

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	-2
5-yr UST	0.32	-3
10-yr UST	0.67	-4
30-yr UST	1.37	-5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.37	4	2.28	0
5-yr	2.56	2	2.48	0
7-yr	2.78	12	2.70	5
10-yr	2.84	2	2.99	6
15-yr	3.10	5	3.20	3
20-yr	3.36	3	3.38	14
30-yr	3.77	5	3.69	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.21	0
3-yr	2.23	0
5-yr	2.31	3
7-yr	2.40	0
10-yr	2.63	0

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of (RM3.5b + RM1.5b Private placement) of 15Y GII 11/34 on Thursday, 14th May

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bull-flattened and recovered on Tuesday following the Labor Department's report on weak US CPI of -0.8% MOM (core CPI -0.4%) in April; coupled with solid 10Y auction bidding metrics. Overall benchmark yields fell between 2-5bps with the UST 2Y at 0.16% whilst the much-watched UST 10Y rallied to close 4bps lower at 0.67%. The Treasury's auction of \$32b of 10Y notes attracted a strong 2-year high BTC ratio of 2.69x and awarded at a record low of 0.70%. Meantime, traders continue to flirt with hedges against the risk that the Fed may drop rates below zero despite Fed officials indicating otherwise. Nevertheless, yield-curve control and forward guidance may be deemed more appropriate than negative rates in the near future. Expect attention to shift to the upcoming \$22b worth of 30Y bond auction.

MGS/GII

- Local govies saw thin trading on weakness compared to last week as secondary market volume notched RM3.06b. The curve shifted higher as overall benchmark yields rose between 0-14bps higher with interest mainly continued to be centred in the off-the-run 20-21's and also benchmark 15Y GII bond. Both the benchmark 5Y MGS 6/24 and the 10Y MGS 8/29 rose 2bps at 2.56% and 2.84% respectively. GII bonds eased for the 3rd straight session to form about ~29% of overall trades. Separately, EM local government debt has recently seen broad-based currency weakness impact their fine run. Meanwhile expect attention to shift to the release of 1Q2020 GDP data which we have penciled in for a mere 1.2% growth due to the severe impact of the COVID-19 virus pandemic.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw upbeat activity as per our earlier statement with overall secondary market volume spiking to a YTD high of RM1.79b. Interest was seen mainly in the GG-segment as overall yields ended mostly mixed-to-lower again. KHAZANAH bonds dominated trades yesterday forming ~82% of overall trades. The 2022-2024 tranches ended 13-42bps lower compared to previous-done levels between 2.44-67% area. AAA-rated CAGA 5/23 too rallied to close 36bps lower at 2.79%. AA-rated UEM Sunrise 3/24 experienced different fortunes closing at 3.42% and 3.67% each. The banking space saw BPMB 3/27 close sharply lower on yields at 3.19% whereas AmBank Islamic 25NC20 rose 3bps instead at 3.07%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	07/20	2.016	7	2.084	08/05/2020	-7
MGS	10/20	2.071	349	2.069	08/05/2020	0
MGS	02/21	2.100	85	2.100	06/05/2020	0
MGS	07/21	2.131	281	2.148	08/05/2020	-2
MGS	09/21	2.183	17	2.216	06/05/2020	-3
MGS	11/21	2.176	19	2.181	08/05/2020	0
MGS	03/22	2.232	143	2.223	08/05/2020	1
MGS	08/22	2.295	1	2.274	08/05/2020	2
MGS	09/22	2.320	1	2.266	08/05/2020	5
MGS	03/23	2.369	128	2.326	08/05/2020	4
MGS	08/23	2.404	138	2.390	08/05/2020	1
MGS	06/24	2.496	8	2.443	08/05/2020	5
MGS	07/24	2.504	51	2.456	08/05/2020	5
MGS	09/24	2.499	1	2.493	08/05/2020	1
MGS	03/25	2.565	100	2.489	06/05/2020	8
MGS	09/25	2.559	184	2.544	08/05/2020	2
MGS	04/26	2.661	8	2.622	08/05/2020	4
MGS	07/26	2.744	54	2.635	08/05/2020	11
MGS	11/26	2.774	50	2.654	08/05/2020	12
MGS	05/27	2.779	161	2.664	08/05/2020	12
MGS	11/27	2.816	23	2.799	08/05/2020	2
MGS	06/28	2.868	65	2.836	08/05/2020	3
MGS	08/29	2.842	159	2.819	08/05/2020	2
MGS	04/30	3.040	27	2.943	08/05/2020	10
MGS	06/31	3.053	1	2.993	08/05/2020	6
MGS	07/34	3.103	25	3.057	08/05/2020	5
MGS	04/37	3.371	29	3.345	08/05/2020	3
MGS	06/38	3.469	8	3.413	05/05/2020	6
MGS	05/40	3.357	30	3.324	08/05/2020	3
MGS	03/46	3.718	5	3.659	08/05/2020	6
MGS	07/48	3.770	10	3.722	08/05/2020	5
GII	06/20	2.080	50	2.092	08/05/2020	-1
GII	03/21	2.100	310	2.101	08/05/2020	0
GII	08/21	2.150	10	2.140	08/05/2020	1
GII	04/22	2.266	1	2.262	08/05/2020	0
GII	03/26	2.700	20	2.654	08/05/2020	5
GII	07/27	2.821	61	2.821	08/05/2020	0
GII	09/27	2.759	2	2.715	06/05/2020	4
GII	10/28	2.951	10	2.881	08/05/2020	7
GII	07/29	2.986	29	2.927	08/05/2020	6
GII	10/30	2.824	40	2.792	08/05/2020	3
GII	06/33	3.148	50	3.131	08/05/2020	2
GII	08/33	3.201	50	3.130	06/05/2020	7
GII	11/34	3.202	240	3.172	08/05/2020	3
GII	09/39	3.376	20	3.236	05/05/2020	14
			<u>3060</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*
Khazanah Nasional Berhad	06/22	GG	2.440	40	2.858	17/04/2020	-42	21
Khazanah Nasional Berhad	09/22	GG	2.470	520	2.869	17/04/2020	-40	24
Khazanah Nasional Berhad	08/23	GG	2.560	490	2.810	12/03/2020	-25	21
Danainfra Nasional Berhad	08/23	GG	2.560	220	2.685	05/05/2020	-13	21
Khazanah Nasional Berhad	03/24	GG	2.650	35	2.924	20/04/2020	-27	17
Khazanah Nasional Berhad	08/24	GG	2.670	170	2.956	21/04/2020	-29	19
GovCo Holdings Berhad	02/27	GG	2.920	35	3.019	28/04/2020	-10	18
Danainfra Nasional Berhad	07/27	GG	2.950	25	2.956	05/05/2020	-1	21
Gulf Investment Corporation G.S.C	03/21	AAA	3.180	20	3.388	23/04/2020	-21	106
Cagamas Berhad	05/23	AAA	2.790	100	3.147	06/04/2020	-36	44
Bank Pembangunan Malaysia Berhad	03/27	AAA	3.190	10	3.785	08/04/2020	-60	45
Sarawak Energy Berhad	11/33	AAA	3.480	30	3.559	28/04/2020	-8	38
Malayan Banking Berhad	10/25	AA1	2.880	6	3.061	04/03/2020	-18	29
Malayan Banking Berhad	01/29	AA1	3.679	1	3.402	10/02/2020	28	84
Trinity Asia Ventures Berhad	09/22	AA3	4.410	12	4.409	08/05/2020	0	218
Exsim Ventures Berhad	08/23	AA3	4.510	5	4.505	08/05/2020	0	216
AmBank Islamic Berhad	12/25	AA3	3.070	10	3.040	09/03/2020	3	39
Country Garden Real Estate Sdn Berhad	03/27	AA3	4.180	10	4.178	08/05/2020	0	144
UEM Sunrise Berhad	03/24	AA-	3.420	10	3.668	08/01/2020	-25	94
TG Excellence Berhad	02/20	AA-	3.670	5	3.465	08/05/2020	21	31
Tan Chong Motor Holdings Berhad	11/21	A1	4.087	1	3.875	10/03/2020	21	185
DRB-Hicom Berhad	12/26	A+	4.671	5	4.760	06/05/2020	-9	193
CIMB Group Holdings Berhad	05/16	A1	4.792	17	4.511	08/05/2020	28	143
IJM Land Berhad	03/19	A2	5.120	1	4.701	28/04/2020	42	176
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	4.490	5	4.493	08/05/2020	0	163
WCT Holdings Berhad	03/19	A	5.990	2	5.988	08/05/2020	0	263
Eco World International Berhad	05/23	-	5.920	1	5.931	08/05/2020	-1	357
Mah Sing Group Berhad	04/17	-	5.270	1	5.889	08/05/2020	-62	191
Tropicana Corporation Berhad	09/19	-	6.290	1	6.930	08/05/2020	-64	293
YNH Property Berhad	07/0/82119	-	7.080	2	6.537	08/05/2020	54	-
				<u>1788</u>				

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

Market/Corporate News: What's Brewing

Norway plans to draw a record 382 billion kroner (US\$37 billion) from its wealth fund, forcing the world's biggest sovereign investor to embark on an historic asset sale to generate cash. The unprecedented withdrawal, revealed in Norway's revised budget for 2020, is more than four times the previous record set in 2016. The development exposes the scale of the economic damage done by the twin crises of Covid-19 and a collapse in global oil markets, with western Europe's biggest crude exporter now facing its worst economic slump since World War II. For the first time, Norway's government is set to withdraw considerably more than the US\$1 trillion fund generates in cash flow from dividends and interest payments. That income is assumed in the budget to be 258 billion kroner this year, meaning asset sales could reach 124 billion kroner or US\$12 billion. "It's obviously an historic event," SEB Chief Strategist Erica Dalsto said. "But we're also in a crisis that lacks historical parallels. This illustrates the double-whammy that's hit the Norwegian economy, with repercussions from both containment measures and the oil-price collapse." With asset liquidation now an inevitability, the fund is likely to focus sales on its bond portfolio. That's because it needs to increase its holding of stocks after the equity portfolio fell below a required 70% target of the total portfolio. Norway's government uses its oil wealth to plug budget deficits every year. Until 2016, the so-called structural oil-corrected deficit was covered by the state's income from petroleum, namely taxes, stakes in offshore fields and dividends from Equinor ASA. As long as the government was generating a surplus, it could deposit money into the fund. In 2016 and 2017, deposits were replaced by withdrawals, as petroleum revenue dwindled due to a slump in prices. But the fund was still able to cover that easily with its cash flow. In 2020, everything changed. The government now expects to spend a record 420 billion kroner of oil money on crisis packages to prop up its economy, with the collapse in petroleum revenue

compounding the shock. The government predicts its net cash flow from petroleum activities will drop by 62% to 98 billion kroner, the lowest since 1999. Norway has a self-imposed fiscal rule stating it should use no more than 3% of the fund's value each year to plug budget holes. But it's allowed to stray from that limit to help the economy during downturns. At 4.2% this year, spending will exceed the cap for the first time since the financial crisis in 2009. (Source: *The EdgeMarkets*)

Weighed down by the movement control order (MCO) and the temporary suspension of Istanbul Sabiha Gokcen International Airport (SGIA), Malaysia Airports Holdings Bhd (MAHB)'s passenger traffic for April plunged by 98.8% from a year ago to 137,000. International and domestic passenger movements during the month stood at 40,000 and 97,000 respectively, according to MAHB' filing with Bursa Malaysia. On a 12-month basis, MAHB's network of airports registered 121.6 million passengers, a decline of 10% over the same period last year. Overall aircraft movements in April contracted by 91.6% compared with the same month of 2019, with international and domestic aircraft movements down 92.9% and 90.7% respectively, said the airport operator. KLIA recorded 56,000 passenger movements with Asean and non-Asean sectors registering 11,000 and 29,000 passenger movements respectively. On the local front, passenger movements in April for KLIA Main Terminal and klia2 recorded 49,000 and 8,000 passengers. Overall aircraft movements at KLIA declined by 93.4% over April 2019. International and domestic aircraft movements at KLIA decreased 91.9% and 96.5% respectively, MAHB said. Passenger movements at the other local airports declined by 97.7% year-on-year with 81,000 passengers in April, MAHB added. "International passenger movements recorded marginal passenger volumes, while the domestic sector recorded approximately 81,000 passenger movements," said MAHB, adding that aircraft movements declined by 86.2%. The international and domestic aircraft movements declined by 87.2% and 86% over April 2019. Meanwhile, Istanbul SGIA was temporarily closed for operations since March 27, following the Turkish government's decision to close borders. Nevertheless, there were several cargo flights in April and more cargo and charter flights are expected to take place in May, with Pegasus and Turkish Airlines planning to resume operations from May 28 onwards, MAHB said. MAHB noted that local airlines have recommenced flights to key domestic routes with minimal frequencies from April 29 and are ready to increase more flights, with the government's endorsement to allow more inter-state border movements with strict travelling guidelines. "The latest announcement of a Conditional Movement Control Order from May 4, 2020 allowed almost all businesses to resume with tight SOP (Standard Operating Procedure) guidelines," MAHB said. Moving forward, MAHB sees a new norm of travelling that would have additional processes, mask enforcement and social distancing amongst others, to ensure a safer travel experience for the time being. Heightening safety measures and innovative ways to resume the traveller's confidence via technology approach will play a bigger role, MAHB said. Amid the MCO, Malaysia Airports has embarked on upgrading its core network operating system as part of its digital transformation program. "The upgrading would also support other infrastructure enhancements and capacity developments to provide better process automation, augmented contactless self-service, robotics and biometrics technology and would allow Malaysia Airports to realise its Airports 4.0 initiative in full throttle, once the pandemic is under control," the airport operator said. Shares of MAHB closed 10 sen or 2.04% lower at RM4.80 today, valuing the group at RM7.96 billion. Year-to-date, the counter has fallen by 36.8%. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Pelabuhan Tanjung Pelepas Sdn Bhd	Proposed RM1.9 billion Islamic Medium Term Notes (Sukuk Murabahah Programme)	AA IS/StablePositive	Assigned

Source: RAM, MARC

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