

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries extended its rally on the longer-ends on Thursday as flight-to-safety engulfed markets following a rout in equities overnight coupled with fears of a 2nd wave of COVID-19 infections. To recap, the Fed had earlier indicated that interest rates were likely to remain at current levels through 2022. The curve flattened and as overall benchmark yields ended mixed between -10 to +3bps. The UST 2Y rose 3bps at 0.20% whilst the much-watched UST 10Y rallied and closed 6bps lower at 0.67%; its lowest level in 10 days. The auction of \$19b of 30Y bonds saw average bidding metrics on a BTC ratio of 2.30x; averaging 1.45%. The Labor Department released data that showed a decline in first-time claims for US unemployment benefits for week ended 6th June; as businesses re-open. Expect investors to be alert for further updates on the COVID-19 front for the time being.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.20	3
5-yr UST	0.32	1
10-yr UST	0.67	-6
30-yr UST	1.40	-10

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.36	0	2.37	-2
5-yr	2.53	-10	2.54	-4
7-yr	2.76	-5	2.77	-14
10-yr	2.92	-8	2.96	-2
15-yr	3.38	1	3.41	-5
20-yr	3.57	-4	3.63	4
30-yr	3.95	-4	3.88	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.17	-5
3-yr	2.23	-2
5-yr	2.38	-6
7-yr	2.51	-6
10-yr	2.72	-6

Source : Bloomberg

Upcoming Government Bond Tender

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

MGS/GII

- Local govies continued to be well-bid, taking cue from lower Interest Rate Swaps as values emerged with the 5-10Y tenures regaining strength on bargain-hunting. Secondary market volume however eased to RM3.75b as overall benchmark MGS/GII yields closed between 0-14bps lower save for the 20Y GII; with interest mainly centred in the off-the-run 20-21's, 28's and 10Y benchmark MGS/GII. GII bonds rose to form ~34% of overall trades. Interestingly, the spreads between the 10Y MGS and OPR remained high and almost at levels last seen during the height of the COVID-19 pandemic. Despite prospect of interest rate cuts, markets are not seen pricing that in for the immediate future. The benchmark 5Y MGS 9/25 rallied 10bps at 2.53% whilst the 10Y MGS 8/29 closed 8bps lower at 2.92%. Expect attention to focus on the 30Y MGS auction today.

Corp Bonds/Sukuk

- Investors were seen maintaining interest amid lower secondary market volume of RM535m with trades across the AAA-AA part of the curve followed by the GG space. Overall yields closed mostly mixed-to-lower instead. Both govt-guaranteed MKD Kenchana 2/23 and PTPTN 3/24 edged 1bps lower compared to previous-done levels at 2.49% and 2.72% respectively. AAA-rated AMAN dominated trades in this space with a multitude of tranches ranging between 2022-2030 tenures notching RM140m in nominal amounts; closing mostly between 1-109bps lower at 2.76-3.41% area. AA-rated YTL Corpo 4/23 and BGSM 3/26 however rose between 1-4bps at 3.27% and 3.41% respectively. The banking space saw MBSB 31NC26 spike 19bps at 4.50%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
MGS 07/20	1.972	628	2.007	10/06/2020	-4
MGS 10/20	2.001	336	2.010	10/06/2020	-1
MGS 07/21	2.013	169	2.071	10/06/2020	-6
MGS 09/21	2.078	47	2.089	09/06/2020	-1
MGS 03/22	2.175	5	2.228	10/06/2020	-5
MGS 08/22	2.225	6	2.285	10/06/2020	-6
MGS 09/22	2.250	50	2.291	10/06/2020	-4
MGS 03/23	2.356	171	2.353	10/06/2020	0
MGS 08/23	2.432	151	2.533	10/06/2020	-10
MGS 07/24	2.586	7	2.561	10/06/2020	2
MGS 09/24	2.554	1	2.575	10/06/2020	-2
MGS 03/25	2.562	1	2.578	05/06/2020	-2
MGS 09/25	2.532	157	2.634	10/06/2020	-10
MGS 04/26	2.724	1	2.642	01/06/2020	8
MGS 07/26	2.722	1	2.771	10/06/2020	-5
MGS 09/26	2.761	20	2.649	29/05/2020	11
MGS 11/26	2.776	85	2.827	10/06/2020	-5
MGS 03/27	2.822	1	2.900	04/06/2020	-8
MGS 05/27	2.755	60	2.802	10/06/2020	-5
MGS 11/27	2.838	178	3.028	10/06/2020	-19
MGS 06/28	2.956	11	2.970	10/06/2020	-1
MGS 09/28	2.952	1	3.056	10/06/2020	-10
MGS 08/29	2.922	337	3.006	10/06/2020	-8
MGS 04/30	3.085	12	3.100	10/06/2020	-2
MGS 04/33	3.268	2	3.369	10/06/2020	-10
MGS 07/34	3.382	1	3.370	10/06/2020	1
MGS 04/37	3.529	3	3.604	10/06/2020	-8
MGS 05/40	3.567	11	3.608	10/06/2020	-4
MGS 03/46	4.021	2	3.992	10/06/2020	3
MGS 07/48	3.950	13	3.990	09/06/2020	-4
GII 08/20	2.016	4	2.031	10/06/2020	-2
GII 03/21	2.073	200	2.093	04/06/2020	-2
GII 07/22	2.260	78	2.229	09/06/2020	3
GII 04/23	2.444	30	2.467	09/06/2020	-2
GII 05/23	2.369	130	2.392	10/06/2020	-2
GII 07/23	2.412	10	2.468	09/06/2020	-6
GII 10/23	2.431	60	2.461	10/06/2020	-3
GII 10/24	2.539	7	2.577	10/06/2020	-4
GII 08/25	2.638	77	2.590	10/06/2020	5
GII 03/26	2.712	40	2.804	10/06/2020	-9
GII 09/26	2.788	22	2.831	10/06/2020	-4
GII 09/27	2.766	30	2.904	09/06/2020	-14
GII 08/28	2.980	20	3.048	04/06/2020	-7
GII 10/28	2.932	260	3.034	10/06/2020	-10
GII 07/29	2.995	156	3.038	10/06/2020	-4
GII 09/30	3.000	30	3.092	10/06/2020	-9
GII 10/30	2.956	30	2.980	10/06/2020	-2
GII 11/34	3.413	20	3.464	10/06/2020	-5
GII 09/39	3.630	80	3.591	05/06/2020	4
		<u>3754</u>			

Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date	(bp)	Against	
					(dd/mm/yyyy)		MGS*	
Khazanah Nasional Berhad	09/22	GG	2.412	25	2.449	19/05/2020	-4	19
MKD Kencana Sdn Berhad	02/23	GG	2.493	15	2.502	10/06/2020	-1	14
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.723	60	2.73	10/06/2020	-1	27
Pengurusan Air SPV Berhad	02/29	GG	3.15	15	2.949	06/03/2020	20	26
DanaInfra Nasional Berhad	11/47	GG	4.02	5	4	05/06/2020	2	40
Gulf Investment Corporation G.S.C	03/21	AAA	3.017	3	3.048	22/05/2020	-3	96
Aman Sukuk Berhad	04/22	AAA	2.756	10	2.763	21/05/2020	-1	53
Cagamas Berhad	04/22	AAA	2.651	5	-	-	-	43
Pengurusan Air SPV Berhad	08/22	AAA	2.852	40	2.788	20/05/2020	6	63
Aman Sukuk Berhad	04/24	AAA	2.949	10	2.915	02/06/2020	3	49
Aman Sukuk Berhad	03/25	AAA	3.019	10	3.563	26/09/2019	-54	48
Putrajaya Holdings Sdn Berhad	04/25	AAA	3.03	5	3.638	15/11/2019	-61	49
Aman Sukuk Berhad	05/25	AAA	3.029	10	3.054	30/04/2020	-2	49
Aman Sukuk Berhad	05/26	AAA	3.139	30	3.445	11/09/2019	-31	47
Aman Sukuk Berhad	10/26	AAA	3.179	30	4.268	03/04/2019	-109	51
Aman Sukuk Berhad	05/27	AAA	3.239	10	3.098	03/03/2020	14	49
Pengurusan Air SPV Berhad	06/27	AAA	3.299	10	3.32	05/06/2020	-2	55
Aman Sukuk Berhad	07/27	AAA	3.259	10	3.648	14/01/2020	-39	51
Aman Sukuk Berhad	05/29	AAA	3.359	10	3.638	19/03/2020	-28	46
Aman Sukuk Berhad	05/30	AAA	3.409	10	3.977	01/04/2020	-57	49
Kuala Lumpur Kepong Berhad	09/22	AA1	2.885	80	2.869	01/06/2020	2	66
YTL Corporation Berhad	04/23	AA1	3.266	50	3.229	09/03/2020	4	92
Celcom Networks Sdn Berhad	08/24	AA+	3.198	5	3.655	10/04/2020	-46	74
Gamuda Berhad	04/21	AA3	3.004	10	3.085	16/04/2020	-8	95
Edra Energy Sdn Berhad	07/25	AA3	4.477	1	4.477	09/06/2020	0	194
BGSM Management Sdn Berhad	03/26	AA3	3.413	20	3.398	09/06/2020	1	74
Alpha Circle Sdn Berhad	11/21	AA-	3.812	3	4.366	18/12/2019	-55	176
CIMB Group Holdings Berhad	05/16	A1	3.894	1	3.327	03/06/2020	57	28
MBSB Bank Berhad (Ika Asian Finance Bank Berh	12/31	A3	4.501	30	4.31	05/06/2020	19	158
Affin Islamic Bank Berhad	10/17	A3	4.349	11	4.349	03/06/2020	0	73
Eco World International Berhad	04/23	-	6.317	1	7.167	02/06/2020	-85	397
Eco World International Berhad	05/23	-	6.398	1	6.523	10/06/2020	-13	405
			<u>535</u>					

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

Market/Corporate News: What's Brewing

While IGB Bhd concedes it will not be spared from the negative impact of the Covid-19 pandemic, it remains early now to quantify the financial effects on the group's performance for 2020. In its filings, the property and construction group said its results for the financial year ending Dec 31,2020 would to a large extent be dependent on the duration of the Covid-19 crisis and the continued negative impact on economic activity. "With the global outbreak of the Covid-19 pandemic beginning from late last year and early 2020 and the imposition by the Government of the Movement Control Order from March 18, the outlook for the local economy remains uncertain at best and challenging in the near term," IGB said. "However, the group has taken steps to mitigate the impact by taking measures to reduce operating expenses as well as assessing the various government assistance measures which may be applicable to the group," it added. It noted it would continue to monitor the situation closely and take appropriate actions when necessary. For the first quarter ended March 31,2020, IGB posted lower net profit of RM17.7mil, compared with RM49.4mil, due mainly to lower contributions from its property development, property investment-retail and hotel divisions. Consequently, its earnings per share slid to 2.33 sen from 7.25 sen previously. During the quarter in review, IGB's revenue fell 12.7% to RM291.4mil from RM333.8mil in the previous corresponding quarter. It attributed the decline in revenue to lower contributions from the property development and hotel divisions. IGB revealed revenue contributed by the hotel division for the period in review decreased 40% year-on-year (y-o-y) to RM40.1mil as a result of lower average occupancy rates across all hotels in the group. Revenue from the property development division during the quarter in review, which was derived mainly from sales of completed condominium units at "Stonor 3", decreased 58% y-o-y to RM20.1mil. The group currently did not have any developments under construction. (Source: *The Star*)

Malaysia Airports Holdings Bhd's (MAHB) passenger traffic in May rebounded from April's plunge but remains down by 97.8% year-on-year, dragged by the travel lockdowns imposed in Malaysia and Turkey to curb the Covid-19 outbreak. MAHB recorded 237,200 passengers in Malaysia and at its Istanbul Sabiha Gökçen International Airport (SGIA) in Turkey combined. That's up 73.14% from April's headcount of 137,000 but a big drop from the 10.65 million in May 2019, MAHB's monthly passenger traffic snapshot filed to Bursa Malaysia today showed. The worst hit was SGIA, which saw almost no traffic at all with just 200 passengers, compared with 2.72 million in May 2019, due to travel shutdowns there. In Malaysia, its passenger traffic count was 237,000 — down 97% from the 7.93 million total it served at KLIA and all other Malaysia Airports Sdn Bhd's airports. However, the month-on-month improvement should continue as Turkey has announced it will allow intercity travel from June 1. "Pegasus and Anadolujet Airlines have resumed domestic flights from 1 June and have filed to increase frequencies," MAHB said. Similarly, Malaysia is switching from the movement control order to the recovery MCO from June 10 to Aug 31, which allows inter-state travel, hence allowing local airlines to resume domestic flights. In Malaysia, a little over 37% of MAHB's passenger traffic or 88,000 were recorded in KLIA in May, with the balance 149,000 from among the MASB airports. In terms of aircraft traffic, Malaysia recorded an 85.6% y-o-y decline to 10,253 planes from 71,128 planes. This is represented by 2,728 planes or 26.6% in KLIA, and 7,525 or 73.4% at the MAHB airports. In Istanbul's SGIA, plane count plummeted 99.6% y-o-y to 78, from 18,497. Moving forward, MAHB said it has geared up necessary measures and processes for both travellers and airlines, strictly adhering to standard of procedures (SOP) by Malaysia National Security Council and guidelines by the International Civil Aviation Organisation (ICAO), International Air Transport Association (IATA) and Airport Council International (ACI). "The Malaysian government had also recently announced an additional RM35 billion Short-Term Economic Recovery Plan (ERP) on 5 June 2020, to address health and economic challenges due to the pandemic. "The tax incentives introduced in the recent ERP are expected to support and boost the domestic tourism sector until December 2021," it added. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
MEX I Capital Berhad (MEX Capital or the Issuer, formerly known as Bright Focus Berhad)	Proposed RM1.225 bil Islamic MTN	AA3/Stable	Preliminary update

Source: RAM, MARC

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