

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries continued its fine run on Wednesday in reaction to the Fed's indication that interest rates are likely to remain at current levels through 2022. Earlier gains this week emanated from investors belief that that the FOMC may embark on yield-curve control. The curve bull-shifted lower as overall benchmark yields ended between 3-10bps lower. The UST 2Y declined 3bps at 0.17% whilst the much-watched UST 10Y rallied 10bps at 0.73%; its lowest level in a week. The Fed also mentioned that the pace of its asset purchases is expected to be maintained at the current levels of ~\$80b for UST's and ~\$40b of MBS. Consumer prices for May meanwhile showed a slight decrease of 0.1% compared to April's 0.8% plunge (core CPI also edged 0.1% lower compared to -0.4% in April). Expect investors to continue digesting the Fed's announcement with attention shifting to the reopening auction of \$19b of 30Y bonds.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	-3
5-yr UST	0.32	-9
10-yr UST	0.73	-10
30-yr UST	1.51	-7

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.35	-7	2.39	-8
5-yr	2.63	2	2.58	4
7-yr	2.80	-9	2.91	0
10-yr	3.01	-6	2.98	8
15-yr	3.37	-2	3.46	1
20-yr	3.61	5	3.59	0
30-yr	3.99	0	3.88	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.22	-1
3-yr	2.25	-2
5-yr	2.44	-1
7-yr	2.57	-2
10-yr	2.78	0

Source : Bloomberg

MGS/GIII

- Local govies saw some tenures regain strength on bargain-hunting, led by lower Interest Rate Swaps as investors fully digested the potential impact of additional RM10b supply concerns based on the latest stimulus package last week. Secondary market volume however rose to RM4.23b as overall benchmark MGS/GII yields closed mixed between -9bps to +8bps with interest mainly centred in the off-the-run 20-21's, 5Y, 10Y and 30Y benchmark MGS/GII. Interestingly, MGS were seen better bid than GII bonds on decent foreign participation. The benchmark 5Y MGS 9/25 rose 2bps at 2.63% whilst the 10Y MGS 8/29 rallied 6bps instead at 3.01%. GII bonds maintained to form ~27% of overall trades. Expect some attention to divert to the upcoming industrial production numbers for April whilst investors continue to monitor the re-opening of various economic sectors.

Corp Bonds/Sukuk

- Investor interest spiked amid higher secondary market volume of RM927m with trades mainly seen across the AAA-AA part of the curve followed by the GG space. Overall yields closed mostly mixed again. Govt-guaranteed PTPTN 3/24 and LPPSA 9/36 rose between 13-14bps compared to previous-done levels at 2.73% and 3.59% respectively. AAA-rated CAGAMAS 12/22 saw its debut trade since being issued in December last year at 2.70% on RM300m in nominal amounts. CAGAMAS 20-21's closed mixed between 2.34-53% area whilst TNB 32-33's ended 3bps higher between 3.42-48% levels. AA-rated GAMUDA 11/22 closed unchanged at 3.34% whereas the 11/23 tranche closed sharply lower on yields at 3.45%. The banking space was relatively quiet with some odd-lot trades done on AMbank and CIMB bonds.

Upcoming Government Bond Tender

New issuance of 30Y MGS 6/50 (RM3.0b +RM2.5b Private placement) on Friday, 12th June 2020

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	2.007	253	2.007	09/06/2020	0
MGS 10/20	2.010	294	1.970	09/06/2020	4
MGS 02/21	1.999	200	2.034	05/06/2020	-3
MGS 07/21	2.071	334	2.058	09/06/2020	1
MGS 03/22	2.228	54	2.197	09/06/2020	3
MGS 08/22	2.285	174	2.283	05/06/2020	0
MGS 09/22	2.291	98	2.292	09/06/2020	0
MGS 03/23	2.353	101	2.424	09/06/2020	-7
MGS 04/23	2.422	10	2.383	09/06/2020	4
MGS 08/23	2.533	3	2.373	09/06/2020	16
MGS 06/24	2.538	164	2.567	09/06/2020	-3
MGS 07/24	2.561	10	2.550	09/06/2020	1
MGS 09/24	2.575	9	2.599	09/06/2020	-2
MGS 09/25	2.634	73	2.614	09/06/2020	2
MGS 07/26	2.771	105	2.677	04/06/2020	9
MGS 11/26	2.827	32	2.885	09/06/2020	-6
MGS 05/27	2.802	98	2.896	09/06/2020	-9
MGS 11/27	3.028	101	2.956	09/06/2020	7
MGS 06/28	2.970	30	2.957	09/06/2020	1
MGS 08/29	3.006	551	3.067	09/06/2020	-6
MGS 04/30	3.100	30	3.122	09/06/2020	-2
MGS 06/31	3.307	1	3.165	09/06/2020	14
MGS 04/32	3.339	1	3.088	04/06/2020	25
MGS 04/33	3.369	1	3.324	09/06/2020	5
MGS 07/34	3.370	35	3.391	09/06/2020	-2
MGS 05/35	3.535	1	3.420	04/06/2020	12
MGS 04/37	3.604	4	3.497	05/06/2020	11
MGS 06/38	3.581	69	3.645	09/06/2020	-6
MGS 05/40	3.608	265	3.560	09/06/2020	5
MGS 03/46	3.992	1	3.935	09/06/2020	6
GII 08/20	2.031	10	2.048	09/06/2020	-2
GII 05/23	2.392	252	2.474	09/06/2020	-8
GII 10/23	2.461	80	2.414	05/06/2020	5
GII 10/24	2.577	130	2.535	05/06/2020	4
GII 08/25	2.590	60	2.619	05/06/2020	-3
GII 10/25	2.594	90	2.696	09/06/2020	-10
GII 03/26	2.804	50	2.905	09/06/2020	-10
GII 09/26	2.831	40	2.790	05/06/2020	4
GII 07/27	2.927	20	2.987	09/06/2020	-6
GII 10/28	3.034	50	3.088	09/06/2020	-5
GII 12/28	3.045	10	2.919	02/06/2020	13
GII 07/29	3.038	90	3.111	09/06/2020	-7
GII 09/30	3.092	30	3.071	04/06/2020	2
GII 10/30	2.980	7	2.902	05/06/2020	8
GII 08/33	3.448	20	3.263	21/05/2020	19
GII 11/34	3.464	180	3.452	09/06/2020	1
GII 05/47	4.076	6	3.932	04/06/2020	14
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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*
MKD Kencana Sdn Berhad	02/23	GG	2.502	15	3.624	14/06/2019	11
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.730	60	2.595	20/05/2020	20
DanaInfra Nasional Berhad	10/31	GG	3.290	20	3.599	18/03/2020	29
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	3.590	10	3.460	28/05/2020	21
DanaInfra Nasional Berhad	10/36	GG	3.600	10	3.500	23/04/2020	22
Cagamas Berhad	10/20	AAA	2.341	10	3.270	11/09/2019	28
Cagamas Berhad	10/20	AAA	2.341	55	2.292	02/06/2020	28
Cagamas Berhad	10/21	AAA	2.530	120	2.503	03/06/2020	47
GENM Capital Berhad	03/22	AAA	4.282	1	4.101	21/05/2020	204
Cagamas Berhad	12/22	AAA	2.700	300	-	-	30
Danum Capital Berhad	05/23	AAA	2.899	60	2.879	04/06/2020	50
Cagamas Berhad	05/23	AAA	2.780	115	2.754	02/06/2020	38
Danga Capital Berhad	09/27	AAA	3.280	10	3.193	04/06/2020	42
Tenaga Nasional Berhad	08/32	AAA	3.419	20	3.386	27/05/2020	42
Tenaga Nasional Berhad	08/33	AAA	3.481	20	3.448	04/06/2020	11
YTL Power International Berhad	06/22	AA1	3.092	10	3.513	08/04/2020	85
CIMB Bank Berhad	08/26	AA+	4.650	2	3.379	03/06/2020	127
Celcom Networks Sdn Berhad	10/26	AA+	3.349	10	4.073	25/03/2020	61
Celcom Networks Sdn Berhad	08/27	AA+	3.419	10	3.409	04/05/2020	56
Anih Berhad	11/20	AA	2.686	20	3.277	24/03/2020	62
Pac Lease Berhad	03/21	AA3	3.036	6	-	-	97
Gamuda Berhad	11/22	AA3	3.339	15	3.339	04/06/2020	110
Country Garden Real Estate Sdn Berhad	02/23	AA3	4.601	1	4.747	22/05/2020	221
Gamuda Berhad	11/23	AA3	3.447	20	4.627	28/02/2019	105
Edra Energy Sdn Berhad	07/25	AA3	4.477	1	4.481	03/06/2020	187
AmBank (M) Berhad	03/27	AA3	4.234	1	4.000	16/04/2020	138
Tanjung Bin Energy Issuer Berhad	03/32	AA3	3.824	2	3.839	14/05/2020	82
MMC Corporation Berhad	03/28	AA-	4.399	3	4.397	03/06/2020	147
CIMB Group Holdings Berhad	05/16	A1	3.648	1	3.600	02/06/2020	2
YNH Property Berhad	08/19	-	6.367	1	6.632	09/06/2020	273
			<u>927</u>				

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

Market/Corporate News: What's Brewing**Tenaga Nasional Bhd (TNB) foresees prolonged challenges to its prospects for the financial year ending Dec 31,2020, due to the ongoing Covid-19 pandemic and the uncertainties in global economic environment.**

Nevertheless, the utility giant said it has taken the necessary measures to ensure the stability of its finances and operations amid the challenging operating environment. TNB said it expected electricity consumption to drop between 7% and 15% this year due mainly to the expected slowdown of activities in the commercial sector amid the challenging operating landscape. "Nevertheless, earnings of TNB's regulated revenue cap entities are guaranteed at demand growth of between 1.8% and 2% as stipulated by the Incentive-Based Regulation (IBR) guidelines in the Second Regulatory Period or RP2 (2018 to 2020)," it said in a statement. TNB said it expected overall economic activity in Malaysia to gradually pick up in second half (H2) 2020 and to register a positive recovery in 2021. TNB's earnings took a hit in the first quarter (Q1) ended March 31,2020, due to foreign currency losses arising from the ringgit's weakness against the US dollar and the Japanese yen. During the quarter in review, the utility giant saw its net profit fall 54% to RM717.9mil from RM1.56bil in the corresponding period last year. Consequently, its earnings per share fell to 12.62 sen from 27.38 sen previously. TNB's revenue decreased 12% to RM11.65bil in Q1 2020 from RM13.24bil in the previous corresponding period. This was due to the Imbalance Cost Pass Through (ICPT) being in a rebate position of RM307.5mil as against a surcharge position of RM1.37bil previously. For the quarter in review, TNB posted a foreign currency loss of RM402.8mil, compared with a gain of RM207.5mil in the previous corresponding period. Electricity sales in the first three months of the year was stable at 27,938.2 gigawatt-hour (GWh), or RM11.78bil, compared with 28,471.1 GWh, or RM12.03bil in Q1 2019, while its margin for earnings before interest, tax, depreciation and amortisation improved 3.8% year-on-year (y-o-y) due to a 15.4% decrease in operating expenses in Q1 2020. TNB noted that power consumption in Peninsular Malaysia reached an all-time high of 18,808 megawatt (MW) on March 10 due to the seasonal dry spell. But the uptrend was disrupted by the movement control order (MCO), which came into effect on March 18. "As a result, the overall electricity consumption in Peninsular Malaysia fell as businesses shut their operations in adherence to the government's stay-at-home directive during the MCO," TNB said. Electricity usage in the industrial and commercial sectors dropped between 25% and 50% as businesses and industries halted activities, while usage in the residential sector surged between 20% and 50% as families stayed indoors and workers worked from home. Overall, demand contracted by 1.9% in Q1 2020, before the full impact of the Covid-19 and the corresponding MCO periods. However, demand for May 2020 fell 28% y-o-y. "TNB expects the electricity consumption to drop between 7% and 15% y-o-y for 2020, mainly due to slowdown of activities in the commercial sector," the group said. Despite bracing for the impact of Covid-19 and disruptions arising from the MCO in the next quarter, TNB said the group remained on track with its strategic transformation plan, "Reimagining TNB", and would continue its internal restructuring exercise to carve out the group's generation and retail businesses into fully-owned subsidiaries. As for its dividend policy, TNB president and chief executive officer Amir Hamzah Azizan reiterated that the group would honour its 30%-60% payout ratio based on the reported net profit. Amir also noted TNB that would play its role in supporting the government's initiatives for long-term economic recovery. "As an essential services provider, TNB has a critical role in supporting the government's efforts to revive the economy and assist those whose livelihoods are affected. Facilitating economic stimulus at this time should be

made a priority,” Amir said. “For TNB, even though we are facing a hit to our revenue collection, we can remain resilient due to a robust balance sheet. Giving more now to help the nation rise out of this economic slump is going to yield better times for all of us collectively,” he added. In terms of international business, TNB said it would leverage on its existing UK assets and market experience to build up a sizeable renewable energy portfolio by 2021 through acquisitions of both operating assets and development of greenfield projects. The group owns a 20% stake Tenaga Wind Ventures UK Ltd which it bought in March. It noted that the Covid-19 pandemic was affecting the progress of the group’s initiatives to reduce its current exposure in certain overseas business. This included the restructuring and turnaround exercise and sale of investment, particularly in its 30%-owned companies in GAMA (Turkey) and GMR (India). Its UK assets, on the other hand, were insulated by the long-term subsidy scheme. Meanwhile, in a recent research note, a research house said electricity demand concerns might have been overblown. It estimated the cumulative impact of demand shortfall and customer discounts at just 4% of TNB’s 2020 earnings. The Industry Fund, boosted by over-recoveries of coal cost, should more than cover the potential shortfall in fixed regulated revenue, it said. “Assuming a hypothetical 8% demand contraction in 2020, we estimate a potential revenue shortfall of around RM90mil at the ‘customer services’ segment. Together with the RM150mil of customer discount pledged, this represents around 4% of our forecast for 2020 pre-tax profit,” it wrote. “The remaining shortfall in fixed revenue of around RM1.1bil is to be claimed from the Industry Fund,” it added. Year to date, coal price averaged around 16% below TNB’s reference of RM316 per tonne. “Should this average price sustain for the whole of 2020, there may be an estimated potential over-recovery of around RM1.7bil.” (Source: *The Star*)

Boustead Heavy Industries Corp Bhd (BHIC) returned to the black in the first quarter ended March 31, 2020 (1QFY20), boosted by defence-related maintenance, repair and overhaul (MRO) activities. The heavy engineering services firm posted a net profit of RM20.38 million for the quarter, compared to a net loss of RM4.3 million for 1QFY19, and a net loss of RM118.6 million for 4QFY19. Quarterly revenue stood at RM44.05 million, up 21.39% compared with RM36.3 million for 1QFY19. Besides higher revenue from MRO projects, BHIC said the reversal of expected credit losses of RM18.6 million also contributed to the group’s improved financial performance for the quarter. “Amid adverse effects of the Covid-19 pandemic on the economy, the group takes a cautiously optimistic view towards its business prospects,” it said in a statement today. “The construction of littoral combat ships and littoral mission ships for the Royal Malaysian Navy ((RMN) and MRO works are ongoing at lower capacity following the safety and health procedures issued by the Ministry of Health (MoH),” it added. According to BHIC, its associate Contraves Advanced Devices Group recorded lower income as demand from customers dropped amid the Covid-19 pandemic and unfavourable foreign exchange translation of RM3.7 million due to outstanding trade payables. There was no contribution from associates in the period as losses had been recognised up to the group’s cost of investment in December 2019, it added. BHIC chief executive officer (CEO) Sharifuddin Md Zaini Al-Manaf said, given the facilities and capabilities of the group’s shipyards, BHIC is confident of benefitting from RMN’s 15-to-5 Transformation Programme, which has been incorporated in the Defence White Paper, by developing a fit-for-purpose fleet for RMN. “The group expects the in-service support and refit contracts for RMN’s surface fleet and submarines to continue to contribute positively to its bottom line,” he said. BHIC is a subsidiary of Boustead Holdings Bhd, a conglomerate listed on the Main Market of Bursa Malaysia. The latter is a

subsidiary of the Armed Forces Fund Board. BHIC is involved in maritime, defence and heavy engineering activities, with shipyards located in Lumut and Langkawi.
(Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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