

## Global Markets Research

### Fixed Income

## Fixed Income Daily Market Snapshot

### US Treasuries

US Treasuries ended weaker on the back of strong retail sales of 17.7% in May dumbfounding earlier estimates of 8.0% whilst shrugging off muted Industrial Production data. The curve bear-steepened as overall benchmark yields edged mostly higher between 0-8bps. The UST 2Y edged 1bps higher at 0.20% whilst the much-watched UST 10Y closed 3bps higher at 0.75%. Nevertheless Fed Chair Powell's comments cautioning that significant uncertainty remains about the timing and strength of the recovery provided some support later in the day although some pressure weighed on the curve due to \$27b of IG credit issuance; led by Pacific Gas & Electric. On the supply front, the UST 20Y is expected to reopen later this week. Expect traders to follow further updates on the COVID-19 pandemic, and also US housing starts.

### MGS/GII

- Local govies had another relatively quiet day with both ends of the curve moving opposite ends amid a slight pick-up in secondary market volume at RM3.67b. Benchmark MGS yields closed mostly mixed between -4 to +2bps save for the 30Y GII which was last traded 10 days back. Interest was mainly centred in the off-the-run 20-21's and also the newly-issued 30Y benchmark MGS. The benchmark 5Y MGS 9/25 edged 1bps lower at 2.54% whilst the 10Y MGS 8/29 was up 1bps at 2.92%. GII bonds jumped to form ~52% of overall trades. Expect investor to focus on BNM's policy response going forward whilst the new government battles its way out of a weak 2Q economic climate amid challenging oil price outlook and delicate political background.

### Corp Bonds/Sukuk

- Investor interest picked-up amid higher secondary market volume of RM664m with trades across the GG-AA-part of the curve as overall yields closed mostly mixed. Govt-guaranteed KHAZANAH and PTPTN 22's closed between 0-5bps higher compared to previous-done levels at 2.41-45% area. AAA-rated PLUS 24-25's closed 4bps higher between 3.05-3.10% whilst DANGA 9/27 ended unchanged at 3.28%. Utility giant TNB 8/38 traded again; edging 1bps lower instead at 3.76%. AA-rated YTL Power 23-24's moved between 0-3bps higher at 3.27-37% area whilst KESTURI 24 and 27 moved separate directions with yields ending between -41bps and +14bps at 3.64% and 3.86% respectively. The banking space saw MUAMALAT 11/21 spike 48bps at 4.31% levels.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.20	1
5-yr UST	0.34	0
10-yr UST	0.75	3
30-yr UST	1.54	8

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.32	-1	2.38	0
5-yr	2.54	-1	2.53	0
7-yr	2.74	1	2.79	3
10-yr	2.92	1	2.89	-7
15-yr	3.28	-4	3.41	-1
20-yr	3.61	2	3.66	0
30-yr	4.01	1	4.05	17

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.17	0
3-yr	2.23	1
5-yr	2.40	2
7-yr	2.53	2
10-yr	2.72	1

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	07/20	2.026	105	2.002	15/06/2020	2
MGS	10/20	2.006	102	1.999	15/06/2020	1
MGS	02/21	1.979	190	1.997	12/06/2020	-2
MGS	07/21	2.021	168	2.045	15/06/2020	-2
MGS	09/21	2.077	1	2.060	15/06/2020	2
MGS	11/21	2.080	19	2.104	15/06/2020	-2
MGS	03/22	2.188	117	2.188	15/06/2020	0
MGS	09/22	2.256	26	2.245	15/06/2020	1
MGS	03/23	2.324	77	2.337	15/06/2020	-1
MGS	04/23	2.382	1	2.382	15/06/2020	0
MGS	08/23	2.409	22	2.417	15/06/2020	-1
MGS	06/24	2.498	54	2.500	15/06/2020	0
MGS	07/24	2.522	10	2.513	15/06/2020	1
MGS	09/24	2.534	14	2.522	15/06/2020	1
MGS	09/25	2.539	99	2.549	15/06/2020	-1
MGS	04/26	2.696	6	2.693	15/06/2020	0
MGS	07/26	2.728	50	2.704	15/06/2020	2
MGS	11/26	2.742	81	2.710	15/06/2020	3
MGS	05/27	2.742	13	2.733	15/06/2020	1
MGS	11/27	2.862	20	2.845	15/06/2020	2
MGS	08/29	2.918	190	2.911	15/06/2020	1
MGS	04/30	3.062	31	3.063	15/06/2020	0
MGS	06/31	3.165	31	3.132	15/06/2020	3
MGS	11/33	3.328	11	3.367	15/06/2020	-4
MGS	07/34	3.282	82	3.322	15/06/2020	-4
MGS	06/38	3.585	2	3.600	15/06/2020	-2
MGS	05/40	3.605	180	3.588	15/06/2020	2
MGS	03/46	4.028	5	3.989	15/06/2020	4
MGS	07/48	4.016	5	4.024	15/06/2020	-1
MGS	06/50	4.007	53	4.000	15/06/2020	1
GII	08/20	2.021	175	2.016	11/06/2020	0
GII	11/20	1.998	20	2.029	01/06/2020	-3
GII	03/21	2.040	220	2.073	11/06/2020	-3
GII	04/21	2.052	310	2.087	12/06/2020	-4
GII	04/22	2.218	50	2.260	05/06/2020	-4
GII	07/22	2.261	302	2.260	11/06/2020	0
GII	11/22	2.290	20	2.266	28/05/2020	2
GII	05/23	2.381	20	2.382	15/06/2020	0
GII	07/23	2.424	81	2.409	15/06/2020	2
GII	11/23	2.454	140	2.448	12/06/2020	1
GII	03/26	2.701	40	2.709	15/06/2020	-1
GII	09/26	2.770	140	2.753	15/06/2020	2
GII	07/27	2.894	100	2.927	10/06/2020	-3
GII	09/27	2.792	60	2.766	11/06/2020	3
GII	10/28	2.944	50	2.932	11/06/2020	1
GII	07/29	3.000	32	3.003	15/06/2020	0
GII	09/30	2.994	80	3.027	12/06/2020	-3
GII	10/30	2.890	30	2.956	11/06/2020	-7
GII	11/34	3.404	13	3.413	11/06/2020	-1
GII	09/39	3.655	20	3.651	12/06/2020	0
GII	11/49	4.053	4	3.882	05/06/2020	17
			<u>3670</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*	
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	2.410	35	2.748	05/03/2020	-34	19
Khazanah Nasional Berhad	06/22	GG	2.412	35	2.394	09/06/2020	2	19
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	2.453	30	2.402	05/05/2020	5	24
Khazanah Nasional Berhad	09/22	GG	2.409	20	2.412	11/06/2020	0	19
Danainfra Nasional Berhad	02/25	GG	2.695	1	2.785	30/04/2020	-9	15
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	2.840	25	2.791	21/05/2020	5	30
Danainfra Nasional Berhad	04/30	GG	3.231	15	3.219	15/06/2020	1	32
Danainfra Nasional Berhad	04/38	GG	3.680	1	4.320	24/03/2020	-64	9
Malaysia Steel Works (KL) Berhad	11/21	AAA	3.228	10	3.593	18/03/2020	-37	118
DiGi Telecommunications Sdn Berhad	04/22	AAA	2.802	5	3.025	14/02/2020	-22	58
Projek Lebuhraya Usahasama Berhad	01/24	AAA	3.046	30	3.006	28/05/2020	4	58
Telekom Malaysia Berhad	03/24	AAA	2.977	20	2.911	13/05/2020	7	51
Aman Sukuk Berhad	04/24	AAA	3.039	5	2.949	11/06/2020	9	58
Aman Sukuk Berhad	07/24	AAA	3.041	10	3.466	06/04/2020	-43	58
Telekom Malaysia Berhad	10/24	AAA	3.019	15	2.959	13/05/2020	6	56
Malaysia Airports Capital Berhad	12/24	AAA	3.332	10	3.419	21/04/2020	-9	79
Projek Lebuhraya Usahasama Berhad	01/25	AAA	3.098	30	3.057	20/05/2020	4	55
Telekom Malaysia Berhad	11/25	AAA	3.048	10	3.070	01/06/2020	-2	50
TNB Western Energy Berhad	01/27	AAA	3.218	20	4.590	20/10/2017	-137	47
Danga Capital Berhad	09/27	AAA	3.278	10	3.280	15/06/2020	0	53
Genting RMTN Berhad	11/29	AAA	3.842	1	3.810	09/06/2020	3	97
Sarawak Energy Berhad	06/35	AAA	3.650	10	3.650	12/06/2020	0	37
Tenaga Nasional Berhad	08/38	AAA	3.759	10	3.769	15/06/2020	-1	17
Kuala Lumpur Kepong Berhad	09/22	AA1	2.879	60	2.885	11/06/2020	-1	66
YTL Power International Berhad	08/23	AA1	3.266	30	3.267	15/06/2020	0	94
YTL Power International Berhad	10/24	AA1	3.367	30	3.337	28/05/2020	3	90
Kuala Lumpur Kepong Berhad	04/26	AA1	3.248	20	3.304	25/02/2020	-6	57
Fortune Premiere Sdn Berhad	03/23	AA	3.175	4	3.395	21/04/2020	-22	85
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	2.963	2	3.220	20/02/2020	-26	92
Edra Energy Sdn Berhad	07/25	AA3	4.474	1	4.475	15/06/2020	0	193
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	2.986	6	3.681	19/11/2019	-70	94
TG Excellence Berhad	02/20	AA-	3.525	20	3.544	02/06/2020	-2	-6
UiTM Solar Power Sdn Berhad	04/21	AA-	3.336	10	4.072	23/09/2019	-74	129
SAJ Capital Sdn Berhad	01/22	AA-	3.220	2	3.552	18/03/2020	-33	100
WCT Holdings Berhad	05/22	AA-	3.733	20	3.857	09/03/2020	-12	152
Malakoff Power Berhad	12/22	AA-	3.145	10	3.569	14/04/2020	-42	82
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	3.637	10	4.049	09/08/2019	-41	117
Southern Power Generation Sdn Berhad	04/25	AA-	3.398	10	3.526	17/03/2020	-13	85
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/27	AA-	3.858	10	3.718	12/03/2020	14	111
Penang Port Sdn Berhad	12/29	AA-	3.689	10	3.692	09/06/2020	0	78
Penang Port Sdn Berhad	12/31	AA-	3.868	10	3.869	09/06/2020	0	96
Bank Muamalat Malaysia Berhad	11/21	A	4.307	15	3.826	28/05/2020	48	226
Jati Cakerawala Sdn Berhad	01/23	A1	4.008	1	4.038	10/06/2020	-3	168
Affin Islamic Bank Berhad	10/17	A3	4.346	24	4.348	15/06/2020	0	76
Affin Bank Berhad	07/18	A3	4.574	1	4.358	03/06/2020	22	99
Eco World International Berhad	10/21	-	5.238	1	6.369	15/06/2020	-113	319
Eco World International Berhad	05/23	-	6.209	2	6.273	15/06/2020	-6	388
				<u>664</u>				

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

## Market/Corporate News: What's Brewing

**YTL Corp Bhd's net profit for the third quarter ended March 31, 2020 dropped 66% to RM29.52 million, from RM85.8 million a year earlier, mainly due to the impact of the Covid-19 pandemic which affected some of its business segments such as hotels.** Earnings per share fell to 0.28 sen from 0.8 sen, the group's filing with Bursa Malaysia showed. Profits fell despite revenue rising 12% to RM4.81 billion from RM4.31 billion a year ago. The group noted that its construction business recorded higher earnings as a result of significant progress in construction work. Its cement manufacturing and trading segment recorded higher revenue due to the consolidation of Malayan Cement Bhd coupled with higher sales volume and selling price in China. However, the segment recorded lower profit before tax due to the finance costs of the acquisition of Malayan Cement. Meanwhile, the hotels business saw lower revenue and profit before tax as it was impacted by the Movement Control Order in the final days of the quarter, YTL said. For the cumulative nine months ended March 31, 2020, net profit fell 76% to RM62.37 million versus RM256.41 million for the previous corresponding period, though revenue rose 21% to RM15.64 billion from RM12.96 billion. Looking ahead, YTL said the group's financial performance in the final quarter is expected to be adversely affected by the Covid-19 outbreak. (Source: *The Edgemarkets*)

**RCE Capital Bhd's net profit for the financial year ended March 31, 2020 increased to RM110.58 million from RM95.53 million in the previous financial year.** Revenue rose to RM282.61 million from RM262.57 million previously, the group said in a filing with Bursa Malaysia today. It said the better performance was largely supported by higher net interest/profit income, partially offset by lower fee income arising from the sale of competitive products and campaigns to boost disbursements. "The group is cognisant of the economic downturn and market uncertainty arising from the Covid-19 pandemic. Hence, more sales campaigns will be launched to targeted customers in order to sustain business growth without compromising portfolio quality. "Notwithstanding the above, the group will closely monitor the impact on its business operations, cash flows and financial results. As such, we maintain a cautious outlook and expect to remain profitable in the next financial year," it said. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Malaysian Resources Corporation Berhad (MRCB)	Proposed Islamic Medium-Term Notes Programme of up to RM5.0 billion.	AA-IS/Stable	Assigned
Southern Power Generation Sdn Bhd (SPG)	Sukuk Wakalah of up to RM4.0 billion	AA-IS/Stable	Affirmed

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; 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

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.