-3	4.02	0
7-yr	4.05	-1	4.18	0
10-yr	4.21	0	4.31	-2
15-yr	4.63	0	4.74	2
20-yr	4.88	-2	5.00	0
30-yr	4.95	2	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	3.88	0
7-yr	4.00	0
10-yr	4.16	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

• US Treasuries drifted lower with yield curve seen bear-flattening as month-end demand for the long-end helped stem the overall slide. Benchmark UST yields were generally 0-1bps higher with both the 2Y and much-watched 10Y up by 1bps at 2.51% and 2.84% respectively. Yesterday's auction of US\$30bn 7Y note saw equally solid demand with BTC at 2.53x versus 2.62x the previous auction; averaging 2.809%, highest since August last year's 2.719%. Investors expect demand for UST especially on the longer-end of the curve to remain supported for now allowing for the 2s10s and 5s30s spreads to narrow further to the least since 2007.

MGS/GII

• Trading momentum in Govvies eased with volume at RM2.38b; taking into account the large portion of auction deals. Overall benchmark yields were generally mixed between -3 to +2bps. The 7Y MGS 3/25 edged 1bps lower at 4.05% whilst the 10Y MGS 6/28 closed unchanged at 4.21%; unlike its Islamic equivalent which rallied amid strong investor interest at 4.31%. Meanwhile yesterday's auction reopening of the 15Y GII 6/33 also saw solid demand with BTC of 2.78x; averaging 4.778%. Nevertheless the escalating global trade friction and shrinking yield differential between US and emerging markets may impact most asset classes including equities, currencies and foreign bond holdings especially in EM Asia.

Corp Bonds/Sukuk

• Trading activity in Corporate Bonds/Sukuk halved; with volume at RM251m with mere 16 bonds compared to 45 prior day. The bulk of the trades continued to be seen across the yield curve. Govt-guaranteed Malaysia Debt Ventures 9/18 notched largest volume of RM70m; closing 5bps higher at 3.63% compared to previous-done levels whilst a slew of PRASA bonds 2020-2047 were traded mixed on yields between 4.10%-5.19% levels. Both the AAA-rated Sarawak Hidro 8/26 and TNB Western 7/28 ended 2-6bps lower at 4.61% and 4.78% respectively. AA-rated infra-cum-power related bonds continued to see interest. These include SEB 6/26, Malakoff 12/18 and Southern Power 10/31.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/18	3.296	21	3.326	27/06/2018	-3
MGS	07/19	3.418	50	3.396	27/06/2018	2
MGS	10/19	3.480	56	3.435	27/06/2018	4
MGS	11/19	3.488	225	3.485	27/06/2018	0
MGS	03/20	3.549	43	3.549	27/06/2018	0
MGS	07/20	3.535	42	3.513	22/06/2018	2
MGS	10/20	3.565	4	3.566	27/06/2018	0
MGS	02/21	3.622	32	3.641	26/06/2018	-2
MGS	07/21	3.706	30	3.722	26/06/2018	-2
MGS	09/21	3.700	177	3.701	27/06/2018	0
MGS	11/21	3.610	40	3.610	27/06/2018	0
MGS	03/22	3.822	1	3.776	27/06/2018	5
MGS	09/22	3.833	2	3.820	27/06/2018	1
MGS	03/23	3.926	53	3.925	27/06/2018	0
MGS	04/23	3.848	60	3.871	22/06/2018	-2
MGS	08/23	3.984	80	3.973	27/06/2018	1
MGS	09/24	4.150	32	4.152	27/06/2018	0
MGS	03/25	4.053	2	4.010	27/06/2018	4
MGS	09/25	4.279	56	4.279	27/06/2018	0
MGS	04/26	4.307	2	4.300	27/06/2018	1
MGS	09/26	4.314	9	4.344	20/06/2018	-3
MGS	11/26	4.329	30	4.334	27/06/2018	0
MGS	11/27	4.351	46	4.350	27/06/2018	0
MGS	06/28	4.205	113	4.197	27/06/2018	1
MGS	06/31	4.646	47	4.688	26/06/2018	-4
MGS	04/33	4.742	10	4.749	27/06/2018	-1
MGS	04/37	4.926	1	4.943	22/06/2018	-2
MGS	06/38	4.875	78	4.893	26/06/2018	-2
MGS	03/46	4.949	1	4.930	22/06/2018	2
GII	08/18	3.260	4	3.304	26/06/2018	-4
GII	08/18	3.260	3	3.304	26/06/2018	-4
GII	10/18	3.287	3	3.378	26/06/2018	-9
GII	04/22	3.861	1	3.861	27/06/2018	0
GII	07/22	3.950	50	3.951	22/06/2018	0
GII	08/24	4.175	20	4.175	27/06/2018	0
GII	08/25	4.177	40	4.180	27/06/2018	0
GII	10/28	4.308	280	4.326	27/06/2018	-2
GII	06/33	4.743	630	4.724	04/06/2018	2
GII	10/35	4.976	3	4.998	26/06/2018	-2
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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*
Malaysia Debt Ventures Berhad	09/18	GG	3.630	70	3.580	23/02/2018	5	21
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	12/20	GG	4.100	10	3.979	10/04/2018	12	55
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	08/26	GG	4.491	10	4.510	27/06/2018	-2	35
DanaInfra Nasional Berhad	11/32	GG	4.850	5	4.950	18/06/2018	-10	22
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	03/33	GG	4.900	25	4.920	11/06/2018	-2	27
Prasarana Malaysia Berhad [fka Syarikat Prasarana Negara Berhad]	09/47	GG	5.189	20	5.205	07/06/2018	-2	30
Sarawak Hidro Sdn Berhad	08/26	AAA	4.607	5	4.671	28/05/2018	-6	47
Putrajaya Bina Sdn Berhad	03/28	AAA	4.757	10	4.760	27/04/2018	0	56
TNB Western Energy Berhad	07/28	AAA	4.779	15	4.799	06/06/2018	-2	58
Sarawak Energy Berhad	06/26	AA1	4.829	20	4.848	21/06/2018	-2	69
Sime Darby Plantation Sdn Bhd	03/16	AA	5.298	10	5.356	12/06/2018	-6	41
Malakoff Power Berhad	12/18	AA-	4.336	10	4.356	26/06/2018	-2	92
WCT Holdings Berhad	12/18	AA-	4.440	1	4.478	12/06/2018	-4	102
Southern Power Generation Sdn Berhad	10/31	AA-	5.130	30	5.138	21/06/2018	-1	50
CIMB Group Holdings Berhad	05/16	A1	5.400	1	4.991	27/06/2018	41	51
UMW Holdings Berhad	04/18	A1	6.001	10	6.249	20/06/2018	-25	112
				<u>251</u>				

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

Market/Corporate News: What's Brewing

Two regional Federal Reserve presidents warned that worries over escalating trade disputes are increasingly weighing on businesses and adding risks to the U.S. economic outlook. St. Louis Fed President James Bullard said he's hearing "full-throated angst" from regional companies, while Atlanta Fed President Raphael Bostic said businesses are "extremely concerned about the prospects of a trade war." Fed officials are assessing how much escalating trade tensions are dampening confidence among companies, which could dent investment and cloud an otherwise solid economic outlook. Policy makers raised rates this month for the second time in 2018 and upgraded their forecast to four increases for the year, amid low unemployment and with inflation close to their 2 percent target. Trade War Shows Signs of Impact in U.S. Exports, Durables Data. The U.S. has imposed 25 percent tariffs on imported steel and aluminum and threatened to slap more levies on other products from some of its biggest trading partners, including China, Canada, Mexico and the European Union. All have vowed to retaliate in what would amount to a trade war that could raise prices and slow the global expansion. "Changes in trade policy could cause us to have to question the outlook," Federal Reserve Chairman Jerome Powell said during a panel discussion on June 20 at a European Central Bank conference in Sintra, Portugal. Bullard, speaking Thursday during a telephone call with reporters, said "all aspects of the economy are affected, but agriculture is certainly" being hit. Bullard, whose district includes parts of seven states including most of Missouri and all of Arkansas, said some suppliers were using the threat of new tariffs as a reason to raise prices, even when new tariffs would not directly target their business. "That shows you how uncertainty over trade policy can feed back" into business decision-making, he said. Economists so far have viewed the likely impact of the trade spat on economic growth as limited, while warning that picture could change. Bostic, in an interview Thursday following a panel discussion in Atlanta with community activists, said the anxieties have undermined a wave of enthusiasm among businesses brought about by U.S. corporate tax cuts. "There is so much concern in the business community about this and it goes across almost all sectors," he said. "The more there is uncertainty, the less likely we will see the numbers of firms robustly investing in their businesses." Both regional Fed presidents have cautioned that a flattening yield curve - - with the difference between longer-term and short-term rates narrowing -- could be a warning signal for the U.S. economy if the curve inverts. Bullard has been opposed to additional rate increases this year, while Bostic has favored just one additional hike this year. "I do watch it every day," Bostic said of the yield curve. "I want to make sure we don't induce some broad-based market reaction that then kind of guarantees the result. I want to try to avoid that as much as possible." (Source: *The Edge/Bloomberg*)

Berjaya Corp; the flagship company of Tan Sri Vincent Tan Chee Yioun, suffered its biggest annual loss 12 years after a dismal fourth quarter ended April 30. It expects another challenging year ahead, the company said in filing with Bursa Malaysia today. BCorp blamed the RM95.2mil loss made in the last quarter ended to significant drop in contribution from its retail distribution, property development, hotel and gaming operations. For the full year (FY18), the group posted a loss of RM377mil, o 6.5 sen a share. This is the group's worst performance in FY06. BCorp said weak market condition during the financial year just ended forced the company to make impairment provisions for its various assets, while unfavourable current exchange rates added to its losses. Together, these one-time charges amounted to RM354mil. Excluding these items, the company said it would have made a pre-tax profit of RM226.2mil for FY18. In a statement today, Berjaya Corp said its executive chairman Vincent Tan is confident that a substantial portion of the impairment provision losses can be reversed in the future. Berjaya Corp owns direct stakes in listed companies including Berjaya Sports Toto Bhd,

Berjaya Land Bhd and Berjaya Assets Bhd. Berjaya Assets and Vincent Tan are substantial shareholders of 7-Eleven Malaysia Holdings Bhd. (Source: *The Star*)

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Country Garden Real Estate Sdn Bhd	IMTN Programme of RM1.5 billion in Nominal Value (2015/2035).	AA3(s)/Stable)	Reaffirmed

Source: RAM Ratings; MARC

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