Global Markets Research
Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.20	-2
5-yr UST	0.40	-5
10-yr UST	0.83	-5
30-yr UST	1.58	-7

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.42	11	2.47	12
5-yr	2.61	6	2.54	0
7-yr	2.90	5	2.91	9
10-yr	3.07	11	2.90	0
15-yr	3.39	15	3.45	4
20-yr	3.56	8	3.59	0
30-yr	3.99	4	3.88	0

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.24	0
3-yr	2.27	-3
5-yr	2.45	-4
7-yr	2.58	-2
10-yr	2.78	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries reversed recent losses and were seen strongly bidded up as market participants believed that the FOMC will announce plans and guidance on yield-curve control. The curve bull-flattened instead and reversed its recent steepening mode as overall benchmark yields ended between 2-7bps lower. The UST 2Y edged 2bps lower at 0.20% whilst the much-watched UST 10Y rallied 5bps at 0.83%. The longer-ends which ended richer gave up huge gains actually following a weaker-than-expected $29b 10Y auction. The auction which saw a long tail on a mere BTC ratio of 2.26x (prior auction: 2.69x) and awarded at 0.832%, suffered from heavy supply and also expectations of an improving economy. Expect attention to shift to the auction reopening of $19b of 30Y bonds and also the upcoming FOMC meeting.

MGS/GIII

- Local govvies continued to fall sharply, uninfluenced by sliding Interest Rate Swaps as investors assessed the potential impact of additional supply concerns. Overall secondary market volume however rose to RM3.45b as overall benchmark MGS/GII yields rose between 0-15bps with the 10Y and 15Y MGS facing the major brunt of sell-off. Interest was mainly centred in the off-the-run 20-21'S's, 5Y, 10Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 rose 6bps at 2.61% whilst the 10Y MGS 8/29 spiked 11bps at 3.07%. GII bonds dropped further to form ~24% of overall trades. Expect investors attention to focus on key areas that include a potential slowdown in its biggest trading partner i.e. China, banks financial perfomances and asset qualities; and most of all the delicate navigation of the country's economy in the light of lingering threat posed by the COVID-19 outbreak.

Corp Bonds/Sukuk

- Investor interest continued to remain intact despite lower secondary market volume of RM473m with trades mainly seen across the AAA-AA part of the curve followed by the GG space. Overall yields closed mostly mixed instead. Govt-guaranteed trades cionsisted of various names with the long-end PTPTN 7/41 closing 15bps lower compared to previous-done levels at 3.78% whilst PRASA 2/50 spiked 10bps at 4.07% instead. AAA-rated DIGI 9/26 moved 4bps up at 3.15% whereas both PLUS and SEB 31's closed unchanged at 3.48% and 3.35% each. AA-rated energy cum power related bonds BGSM 3/26 closed sharply lower on yields at 3.40% whilst KIMANIS Power 8/25 ended 7bps lower as well at 3.53%. KESTURI 12/26 which last traded in January this year saw a 11bps decline at 3.75%. The banking space saw MAYBANK 2117NC26 perps ended unchanged whilst its 25NC20 tranche ended 29bps lower at 2.75%.

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	07/20	2.007	238	1.972	05/06/2020	4
MGS	10/20	1.970	315	1.980	05/06/2020	-1
MGS	07/21	2.058	329	2.090	05/06/2020	-3
MGS	09/21	2.089	253	2.074	05/06/2020	2
MGS	03/22	2.197	44	2.240	05/06/2020	-4
MGS	03/23	2.424	180	2.312	05/06/2020	11
MGS	04/23	2.383	15	2.347	05/06/2020	4
MGS	08/23	2.373	6	2.372	05/06/2020	0
MGS	06/24	2.567	157	2.529	05/06/2020	4
MGS	07/24	2.550	20	2.491	05/06/2020	6
MGS	09/24	2.599	2	2.471	05/06/2020	13
MGS	09/25	2.614	127	2.555	05/06/2020	6
MGS	11/26	2.885	10	2.729	05/06/2020	16
MGS	05/27	2.896	272	2.849	05/06/2020	5
MGS	11/27	2.956	78	2.895	05/06/2020	6
MGS	06/28	2.957	50	2.863	05/06/2020	9
MGS	08/29	3.067	431	2.958	05/06/2020	11
MGS	04/30	3.122	2	3.022	05/06/2020	10
MGS	06/31	3.165	15	3.133	04/06/2020	3
MGS	04/33	3.324	9	3.352	05/06/2020	-3
MGS	07/34	3.391	42	3.241	05/06/2020	15
MGS	06/38	3.645	3	3.581	05/06/2020	6
MGS	05/40	3.560	6	3.477	05/06/2020	8
MGS	03/46	3.935	1	4.050	05/06/2020	-12
MGS	07/48	3.990	13	3.954	05/06/2020	4
GII	08/20	2.048	10	2.030	28/05/2020	2
GII	07/22	2.229	4	2.227	28/05/2020	0
GII	04/23	2.467	20	2.411	05/05/2020	6
GII	05/23	2.474	580	2.358	05/06/2020	12
GII	07/23	2.468	31	2.350	04/06/2020	12
GII	11/23	2.429	3	2.436	05/06/2020	-1
GII	10/25	2.696	4	2.539	02/06/2020	16
GII	03/26	2.905	18	2.642	04/06/2020	26
GII	07/27	2.987	40	2.842	04/06/2020	15
GII	09/27	2.904	20	2.812	04/06/2020	9
GII	10/28	3.088	20	2.992	04/06/2020	10
GII	07/29	3.111	30	3.051	05/06/2020	6
GII	11/34	3.452	52	3.414	05/06/2020	4
			3449			

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*
Khazanah Nasional Berhad	06/22	GG	2.394	10	2.443	12/05/2020	-5	17
GovCo Holdings Berhad	06/26	GG	2.899	10	3.689	18/07/2019	-79	15
Jambatan Kedua Sdn Berhad	07/26	GG	2.909	10	2.850	21/05/2020	6	16
Perbadanan Tabung Pendidikan Tinggi Nasional	07/41	GG	3.776	60	3.929	17/04/2020	-15	15
DanaInfra Nasional Berhad	02/49	GG	4.027	40	3.969	23/04/2020	6	40
Prasarana Malaysia Berhad	02/50	GG	4.071	5	3.967	03/06/2020	10	44
First Abu Dhabi Bank PJSC	12/20	AAA	2.574	20	3.357	16/10/2019	-78	51
Sarawak Energy Berhad	06/21	AAA	2.598	30	2.595	05/06/2020	0	53
KIP REIT Capital Sdn Berhad	07/26	AAA	3.818	10	3.832	04/03/2020	-1	107
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.149	60	3.110	04/05/2020	4	40
Genting RMTN Berhad	11/29	AAA	3.810	20	5.216	27/04/2020	-141	85
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.478	10	3.479	04/06/2020	0	48
Sarawak Energy Berhad	04/31	AAA	3.348	10	3.349	04/06/2020	0	35
Indera Persada Sdn Berhad	09/24	AA1	3.168	4	4.348	29/08/2016	-118	64
Indera Persada Sdn Berhad	09/25	AA1	3.269	4	4.646	08/02/2017	-138	68
Malayan Banking Berhad	10/25	AA1	2.754	10	3.048	12/03/2020	-29	16
Indera Persada Sdn Berhad	09/26	AA1	3.379	4	4.529	29/08/2016	-115	63
Indera Persada Sdn Berhad	09/27	AA1	3.458	4	3.928	24/09/2019	-47	58
Malaysia Airport Holdings Berhad	12/14	AA2	4.008	10	3.980	20/05/2020	3	38
Anih Berhad	11/25	AA	3.370	10	3.559	18/03/2020	-19	78
Exsim Capital Resources Berhad	01/22	AA3	3.508	10	4.065	25/03/2020	-56	128
BGSM Management Sdn Berhad	03/26	AA3	3.398	20	4.304	31/03/2020	-91	65
IJM Corporation Berhad	08/28	AA3	3.884	4	3.879	03/06/2020	0	96
Malayan Banking Berhad	02/17	AA3	3.624	10	3.626	04/06/2020	0	-1
Kimanis Power Sdn Berhad	08/25	AA-	3.525	10	3.599	29/04/2020	-7	94
WCT Holdings Berhad	04/26	AA-	4.263	10	4.319	12/02/2020	-6	152
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/26	AA-	3.749	10	3.855	31/01/2020	-11	100
Cerah Sama Sdn Berhad	01/27	AA-	3.815	10	3.851	28/04/2020	-4	94
Penang Port Sdn Berhad	12/29	AA-	3.692	20	3.659	28/05/2020	3	70
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	4.104	4	4.200	10/09/2019	-10	111
Penang Port Sdn Berhad	12/31	AA-	3.869	20	3.869	04/06/2020	0	87
CIMB Group Holdings Berhad	05/16	A1	4.239	1	4.731	05/06/2020	-49	61
IJM Land Berhad	03/19	A2	4.684	1	4.898	05/06/2020	-21	105
Eco World International Berhad	05/23	-	5.462	2	5.464	05/06/2020	0	307
YNH Property Berhad	08/19	-	6.632	1	7.286	03/06/2020	-65	300
				473				

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

Market/Corporate News: What's Brewing

The sales tax exemption for passenger cars is a much-needed boost for the auto sector that will reduce new vehicle selling prices and jump-start vehicle sales from the second half of 2020, said analysts. According to a research outfit, the sales tax exemption will help make up for lost sales due to the lockdown arising from the movement control order (MCO), clear inventory as well as ease the cash flow of auto players. Malaysian Automotive Association (MAA) data showed that passenger car sales in April amounted to 131 units, compared to 45,300 units in April 2019. In terms of the percentage impact on the final price of vehicles, it expects prices to be 3% to 5% lower, based on the price changes after the implementation of the Sales and Service Tax (SST). Another research house highlighted that automakers are projecting reductions of 5% to 7% in average selling prices, noting that the goods and services tax-free period in June to August 2018 saw a 5.5% reduction. "We think the non-national brands stand to benefit more from the sales tax exemption compared to the national brands mainly due to the higher absolute amount of savings for consumers. "In addition, we expect the Japanese and European marques, such as Toyota, Honda, Mazda and BMW, to enjoy higher sales during the upcoming sales tax exemption period given that these players derive over 75% sales volume from completely knocked down (CKD) models, which are expected to enjoy the full 100% sales tax exemption, " said the firm. In a move to revitalise demand in the domestic auto sector, the government had announced sales tax exemption by up to 100% for CKD passenger vehicles and 50% for fully-imported completely-built up (CBU) passenger vehicles from June 15 to Dec 31.However, analysts do not expect robust growth in sales volume, given the potential rise in unemployment rate, consumers remaining cautious about spending on big ticket items as well as strict lending requirements from financial institutions, due to banks gradually narrowing their exposure in hire-purchase loans. Some have raised its total industry volume (TIV) forecast for 2020 from 490,000 to 500,000 to reflect higher sales projection for non-national brands from 190,000 to 205,000. The revised TIV forecast implies an average monthly TIV of 56,000 over June to December 2020. Overall, the research house is still projecting a 17% year-on-year (y-o-y) TIV decline this year. Meanwhile, an analyst opined that the impact of the sales tax exemption would be more pronounced in the first quarter of 2021. "According to our channel checks, auto players have three to four months of inventory whose sales tax is already being paid. "This means the government has to come out with a refund mechanism. "We think this is likely to come in the form of an offset with future sales tax payments, " he said. (*Source:The Star)*

Refineries from India to South Korea are expected to increase output from June, joining their Chinese counterparts as the easing of lockdown measures boosts demand for oil products, industry executives said. The average operating rate for refineries in Asia is expected to rise to 75.5% and 82.2% in the third and fourth quarters, respectively, from 72.4% in the second quarter out of total capacity of about 35 million barrels per day, according to energy consultancy FGE. Refineries in countries such as India, South Korea, Japan, and Thailand are also expected to pick up the pace of processing the cheap crude they purchased in recent months as economies begin to reopen and demand for oil returns. Brent crude prices fell in April to their lowest since 1999 as strict restrictions to contain the global coronavirus outbreak heavily dented oil demand. "Chinese refiners have already ramped up crude runs significantly in the last two months. The improvement in domestic demand will see other countries such as India, Indonesia, Vietnam gradually increase crude processing over the next few months," said FGE's head of Asia oil research Sri Paravaikkarasu. Indian Oil Corp, the country's top refiner, could see the average operating rate of its plants — the percentage of their designed capacity that is being utilised — reach 85% in June, up from 80% in May and 39% in April, a company source said. Paravaikkarasu also expects petroleum demand to rise in places like South Korea and Australia "where the (coronavirus) cases are broadly under check." Hopes for a recovery in demand have lifted stocks in some Asian refiners, with shares in India's Reliance Industries Ltd up 14% since early February and those in Taiwan's Formosa Petrochemical Corp up nearly 10% over that period. Despite expectations for higher output, refiners are concerned that their margins will remain weak if the demand for oil products does not pick up as quickly as the rise in crude prices amid restricted supply. The Organization of the Petroleum Exporting Countries and its allies including Russia agreed last week to extend record cuts in oil production until the end of July, prompting the world's top oil exporter Saudi Arabia to raise its crude prices for next month. Against this backdrop, Brent has more than doubled since April, squeezing refiner's margins and limiting their ability to increase output of oil products. This could further tighten supply and add upward pressure on product prices in a self-fulfilling cycle. "Essentially, it's forcing some refiners to limit output, reduce or even stop output until margins improve," a Singapore-based trader said of Saudi Arabia's price increases. KY Lin, spokesman for Taiwan's Formosa said almost every refiner in Asia received supply cuts from Middle East producers in June. "We're optimistic that margins will improve, but it's hard to tell how much they'll improve," he said. "Buyers will only chase after high-price crude when margins improve." A mixed pace of recovery among products could also tilt refinery production more towards light distillates such as gasoline and naphtha, where demand is rebounding faster, executives said. Diesel is weighed down by heavy inventories while jet fuel is not expected to recover this year.. (*Source: The EdgeMarkets/Reuters)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nilk	Nil	Nil

Source: RAM, MARC

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