

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries regained some lost ground late on Monday despite earlier weakness following news of a potential COVID-19 vaccine. Overall benchmark yields closed between 0-3bps lower with the UST 2Y almost unchanged at 0.15% and the much-watched UST 10Y declining by 3bps at 0.62%. Meanwhile the low yields at the longer-ends also reflect investor expectations that short-term interest rates to remain near zero for a prolonged period. Meanwhile the Fed has aggressively entered the MBS sector with net purchases of \$40b in June based on a supply of nearly \$250b. It is expected that total ownership will rise to ~35% from the current 30%. Expect attention to shift to June's CPI data expected out tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.29	-2
10-yr UST	0.62	-3
30-yr UST	1.31	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.99	-2	2.05	1
5-yr	2.18	-1	2.18	1
7-yr	2.42	0	2.48	0
10-yr	2.65	1	2.64	0
15-yr	3.15	3	3.19	0
20-yr	3.41	0	3.45	0
30-yr	3.73	-6	3.80	0

* 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	0

Source : Bloomberg

MGS/GII

- Local govies saw tepid session ahead of the parliamentary sitting yesterday amid a lower secondary market volume of RM2.42b. Overall benchmark MGS/GII yields edged mostly mixed between -6bps to +3bps with interest seen mainly in the off-the-run 20-21's, and 23's. The benchmark 5Y MGS 9/25 edged 1bps lower at 2.18% whilst the 10Y MGS 8/29 inched 1bps higher instead at 2.65%. GII bond trades dropped to a YTD low of ~38% of overall trades. Traders are still seen expecting some further support for MYR bonds with a view for potential further easing later this year. Meanwhile a key milestone was set when PM Muhyiddin won important parliamentary votes yesterday despite a slim majority of law-makers. Expect investors to continue monitoring the government's stretched fiscal position and ongoing government's measures to improve the economy. The economic calendar remains light for now.

Corp Bonds/Sukuk

- Trading activity maintained decent interest on Monday; taking some cue from govies performance amid a secondary market volume of RM429m with interest mainly in the GG-segment followed by the AAA and AA-part of the curve. Overall yields still continued to drift mostly lower. Govt-guaranteed PRASA 23-24 saw RM40m in nominal amounts traded each with yields ending sharply lower between 24-66bps compared to previous-done levels at 2.30-32% levels. AAA-rated GENTING Cap 6/27 similarly ended 36bps lower at 3.47%. The AA-space saw energy cum power related bonds Southern Power 4/29 and 4/32 close between 16-24bps lower at 3.49% and 3.80% respectively. The banking space saw MBSB 29NC24 spike 18 bps instead at 3.93%.

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	1.533	171	1.560	10/07/2020	-3
MGS 10/20	1.765	568	1.773	10/07/2020	-1
MGS 07/21	1.820	515	1.830	10/07/2020	-1
MGS 09/21	1.808	305	1.848	09/07/2020	-4
MGS 11/21	1.848	1	1.837	10/07/2020	1
MGS 03/22	1.931	71	1.922	10/07/2020	1
MGS 08/22	1.967	49	1.943	10/07/2020	2
MGS 09/22	1.980	140	1.975	10/07/2020	0
MGS 03/23	1.990	60	2.007	10/07/2020	-2
MGS 04/23	2.042	1	2.038	10/07/2020	0
MGS 08/23	2.047	122	2.062	10/07/2020	-1
MGS 06/24	2.129	1	2.095	10/07/2020	3
MGS 07/24	2.146	66	2.188	10/07/2020	-4
MGS 09/24	2.157	16	2.210	08/07/2020	-5
MGS 09/25	2.176	1	2.187	10/07/2020	-1
MGS 11/26	2.360	6	2.360	10/07/2020	0
MGS 05/27	2.422	23	2.426	10/07/2020	0
MGS 08/29	2.650	11	2.640	10/07/2020	1
MGS 07/34	3.151	80	3.117	10/07/2020	3
MGS 04/37	3.376	4	3.353	10/07/2020	2
MGS 06/38	3.423	4	3.390	09/07/2020	3
MGS 06/50	3.725	2	3.784	10/07/2020	-6
GII 05/23	2.048	30	2.037	10/07/2020	1
GII 11/23	2.058	8	2.047	09/07/2020	1
GII 10/24	2.179	1	2.166	10/07/2020	1
GII 03/26	2.334	10	2.344	09/07/2020	-1
GII 07/29	2.776	20	2.764	10/07/2020	1
GII 06/33	3.219	11	3.202	10/07/2020	2
GII 11/34	3.189	10	3.194	10/07/2020	0
GII 08/37	3.480	10	3.470	09/07/2020	1
GII 09/39	3.447	100	3.442	10/07/2020	0
		<u>2416</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	2.213	10	2.226	10/07/2020	-1	21
Prasarana Malaysia Berhad	12/23	GG	2.306	40	2.544	18/05/2020	-24	30
Prasarana Malaysia Berhad	03/24	GG	2.323	40	2.981	14/04/2020	-66	20
GovCo Holdings Berhad	06/26	GG	2.600	10	2.870	12/06/2020	-27	26
Prasarana Malaysia Berhad	03/29	GG	2.820	20	3.488	08/01/2020	-67	20
DanaInfra Nasional Berhad	11/38	GG	3.609	45	3.620	09/07/2020	-1	20
Prasarana Malaysia Berhad	03/40	GG	3.660	90	3.639	28/05/2020	2	25
Aman Sukuk Berhad	04/24	AAA	2.785	5	2.976	29/06/2020	-19	67
Genting Capital Berhad	06/27	AAA	3.468	50	3.830	05/05/2020	-36	105
Danum Capital Berhad	05/30	AAA	3.153	10	3.149	10/07/2020	0	50
YTL Power International Berhad	08/23	AA1	3.039	10	3.274	25/06/2020	-24	103
SEP Resources (M) Sdn Berhad	12/30	AA1	3.399	10	4.210	23/03/2020	-81	75
Cypark Ref Sdn Berhad	06/22	AA3	3.502	10	-	-	-	156
Bumitama Agri Ltd	07/26	AA3	3.399	20	3.879	19/03/2020	-48	106
Cypark Ref Sdn Berhad	06/31	AA3	4.577	5	5.113	11/12/2019	-54	192
Southern Power Generation Sdn Berhad	04/29	AA-	3.487	10	3.729	18/06/2020	-24	86
Southern Power Generation Sdn Berhad	04/32	AA-	3.800	20	3.958	29/06/2020	-16	115
TG Excellence Berhad	02/20	AA-	3.231	10	3.231	08/07/2020	0	-18
Tropicana Corporation Berhad	06/23	A+	4.767	2	4.771	08/07/2020	0	276
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	3.929	10	3.746	06/07/2020	18	131
LBS Bina Group Berhad	03/20	-	5.801	2	6.547	27/05/2020	-75	240
			<u>429</u>					

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

Market/Corporate News: What's Brewing

The majority of Malaysians who have been 'temporarily suspended' from their jobs in Singapore following the Covid-19 pandemic, can rest easy as their employers have stated their willingness to rehire them. State Investment, Entrepreneur Development, Cooperative and Human Resource Committee chairman Mohd Izhar Ahmad said this was following talks held by the Johor and Singapore governments, as well as several employers, the majority of whom owned major industries in the island republic. "So far, about 75 per cent of them will be accepted back (for employment), with 15 per cent still pending, while 10 per cent have decided not to return to work in Singapore. "So, I feel that the problem involving them does not exist anymore as we have made efforts to resolve it," he told reporters at a Social Security Organisation (Socso) programme to hand over aid to family in Taman Impian Emas here today. Mohd Izhar said an estimated 100,000 Malaysians commute between Johor Bahru and Singapore for work daily. He said apart from this, they would also prepare a post-Covid-19 programme including job-matching and short-term skills courses, to assist those who have become unemployed to get new jobs or upgrade their skills. "This programme, to be introduced soon, involves several job sectors and according to market demands, especially in the engineering sector," he said. Regarding the Socso programme, Mohd Izhar said the organisation would pay RM995.40 monthly from Aug 1 to the parents of Nuruldin Abd Rahman, 34, who died on July 1 due to a heart problem while out cycling with his friends. (Source: *The Edgemarkets*)

European government debt sold off on Monday as stock markets hit new highs, boosting sentiment across the investment world and lessening demand for safer assets. World equity benchmarks hit a five-month peak as investors turned to second-quarter earnings for signs that corporate profits will recover from the economic toll of the Covid-19 pandemic. "It's been a good day for equities in general and a good day for risk," said Rabobank strategist Lyn Graham-Taylor, adding: "I think (moves) definitely will be exaggerated by quiet markets." The 10-year German Bund yield was set for its biggest daily jump since July 1, as it rose around 6 basis points to -0.41% — a considerable turnaround from Friday, when it hit a 6-1/2 week low of -0.49% in intraday trading. The 30-year Bund yield also saw its biggest daily jump in over a month, up 7 bps at 0.016%. Riskier Spanish, Italian and Portuguese government bond yields also ticked up, but to a lesser extent. Italy's 10-year yield touched its highest in over a week in early trading, but had returned to near Friday's levels at 1.31%. Rabobank's Graham-Taylor expects the EU's recovery fund to be the main driver of market moves this week. Investors hope the EU 27 will make progress in agreeing a 750 billion euro (US\$849 billion) Covid-19 recovery fund. Markets have moved in support of the fund, most of which has been proposed as grants to the worst-hit states such as Italy, sending that country's debt rallying in recent weeks. But opposition looms from states that oppose grants, such as the Netherlands and Austria. European Council President Charles Michel offered a proposal on Friday to make the fund more palatable. The hawkish states welcomed the move, but said more work was needed. The Netherlands said it would seek guarantees on budget reforms this week. Market focus is also on the European Central Bank, which meets on Thursday, when no change is expected to monetary policy. The ECB bought a net 25.067 billion euros (US\$22.08 billion) of assets last week as part of its quantitative easing programme, below the 25.874 billion euros it purchased a week earlier, it said on Monday. The slowdown has been a potential cause of concern, analysts said, as some ECB bond members suggested the emergency bond purchase "envelope" might not be used in full, while others saw the slowdown as an early start to the sluggish summer period. (Source: *The Edgemarkets/Reuters*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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