

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries were pressured on Monday despite poor NFP jobs data the previous week whilst Wall Street ended stronger; waving-off concerns over a 2nd wave of COVID-19 outbreak. Overall benchmark yields rose between 2-3bps with the UST 2Y up at 0.18% whilst the much-watched UST 10Y also closed 3bps higher at 0.71%. Meanwhile the Treasury's auction of \$42b of 3Y notes attracted above average demand on a BTC ratio of 2.54x; awarded at 0.23%. Curve-steepening was expected due to this week's additional UST supply as the quarterly refunding gets underway following last week's strong IG issuance slate. Expect attention to focus on the upcoming 10Y bond auction and also the Consumer price inflation data for April.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.18	2
5-yr UST	0.35	2
10-yr UST	0.71	3
30-yr UST	1.42	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.33	5	2.28	-2
5-yr	2.54	7	2.48	4
7-yr	2.66	0	2.65	0
10-yr	2.82	3	2.93	0
15-yr	3.06	2	3.17	4
20-yr	3.32	-2	3.24	0
30-yr	3.72	2	3.69	2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.21	-2
3-yr	2.22	1
5-yr	2.28	-2
7-yr	2.40	2
10-yr	2.63	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Local govies saw thinner and cautious trading compared to previous two trading sessions last Friday; on lower secondary market volume of RM3.56b. Overall benchmark yields closed mostly higher between -2 to +7bps with interest mainly centred in the off-the-run MGS 23's, GII 20-21's and also benchmark 5Y bond. The benchmark 5Y MGS 6/24 spiked 7bps at 2.54% whilst the 10Y MGS 8/29 rose 3bps at 2.82%. The curve shifted higher and GII bonds eased further to form about ~35% of overall trades. Expect the MYR to ease on dollar strength and also ahead of 1Q2020 GDP growth concerns expected out tomorrow. Meanwhile Petronas and the Sarawak state govt have reached agreement on oil and gas taxation for petroleum products sold in the East Malaysian state with the former agreeing to pay RM2.0b for oil tax in 2019.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw slightly improved activity ahead of the long weekend with overall secondary market volume at RM377m. Interest was seen mainly in the GG-segment as overall yields ended mostly mixed-to-lower. The long-tenured Govt-guaranteed DANA 48's closed sharply lower on yields compared to previous-done levels at 3.90-91% levels on nominal traded amounts of RM130m whilst PRASA 2/50 edged 1bps higher at 4.00%. AAA-rated PUTRAJAYA 24-25's exchanged hands again between 0-2bps lower between 2.91-97% area. Single-A rated DRB Hicom 12/29 however sold-off by ~30bps at 5.90%. The banking space was relatively quiet with MBSB 29NC24 also spiking to 4.49%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	2.084	57	2.294	29/04/2020	-21
MGS 10/20	2.069	55	2.262	06/05/2020	-19
MGS 07/21	2.148	52	2.132	06/05/2020	2
MGS 11/21	2.181	1	2.187	06/05/2020	-1
MGS 03/22	2.223	5	2.231	06/05/2020	-1
MGS 08/22	2.274	8	2.285	06/05/2020	-1
MGS 09/22	2.266	1	2.289	06/05/2020	-2
MGS 03/23	2.326	280	2.274	06/05/2020	5
MGS 04/23	2.317	1	2.323	06/05/2020	-1
MGS 08/23	2.390	340	2.360	06/05/2020	3
MGS 06/24	2.443	429	2.406	06/05/2020	4
MGS 07/24	2.456	111	2.435	06/05/2020	2
MGS 09/24	2.493	6	2.473	06/05/2020	2
MGS 09/25	2.544	99	2.481	06/05/2020	6
MGS 04/26	2.622	30	2.640	06/05/2020	-2
MGS 07/26	2.635	54	2.634	06/05/2020	0
MGS 03/27	2.715	15	2.669	06/05/2020	5
MGS 05/27	2.664	152	2.665	06/05/2020	0
MGS 11/27	2.799	128	2.774	06/05/2020	2
MGS 06/28	2.836	24	2.842	06/05/2020	-1
MGS 08/29	2.819	173	2.793	06/05/2020	3
MGS 04/30	2.943	53	2.932	06/05/2020	1
MGS 06/31	2.993	6	3.000	06/05/2020	-1
MGS 11/33	3.183	10	3.183	06/05/2020	0
MGS 07/34	3.057	73	3.040	06/05/2020	2
MGS 04/37	3.345	8	3.372	06/05/2020	-3
MGS 05/40	3.324	73	3.347	06/05/2020	-2
MGS 03/46	3.659	15	3.654	06/05/2020	0
MGS 07/48	3.722	53	3.697	06/05/2020	2
GII 05/20	2.262	149	2.202	06/05/2020	6
GII 06/20	2.092	109	2.080	06/05/2020	1
GII 03/21	2.101	240	2.110	06/05/2020	-1
GII 04/21	2.100	50	2.121	06/05/2020	-2
GII 08/21	2.140	60	2.160	06/05/2020	-2
GII 03/22	2.271	40	2.264	04/05/2020	1
GII 04/22	2.262	20	2.254	06/05/2020	1
GII 11/23	2.353	130	2.377	06/05/2020	-2
GII 10/24	2.484	19	2.444	06/05/2020	4
GII 10/25	2.642	1	2.563	05/05/2020	8
GII 03/26	2.654	40	2.655	06/05/2020	0
GII 09/26	2.746	40	2.755	06/05/2020	-1
GII 06/27	2.766	6	2.768	06/05/2020	0
GII 07/27	2.821	87	2.793	06/05/2020	3
GII 10/28	2.881	9	2.895	06/05/2020	-1
GII 12/28	2.918	10	2.900	06/05/2020	2
GII 07/29	2.927	40	2.931	06/05/2020	0
GII 06/33	3.131	60	3.114	06/05/2020	2
GII 11/34	3.172	110	3.130	06/05/2020	4
GII 11/49	3.688	30	3.663	06/05/2020	3
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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*
GovCo Holdings Berhad	06/31	GG	3.188	10	3.228	05/05/2020	-4	39
GovCo Holdings Berhad	09/32	GG	3.249	10	3.199	20/02/2020	5	45
Lembaga Pembiayaan Perumahan Sektor Awam	09/46	GG	3.830	10	4.339	02/04/2020	-51	49
Danainfra Nasional Berhad	04/48	GG	3.900	70	4.649	26/03/2020	-75	56
Danainfra Nasional Berhad	11/48	GG	3.910	60	4.689	24/03/2020	-78	57
Prasarana Malaysia Berhad	02/50	GG	4.000	30	3.989	17/04/2020	1	66
Putrajaya Holdings Sdn Berhad	04/24	AAA	2.914	20	2.918	06/05/2020	0	50
Putrajaya Holdings Sdn Berhad	04/25	AAA	2.968	10	2.988	06/05/2020	-2	48
Bakun Hydro Power Generation Sdn Berhad (fka S	08/27	AAA	3.078	10	3.828	27/03/2020	-75	42
CIMB Group Holdings Berhad	12/25	AA	3.713	1	3.027	27/04/2020	69	111
Country Garden Real Estate Sdn Berhad	05/22	AA3	3.653	10	4.455	16/04/2020	-80	143
Trinity Asia Ventures Berhad	09/22	AA3	4.409	12	-	-	-	219
Country Garden Real Estate Sdn Berhad	02/23	AA3	3.746	10	5.030	06/05/2020	-128	146
Exsim Ventures Berhad	08/23	AA3	4.505	5	-	-	-	222
Country Garden Real Estate Sdn Berhad	03/27	AA3	4.178	10	-	-	-	152
TG Excellence Berhad	02/20	AA-	3.465	6	3.663	05/05/2020	-20	13
DRB-Hicom Berhad	12/29	A+	5.898	70	5.602	16/04/2020	30	310
CIMB Group Holdings Berhad	05/16	A1	3.667	6	3.770	05/05/2020	-10	33
CIMB Group Holdings Berhad	05/16	A1	4.341	1	4.366	27/04/2020	-2	100
IJM Land Berhad	03/19	A2	4.635	2	5.260	05/05/2020	-63	130
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	4.493	5	4.118	24/04/2020	38	169
Eco World International Berhad	10/21	-	5.261	1	6.340	05/05/2020	-108	313
Eco World International Berhad	05/23	-	5.931	2	6.612	05/05/2020	-68	365
AEON Credit Service (M) Berhad	12/14	-	4.802	2	4.620	29/04/2020	18	147
Mah Sing Group Berhad	04/17	-	5.889	2	6.218	05/05/2020	-33	255
Tropicana Corporation Berhad	09/19	-	6.930	1	6.930	05/05/2020	0	359
WCT Holdings Berhad	03/19	A	5.988	2	5.690	02/03/2020	30	265
				<u>377</u>				

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

Market/Corporate News: What's Brewing

Widad Group Bhd, which total order book is estimated to be RM2.6bil by year-end, is working towards growing its integrated facility management (IFM) business via mergers and acquisitions (M&A). Group managing director Datuk Mohd Rizal Mohd Jaafar (pic below) said this would provide the group with consistent cash flow as well as revenue stability. He sees revenue contribution from this segment to potentially become higher than its construction business in the next few years. "We remain positive on the group's future earnings with strong support from our stakeholders. We will continue to grow our IFM business through M&A activities similar to Universiti Teknologi Mara (UiTM) Jasin and Seremban 3. "The group has identified some potential targets and shall announce it in due time should it materialise. All these targets at the moment are domestic ones. "After the completion of UiTM Jasin and Seremban 3 acquisitions, we will see about 14 more years of stable income. In the meantime, we are still on the lookout for similar types of concessions that can generate long-term income," he told StarBiz in an e-mail reply. He noted that government contracts contributed 90% of the group's overall business portfolio and this would continue to support its growth. Rizal added that the group would continue to bid for government contracts, particularly in civil engineering and infrastructure when there are open tenders. "We have submitted a total tender of RM1.4bil since last December, about half of which was for IFM business and the rest for construction projects," he said. Currently, Widad has an outstanding order book of RM886mil generated from its IFM and construction business. After the completion of its recent acquisitions – (UiTM) Jasin and Seremban 3 – the new total order book stand at about RM2.6bil by year-end. Widad, he said, has a strong operations team that specialises in end-to-end or one-stop IFM services. He said the group has seen healthy profit margins in its past projects, and believes that it is able to do the same for other concessions and new acquisitions which would spur growth for the group. Construction and IFM contributed 64% and 36%, respectively, to its revenue for the financial year ended Dec 31,2019. However, IFM contributed about 60% of its net profit, which is the main contributor to the group's earnings. Rizal said the construction

segment would remain active but the IFM segment would dominate as the main contributor to earnings, going forward. Some of the group's notable projects include the servicing of Istana Negara. "We also see some opportunities for IFM segment post Covid-19 pandemic, which include cleaning services and disinfection in certain areas," he said. Rizal said although the construction sector has been affected by the Covid-19 pandemic, thanks to the group's business diversification into IFM years ago, it has helped ease its financial burden. However, he said the group expected its construction segment to get back on its feet after the movement control order (MCO) is lifted. "The business environment is no longer the same due to the pandemic. We must all change the way we do business, going forward. The construction industry is largely affected and we need to be more creative in our offerings and plan for business recovery," he said. Rizal expected the stimulus packages announced by the government to expedite the economic recovery to benefit the construction and IFM businesses. The group remains optimistic about the economic situation once the pandemic has settled down. "It was also a good move by the government to allow the construction sector to resume operations in full capacity during the conditional MCO. This will give the industry the much-needed room to breathe," he said. Amid the tough economic conditions, he said Widad currently has a net gearing of 0.17 time, which is still manageable for the group. In February this year, Widad signed two conditional share sales agreements to acquire 100% equity interest in Serendah Heights Sdn Bhd for RM127.02mil. In November last year, Widad entered into a heads of agreement to acquire 100% equity interest in Innovatif Mewah Sdn Bhd for RM122mil cash. This would give the group an additional IFM concessionaire with a future cashflow worth RM838mil over the next 14 years. (Source: *The Star*)

IJM Land Bhd will restart work on the stalled RM4.5bil The Light City project, which is located next to the Penang Bridge, in August. IJM Perennial Development Sdn Bhd general manager Tan Hun Beng said the construction work was supposed to start in April. IJM Perennial is a joint-venture company between IJM Corp Bhd and Singapore-based Perennial Real Estate Holdings Ltd to oversee the project. "But because of the movement control order (MCO), we have to postpone it to August," Tan added. According to Tan, the details of the contract for the project are now being finalised. "The contract should be awarded in July to the group's construction subsidiary, Jurutama Sdn Bhd. "The time is right to start the project because the drop in fuel price will lower the construction cost," he said. Tan added that the project, scheduled for completion within a four-year period, might take longer because of the new SOPs that needed to be adhered to in light of the Covid-19 outbreak. Last December, IJM Perennial signed with OCBC Bank Bhd, RHB Bank Bhd, CIMB Bank Bhd and MALAYAN BANKING BHD for a loan facility of over RM1bil to finance the project. Initially, IJM Land had planned to start work on The Light City in 2018, but given the property market slowdown, the group held back the implementation of the project to revise the plan. "We made revisions so that the project could be launched in two phases, according to the pace of market demand. "The new plan can now accommodate more food and beverage outlets and possibly, an experiential themed park in phase two," Tan said. In the revised plan, the first phase will have a mall with a 680,000-sq-ft net lettable area, the Penang Waterfront Convention Centre, a four-star hotel with 500 rooms, offices and the Mezzo residential condominiums. The second phase will have a 300,000-sq-ft mall, a five-star hotel with 250 rooms, offices and the Essence residential condominiums. "The work on the first phase should create some 1,000 jobs for the local construction industry. "The first phase is scheduled for completion in 2024," Tan said. Tan said the sales of the Mezzo condominiums and the occupancy of the mall would determine the commencement of the second phase. "If the response to the condominium and the mall is good, we will start the second phase as soon as possible," said Tan. "The retail mall and the hotel business would be well supported by the convention centre, which is expected to bring in the crowds. "The meeting, incentive, convention and exhibition market will drive the demand for the convention centre space. "Our location is well-centralised around the airport, free industrial zone, George Town city and the mainland. This is also an added advantage," he added. IJM is one of Malaysia's leading conglomerates with businesses in construction, property, plantations, industry and infrastructure. It has operations in 10 countries, with the

primary focus on Malaysia, India, the United Arab Emirates, China and Indonesia. Perennial is an integrated real estate and healthcare company headquartered and listed in Singapore. As a real estate owner, developer and manager, Perennial focuses strategically on large-scale, mixed-use developments. It has operations in China, Singapore, Malaysia, Indonesia, Myanmar and Ghana with a combined portfolio spanning over 65 million sq ft. (Source: *The Star*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Quantum Solar Park (Semenanjung) Sdn Bhd	Green Sustainable and Responsible Investment (SRI) Sukuk rating of up to RM1.0 billion	A+IS/Positive	Affirmed with Outlook raised from Stable to Positive

Source: RAM, MARC

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