

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed modestly stronger on Thursday; having recovered from a brief sell-off following strong NFP/ jobs data of 4.8m in June. Nevertheless UST's were well-bid going into the long weekend as unemployment rate ended better-than-expected at 11.1% (May:13.3%). Overall benchmark yields edged between 1-2bps lower save for the long bond with the UST 2Y at 0.15% and the much-watched UST 10Y at 0.67%. In another report, the Commerce Department revealed that the US trade deficit widened more than expected in the month of May amid a steep decline in exports. Interestingly the Fed has not committed to yield-curve control yet but endeavoured to provide more forward guidance going forward. Expect investors to focus on the upcoming auctions of \$46b of 3Y notes, \$29b of 10Y bonds and also \$19b of 30Y bonds.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	-1
5-yr UST	0.30	-2
10-yr UST	0.67	-1
30-yr UST	1.43	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.17	-4	2.24	-4
5-yr	2.39	-2	2.45	3
7-yr	2.60	-6	2.69	-4
10-yr	2.85	1	2.83	-5
15-yr	3.28	-4	3.36	-4
20-yr	3.58	-4	3.70	-2
30-yr	3.99	0	4.03	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.08	0
3-yr	2.10	1
5-yr	2.28	0
7-yr	2.53	1
10-yr	2.71	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GIII

- Local govovies continue to strengthen and build momentum for the 3rd consecutive day amid further rise in secondary market volume to RM8.5b. Overall benchmark MGS/GII yields closed mostly lower between 2-6bps save for the 5Y GII and 10Y MGS with trades mainly centred in especially short-to-medium tenures i.e. the off-the-run 21-22's and also 3Y, 10Y, 20Y benchmark MGS/GII bonds. The benchmark 5Y MGS 9/25 moved 2bps lower at 2.39% whilst the 10Y MGS 8/29 edged 1bps higher instead at 2.84%. GII bond trades maintained to form ~38% of overall trades. Meanwhile global funds which correctly predicted the country's earlier rating outlook downgrade are seen to have confidence in the resilience of local govovies. Nevertheless rumours of a possible snap election after the upcoming 13th July parliamentary sitting is bound to raise the stakes for investors. The data front is light with the BNM MPC meeting scheduled for 7th July next week being the key event risk.

Corp Bonds/Sukuk

- Investor interest remain strong on Thursday as secondary market volume jumped to RM828m with interest mainly across the GG-AA part of the curve; with overall yields closing mostly mixed-to-lower. Govt-guaranteed DANA 24's dominated this space with the 2024 tranches closing between 4-18bps compared to previous-done levels at 2.59-61% levels whilst the 2/25 tranche moved 26bps sharply lower at 2.67%. AAA-rated DANUM 34-35's however spiked 10-11bps to close between 3.62-66% area with the 2/25 tranche closing 8bps highewr at 3.02%. AA-rated KLK 25 and 29 sayw yields close between 7-10bps at 3.10% and 3.40% each. The banking space which was relatively quiet saw MBSB 29NC24 trade again closing unchanged at 398%.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.999	102	2.039	01/07/2020	-4
MGS 07/21	2.000	630	2.007	01/07/2020	-1
MGS 09/21	2.021	40	2.025	01/07/2020	0
MGS 11/21	2.028	148	2.038	01/07/2020	-1
MGS 03/22	2.090	72	2.125	01/07/2020	-4
MGS 08/22	2.139	18	2.164	01/07/2020	-3
MGS 03/23	2.173	642	2.211	01/07/2020	-4
MGS 04/23	2.221	611	2.218	01/07/2020	0
MGS 08/23	2.300	23	2.266	01/07/2020	3
MGS 06/24	2.282	275	2.357	01/07/2020	-8
MGS 07/24	2.289	227	2.402	01/07/2020	-11
MGS 09/24	2.278	293	2.401	01/07/2020	-12
MGS 03/25	2.429	20	2.453	01/07/2020	-2
MGS 09/25	2.386	409	2.411	01/07/2020	-2
MGS 04/26	2.600	60	2.647	01/07/2020	-5
MGS 07/26	2.569	236	2.645	01/07/2020	-8
MGS 11/26	2.578	158	2.671	01/07/2020	-9
MGS 03/27	2.700	10	2.752	01/07/2020	-5
MGS 05/27	2.597	385	2.688	01/07/2020	-9
MGS 11/27	2.713	290	2.774	01/07/2020	-6
MGS 06/28	2.800	39	2.838	01/07/2020	-4
MGS 09/28	2.794	17	2.904	01/07/2020	-11
MGS 08/29	2.796	433	2.839	01/07/2020	-4
MGS 04/30	2.901	14	2.930	01/07/2020	-3
MGS 06/31	3.169	6	3.134	01/07/2020	4
MGS 04/32	3.242	2	3.273	25/06/2020	-3
MGS 07/34	3.277	19	3.318	01/07/2020	-4
MGS 04/37	3.543	9	3.547	01/07/2020	0
MGS 06/38	3.598	10	3.574	01/07/2020	2
MGS 05/40	3.580	54	3.615	01/07/2020	-4
MGS 09/43	3.957	1	3.953	01/07/2020	0
MGS 06/50	3.990	7	3.987	01/07/2020	0
GII 03/21	1.995	50	2.050	26/06/2020	-5
GII 08/21	2.032	10	2.080	01/07/2020	-5
GII 03/22	2.146	520	2.155	30/06/2020	-1
GII 04/22	2.113	189	2.186	01/07/2020	-7
GII 05/23	2.243	217	2.281	01/07/2020	-4
GII 07/23	2.300	190	2.367	29/06/2020	-7
GII 10/23	2.296	50	2.449	18/06/2020	-15
GII 11/23	2.280	89	2.409	01/07/2020	-13
GII 10/24	2.450	90	2.419	01/07/2020	3
GII 08/25	2.472	87	2.477	01/07/2020	0
GII 10/25	2.543	12	2.563	01/07/2020	-2
GII 03/26	2.544	150	2.578	01/07/2020	-3
GII 07/27	2.707	20	2.745	01/07/2020	-4
GII 09/27	2.687	390	2.728	01/07/2020	-4
GII 10/28	2.872	171	2.912	01/07/2020	-4
GII 07/29	2.942	270	2.948	01/07/2020	-1
GII 09/30	2.962	60	2.979	01/07/2020	-2
GII 10/30	2.827	53	2.873	30/06/2020	-5
GII 11/34	3.361	210	3.399	01/07/2020	-4
GII 09/39	3.701	403	3.719	01/07/2020	-2
GII 05/47	4.092	6	4.030	30/06/2020	6
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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	05/24	GG	2.589	70	2.629	22/06/2020	-4	28
DanaInfra Nasional Berhad	07/24	GG	2.609	105	2.790	09/03/2020	-18	30
DanaInfra Nasional Berhad	02/25	GG	2.671	40	2.929	21/04/2020	-26	28
Small Medium Enterprise Development Bank Malay	03/26	GG	2.851	5	3.900	25/03/2020	-105	34
Khazanah Nasional Berhad	10/27	GG	3.035	50	3.107	24/06/2020	-7	44
Turus Pesawat Sdn Berhad	11/27	GG	3.002	20	3.051	21/05/2020	-5	40
Prasarana Malaysia Berhad	03/28	GG	2.998	20	2.995	27/05/2020	0	28
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.276	20	3.281	14/05/2020	-1	47
DanaInfra Nasional Berhad	03/32	GG	3.274	20	3.237	27/05/2020	4	47
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	3.690	60	4.149	19/03/2020	-46	39
Danum Capital Berhad	02/25	AAA	3.021	5	2.945	19/05/2020	8	63
Putrajaya Bina Sdn Berhad	09/26	AAA	3.097	10	3.050	09/03/2020	5	58
Pengurusan Air SPV Berhad	06/27	AAA	3.224	15	3.243	30/06/2020	-2	62
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.301	20	3.351	30/06/2020	-5	53
Tenaga Nasional Berhad	08/33	AAA	3.507	20	3.510	29/06/2020	0	21
Danum Capital Berhad	02/34	AAA	3.616	50	3.510	02/06/2020	11	31
Danum Capital Berhad	02/35	AAA	3.657	80	3.559	29/05/2020	10	36
Kuala Lumpur Kepong Berhad	08/25	AA1	3.096	10	3.200	25/06/2020	-10	71
Kuala Lumpur Kepong Berhad	09/29	AA1	3.398	10	3.466	23/06/2020	-7	62
Anih Berhad	11/23	AA	3.197	20	3.348	21/02/2020	-15	101
CIMB Group Holdings Berhad	09/29	AA	3.319	10	3.367	04/03/2020	-5	54
Sports Toto Malaysia Sdn Berhad	06/21	AA-	3.519	10	-	-	-	149
Sports Toto Malaysia Sdn Berhad	06/26	AA-	4.488	30	4.566	21/05/2020	-8	197
Southern Power Generation Sdn Berhad	10/29	AA-	3.711	10	3.749	30/01/2020	-4	94
Sinar Kamiri Sdn Berhad	01/31	AA-	4.959	5	4.961	01/07/2020	0	216
Sinar Kamiri Sdn Berhad	01/35	AA-	5.249	5	5.250	01/07/2020	0	195
Sinar Kamiri Sdn Berhad	01/36	AA-	5.349	5	5.350	01/07/2020	0	205
CIMB Bank Berhad	08/26	AA+	3.402	1	3.651	01/07/2020	-25	89
Benih Restu Berhad	06/25	AA2	3.350	20	3.447	30/06/2020	-10	96
Jimah Energy Ventures Sdn Berhad	11/21	AA3	2.975	10	4.007	20/06/2019	-103	95
Trinity Asia Ventures Berhad	09/22	AA3	4.297	10	4.304	01/07/2020	-1	218
IJM Corporation Berhad	06/23	AA3	3.301	10	3.381	04/06/2020	-8	111
AmBank Islamic Berhad	02/28	AA3	3.548	1	4.402	13/05/2020	-85	83
Tropicana Corporation Berhad	06/23	A+	4.775	3	4.955	30/06/2020	-18	259
Tropicana Corporation Berhad	06/25	A+	5.430	2	5.599	01/07/2020	-17	304
Tropicana Corporation Berhad	05/27	A+	5.749	10	5.750	01/07/2020	0	315
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	3.984	37	3.989	01/07/2020	0	121
Tropicana Corporation Berhad	09/19	-	6.633	1	6.091	26/06/2020	54	303
				<u>828</u>				

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

Market/Corporate News: What's Brewing

Sawmill operator BTM Resources Bhd said its wholly-owned subsidiary BTM Biomass Products Sdn Bhd has obtained approval from the Sustainable Energy Development Authority (SEDA) to build and operate a renewable energy electrical power plant. The electrical energy power plant (EEPP) will have the capacity to supply 10 mega-watt (MW) per hour of electricity to Tenaga Nasional Bhd, and is located in Chukai, Terengganu, it said in a bourse filing. Meanwhile, BTM said it has received the relevant feed-in tariff (FIT) approval certificate today and the approval granted is for a period of 21 years with the commencement date set at no later than Jan 23, 2023. The expected date of signing the power purchase agreement (PPA) with Tenaga Nasional Bhd is October 2020 at a fixed tariff rate of RM0.3486 per kWh for 21 years," it added. In terms of the construction of the EEPP, BTM said it is targeted to commence in June 2021 and is expected to be completed in December 2022. On the sources of funds for the construction, the company said it is mulling either bank loans, or proceeds from corporate exercises, or a combination of both, though it has not determined the breakdown of its funding yet. BTM said the FIT approval or PPA will not have any significant impact on the performance of the company for FY20, but is expected to contribute positively to its future earnings starting from January 2023 for a period of 21 years. (Source: *The Edgemarkets*)

Commodity trade financiers in Singapore are teaming up to improve lending practices and transparency after a spate of defaults, four sources with knowledge of the matter said. Hin Leong Trading Pte Ltd, one of Asia's biggest oil traders, and three other Singapore-based commodity traders ran into financial difficulties this year as oil prices crashed and the coronavirus crisis hit fuel demand. Commodity trading accounts for 4.5% of Singapore's GDP and the working group is the strongest response yet by lenders and regulators to shore up confidence in a sector that contains many privately held firms and complex supply chains. In a joint statement

in response to questions from Reuters, the Monetary Authority of Singapore (MAS), Enterprise Singapore (ESG), the Accounting and Corporate Regulatory Authority (ACRA) and the Association of Banks in Singapore (ABS) confirmed the moves to boost the city-state's commodity financing standards. "These practices will strengthen banks' lending standards and facilitate continued lending to trading companies," Ho Hern Shin, Assistant Managing Director, Banking & Insurance at the MAS, said in the statement on Thursday. Commodity trade finance chiefs from about 20 banks including HSBC, DBS and OCBC, have formed a working group to propose new guidelines, the sources earlier told Reuters on condition of anonymity. HSBC, DBS and OCBC declined to comment. One proposal under early discussion is the setting up of a central registry for collateral pledged in loans which could help improve transparency and reduce risks for banks, three of the sources said. Investigations into commodity trading firms revealed that multiple layers of financing from different lenders were obtained for the same inventory. The moves are "the first set of best practices in commodities financing that banks in Singapore are developing with the trading community, with support from the government agencies," said Ong-Ang Ai Boon, Director of ABS. "These best practices will help to uplift transparency and trust in commodities financing," Ong-Ang said. Several banks have already tightened credit and stepped up scrutiny of existing loans at commodity firms which has played a part in reducing trade volumes in the region. Nearly two dozen banks, including HSBC, DBS, OCBC, Societe Generale and ABN AMRO, are owed US\$3.8 billion by Hin Leong, whose founder admitted to hiding hundreds of millions of dollars in losses over several years. Losses were also large at Agritrade International Pte Ltd which collapsed with US\$1.55 billion in outstanding liabilities. A report by its court-appointed supervisor said Hin Leong obtained financing from various banks for cargoes of oil which did not exist. Agritrade International gained multiple financing for the same cargoes from banks by providing duplicate documents, Dutch bank ING said in a court document. Many European lenders are also part of the working group, two of the sources said. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Purple Boulevard Berhad	M450 mil asset-backed Sukuk Ijarah Programme		
	Senior Class A	AAA/Stable	Reaffirmed
	Senior Class B	AA3/Stable	Outlook revised from Positive
	Senior Class C	A3/Stable	Outlook revised from Positive
	Guaranteed Class D	AAA(FG)/Stable	Reaffirmed

Source: RAM, MARC

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