

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries





- US Treasuries continued its upward momentum yesterday ahead of the August jobs report; benefitting from a sell-off in equities and a need for safe-haven assets. The curve extended its bull-flattening bias again with overall benchmark yields closing between 0-2bps lower with both the UST 2Y and much-watched 10Y edging 1bps lower from prior day's close at 0.13% and 0.64% each. Both the 2s10s and 5s30s spreads ended flatter by 51bps and 111bps respectively. The Labor Department's latest report showed that 1<sup>st</sup> time claims for US unemployment benefits declined for the week ended 28<sup>th</sup> Aug. This could be due to a shift by the department's new seasonal adjustment process. Meanwhile the Fed's holdings of UST's rose by ~\$28b; the most in 3 months to \$4.4 trillion. Expect attention to shift to the all-important monthly jobs report for Aug tonight.









##### MGS/GIII

- Local govies saw some profit-taking activities on Thursday following 2 days of strength as overall benchmark yields ended between 0-7bps higher (save for the 5Y GII and 20Y MGS) amid a lower secondary market volume of RM3.95b. The tepid bidding resulting in a mere BTC ratio of 1.538x for the 7Y MGS auction was a contributing factor as well. The benchmark 5Y MGS 9/25 rose 2bps at 2.02% whilst the 10Y MGS 8/29 yields edged 1bps higher at 2.56%. Interest was mainly seen in the short off-the-run 20-22's and also benchmark 3Y GII. GII bond trades maintained to form ~26% of overall trades. Meanwhile FTSE Russell will publish its Fixed Income Country classification annual announcement on the 24<sup>th</sup> Sep; according to a statement released on 26<sup>th</sup> Aug. There is no data out today but we have a slew of economic releases next week including the MPC meeting's decision on OPR and the industrial production numbers for July.






##### Corp Bonds/Sukuk

- Investor interest nosedived yesterday amid lower secondary market volume of a mere RM383m with transactions seen in 30 various bonds along the GG-AA-part of the curve. However overall yields closed mostly mixed-lower overall. Govt-guaranteed DANA 7/22 and 8/23 closed 9-38bps lower compared to previous-done levels at 1.95% and 2.06% respectively whilst the long-end 11/49 ttranch rose 3bps instead at 3.91%. AAA-rated TELEKOM 24's edged 2bps lower between 2.34-40% area whilst the 12/24 tranche fell 60bps at 2.42%. The AA-space saw energy bonds i.e. JEP and EDRA dominate this space. JEP 29-31's closed 36-40bps sharply lower between 3.47-57% levels whilst EDRA 7/28 and 7/30 also ended lower on yields at 3.48% and 3.67% each. Batu Kawan 6/23 ended 6bps lower at 2.59%. The banking space was relatively quiet.

UST			
Tenure	Closing (%)	Chg (bps)	
2-yr UST	0.13		-1
5-yr UST	0.25		0
10-yr UST	0.64		-1
30-yr UST	1.36		-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.81		1.83	
5-yr	2.02		1.99	
7-yr	2.32		2.32	
10-yr	2.56		2.57	
15-yr	3.01		3.07	
20-yr	3.32		3.37	
30-yr	3.60		3.65	

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.90	
3-yr	1.93	
5-yr	2.14	
7-yr	2.32	
10-yr	2.58	

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.702	433	1.650	02/09/2020	5
MGS 07/21	1.670	189	1.651	02/09/2020	2
MGS 09/21	1.680	200	1.663	02/09/2020	2
MGS 11/21	1.673	151	1.653	02/09/2020	2
MGS 03/22	1.697	164	1.725	02/09/2020	-3
MGS 03/23	1.806	147	1.808	02/09/2020	0
MGS 04/23	1.802	15	1.845	02/09/2020	-4
MGS 08/23	1.867	6	1.872	02/09/2020	-1
MGS 06/24	2.028	18	1.999	02/09/2020	3
MGS 07/24	1.971	38	1.985	02/09/2020	-1
MGS 09/24	2.032	11	2.000	02/09/2020	3
MGS 09/25	2.020	47	2.000	02/09/2020	2
MGS 07/26	2.185	20	2.176	02/09/2020	1
MGS 09/26	2.304	40	2.276	25/08/2020	3
MGS 11/26	2.214	22	2.288	02/09/2020	-7
MGS 05/27	2.315	590	2.243	02/09/2020	7
MGS 11/27	2.355	12	2.352	02/09/2020	0
MGS 09/28	2.558	20	2.561	01/09/2020	0
MGS 08/29	2.562	373	2.552	02/09/2020	1
MGS 04/33	3.073	56	3.060	02/09/2020	1
MGS 11/33	3.088	10	3.080	01/09/2020	1
MGS 07/34	3.014	91	2.989	02/09/2020	2
MGS 04/37	3.321	3	3.356	02/09/2020	-3
MGS 05/40	3.315	276	3.332	02/09/2020	-2
MGS 07/48	3.753	3	3.823	02/09/2020	-7
MGS 06/50	3.597	1	3.597	02/09/2020	0
GII 04/22	1.753	114	1.708	01/09/2020	4
GII 05/23	1.828	309	1.822	02/09/2020	1
GII 07/23	1.841	40	1.848	02/09/2020	-1
GII 10/23	1.843	20	1.857	02/09/2020	-1
GII 11/23	1.846	24	1.850	02/09/2020	0
GII 05/24	1.970	1	1.951	02/09/2020	2
GII 10/24	1.985	50	2.003	02/09/2020	-2
GII 03/26	2.117	20	2.117	02/09/2020	0
GII 09/26	2.227	83	2.237	02/09/2020	-1
GII 06/27	2.372	20	2.324	25/08/2020	5
GII 06/27	2.372	20	2.350	26/08/2020	2
GII 07/27	2.357	41	2.351	02/09/2020	1
GII 09/27	2.319	90	2.312	02/09/2020	1
GII 10/28	2.544	20	2.533	02/09/2020	1
GII 07/29	2.577	30	2.578	02/09/2020	0
GII 10/30	2.572	1	2.546	02/09/2020	3
GII 06/33	3.100	8	3.100	27/08/2020	0
GII 08/33	3.017	20	3.003	26/08/2020	1
GII 11/34	3.071	30	3.072	02/09/2020	0
GII 10/35	3.216	70	3.350	01/09/2020	-13
		<u>3946</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	07/22	GG	1.951	25	2.326	07/07/2020	-38	20
DanaInfra Nasional Berhad	08/23	GG	2.061	20	2.148	18/08/2020	-9	25
Prasarana Malaysia Berhad	02/35	GG	3.280	10	3.889	18/03/2020	-61	26
Prasarana Malaysia Berhad	02/41	GG	3.539	10	3.839	16/01/2020	-30	20
DanaInfra Nasional Berhad	11/49	GG	3.910	10	3.878	27/08/2020	3	57
DiGi Telecommunications Sdn Berhad	04/22	AAA	2.236	10	2.802	16/06/2020	-57	48
Telekom Malaysia Berhad	03/24	AAA	2.344	20	2.367	28/08/2020	-2	38
Telekom Malaysia Berhad	10/24	AAA	2.397	20	2.418	28/08/2020	-2	44
Telekom Malaysia Berhad	12/24	AAA	2.416	20	3.018	29/06/2020	-60	46
Suria KLCC Sdn Berhad	12/24	AAA	2.455	10	2.942	13/05/2020	-49	49
Projek Lebuhraya Usahasama Berhad	01/26	AAA	2.754	10	2.755	25/08/2020	0	74
Sarawak Energy Berhad	01/27	AAA	2.698	10	2.702	26/08/2020	0	51
Sarawak Energy Berhad	11/28	AAA	2.857	10	2.860	02/09/2020	0	40
Tenaga Nasional Berhad	08/40	AAA	3.501	2	3.500	28/08/2020	0	16
Batu Kawan Berhad	06/23	AA1	2.594	20	2.655	21/07/2020	-6	78
Kuala Lumpur Kepong Berhad	04/26	AA1	2.748	10	2.789	12/08/2020	-4	56
Kuala Lumpur Kepong Berhad	09/29	AA1	3.058	15	3.059	02/09/2020	0	54
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.719	1	2.719	02/09/2020	0	16
Country Garden Real Estate Sdn Berhad	03/22	AA3	3.147	10	3.208	11/08/2020	-6	139
Edra Energy Sdn Berhad	07/28	AA3	3.478	10	3.791	03/07/2020	-31	102
Gamuda Berhad	11/29	AA3	3.578	20	3.848	15/07/2020	-27	106
Edra Energy Sdn Berhad	07/30	AA3	3.671	10	3.754	17/07/2020	-8	111
Jimah East Power Sdn Berhad	12/29	AA-	3.469	10	3.828	19/06/2020	-36	95
Jimah East Power Sdn Berhad	06/30	AA-	3.499	10	3.889	17/06/2020	-39	94
Jimah East Power Sdn Berhad	06/31	AA-	3.569	10	3.968	19/06/2020	-40	101
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/37	AA-	4.937	2	4.937	02/09/2020	0	192
TG Excellence Berhad	02/20	AA-	2.959	1	3.048	02/09/2020	-9	-38
UEM Sunrise Berhad	06/21	AA-	3.187	24	3.188	02/09/2020	0	152
Eco World International Berhad	05/23	-	5.313	1	5.851	02/09/2020	-54	350
Tropicana Corporation Berhad	09/19	-	5.787	1	5.837	26/08/2020	-5	245
Cypark Renewable Energy Sdn Berhad	#N/A	-	6.450	43	-	-	-	-
				<u>383</u>				

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

## Market/Corporate News: What's Brewing

**Lower yields and key sukuk markets' COVID-19-induced stimulus packages took centre stage in 1H 2020 as sovereigns and corporates took advantage of low interest rates to lock in cheaper financing.** RAM Rating Services Bhd (RAM Ratings), in a statement following its latest Sukuk Snapshot reports issuance, said global sukuk issuance fell 9.1 percent year-on-year (y-o-y) in 1H 2020, bringing the total issuance value to US\$65.6 billion compared with US\$72.1 billion for the same period last year. The weaker showing followed a 17.1 percent reduction in sovereign issuance to US\$39.2 billion in the same period (1H 2019: US\$47.2 billion). "Despite the general contraction, the spikes in sovereign sukuk issuance by Turkey (+56.2 percent) and Indonesia (+46.0 percent) helped cushion the declines in other key sovereign sukuk markets such as Malaysia (-69.3 percent) and Saudi Arabia (-46.5 percent). "The slower time-to-market in sukuk issuance may have prompted some key sukuk markets to choose conventional bonds to fund their fight against COVID-19. That said, additional funding for stimulus packages may keep setting the pace for sukuk issuance in 2H 2020," said RAM Ratings. On another note, the quasi-government and corporate sectors posted a 6.1 percent growth, with US\$26.4 billion coming to market in 1H 2020 (1H 2019: US\$24.9 billion). "Malaysia remained the leading global sukuk market in both the corporate and quasi-government sectors, taking up the lion's share of 41.5 percent (US\$11 billion), followed by Saudi Arabia (26.3 percent or US\$6.9 bil) and the United Arab Emirates (15.3 per cent or US\$4.0 billion)," it added.. (Source: *The EdgeMarkets*)

**Sapura Energy Bhd's SapuraOMV Upstream today announced its Bakong gas field project under the SK408 Production Sharing Contract (PSC) is now in stable production.** SapuraOMV is 50% held by Sapura Energy, with Austria's OMV Aktiengesellschaft holding the other 50%. The production phase started in June 2020, following the successful production from SapuraOMV's Larak gas field in December 2019, and the start-up of the Shell-operated Gorek field in May 2020. The SK408 gas fields are part of the discoveries made by SapuraOMV Upstream in a drilling campaign

in 2014."With this first production from Bakong field, Phase 1 of the SK408 development is now entirely on stream," said SapuraOMV in a statement. "The Phase 1 development of SK408 PSC aims to commercialise the gas reserves from Larak, Gorek and Bakong fields. As per the upstream gas sales agreement with Petronas, SapuraOMV Upstream and its SK408 partners will supply gas from these fields to the Petronas LNG Complex in Bintulu, Sarawak," it added. "This achievement further strengthens our presence in the existing market, propelling us to become one of the most significant gas producers in the country and in the region, which would further cement our position as a trusted and reliable oil and gas company," said SapuraOMV's chairman Tan Sri Shahril Shamsudin. Meanwhile, Johann Pleininger, the Executive Board Member responsible for Upstream and Deputy Chairman of OMV, said: "With the successful start-up phase, we are setting a further step in strengthening the gas focus in our production portfolio and it is a strong signal in our OMV core region Asia-Pacific." The SK408 gas fields are SapuraOMV's second major Upstream gas development project in East Malaysia, following the successful development and commencement of production from the SK310 B15 gas field, the company said. With the full ramp-up of the first phase of SK408, SapuraOMV's production is scheduled to increase to more than 30 kboe/d (kilobarrel of oil equivalent per day) in 2020, which will be more than double the production rate compared to 2019. SapuraOMV's partners under SK408 PSC are Sarawak Shell Bhd (30%) and PETRONAS Carigali Sdn Bhd (30%).

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Puncak Wangi Sdn Bhd	Guaranteed IMTN Programme of up to RM200 mil (2014/2022)	AAA(FG)/stable	Reaffirmed

Source: RAM, MARC

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