

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries saw some profit-taking following the rallies seen in prior sessions and an encouraging equities market. The curve reversed and steepened instead as overall benchmark yields ended higher between 0-6bps save for the short-end. The UST 2Y edged 1bps lower at 0.19% whilst the much-watched UST 10Y closed 3bps higher at 0.71%. On the supply front, the UST 20Y is expected to reopen later this week. Meanwhile consumer sentiment jumped higher in the preliminary June print for the University of Michigan survey. Expect investors to follow the latest updates on the COVID-19 pandemic and also the Fed Chair Powell's testimony before the Senate Banking Committee and the House Financial Services Committee later this week.

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 0.19        | -1        |
| 5-yr UST  | 0.33        | 0         |
| 10-yr UST | 0.71        | 3         |
| 30-yr UST | 1.46        | 6         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 2.35        | -7        | 2.39        | -8        |
| 5-yr   | 2.63        | 2         | 2.58        | 4         |
| 7-yr   | 2.80        | -9        | 2.91        | 0         |
| 10-yr  | 3.01        | -6        | 2.98        | 8         |
| 15-yr  | 3.37        | -2        | 3.46        | 1         |
| 20-yr  | 3.61        | 5         | 3.59        | 0         |
| 30-yr  | 4.04        | 0         | 3.88        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 2.22        | -1        |
| 3-yr           | 2.25        | -2        |
| 5-yr           | 2.44        | -1        |
| 7-yr           | 2.57        | -2        |
| 10-yr          | 2.78        | 0         |

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

##### MGS/GIII

- Local govies closed mixed with MGS performing mostly stronger compared to GII amid a slightly higher overall secondary market volume of RM4.32b. Benchmark MGS/GII yields closed between -9 to +8bps; with interest mainly centred in the off-the-run 20-21's, and 10Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 edged 2bps higher at 2.63% whilst the 10Y MGS 8/29 rallied 6bps at 3.01%. GII bonds dropped to form ~21% of overall trades. The spread between the 10Y MGS and OPR remains elevated but off-the high seen during the COVID-19 pandemic. The auction involving the new issuance of 30Y MGS 6/50 saw decent bidding metrics of 2.167X; awarded at 4.065%. The data front is light for the week and expect trading to be range-bound.

##### Corp Bonds/Sukuk

- Investor interest was seen intact amid the doubling of secondary market volume at RM1.01b with trades across the AA-part of the curve followed by the GG and AAA space. Overall yields closed mostly mixed-to-lower. Both govt-guaranteed DANA 5/23 and JKSB 5/25 closed between 2-3bps higher compared to previous-done levels at 2.52% and 2.74% respectively. New debutant i.e. the AAA-rated SEB recorded RM130m nominal amount of trades @ 3.65%. AA-rated BGSM dominated this space with the 2020-2021 tranches recording heavy volume, closing between 0-57bps between 2.74-98% area. The banking space saw ALLIANCE Islamic 2119NC24 perps falling sharply on yields at 4.89%.

## Daily Trades : Government Bond

| Securities | Closing | Vol         | Previous | Previous                   | Chg  |
|------------|---------|-------------|----------|----------------------------|------|
|            | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp) |
| MGS 07/20  | 2.003   | 374         | 1.972    | 11/06/2020                 | 3    |
| MGS 10/20  | 1.999   | 251         | 2.001    | 11/06/2020                 | 0    |
| MGS 02/21  | 1.997   | 12          | 1.999    | 10/06/2020                 | 0    |
| MGS 07/21  | 2.055   | 200         | 2.013    | 11/06/2020                 | 4    |
| MGS 09/21  | 2.079   | 619         | 2.078    | 11/06/2020                 | 0    |
| MGS 11/21  | 2.145   | 8           | 2.120    | 11/06/2020                 | 2    |
| MGS 03/22  | 2.190   | 3           | 2.175    | 11/06/2020                 | 2    |
| MGS 08/22  | 2.230   | 250         | 2.225    | 11/06/2020                 | 0    |
| MGS 09/22  | 2.235   | 200         | 2.250    | 11/06/2020                 | -2   |
| MGS 03/23  | 2.330   | 118         | 2.356    | 11/06/2020                 | -3   |
| MGS 04/23  | 2.367   | 17          | 2.382    | 11/06/2020                 | -2   |
| MGS 08/23  | 2.414   | 16          | 2.432    | 11/06/2020                 | -2   |
| MGS 06/24  | 2.499   | 1           | 2.538    | 10/06/2020                 | -4   |
| MGS 07/24  | 2.525   | 13          | 2.586    | 11/06/2020                 | -6   |
| MGS 09/24  | 2.528   | 60          | 2.554    | 11/06/2020                 | -3   |
| MGS 09/25  | 2.530   | 158         | 2.532    | 11/06/2020                 | 0    |
| MGS 07/26  | 2.720   | 190         | 2.722    | 11/06/2020                 | 0    |
| MGS 11/26  | 2.740   | 52          | 2.776    | 11/06/2020                 | -4   |
| MGS 05/27  | 2.732   | 34          | 2.755    | 11/06/2020                 | -2   |
| MGS 11/27  | 2.841   | 13          | 2.838    | 11/06/2020                 | 0    |
| MGS 06/28  | 2.901   | 2           | 2.956    | 11/06/2020                 | -6   |
| MGS 08/29  | 2.911   | 322         | 2.922    | 11/06/2020                 | -1   |
| MGS 04/30  | 3.063   | 27          | 3.085    | 11/06/2020                 | -2   |
| MGS 04/33  | 3.351   | 20          | 3.268    | 11/06/2020                 | 8    |
| MGS 07/34  | 3.291   | 228         | 3.382    | 11/06/2020                 | -9   |
| MGS 04/37  | 3.580   | 1           | 3.529    | 11/06/2020                 | 5    |
| MGS 05/40  | 3.602   | 59          | 3.567    | 11/06/2020                 | 3    |
| MGS 07/48  | 3.997   | 10          | 3.950    | 11/06/2020                 | 5    |
| MGS 06/50  | 4.035   | 139         | -        | -                          | -    |
| GII 04/21  | 2.087   | 170         | 2.062    | 03/06/2020                 | 3    |
| GII 04/21  | 2.087   | 55          | 2.380    | 22/04/2020                 | -29  |
| GII 08/21  | 2.110   | 90          | 2.125    | 05/06/2020                 | -2   |
| GII 03/22  | 2.200   | 7           | 2.206    | 03/06/2020                 | -1   |
| GII 05/23  | 2.382   | 160         | 2.369    | 11/06/2020                 | 1    |
| GII 11/23  | 2.448   | 70          | 2.429    | 09/06/2020                 | 2    |
| GII 10/24  | 2.545   | 30          | 2.539    | 11/06/2020                 | 1    |
| GII 03/26  | 2.693   | 70          | 2.712    | 11/06/2020                 | -2   |
| GII 09/26  | 2.779   | 40          | 2.788    | 11/06/2020                 | -1   |
| GII 07/29  | 2.995   | 200         | 2.995    | 11/06/2020                 | 0    |
| GII 09/30  | 3.027   | 20          | 3.000    | 11/06/2020                 | 3    |
| GII 09/39  | 3.651   | 10          | 3.630    | 11/06/2020                 | 2    |
|            |         | <u>4319</u> |          |                            |      |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                 | Rating | Closing | Vol         | Previous | Previous                   | Chg        | Spread          |
|--|--------|---------|-------------|----------|----------------------------|------------|-----------------|
|  |        | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp)       | Against<br>MGS* |
| MKD Kencana Sdn Berhad                     | 02/23  | GG      | 2.491       | 5        | 2.493                      | 11/06/2020 | 15              |
| DanaInfra Nasional Berhad                  | 05/23  | GG      | 2.523       | 5        | 2.496                      | 13/05/2020 | 18              |
| Jambatan Kedua Sdn Berhad                  | 05/25  | GG      | 2.740       | 15       | 2.719                      | 21/05/2020 | 21              |
| GovCo Holdings Berhad                      | 06/26  | GG      | 2.870       | 15       | 2.899                      | 09/06/2020 | 19              |
| Pelabuhan Tanjung Pelepas Sdn Berhad       | 11/30  | GG      | 3.259       | 40       | 3.708                      | 17/10/2019 | 35              |
| DanaInfra Nasional Berhad                  | 11/47  | GG      | 4.050       | 5        | 4.020                      | 11/06/2020 | 43              |
| Sarawak Energy Berhad                      | 02/00  | AAA     | 3.650       | 130      | -                          | -          | 160             |
| Cagamas Berhad                             | 11/20  | AAA     | 2.411       | 10       | 2.736                      | 22/04/2020 | 36              |
| Gulf Investment Corporation G.S.C          | 03/21  | AAA     | 2.996       | 10       | 3.017                      | 11/06/2020 | 94              |
| Sarawak Energy Berhad                      | 06/30  | AAA     | 3.300       | 10       | -                          | -          | 39              |
| Northern Gateway Infrastructure Sdn Berhad | 08/31  | AA1     | 3.720       | 10       | 4.099                      | 23/12/2019 | 81              |
| Northern Gateway Infrastructure Sdn Berhad | 08/32  | AA1     | 3.830       | 10       | 4.360                      | 09/07/2019 | 92              |
| Celcom Networks Sdn Berhad                 | 08/24  | AA+     | 3.218       | 5        | 3.198                      | 11/06/2020 | 76              |
| Tanjung Bin Power Sdn Berhad               | 08/25  | AA2     | 3.460       | 10       | 3.475                      | 04/06/2020 | 93              |
| CIMB Group Holdings Berhad                 | 11/27  | AA      | 3.179       | 20       | 3.359                      | 17/03/2020 | 43              |
| BGSM Management Sdn Berhad                 | 12/20  | AA3     | 2.739       | 234      | 3.104                      | 17/03/2020 | 68              |
| BGSM Management Sdn Berhad                 | 12/20  | AA3     | 2.781       | 150      | -                          | -          | 73              |
| BGSM Management Sdn Berhad                 | 08/21  | AA3     | 2.981       | 180      | 3.027                      | 14/05/2020 | 93              |
| BGSM Management Sdn Berhad                 | 09/21  | AA3     | 2.961       | 75       | 3.527                      | 07/01/2020 | 91              |
| Special Power Vehicle Berhad               | 11/21  | A1      | 3.744       | 20       | 3.718                      | 05/03/2020 | 169             |
| UMW Holdings Berhad                        | 04/18  | A1      | 4.379       | 3        | 4.217                      | 11/06/2020 | 76              |
| Affin Islamic Bank Berhad                  | 10/17  | A3      | 4.300       | 10       | 4.349                      | 11/06/2020 | 68              |
| Eco World International Berhad             | 10/21  | -       | 6.197       | 1        | 6.101                      | 05/06/2020 | 414             |
| Eco World International Berhad             | 05/23  | -       | 6.898       | 1        | 6.398                      | 11/06/2020 | 455             |
| Alliance Islamic Bank Berhad               | 03/19  | BBB1    | 4.893       | 40       | 5.193                      | 05/05/2020 | 128             |
|  |        |         | <u>1014</u> |          |                            |            |                 |

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

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

**The Employees Provident Fund (EPF) reported a gross investment income of RM12.16 billion for its first quarter ended March 31, 2020 (1Q20), following what it termed as "an exceptionally challenging period" due to the Covid-19 pandemic.**

Its net investment income for the period came in at RM7.5 billion, the EPF said in a statement today, after taking into consideration the write-down of listed equities that is "a prudent practice by the EPF in ensuring that its long-term investment portfolio remains healthy". "Thanks to the EPF's Strategic Asset Allocation (SAA), the fund managed to outperform many equity funds despite the market downturn, as the flight to safer assets such as bonds have boosted its fixed income returns and provided a cushion from the decline in equity prices. EPF's SAA allocates 54% to fixed income instruments, 36% to equities, 6% to real estate and infrastructure and 4% to money market instruments as a reflection of its long-term goals, to ensure prudence and prevent overreaction to market movements," the EPF said. Equities contributed 52% or RM6.32 billion of its gross investment income for the quarter under review, while fixed income instruments contributed 40% or RM4.87 billion of the quarter's gross investment income. Its money market instruments contributed another RM0.43 billion, while its real estate and infrastructure investments provided the remaining RM0.54 billion. In contrast, the EPF recorded a total investment income of RM9.66 billion in 1Q19 — which was its worst quarter last year — due to lower equities income, which only contributed 43% or RM4.16 billion of its total investment income, while fixed income investments contributed 50% or RM4.85 billion. It did not provide a quarterly net investment income then. "The pandemic had a massive impact on an unprepared world, with lives being forever transformed and economies crashing to unprecedented levels. This happened on the back of an already weak global environment characterised by extremely low oil prices and market volatility from uncertain and unpredictable geopolitical issues ongoing since 2019. All asset classes were severely affected, particularly equities which suffered steep declines with the global markets going down as much as 32%, while our local FBM KLCI dropped by 15% as at March 31, 2020," EPF chief executive officer Tunku Alizakri Alias noted in the statement. "Furthermore, as central banks across the world introduced various monetary policy measures to support households and businesses, consequent cuts in interest rates reduced the yield on fixed income investments. The EPF was not spared from the impact of Covid-19 and we recorded marked declines in the performance of our investment assets," he said. Going forward, although the fund expected continued market volatility, Tunku Alizakri said there have been some "soft recoveries" in various markets since April. "With the aggressive plans implemented by major economies to combat the virus and prepare for a post-Covid-19 recovery, we are hopeful to see market sentiments improving in the near future," he said. Further, he said the EPF is "well positioned" to not only ride out the current volatility but also to take advantage of the declines in valuations of fundamentally strong assets, given its strict investment discipline that has always been guided by a long-term investment strategy. So, the EPF is making the most out of the current headwinds in global markets with its continued investment presence overseas, which makes up 28.8% of its investment portfolio, he said. Meanwhile, against the backdrop of the pandemic, the EPF said it has swiftly adapted its services and products to balance the immediate and real cash-flow needs of members while fulfilling its mandate to protect their future retirement savings. "In March, the EPF lowered the statutory employee's contribution rate from 11% to 7% to assist in supporting members' monthly disposable income. Following this and as a response to members' urgent cash requirements during the Movement Control Order (MCO), the fund has allowed members to temporarily access part of their retirement funds in Account 2 via the i-Lestari Withdrawal facility. As at June 5, 2020, a total of 4.1 million applications had been made with RM1.94 billion withdrawn," it said. It also launched the Employer Covid-19 Assistance Programme (e-CAP) in April to allow the deferment and restructuring of employers' contributions to workers' EPF savings. By June 5, it had approved 6,500 employer applications with a value of RM42.9 million. "These initiatives were extended as we fully empathise with the profound challenges

our members were facing, amplified by the uncertainty in their employment and financial prospects particularly during the MCO quarantine period and subsequent economic slowdown," Tunku Alizakri said. "The first-quarter results are illustrative of the fact that the world and how we live are now forever transformed. While we still do not know how long the pandemic will last, nor the full extent of the economic fallout, we believe the situation will eventually stabilise. "Still, it is critical that we learn our lessons and adapt accordingly so that we can take advantage of the opportunities the Covid-19 crisis has presented. We must redesign our global infrastructures as well as economic and social models for a better future for all of us," he added.. (Source: *The EdgeMarkets*)

| Rating Action                    |  |                |            |
|----------------------------------|--|----------------|------------|
| Issuer                           | PDS Description  | Rating/Outlook | Action     |
| Bina Darulaman Berhad            | RM100.0 million Islamic Commercial Papers (ICP) Programme. | MARC-2 IS      | Affirmed   |
| Tanjung Bin Energy Issuer Berhad | RM3.29 bil Sukuk Murabahah                                 | AA3/Stable     | Reaffirmed |

Source: RAM, MARC

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