

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker yet again on Wednesday as heavy IG issuance slate impacted yields whilst the surprisingly solid 10Y auction failed to boost levels. The CPI data which climbed to 0.6% in July was also a telling factor. Overall benchmark yields rose between 1-4bps as the UST 2Y edged 1bps higher at 0.16% whilst the much-watched UST 10Y rose 3bps to another 1-month high of 0.68%. Meanwhile the auction consisting of record size \$38b UST 10Y attracted strong demand on a BTC ratio of 2.41x (matching the average for past 6 auctions) whilst being awarded at 0.677%. The eventual increase in issuance sizes at the longer-end by the Treasury in a follow-up to last week's refunding announcement is seen to be a temporary dampener with the additional supply of \$112b projected to result in curve-steepening. Expect some attention to shift to the 30Y auction totaling \$26b today followed by the weekly jobless claims report.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	1
5-yr UST	0.30	3
10-yr UST	0.68	3
30-yr UST	1.37	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.88	-2	1.90	-1
5-yr	2.08	0	2.03	0
7-yr	2.21	-4	2.30	-2
10-yr	2.50	1	2.51	2
15-yr	2.91	2	2.92	-2
20-yr	3.23	-4	3.29	-1
30-yr	3.52	-3	3.63	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.83	-2
3-yr	1.86	-1
5-yr	2.05	-2
7-yr	2.26	-2
10-yr	2.50	-2

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of RM4.0b + RM1.5b (private placement)
20Y MGS 5/40 on Thursday, 13th August, 2020

MGS/GIII

- Local govies continued to display a reversal pattern of prior days weakness on Wednesday amid higher secondary market volume of RM6.73b. Overall benchmark yields ended mostly lower between 0-4bps save for the 10Y and 15Y bonds with the benchmark 5Y MGS 9/25 unchanged at 2.08% whilst the 10Y MGS 8/29 bucking the overall trend by edging 1bps instead at 2.50%. Interest was mainly seen in the off-the-run 31's 33's and also benchmark 7Y, 10Y and 15Y MGS benchmarks. GII bond trades fell to form ~23% of overall trades. The MOF issued a statement on the nation's debt level which is expected to stand at RM1.26 trillion by end of the year. This includes govt guarantees, 1MDB debt & also other financial liabilities. Nevertheless demand for fixed-income instruments remain supportive due to easing monetary policy and tepid inflationary conditions. Expect attention to shift to the 20Y bond auction today followed by 2Q GDP data at noon tomorrow.

Corp Bonds/Sukuk

- Activity was robust amid a sustained secondary market volume of RM713m with transactions seen across the entire spectrum of the curve as overall yields ended mostly lower. Govt-guaranteed DANA dominated trades in GG segment whilst GOVCO 32's rallied between 20-26bps compared to previous-done levels at 2.92-97 area. AAA-rated PUTRAJAYA 25's were well-bis with yields falling between 5-42bps to ~2.62% levels. AA-rated KLK saw the 9/22 tranche decline 23bps at 2.46% whereas the 202-,2026 and 2029 tranches eased between 1-2bps at 2.72%, 2.79% and 3.10% each. Toll operator KESTURI 12/22 edged 1bps higher at 3.13% whilst the 12/27 tranche fell 20bps at 3.66%. The banking space saw RHB Islamic 29NC24 similarly chased by buyers to 3.04% from its previous closing levels of 3.23%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.528	158	1.480	11/08/2020	5
MGS 02/21	1.620	184	1.650	11/08/2020	-3
MGS 07/21	1.700	140	1.630	11/08/2020	7
MGS 11/21	1.669	60	1.661	11/08/2020	1
MGS 03/22	1.765	100	1.762	11/08/2020	0
MGS 09/22	1.808	50	1.817	11/08/2020	-1
MGS 03/23	1.872	275	1.897	11/08/2020	-2
MGS 04/23	1.901	88	1.895	07/08/2020	1
MGS 08/23	1.930	50	1.918	11/08/2020	1
MGS 09/25	2.081	210	2.082	11/08/2020	0
MGS 07/26	2.206	5	2.166	06/08/2020	4
MGS 11/26	2.242	3	2.288	11/08/2020	-5
MGS 03/27	2.258	40	2.300	11/08/2020	-4
MGS 05/27	2.213	597	2.258	11/08/2020	-4
MGS 11/27	2.297	17	2.333	11/08/2020	-4
MGS 06/28	2.463	100	2.463	11/08/2020	0
MGS 08/29	2.500	690	2.489	11/08/2020	1
MGS 04/30	2.518	10	2.635	11/08/2020	-12
MGS 06/31	2.657	618	2.701	11/08/2020	-4
MGS 04/33	2.918	405	3.004	10/08/2020	-9
MGS 11/33	2.931	10	2.985	11/08/2020	-5
MGS 07/34	2.912	1117	2.896	11/08/2020	2
MGS 04/37	3.230	141	3.164	06/08/2020	7
MGS 06/38	3.256	10	3.223	11/08/2020	3
MGS 05/40	3.234	72	3.273	11/08/2020	-4
MGS 06/50	3.521	19	3.546	11/08/2020	-2
GII 05/23	1.903	174	1.915	11/08/2020	-1
GII 07/23	1.946	20	1.946	07/08/2020	0
GII 11/23	1.948	170	1.980	11/08/2020	-3
GII 08/24	2.056	20	2.042	06/08/2020	1
GII 08/25	2.117	10	2.084	07/08/2020	3
GII 03/26	2.170	4	2.189	11/08/2020	-2
GII 07/27	2.345	150	2.332	10/08/2020	1
GII 09/27	2.298	220	2.313	11/08/2020	-2
GII 10/28	2.482	50	2.510	11/08/2020	-3
GII 07/29	2.565	110	2.569	11/08/2020	0
GII 09/30	2.565	10	2.600	10/08/2020	-4
GII 10/30	2.515	95	2.492	11/08/2020	2
GII 06/33	2.979	300	3.009	11/08/2020	-3
GII 08/33	3.015	95	3.015	11/08/2020	0
GII 11/34	2.922	40	2.946	11/08/2020	-2
GII 10/35	3.312	20	3.096	06/08/2020	22
GII 08/37	3.355	20	3.426	11/08/2020	-7
GII 09/39	3.289	50	3.295	11/08/2020	-1
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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*
PR1MA Corporation Malaysia	10/22	GG	1.999	5	2.105	05/08/2020	-11	20
DanaInfra Nasional Berhad	11/24	GG	2.275	20	2.451	08/07/2020	-18	27
DanaInfra Nasional Berhad	02/25	GG	2.286	20	2.328	30/07/2020	-4	20
Small Medium Enterprise Development Bank Malaysia E	04/25	GG	2.378	30	2.449	04/08/2020	-7	30
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	2.644	20	2.789	21/07/2020	-15	28
DanaInfra Nasional Berhad	02/29	GG	2.659	20	3.117	01/07/2020	-46	21
DanaInfra Nasional Berhad	07/29	GG	2.699	15	3.198	18/06/2020	-50	25
DanaInfra Nasional Berhad	09/29	GG	2.699	30	2.794	29/07/2020	-10	25
GovCo Holdings Berhad	02/32	GG	2.920	25	3.178	20/02/2020	-26	42
GovCo Holdings Berhad	09/32	GG	2.971	50	3.168	15/07/2020	-20	48
Putrajaya Holdings Sdn Berhad	04/25	AAA	2.617	30	3.035	25/06/2020	-42	54
Putrajaya Holdings Sdn Berhad	05/25	AAA	2.632	30	2.678	17/07/2020	-5	55
Bank Pembangunan Malaysia Berhad	11/26	AAA	2.729	40	2.818	28/07/2020	-9	57
Danga Capital Berhad	01/30	AAA	2.897	10	3.290	19/05/2020	-39	45
Tenaga Nasional Berhad	08/38	AAA	3.496	3	3.461	04/08/2020	4	27
Kuala Lumpur Kepong Berhad	09/22	AA1	2.463	40	2.694	14/07/2020	-23	67
Kuala Lumpur Kepong Berhad	08/25	AA1	2.720	10	2.730	04/08/2020	-1	64
Kuala Lumpur Kepong Berhad	04/26	AA1	2.789	10	2.812	11/08/2020	-2	63
Kuala Lumpur Kepong Berhad	09/29	AA1	3.101	10	3.118	11/08/2020	-2	65
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.869	1	2.869	11/08/2020	0	37
Sime Darby Plantation Berhad (fka Sime Darby Plantati	03/16	AA	3.189	10	3.248	06/08/2020	-6	-3
IJM Corporation Berhad	06/22	AA3	2.898	10	3.190	30/06/2020	-29	110
Tadua Energy Sdn Berhad	07/22	AA3	3.205	5	3.212	11/08/2020	-1	141
BGSM Management Sdn Berhad	12/22	AA3	2.765	10	2.837	28/07/2020	-7	97
Edra Energy Sdn Berhad	07/25	AA3	3.276	20	4.668	03/08/2020	-139	119
Gamuda Berhad	11/26	AA3	3.438	40	3.548	15/07/2020	-11	128
Gamuda Land (T12) Sdn Berhad	08/27	AA3	3.745	5	3.748	11/08/2020	0	154
RHB Islamic Bank Berhad	05/29	AA3	3.037	15	3.229	09/07/2020	-19	59
WCT Holdings Berhad	10/21	AA-	3.314	5	3.326	11/08/2020	-1	163
Malakoff Power Berhad	12/21	AA-	2.672	10	3.206	17/04/2020	-53	98
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	3.127	10	3.117	07/08/2020	1	133
MMC Corporation Berhad	11/27	AA-	3.998	20	3.984	07/08/2020	1	179
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	3.659	10	3.858	16/06/2020	-20	145
MMC Corporation Berhad	03/28	AA-	3.996	40	4.171	28/07/2020	-18	163
Sinar Kamiri Sdn Berhad	01/31	AA-	4.638	5	4.639	11/08/2020	0	214
Southern Power Generation Sdn Berhad	04/33	AA-	3.449	10	4.199	23/12/2019	-75	55
CIMB Group Holdings Berhad	05/16	A1	3.157	30	3.244	05/08/2020	-9	-7
CIMB Group Holdings Berhad	05/16	A1	3.184	10	2.509	11/08/2020	68	-4
Affin Islamic Bank Berhad	10/17	A3	4.304	15	4.299	11/08/2020	0	108
Tropicana Corporation Berhad	06/23	A+	5.285	3	4.933	28/07/2020	35	341
Quantum Solar Park (Semenanjung) Sdn Berhad	04/28	A+	4.588	5	4.590	11/08/2020	0	222
Perbadanan Kemajuan Negeri Selangor	08/21	-	2.959	5	2.975	11/08/2020	-2	127
YNH Property Berhad	08/19	-	6.684	1	6.569	11/08/2020	12	346
Tropicana Corporation Berhad	09/19	-	5.803	1	6.282	11/08/2020	-48	258
				713				

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

Market/Corporate News: What's Brewing

Euro zone government bonds sold off on Wednesday and the German 30-year bond yield turned briefly positive, ahead of the largest-ever 10-year US Treasury auction and as signs emerged of inflation in the world's largest economy. The Treasury will sell a record US\$38 billion in 10-year notes on Wednesday and US\$26 billion in 30-year bonds on Thursday. US consumer prices, meanwhile, rose more than expected in July and a measure of underlying inflation increased by the most in more than 29 years. Core euro zone bonds sold off, with most yields up 2 to 3 basis points. Southern European bonds also saw yields edge higher. The 10-year US Treasury yield rose the most in two months on Tuesday and extended those gains on Wednesday to reach a five-week high of 0.686%. "It started off as a technical move because of the issuance that we have from the US later," said Antoine Bouvet, rates strategist at ING. "But the real reason is that stocks are strong and there's momentum in the market. We are cautious because we are quite bearish about the global economy and the US in particular." The benchmark 10-year Bund had its biggest daily spike in a month on Tuesday, as Wall Street rebounded towards pre-pandemic highs. Germany's 10-year Bund yield rose 3 bps to a 23-day high of -0.430%, before settling at around -0.45% at the close. France's 10-year yield rose as high as -0.152%, its highest in 16 days, before closing at -0.17%. Spain's 10-year yield was up 2 bps at 0.305%, while Italy's was at 1.027%, up a basis point on the day. Belgian, Dutch, Finnish and Irish bond yields also jumped. "Risk-on in recent days is taking its toll but also the US supply avalanche we're

seeing this week requires some concessions," said Christoph Rieger, head of rates and credit research at Commerzbank. Commerzbank wrote in a note to clients that the sell-off was premature. "Fundamentally nothing has changed," Rieger said. "The coronavirus situation has not improved, the macro situation has not changed, if anything, the political risk from US-China has increased." Russian President Vladimir Putin said on Tuesday that Russia had become the first country to grant regulatory approval to a Covid-19 vaccine. The announcement was met with scepticism and had limited market impact. Eurozone industrial production data showed although output increased in June, the rebound from March and April's record lows was below expectations for a second month in a row, and slower than May. (Source: *The EdgeMarkets*)

Tenaga Nasional Bhd (TNB) today issued RM3 billion worth of sukuk wakalah in three tranches, as part of the RM10 billion Islamic medium term notes (IMTN) programme announced in June. The sukuk, whose initial size was RM2 billion, was oversubscribed by about four times with orders totalling RM7.82 billion received from 41 accounts, said TNB. "The transaction was subsequently upsized from initial issue size of RM2 billion to RM3 billion, upon book closing," the national utility company said in a filing with Bursa Malaysia. The three tranches comprise 10-year RM750 million notes at 2.9%, 15-year RM750 million notes at 3.25%, and 20-year RM1.5 billion notes at 3.55%. CIMB Investment Bank Bhd and Maybank Investment Bank Bhd were the joint principal advisers and joint lead arrangers for the IMTN programme. TNB had announced on June 30 that it was raising up to RM12 billion -- RM10 billion via the IMTN programme and RM2 billion from Islamic commercial papers. As at end-March, TNB had short- and long-term borrowings of RM4.73 billion and RM42.51 billion respectively. The RM3 billion sukuk, TNB said, has increased its gearing from 0.85 times to 0.9 times. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
AmMortgage One Berhad	First Notes Series RM339.38 mil MTN	AAA/Stable	Reaffirmed

Source: RAM, MARC

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