

**Global Markets Research**
**Fixed Income**
**Fixed Income Daily Market Snapshot**
**US Treasuries**

- US Treasuries ended marginally weaker on Monday after the long-weekend as optimism over the US economy gained some traction following better-than-expected jobs and ISM data. Overall benchmark yields edged between 0-1bps higher with the UST 2Y at 0.16% and the much-watched UST 10Y at 0.68%. Meanwhile the ISM released a report showing a substantial turnaround in US service sector activity with the non-manufacturing index spiking to 57.1 in June from 45.4 in May. Economists had expected the index to climb to 50.1. The sharp increase reflected the largest single-month percentage-point increase since its debut in 1997. Expect attention to focus on the ongoing updates on the COVID-19 virus threat and also the heavy auction slate involving \$46b of 3Y notes tonight followed by \$29b of 10Y bonds and also \$19b of 30Y bonds later this week.

**MGS/GIII**

- Local govies saw lesser momentum as expected; ahead of the OPR decision today amid lower secondary market volume of RM3.85b. Overall benchmark MGS/GII yields closed mostly mixed-to-lower save for the 3Y MGS and 7Y GII with trades mainly centred in the off-the-run 21's and also 3Y, 7Y and 10Y benchmark bonds. The benchmark 5Y MGS 9/25 closed 3bps lower at 2.36% whilst the 10Y MGS 8/29 declined 2bps at 2.79%. GII bond trades dropped to form ~28% of overall trades. Some traders are weighing their hedging options as they are divided over the upcoming interest rate decision with some predicting a steepening of the yield curve if a rate cut does occur. Nevertheless our house view is for rates to stay pat for now. Expect all eyes on the BNM MPC announcement today.

**Corp Bonds/Sukuk**

- Investor interest fizzled out on Monday amid the decrease in secondary market volume to a mere RM216m with some interest mainly across the AAA part of the curve; with overall yields closing mostly lower. Govt-guaranteed SME 4/25 and 4/27 moved 2-3bps lower compared to previous-done levels at 2.70% and 2.98% respectively. The short-tenured AAA-rated AMAN and TELEKOM 2021 tranches closed between 33bps and 2bps lower each at 2.53-63% levels whilst PASB 2/26 closed sharply lower on yields at 3.08%. AA-rated YTL Corp 4/23 edged 2bps lower bonds at 3.27%. The banking space saw PUBLIC 29NC24 close unchanged at 3.37%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	0
5-yr UST	0.30	1
10-yr UST	0.68	1
30-yr UST	1.44	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.17	2	2.21	-5
5-yr	2.36	-3	2.32	-2
7-yr	2.59	-2	2.75	9
10-yr	2.79	-2	2.82	1
15-yr	3.28	1	3.34	0
20-yr	3.60	0	3.70	0
30-yr	3.95	-4	3.98	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.08	1
3-yr	2.10	0
5-yr	2.28	-1
7-yr	2.53	-1
10-yr	2.71	0

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	1.953	34	2.001	03/07/2020	-5
MGS 07/21	1.949	357	1.989	03/07/2020	-4
MGS 09/21	1.991	1	1.996	03/07/2020	0
MGS 11/21	2.019	1	2.020	03/07/2020	0
MGS 03/22	2.060	3	2.087	03/07/2020	-3
MGS 09/22	2.139	21	2.202	03/07/2020	-6
MGS 03/23	2.170	494	2.147	03/07/2020	2
MGS 04/23	2.184	30	2.212	03/07/2020	-3
MGS 08/23	2.230	2	2.228	03/07/2020	0
MGS 06/24	2.276	170	2.276	03/07/2020	0
MGS 07/24	2.283	5	2.270	03/07/2020	1
MGS 03/25	2.384	5	2.388	03/07/2020	0
MGS 09/25	2.360	450	2.389	03/07/2020	-3
MGS 04/26	2.563	68	2.586	03/07/2020	-2
MGS 07/26	2.545	50	2.552	03/07/2020	-1
MGS 11/26	2.535	67	2.582	03/07/2020	-5
MGS 03/27	2.644	15	2.700	02/07/2020	-6
MGS 05/27	2.586	83	2.603	03/07/2020	-2
MGS 11/27	2.692	70	2.715	03/07/2020	-2
MGS 06/28	2.779	38	2.796	03/07/2020	-2
MGS 08/29	2.789	553	2.808	03/07/2020	-2
MGS 04/30	2.906	13	2.901	02/07/2020	1
MGS 06/31	3.117	1	3.076	03/07/2020	4
MGS 11/33	3.274	4	3.307	03/07/2020	-3
MGS 07/34	3.281	26	3.274	03/07/2020	1
MGS 04/37	3.561	2	3.543	03/07/2020	2
MGS 03/46	3.979	50	3.994	03/07/2020	-2
MGS 07/48	3.980	120	4.030	03/07/2020	-5
MGS 06/50	3.953	45	3.996	03/07/2020	-4
GII 04/21	1.982	1	1.996	03/07/2020	-1
GII 03/22	2.118	8	2.132	03/07/2020	-1
GII 04/22	2.110	50	2.119	03/07/2020	-1
GII 07/22	2.109	92	2.112	03/07/2020	0
GII 05/23	2.205	160	2.253	03/07/2020	-5
GII 11/23	2.283	1	2.296	03/07/2020	-1
GII 10/24	2.319	20	2.344	03/07/2020	-2
GII 08/25	2.421	1	2.431	03/07/2020	-1
GII 10/25	2.465	1	2.521	03/07/2020	-6
GII 03/26	2.473	18	2.529	03/07/2020	-6
GII 09/26	2.570	110	2.592	03/07/2020	-2
GII 07/27	2.698	10	2.707	02/07/2020	-1
GII 09/27	2.754	260	2.664	03/07/2020	9
GII 10/28	2.865	10	2.846	03/07/2020	2
GII 12/28	2.906	10	3.045	10/06/2020	-14
GII 07/29	2.904	200	2.912	03/07/2020	-1
GII 09/30	2.956	33	2.957	03/07/2020	0
GII 10/30	2.822	1	2.814	03/07/2020	1
GII 05/47	3.941	80	3.953	03/07/2020	-1
GII 11/49	3.978	10	3.976	03/07/2020	0
		<u>3850</u>			

## Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*
Small Medium Enterprise Development Bank Malay	03/22	GG	2.341	25	4.099	25/01/2018	22
DanaInfra Nasional Berhad	07/22	GG	2.337	5	2.750	17/04/2020	-41
Small Medium Enterprise Development Bank Malay	04/25	GG	2.699	5	2.716	06/05/2020	-2
Small Medium Enterprise Development Bank Malay	04/27	GG	2.980	5	3.008	23/06/2020	-3
Bakun Hydro Power Generation Sdn Berhad (fka S	08/28	GG	3.011	10	3.571	02/01/2020	-56
Cagamas Berhad	04/21	AA	2.312	20	2.430	05/06/2020	-12
Aman Sukuk Berhad	05/21	AAA	2.533	25	2.862	10/03/2020	-33
Telekom Malaysia Berhad	09/21	AAA	2.629	5	2.645	30/06/2020	-2
Aman Sukuk Berhad	10/21	AAA	2.531	5	3.104	06/04/2020	-57
Starbright Capital Berhad	12/21	AAA	3.448	5	4.179	03/01/2020	-73
Bank Pembangunan Malaysia Berhad	03/22	AAA	2.812	10	3.043	05/03/2020	-23
Starbright Capital Berhad	12/22	AAA	3.548	5	-	-	143
Pengurusan Air SPV Berhad	02/26	AAA	3.075	10	3.596	10/04/2020	-52
Bank Pembangunan Malaysia Berhad	11/26	AAA	3.179	10	3.229	30/06/2020	-5
Starbright Capital Berhad	12/28	AAA	4.199	5	4.579	13/01/2020	-38
YTL Corporation Berhad	04/23	AA1	3.266	20	3.287	25/06/2020	-2
Public Bank Berhad	07/29	AA1	3.374	20	3.374	03/07/2020	0
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	12/28	AA-	3.889	2	3.768	12/03/2020	12
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berh	11/29	AA-	3.949	1	4.179	19/08/2019	-23
Hong Leong Assurance Berhad	01/30	AA3	3.452	10	3.949	08/04/2020	-50
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	3.746	1	3.984	02/07/2020	-24
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/31	A3	3.599	1	4.288	01/07/2020	-69
DRB-Hicom Berhad	12/24	A+	4.491	10	4.502	03/07/2020	-1
Tropicana Corporation Berhad	06/25	A+	5.499	1	5.429	03/07/2020	7
IJM Land Berhad	03/19	A2	4.483	1	4.671	03/07/2020	-19
IJM Land Berhad	03/19	A2	4.550	1	4.599	02/07/2020	-5
			<u>216</u>				95

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

**Market/Corporate News: What's Brewing**

**The country's largest electricity utility company Tenaga Nasional Berhad (TNB) will expand the National Optical Fiberisation and Connectivity Plan (NFCP) project nationwide to enable more consumers to benefit from the service.**

Communications and Multimedia Minister Datuk Saifuddin Abdullah said to date, five states, namely Melaka, Perak, Penang, Kedah and Johor, would enjoy the high-speed broadband services by the first quarter of next year. "This is a pilot project by TNB and I am led to understand that they are preparing to expand the development of the optical fibre nationwide under NFCP to other strategic states throughout peninsula Malaysia. "We laud TNB's involvement in this area. Most importantly, is that I see this as a complementary project between TNB and the telecommunications company to provide benefit to the people," he told reporters after visiting the NFCP pilot project here on Monday (July 6). He said, to date, the NFCP pilot project in Melaka encompassed 1,100 homes in three areas, namely Felda Kemendor, Taman Merbau Perdana and Taman Maju in Jasin district. Meanwhile, TNB's wholly-owned unit Allo Technology Sdn Bhd in a statement, informed that the open access services network for the NFCP project was being expanded gradually to urban and rural areas in Malacca especially in areas with limited fiber optic infrastructure such as Alor Gajah, Malim Jaya and extended to additional area involving 15,000 homes in Jasin. For the record, so far there are four retail internet service providers, namely Digi, Astro, Maxis and City Broadband, offering broadband bundled service packages; and through the offerings, houses in the areas involved with the NFCP project would enjoy high speed broadband service from 30Mbps to 1Gbps. The implementation of NFCP, which combines the use of optical fiber and wireless connectivity, is aiming towards achieving a 98% broadband coverage in residential areas by 2023, with a minimum bandwidth speed of 30Mbps. (Source: *The Edgemarkets*)

**Air Asia Group Bhd posted revenue of RM2.31bil in its first quarter ended March 31,2020, compared with RM2.73bil in the previous corresponding period, amid increasing and unprecedented travel restrictions due to the Covid-19 pandemic.**

In a statement, AirAsia chief executive officer Tan Sri Tony Fernandes said the current period is "by far the toughest challenge" the group has ever faced. "Every crisis is an obstacle to overcome, and we have restructured the group into a leaner and tighter ship. We are positive in the strides we have made in bringing cash expenses down by at least 50% this year and this will make us even stronger as the leading low-cost carrier in the region." In a filing with Bursa Malaysia, the low-cost carrier said it had responded pro-actively with capacity management, which had shown results in the first quarter of 2020 reporting a healthy load factor of 77%. "Capacity reductions were mainly from Malaysia and Philippines, with a reduction of capacity of 17% and 1% respectively as domestic routes and international routes were halted mid-March. "Indonesia, however, increased its capacity by 10% by redeploying the additional international routes capacity to domestic markets." The low-cost carrier posted a net loss of RM803.85mil in the first quarter, compared with a net profit of RM96.09mil a year earlier. "The loss was attributed to a shortfall in revenue amidst impacted travel demand, higher maintenance and overhaul costs by 54% due to the accounting impact from the change in aircraft ownership (MFRS137), loss on settlement from fuel hedging amounting to RM110mil and fair value loss on derivatives of RM270mil," said AirAsia. The company added that cost per available seat kilometre (CASK) including fuel increased by 36% to 19.81 sen in the first quarter. "Maintenance and overhaul costs increased by 54% year-on-year due to the accounting impact from the change in aircraft ownership. Loss on settlement from fuel hedging amounted to RM110mil in the quarter. CASK excluding fuel increased by 51%." AirAsia RedBeat Ventures president Aireen Omar said the group registered positive growth performance in its digital businesses in the first quarter of this year. "Our logistics arm, Teleport, recorded a higher revenue year-on-year by 49% to RM150mil. "Our fintech arm, BigPay reported 161% growth in revenue in the first quarter, gaining further traction with the expansion of remittance corridors to include India, Bangladesh and Nepal." (Source: *The Star*)

---

<b>Rating Action</b>			
<b>Issuer</b>	<b>PDS Description</b>	<b>Rating/Outlook</b>	<b>Action</b>
Nil	Nil	Nil	Nil

---

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

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.