

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

Chang Wai Ming

Fixed Income Strategist

Hong Leong Bank Berhad, Global Markets

Fixed Income & Economic Research

WMChang@hlbb.hongleong.com.my

(603) 2773 0532

US Treasuries

- UST ended on a softer note on Thursday as oil price rebounded. 10-year and 30-year benchmarks yields seen inched higher to close at 2.20% and 2.77% level respectively. Overall sentiment seen tilting to a more cautious tone ahead of Yellen's and Draghi's upcoming speech at Jackson Hole meeting which starts today. Initial jobless claims was within market consensus, with 234K versus a prior 232K. All eyes on durable goods data release and Jackson Hole meeting tonight.

MGS/GII

- Local govies stayed supported with bond yields easing lower for most benchmarks. Trading volume was over RM3b worth with trading activities skewed towards the 7-year and 10-year benchmark MGS with good amount of RM460m and RM355m traded respectively. 10-yields seen traded tighter, circa 3 bps lower to end at 3.94% level. Newly printed 3-year benchmark MGS seen closing 2 bps tighter to end at 3.35%. Versus tender high results during auction of 3-year MGS 2/21, the 3-year benchmark has since tightened circa 10 bps lower based on current last traded levels.

PDS/Sukuk

- MYR corporate bonds/sukuk saw RM612m changing hands, with trades dominated by AAA/AA space. In the GG segment, we saw Prasa '23 and DanaInfra '37 traded at 4.11% and 4.96% level. Other notable trades include MBSB '12/20 traded at 4.69% level, whilst Samalaju '12/23 and SEB '8/25 crossed at 4.45% and 4.60% level respectively. Toll road bonds KESTURI '12/27 and '11/29 meanwhile saw levels changing hands at 4.81% and 4.96%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	1.33	3
5-yr UST	1.78	3
10-yr UST	2.20	3
30-yr UST	2.77	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	-2	3.50	-1
5-yr	3.57	1	3.70	0
7-yr	3.87	-1	3.99	-1
10-yr	3.94	-3	4.07	-1
15-yr	4.33	0	4.52	0
20-yr	4.54	-1	4.71	-1
30-yr	4.74	0	4.89	0

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.50	0
3-yr	3.63	-1
5-yr	3.73	-1
7-yr	3.83	-1
10-yr	3.98	0

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	09/17	3.056	257	3.119	22/08/2017	-6
MGS	10/17	3.073	8	3.021	22/08/2017	5
MGS	02/18	3.020	48	3.065	23/08/2017	-4
MGS	03/18	3.061	91	3.063	23/08/2017	0
MGS	09/18	3.172	170	3.184	23/08/2017	-1
MGS	03/19	3.230	0	3.196	22/08/2017	3
MGS	10/19	3.388	36	3.341	23/08/2017	5
MGS	03/20	3.422	20	3.430	22/08/2017	-1
MGS	02/21	3.354	30	3.367	23/08/2017	-1
MGS	07/21	3.547	0	3.527	23/08/2017	2
MGS	09/21	3.611	9	3.584	23/08/2017	3
MGS	11/21	3.619	8	3.594	22/08/2017	3
MGS	03/22	3.569	181	3.574	23/08/2017	0
MGS	08/22	3.741	1	3.762	21/08/2017	-2
MGS	09/22	3.751	4	3.751	23/08/2017	0
MGS	03/23	3.823	86	3.839	23/08/2017	-2
MGS	08/23	3.876	80	3.876	23/08/2017	0
MGS	07/24	3.921	1	3.931	22/08/2017	-1
MGS	09/24	3.872	460	3.881	23/08/2017	-1
MGS	09/25	3.984	13	4.010	23/08/2017	-3
MGS	11/26	3.925	20	3.951	23/08/2017	-3
MGS	03/27	4.148	21	4.122	22/08/2017	3
MGS	11/27	3.944	355	3.970	23/08/2017	-3
MGS	04/33	4.327	231	4.332	23/08/2017	0
MGS	04/37	4.541	80	4.551	23/08/2017	-1
MGS	09/43	4.820	6	4.788	18/08/2017	3
MGS	03/46	4.742	133	4.736	23/08/2017	1
GII	08/17	3.076	50	3.139	28/07/2017	-6
GII	11/17	3.010	120	3.021	16/08/2017	-1
GII	05/18	3.140	190	3.180	22/08/2017	-4
GII	04/19	3.408	10	3.402	22/08/2017	1
GII	04/20	3.497	90	3.507	23/08/2017	-1
GII	08/20	3.650	12	3.693	23/08/2017	-4
GII	07/22	3.851	140	3.856	22/08/2017	0
GII	08/24	3.990	20	4.003	23/08/2017	-1
GII	07/27	4.073	100	4.085	23/08/2017	-1
GII	08/37	4.712	10	4.723	22/08/2017	-1
			3091			

Daily Trades: PDS / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against IRS**
Prasarana Malaysia Berhad	05/18	GG	3.501	7	3.513	03/08/2017	-1.2	0
Pengurusan Air SPV Berhad	02/21	GG	4.018	10	3.989	25/04/2017	2.9	39
Prasarana Malaysia Berhad	08/21	GG	4.019	6	4.146	11/04/2017	-12.7	35
Pengurusan Air SPV Berhad	06/22	GG	4.068	2	4.080	04/07/2017	-1.2	34
Prasarana Malaysia Berhad	02/23	GG	4.111	10	4.122	17/08/2017	-1.1	33
DanaInfra Nasional Berhad	05/37	GG	4.960	15	4.990	18/08/2017	-3	81
Boustead Holdings Berhad	11/17	AAA	3.978	10	4.016	17/08/2017	-3.8	48
Aman Sukuk Berhad	05/19	AAA	4.107	4	4.108	18/08/2017	-0.1	55
Ara Bintang Berhad	09/19	AAA	4.153	10	4.141	17/08/2017	1.2	60
HSBC Amanah Malaysia Berhad	10/19	AAA	4.193	4	4.183	18/08/2017	1	64
Manjung Island Energy Berhad	11/21	AAA	4.219	2	4.231	31/07/2017	-1.2	55
Cagamas Berhad	04/22	AAA	4.071	5	4.109	16/08/2017	-3.8	34
Genting Capital Berhad	06/22	AAA	4.578	4	4.597	18/08/2017	-1.9	85
Danga Capital Berhad	02/26	AAA	4.481	59	4.489	18/08/2017	-0.8	61
Projek Lebuh raya Usahasama Berhad	01/27	AAA	4.518	5	4.522	23/08/2017	-0.4	55
Bank Pembangunan Malaysia Berhad	03/27	AAA	4.579	20	4.592	16/08/2017	-1.3	61
Rantau Abang Capital Berhad	01/32	AAA	4.878	80	4.869	29/06/2017	0.9	73
Tenaga Nasional Berhad	08/32	AAA	4.779	10	4.789	23/08/2017	-1	63
Malaysia Building Society Berhad	12/20	AA1	4.691	20	-	-	-	107
Samalaju Industrial Port Sdn Berhad	12/23	AA1	4.449	10	4.491	17/03/2017	-4.2	67
Sarawak Energy Berhad	08/25	AA1	4.599	60	4.619	08/08/2017	-2	72
Celcom Networks Sdn Berhad	10/21	AA+	4.699	10	4.738	28/07/2017	-3.9	103
Imtiaz Sukuk II Berhad	03/19	AA2	4.273	14	4.279	23/08/2017	-0.6	72
Hong Leong Islamic Bank Berhad	06/19	AA2	4.539	10	4.656	21/07/2017	-11.7	98
Kesas Sdn Berhad	10/19	AA2	4.248	4	4.254	22/06/2017	-0.6	69
PBFIN Berhad	11/19	AA2	4.645	15	4.611	13/07/2017	3.4	109
Lafarge Cement Sdn Berhad	01/20	AA2	4.507	4	4.504	18/08/2017	0.3	95
Imtiaz Sukuk II Berhad	05/22	AA2	4.541	70	4.541	17/08/2017	0	81
Golden Assets International Finance Limited	11/17	A1 (S)	4.896	4	4.896	23/08/2017	0	140
Gamuda Berhad	10/18	AA3	4.193	4	4.197	18/08/2017	-0.4	70
RHB Islamic Bank Berhad	05/19	AA3	4.498	30	4.506	01/08/2017	-0.8	94
Bandar Serai Development Sdn Berhad	11/19	AA3	4.323	4	4.315	18/08/2017	0.8	77
CIMB Group Holdings Berhad	04/20	AA3	5.830	0	4.600	22/08/2017	123	221
Mumtaz Rakyat Sukuk Berhad	06/21	AA3	4.708	4	4.737	18/08/2017	-2.9	104
Cahaya Mata Sarawak Berhad	05/22	AA3	4.583	16	4.608	09/08/2017	-2.5	85
MMC Corporation Berhad	11/20	AA-	4.918	4	4.905	18/08/2017	1.3	129
Malakoff Power Berhad	12/20	AA-	4.527	4	4.538	18/08/2017	-1.1	90
MMC Corporation Berhad	04/27	AA-	5.396	10	5.398	21/08/2017	-0.2	143
KESTURI	12/27	AA-	4.809	5	4.821	18/08/2017	-1.2	84
KESTURI	11/29	AA-	4.959	10	4.979	25/07/2017	-2	99
Bahrain Mumtalakat Holding Company B.S.C	10/17	A1	4.593	20	4.797	03/05/2017	-20.4	110
CIMB Group Holdings Berhad	05/21	A1	4.825	1	5.150	23/08/2017	-32.5	116
Tan Chong Motor Holdings Berhad	11/21	A1	5.970	1	5.967	23/08/2017	0.3	230
AMMB Holdings Berhad	03/22	A1	4.983	10	4.900	17/08/2017	8.3	125
Mah Sing	-	NR	6.478	2	-	-	-	-
Eco Capital	08/22	NR	6.451	3	-	-	-	272
				<u>612</u>				

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

Market/Corporate News: What's Brewing

Malaysia is among the key beneficiaries of foreign direct investments (FDI) from China as part of its expansion in the region through the Belt and Road initiative, said RAM Ratings. The ratings house said it views the FDI inflows as being complementary to the increasing trade flows between the two countries. RAM Ratings head of sovereign ratings Esther Lai said increased investment flows from China also served as a counterbalance against the increasingly protectionist policies of the United States, given Malaysia's open economy. She noted that FDI was less susceptible to volatility and sentiment plays compared to portfolio flows. "When global oil prices breached US\$100 per barrel in the second half of 2014, portfolio outflows were significant. "The experience was the same during periods leading up to the US Federal Reserve's rate hikes and when Bank Negara had stopped ringgit trades in the offshore non-deliverable forwards market," she said. Lai added that FDI from China could help sustain Malaysia's foreign reserves as the country's current account surplus is expected to remain in the low single digits as a percentage of GDP. "Meanwhile, receptiveness to Chinese FDI has

been mixed given the magnitude of the proposed projects, which has stoked overcapacity concerns. “In this respect, Chinese projects involving resorts, retail space and residential property are viewed with some caution,” she said. The ratings house said its outlook on the commercial and residential property sectors has been negative over the past three years owing to a mismatch between supply and demand and weak sentiment. Meanwhile, it said funding the RM55bil East Coast Rail Link (ECRL) project through loan and debt issuances will increase Malaysia’s off-balance-sheet liabilities, although at a measured pace. The rating house’s sovereign ratings for Malaysia stand at A2/stable and sea AAA/stable. (Source : The Star/RAM)

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil			

Source: MARC and RAM ratings

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.hongleong.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.