

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

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#### US Treasuries

- UST consolidated from recent climbs, coming under selling pressure on the back of a return in risk appetite in the market. Benchmark 2-year and 10-year note yields rose 1bp each to 1.32% and 2.21% respectively ahead of a 3-day symposium by top central bankers at Jackson Hole, Wyoming, starting tomorrow. As always, Fed Chair Yellen and ECB President Draghi's speeches will be the most scrutinized for policy direction notably on plans for balance sheet reduction. Expect UST to remain supported overall as US data tonight is expected to do little to change expectations of dimmer prospects of a Fed rate hike this year.

#### MGS/GII

- The rally in local govies stayed extended yesterday, pushing bond yields lower across the curve by 1-2bps with the exception of the 5s. 5-year MGS note yields bucked the trend and inched 1bp higher to 3.57%. Trading activity was a tad softer at RM2.4bn done vs RM2.9bn a day ago with concentration on the 7s to 13-year bucket. MGS 9/24 saw RM358m changed hands at 3.88%. Lingering positive risk sentiments are expected to keep demand for local govies supported today. Following continued increase in foreign reserves to US\$100.4bn as at 15-Aug released yesterday, investors will be closely watching July CPI due at noon today. We are expecting further moderation that will reaffirm views of abating inflationary pressure in the months ahead.

#### PDS/Sukuk

- Trading in the MYR corporate bonds/sukuk space gained traction. Trading volume came in higher at RM733m, up from RM423m on Monday. Issuances in the AAA space continued to be the most heavily traded, collectively accounted for RM522m or 71% of total traded volume for the day. AAA-rated Caga '11/17, '6/22, '7/24 and '11/29 saw a combined RM410m changed hands, at 3.58%, 4.09%, 4.32% and 4.71% respectively. In the GG segment, Danainfra bonds maturing '7/21 and '11/21 were traded at 4.03% and 4.04% respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.32	1
5-yr UST	1.78	2
10-yr UST	2.21	1
30-yr UST	2.78	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.36	-2	3.51	0
5-yr	3.57	1	3.71	0
7-yr	3.88	-1	3.99	-2
10-yr	3.96	-1	4.08	0
15-yr	4.33	-1	4.53	2
20-yr	4.55	-1	4.73	0
30-yr	4.73	-1	4.89	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.64	-1
5-yr	3.74	-1
7-yr	3.84	-1
10-yr	3.98	1

Source : Bloomberg

#### Upcoming Government Bond Tenders

Nil

**Daily Trades : Government Bonds**

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/17		3.021	26	3.034	22/08/2017	-1
MGS 03/18		3.103	26	3.006	22/08/2017	10
MGS 11/19		3.386	87	3.359	22/08/2017	3
MGS 02/21		3.364	230	3.364	22/08/2017	0
MGS 07/21		3.508	110	3.511	22/08/2017	0
MGS 09/21		3.546	31	3.584	22/08/2017	-4
MGS 03/22		3.569	34	3.550	22/08/2017	2
MGS 09/24		3.880	358	3.880	22/08/2017	0
MGS 07/25		4.038	100	4.038	22/08/2017	0
MGS 11/27		3.960	150	3.960	22/08/2017	0
MGS 04/30		4.347	159	4.378	22/08/2017	-3
MGS 04/33		4.332	30	4.332	22/08/2017	0
MGS 04/37		4.548	112	4.548	22/08/2017	0
GII 05/18		3.180	40	3.180	22/08/2017	0
GII 04/20		3.509	134	3.509	22/08/2017	0
GII 04/22		3.704	190	3.704	22/08/2017	0
GII 07/22		3.856	230	3.856	22/08/2017	0
GII 07/27		4.085	40	4.085	22/08/2017	0
GII 08/37		4.723	120	4.723	22/08/2017	0
SPK 07/22		3.924	170	3.922	22/08/2017	0
			<u>2377</u>			

**Daily Trades: PDS / Sukuk**

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**
Danalinfra Nasional Berhad	07/21	GG	4.028	10	4.028	22/08/2017	0	34
Danalinfra Nasional Berhad	11/21	GG	4.040	10	4.040	22/08/2017	0	36
Turus Pesawat Sdn Berhad	11/32	GG	4.876	20	4.876	22/08/2017	0	72
Lembaga Pembiayaan Perumahan Sektor Awam	04/32	GG	4.846	20	4.846	22/08/2017	0	-
Cagamas Berhad	11/17	AAA	3.578	180	3.649	14/07/2017	-7	8
Berjaya Land Berhad	12/17	AAA	4.304	10	4.304	22/08/2017	0	81
Manjung Island Energy Berhad	11/19	AAA	4.121	10	4.121	22/08/2017	0	56
Projek Lebuhraya Usahasama Berhad	01/20	AAA	4.093	6	4.095	19/07/2017	0	53
Mydin Mohamed Holdings Berhad	05/20	AAA	4.740	6	4.800	06/07/2017	-6	111
Telekom Malaysia Berhad	06/21	AAA	4.089	10	4.089	22/08/2017	0	40
Cagamas Berhad	06/22	AAA	4.091	200	4.091	22/08/2017	0	35
Cagamas Berhad	07/24	AAA	4.318	10	4.318	22/08/2017	0	48
Ihsan Sukuk Berhad	08/24	AAA	4.599	6	4.599	22/08/2017	0	76
Projek Lebuhraya Usahasama Berhad	01/26	AAA	4.460	5	4.460	22/08/2017	0	58
Cagamas Berhad	11/29	AAA	4.714	20	4.714	22/08/2017	0	73
Tenaga Nasional Berhad	03/32	AAA	4.789	19	4.909	15/08/2017	-12	63
DiGi Telecommunications Sdn Berhad	04/27	AAA	4.533	40	4.533	22/08/2017	0	-
Public Islamic Bank Berhad	06/19	AA1	4.325	6	4.325	22/08/2017	0	77
YTL Power International Berhad	03/23	AA1	4.557	10	4.557	22/08/2017	0	77
Batu Kawan Berhad	06/23	AA1	4.493	10	4.493	22/08/2017	0	70
Sarawak Energy Berhad	07/24	AA1	4.548	10	4.548	22/08/2017	0	71
YTL Power International Berhad	03/27	AA1	4.914	35	4.914	22/08/2017	0	93
Krung Thai Bank Public Company Limited	07/20	AA2	4.463	10	4.463	22/08/2017	0	83
UniTapah Sdn Berhad	06/31	AA2	4.989	20	4.989	22/08/2017	0	83
Perbadanan Kemajuan Negeri Selangor	10/18	AA3	4.361	6	4.361	22/08/2017	0	87
Besraya (M) Sdn Berhad	07/21	AA3	4.530	2	4.530	22/08/2017	0	85
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	5.400	9	5.400	22/08/2017	0	124
UEM Sunrise Berhad (fka UEM Land Holdings Berhad)	12/18	AA- IS	4.451	6	4.452	17/08/2017	0	96
Golden Assets International Finance Limited	11/17	A1	4.823	6	4.823	22/08/2017	0	133
CIMB Group Holdings Berhad	05/21	A1	4.825	1	4.825	22/08/2017	0	114
Affin Bank Berhad	05/27	A1	5.014	20	5.014	22/08/2017	0	103
				<u>733</u>				

\*spread against nearest indicative tenured IRS (Source : BPAM)

### Market/Corporate News: What's Brewing

AMMB Holdings Bhd and RHB Bank Bhd had on Tuesday scrapped their proposed merger as they were not able to agree on mutually acceptable terms and conditions for the corporate exercise. In a joint statement issued, they said that after much deliberation and negotiations during the three month period, they could not reach an agreement. "Both banking group had mutually agreed to end the negotiations and not proceed with the proposed merger. "In this respect, the exclusivity period pursuant to the exclusivity agreement between the parties dated June 1, 2017 will lapse with immediate effect," they said. RHB Banking Group managing director Datuk Khairussaleh Ramli said following the decision, " we will now continue to execute our initiatives under our current strategy to create value for our shareholders, and focus on delivering superior customer experience". Meanwhile, AmBank Group CEO Datuk Sulaiman Mohd Tahir said given the heritage and strength of the group, "we are confident of moving forward despite the fact that the merger did not materialise". Sulaiman said the group's strategy and direction remains the same as it aspired to deliver on its Group Top 4 growth aspirations. "We remain focused on our FY2018 business plan in line with the Group's Top 4 strategy as we work towards running the bank better and changing the bank while delivering optimal returns for our shareholders," he said. It was earlier reported that both the lenders would submit to the authorities on whether or not to proceed with their merger by the end of this month. The proposed merger, if it happened, would create the country's fourth-largest banking group. Both banks had previously said that they were exploring an all-share swap deal for the merger. Based on the figures as at the end of last year, the combined assets of RHB-AMMB stood at RM368.3bil, trailing behind Public Bank Bhd's RM389.73bil. RHB is the fourth-largest lender, while AMMB is the sixth-largest based on asset size. Both banks will resume trading on Wednesday. (Source: The Star)

Indonesia's central bank on Tuesday unexpectedly cut its benchmark interest rate for the first time since October, in a bid to boost disappointing economic growth. Bank Indonesia (BI) cut the 7-day reverse repurchase rate by 25 basis points to 4.50 percent. All but one of 20 economists surveyed by Reuters had expected a hold. The other policy rates, the deposit facility and lending facility, were both cut by 25 basis points to 3.75 percent and 5.25 percent respectively. Last year, BI slashed its benchmark six times, by a total of 150 basis points, and eased some lending rules in a bid to help speed up economic growth. In spite of those easing measures, lending has grown at a significantly slower pace than the central bank wants, and the economic growth rate has remained around 5 percent instead of nearing the 7 percent level President Joko Widodo targetted.(Source : Reuters)

### Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Danajamin Nasional Berhad	Insurer financial strength Senior and Subordinated Sukuk Murabahah under Danajamin's proposed up to RM2.0 billion Sukuk Murabahah Programme	AAA/Stable/P1 AAA/Stable and AA1/Stable	Reaffirmed Assigned

Source: MARC and RAM ratings

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