

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries fell on Tuesday despite some late-buying into the 2nd quarter close as equities headed higher (following stronger June consumer confidence) and was seen exerting some pressure with the curve bear-steepening. Overall benchmark yields rose between 0-4bps with the UST 2Y unchanged at 0.15% and the much-watched UST 10Y spiking 3bps at 0.66% respectively. Meanwhile Fed Chair Powell's testimony before the House Financial Services Committee offered little insights except for his indication that there was reason to worry over the 2nd wave of Covid-19 and its impact on the economy. The ample Treasury cash balance at the quarter-end appeared to reduce funding pressures in the short-term funding markets with the Fed pumping money and acting as a backstop. Expect focus on the upcoming ISM data tonight and minutes of FOMC meeting held on 10th June.

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 0.15 | 0 |
| 5-yr UST | 0.29 | 1 |
| 10-yr UST | 0.66 | 3 |
| 30-yr UST | 1.41 | 4 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 2.25 | -3 | 2.31 | -2 |
| 5-yr | 2.46 | -2 | 2.53 | 2 |
| 7-yr | 2.66 | -7 | 2.74 | -2 |
| 10-yr | 2.86 | -4 | 2.87 | -1 |
| 15-yr | 3.29 | -4 | 3.41 | -1 |
| 20-yr | 3.62 | 0 | 3.73 | -5 |
| 30-yr | 4.02 | 9 | 4.03 | -2 |

* Market indicative levels

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 2.07 | -4 |
| 3-yr | 2.10 | -2 |
| 5-yr | 2.30 | -2 |
| 7-yr | 2.54 | 0 |
| 10-yr | 2.72 | 0 |

Source : Bloomberg

MGS/GIII

- Local govies recovered on stronger bidding metrics yesterday compared to previous tepid sessions amid a huge jump in secondary market volume of RM5.43b underpinned by month-end flows. Overall benchmark MGS/GII yields closed mostly lower between -1 to -7bps save for the 5Y GII and 30Y MGS. Trades were centred in various tenures i.e. the off-the-run 21-22's, 26's, 28's and also 3Y, 5Y, 10Y benchmark MGS/GII bonds. The benchmark 5Y MGS 9/25 declined 2bps again at 2.46% whilst the 10Y MGS 8/29 rallied and pushed yields down by 4bps instead at 2.86%. GII bond trades rose to form ~38% of overall trades. Investors were seen brushing aside both S&P Global Ratings and Fitch Ratings recent lowering of the nation's rating outlook to negative from stable whilst affirming its long-term foreign currency rating at A-. Nevertheless, expect market to range sideways today despite the slightly better-than-expected PMI data out early this morning.

Corp Bonds/Sukuk

- Investor interest maintained on Tuesday as secondary market volume rose to RM743m with interest mainly across the AAA-segment followed by both the GG and AA-segment; as overall yields closed mostly lower. Govt-guaranteed DANA 4/29 edged 1bps lower compared to previous-done levels at 3.20 whilst the 5/30 tranche surprisingly made its debut trade at 3.18%; i.e. 17bps above its original coupon when issued in May 2020. AAA-rated PUTRAJAYA and TELEKOM 25's similarly edged 1bps lower between 3.00-3.06% area. Telco operator DIGI 9/29 however rose 6bps at 3.35%. YTL Power 27-28's also ended 1bps lower between 3.61-68% whilst BGSM 24-25's and EDRA 26's closed sharply lower on yields at 3.28-34% and 3.64-67% levels respectively. The banking space saw several trades including Bank Islam 28NC23 cllng 25bps lower at 3.53%.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

| Securities | Closing | Vol | Previous | Previous | Chg |
|------------|---------|-------------|----------|----------------------------|------|
| | YTM | (RM mil) | YTM | Trade Date (dd/mm/yyyy) | (bp) |
| MGS 07/20 | 1.909 | 11 | 2.033 | 29/06/2020 | -12 |
| MGS 10/20 | 1.961 | 128 | 2.028 | 29/06/2020 | -7 |
| MGS 02/21 | 1.979 | 440 | 1.981 | 26/06/2020 | 0 |
| MGS 07/21 | 2.046 | 222 | 2.037 | 29/06/2020 | 1 |
| MGS 09/21 | 2.042 | 50 | 2.051 | 26/06/2020 | -1 |
| MGS 11/21 | 2.051 | 13 | 2.064 | 29/06/2020 | -1 |
| MGS 03/22 | 2.125 | 291 | 2.136 | 29/06/2020 | -1 |
| MGS 08/22 | 2.195 | 22 | 2.236 | 26/06/2020 | -4 |
| MGS 09/22 | 2.188 | 112 | 2.228 | 26/06/2020 | -4 |
| MGS 03/23 | 2.245 | 322 | 2.273 | 29/06/2020 | -3 |
| MGS 04/23 | 2.257 | 174 | 2.314 | 29/06/2020 | -6 |
| MGS 08/23 | 2.335 | 95 | 2.353 | 29/06/2020 | -2 |
| MGS 06/24 | 2.384 | 54 | 2.437 | 29/06/2020 | -5 |
| MGS 07/24 | 2.413 | 30 | 2.486 | 26/06/2020 | -7 |
| MGS 09/24 | 2.438 | 46 | 2.463 | 26/06/2020 | -2 |
| MGS 03/25 | 2.509 | 2 | 2.546 | 29/06/2020 | -4 |
| MGS 09/25 | 2.460 | 129 | 2.478 | 29/06/2020 | -2 |
| MGS 04/26 | 2.665 | 12 | 2.667 | 26/06/2020 | 0 |
| MGS 07/26 | 2.696 | 18 | 2.700 | 29/06/2020 | 0 |
| MGS 09/26 | 2.725 | 30 | 2.761 | 11/06/2020 | -4 |
| MGS 11/26 | 2.703 | 15 | 2.708 | 29/06/2020 | -1 |
| MGS 05/27 | 2.662 | 356 | 2.735 | 29/06/2020 | -7 |
| MGS 11/27 | 2.811 | 196 | 2.833 | 29/06/2020 | -2 |
| MGS 06/28 | 2.913 | 150 | 2.924 | 29/06/2020 | -1 |
| MGS 08/29 | 2.857 | 301 | 2.899 | 29/06/2020 | -4 |
| MGS 04/30 | 3.059 | 4 | 3.069 | 29/06/2020 | -1 |
| MGS 06/31 | 3.221 | 1 | 3.200 | 29/06/2020 | 2 |
| MGS 04/33 | 3.407 | 12 | 3.345 | 29/06/2020 | 6 |
| MGS 07/34 | 3.290 | 6 | 3.327 | 29/06/2020 | -4 |
| MGS 05/35 | 3.496 | 3 | 3.517 | 29/06/2020 | -2 |
| MGS 04/37 | 3.551 | 11 | 3.567 | 29/06/2020 | -2 |
| MGS 06/38 | 3.599 | 5 | 3.612 | 26/06/2020 | -1 |
| MGS 05/40 | 3.615 | 7 | 3.618 | 29/06/2020 | 0 |
| MGS 03/46 | 4.026 | 44 | 4.014 | 29/06/2020 | 1 |
| MGS 07/48 | 4.078 | 31 | 4.023 | 29/06/2020 | 6 |
| MGS 06/50 | 4.022 | 35 | 3.936 | 29/06/2020 | 9 |
| GII 08/20 | 1.993 | 20 | 2.047 | 26/06/2020 | -5 |
| GII 04/21 | 2.027 | 160 | 2.043 | 25/06/2020 | -2 |
| GII 08/21 | 2.097 | 5 | 2.046 | 19/06/2020 | 5 |
| GII 03/22 | 2.155 | 1 | 2.191 | 22/06/2020 | -4 |
| GII 05/23 | 2.310 | 186 | 2.329 | 29/06/2020 | -2 |
| GII 11/23 | 2.374 | 103 | 2.398 | 29/06/2020 | -2 |
| GII 10/24 | 2.528 | 31 | 2.505 | 26/06/2020 | 2 |
| GII 08/25 | 2.540 | 60 | 2.547 | 26/06/2020 | -1 |
| GII 10/25 | 2.588 | 70 | 2.566 | 26/06/2020 | 2 |
| GII 03/26 | 2.613 | 355 | 2.632 | 29/06/2020 | -2 |
| GII 09/26 | 2.687 | 92 | 2.693 | 26/06/2020 | -1 |
| GII 06/27 | 2.762 | 10 | 2.736 | 28/05/2020 | 3 |
| GII 07/27 | 2.759 | 18 | 2.771 | 24/06/2020 | -1 |
| GII 09/27 | 2.736 | 179 | 2.756 | 26/06/2020 | -2 |
| GII 10/28 | 2.925 | 241 | 2.939 | 26/06/2020 | -1 |
| GII 07/29 | 2.966 | 282 | 3.012 | 26/06/2020 | -5 |
| GII 09/30 | 3.028 | 10 | 3.044 | 29/06/2020 | -2 |
| GII 10/30 | 2.873 | 2 | 2.880 | 26/06/2020 | -1 |
| GII 08/33 | 3.449 | 10 | 3.451 | 19/06/2020 | 0 |
| GII 11/34 | 3.411 | 30 | 3.424 | 29/06/2020 | -1 |
| GII 10/35 | 3.583 | 30 | 3.582 | 29/06/2020 | 0 |
| GII 09/39 | 3.727 | 150 | 3.780 | 29/06/2020 | -5 |
| GII 05/47 | 4.030 | 1 | 3.950 | 17/06/2020 | 8 |
| GII 11/49 | 4.031 | 7 | 4.053 | 16/06/2020 | -2 |
| | | <u>5430</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* |
|--|-------|--------|-------------|--------------|--------------|----------------------------------|----------|---------------------|
| Danainfra Nasional Berhad | 04/29 | GG | 3.199 | 15 | 3.211 | 29/06/2020 | -1 | 35 |
| Danainfra Nasional Berhad | 05/30 | GG | 3.178 | 5 | - | - | - | 31 |
| Putrajaya Holdings Sdn Berhad | 09/20 | AAA | 2.500 | 20 | 2.620 | 15/05/2020 | -12 | 45 |
| Putrajaya Holdings Sdn Berhad | 10/20 | AAA | 2.501 | 5 | 4.153 | 13/09/2018 | -165 | 46 |
| Rantau Abang Capital Berhad | 12/20 | AAA | 2.519 | 110 | 2.537 | 25/06/2020 | -2 | 47 |
| Telekom Malaysia Berhad | 09/21 | AAA | 2.645 | 60 | 2.670 | 29/06/2020 | -2 | 60 |
| DiGi Telecommunications Sdn Berhad | 04/24 | AAA | 2.957 | 60 | 2.860 | 29/05/2020 | 10 | 55 |
| Putrajaya Holdings Sdn Berhad | 04/25 | AAA | 2.999 | 10 | 3.030 | 11/06/2020 | -3 | 53 |
| Putrajaya Holdings Sdn Berhad | 05/25 | AAA | 2.999 | 5 | 3.008 | 13/05/2020 | -1 | 53 |
| Telekom Malaysia Berhad | 11/25 | AAA | 3.063 | 50 | 3.070 | 29/06/2020 | -1 | 59 |
| Danum Capital Berhad | 02/26 | AAA | 3.090 | 20 | 3.047 | 03/03/2020 | 4 | 46 |
| Aman Sukuk Berhad | 05/26 | AAA | 3.108 | 10 | 3.139 | 11/06/2020 | -3 | 48 |
| Bank Pembangunan Malaysia Berhad | 11/26 | AAA | 3.229 | 25 | 3.259 | 19/06/2020 | -3 | 60 |
| Pengurusan Air SPV Berhad | 06/27 | AAA | 3.243 | 10 | 3.282 | 24/06/2020 | -4 | 56 |
| Bakun Hydro Power Generation Sdn Berhad (fka S Telekom Malaysia Berhad | 08/27 | AAA | 3.148 | 20 | 3.078 | 08/05/2020 | 7 | 47 |
| Telekom Malaysia Berhad | 10/28 | AAA | 3.278 | 10 | 3.265 | 03/06/2020 | 1 | 47 |
| DiGi Telecommunications Sdn Berhad | 09/29 | AAA | 3.351 | 20 | 3.289 | 19/05/2020 | 6 | 50 |
| YTL Power International Berhad | 05/27 | AA1 | 3.608 | 10 | 3.618 | 24/06/2020 | -1 | 93 |
| YTL Power International Berhad | 08/28 | AA1 | 3.679 | 10 | 3.689 | 15/06/2020 | -1 | 87 |
| MMC Corporation Berhad | 03/28 | AA- | 4.388 | 10 | 4.402 | 18/06/2020 | -1 | 158 |
| Benih Restu Berhad | 06/25 | AA2 | 3.447 | 55 | 3.526 | 05/06/2020 | -8 | 97 |
| Krung Thai Bank Public Company Limited | 07/25 | AA2 | 4.976 | 5 | 5.216 | 26/06/2020 | -24 | 250 |
| Cahaya Mata Sarawak Berhad | 05/22 | AA3 | 3.081 | 20 | 3.112 | 17/06/2020 | -3 | 90 |
| IJM Corporation Berhad | 06/22 | AA3 | 3.190 | 30 | 3.638 | 07/04/2020 | -45 | 101 |
| Tanjung Bin Energy Issuer Berhad | 03/24 | AA3 | 3.207 | 10 | 3.749 | 04/10/2019 | -54 | 80 |
| BGSM Management Sdn Berhad | 06/24 | AA3 | 3.283 | 30 | 3.306 | 13/05/2020 | -2 | 88 |
| BGSM Management Sdn Berhad | 08/25 | AA3 | 3.348 | 30 | 3.613 | 22/04/2020 | -27 | 87 |
| Edra Energy Sdn Berhad | 01/26 | AA3 | 3.642 | 10 | 4.222 | 10/10/2019 | -58 | 101 |
| Edra Energy Sdn Berhad | 07/26 | AA3 | 3.669 | 10 | 4.726 | 05/06/2020 | -106 | 104 |
| Malayan Banking Berhad | 02/17 | AA3 | 3.558 | 20 | 3.624 | 09/06/2020 | -7 | -6 |
| Tropicana Corporation Berhad | 06/23 | A+ | 4.955 | 6 | 4.956 | 29/06/2020 | 0 | 271 |
| Kedah Cement Sdn Berhad (fka Lafarge Cement S | 07/22 | A1 | 4.473 | 10 | 3.806 | 19/02/2020 | 67 | 229 |
| Bank Islam Malaysia Berhad | 11/28 | A1 | 3.529 | 20 | 3.776 | 23/04/2020 | -25 | 72 |
| CIMB Group Holdings Berhad | 05/16 | A1 | 3.940 | 1 | 3.888 | 26/06/2020 | 5 | 32 |
| Mah Sing Group Berhad | 04/17 | - | 4.945 | 2 | 4.944 | 26/06/2020 | 0 | 133 |
| | | | | <u>743</u> | | | | |

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

Market/Corporate News: What's Brewing

Malaysia's largest pension fund is investing more overseas as it seeks to beat the 4% to 5% return it has been achieving. The Employees Provident Fund with about \$216 billion in assets has been expanding its global portfolio to maintain high dividends for Malaysian workers in the face of limited opportunities onshore, Chief Executive Officer Alizakri Alias said in a Bloomberg TV interview with Haslinda Amin. "The rate of growth for our fund is outgrowing the rate of the economic growth of Malaysia," he said on Tuesday. "So whether we like it or not, we have to start looking overseas." The state fund currently has almost 30% of its investments placed overseas. Its assets rose 10.9% last year to 924.75 billion ringgit (\$216 billion) as of the end of 2019. Malaysia is teetering on the brink of a recession while the government faces risks of a credit ranking downgrade after S&P Global Ratings and Fitch Ratings lowered their outlook to negative. The World Bank cut its forecast for the economy to a 3.1% contraction this year, from a 0.1% decline, as the coronavirus pandemic and a nationwide lockdown curbed economic activity. Lowest Dividend Prime Minister Muhyiddin Yassin has since unveiled 295 billion ringgit (\$69 billion) of stimulus packages to save jobs and shore up growth. The measures included an automatic reduction of people's contributions to EPF to 7%, from 11%, to help boost consumer spending. While times are "extremely challenging," EPF expects to exceed 4% to 5% returns for the whole of 2020 as well as over the next five years, Alizakri said. The gains have already exceeded its internal target for 2% to 2.5% average return over three years. Last year, the Kuala Lumpur-based fund declared its lowest dividend since 2008 at 5.45%, with its Shariah-compliant fund returning 5%. That compares to the 6% slide in the benchmark FTSE Bursa Malaysia KLCI Index in 2019. "We have been outperforming what a pension fund should normally be returning," he said. EPF will also invest as much as possible into Shariah-compliant assets as well as environmentally and socially responsible assets, even if the supply remains limited, he said. These assets fit the fund's profile as they are less volatile and focused more on fundamentals and long-term sustainability, he added. "This is the best time to be in a

pension fund, to tell you the truth," Alizakri said. "Those sister funds of mine who are in the shorter term, wow, I wouldn't want to be in your shoes because there are so much uncertainties moving forward." (Source: *The Edgemarkets*)

The global air freight market in May showed a slight improvement in the air cargo market but capacity remained unable to meet demand as a result of the loss of belly cargo operations on passenger aircraft that had been parked, said the International Air Transport Association (IATA). The trade association for the world's airlines said global demand, measured in cargo tonne-kilometres (CTKs), fell by 20.3% in May, compared to the previous year. "That was an improvement from the 25.6% year-on-year drop recorded in April," it said in a statement today. Global capacity, measured in available CTAs (ACTKs), shrank by 34.7% in May, compared to the previous year, a slight deceleration from the 41.6% year-on-year drop in April. The IATA said belly capacity of international air cargo declined by 66.4% in May, compared to the previous year, due to the withdrawal of passenger services amid the Covid-19 crisis, a slight improvement from the 75.1% year-on-year decline in April. This was partially offset by a 25.2% increase in capacity through expanded use of freighter aircraft. Meanwhile, the IATA said the cargo load factor rose 10.4 percentage points in May, a slight decrease from the 12.8-percentage-point rise in April. However, it said the extent of the increase suggested that there was still pent-up demand for air cargo which cannot be met due to continued grounding of many passenger flights. "Global export orders continued to fall but at a slower pace. The Purchasing Managers' Index (PMI) tracking new manufacturing export orders improved from the trough seen in April despite remaining in contractionary territory," it said. Director-general and chief executive officer (CEO) Alexandre de Juniac said the gap between demand and capacity showed the challenge in finding the space on the aircraft still flying to get goods to market. "For that, prospects for air cargo remain stronger than those for the passenger business but the future is very uncertain. "Economic activity was picking up from April lows as some economies were unlocked. But predicting the length and depth of the recession remains difficult," he added.. (Source: *The Edgemarkets*)

| Rating Action | | | |
|------------------------|---|----------------|------------|
| Issuer | PDS Description | Rating/Outlook | Action |
| Tenaga Nasional Berhad | Proposed RM10 bil Islamic MTN Sukuk Wakalah Programme (2020/2070) | AAA/Stable | Assigned |
| | Proposed RM2 bil Islamic CP Sukuk Wakalah Programme (2020/2027) | P1 | Assigned |
| | Existing RM5 bil Islamic MTN Sukuk Wakalah Programme (2017/2067). | AAA/Stable | Maintained |

Source: RAM, MARC

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