

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed weaker whilst being pressured on Monday, led by the long-ends and influenced by strong readings on manufacturing numbers. The heavy IG issuance slate also helped cause yields to drift higher. The curve steepened as overall benchmark yields ended between 0-4bps higher with the UST 2Y within 1bps move at 0.11% and the much-watched UST 10Y spiking 3bps to 0.56%. Meanwhile officials are penciling in another \$1.0 trillion stimulus package in to their calculations of financing needs over the next two quarters whilst lawmakers continue to debate a compromise between the \$3.5 trillion in spending which was approved in May and the GOP's \$1.0 trillion proposal last week. The data front remains light today with attention expected to shift to the payrolls data this Friday.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.11	0
5-yr UST	0.22	2
10-yr UST	0.56	3
30-yr UST	1.23	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.92	1	1.94	-3
5-yr	2.12	0	2.03	-4
7-yr	2.20	-4	2.27	-1
10-yr	2.49	-6	2.55	-1
15-yr	2.92	-4	3.00	-2
20-yr	3.16	-1	3.30	0
30-yr	3.53	1	3.66	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	0
3-yr	1.87	0
5-yr	2.06	1
7-yr	2.30	-1
10-yr	2.52	-3

Source : Bloomberg

MGS/GIII

- Local govies remained well-bid yesterday following positive vibes and also reports of the nation's bonds emerging as the 2nd best performer in Asia in July. Secondary market volume notched a decent RM4.9b as overall benchmark yields ended mostly lower i.e. between 1-6bps save for the ultra-short and the 30Y tenures. Interest was mainly seen in the off-the-run 21's and also 10Y, 15Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 closed within 1bps at 2.12% whilst the 10Y MGS 8/29 yields rallied 6bps at 2.49%. GII bond trades formed ~37% of overall trades. Sentiment may continue to be buoyed by the initial USD2.5b cash settlement by Goldman Sachs which will lighten the government's financing constrain under the current economic climate. Expect some attention to shift to the industrial production numbers later this week.

Corp Bonds/Sukuk

- Investor interest tapered off slightly yesterday amid lower secondary market volume of RM393m; with transactions still seen across the curve (i.e GG to single-A). Overall yields continued to close mostly unchanged-to-lower. DANA and PRASA dominated trades in the govt-guaranteed segment with PRASA 28's ending sharply lower between 37-108bps compared to previous-done levels at 2.63-69% area. AAA-rated SEB 11/28 closed 13bps lower at 2.86% whereas TNB 8/33 declined 23bps at 3.12%. The AA-space saw YTL Corpo 11/26 grind 15bps lower at 3.33% whilst highway operator KESTURI 12/26 closed unchanged at 3.54%. The banking saw MBSB 12/21 similarly close sharply lower on yields at 2.59% whilst Bank Islam 30NC25 edged 2bps lower at 3.38%.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

FIXED INCOME

August 4, 2020



Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	10/20	1.726	52	1.692	30/07/2020	3
MGS	07/21	1.736	626	1.778	30/07/2020	-4
MGS	09/21	1.748	11	1.773	30/07/2020	-2
MGS	11/21	1.757	4	1.753	30/07/2020	0
MGS	03/22	1.803	72	1.783	30/07/2020	2
MGS	08/22	1.833	181	1.831	30/07/2020	0
MGS	09/22	1.841	137	1.831	30/07/2020	1
MGS	03/23	1.916	135	1.904	30/07/2020	1
MGS	04/23	1.950	27	1.940	30/07/2020	1
MGS	08/23	1.974	192	1.979	30/07/2020	-1
MGS	06/24	2.027	18	2.030	30/07/2020	0
MGS	07/24	2.053	11	2.045	30/07/2020	1
MGS	09/24	2.064	42	2.080	30/07/2020	-2
MGS	03/25	2.110	1	2.087	30/07/2020	2
MGS	09/25	2.119	57	2.114	30/07/2020	1
MGS	04/26	2.185	2	2.201	30/07/2020	-2
MGS	07/26	2.199	1	2.205	30/07/2020	-1
MGS	09/26	2.254	7	2.279	29/07/2020	-2
MGS	11/26	2.202	74	2.220	30/07/2020	-2
MGS	05/27	2.199	130	2.245	30/07/2020	-5
MGS	11/27	2.247	5	2.253	30/07/2020	-1
MGS	09/28	2.502	10	2.493	30/07/2020	1
MGS	08/29	2.494	250	2.551	30/07/2020	-6
MGS	06/31	2.696	7	2.709	30/07/2020	-1
MGS	04/32	2.890	1	2.925	24/07/2020	-3
MGS	04/33	2.984	33	2.980	30/07/2020	0
MGS	11/33	2.987	31	2.988	30/07/2020	0
MGS	07/34	2.914	899	2.959	30/07/2020	-4
MGS	05/35	3.189	1	3.190	30/07/2020	0
MGS	04/37	3.242	13	3.271	30/07/2020	-3
MGS	06/38	3.305	23	3.290	30/07/2020	2
MGS	09/43	3.605	1	3.570	28/07/2020	4
MGS	03/46	3.649	6	3.655	30/07/2020	-1
MGS	07/48	3.677	30	3.695	30/07/2020	-2
MGS	06/50	3.527	2	3.519	30/07/2020	1
GII	08/20	1.742	110	1.758	30/07/2020	-2
GII	03/21	1.750	100	1.750	23/07/2020	0
GII	04/21	1.753	20	1.748	30/07/2020	0
GII	08/21	1.739	1	1.800	29/07/2020	-6
GII	04/22	1.830	20	1.842	30/07/2020	-1
GII	07/22	1.872	170	1.870	28/07/2020	0
GII	05/23	1.943	30	1.969	30/07/2020	-3
GII	07/23	2.020	1	2.059	29/07/2020	-4
GII	11/23	1.980	14	2.021	28/07/2020	-4
GII	10/24	2.028	231	2.067	30/07/2020	-4
GII	08/25	2.122	3	2.125	30/07/2020	0
GII	03/26	2.173	100	2.186	30/07/2020	-1
GII	09/26	2.242	50	2.269	28/07/2020	-3
GII	07/27	2.306	66	2.352	29/07/2020	-5
GII	09/27	2.274	191	2.275	30/07/2020	0
GII	10/28	2.479	30	2.517	30/07/2020	-4
GII	12/28	2.497	57	2.626	22/07/2020	-13
GII	07/29	2.560	186	2.602	30/07/2020	-4
GII	10/30	2.550	115	2.562	30/07/2020	-1
GII	08/33	3.017	60	3.040	30/07/2020	-2
GII	11/34	3.000	230	3.021	30/07/2020	-2
GII	08/37	3.339	10	3.332	30/07/2020	1
GII	09/39	3.298	1	3.298	30/07/2020	0
GII	05/47	3.650	6	3.620	28/07/2020	3
GII	11/49	3.658	10	3.658	30/07/2020	0
			<u>4904</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*
Danainfra Nasional Berhad	07/24	GG	2.286	5	2.287	27/07/2020	0	26
Danainfra Nasional Berhad	02/25	GG	2.326	10	2.671	02/07/2020	-35	22
Danainfra Nasional Berhad	07/27	GG	2.499	5	2.619	22/07/2020	-12	28
Prasarana Malaysia Berhad	09/27	GG	2.597	10	2.600	28/07/2020	0	38
Prasarana Malaysia Berhad	03/28	GG	2.632	30	2.998	02/07/2020	-37	23
Prasarana Malaysia Berhad	08/28	GG	2.672	10	3.749	27/03/2020	-108	27
Prasarana Malaysia Berhad	11/28	GG	2.687	30	3.098	19/06/2020	-41	29
Prasarana Malaysia Berhad	02/30	GG	2.750	40	2.790	29/07/2020	-4	24
Cagamas Berhad	03/21	AAA	2.062	30	2.826	09/03/2020	-76	31
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/21	AAA	2.594	10	3.000	15/06/2020	-41	84
Sarawak Energy Berhad	11/28	AAA	2.857	10	2.988	17/07/2020	-13	46
Tenaga Nasional Berhad	08/33	AAA	3.119	10	3.344	17/07/2020	-23	19
YTL Corporation Berhad	11/26	AA1	3.329	20	3.478	07/07/2020	-15	114
First Resources Limited	10/21	AA2	2.759	20	3.026	18/06/2020	-27	100
Benih Restu Berhad	06/25	AA2	3.040	10	3.046	29/07/2020	-1	93
UMW Holdings Berhad	10/26	AA2	3.199	20	4.174	25/03/2020	-98	101
Edra Energy Sdn Berhad	07/25	AA3	4.668	1	3.415	16/07/2020	125	256
Hong Leong Assurance Berhad	01/30	AA3	3.092	10	3.452	06/07/2020	-36	58
Cypark Ref Sdn Berhad	06/39	AA3	5.133	10	-	-	-	195
Sports Toto Malaysia Sdn Berhad	06/22	AA-	3.617	6	3.933	01/07/2020	-32	177
UEM Sunrise Berhad	03/24	AA-	3.697	10	3.693	27/07/2020	0	167
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/26	AA-	3.540	15	3.540	30/07/2020	0	135
Bank Islam Malaysia Berhad	03/30	A1	3.376	10	3.398	28/07/2020	-2	87
CIMB Group Holdings Berhad	05/16	A1	3.180	20	3.437	27/07/2020	-26	0
Affin Bank Berhad	07/18	A3	3.880	1	4.029	17/07/2020	-15	70
YNH Property Berhad	08/19	-	5.983	1	6.284	30/07/2020	-30	280
Tropicana Corporation Berhad	05/27	A+	5.690	40	5.689	27/07/2020	0	347
				<u>393</u>				

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

Market/Corporate News: What's Brewing

The implementation of the construction of the East Coast Expressway Phase 3 (LPT3) has been approved with preliminary works totalling RM35 million. Senior Minister for Infrastructure Development and Works Minister Datuk Seri Fadillah Yusof said it was approved through a letter dated July 3, 2019, from the Economic Planning Unit (EPU) of the Prime Minister's Department. He said that the preliminary works of the project have commenced this month and are expected to be completed by April 2022. "Therefore, the direction, scope and implementation date for this LPT3 project can only be finalised after the preliminary work report for this project is obtained," he said when winding up the debate on the motion of thanks for the Yang di-Pertuan Agong's royal address, for his ministry in the Dewan Rakyat here today. On March 7, 2019, the then Minister of Economic Affairs Datuk Seri Mohamed Azmin Ali (who is now Senior Minister and Minister of International Trade and Industry) announced five approved projects in Kelantan including the construction of LPT3 stretching for 150 kilometres (km) from Gemuroh (Terengganu) to Tumpat (Kelantan). Meanwhile, commenting on the Central Spine Road (CSR) project, Fadillah said it was implemented in stages based on priorities of safety aspects, traffic congestion and continuity of the alignment. According to him, until now, 224 km of the road has been approved for implementation, namely, 165.1 km in Pahang (Packages 3, 4 and 5) and 58.9 km in Kelantan (Packages 2 and 3). Packages are Package 1 (Kuala Krai to Sungai Lakit Bridge, Kelantan — 47km); Package 2 (Sungai Lakit Bridge to Gua Musang, Kelantan — 59.6km); Package 3 (Gua Musang to Kampung Relong, Kuala Lipis, Pahang — 93.8km); Package 4 (Kampung Relong, Kuala Lipis to Raub, Pahang — 45km); Package 5 (Raub to Bentong, Pahang - 54km) and Package 6 (Bentong to Simpang Pelangai, Pahang — 47.5km). (Source: *The EdgeMarkets*)

AirAsia Group Bhd is gearing up to resume flights between Malaysia and Singapore — including the Kuala Lumpur-Singapore route that is touted as the world's busiest — in the week of Aug 17, following both countries' decision to implement the Reciprocal Green Lane (RGL). This will be followed by other international destinations, subject to approvals from authorities, AirAsia said in a

statement today. To start with, AirAsia will launch daily flights between Kuala Lumpur and Singapore and one weekly flight each between Singapore and Penang, Kota Kinabalu, Kuching, Ipoh. These flights are scheduled for the week of Aug 17, 2020, subject to further announcements by the governments," AirAsia said, adding flights are available for booking on its website and mobile app. AirAsia chief executive officer Tan Sri Tony Fernandes said the RGL may only be the first step but it certainly is the most important one as both countries start to revive the economy. The RGL scheme requires eligible travellers to abide by the prevailing Covid-19 prevention and public health measures mutually agreed upon by both countries, which include undergoing polymerase chain reaction swab tests. "We look forward to the formation of more 'travel bubbles' and 'green lanes' between countries with low infection rates or active cases, and proven pandemic curbing systems. AirAsia is thoroughly committed to resuming air connectivity and thus reviving economic activities in the region," he said. AirAsia further said guests can expect enhanced safety measures throughout the entire journey, including preflight, in-flight, and arrival processes. It also advised guests to check and comply with measures implemented by local airport authorities. "To ensure guests can plan their travel with peace of mind, AirAsia will soon allow guests to upload their Covid-19 test results during check-in using the AirAsia mobile app and website. "For added convenience, AirAsia has made the MySejahtera contact-tracing app available for download on its website and mobile app, and is currently working with the relevant authorities in Singapore for a similar arrangement for the TraceTogether app," it added.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Sabah Credit Corporation Berhad	RM1.75 billion Islamic Commercial Papers Programme (2014/2021) and RM3.5 billion Islamic Medium-Term Notes Programme (2014/2039)	AA1/Stable/P1	Reaffirmed
	RM1 billion Islamic Medium-Term Notes Programme (2011/2031)	AA1/Stable	Reaffirmed
AFFIN Bank Berhad/ Affin Islamic Bank/ Affin Hwang Investment Bank	Financial Institution rating	AA3/Negative/P1	Outlook revised from Stable to Negative

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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.