

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bull-flattened on Tuesday following the brief closure of financial markets for Labor Day celebrations on Monday. Overall benchmark yields rallied between 0-5bps with the UST 2Y unchanged at 0.14% whilst the much-watched 10Y closed 4bps lower compared to prior day's close; at 0.68%. Traders shrugged off the poor bidding metrics for the auction of \$50b 3Y notes which saw a mere 2.28x BTC ratio (previous 6 auctions: 2.41x) and awarded at 0.17%, possibly due to the record amount issuance. The longer-ends were well-bid despite an IG issuance slate that involved 15 names like Nestle, Valero Energy and Unilever with multi-tranche offerings. Bond traders are likely to shift attention to the upcoming auction of 10Y and 30Y bonds on Wednesday and Thursday respectively whilst the economic calendar sees PPI and CPI data releases for August.

MGS/GIII

- Local govies had saw overall weakness yesterday with overall benchmark yields rising between 0-9bps (save for the 10Y GII) on lack of catalyst and interest amid secondary market volume of RM2.92b. The benchmark 5Y MGS 9/25 ended almost unchanged at 2.04% whilst the 10Y MGS 8/29 yields edged 2bps higher at 2.58%. Interest was mainly seen in the shorter-end off-the-runs 20-21's and also benchmark 3Y and 5Y MGS/GII. GII bond trades rose to form ~32% of overall trades. The improved foreign holdings in overall govies for August which rose for the 3rd month in-a-row by RM3.1b to RM188.3b failed to spark further positive movements. Meanwhile, investors await FTSE Russell's announcement of its decision on Malaysia's weightage of sovereign bonds in its WGBI on 24th Sep. Expect attention to shift to the MPC meeting's decision on OPR tomorrow.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space remained decent on Tuesday despite a markedly reduced secondary market volume of RM575m with transactions seen in 37 various bonds across the curve. Overall yields closed mostly mixed-to-lower with interest mainly centred in the AA-part of the curve. Govt-guaranteed DANA 2/29 however rose 2bps compared to previous-done levels at 2.68% whilst PTPTN 3/29 edged 1bps lower at 2.69% instead. The short AAA-rated AMAN saw its 2/26 tranche fall 48bps at 2.63% whereas the 4/27 tranche edged a mere 1bps lower at 2.75%. The AA-space saw a slew of KLK tranches grind a total of RM96m in nominal amounts. KLK 9/22 closed 5bps lower at 2.39% whilst the 25-26's ended unchanged at 2.68-75% area. The 9/29 tranche was better bid; resulting in a 2bps slide at 3.04%. Toll-operator DUKE3 similarly saw a multitude of transactions in the 2031-2039 tenures; closing mostly mixed between 4.43-5.12% levels.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.27	-3
10-yr UST	0.68	-4
30-yr UST	1.42	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.84	1	1.86	5
5-yr	2.04	0	2.04	2
7-yr	2.34	9	2.34	1
10-yr	2.58	2	2.56	-1
15-yr	3.03	4	3.11	0
20-yr	3.40	4	3.44	6
30-yr	3.72	2	3.65	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.90	0
3-yr	1.95	2
5-yr	2.17	3
7-yr	2.33	1
10-yr	2.58	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	1.748	448	1.649	07/09/2020	10
MGS	07/21	1.700	94	1.700	07/09/2020	0
MGS	09/21	1.680	201	1.680	03/09/2020	0
MGS	11/21	1.685	128	1.681	07/09/2020	0
MGS	03/22	1.730	4	1.696	07/09/2020	3
MGS	08/22	1.768	21	1.765	04/09/2020	0
MGS	09/22	1.760	50	1.751	04/09/2020	1
MGS	03/23	1.844	256	1.838	07/09/2020	1
MGS	04/23	1.833	20	1.810	04/09/2020	2
MGS	08/23	1.967	91	1.899	07/09/2020	7
MGS	06/24	2.007	55	1.915	04/09/2020	9
MGS	07/24	1.995	27	1.969	04/09/2020	3
MGS	09/24	2.032	5	1.973	04/09/2020	6
MGS	03/25	2.085	2	2.046	02/09/2020	4
MGS	09/25	2.043	58	2.047	07/09/2020	0
MGS	07/26	2.212	24	2.200	04/09/2020	1
MGS	11/26	2.237	2	2.249	04/09/2020	-1
MGS	03/27	2.345	3	2.252	03/09/2020	9
MGS	05/27	2.338	138	2.251	07/09/2020	9
MGS	11/27	2.361	6	2.376	07/09/2020	-1
MGS	06/28	2.520	40	2.543	01/09/2020	-2
MGS	08/29	2.579	77	2.562	07/09/2020	2
MGS	06/31	2.757	6	2.729	02/09/2020	3
MGS	04/33	3.110	9	3.087	07/09/2020	2
MGS	11/33	3.140	3	3.139	07/09/2020	0
MGS	07/34	3.030	52	2.992	07/09/2020	4
MGS	04/37	3.329	3	3.363	07/09/2020	-3
MGS	05/40	3.396	129	3.356	07/09/2020	4
MGS	06/50	3.719	39	3.703	07/09/2020	2
GII	03/21	1.676	120	1.649	02/09/2020	3
GII	08/21	1.700	80	1.668	01/09/2020	3
GII	03/22	1.777	4	1.734	01/09/2020	4
GII	04/22	1.739	5	1.749	04/09/2020	-1
GII	05/23	1.863	80	1.813	07/09/2020	5
GII	10/24	2.043	170	2.020	07/09/2020	2
GII	08/25	2.091	10	2.056	01/09/2020	4
GII	10/25	2.117	10	2.074	01/09/2020	4
GII	03/26	2.163	104	2.138	07/09/2020	2
GII	09/26	2.292	40	2.238	04/09/2020	5
GII	07/27	2.357	3	2.357	03/09/2020	0
GII	09/27	2.341	2	2.336	07/09/2020	1
GII	08/28	2.571	10	2.542	07/09/2020	3
GII	10/28	2.581	122	2.550	04/09/2020	3
GII	12/28	2.609	80	2.510	25/08/2020	10
GII	07/29	2.576	2	2.600	07/09/2020	-2
GII	10/30	2.555	26	2.569	04/09/2020	-1
GII	11/34	3.112	30	3.112	07/09/2020	0
GII	09/39	3.436	30	3.373	07/09/2020	6
			<u>2916</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	2.079	30	2.267	04/08/2020	-19	10
DanaInfra Nasional Berhad	02/29	GG	2.680	30	2.658	19/08/2020	2	21
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	2.690	20	2.698	10/08/2020	-1	22
Malaysia Rail Link Sdn Berhad	07/30	GG	2.800	50	2.802	04/09/2020	0	22
Prasarana Malaysia Berhad	02/40	GG	3.500	35	4.009	18/03/2020	-51	11
Aman Sukuk Berhad	02/26	AAA	2.626	15	3.103	30/04/2020	-48	57
Aman Sukuk Berhad	04/27	AAA	2.746	30	2.757	28/08/2020	-1	41
Tenaga Nasional Berhad	08/40	AAA	3.501	1	3.501	07/09/2020	0	11
Kuala Lumpur Kepong Berhad	09/22	AA1	2.394	40	2.443	27/08/2020	-5	62
Kuala Lumpur Kepong Berhad	08/25	AA1	2.681	10	2.678	04/09/2020	0	63
Kuala Lumpur Kepong Berhad	04/26	AA1	2.751	10	2.748	03/09/2020	0	52
Kuala Lumpur Kepong Berhad	09/29	AA1	3.037	35	3.058	03/09/2020	-2	51
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.719	1	2.719	04/09/2020	0	14
Edra Energy Sdn Berhad	01/25	AA3	3.189	1	4.048	18/12/2019	-86	121
BGSM Management Sdn Berhad	12/27	AA3	3.118	5	3.179	02/09/2020	-6	78
Hong Leong Assurance Berhad	01/30	AA3	3.001	20	3.067	14/08/2020	-7	48
RHB Bank Berhad	05/30	AA3	2.999	20	-	-	-	42
UEM Sunrise Berhad	06/23	AA-	3.506	1	3.558	28/08/2020	-5	166
Malaysian Resources Corporation Berhad	08/23	AA-	3.577	3	3.681	25/08/2020	-10	173
Pelabuhan Tanjung Pelepas Sdn Berhad	06/27	AA-	3.229	50	3.521	28/08/2020	-29	89
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/29	AA-	4.241	10	4.450	07/01/2020	-21	172
Malaysian Resources Corporation Berhad	08/30	AA-	4.318	10	4.349	14/08/2020	-3	174
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/31	AA-	4.427	10	4.469	23/07/2020	-4	185
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/33	AA-	4.594	30	5.325	31/03/2020	-73	155
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/34	AA-	4.687	20	4.673	18/08/2020	1	165
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.770	10	4.771	07/09/2020	0	173
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/36	AA-	4.862	15	4.859	07/09/2020	0	182
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.119	20	5.119	07/09/2020	0	173
Tan Chong Motor Holdings Berhad	11/21	A1	3.836	1	3.838	07/09/2020	0	214
CIMB Group Holdings Berhad	05/16	A1	3.310	1	3.250	25/08/2020	6	-8
Tropicana Corporation Berhad	06/23	A+	4.968	1	4.968	04/09/2020	0	312
DRB-Hicom Berhad	12/29	A+	4.909	35	4.910	07/09/2020	0	239
Pacific & Orient Insurance CO Berhad	06/22	A3	4.954	1	7.592	13/04/2020	-264	318
Eco World International Berhad	05/23	-	5.700	2	5.265	04/09/2020	44	385
Mah Sing Group Berhad	04/17	-	4.869	2	4.625	17/08/2020	24	148
YNH Property Berhad	08/19	-	6.685	1	6.180	28/08/2020	51	330
Cypark Renewable Energy Sdn Berhad	09/20	-	6.491	1	6.450	04/09/2020	4	310
				<u>575</u>				

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

Market/Corporate News: What's Brewing

Ekovest Bhd is going to start exclusive negotiations to acquire 40% of the equity stake held by Iskandar Waterfront Holdings Sdn Bhd (IWH) in the joint venture company that is taking part in the Bandar Malaysia project. IWH is 63% controlled by Ekovest chairman Tan Sri Lim Kang Hoo, while the Johor state government's Kumpulan Prasarana Rakyat Johor Sdn Bhd holds the remaining 37%. In a stock exchange filing, Ekovest said it was offered the opportunity — via a letter it received today from IWH — to explore the company's participation as a strategic investor in the development by taking up IWH's stake in IWH CREC Sdn Bhd (IWC-CREC). IWH-CREC is a 60:40 joint venture between IWH and China Railway Engineering Corp (M) Sdn Bhd (CRECM) — a wholly owned company of China's state-owned China Railway Group Ltd (CREC). IWC-CREC had on Dec 17, 2019, inked a restated and amended share sale agreement with TRX City Sdn Bhd to buy a 60% equity interest in Bandar Malaysia Sdn Bhd — Bandar Malaysia's master developer — for RM7.41 billion. Ekovest's announcement comes less than two months after it was revealed that TRX City, an indirect wholly-owned unit of Malaysia's Ministry of Finance, had given IWC-CREC a four-and-a-half-month extension to pay the balance RM1.1 billion upfront deposit for the stake buy. In a written Parliamentary reply dated July 15, Finance Minister Tengku Datuk Seri Zafrul Aziz said the deadline had been moved to Sept 15 from April 30, due to the Covid-19 outbreak. At the time, TRX City had received RM148.2 million of the RM1.24 billion advance from IWH-CREC. "The board of directors of the company wishes to announce that the board has agreed to commence exclusive negotiation to finalise with IWH in relation to the Proposal, with a view towards entering into agreement within 30 market days from the acceptance of the letter, unless extended with the consent of both parties," Ekovest said in its filing today. The proposal, said Ekovest, is subject to the approvals, waivers or consents of all relevant parties which include, among others, CRECM and TRX City. "IWH takes cognizance of

Ekovest as being one of its long-term trusted business partners that has the necessary skills and technical know-how to undertake largescale infrastructure developments. The Bandar Malaysia project is a prime national economic project, in which Ekovest's direct participation and investment in IWH-CREC will potentially generate billions in order book sales arising from future infrastructure and development of Bandar Malaysia, which has an estimated gross development value (GDV) of approximately RM140 billion," said Ekovest, adding the outcome of the negotiation will be announced in due course.. (Source: *The EdgeMarkets*)

The International Islamic Liquidity Management Corporation (IILM) has today successfully conducted an auction for a total issuance of US\$900 million short-term A-1 rated sukuk in two series — one-month and three-month tenors. In a statement, IILM said one was a US\$400 million issuance of one-month tenor at 0.22%, while the other was a US\$500 million issuance of three-month tenor at 0.43%. The final profit rates of the two series are within the indicative pricing guidance for the one-month and three-month series, IILM said, adding this indicates an increasing interest in high quality sukuk from primary dealers and investors. "The tender resulted in significant demand from Asian and Middle Eastern investors, with an orderbook that closed in excess of US\$1.59 billion, representing an average oversubscription rate of 1.77 times," it said. With frequent monthly issuances throughout the year, IILM said it has achieved a total cumulative issuance amount of US\$8.37 billion year-to-date, of which US\$1.04 billion are new issuances. This represents around 30% of the US dollar-denominated sukuk year-to-date globally, IILM said. IILM said its short-term sukuk programme is rated "A-1" by S&P, and that its total sukuk outstanding is now at US\$3 billion.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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.