

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw greater volatility at the month-end close on Monday with both real-money and central bank purchases seen in in the long-end and short ends respectively. The curve bull-flattened as overall benchmark yields closed between 0-3bps lower with the UST 2Y within 1bps from prior day's close at 0.13% and the much-watched UST 10Y closing 2bps lower at 0.71% levels. The curve trade nevertheless continued to unwind the recent steepening mode with the 2s10s spread at ~58bps; down from ~60bps last Friday. Meanwhile the effective Fed Funds Rate rose slightly to 0.09%, up from 0.08% (It has traded within the 0.07-0.11% range of late). Expect some attention to shift to the August manufacturing ISM and PMI's tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.13	0
5-yr UST	0.27	0
10-yr UST	0.71	-2
30-yr UST	1.48	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.85	1	1.85	2
5-yr	2.14	7	2.05	0
7-yr	2.29	0	2.39	8
10-yr	2.62	6	2.67	16
15-yr	3.08	3	3.18	5
20-yr	3.52	10	3.45	9
30-yr	3.62	-8	3.65	0

* Market indicative levels

MGS/GII

- Local govies ended weaker last Friday as overall benchmark yields ended mostly higher between 0-16bps; amid a steady secondary market volume of RM3.02b. The benchmark 5Y MGS 9/25 spiked 7bps higher at 2.14% whilst the 10Y MGS 8/29 ended 6bps up at 2.62%. Interest was mainly seen in the off-the-run 20's and also benchmark 10Y, 15Y and 20Y MGS/GII. GII bond trades maintained to form ~32% of overall trades. Meanwhile FTSE Russell will publish its Fixed Income Country classification annual announcement on the 24th Sep; according to a statement dated 26th Aug. Elsewhere the \$2.5b payment made by Goldman Sachs to the Malaysian government is expected to be used to repay 1MDB's debt that include \$3.5b of bonds due in 2022 and 2023.

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.91	3
3-yr	1.98	4
5-yr	2.19	4
7-yr	2.34	1
10-yr	2.62	7

Source : Bloomberg

Corp Bonds/Sukuk

- Secondary market remained modest amid volume of RM385m with transactions seen across the curve as overall yields closed mixed-to-lower. Govt-guaranteed PTPTN 6/22 ended 5bps lower compared to previous-done levels at 2.05% whilst the longest tenor traded last Friday was LPPSA 10/25 which closed unchanged at 2.30%. AAA-rated AMAN and MANJUNG 27's closed between 1-7bps lower at 2.76% and 2.70% respectively whilst TNB 35,38 and 40 closed mixed at 3.35%, 3.48% and 3.50% each. AA-rated KLK and BGSM 8/25 however rose between 1-4bps instead at 2.76% and 2.97% each. 29 declined 5bps at 3.55%. The banking space was nevertheless quiet.

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 10/20	1.624	535	1.554	27/08/2020	7
MGS 07/21	1.667	31	1.680	27/08/2020	-1
MGS 09/21	1.693	44	1.673	27/08/2020	2
MGS 11/21	1.718	2	1.726	27/08/2020	-1
MGS 03/22	1.755	201	1.703	26/08/2020	5
MGS 08/22	1.750	1	1.724	27/08/2020	3
MGS 09/22	1.775	3	1.744	27/08/2020	3
MGS 03/23	1.831	124	1.838	27/08/2020	-1
MGS 04/23	1.845	10	1.819	26/08/2020	3
MGS 08/23	1.857	13	1.880	27/08/2020	-2
MGS 06/24	2.064	93	2.069	27/08/2020	0
MGS 07/24	2.054	4	2.047	27/08/2020	1
MGS 09/24	2.097	3	2.055	27/08/2020	4
MGS 09/25	2.095	160	2.065	27/08/2020	3
MGS 07/26	2.198	45	2.250	27/08/2020	-5
MGS 11/26	2.324	1	2.259	21/08/2020	6
MGS 03/27	2.368	3	2.345	27/08/2020	2
MGS 05/27	2.279	5	2.290	27/08/2020	-1
MGS 11/27	2.402	4	2.401	27/08/2020	0
MGS 06/28	2.564	17	2.503	27/08/2020	6
MGS 08/29	2.600	273	2.553	27/08/2020	5
MGS 04/30	2.580	20	2.548	26/08/2020	3
MGS 06/31	2.845	78	2.696	26/08/2020	15
MGS 04/32	3.032	2	2.833	19/08/2020	20
MGS 04/33	3.143	1	3.067	27/08/2020	8
MGS 11/33	3.149	1	3.115	27/08/2020	3
MGS 07/34	3.076	122	3.052	27/08/2020	2
MGS 05/35	3.200	2	3.200	21/08/2020	0
MGS 04/37	3.397	5	3.260	26/08/2020	14
MGS 06/38	3.490	3	3.352	27/08/2020	14
MGS 05/40	3.462	230	3.420	27/08/2020	4
MGS 09/43	3.744	2	3.703	26/08/2020	4
MGS 03/46	3.801	3	3.677	26/08/2020	12
MGS 07/48	3.834	6	3.782	26/08/2020	5
MGS 06/50	3.623	8	3.703	27/08/2020	-8
GII 03/21	1.658	20	1.649	27/08/2020	1
GII 08/21	1.691	5	1.676	27/08/2020	2
GII 03/22	1.723	18	1.765	21/08/2020	-4
GII 04/22	1.684	2	1.725	26/08/2020	-4
GII 05/23	1.856	231	1.837	27/08/2020	2
GII 07/23	1.852	70	1.887	25/08/2020	-3
GII 11/23	1.898	1	1.887	21/08/2020	1
GII 10/24	2.032	7	2.052	27/08/2020	-2
GII 10/25	2.124	1	2.076	27/08/2020	5
GII 03/26	2.185	49	2.143	27/08/2020	4
GII 07/27	2.361	1	2.350	26/08/2020	1
GII 09/27	2.369	118	2.303	26/08/2020	7
GII 10/28	2.616	1	2.530	26/08/2020	9
GII 07/29	2.687	27	2.569	27/08/2020	12
GII 10/30	2.611	24	2.515	26/08/2020	10
GII 11/34	3.137	380	3.124	27/08/2020	1
GII 10/35	3.385	14	3.294	25/08/2020	9
GII 09/39	3.490	2	3.358	27/08/2020	13
		<u>3022</u>			

Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	2.052	50	2.102	14/08/2020	-5	28
DanaInfra Nasional Berhad	11/22	GG	2.021	10	3.004	03/04/2020	-98	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	2.194	10	2.349	14/07/2020	-16	16
DanaInfra Nasional Berhad	11/24	GG	2.187	20	2.275	12/08/2020	-9	15
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	2.302	20	2.299	27/08/2020	0	19
Telekom Malaysia Berhad	04/23	AAA	2.277	20	2.374	05/08/2020	-10	44
Telekom Malaysia Berhad	03/24	AAA	2.367	10	2.426	11/08/2020	-6	33
Telekom Malaysia Berhad	10/24	AAA	2.418	30	2.476	11/08/2020	-6	38
Pengurusan Air SPV Berhad	06/25	AAA	2.548	15	3.068	05/06/2020	-52	43
Aman Sukuk Berhad	04/27	AAA	2.757	50	2.763	26/08/2020	-1	43
Manjung Island Energy Berhad	11/27	AAA	2.699	10	2.769	24/07/2020	-7	37
Rantau Abang Capital Berhad	03/29	AAA	2.866	15	2.757	14/08/2020	11	32
Danga Capital Berhad	01/30	AAA	2.965	15	2.868	13/08/2020	10	42
Tenaga Nasional Berhad	08/35	AAA	3.353	15	3.260	26/08/2020	9	25
Tenaga Nasional Berhad	08/38	AAA	3.479	20	3.418	26/08/2020	6	-2
Tenaga Nasional Berhad	08/40	AAA	3.500	2	3.549	27/08/2020	-5	0
Kuala Lumpur Kepong Berhad	08/25	AA1	2.757	20	2.720	12/08/2020	4	64
UEM Sunrise Berhad	06/23	AA-	3.558	1	3.557	25/08/2020	0	172
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.881	1	3.951	26/08/2020	-7	177
BGSM Management Sdn Berhad	08/25	AA3	2.970	30	2.962	14/08/2020	1	86
Pelabuhan Tanjung Pelepas Sdn Berhad	06/27	AA-	3.521	1	3.526	11/08/2020	0	119
UMW Holdings Berhad	04/18	A1	3.999	1	4.443	25/08/2020	-44	50
YNH Property Berhad	08/19	-	6.180	1	6.684	26/08/2020	-50	269
DRB-Hicom Berhad	08/25	A+	4.320	10	4.340	27/08/2020	-2	221
DRB-Hicom Berhad	12/26	A+	4.500	10	4.671	12/05/2020	-17	225
			<u>385</u>					

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

Market/Corporate News: What's Brewing

There is no legal or factual justification to reopen the Klang Valley Double Tracking (Phase 2) Project (KVDT2) tender, said Dhaya Maju–LTAT Sdn Bhd (DM-LTAT). Dhaya Maju–LTAT was appointed as contractor for the KVDT2 in August 2019. On Aug 28, the Ministry of Transport said it will reopen the tender for the Klang Valley Double Tracking 2 (KVDT2) project. Its Minister Datuk Seri Dr Wee Ka Siong in a statement said this was after taking into consideration the results of extensive study and investigation which found that the cost of the said project under DM-LTAT was overpriced during the Pakatan Harapan (PH) administration. In a statement today, DM-LTAT said it had initially received the original Letter of Award dated April 4, 2018 for the KVDT2 project during the tenure of the Barisan Nasional government following which it had commenced work. It said when the Pakatan Harapan government took over, the original KVDT2 award was terminated on Oct 19, 2018. "Having accepted that there was no basis to terminate the initial Letter of Award, the PH government on July 5, 2019 agreed to reappoint DM-LTAT to implement the KVDT2 project and the parties entered into a Settlement Agreement under which the Government agreed to issue a new Letter of Award. "In return, DM-LTAT waived all its claims against the Government for the wrongful termination," it said. DM-LTAT said it was appointed to continue with the KVDT2 Project under the Letter of Award dated Aug 19, 2019 at a lower contract sum. "The reduced contract sum was derived at after a series of value management and value engineering labs that were undertaken with the participation of all stakeholders and led by technical experts from MOF, MOT, KTMB, MEA (Ministry of Economic Affairs), RAC, APAD, JPS and JKR. "We are therefore dismayed and perplexed by the Minister's statement based on some report in respect of the costs of the project which we are unaware of. "For the record, the works are being presently monitored by professional consultants and all claims are checked and verified before any approval for payment," it said. (Source: *The EdgeMarkets*)

Genting Hong Kong Ltd (GEN HK) announced the resignation of its controlling shareholder's son Lim Keong Hui from the board. Keong Hui is the son of Tan Sri Lim Kok Thay, who is the group's single largest shareholder holding a 76% equity stake. According to a filing with the Hong Kong Stock Exchange last Friday, Keong Hui stepped down as the executive director and the deputy chief executive officer of GEN HK effective Aug 28, 2020 to devote more time to other business commitments. "Mr Lim (Keong Hui) has confirmed that he has no disagreement with the board and there is no matter in relation to his resignation which needs to be brought to the attention of the shareholders of the relation to his resignation which needs to be brought to the attention of the shareholders of the company," said the filing. Coincidentally, the resignation came one day after Kok Thay was redesignated as the executive deputy chairman of Genting Malaysia Bhd (GENM), which operates the hilltop casino in Genting Highlands plus casinos in the UK and US. Keong Hui is currently the deputy chief executive and executive director of GENM. GEN HK, which announced a whopping net loss of US\$742.59 million for the six months ended June 30, is confident of having sufficient capital to fulfil its financial obligations in the coming 12 months should its efforts, such as cutting costs plus capital expenditure and raising fresh capital, bear fruits. The cruise ship operator said in its result release that its directors are in the process of seeking additional equity or debt funding from private investors and have received indicative letters from the investors, expressing interest to invest in one of the group's cruise brands. "The directors are in discussion with the investors on the terms and conditions of the funding and consider that there is a reasonable prospect that the group will be able to obtain the funding within the next 12 months from June 30, 2020," said GEN HK in the filing. GEN HK stepped into the limelight after it revealed that it opted to suspend all payments to creditors to preserve cash. Its share price then dropped to an all-time low of HK\$0.29. As at June 30, the group's total loans and borrowings amounted to US\$3.26 billion compared with US\$2.739 billion as at Dec 31, 2019. The loans that are repayable within a year amounted to US\$200.4 million.

Nonetheless, Gen HK's board of directors is hopeful that the cruise operator will be out of rough waters given the efforts it is making to revive its financial health. The group anticipates that the cruise operations will resume from January 2021. Besides raising fresh capital, GEN HK said it is in the process of applying for long-term funding from the Economic Stabilisation Fund (WSF) from the German federal government to sustain its shipyard operation in Germany. The WSF was set up for the objective of reducing the damage caused to the German economy by Covid-19. Its shipyard operation bled gross loss of US\$180.15 million.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Bank Kerjasama Rakyat Malaysia Berhad	Proposed RM10 bil Sukuk Wakalah Programme (2020/2050)	AA2(s)/Stable	Assigned

Source: RAM, MARC

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