

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw yields drift higher on Friday as sentiment continued to rely on updates pertaining to the COVID-19 infections. Overall benchmark yields closed between 0-3bps higher with the UST 2Y almost unchanged at 0.16% and the much-watched UST 10Y rising by 3bps at 0.65%. Meanwhile the ultra-low long-term yields currently reflect investor expectations that short-term interest rates to remain near zero for a prolonged period. Bonds have been resilient with yields edging lower despite more debt issued by the government to fund relief efforts to combat the economic impact due to the COVID-19 virus pandemic. Meanwhile the Fed said that it had purchased \$1.3b in Corporate Bonds in late June as part of its effort to maintain low rates and ensure sufficient borrowings by companies.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	0
5-yr UST	0.31	2
10-yr UST	0.65	3
30-yr UST	1.34	2

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	2.01	1	2.04	0	
5-yr	2.19	2	2.17	0	
7-yr	2.43	2	2.48	0	
10-yr	2.64	1	2.64	-1	
15-yr	3.12	0	3.19	3	
20-yr	3.41	1	3.44	1	
30-yr	3.78	-8	3.80	-8	

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.92	0
3-yr	1.93	0
5-yr	2.08	0
7-yr	2.35	0
10-yr	2.55	4

Source : Bloomberg

MGS/GIII

- Local govies saw investor interest taper off last Friday in what was a relatively quiet session amid a lower secondary market volume of RM6.16b. Overall benchmark MGS/GII yields edged mostly between 0-2bps higher save for the long bonds with interest seen mainly in the off-the-run 20's, 23's and 10Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 closed 2bps up at 2.19% whilst the 10Y MGS 8/29 edged 1bps higher 2.64%. GII bond trades dropped to form ~31% of overall trades. Traders are seen expecting further support for MYR bonds with a view for potential further easing later this year. Expect investors to monitor updates on the parliament sitting today whilst looking for further clues on the stretched fiscal position and ongoing government's measures to improve the economy.

Corp Bonds/Sukuk

- Trading activity grinded lower on last Friday; taking cue from govies performance as secondary market volume halved to RM383m with interest in the GG-segment followed by the AAA and AA-part of the curve. Overall yields still continued to march lower. Govt-guaranteed PRASA and DANA 23's declined sharply between. AAA-rated SEB 27 and PLUS 29 similarly saw yields decline 20bps at 2.88% and 3.13% respectively. AA-space saw energy cum power related bonds YTL Power 5/27 and 8/28 tranche close between 0-5bps lower at 3.46% and 3.56% each whilst MMC Corpo 27-28's fell 5bps between 4.25-30%. The banking space saw CIMB Group Holdings perps 2116NC23 rally to close at 3.54%.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 08/20	1.560	1010	1.585	09/07/2020	-2
MGS 10/20	1.773	212	1.793	09/07/2020	-2
MGS 07/21	1.830	649	1.840	09/07/2020	-1
MGS 11/21	1.837	1	1.872	09/07/2020	-4
MGS 03/22	1.922	280	1.944	09/07/2020	-2
MGS 09/22	1.975	150	2.020	08/07/2020	-4
MGS 03/23	2.007	630	1.994	09/07/2020	1
MGS 04/23	2.038	284	2.137	07/07/2020	-10
MGS 08/23	2.062	124	2.051	09/07/2020	1
MGS 06/24	2.095	2	2.089	09/07/2020	1
MGS 09/25	2.187	30	2.168	09/07/2020	2
MGS 11/26	2.360	85	2.410	09/07/2020	-5
MGS 03/27	2.499	20	2.485	09/07/2020	1
MGS 05/27	2.426	92	2.408	09/07/2020	2
MGS 11/27	2.483	131	2.504	09/07/2020	-2
MGS 06/28	2.649	31	2.642	09/07/2020	1
MGS 08/29	2.640	348	2.634	09/07/2020	1
MGS 04/30	2.781	43	2.736	09/07/2020	4
MGS 07/34	3.117	64	3.122	09/07/2020	0
MGS 05/40	3.408	1	3.401	09/07/2020	1
MGS 07/48	3.821	2	3.826	09/07/2020	0
MGS 06/50	3.784	43	3.868	09/07/2020	-8
GII 03/21	1.820	120	1.830	09/07/2020	-1
GII 04/21	1.823	50	2.023	08/07/2020	-20
GII 03/22	1.959	80	1.982	09/07/2020	-2
GII 04/22	1.962	200	2.022	09/07/2020	-6
GII 05/23	2.037	453	2.039	09/07/2020	0
GII 10/24	2.166	40	2.169	09/07/2020	0
GII 08/25	2.248	90	2.247	09/07/2020	0
GII 10/25	2.266	60	2.297	08/07/2020	-3
GII 09/26	2.430	20	2.431	09/07/2020	0
GII 07/27	2.555	20	2.533	09/07/2020	2
GII 10/28	2.704	110	2.698	09/07/2020	1
GII 12/28	2.730	40	2.906	06/07/2020	-18
GII 07/29	2.764	245	2.741	09/07/2020	2
GII 09/30	2.779	30	2.802	08/07/2020	-2
GII 10/30	2.642	10	2.648	09/07/2020	-1
GII 06/33	3.202	10	3.160	09/07/2020	4
GII 08/33	3.211	150	3.176	09/07/2020	3
GII 11/34	3.194	170	3.161	09/07/2020	3
GII 09/39	3.442	30	3.435	09/07/2020	1
		<u>6160</u>			

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*	
Prasarana Malaysia Berhad	02/23	GG	2.226	20	2.493	20/05/2020	-27	22
DanaInfra Nasional Berhad	08/23	GG	2.297	50	2.557	27/05/2020	-26	29
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	2.294	50	2.298	09/07/2020	0	29
Prasarana Malaysia Berhad	09/24	GG	2.377	25	3.053	14/04/2020	-68	26
Prasarana Malaysia Berhad	02/26	GG	2.479	10	2.830	25/06/2020	-35	13
DanaInfra Nasional Berhad	10/28	GG	2.799	10	2.950	07/07/2020	-15	23
DanaInfra Nasional Berhad	11/35	GG	3.398	10	3.530	08/07/2020	-13	29
DanaInfra Nasional Berhad	02/38	GG	3.499	10	3.748	16/01/2020	-25	10
Manjung Island Energy Berhad	11/23	AAA	2.649	5	3.372	22/01/2020	-72	65
Aman Sukuk Berhad	07/24	AAA	2.800	5	3.041	16/06/2020	-24	69
TNB Northern Energy Berhad	11/24	AAA	2.759	10	3.165	17/02/2020	-41	65
Sarawak Energy Berhad	08/25	AAA	2.797	10	2.797	09/07/2020	0	62
Sarawak Energy Berhad	01/27	AAA	2.879	2	3.080	05/06/2020	-20	47
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.128	10	3.329	27/05/2020	-20	51
Rantau Abang Capital Berhad	03/29	AAA	3.037	10	3.349	25/06/2020	-31	42
Danum Capital Berhad	05/30	AAA	3.149	20	3.179	08/07/2020	-3	51
YTL Power International Berhad	05/27	AA1	3.458	10	3.459	09/07/2020	0	105
YTL Power International Berhad	08/28	AA1	3.559	10	3.609	08/07/2020	-5	99
Malayan Banking Berhad	01/31	AA1	3.129	2	3.249	08/07/2020	-12	49
Westports Malaysia Sdn Berhad	03/28	AA+	3.279	10	3.939	04/10/2019	-66	71
Tanjung Bin Energy Issuer Berhad	03/24	AA3	2.963	10	3.207	30/06/2020	-24	85
WCT Holdings Berhad	10/22	AA-	3.626	4	3.886	12/03/2020	-26	167
MMC Corporation Berhad	11/27	AA-	4.247	10	4.299	08/07/2020	-5	183
MMC Corporation Berhad	03/28	AA-	4.297	10	4.349	08/07/2020	-5	173
CIMB Group Holdings Berhad	05/16	A1	3.544	30	3.810	01/07/2020	-27	14
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/31	A3	3.599	1	3.947	08/07/2020	-35	96
YNH Property Berhad	08/19	-	6.284	6	6.049	08/07/2020	23	288
Tropicana Corporation Berhad	09/19	-	5.544	2	5.644	09/07/2020	-10	214
DRB-Hicom Berhad	12/24	A+	3.988	1	4.199	09/07/2020	-21	188
Southern Power Generation Sdn Berhad	04/30	AA-	3.597	20	3.760	01/07/2020	-16	95
			<u>383</u>					

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

Market/Corporate News: What's Brewing

Despite implementing aggressive cost containment measures to mitigate the impact of COVID-19, Malaysia Airports is going ahead with the replacement of its ageing assets at KL International Airport (KLIA) as they are critical to the recovery of the national aviation industry. As air travel gradually return to normal, the aviation industry will have to gear up to cater to the new normal. There will be a high dependency on automation and technology to keep the travelling public safe as the world waits for an effective vaccine. These mission critical upgrades mean that KLIA is ensuring that it is well-prepared for the post COVID-19 new normal, equipped with enhanced services and standards. The slowdown period is also the perfect opportunity to perform these critical upgrades as it will cause less disruption to airport and airline operations, as well as passenger comfort. In the next two to three years, KLIA will be upgrading its baggage handling system (BHS), replacing the Aerotrains and completing its washroom refurbishment at its Main terminal. Quicker, smoother baggage handling and delivery Modernising the BHS will streamline and enable seamless integration between baggage screening, transportation, sortation, and storage operations. Among others, it will have an ultra high-speed motor that will speed up the current average baggage travelling time and enable faster screening and sorting. The newer technology will improve baggage throughput process resulting in higher volume that can be processed and reduce the waiting time for baggage reclaim process for a better experience. Over the last 20 years, the terminal's BHS has been maintained through regular parts replacement programmes in the recommended three to five-year cycles, including sub-system upgrades and modifications to keep up with growing passenger traffic at the airport. Recent sub-system upgrades include merging two carousels into one to lessen the crowding at the baggage reclaim area, particularly for wide body flights which carry larger number of passengers. Last year, the system handled a daily average of 58,000 bags. The new Aerotrains in KLIA will have bigger carriages travelling at a faster rate to reduce congestion at the aerotrain boarding areas. The new BHS is also part of the airport operator's Airports 4.0 journey where the goal is to improve operational efficiency through the use of technology. Baggage tracking and tracing will be improved throughout the entire handling process using the latest BHS screening technology which means that security at the airport will improve and there will be less disruption to flight operations in the event of a suspicious baggage.. (Source: *The Edgemarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Quill Retail Malls Sdn Bhd	RM350 mil Sukuk Murabahah (2017/2024)		
	Class A	AA1/Negative	Reaffirmed
	Class B	AA3/Negative	Reaffirmed
	Class C	A2/Negative	Reaffirmed
	Class D	A3/Negative	Reaffirmed

Source: RAM, MARC

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