

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasury curve bear-steepened on Thursday following tepid bidding metrics for the 30Y auction and also due to Apple's heavy \$5.5b, 4-part IG issuance with 30Y and 40Y tranches. Overall benchmark yields rose between 0-5bps as the UST 2Y closed almost unchanged at 0.16% whilst the much-watched UST 10Y rose 3bps again to a 2-month high of 0.72%. Meanwhile the auction consisting of \$26b UST 30Y attracted below average demand on a tepid BTC ratio of 2.15x (the average for past 10 auctions: 2.37x) whilst being awarded at 1.406%. The Labor Department's release of initial job claims saw numbers plunge to 963k, a decrease of 228k from the previous week's revised level of 1.191m. This is the 1<sup>st</sup> such drop below 1.0m since 14<sup>th</sup> March. Expect attention to shift to reports on retail sales and industrial production for July tonight.

##### MGS/GIII

- Local govvnies succumbed to slight selling pressure following weaker-than-expected 20Y MGS auction that yielded 3.24%, on a tepid BTC ratio of 1.47x. Overall benchmark yields ended mostly unchanged-to-higher i.e. between 0-11bps save for the 10Y bonds amid a lower secondary market volume of RM3.50b. The benchmark 5Y MGS 9/25 was almost unchanged at 2.08% whilst the 10Y MGS 8/29 bucked the overall trend by edging 1bps lower instead at 2.49%. Interest was mainly seen in the off-the-run 20's and also benchmark 7Y GII and 10Y MGS. GII bond trades maintained to form ~23% of overall trades. Demand for fixed-income instruments are expected to remain supportive due to easing monetary policy and muted inflationary conditions. Expect attention to focus on the 2Q GDP data at noon today.

##### Corp Bonds/Sukuk

- Modest trading activity was seen amid a lower secondary market volume of RM537m with transactions seen across the GG-AA part of the curve as overall yields ended mostly lower. Govt-guaranteed DANA 26's closed 4-6bps lower compared to previous-done levels between 2.40-41%. AAA-rated SEB 27 and DANGA 30 declined by 3bps each to 2.67% and 2.87% respectively. AA-rated MMC Corp 11/25 however saw yields fall sharply at 3.76% whilst GAMUDA 4/21 yielded 24bps lower at 2.76%. The banking space saw Bank Islam 30NC25 rise 3bps instead at 3.41%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	0
5-yr UST	0.32	2
10-yr UST	0.72	3
30-yr UST	1.43	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.88	0	1.93	3
5-yr	2.08	0	2.03	0
7-yr	2.22	0	2.34	4
10-yr	2.49	-1	2.51	-1
15-yr	2.95	4	3.03	11
20-yr	3.26	2	3.30	1
30-yr	3.52	0	3.63	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.83	-1
3-yr	1.86	0
5-yr	2.06	1
7-yr	2.27	1
10-yr	2.50	0

Source : Bloomberg

#### 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	10/20	1.618	501	1.528	12/08/2020	9
MGS	07/21	1.669	31	1.700	12/08/2020	-3
MGS	11/21	1.748	120	1.669	12/08/2020	8
MGS	03/22	1.784	136	1.765	12/08/2020	2
MGS	08/22	1.763	1	1.803	06/08/2020	-4
MGS	09/22	1.824	89	1.808	12/08/2020	2
MGS	03/23	1.878	85	1.872	12/08/2020	1
MGS	04/23	1.907	54	1.901	12/08/2020	1
MGS	08/23	1.928	10	1.930	12/08/2020	0
MGS	06/24	2.052	4	2.002	10/08/2020	5
MGS	07/24	2.047	6	2.054	11/08/2020	-1
MGS	09/24	2.074	1	1.989	11/08/2020	8
MGS	09/25	2.084	49	2.081	12/08/2020	0
MGS	07/26	2.210	66	2.206	12/08/2020	0
MGS	09/26	2.220	29	2.254	03/08/2020	-3
MGS	05/27	2.216	117	2.213	12/08/2020	0
MGS	11/27	2.302	41	2.297	12/08/2020	0
MGS	06/28	2.475	52	2.463	12/08/2020	1
MGS	08/29	2.488	515	2.500	12/08/2020	-1
MGS	04/30	2.560	6	2.518	12/08/2020	4
MGS	06/31	2.755	10	2.657	12/08/2020	10
MGS	04/33	2.940	20	2.918	12/08/2020	2
MGS	11/33	2.960	6	2.931	12/08/2020	3
MGS	07/34	2.950	199	2.912	12/08/2020	4
MGS	04/37	3.261	7	3.230	12/08/2020	3
MGS	06/38	3.224	9	3.256	12/08/2020	-3
MGS	05/40	3.257	550	3.234	12/08/2020	2
MGS	07/48	3.692	1	3.732	11/08/2020	-4
GII	11/20	1.687	60	1.746	30/07/2020	-6
GII	04/22	1.780	1	1.776	07/08/2020	0
GII	05/23	1.929	20	1.903	12/08/2020	3
GII	03/26	2.168	43	2.170	12/08/2020	0
GII	09/27	2.341	300	2.298	12/08/2020	4
GII	10/28	2.497	3	2.482	12/08/2020	1
GII	07/29	2.580	54	2.565	12/08/2020	2
GII	10/30	2.505	50	2.515	12/08/2020	-1
GII	06/33	2.987	60	2.979	12/08/2020	1
GII	11/34	3.030	130	2.922	12/08/2020	11
GII	10/35	3.285	1	3.312	12/08/2020	-3
GII	08/37	3.341	2	3.355	12/08/2020	-1
GII	09/39	3.301	60	3.289	12/08/2020	1
			<u>3496</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*	
Turus Pesawat Sdn Berhad	02/23	GG	2.029	45	2.694	05/05/2020	-67	23
Khazanah Nasional Berhad	08/23	GG	2.172	50	2.499	07/07/2020	-33	29
Small Medium Enterprise Development Bank Malaysia E	04/25	GG	2.382	30	2.378	12/08/2020	0	29
Pengurusan Air SPV Berhad	02/26	GG	2.361	20	2.802	21/05/2020	-44	27
DanaInfra Nasional Berhad	02/26	GG	2.395	40	2.439	28/07/2020	-4	23
DanaInfra Nasional Berhad	09/26	GG	2.413	20	2.469	28/07/2020	-6	25
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	2.480	10	2.591	23/07/2020	-11	26
Khazanah Nasional Berhad	10/27	GG	2.549	20	2.719	17/07/2020	-17	33
DanaInfra Nasional Berhad	03/34	GG	3.129	30	3.140	04/08/2020	-1	20
Premier Auto Assets Berhad	07/21	AAA	3.555	20	4.493	02/10/2019	-94	186
Cagamas Berhad	04/22	AAA	2.191	20	2.651	11/06/2020	-46	39
Bakun Hydro Power Generation Sdn Berhad (fka Sarav	08/26	AAA	2.728	20	2.797	27/07/2020	-7	56
Sarawak Energy Berhad	01/27	AAA	2.670	30	2.699	11/08/2020	-3	50
Danga Capital Berhad	01/30	AAA	2.868	10	2.897	12/08/2020	-3	41
Sarawak Energy Berhad	04/31	AAA	2.979	10	3.129	27/07/2020	-15	49
Danga Capital Berhad	01/33	AAA	3.119	20	3.128	11/08/2020	-1	63
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.869	1	2.869	12/08/2020	0	38
Imitiaz Sukuk II Berhad	05/22	AA2	2.498	15	2.712	24/07/2020	-21	70
Gamuda Berhad	04/21	AA3	2.760	10	3.004	11/06/2020	-24	106
WCT Holdings Berhad	10/21	AA-	3.308	12	3.314	12/08/2020	-1	161
WCT Holdings Berhad	05/22	AA-	3.403	16	3.466	28/07/2020	-6	161
WCT Holdings Berhad	10/22	AA-	3.475	10	3.626	10/07/2020	-15	168
Special Power Vehicle Berhad	11/21	A1	3.758	4	3.744	12/06/2020	1	206
Bank Islam Malaysia Berhad	03/30	A1	3.407	20	3.376	03/08/2020	3	91
CIMB Group Holdings Berhad	05/16	A1	3.130	10	3.157	12/08/2020	-3	-12
Affin Bank Berhad	07/18	A3	3.569	1	4.357	11/08/2020	-79	32
Eco World Capital Assets Berhad	08/22	-	4.891	7	4.644	21/05/2020	25	309
Mah Sing Group Berhad	04/17	-	4.584	6	4.329	10/08/2020	26	134
MMC Corporation Berhad	11/25	AA-	3.759	30	4.884	31/03/2020	-113	167
			<u>537</u>					

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

### Market/Corporate News: What's Brewing

**Axiata Group Bhd has secured the lowest ever coupon rate as an Asian corporate after getting a landmark US\$1.5 billion issuance.** The telco group said it has priced a dual-tranche offering comprising a 10-year US\$500 million sukuk and a 30-year US\$1 billion conventional notes which will be issued via its wholly-owned special purpose vehicles, Axiata SPV2 Bhd and Axiata SPV5 (Labuan) Ltd. According to Axiata, the 10-year tranche saw the lowest US dollar coupon for a Malaysian corporate issuer across both conventional and Islamic offerings whilst the 30-year tranche registered the lowest 30-year coupon for an Asian corporate. The group said the book building exercise was conducted yesterday and received strong investor interest towards the Issuances. It said the Issuances were priced at US Treasuries UST + 1.48% (10 year) and UST + 1.7% (30 year), with the final orderbook size of US\$3.8 billion or a bid-to-cover ratio (BTC) of 7.6 times and US\$3 billion or BTC of 3 times for the sukuk and notes, respectively. "This marks Axiata's first landmark issuance of US\$1.5 billion in size from the international capital markets and our single largest as well as longest dated offering to-date, securing strong cross-border participation from a wide and diverse base of investors. This has enabled us to achieve the lowest ever 30-year coupon for an Asian telecommunications issuer, and the third lowest, globally," Axiata's president & group chief executive officer Tan Sri Jamaludin Ibrahim said in a statement. He added that the issuances will enhance the group's capital position greatly, while breaking new grounds in the financing market locally and within the region. "In addition to demonstrating Axiata's ability to access the debt capital markets, this successful conclusion further affirms international investors' confidence in the long-term fundamentals and resilience of the Malaysian economy and its ability to swiftly scale towards recovery in the aftermath of COVID-19 triggered challenges," Jamaludin said. Meanwhile Axiata's deputy group chief executive officer Datuk Izzaddin Idris said the group is encouraged by the strong support evidenced by the oversubscription of the issuances which peaked at nearly 12 times across the two tranches as well as the tightening of the credit spread by 52 and 50 basis points respectively for the sukuk and notes, from the initial price guidance. "Despite having gone to market under the 'new normal' circumstances, Axiata was able to successfully capitalise on the historical low interest rate environment to achieve our objectives of optimising our debt maturity profiles and reducing our financing costs which will translate to better preservation of liquidity for the group," he added.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
WCT Holdings Berhad	RM1.0 billion Medium Term Notes (MTN) Programme	AA-/Stable	Affirmed
	RM1.5 billion Sukuk Murabahah (Sukuk) Programme	AA-/Stable	Affirmed
United Overseas Bank (Malaysia) Bhd	Financial Institution Rating	AAA/Stable/P1	Reaffirmed

Source: RAM, MARC

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