

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued closing in a biddish tone on Friday as investors were unnerved by US data that showed personal income continued contracting and spending growth slowed in June. The keenly watched core PCE unexpectedly softened to 0.9% YOY in June. Employment benefits rose while wage growth more than halved in 2Q pointing to a weak labour market. Prior to that, preliminary report confirmed the US economy contracted at a record 32.9% QOQ in 2Q and initial jobless claims rose a 2nd straight week. Dimming growth prospects overshadowed upbeat corporate earnings from tech giants in the like of Facebook, Apple and Amazon that spurred gains in US equities. 10-year UST yields fell 2bps to 0.53% while the 2-year dipped 1bp to 0.11%. Expect attention to shift to PMI and ISM readings for more clues on the recovery momentum, in addition to Covid-19 stimulus plan and political development.

MGS/GII

- Local govies saw more modest trading ahead of the long weekend in observation of Hari Haji holiday. Secondary market volume tapered off by about a third to RM4.2bn on Thursday (prior: RM6.0bn). We continue to see interests flocking into the front end off the run '21, as well as benchmark 3Y, 7Y, and 10Y MGS while the just reopened 7Y GII 9/27 took center stage in the GII space. The reopening attracted a subdued bid-cover of 2.045x, at an average yield of 2.280%, sharply lower than its new issuance back in end-March (2.874x; 3.422%). GII bond trades also softened a tad but remained decent with RM1.83bn dealt, accounting for 44% (prior 41%) of overall trades. Overall benchmark yields ended mostly lower between 1-3bps save for the 5Y GII and long MGS, with the biggest move (-3bps) seen in benchmark 7Y MGS 5/27. With all major economies reporting steep contraction in 2Q GDP, all eyes will be on upcoming domestic industrial production and wholesale & retail trade data this week for more hints on the depth of the contraction in Malaysia GDP, due 12 August.

Corp Bonds/Sukuk

- Contrary to the softer trading in local govies, interest in corporate bonds/ sukuk picked up. Secondary market volume improved to RM597m (prior RM418m) and overall yields continued to pull back. Investors continued to favour the GG and AA part of the curve with GG papers made up about half of total volume transacted and AA issuances another 40%. PLUS '01/38 hogged the scene with RM170m changed hands at 3.58% (-5bps), followed by the debut of PRASA '07/35 at 3.199% and MRL '07/35 at 3.224%. Danum was the only name traded within the AAA-rated space, with yields slipping between 1bps ('25) and 11bps ('35). EDRA '32 also attracted substantial interests, trading 7-23bps inner between 3.90-4.10%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.11	-1
5-yr UST	0.20	-3
10-yr UST	0.53	-2
30-yr UST	1.19	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.91	-1	1.97	-2
5-yr	2.11	0	2.07	2
7-yr	2.25	-3	2.28	-2
10-yr	2.55	-2	2.56	-2
15-yr	2.96	0	3.02	-1
20-yr	3.18	2	3.30	-2
30-yr	3.52	0	3.66	-1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	0
3-yr	1.88	0
5-yr	2.05	-2
7-yr	2.31	-2
10-yr	2.55	-3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.692	58	1.699	29/07/2020	-1
MGS 07/21	1.778	92	1.778	29/07/2020	0
MGS 09/21	1.773	168	1.753	29/07/2020	2
MGS 11/21	1.753	107	1.778	29/07/2020	-3
MGS 03/22	1.783	1	1.829	29/07/2020	-5
MGS 08/22	1.831	1	1.872	29/07/2020	-4
MGS 09/22	1.831	94	1.876	29/07/2020	-4
MGS 03/23	1.904	397	1.914	29/07/2020	-1
MGS 04/23	1.940	122	1.954	29/07/2020	-1
MGS 08/23	1.979	1	2.000	29/07/2020	-2
MGS 06/24	2.030	121	2.048	28/07/2020	-2
MGS 07/24	2.045	2	2.054	29/07/2020	-1
MGS 09/24	2.080	49	2.071	29/07/2020	1
MGS 03/25	2.087	0	2.115	27/07/2020	-3
MGS 09/25	2.114	154	2.115	29/07/2020	0
MGS 04/26	2.201	1	2.169	29/07/2020	3
MGS 07/26	2.205	6	2.219	29/07/2020	-1
MGS 11/26	2.220	13	2.237	29/07/2020	-2
MGS 05/27	2.245	256	2.277	29/07/2020	-3
MGS 11/27	2.253	37	2.288	29/07/2020	-3
MGS 06/28	2.399	45	2.396	29/07/2020	0
MGS 09/28	2.493	0	2.484	29/07/2020	1
MGS 08/29	2.551	321	2.575	29/07/2020	-2
MGS 04/30	2.597	14	2.619	29/07/2020	-2
MGS 06/31	2.709	45	2.715	29/07/2020	-1
MGS 04/33	2.980	18	2.989	28/07/2020	-1
MGS 11/33	2.988	1	2.980	29/07/2020	1
MGS 07/34	2.959	143	2.959	29/07/2020	0
MGS 05/35	3.190	5	3.270	23/07/2020	-8
MGS 04/37	3.271	5	3.274	29/07/2020	0
MGS 06/38	3.290	40	3.323	29/07/2020	-3
MGS 05/40	3.175	20	3.158	29/07/2020	2
MGS 03/46	3.655	0	3.695	29/07/2020	-4
MGS 07/48	3.695	12	3.718	28/07/2020	-2
MGS 06/50	3.519	2	3.514	29/07/2020	1
GII 08/20	1.758	80	1.766	29/07/2020	-1
GII 11/20	1.746	13	1.739	24/07/2020	1
GII 04/21	1.748	13	1.764	29/07/2020	-2
GII 04/22	1.842	10	1.906	21/07/2020	-6
GII 05/23	1.969	80	1.985	29/07/2020	-2
GII 10/24	2.067	110	2.044	29/07/2020	2
GII 08/25	2.125	2	2.182	28/07/2020	-6
GII 03/26	2.186	72	2.196	29/07/2020	-1
GII 07/27	2.323	10	2.352	29/07/2020	-3
GII 09/27	2.275	535	2.300	29/07/2020	-2
GII 10/28	2.517	210	2.536	29/07/2020	-2
GII 07/29	2.602	179	2.632	29/07/2020	-3
GII 10/30	2.562	116	2.584	29/07/2020	-2
GII 06/33	3.039	52	3.042	29/07/2020	0
GII 08/33	3.040	140	3.070	23/07/2020	-3
GII 11/34	3.021	68	3.033	29/07/2020	-1
GII 08/37	3.332	41	3.350	29/07/2020	-2
GII 09/39	3.298	79	3.316	29/07/2020	-2
GII 11/49	3.658	20	3.664	29/07/2020	-1
		<u>4179</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*
Khazanah Nasional Berhad	03/21	GG	1.969	20	2.185	03/06/2020	-22	20
DanaInfra Nasional Berhad	02/25	GG	2.328	0	2.335	27/07/2020	-1	21
Prasarana Malaysia Berhad	02/27	GG	2.550	5	2.549	28/07/2020	0	30
DanaInfra Nasional Berhad	05/27	GG	2.520	10	2.669	09/07/2020	-15	27
Malaysia Rail Link Sdn Berhad	07/35	GG	3.224	30	-	-	-	27
Prasarana Malaysia Berhad	07/35	GG	3.199	40	-	-	-	24
Projek Lebuhraya Usahasama Berhad	01/38	GG	3.529	170	3.580	24/07/2020	-5	57
Prasarana Malaysia Berhad	12/38	GG	3.450	20	3.530	24/07/2020	-8	27
Danum Capital Berhad	02/25	AAA	2.638	10	2.652	22/07/2020	-1	52
Danum Capital Berhad	02/35	AAA	3.259	50	3.364	29/07/2020	-11	30
YTL Power International Berhad	08/23	AA1	2.947	8	3.038	14/07/2020	-9	102
CIMB Group Holdings Berhad	04/25	AA1	2.733	0	2.623	27/07/2020	11	61
YTL Corporation Berhad	07/30	AA1	3.447	8	3.447	28/07/2020	0	89
Press Metal Aluminium Holdings Berhad	10/24	AA3	3.348	9	3.369	24/07/2020	-2	131
AEON Credit Service (M) Berhad	02/27	AA3	3.429	1	3.662	07/07/2020	-23	118
AEON Credit Service (M) Berhad	02/28	AA3	3.499	1	3.518	22/07/2020	-2	110
Edra Energy Sdn Berhad	01/32	AA3	3.833	80	3.899	08/07/2020	-7	128
Edra Energy Sdn Berhad	07/32	AA3	3.875	80	4.103	03/07/2020	-23	132
UEM Sunrise Berhad	04/22	AA-	3.436	2	3.147	05/06/2020	29	158
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/26	AA-	3.540	30	3.749	09/06/2020	-21	133
Southern Power Generation Sdn Berhad	04/31	AA-	3.320	20	3.409	28/07/2020	-9	77
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/31	A3	3.599	1	3.599	28/07/2020	0	105
YNH Property Berhad	07/19	-	6.284	1	5.834	29/07/2020	45	310
Tropicana Corporation Berhad	09/19	-	6.182	0	5.643	14/07/2020	54	300
Eco World International Berhad	04/23	-	4.965	1	5.018	22/07/2020	-5	303
				<u>597</u>				

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

Market/Corporate News: What's Brewing

Malaysia and Singapore today agreed to proceed with the Rapid Transit System (RTS), with leaders of the two countries meeting at the midpoint of the Johor Causeway as a sign of the agreement. Prime Minister Tan Sri Muhyiddin Yassin and his Singapore counterpart Lee Hsien Loong, accompanied by several ministers from their respective countries, arrived at the world's busiest land border crossing at about 10am. At the historic meeting, the two prime ministers witnessed their transport ministers — Datuk Seri Dr Wee Ka Siong of Malaysia and Singapore's Ong Ye Kung — hold official documents to signify their agreement to proceed with the RTS project. Also present were Malaysian Senior Minister Datuk Seri Mohamed Azmin Ali, who is also International Trade and Industry Minister, Foreign Minister Datuk Seri Hishammuddin Tun Hussein and Johor Menteri Besar Datuk Hasni Mohammad. Singapore was also represented by Foreign Minister Dr Vivian Balakrishnan and former transport minister Khaw Boon Wan. Muhyiddin and Lee spoke to each other at the 15-minute meeting, regarded as historic and symbolic as it is their first meeting on the Johor Causeway, which was used by 350,000 travellers daily before the Movement Control Order (MCO) was enforced on March 18. It is also their first face-to-face meeting since Muhyiddin was appointed as the eighth prime minister on March 1, while Lee himself was just sworn in for another term as prime minister on July 27, following the victory of his party, People's Action Party (PAP), in the recent general election. After three postponements, Malaysia and Singapore have finally agreed to proceed with the RTS construction. RTS, a four-kilometre rail line connecting Bukit Chagar in Johor Bahru and Woodlands in Singapore, will help reduce congestion on the Johor Causeway. The RTS project has gone through a series of discussions under three Malaysian prime ministers and is expected to cost about RM3.7 billion, with the specifications having been agreed upon by Malaysia and Singapore. The two-

phase project is expected to begin in 2021 and be completed by the end of 2026. (Source: *The EdgeMarkets*)

Axiata Group Bhd has confirmed that it will be raising up to US\$1 billion via a combination of sukuk and conventional bonds, with half of the proceeds to be used to refinance its debt. "The board has approved our proposal to raise about US\$1 billion. We've appointed four banks to act as joint lead managers for us. The funds or the raised indicative quotes are quite attractive," deputy group chief executive officer Datuk Izzaddin Idris said during a media briefing after the group's annual general meeting today. The appointed joint lead managers are CIMB, Standard Chartered, UBS, and Citigroup. "The idea is that if Axiata is able to borrow at a much cheaper cost [than its subsidiaries], it makes sense for us to raise the funds and lend to [our] operating companies," Izzaddin said. The papers will have tenures of between 10 and 30 years. Izzaddin said Axiata expects the arrangement for the issuance to be completed in August. "It is a combination of both sukuk and conventional, because the sukuk market may not give us the depth of 30 years," he added. Axiata, a major telecoms player in Asia, had current borrowings of RM9.05 billion against cash of RM5.96 billion as at March this year. It was reported that Axiata last issued sukuk in 2016, when it raised US\$500 million, following its debut shariah-compliant offering in 2015. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Malaysian Resources Corporation Berhad	Proposed Islamic Medium-Term Notes Programme of up to RM5.0 billion (Sukuk Murabahah)	AA- <i>IS</i> /Stable	Assigned
UMW Holdings Berhad	RM2 bil Islamic MTN Programme (2013/2028) RM2 bil Perpetual Sukuk Programme	AA2/ Stable A1/ Stable	Reaffirmed

Source: RAM, MARC

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