

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries recovered from worse-off levels but stayed weak on Wednesday following breakthrough announcements by pharma giants i.e. US-based Pfizer and German-based BioNTech regarding potential positive trials on COVID-19 vaccines. Overall benchmark yields rose slightly between 1-2bps with the UST 2Y edging up at 0.16% and the much-watched UST 10Y edging 2bps higher at 0.68%. ISM US manufacturing activity for June unexpectedly improved above the 50 handle; weighing down slightly on the curve. Meanwhile minutes of the FOMC revealed that the Fed has not committed to yield-curve control but endeavoured to provide more forward guidance going forward. Expect investors to focus on the upcoming June jobs data tonight.

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 0.16        | 1         |
| 5-yr UST  | 0.31        | 2         |
| 10-yr UST | 0.68        | 2         |
| 30-yr UST | 1.42        | 1         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 2.22        | -3        | 2.28        | -3        |
| 5-yr   | 2.41        | -5        | 2.42        | -11       |
| 7-yr   | 2.65        | -1        | 2.73        | -1        |
| 10-yr  | 2.84        | -2        | 2.87        | 0         |
| 15-yr  | 3.32        | 3         | 3.40        | -1        |
| 20-yr  | 3.62        | 0         | 3.72        | -1        |
| 30-yr  | 3.99        | -4        | 4.03        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 2.08        | 1         |
| 3-yr           | 2.09        | -1        |
| 5-yr           | 2.29        | -1        |
| 7-yr           | 2.53        | -2        |
| 10-yr          | 2.72        | 0         |

Source : Bloomberg

##### MGS/GIII

- Local govies continue to stage a recovery for the 2<sup>nd</sup> day in almost a week on strong bidding metrics yesterday amid another huge jump in secondary market volume to RM7.83b. Overall benchmark MGS/GII yields closed mostly lower between 1-11bps save for the 15Y GII with trades mainly centred in especially short-to-medium tenures i.e. the off-the-run 21's, 28-29's and also 3Y, 5Y, 10Y benchmark MGS/GII bonds. The benchmark 5Y MGS 9/25 rallied 5bps at 2.41% whilst the 10Y MGS 8/29 edged 2bps instead at 2.84%. GII bond trades maintained to form ~40% of overall trades. Meanwhile the MYR which surprisingly stayed flat yesterday (after June's manufacturing PMI gauge notched its highest in almost 2 years) has however retreated this morning @ 4.2898. The data front is light with the BNM OPR meeting scheduled for 7<sup>th</sup> July next week.

##### Corp Bonds/Sukuk

- Investor interest remain intact on Wednesday as secondary market volume notched RM488m with interest mainly across the GG and AA-segment; with overall yields closing mostly mixed-to-lower. Govt-guaranteed KHAZANAH 9/22 and DANA 11/24 closed between 2-4bps lower compared to previous-done levels at 2.41% and 2.66% respectively whilst a slew of 2029 tranches from PASB, DANA and PTPTN close mixed between -7 to +2bps at 3.12-15% levels. AAA-rated DANGA 9/27 saw a single trade declining 4bps at 3.18%. AA-rated energy-related YTL Power 10/21 and 27-28's saw total ~RM125m in nominal trades; ending 0-4bps higher instead at 3.04% and 3.60-68% area respectively. The banking space saw MBSB 29NC24 and 31NC26 also close mixed on yields on substantial volume at 3.99% and 4.29% each.

#### Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bond

| Securities | Closing | Vol         | Previous | Previous                   | Chg  |
|------------|---------|-------------|----------|----------------------------|------|
|            | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp) |
| MGS 07/20  | 2.021   | 168         | 1.909    | 30/06/2020                 | 11   |
| MGS 10/20  | 2.039   | 112         | 1.961    | 30/06/2020                 | 8    |
| MGS 02/21  | 1.960   | 197         | 1.979    | 30/06/2020                 | -2   |
| MGS 07/21  | 2.007   | 753         | 2.046    | 30/06/2020                 | -4   |
| MGS 09/21  | 2.025   | 22          | 2.042    | 30/06/2020                 | -2   |
| MGS 11/21  | 2.038   | 229         | 2.051    | 30/06/2020                 | -1   |
| MGS 03/22  | 2.125   | 74          | 2.125    | 30/06/2020                 | 0    |
| MGS 08/22  | 2.164   | 16          | 2.195    | 30/06/2020                 | -3   |
| MGS 03/23  | 2.211   | 522         | 2.245    | 30/06/2020                 | -3   |
| MGS 04/23  | 2.218   | 102         | 2.257    | 30/06/2020                 | -4   |
| MGS 08/23  | 2.266   | 126         | 2.335    | 30/06/2020                 | -7   |
| MGS 06/24  | 2.357   | 87          | 2.384    | 30/06/2020                 | -3   |
| MGS 07/24  | 2.402   | 119         | 2.413    | 30/06/2020                 | -1   |
| MGS 09/24  | 2.401   | 120         | 2.438    | 30/06/2020                 | -4   |
| MGS 09/25  | 2.411   | 135         | 2.460    | 30/06/2020                 | -5   |
| MGS 04/26  | 2.647   | 72          | 2.665    | 30/06/2020                 | -2   |
| MGS 07/26  | 2.645   | 21          | 2.696    | 30/06/2020                 | -5   |
| MGS 09/26  | 2.716   | 5           | 2.725    | 30/06/2020                 | -1   |
| MGS 11/26  | 2.671   | 41          | 2.703    | 30/06/2020                 | -3   |
| MGS 03/27  | 2.752   | 4           | 2.776    | 29/06/2020                 | -2   |
| MGS 05/27  | 2.652   | 190         | 2.662    | 30/06/2020                 | -1   |
| MGS 11/27  | 2.774   | 558         | 2.811    | 30/06/2020                 | -4   |
| MGS 06/28  | 2.838   | 334         | 2.913    | 30/06/2020                 | -7   |
| MGS 09/28  | 2.904   | 90          | 2.953    | 30/06/2020                 | -5   |
| MGS 08/29  | 2.839   | 240         | 2.857    | 30/06/2020                 | -2   |
| MGS 04/30  | 2.930   | 250         | 3.059    | 30/06/2020                 | -13  |
| MGS 11/33  | 3.348   | 1           | 3.309    | 30/06/2020                 | 4    |
| MGS 07/34  | 3.318   | 20          | 3.290    | 30/06/2020                 | 3    |
| MGS 05/35  | 3.500   | 41          | 3.496    | 30/06/2020                 | 0    |
| MGS 04/37  | 3.547   | 3           | 3.551    | 30/06/2020                 | 0    |
| MGS 06/38  | 3.574   | 10          | 3.599    | 30/06/2020                 | -3   |
| MGS 05/40  | 3.615   | 10          | 3.615    | 30/06/2020                 | 0    |
| MGS 07/48  | 4.014   | 3           | 4.078    | 30/06/2020                 | -6   |
| MGS 06/50  | 3.987   | 8           | 4.022    | 30/06/2020                 | -4   |
| GII 08/20  | 1.994   | 60          | 1.993    | 30/06/2020                 | 0    |
| GII 08/21  | 2.080   | 6           | 2.097    | 30/06/2020                 | -2   |
| GII 04/22  | 2.186   | 6           | 2.155    | 30/06/2020                 | 3    |
| GII 05/23  | 2.281   | 645         | 2.310    | 30/06/2020                 | -3   |
| GII 11/23  | 2.409   | 1           | 2.374    | 30/06/2020                 | 3    |
| GII 10/24  | 2.419   | 573         | 2.528    | 30/06/2020                 | -11  |
| GII 08/25  | 2.477   | 244         | 2.540    | 30/06/2020                 | -6   |
| GII 10/25  | 2.563   | 1           | 2.588    | 30/06/2020                 | -2   |
| GII 03/26  | 2.578   | 320         | 2.613    | 30/06/2020                 | -4   |
| GII 09/26  | 2.636   | 100         | 2.687    | 30/06/2020                 | -5   |
| GII 06/27  | 2.761   | 10          | 2.762    | 30/06/2020                 | 0    |
| GII 07/27  | 2.745   | 92          | 2.759    | 30/06/2020                 | -1   |
| GII 09/27  | 2.728   | 240         | 2.736    | 30/06/2020                 | -1   |
| GII 10/28  | 2.912   | 300         | 2.925    | 30/06/2020                 | -1   |
| GII 07/29  | 2.948   | 350         | 2.966    | 30/06/2020                 | -2   |
| GII 09/30  | 2.979   | 20          | 3.028    | 30/06/2020                 | -5   |
| GII 11/34  | 3.399   | 50          | 3.411    | 30/06/2020                 | -1   |
| GII 09/39  | 3.719   | 133         | 3.727    | 30/06/2020                 | -1   |
|            |         | <u>7833</u> |          |                            |      |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                    | Rating | Closing | Vol        | Previous | Previous                   | Chg        | Spread          |     |
|---|--------|---------|------------|----------|----------------------------|------------|-----------------|-----|
|   |        | YTM     | (RM mil)   | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp)       | Against<br>MGS* |     |
| Pengurusan Air SPV Berhad                     | 04/21  | GG      | 2.241      | 5        | 2.190                      | 04/06/2020 | 5               | 21  |
| Khazanah Nasional Berhad                      | 09/22  | GG      | 2.410      | 20       | 2.448                      | 29/06/2020 | -4              | 25  |
| Danainfra Nasional Berhad                     | 11/24  | GG      | 2.660      | 25       | 2.683                      | 24/06/2020 | -2              | 29  |
| Prasarana Malaysia Berhad                     | 09/25  | GG      | 2.772      | 50       | 2.759                      | 19/06/2020 | 1               | 34  |
| Prasarana Malaysia Berhad                     | 09/28  | GG      | 3.077      | 10       | 3.481                      | 07/01/2020 | -40             | 30  |
| Pengurusan Air SPV Berhad                     | 02/29  | GG      | 3.131      | 20       | 3.150                      | 11/06/2020 | -2              | 30  |
| Danainfra Nasional Berhad                     | 02/29  | GG      | 3.117      | 20       | 3.190                      | 24/06/2020 | -7              | 29  |
| Perbadanan Tabung Pendidikan Tinggi Nasional  | 03/29  | GG      | 3.149      | 20       | 3.132                      | 02/06/2020 | 2               | 32  |
| Starbright Capital Berhad                     | 12/20  | AAA     | 3.325      | 5        | 3.717                      | 15/04/2020 | -39             | 129 |
| Pengurusan Air SPV Berhad                     | 02/24  | AAA     | 2.980      | 5        | 3.247                      | 15/04/2020 | -27             | 61  |
| Pengurusan Air SPV Berhad                     | 06/24  | AAA     | 3.000      | 5        | 3.021                      | 24/06/2020 | -2              | 63  |
| Danga Capital Berhad                          | 09/27  | AAA     | 3.180      | 5        | 3.219                      | 26/06/2020 | -4              | 53  |
| YTL Power International Berhad                | 10/21  | AA1     | 3.041      | 10       | 2.999                      | 15/05/2020 | 4               | 101 |
| Sepangar Bay Power Corporation Sdn Berhad     | 07/22  | AA1     | 2.943      | 10       | 3.748                      | 31/07/2019 | -81             | 79  |
| YTL Power International Berhad                | 05/27  | AA1     | 3.608      | 60       | 3.608                      | 30/06/2020 | 0               | 96  |
| YTL Power International Berhad                | 08/28  | AA1     | 3.679      | 60       | 3.679                      | 30/06/2020 | 0               | 90  |
| CIMB Bank Berhad                              | 09/26  | AA+     | 3.651      | 1        | 4.650                      | 10/06/2020 | -100            | 105 |
| Imtiaz Sukuk II Berhad                        | 11/21  | AA2     | 2.865      | 10       | 3.555                      | 19/11/2019 | -69             | 83  |
| Fortune Premiere Sdn Berhad                   | 09/23  | AA      | 3.285      | 10       | 3.421                      | 25/02/2020 | -14             | 106 |
| Trinity Asia Ventures Berhad                  | 09/22  | AA3     | 4.304      | 10       | 4.402                      | 12/05/2020 | -10             | 215 |
| CIMB Thai Bank Public Company Limited         | 07/29  | AA3     | 3.788      | 1        | 3.607                      | 24/02/2020 | 18              | 96  |
| Sports Toto Malaysia Sdn Berhad               | 06/22  | AA-     | 3.933      | 5        | 4.305                      | 29/01/2020 | -37             | 178 |
| Southern Power Generation Sdn Berhad          | 04/30  | AA-     | 3.760      | 30       | 3.969                      | 25/09/2019 | -21             | 91  |
| Sinar Kamiri Sdn Berhad                       | 01/31  | AA-     | 4.961      | 5        | 5.349                      | 16/04/2020 | -39             | 211 |
| Sinar Kamiri Sdn Berhad                       | 01/35  | AA-     | 5.250      | 5        | 5.669                      | 26/07/2019 | -42             | 194 |
| Sinar Kamiri Sdn Berhad                       | 01/36  | AA-     | 5.350      | 5        | 5.759                      | 26/07/2019 | -41             | 204 |
| Tropicana Corporation Berhad                  | 06/25  | A+      | 5.599      | 1        | 5.305                      | 29/06/2020 | 29              | 316 |
| Tropicana Corporation Berhad                  | 05/27  | A+      | 5.750      | 10       | -                          | -          | -               | 310 |
| MBSB Bank Berhad (fka Asian Finance Bank Berh | 12/29  | A3      | 3.989      | 45       | 3.919                      | 26/06/2020 | 7               | 116 |
| MBSB Bank Berhad (fka Asian Finance Bank Berh | 12/31  | A3      | 4.288      | 15       | 4.331                      | 22/06/2020 | -4              | 144 |
| Eco World International Berhad                | 05/23  | A       | 5.630      | 1        | 5.446                      | 26/06/2020 | 18              | 340 |
| Mah Sing Group Berhad                         | 03/25  | -       | 3.719      | 5        | 4.039                      | 06/05/2020 | -32             | 128 |
|   |        |         | <u>488</u> |          |                            |            |                 |     |

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

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

**Gamuda Bhd said yesterday that the Penang State Government has appointed it to be the project delivery partner (PDP) for the Penang Transport Master Plan (PTMP).** For that, the construction giant will be paid a PDP fee of 5%-5.75% based on the project cost. However, investment analysts are not sure its scope of jobs will be covered by the PDP fee. In a bourse filing, Gamuda said its 60%-owned unit SRS Consortium Sdn Bhd had inked a master agreement with the State Government on its appointment as the PDP for the infrastructure project. Under the agreement, SRS will deliver various public transport components, including highways. In addition, it will provide new reclamation sites comprising Islands A, B and C of the Penang South Reclamation project. Gamuda will provide a funding plan that includes an RM1.3 billion bridging loan to the Penang Government for the reclamation of Island A. Being the PDP, Gamuda will have to have a strong balance sheet to kick-start the massive PTMP that has been dragged for years as it is responsible for funding for the project. Furthermore, as Gamuda is given the right to reclaim land as part of its returns, instead of cash settlement, it will take time to realise the gains. A fund manager said funding for the project will be Gamuda's biggest challenge. He noted that the divestment of the four toll highways in which Gamuda has a majority stake — which would have strengthened its financials — is likely to have fallen through. Based on Gamuda's effective interest in the toll concessionaires, its share of the sale proceeds was estimated to be RM2.36 billion. The proceeds would have been handy for Gamuda to kick start the PTMP. On top of that, having to sell land to realise gains in the current weak economic environment is not an easy feat. "Without support from the Federal Government, Gamuda will have to work harder to ensure the project is 'self-financing' as the State Government has little resources except for land and land reclamation rights," the fund manager commented. For the RM1.3 billion bridging loan, Gamuda's 60% stake in SRS will have to chip in RM780 million. Analysts believe the construction giant will have to flex its financial muscles to obtain bank borrowings. Consequently, Gamuda is likely to gear up to fund the massive infrastructure project. Another analyst said the termination of the sale of the four highways would not pose an insurmountable barrier for Gamuda to undertake the project in Penang. "It will be more taxing, but it can be done," he said. He, however, noted that the gestation period for the project could be long, which means it will take some time until the project starts to deliver a meaningful income contribution to the group. So, Gamuda will still have to bid for projects elsewhere to sustain its income flow in the absence of contribution from PTMP. UOB Kay Hian analyst Farhan Ridzwan, meanwhile, anticipates that earnings from PTMP to start flowing in from the financial year ending July 31, 2022 (FY22), on the assumption of no major delays. He also expects the margins to be lower at the initial stage of the construction project, compared with more advanced stages. A brokerage senior associate director, on the other hand, holds a more optimistic view. Although Gamuda is not able to sell the toll roads, Loong said proceeds the group gained from the divestment of its stake in Syarikat Pengeluar Air Sungai Selangor (Splash) will help. "As it stands the group's net gearing is 35%, so it can actually gear up in order to raise more funds," he said. He also noted that the project is a long-term one, and that Gamuda will recognise PDP fee income on a progress billing basis based on the completion stage of the project. And given that Island A will be industrial land, Loong expects the land reclaimed would be attractive, especially to electrical and electronics (E&E) companies. Hence, he foresees that the reclaimed land will be a long-term earnings provider for Gamuda. (Source: *The Edgemarkets*)

| Rating Action              |   |                 |          |
|----------------------------|---|-----------------|----------|
| Issuer                     | PDS Description   | Rating/Outlook  | Action   |
| Putrajaya Holdings Sdn Bhd | RM370.0 million Sukuk Musharakah Programme (due 2030)                                     | AAA-IS / stable | Affirmed |
|                            | RM3.0 billion Sukuk Musharakah Programme (due 2032)                                       | AAA-IS / stable | Affirmed |
|                            | RM1.5 billion Sukuk Musharakah Medium-Term Notes (MTN) Programme (due 2033)               | AAA-IS / stable | Affirmed |
| Sinar kamiri Sdn Bhd       | Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah of up to RM245.0 million | AA-IS/Stable    | Affirmed |

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

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.