

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed stronger on Tuesday whilst benefitting from uncertainty about the prospects for a new COVID-19 relief bill, as negotiators struggle to reach an agreement even as new cases continue to spike and enhanced unemployment benefits expired last week. Newer and low levels were clawed into as the curve bull-flattened with overall benchmark yields ending between 0-5bps lower. The UST 2Y closed unchanged at 0.11% whilst the much-watched UST 10Y rallied 5bps to 0.51%. Meanwhile, a disagreement over funding for state and local governments is also holding up a deal, with President Trump accusing Democrats of seeking to bail out poorly run Democratic-run states and cities. The U.S. COVID-19 case tally climbed to 4.72m and the death toll rose to 155,471, according to data compiled by Johns Hopkins University. On the data front we have the ADP private employment numbers for July and initial jobless claims updates with full attention expected to shift to the payrolls data this Friday.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.11	0
5-yr UST	0.19	-3
10-yr UST	0.51	-5
30-yr UST	1.19	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.93	1	1.94	0
5-yr	2.09	-3	2.02	-1
7-yr	2.17	-3	2.26	-1
10-yr	2.45	-4	2.52	-3
15-yr	2.84	-8	2.93	-7
20-yr	3.14	-2	3.30	0
30-yr	3.50	-3	3.66	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.85	-2
3-yr	1.88	1
5-yr	2.06	0
7-yr	2.28	-2
10-yr	2.51	-1

Source : Bloomberg

MGS/GIII

- Local govvnies remained well-sought after yesterday amid solid secondary market volume of RM7.13b as overall benchmark yields ended mostly lower i.e. between 0-8bps save for the ultra-short MGS. Interest was mainly seen in the off-the-run 20-22's and also 7Y, 15Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 closed 3bps lower at a new low of 2.09% whilst the 10Y MGS 8/29 yields rallied another 4bps at 2.45%. GII bond trades dropped to form ~31% 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 funding requirements under the current economic climate. Expect some attention to shift to the industrial production numbers later this week.

Corp Bonds/Sukuk

- Investors ramped up interest amid doubling of secondary market volume @ RM911m; with transactions still seen across the curve. Overall yields continued to close mostly unchanged-to-lower. The onger-end DANA 33's ended 23-34bps sharply lower compared to previous-done levels at 3.07% levels whereas the 2034-2035 tranches closed 6-7bps lower between 3.14-20%. AAA-rated PLUS 26 and 28 declined between 9-11bps; to close at 2.79% and 2.93% each. PLUS 30 however saw strong demand resulting in a 35bps slide at 3.07%. The AA-space saw toll-operator DUKE 8/32 close a whopping 75bps lower at 4.52% on substantial volume of 100m. The banking saw MAYBANK 29NC24 move 27bps lower at 2.89% whilst AmBank Islamic 27NC22 edged 2bps lower at 2.85%. Single-A rated TROPICANA 5/27 interestingly picked-up recent interest; closing unchanged at 5.69%.

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	1.652	447	1.726	03/08/2020	-7
MGS 07/21	1.696	279	1.736	03/08/2020	-4
MGS 09/21	1.703	53	1.748	03/08/2020	-4
MGS 11/21	1.705	381	1.757	03/08/2020	-5
MGS 03/22	1.786	150	1.803	03/08/2020	-2
MGS 08/22	1.821	159	1.833	03/08/2020	-1
MGS 09/22	1.824	325	1.841	03/08/2020	-2
MGS 03/23	1.927	410	1.916	03/08/2020	1
MGS 04/23	1.921	90	1.950	03/08/2020	-3
MGS 08/23	1.936	52	1.974	03/08/2020	-4
MGS 06/24	2.001	155	2.027	03/08/2020	-3
MGS 07/24	2.044	128	2.053	03/08/2020	-1
MGS 09/24	2.040	110	2.064	03/08/2020	-2
MGS 09/25	2.088	174	2.119	03/08/2020	-3
MGS 04/26	2.194	1	2.185	03/08/2020	1
MGS 07/26	2.166	24	2.199	03/08/2020	-3
MGS 11/26	2.199	12	2.202	03/08/2020	0
MGS 05/27	2.171	237	2.199	03/08/2020	-3
MGS 11/27	2.216	96	2.247	03/08/2020	-3
MGS 06/28	2.366	21	2.386	03/08/2020	-2
MGS 09/28	2.475	17	2.502	03/08/2020	-3
MGS 08/29	2.454	199	2.494	03/08/2020	-4
MGS 04/30	2.537	37	2.596	03/08/2020	-6
MGS 06/31	2.674	86	2.696	03/08/2020	-2
MGS 04/33	2.935	63	2.984	03/08/2020	-5
MGS 11/33	2.942	120	2.987	03/08/2020	-4
MGS 07/34	2.835	717	2.914	03/08/2020	-8
MGS 04/37	3.254	6	3.242	03/08/2020	1
MGS 06/38	3.231	43	3.305	03/08/2020	-7
MGS 05/40	3.143	94	3.163	03/08/2020	-2
MGS 09/43	3.586	190	3.605	03/08/2020	-2
MGS 07/48	3.679	10	3.677	03/08/2020	0
MGS 06/50	3.501	8	3.527	03/08/2020	-3
GII 08/20	1.706	160	1.742	03/08/2020	-4
GII 08/21	1.771	3	1.739	03/08/2020	3
GII 03/22	1.807	20	1.834	29/07/2020	-3
GII 04/22	1.809	100	1.830	03/08/2020	-2
GII 07/22	1.838	200	1.872	03/08/2020	-3
GII 11/22	1.862	20	1.988	16/07/2020	-13
GII 05/23	1.941	10	1.943	03/08/2020	0
GII 07/23	1.963	80	2.020	03/08/2020	-6
GII 10/24	2.022	90	2.028	03/08/2020	-1
GII 08/25	2.103	23	2.122	03/08/2020	-2
GII 10/25	2.098	30	2.125	28/07/2020	-3
GII 03/26	2.157	25	2.173	03/08/2020	-2
GII 09/26	2.233	30	2.242	03/08/2020	-1
GII 09/27	2.264	220	2.274	03/08/2020	-1
GII 10/28	2.460	150	2.479	03/08/2020	-2
GII 07/29	2.519	110	2.560	03/08/2020	-4
GII 09/30	2.619	70	2.673	29/07/2020	-5
GII 10/30	2.516	234	2.550	03/08/2020	-3
GII 06/33	2.956	50	3.039	30/07/2020	-8
GII 08/33	2.974	120	3.017	03/08/2020	-4
GII 11/34	2.927	296	3.000	03/08/2020	-7
GII 08/37	3.308	40	3.339	03/08/2020	-3
GII 09/39	3.296	151	3.298	03/08/2020	0
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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*
Pengurusan Air SPV Berhad	06/22	GG	2.031	25	2.116	21/07/2020	-9	21
Pengurusan Air SPV Berhad	06/22	GG	2.031	15	2.116	21/07/2020	-9	21
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	2.186	20	2.295	08/07/2020	-11	36
DanaInfra Nasional Berhad	07/24	GG	2.267	10	2.286	03/08/2020	-2	25
Small Medium Enterprise Development Bank Malaysia B	04/25	GG	2.449	4	2.497	16/07/2020	-5	36
Prasarana Malaysia Berhad	12/30	GG	2.760	5	3.190	03/06/2020	-43	29
Lembaga Pembiayaan Perumahan Sektor Awam	04/33	GG	3.040	120	3.299	27/02/2020	-26	15
DanaInfra Nasional Berhad	10/33	GG	3.071	40	3.299	08/07/2020	-23	19
DanaInfra Nasional Berhad	11/33	GG	3.069	10	3.410	06/02/2020	-34	18
DanaInfra Nasional Berhad	03/34	GG	3.140	40	3.200	29/07/2020	-6	25
DanaInfra Nasional Berhad	11/35	GG	3.200	5	3.275	22/07/2020	-7	31
Projek Lebuhraya Usahasama Berhad	01/38	GG	3.436	40	3.529	30/07/2020	-9	55
Cagamas Berhad	11/20	AAA	2.001	10	2.031	24/07/2020	-3	26
Sarawak Energy Berhad	06/21	AAA	2.277	20	2.404	15/07/2020	-13	54
Cagamas Berhad	11/24	AAA	2.490	10	-	-	-	47
Projek Lebuhraya Usahasama Berhad	01/26	AAA	2.789	30	2.879	14/07/2020	-9	70
Projek Lebuhraya Usahasama Berhad	01/28	AAA	2.929	70	3.042	17/07/2020	-11	74
Pengurusan Air SPV Berhad	06/29	AAA	2.890	20	2.980	24/07/2020	-9	46
Projek Lebuhraya Usahasama Berhad	01/30	AAA	3.069	40	3.419	04/06/2020	-35	64
Tenaga Nasional Berhad	08/38	AAA	3.461	7	3.586	29/07/2020	-13	32
Hong Leong Financial Group Berhad	09/21	AA1	2.573	5	2.891	15/06/2020	-32	83
Kuala Lumpur Kepong Berhad	08/25	AA1	2.730	30	2.738	21/07/2020	-1	64
Malayan Banking Berhad	01/29	AA1	2.886	40	3.159	08/07/2020	-27	53
Anih Berhad	11/21	AA	2.660	10	3.112	12/03/2020	-45	92
BGSM Management Sdn Berhad	08/21	AA3	2.597	20	2.981	12/06/2020	-38	86
Country Garden Real Estate Sdn Berhad	02/23	AA3	5.116	1	3.614	25/06/2020	150	320
AmBank Islamic Berhad	03/27	AA3	2.848	20	2.871	17/07/2020	-2	66
IJM Corporation Berhad	08/28	AA3	3.579	4	3.884	09/06/2020	-31	123
Hong Leong Assurance Berhad	01/30	AA3	3.058	40	3.092	03/08/2020	-3	63
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/32	AA-	4.520	100	5.265	31/03/2020	-75	205
Cypark Ref Sdn Berhad	06/39	AA3	5.132	10	5.133	03/08/2020	0	200
UEM Sunrise Berhad	12/22	AA-	3.501	10	3.626	15/07/2020	-13	168
Southern Power Generation Sdn Berhad	10/27	AA-	3.109	4	4.030	11/07/2019	-92	92
Southern Power Generation Sdn Berhad	04/31	AA-	3.248	10	3.320	30/07/2020	-7	77
Southern Power Generation Sdn Berhad	10/34	AA-	3.669	10	3.829	27/07/2020	-16	78
Kedah Cement Sdn Berhad (fka Lafarge Cement Sdn B	07/22	A1	4.199	10	4.473	30/06/2020	-27	238
Affin Islamic Bank Berhad	10/17	A3	4.135	4	4.288	23/06/2020	-15	100
TSH Sukuk Ijarah Sdn Berhad	12/21	A+	3.908	2	4.270	23/10/2019	-36	217
Tropicana Corporation Berhad	05/27	A+	5.688	40	5.690	03/08/2020	0	350
Eco World International Berhad	10/21	-	4.852	1	4.055	27/07/2020	80	311
				911				

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

Market/Corporate News: What's Brewing

Fraser & Neave Holdings Bhd (F&N) posted an 18.35% drop in its third quarter net profit (3QFY20) to RM93.85 million from RM114.94 million last year on lower sales as the Covid-19 pandemic and Movement Control Order (MCO) seriously affected consumer demand. F&N said in a filing today that revenue slipped 13.9% to RM918.07 million from RM1.07 billion in the corresponding quarter last year, mainly due to a 19.26% decline in its Malaysian operations' revenue to RM461.44 million from RM571.51 million last year. F&N Thailand experienced a smaller dip in revenue, falling 7.72% y-o-y to RM455.75 million from RM493.87 million. F&N said operating profit for F&B Malaysia declined by 42.5% to RM30.32 million from lower volume, higher input costs and higher marketing expenditure for new product launches. Meanwhile, operating profit for F&B Thailand fell 7.62% to RM91.57 million due to lower volume, higher input costs and a weakening Thai baht but was partially offset by lower advertising, marketing and operating expenses. F&B Malaysia said it has seen gradual improvement in sales and stocks movement since the government eased MCO restrictions from early May. "Hotel, restaurants and cafes (HORECA) channel, which has been more severely impacted, is slowly improving as they are now allowed to operate under Recovery MCO," the food and beverage company said. "Sales to general trade (GT) channel had started to stabilise since beginning of June 2020. Our export sales have also started to see gradual return of sales to certain markets. "The MCO did not result in major disruption to our manufacturing operations as we implemented measures to safeguard the health of our workers," F&N added. For the nine months ended June 30, 2020, net profit dipped 5.2% to RM324.37 million from RM342.21 million a year ago, on the back of a 2.2% decline in revenue to RM3.03

billion from RM3.10 billion. Earnings per share (EPS) for the quarter dipped to 25.6 sen from 31.3 sen, while EPS for the cumulative three quarters dropped to 88.5 sen from 93.5 sen. On prospects, the group is mindful that the Covid-19 pandemic is far from over though it believes its strong business fundamentals will see it through the crisis. “We will continue to be vigilant and have taken the necessary measures in our offices and factories to safeguard our staff wellbeing. We have also put in measures to ensure no significant disruption in our supply chain. “Post June, we are seeing tentative signs of recovery in demand from Malaysia, Thailand and some of our export markets. As such, we are cautiously optimistic that sales in the fourth quarter will be better than third quarter as economic activities gradually normalise,” F&N said. In the longer term, the company sees the pandemic as a chance for reset and a catalyst for change. “We will need to be future-focused to ensure we can emerge stronger from this crisis. This will include process improvements and digitalisation. “We will continue to invest in capex and in our brands to further strengthen our businesses. We can also leverage on our strong balance sheet, adequate stand-by bank facilities and low funding cost to support our operations and capitalise on opportunities that may arise.” the group added. At the closing bell, F&N shares stood RM1.58 or 4.92% lower at RM30.52, making it the local bourse’ second top loser today. The food and beverage manufacturer is valued at RM11.19 billion at this price, and saw around 94,000 of its shares traded today. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
UniTapah Sdn Bhd	Sukuk Murabahah of up to RM600 mil (2014/2035)	AA1/Stable	Reaffirmed

Source: RAM, MARC

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