

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 2.66 | -1 |
| 5-yr UST | 2.85 | 1 |
| 10-yr UST | 2.97 | 2 |
| 30-yr UST | 3.11 | 2 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 3.56 | 0 | 3.55 | 0 |
| 5-yr | 3.75 | 0 | 3.88 | 0 |
| 7-yr | 3.98 | 1 | 4.07 | 1 |
| 10-yr | 4.08 | 1 | 4.19 | -1 |
| 15-yr | 4.55 | 1 | 4.62 | 0 |
| 20-yr | 4.78 | 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 | 0 |
| 3-yr | 3.76 | 0 |
| 5-yr | 3.84 | -1 |
| 7-yr | 3.98 | 1 |
| 10-yr | 4.17 | 0 |

Source: Bloomberg

Upcoming Government Bond Tender

Nil

US Treasuries

- US Treasuries sold-off amid higher yields in European, UK and German bonds with the curve slightly steeper. Overall yields ended 1-2bps higher save for the short-end. The 2Y edged another 1bps lower at 2.66% whilst the much-watched 10Y yield jumped 2bps at 2.97% but still shy of the 3.00% level. Meanwhile US Treasury expects to issue \$329b in net debt for this 3Q; the 4th largest ever for a quarter on record. Meanwhile investors are expected to watch BOJ's conclusion of a 2-day meeting for clues on its possible adjustment of its massive monetary stimulus program. On the data front we have important data releases including ISM Manufacturing tomorrow, FOMC rate decision on Thursday, followed by the jobs data i.e. NFP on Friday.

MGS/GII

- Trading momentum in Govvies saw slipped slightly with volume at RM2.2b as interest was mainly focused on the short-end i.e. off-the-run 19's and GII bonds namely the 10Y benchmark. Overall benchmark MGS yields were mixed to about 1bps higher from prior day's close. The recent auction of the benchmark 7Y MGS 3/25 saw yields edge 1bps higher at 3.98% whilst the much-watched 10Y MGS 6/28 similarly ended at 4.08% levels. GII bond trades spiked, forming half of total trades as local institutions were keen bidders in the market.

Corp Bonds/Sukuk

- Trading activity in Corporate Bonds/Sukuk continued to maintain strong volume of RM567m yesterday with interest across the curve, involving 31 different bonds compared to 37 the previous day. PRASA 3/24 and 9/27 rallied a further 2-4bps at 4.19% and 4.41% compared to previous-done levels respectively whilst DANA 5/37 and 11/47 also saw strong bids; closing at 4.95% and 5.13% each. AAA-rated PLUS 22 closed 3bps lower at 4.35% whereas MANJUNG 11/21 saw a reversal of fortunes; ending at 4.34% levels. Meanwhile the AA-rated space saw several tranches of UEM Sunrise 12/18 and 22-23's trade mixed on yields at 4.28% and 4.75-76% levels. SEB 1/27 and 12/32 saw RM60m nominal amounts traded 1bps lower at 4.78% and 5.15% each. The banking space saw both Bank Islam 27nc22 and MAYBANK 23nc18 close at 4.87% and 4.10% levels respectively. Expect investors to actively participate in the secondary market.

Daily Trades : Government Bonds

| Securities | | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|------------|-------|----------------|-----------------|-----------------|--|-------------|
| MGS | 09/18 | 3.278 | 71 | 3.252 | 27/07/2018 | 3 |
| MGS | 03/19 | 3.337 | 13 | 3.347 | 27/07/2018 | -1 |
| MGS | 07/19 | 3.393 | 225 | 3.400 | 27/07/2018 | -1 |
| MGS | 10/19 | 3.453 | 6 | 3.428 | 27/07/2018 | 2 |
| MGS | 11/19 | 3.412 | 8 | 3.405 | 27/07/2018 | 1 |
| MGS | 03/20 | 3.502 | 14 | 3.453 | 24/07/2018 | 5 |
| MGS | 07/20 | 3.497 | 1 | 3.492 | 27/07/2018 | 0 |
| MGS | 07/21 | 3.595 | 5 | 3.608 | 25/07/2018 | -1 |
| MGS | 11/21 | 3.555 | 107 | 3.542 | 27/07/2018 | 1 |
| MGS | 08/22 | 3.765 | 40 | 3.733 | 23/07/2018 | 3 |
| MGS | 03/23 | 3.832 | 4 | 3.844 | 27/07/2018 | -1 |
| MGS | 08/23 | 3.844 | 24 | 3.894 | 24/07/2018 | -5 |
| MGS | 07/24 | 3.985 | 2 | 3.981 | 26/07/2018 | 0 |
| MGS | 09/24 | 4.003 | 35 | 4.003 | 26/07/2018 | 0 |
| MGS | 03/25 | 3.975 | 185 | 3.985 | 27/07/2018 | -1 |
| MGS | 09/25 | 4.069 | 30 | 4.070 | 27/07/2018 | 0 |
| MGS | 11/26 | 4.194 | 20 | 4.172 | 26/07/2018 | 2 |
| MGS | 11/27 | 4.147 | 42 | 4.134 | 26/07/2018 | 1 |
| MGS | 06/28 | 4.084 | 59 | 4.074 | 27/07/2018 | 1 |
| MGS | 04/30 | 4.470 | 2 | 4.470 | 27/07/2018 | 0 |
| MGS | 11/33 | 4.550 | 80 | 4.542 | 26/07/2018 | 1 |
| MGS | 06/38 | 4.779 | 125 | 4.783 | 27/07/2018 | 0 |
| GII | 09/19 | 3.480 | 100 | 3.483 | 24/07/2018 | 0 |
| GII | 04/22 | 3.830 | 120 | 3.813 | 26/07/2018 | 2 |
| GII | 07/22 | 3.846 | 150 | 3.855 | 27/07/2018 | -1 |
| GII | 11/23 | 3.877 | 80 | 3.877 | 27/07/2018 | 0 |
| GII | 08/25 | 4.070 | 10 | 4.062 | 27/07/2018 | 1 |
| GII | 09/26 | 4.201 | 100 | 4.199 | 27/07/2018 | 0 |
| GII | 07/27 | 4.191 | 110 | 4.197 | 27/07/2018 | -1 |
| GII | 10/28 | 4.193 | 420 | 4.201 | 27/07/2018 | -1 |
| GII | 08/33 | 4.637 | 10 | 4.647 | 27/07/2018 | -1 |
| | | | <u>2198</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* |
|--|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Small Medium Enterprise Development Bank Malaysia Berhad | 03/19 | GG | 3.764 | 10 | 3.803 | 11/07/2018 | -4 | 37 |
| Small Medium Enterprise Development Bank Malaysia Berhad | 08/19 | GG | 3.897 | 10 | 3.840 | 16/06/2016 | 6 | 51 |
| Lembaga Pembiayaan Perumahan Sektor Awam | 04/22 | GG | 4.066 | 70 | 4.069 | 27/07/2018 | 0 | 38 |
| Prasarana Malaysia Berhad | 03/24 | GG | 4.189 | 30 | 4.210 | 25/07/2018 | -2 | 27 |
| Prasarana Malaysia Berhad | 09/27 | GG | 4.410 | 20 | 4.451 | 17/07/2018 | -4 | 32 |
| DanaInfra Nasional Berhad | 05/37 | GG | 4.949 | 90 | 5.050 | 27/06/2018 | -10 | 16 |
| DanaInfra Nasional Berhad | 11/47 | GG | 5.134 | 20 | 5.149 | 18/07/2018 | -1 | 34 |
| Manjung Island Energy Berhad | 11/21 | AAA | 4.338 | 10 | 4.311 | 12/12/2017 | 3 | 77 |
| Projek Lebuhraya Usahasama Berhad | 01/22 | AAA | 4.349 | 10 | 4.381 | 21/05/2018 | -3 | 79 |
| Bank Pembangunan Malaysia Berhad | 03/32 | AAA | 4.955 | 20 | 4.979 | 18/07/2018 | -2 | 41 |
| Danga Capital Berhad | 01/33 | AAA | 4.879 | 10 | 4.899 | 27/07/2018 | -2 | 33 |
| UniTapah Sdn Berhad | 12/19 | AA1 | 4.316 | 10 | 4.306 | 17/08/2016 | 1 | 93 |
| Malayan Banking Berhad | 12/23 | AA1 | 4.104 | 10 | 4.293 | 13/07/2018 | -19 | 34 |
| Sarawak Energy Berhad | 01/27 | AA1 | 4.779 | 40 | 4.788 | 17/07/2018 | -1 | 72 |
| YTL Power International Berhad | 05/27 | AA1 | 4.927 | 5 | 4.928 | 26/07/2018 | 0 | 83 |
| Sarawak Energy Berhad | 12/32 | AA1 | 5.149 | 20 | 5.159 | 26/07/2018 | -1 | 60 |
| AmBank (M) Berhad | 03/19 | AA2 | 4.213 | 10 | 4.089 | 20/04/2018 | 12 | 82 |
| UMW Holdings Berhad | 10/26 | AA2 | 4.799 | 15 | 4.817 | 13/07/2018 | -2 | 74 |
| BEWG (M) Sdn Berhad | 07/22 | AA | 4.976 | 10 | 5.073 | 18/01/2018 | -10 | 129 |
| Bumitama Agri Ltd | 09/19 | AA3 | 4.537 | 30 | 4.558 | 27/07/2018 | -2 | 115 |
| CIMB Thai Bank Public Company Limited | 07/26 | AA3 | 5.024 | 10 | 4.891 | 26/06/2018 | 13 | 96 |
| UEM Sunrise Berhad | 12/18 | AA- | 4.282 | 10 | 4.378 | 27/04/2018 | -10 | 89 |
| Malakoff Power Berhad | 12/19 | AA- | 4.508 | 15 | 4.508 | 24/07/2018 | 0 | 112 |
| Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad | 12/20 | AA- | 4.457 | 10 | 4.442 | 11/12/2017 | 1 | 97 |
| UEM Sunrise Berhad | 12/22 | AA- | 4.753 | 5 | 4.756 | 25/07/2018 | 0 | 106 |
| UEM Sunrise Berhad | 05/23 | AA- | 4.758 | 10 | 4.775 | 25/07/2018 | -2 | 100 |
| Southern Power Generation Sdn Berhad | 04/35 | AA- | 5.258 | 10 | 5.259 | 24/07/2018 | 0 | 71 |
| Tan Chong Motor Holdings Berhad | 11/19 | A1 | 6.111 | 10 | 6.070 | 17/07/2018 | 4 | 272 |
| Tan Chong Motor Holdings Berhad | 11/21 | A1 | 6.572 | 1 | 6.497 | 06/06/2018 | 8 | 301 |
| Bank Islam Malaysia Berhad | 11/27 | A1 | 4.869 | 20 | 4.919 | 02/07/2018 | -5 | 78 |
| Bank Muamalat Malaysia Berhad | 11/21 | A | 5.070 | 17 | 4.773 | 27/07/2018 | 30 | 151 |
| | | | | <u>567</u> | | | | |

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

Market/Corporate News: What's Brewing

The ministry of finance (MoF) said there had been no real loss suffered by the Employees Provident Fund (EPF), despite news that the latter saw a decline of some RM6 billion in investment value in 10 public listed companies, a month after the 14th general election (GE14) that saw a change in government. "There has been no real loss suffered by the EPF after the new government [took over the administration], apart from the fluctuations caused in the stock market which were unrealised paper gains or losses," it said in written response dated July 26 to Pendang member of parliament Awang Hashim. The ministry said the news had not directly affected the distribution of the EPF's annual dividend as it is the EPF's principle to declare dividends from net and real profit. "Note that the current value of shares is still higher than the book value (original purchase price) of all of the EPF's domestic equity portfolio," it added. The Edge Malaysia weekly reported in its June 11 to June 17 issue that the top 10 worst performing stocks in the EPF's portfolio post-GE14 were Cahya Mata Sarawak Bhd, Malaysian Resources Corp Bhd, IJM Corp Bhd, Gamuda Bhd, Telekom Malaysia Bhd, Axiata Group Bhd, Tenaga Nasional Bhd, CIMB Group Holdings Bhd, Malayan Banking Bhd and Genting Plantations Bhd. The weekly said the EPF's investment value in the 10 companies dropped 12% a month after GE14, from RM51.21 billion to RM45.12 billion. Awang had wanted to know whether it was true that the EPF suffered losses of over RM6 billion after Pakatan Harapan took over the administration from Barisan Nasional. (Source: *The Edge*)

Malaysia's new government has called into question the future of multibillion-dollar rail projects since Mahathir Mohamad took power in May. Now it appears to be ready to proceed with at least one. The Malaysian cabinet has given in-principle approval for a rail project linking Johor Baru in the southernmost tip of the country with Singapore, Malay Mail Online said in a report citing Transport Minister Anthony Loke. It is still looking at costs and other details. This project was delayed by two months due to the general elections, which saw Mahathir become prime minister. A known Singapore critic, Mahathir has wanted to cancel a proposed multi-billion dollar high-speed railway connecting the city state to Kuala Lumpur as it was too expensive while saying it may happen in the future. Mahathir's stance prompted Singapore's Transport Minister Khaw Boon Wan to tell parliament on July 9 that his government will seek compensation for all costs incurred if Malaysia cancels the 350-kilometer railway link between the two countries. For now, it seems to be a go for the 4-kilometer rail line, which will be able to transport 10,000 travelers in one direction every hour between Singapore and Johor Baru. The two neighbors will set up a joint company for the project after the full approval is given by Malaysi. (Source: *The Edge, Bloomberg*)

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

Source: RAM Ratings; MARC

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