

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.19	0
5-yr UST	0.36	1
10-yr UST	0.66	3
30-yr UST	1.33	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.28	-12	2.41	-2
5-yr	2.48	-1	2.51	-6
7-yr	2.63	-5	2.69	1
10-yr	2.77	-8	2.95	-4
15-yr	3.07	-3	3.09	-7
20-yr	3.33	-7	3.24	-13
30-yr	3.63	0	3.68	-2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.23	-11
3-yr	2.21	-4
5-yr	2.29	-8
7-yr	2.38	-5
10-yr	2.63	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries resumed steepening especially on the longer-ends on Tuesday amid slight risk-on mode with oil prices rebounding and many economies moving towards relaxing their respective COVID-19 lock-downs. Overall benchmark yields ended between 0-5bps higher with the UST 2Y unchanged at 0.19% whilst the much-watched UST 10Y moved 3bps higher at 0.66%. Meanwhile the issuance slate was active with Broadcom leading the way with 3-12Y tenures. Meanwhile the Service side of the US economy slid in April to recession levels according to ISM data. The US Treasury plans to borrow a record \$3 trillion in 2Q2020 for the COVID-219 relief purposes. To recap the largest borrowing need for any full year was \$1.8 trillion in 2009 due to the GFC (2019: \$1.28 trillion).

MGS/GII

- Local govies saw heightened activity following BNM's expected OPR cut of 50bps to 2.00%; with secondary market volume rising to RM7.25b as overall yield benchmark yields fell between 0-13bps. Interest was mainly centred in the off-the-run 20-21's, 23's, 29-30's and also benchmark 7Y, 10Y MGS/GI bonds. The benchmark 5Y MGS 6/24 rallied 1bps lower at 2.48% whilst the 10Y MGS 8/29 rallied 8bps at 2.77%. The curve bull-steepened and GII bonds jumped to formed about ~64% of overall trades. Expect interest to continue as sovereign bonds can now be used as a liquidity boost for SRR calculation purposes at the current 2.0% level.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw solid investor interest as overall secondary market volume hit RM685m with interest seen mainly in the GG-part of the curve. Overall yields ended mostly lower. Govt-guaranteed DANAINFRA and TPSB 23's closed between 5-11bps lower compared to previous-done levels at 2.69% levels whilst the long-end DANA 11/49 saw Rm100m in nominal amounts traded 33bps higher at 3.71%. AAA-rated DANUM 2/25 saw different fortunes; closing 10bps lower and up 2bps respectively at 2.94% and 3.10% each. The banking space saw ALLIANCE perp 2119NC24 spike 65bps instead at 5.19%. Expect interest to continue being anchored CorpoBonds/Sukuk for the remainder of the week.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	2.268	107	2.271	04/05/2020	0
MGS 02/21	2.268	202	2.270	04/05/2020	0
MGS 07/21	2.201	135	2.319	04/05/2020	-12
MGS 09/21	2.216	73	2.294	04/05/2020	-8
MGS 11/21	2.248	118	2.323	04/05/2020	-7
MGS 03/22	2.262	133	2.349	04/05/2020	-9
MGS 08/22	2.349	6	2.396	04/05/2020	-5
MGS 09/22	2.385	2	2.375	04/05/2020	1
MGS 03/23	2.278	371	2.398	04/05/2020	-12
MGS 04/23	2.311	35	2.407	04/05/2020	-10
MGS 06/24	2.480	74	2.490	04/05/2020	-1
MGS 07/24	2.412	4	2.539	04/05/2020	-13
MGS 03/25	2.470	91	2.554	04/05/2020	-8
MGS 09/25	2.484	133	2.491	04/05/2020	-1
MGS 04/26	2.652	20	2.660	04/05/2020	-1
MGS 07/26	2.684	20	2.705	04/05/2020	-2
MGS 11/26	2.738	10	2.716	04/05/2020	2
MGS 05/27	2.628	353	2.682	04/05/2020	-5
MGS 11/27	2.749	16	2.779	04/05/2020	-3
MGS 06/28	2.763	20	2.857	04/05/2020	-9
MGS 08/29	2.771	413	2.848	04/05/2020	-8
MGS 04/30	2.977	8	2.983	04/05/2020	-1
MGS 04/33	3.212	30	3.198	04/05/2020	1
MGS 11/33	3.234	40	3.260	04/05/2020	-3
MGS 07/34	3.070	13	3.095	04/05/2020	-3
MGS 04/37	3.379	16	3.395	04/05/2020	-2
MGS 06/38	3.413	32	3.422	04/05/2020	-1
MGS 05/40	3.330	163	3.404	04/05/2020	-7
MGS 03/46	3.692	1	3.708	04/05/2020	-2
GII 03/21	2.274	90	2.272	04/05/2020	0
GII 04/22	2.248	271	2.330	04/05/2020	-8
GII 07/22	2.353	13	2.412	30/04/2020	-6
GII 04/23	2.411	100	2.750	15/04/2020	-34
GII 05/23	2.405	44	2.427	04/05/2020	-2
GII 07/23	2.364	40	2.497	04/05/2020	-13
GII 11/23	2.442	44	2.467	04/05/2020	-2
GII 10/24	2.512	292	2.576	04/05/2020	-6
GII 10/25	2.563	120	2.659	04/05/2020	-10
GII 03/26	2.687	55	2.675	04/05/2020	1
GII 09/26	2.708	210	2.758	30/04/2020	-5
GII 06/27	2.825	150	3.314	16/08/2019	-49
GII 06/27	2.790	42	2.792	30/04/2020	0
GII 07/27	2.761	105	2.806	04/05/2020	-4
GII 09/27	2.643	120	2.673	04/05/2020	-3
GII 08/28	2.926	255	3.861	20/03/2020	-94
GII 10/28	2.896	165	2.916	04/05/2020	-2
GII 07/29	2.946	857	2.982	04/05/2020	-4
GII 09/30	2.931	420	3.005	04/05/2020	-7
GII 10/30	2.814	53	2.852	04/05/2020	-4
GII 06/33	3.149	150	3.184	04/05/2020	-4
GII 08/33	3.114	90	3.191	30/04/2020	-8
GII 11/34	3.090	330	3.159	04/05/2020	-7
GII 10/35	3.292	3	3.360	21/04/2020	-7
GII 09/39	3.236	131	3.370	04/05/2020	-13
GII 05/47	3.716	70	4.000	14/04/2020	-28
GII 11/49	3.678	386	3.696	04/05/2020	-2
		<u>7247</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	03/22	GG	2.407	60	3.539	09/05/2019	-113	-84
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	2.402	60	2.682	30/04/2020	-28	-85
Turus Pesawat Sdn Berhad	02/23	GG	2.694	90	2.805	20/04/2020	-11	-67
DanaInfra Nasional Berhad	08/23	GG	2.685	60	2.736	05/03/2020	-5	-68
Pengurusan Air SPV Berhad	09/25	GG	2.777	10	3.490	30/09/2019	-71	-83
DanaInfra Nasional Berhad	07/27	GG	2.956	5	2.984	24/04/2020	-3	-67
Prasarana Malaysia Berhad	09/27	GG	2.974	20	2.983	24/04/2020	-1	-66
Turus Pesawat Sdn Berhad	11/27	GG	3.027	50	3.537	07/01/2020	-51	-60
DanaInfra Nasional Berhad	02/28	GG	3.008	5	3.178	10/02/2020	-17	-62
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	3.038	10	3.085	25/02/2020	-5	-59
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	3.088	10	3.051	10/03/2020	4	-54
Bank Pembangunan Malaysia Berhad	09/29	GG	3.148	10	3.769	13/12/2019	-62	-48
GovCo Holdings Berhad	06/31	GG	3.228	10	3.639	07/01/2020	-41	-37
Pelabuhan Tanjung Pelepas Sdn Berhad	10/31	GG	3.289	10	3.748	17/10/2019	-46	-30
Turus Pesawat Sdn Berhad	11/32	GG	3.342	40	3.398	11/02/2020	-6	-49
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	3.430	10	3.540	27/04/2020	-11	-40
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	3.510	10	3.599	24/04/2020	-9	-58
DanaInfra Nasional Berhad	09/39	GG	3.656	25	-	-	-	-44
DanaInfra Nasional Berhad	11/49	GG	4.034	100	3.705	10/03/2020	33	-6
Danum Capital Berhad	02/25	AAA	2.939	10	3.038	29/04/2020	-10	-63
Putrajaya Holdings Sdn Berhad	05/26	AAA	3.096	20	3.081	11/03/2020	2	-51
Genting Capital Berhad	06/27	AAA	3.830	5	3.635	13/02/2020	20	20
Sabah Development Bank Berhad	04/24	AA1	4.734	1	4.299	14/04/2020	44	125
TG Excellence Berhad	02/20	AA-	3.663	1	4.371	24/04/2020	-71	-43
Kedah Cement Sdn Berhad (fka Lafarge Cement S	12/20	A1	3.105	1	3.186	24/04/2020	-8	18
Affin Bank Berhad	02/27	A1	4.013	5	5.335	03/04/2020	-132	38
CIMB Group Holdings Berhad	05/16	A1	4.491	1	4.649	27/04/2020	-16	40
CIMB Group Holdings Berhad	05/16	A1	3.770	1	4.583	29/04/2020	-81	-32
Hong Leong Financial Group Berhad	11/17	A1	4.676	1	5.227	08/04/2020	-55	58
Eco World International Berhad	04/23	-	6.611	1	5.779	30/04/2020	83	325
Eco World International Berhad	05/23	-	6.612	2	6.703	30/04/2020	-9	325
Mah Sing Group Berhad	04/17	-	6.218	1	5.539	30/04/2020	68	212
Tropicana Corporation Berhad	09/19	-	6.930	1	6.879	30/04/2020	5	284
Alliance Bank Malaysia Berhad	11/17	BBB1	5.000	2	5.015	06/11/2019	-1	91
Alliance Islamic Bank Berhad	03/19	BBB1	5.193	40	4.541	29/07/2019	65	110
				<u>685</u>				

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

Market/Corporate News: What's Brewing

The mandatory Covid-19 screenings for foreign workers is another stumbling block for construction companies who are already suffering from halted operations during the movement control order (MCO). Apart from the additional costs incurred, employers are also battling against time to get workers tested for the coronavirus before the commencement of work. According to Master Builders Association Malaysia (MBAM) secretary general Eric Yong, it will take about four months to test two million foreign workers in Malaysia, at the current testing capacity of 20,000 tests per day. "It is going to be as late as end-May or June to get an appointment, bearing in mind there are still many sectors who have not gone full swing into Covid-19 screening. "In a scenario of only 10,000 tests a day allocated for foreign workers (with the remaining 10,000 for the rest of the country), it will take eight months to complete testing for all foreign workers. "This means that 2020 might be a redundant year for many companies," he told StarBiz. At present, almost half a million of foreign workers are in the construction industry. From this figure, an estimated 300,000 are in Kuala Lumpur and Selangor. Yesterday, Senior Minister Datuk Seri Ismail Sabri Yaakob announced that the Social Security Organisation (Socso) will bear the cost for Covid-19 screening for foreign workers who contribute to the organisation. An estimated 60% of foreign workers contribute to Socso. Ismail said the testing would a start in Kuala Lumpur and Selangor, beginning with those in the construction sector. As such, it is highly likely that employers will have to foot the Covid-19 test bill for the 40% of foreign workers who do not contribute to Socso. This total cost will amount to RM320mil, assuming an average price of RM400 per test. The market rate of a swab test is within the range of RM350 to RM650 each. "This is definitely an additional cost to construction companies on top of all the other costs, as well as losses,

since the start of the MCO. “We are in very tough times, and it is untimely to impose further cost burdens to contractors. “Most of the contractors make between 5% to 8% per annum, and now with almost 20% less revenue from no work for two months, contractors are already suffering, as we still need to pay salaries and overheads,” said Yong, who is also the group managing director of CREST BUILDER HOLDINGS BHD. According to Yong, it is unfair for contractors to bear the costs of Covid-19 screening on foreign workers as many of the workers are already in lockdown or quarantined in their central labour quarters for the past seven weeks. “In fact, I feel that the government should fully cover the test costs, with re-testing costs to be borne by the worker or contractor. “The government should arrange separate testing facilities, specifically for the foreign workers, as well as finance these costs. “Contractors will adhere to standard operating procedures (SOPs) after the first round of tests. “Should any of the workers get infected after that, employers shall then bear the cost of re-testing,” he explained. In KERJAYA PROSPEK GROUP BHD’s case, 30% of an estimated 2,000 of the group’s foreign workers have undergone Covid-19 screening. Its executive chairman Datuk Tee Eng Ho said all of the group’s foreign workers contribute to Socso. Going forward, MBAM’s Yong expected the construction industry to be on a downtrend for the next few months, bottoming out towards the end of the year or early 2021, with a recovery coming much later. “In 2019, the total number of private projects has exceeded slightly over government contracts. “With this current situation looming on the industry, private sector projects are expected to reduce, especially with retail or commercial projects and office projects possibly going to zero, as tenancy prospects have reduced tremendously. “Residential projects will also reduce a lot, as buying power is reduced and people will choose to stay put rather than buy new properties. “As it is, we need to learn to live with the virus, hence the SOPs and social distancing practices,” said Yong. (Source: *The Star*)

As widely expected, Bank Negara has cut the overnight policy rate (OPR) by 50 basis points (bps), thus bringing the benchmark interest rate to 2% to lend support to Malaysia’s flagging economy. With the cut in the OPR, commercial banks have followed suit with a corresponding adjustment in their lending rates as well as deposit rates. The central bank’s move came a day after almost all economic sectors in the country were allowed to open, as the government further eased the movement control order (MCO) that had cost the country an estimated total of RM63bil to date. This is the third rate cut by Bank Negara for 2020, and represents the biggest OPR reduction since early 2009 at the height of the Global Financial Crisis. In total, the central bank has to date cut the OPR by 100bps. It last slashed the OPR in early March by 25bps, following an earlier 25-bps cut in January, due to weakening growth prospects. The muted inflationary pressures had given room for Bank Negara to cut rates. Analysts said the highly accommodative policy by the central bank was warranted due to the severity of the economic fallout of the Covid-19 pandemic. “The latest decision by Bank Negara to cut the OPR by 50bps at one go was expected, and it made sense due to the severity of the Covid-19 impact. Businesses have had to shut down during the MCO, resulting in loss of revenue and income. Globally, they noted, major economies had seen their gross domestic product (GDP) contract during the first quarter. For instance, the GDP of the United States and China had declined by 4.8% and 6.8%, respectively. “The supply and demand shocks happened at the same time; therefore it warrants for monetary policy to be highly accommodative, “. On whether there would be further rate cuts by Bank Negara in the coming months, an analyst said this would be subject to the evolving economic outlook. “Thus far, the inflation rate is expected to be very low, and therefore, room for further policy accommodation is still open”. Bank Negara noted that the global and domestic economic conditions had weakened significantly, as measures to contain the Covid-19 pandemic had disrupted economic activities. It said the decision to cut the OPR by a total of 100 basis points to date would complement its other monetary and financial measures, as well as the government’s fiscal stimulus measures this year. “Together, these measures will cushion the economic impact on businesses and households and support the improvement in economic activity,” Bank Negara said in a statement. As Bank Negara stated, the outlook ahead remains ridden with a high degree of uncertainty.

Hence, it might well cut further again if the pace of recovery – in the domestic economy, but also, relatedly given Malaysia’s export-oriented sectors, the global one – falters even after various lockdowns are lifted,” another analyst said. “Our baseline expectation is to see growth bottoming out in the next month or so, such that we can more concretely say there is going to be a significant uptick in the third quarter. In this scenario, Bank Negara will be comfortable enough with what it has done thus far to hold rates unchanged in its next monetary policy meeting in July.” Overall, lower interest rates are expected to weigh on banks’ earnings. Nevertheless, in a move seen favourable to banks, the central bank yesterday also announced that effective May 16, banks would be allowed to count their government bond holdings to meet their statutory reserve requirement at the current ratio of 2%. The measure is said to last until end-May 2021. The move could provide a liquidity boost to the banking system and help to ease the burden on banks. The measure would also boost the end-demand for government bonds. Bank Negara last month projected Malaysia’s GDP this year to be in the range of a contraction by as much as 2% or a growth of 0.5%. The projection was based on the assumption that the MCO would end on April 14. However, the MCO has been extended three times – each by two weeks – from March 18. Malaysia is currently in its fourth phase of the MCO, which is expected to end on May 12.. (Source: *The Star Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tropicana Corporation Berhad	Proposed RM1.5 billion Islamic Medium-Term Notes Programme (Sukuk Wakalah)	A+ IS/Stable	Assigned

Source: RAM, MARC

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