

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued to be pressured with the curve bear-steepening, bearing the brunt of divested investor attention into equities which were seen benefitting from a potential economic recovery as businesses re-open. The IG issuance slate continued to be heavy, led by The East Ohio Gas Co which put pressure on the longer-ends. Overall benchmark yields ended between 1-4bps higher with the UST 2Y edging up 1bps at 0.16% whilst the much-watched UST 10Y rose 3bps higher at 0.69%. Nevertheless skeptics continue to warn that the recovery if any, is fragile as mass protests across the country is expected to dent the momentum going forward. The 5s30s spread settled at 117bps; its 2nd highest level since 2017 and just off its YTD high of 118bps on 16th March. Services and job reading will top the US economic data tonight before investors and traders look forward to the May jobs numbers this Friday instead.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	1
5-yr UST	0.32	1
10-yr UST	0.69	3
30-yr UST	1.49	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.27	0	2.32	0
5-yr	2.48	1	2.46	1
7-yr	2.64	1	2.74	4
10-yr	2.84	2	2.73	1
15-yr	3.18	1	3.25	1
20-yr	3.42	2	3.47	0
30-yr	3.79	0	3.82	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.12	1
3-yr	2.14	1
5-yr	2.27	0
7-yr	2.43	0
10-yr	2.65	0

Source : Bloomberg

Upcoming Government Bond Tender

RM4.5b reopening of 3Y GII 5/23 on Wednesday, 3rd June 2020

MGS/GIII

- Local govies closed mostly weaker again on lack of catalysts. on Tuesday amid similar secondary market volume of RM3.56b. Overall benchmark MGS/GII yields closed generally between 0-4bps higher with interest mainly centred in the off-the-run 20-21's, and also 5Y, 10Y benchmark MGS. The benchmark 5Y MGS 9/25 edged 1bps up at 2.48% whilst the 10Y MGS 8/29 rose 2bps at 2.84%. GII bonds rose to form ~35% of overall trades. Meanwhile the MYR continues to strengthen this morning, breaking below the 4.2600 levels assisted by steady crude oil prices. Expect attention to remain focused on the current government's navigation of the current delicate economic situation. On the data front we have the April trade numbers expected out at noon today followed by foreign reserves data tomorrow.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw improved activity in the secondary market with overall volume higher at RM487m. Interest was mainly seen across the GG, followed by the AAA-AA-part of the curve as overall yields closed mostly mixed. Govt-guaranteed LPPSA 24-28's closed 2-3bps higher compared to previous-done levels between 2.64-3.08% whilst the long-end PRASA 12/38 and 2/50 edged 2bps lower instead at 3.61% and 3.97% respectively. AAA-rated DANGA 33 and DANUM 34 declined 12-13 bps at 3.44% and 3.51% on traded nominal amounts of RM30m each. AA-rated energy-related bonds i.e. YTL Power 5/27 and BENIH Restu 6/25 closed between 0-2bps higher at 3.57% and 3.50% each. The banking space was relatively quiet. Elsewhere, some odd-lot trades were seen in property-related ECO World and AEON Credit papers.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	2.005	21	2.030	01/06/2020	-2
MGS 10/20	2.011	466	2.053	01/06/2020	-4
MGS 02/21	2.030	79	2.041	01/06/2020	-1
MGS 07/21	2.048	80	2.062	01/06/2020	-1
MGS 09/21	2.075	6	2.098	01/06/2020	-2
MGS 11/21	2.109	24	2.102	01/06/2020	1
MGS 03/22	2.146	87	2.172	01/06/2020	-3
MGS 09/22	2.224	69	2.241	01/06/2020	-2
MGS 03/23	2.266	31	2.266	01/06/2020	0
MGS 04/23	2.336	42	2.304	01/06/2020	3
MGS 08/23	2.343	7	2.341	01/06/2020	0
MGS 06/24	2.429	26	2.430	01/06/2020	0
MGS 07/24	2.458	30	2.446	01/06/2020	1
MGS 09/24	2.473	7	2.457	01/06/2020	2
MGS 09/25	2.479	390	2.472	01/06/2020	1
MGS 07/26	2.642	7	2.649	01/06/2020	-1
MGS 11/26	2.662	13	2.643	01/06/2020	2
MGS 05/27	2.643	41	2.635	01/06/2020	1
MGS 11/27	2.755	20	2.735	01/06/2020	2
MGS 06/28	2.849	30	2.796	01/06/2020	5
MGS 08/29	2.840	528	2.822	01/06/2020	2
MGS 04/30	2.990	89	2.924	01/06/2020	7
MGS 06/31	3.065	16	3.039	01/06/2020	3
MGS 04/33	3.278	61	3.246	01/06/2020	3
MGS 11/33	3.294	4	3.280	01/06/2020	1
MGS 07/34	3.176	123	3.168	01/06/2020	1
MGS 04/37	3.436	15	3.447	01/06/2020	-1
MGS 06/38	3.507	7	3.474	01/06/2020	3
MGS 05/40	3.420	3	3.403	01/06/2020	2
MGS 03/46	3.839	1	3.836	01/06/2020	0
GII 03/21	2.045	2	2.040	29/05/2020	0
GII 04/21	2.062	210	2.061	01/06/2020	0
GII 03/22	2.227	10	2.185	29/05/2020	4
GII 05/23	2.320	74	2.321	01/06/2020	0
GII 07/23	2.397	1	2.342	29/05/2020	5
GII 10/23	2.398	40	2.391	22/05/2020	1
GII 11/23	2.395	82	2.392	22/05/2020	0
GII 05/24	2.422	10	2.514	20/05/2020	-9
GII 10/24	2.463	114	2.451	01/06/2020	1
GII 10/25	2.539	60	2.536	01/06/2020	0
GII 03/26	2.603	8	2.628	01/06/2020	-2
GII 09/27	2.741	216	2.699	01/06/2020	4
GII 10/28	2.911	40	2.886	01/06/2020	2
GII 12/28	2.919	50	2.889	29/05/2020	3
GII 07/29	2.920	198	2.926	01/06/2020	-1
GII 10/30	2.729	59	2.715	01/06/2020	1
GII 11/34	3.253	33	3.240	01/06/2020	1
GII 10/35	3.392	30	3.292	05/05/2020	10
GII 09/39	3.465	4	3.468	01/06/2020	0
GII 11/49	3.819	1	3.814	01/06/2020	0.5
		<u>3564</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*
GovCo Holdings Berhad	02/21	GG	2.209	25	2.207	28/05/2020	0	15
Pengurusan Air SPV Berhad	06/21	GG	2.220	5	2.489	30/04/2020	-27	16
Bank Pembangunan Malaysia Berhad	09/21	GG	2.259	20	2.259	28/05/2020	0	20
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	2.641	30	2.614	22/05/2020	3	23
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	2.998	20	2.978	14/05/2020	2	35
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.080	20	3.061	29/05/2020	2	33
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.132	30	3.088	05/05/2020	4	32
Perbadanan Tabung Pendidikan Tinggi Nasional	02/30	GG	3.200	20	3.200	28/04/2020	0	36
Danainfra Nasional Berhad	11/32	GG	3.299	30	3.267	27/05/2020	3	46
Danainfra Nasional Berhad	04/37	GG	3.520	20	4.059	09/04/2020	-54	33
Prasarana Malaysia Berhad	12/38	GG	3.610	20	3.629	04/05/2020	-2	17
Prasarana Malaysia Berhad	02/50	GG	3.967	45	3.990	28/05/2020	-2	53
Cagamas Berhad	10/20	AAA	2.292	5	2.623	04/05/2020	-33	23
Cagamas Berhad	03/22	AAA	2.547	5			255	35
Cagamas Berhad	05/23	AAA	2.754	10	2.761	29/05/2020	-1	48
Aman Sukuk Berhad	04/24	AAA	2.915	10	2.897	28/05/2020	2	51
Danga Capital Berhad	01/33	AAA	3.440	30	3.559	24/04/2020	-12	25
Danum Capital Berhad	02/34	AAA	3.510	30	3.640	22/04/2020	-13	32
Tenaga Nasional Berhad	08/37	AAA	3.659	10	3.680	14/05/2020	-2	47
Tenaga Nasional Berhad	08/38	AAA	3.699	10	3.724	28/05/2020	-3	26
YTL Power International Berhad	05/27	AA1	3.569	10	3.550	28/05/2020	2	92
Kuala Lumpur Kepong Berhad	09/34	AA1	3.821	10	4.310	15/04/2020	-49	63
Danajamin Nasional Berhad	10/27	AA+	3.177	1	3.627	14/04/2020	-45	53
First Resources Limited	10/21	AA2	3.027	20	3.426	15/04/2020	-40	97
Benih Restu Berhad	06/25	AA2	3.497	20	3.501	29/05/2020	0	102
Gamuda Berhad	03/23	AA3	3.392	2	3.196	22/05/2020	20	112
Malakoff Power Berhad	12/23	AA-	3.247	10	4.518	14/01/2019	-127	84
TG Excellence Berhad	02/20	AA-	3.544	10	3.675	01/06/2020	-13	11
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	3.028	4	3.334	16/04/2020	-31	42
CIMB Group Holdings Berhad	05/16	A1	3.600	1	3.697	21/05/2020	-10	16
Eco World International Berhad	10/21	-	5.749	1	5.265	22/05/2020	48	369
Eco World International Berhad	04/23	-	7.167	1	5.506	01/06/2020	166	489
AEON Credit Service (M) Berhad	12/14	-	4.621	2	4.473	19/05/2020	15	118
				<u>487</u>				

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

Market/Corporate News: What's Brewing

Number forecast operator (NFO) BERJAYA SPORTS TOTO BHD is preparing to restart its operations as soon as possible as the temporary closure of its businesses due to the Covid-19 pandemic takes a huge toll on its financial performance. The group, in a filing with Bursa Malaysia today, registered a net profit of RM46.8mil on revenue of RM1.33bil in the third quarter ended March 30. The group said its main subsidiary Sports Toto had to cancel six draws during the quarter due to the movement control order (MCO) that came into effect on March 18. In the UK, its unit H.R. Owen had shut down its operations since March 23 due to the lockdown to contain the spread of the virus. "With the operations of its main subsidiaries being shut down for more than two months, this will significantly impact the results of the Group for the remaining quarter of the financial year ending June 30," BToto said. Under the MCO, the operations of Sports Toto has been suspended since March 18 to June 9. "Based on the assumption that the conditional MCO ends on June 9 and the NFO operators are allowed to resume operations from June 10 onwards, Sports Toto will effectively have only nine draws during the fourth quarter ending June 30," it said. With the anticipated reopening, the group said its sales outlets will be implementing new social distancing rules and other guidelines under the standard operating procedures issued by the National Security Council. "The introduction of these measures and fear of the pandemic may affect customers' confidence in the immediate term," it said. "In spite of the above, the Directors are cautiously optimistic that the business will gradually recover given that the NFO industry was fairly resilient in the past economic crises." (Source: *The Star*)

Some 10.25 million people or 67.2% of the workforce had returned to work as of May 17, up from 6.64 million people or 43.6% a week earlier (May 10), said Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz. Citing data from the Statistics Department, he said these figures took into account those working from home and covered various economic sectors such as services, agriculture, manufacturing and mining and quarrying. “The increase in the number of employees returning to work shows that the opening of the economy on May 4 by the government has thus far been smooth to enable workers to earn their livelihood,” he said when presenting the 7th Laksana-Prihatin accomplishment report today. On the issue of saving jobs, Tengku Zafrul said based on the Statistics Department’s report dated May 29, the country’s unemployment rate for the first quarter (Q1) was 3.5%. This was the highest since the second quarter of 2017. “Given the serious impact of Covid-19 on most countries’ economies, Malaysia’s increase in unemployment is still under control, compared to 3.3 per cent in the previous quarter,” he said. In comparison, Tengku Zafrul said, the Q1 unemployment rate in the Philippines was 5.3% (increasing from 4.5% in the previous quarter), while Spain saw 14.41% (up from 13.78% in the previous quarter) and New Zealand 4.2% (rising from 4.0% in the previous quarter). “This shows that Covid-19 affects jobs globally,” he said. Meanwhile, the finance minister said based on feedback, the government found that the situation faced by the public and businesses was very challenging. He noted that four out of 10 Malaysian jobs were related to the tourism industry, which is among the sectors most affected by the Covid-19 pandemic. He also said that the higher education industry, which is worth RM35 billion to the nation’s economy, would be facing major challenges in attracting international students. “While 67 per cent of workers have returned to work, there are about five million workers in various sectors who have not started work. This is due to, among others, because, among others, these sectors being part of the list of industries prohibited under the strict Standard Operating Procedures for health and safety considerations,” he said. Citing a study by Ipsos, Tengku Zafrul said it showed that 62% of Malaysians were very concerned about the threat of Covid-19 to themselves. “The percentage is the highest among citizens of countries surveyed,” he said. He stressed that the government was sensitive to the challenges faced by the workers and the people. “The government does not take for granted the lives and livelihood of the people or the state of the economy,” he said, adding that the PRIHATIN package was a manifestation of the efforts taken by the government for the sake of the people and country. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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