

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries were better-bid on Thursday with the curve flattening slightly in what was another muted session with low volumes. Some mixed economic data out of US and China added to the uncertainties that the global economy may take longer-than-expected to recover from the COVID-19 virus pandemic. Overall benchmark yields ended between 1-2bps lower with both the UST 2Y and the much-watched UST 10Y edging 1bps lower at 0.15% and 0.62% respectively. Meanwhile foreign holdings of UST's rose by ~\$81b to a 3-month high of \$6.86 trillion in May as the market found safe-haven support due to the economic malaise. Both Japan and China still hold the reins at \$1.26 trillion and \$1.08 trillion respectively. The economic calendar remains light with housing starts, building permits and Uni of Michigan consumer sentiment expected out later tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	-1
5-yr UST	0.28	-1
10-yr UST	0.62	-1
30-yr UST	1.31	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.00	0	2.04	-1
5-yr	2.18	0	2.14	-3
7-yr	2.41	-3	2.46	-2
10-yr	2.64	-2	2.65	-5
15-yr	3.10	-23	3.19	0
20-yr	3.36	-5	3.42	-4
30-yr	3.78	5	3.80	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.91	0
3-yr	1.91	-2
5-yr	2.07	0
7-yr	2.36	0
10-yr	2.55	0

Source : Bloomberg

MGS/GII

- Local govies continued to see improved investor interest yesterday amid a spike in secondary market volume to RM5.91b with overall benchmark MGS/GII yields mostly lower between 0-5bps save for the 15Y and 30Y MGS. Interest was mainly seen in the longer tenures i.e. 10Y, 15Y and 20Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 was unchanged at 2.18% whilst the 10Y MGS 8/29 edged 2bps lower at 2.64%. GII bond trades rose further to form ~57% of overall trades. Meanwhile the 10Y GII auction saw solid interest with BTC ratio at 2.59x and awarded at 2.665%; depicting wider profile of investors. The nation's yield curve has steepened partly due to concerns over the fiscal deficit. Nevertheless, traders are still seen expecting some support for MYR bonds with a view for potential further easing later this year.

Corp Bonds/Sukuk

- Activity tapered off on Thursday with secondary market volume at RM455m; with interest seen across the GG followed by the AAA-AA part of the curve. Nevertheless, overall yields continued to drift lower. The longer-end PRASA 12/38 saw substantiola volume of RM100m traded; edging 1bps higher at 3.61% instead. AAA-rated AMAN, DANUM and MANJUNG 25's ended 4-6bps lower between 2.68-79% levels. The AA-space saw energy-related bonds EDRA 25-26's move sharply lower on yields between 3.42-44% whilst SEPANGAR Bay 2025 and 2026 tranches similarly saw demand resulting in yields falling at 3.13% and 3.24% each. The banking space saw PUBLIC 27NC22 drop 26bps at 2.88%.

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	1.444	105	1.514	15/07/2020	-7
MGS 10/20	1.741	177	1.691	15/07/2020	5
MGS 07/21	1.846	72	1.797	15/07/2020	5
MGS 09/21	1.814	150	1.807	14/07/2020	1
MGS 11/21	1.827	86	1.817	15/07/2020	1
MGS 03/22	1.934	70	1.938	15/07/2020	0
MGS 08/22	1.939	33	1.953	15/07/2020	-1
MGS 09/22	1.955	161	1.979	15/07/2020	-2
MGS 03/23	2.004	29	2.003	15/07/2020	0
MGS 06/24	2.114	20	2.138	15/07/2020	-2
MGS 09/24	2.159	54	2.157	13/07/2020	0
MGS 03/25	2.237	13	2.222	14/07/2020	2
MGS 09/25	2.182	83	2.184	15/07/2020	0
MGS 07/26	2.323	51	2.351	15/07/2020	-3
MGS 05/27	2.408	84	2.436	15/07/2020	-3
MGS 11/27	2.460	33	2.481	15/07/2020	-2
MGS 06/28	2.627	55	2.635	14/07/2020	-1
MGS 09/28	2.642	30	2.685	15/07/2020	-4
MGS 08/29	2.634	354	2.658	15/07/2020	-2
MGS 04/30	2.756	132	2.798	15/07/2020	-4
MGS 06/31	2.882	100	2.858	15/07/2020	2
MGS 04/32	3.022	135	3.179	03/07/2020	-16
MGS 04/33	3.125	63	3.144	13/07/2020	-2
MGS 11/33	3.125	40	3.193	14/07/2020	-7
MGS 07/34	3.100	156	3.331	15/07/2020	-23
MGS 04/37	3.419	1	3.376	15/07/2020	4
MGS 06/38	3.385	40	3.425	15/07/2020	-4
MGS 05/40	3.357	140	3.408	10/07/2020	-5
MGS 03/46	3.820	3	3.792	15/07/2020	3
MGS 06/50	3.784	50	3.730	15/07/2020	5
GII 04/22	1.933	60	1.943	15/07/2020	-1
GII 07/22	1.956	50	1.962	14/07/2020	-1
GII 11/22	1.988	50	2.067	08/07/2020	-8
GII 05/23	2.036	580	2.043	15/07/2020	-1
GII 07/23	2.059	10	2.096	09/07/2020	-4
GII 11/23	2.081	20	2.058	13/07/2020	2
GII 10/24	2.136	270	2.168	15/07/2020	-3
GII 08/25	2.247	12	2.247	15/07/2020	0
GII 09/26	2.402	110	2.412	15/07/2020	-1
GII 07/27	2.537	100	2.583	14/07/2020	-5
GII 09/27	2.461	60	2.483	14/07/2020	-2
GII 10/28	2.679	195	2.696	15/07/2020	-2
GII 12/28	2.678	50	2.730	10/07/2020	-5
GII 07/29	2.715	757	2.767	15/07/2020	-5
GII 09/30	2.772	80	2.795	14/07/2020	-2
GII 10/30	2.649	368	2.701	15/07/2020	-5
GII 06/33	3.157	70	3.219	13/07/2020	-6
GII 11/34	3.189	320	3.189	13/07/2020	0
GII 09/39	3.418	230	3.455	15/07/2020	-4
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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*	
Small Medium Enterprise Development Bank Malay	04/25	GG	2.497	30	2.559	14/07/2020	-6	33
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	2.660	15	2.997	03/06/2020	-34	24
Small Medium Enterprise Development Bank Malay	04/27	GG	2.739	10	2.799	14/07/2020	-6	32
Khazanah Nasional Berhad	10/27	GG	2.751	5	2.761	15/07/2020	-1	33
Bank Pembangunan Malaysia Berhad	01/31	GG	3.048	10	4.700	09/08/2018	-165	40
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	3.574	10	3.690	02/07/2020	-12	45
Prasarana Malaysia Berhad	12/38	GG	3.610	100	3.600	09/07/2020	1	22
Prasarana Malaysia Berhad	03/45	GG	3.851	40	3.846	15/07/2020	0	47
Berjaya Land Berhad	12/20	AAA	2.875	10	3.779	06/01/2020	-90	106
Aman Sukuk Berhad	03/25	AAA	2.792	20	2.828	14/07/2020	-4	62
Danum Capital Berhad	05/25	AAA	2.678	5	2.739	15/07/2020	-6	51
Manjung Island Energy Berhad	11/25	AAA	2.688	10	2.738	09/07/2020	-5	52
Danum Capital Berhad	05/27	AAA	2.878	60	2.941	15/07/2020	-6	46
Danga Capital Berhad	09/27	AAA	2.878	5	3.150	03/07/2020	-27	46
Sepangar Bay Power Corporation Sdn Berhad	07/25	AA1	3.132	5	3.152	14/07/2020	-2	96
Kuala Lumpur Kepong Berhad	08/25	AA1	2.855	10	2.943	15/07/2020	-9	68
Sepangar Bay Power Corporation Sdn Berhad	07/26	AA1	3.241	5	4.804	19/12/2017	-156	91
Public Bank Berhad	04/27	AA1	2.881	10	3.145	09/03/2020	-26	46
CIMB Bank Berhad	08/26	AA+	3.280	1	3.635	15/07/2020	-36	95
CIMB Group Holdings Berhad	09/29	AA	3.076	10	3.096	08/07/2020	-2	47
Trinity Asia Ventures Berhad	09/22	AA3	4.151	10	4.297	02/07/2020	-15	221
BGSM Management Sdn Berhad	06/24	AA3	3.087	10	3.283	30/06/2020	-20	97
Edra Energy Sdn Berhad	07/25	AA3	3.415	10	4.474	16/06/2020	-106	124
Edra Energy Sdn Berhad	01/26	AA3	3.444	10	3.642	30/06/2020	-20	127
Country Garden Real Estate Sdn Berhad	03/27	AA3	3.911	40	4.051	15/05/2020	-14	149
Bank Muamalat Malaysia Berhad	11/21	A	3.182	1	4.307	16/06/2020	-113	136
Eco World International Berhad	10/21	-	5.078	4	4.017	15/07/2020	106	326
LBS Bina Group Berhad	03/20	-	5.926	1	5.801	13/07/2020	13	254
				<u>455</u>				

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

Market/Corporate News: What's Brewing

Tabung Haji (TH) invests in various asset classes, with the main ones being fixed income (sukuk), equities, real estate and money market instruments, and all of them are subjected to investment risk. Prime Minister Tan Sri Muhyiddin Yassin said this in his written Parliamentary reply to Kapar MP Datuk Abdullah Sani Abdul Hamid's (PH) question on which of TH's investments were now considered to be liabilities. "Among the investment risks are fundamental changes in a company's business and the fluctuations in both the local and overseas markets. "For example, the COVID-19 pandemic has adversely affected economies and markets around the world including Malaysia, and this affected TH's investments," the prime minister said. He added that TH's investments were based on Strategic Asset Allocation (SAA) which was Shariah compliant and that gave stable and sustainable returns. "The SAA comprised fixed income (55 percent), equities (25 percent), real estate (15 percent) and money market instruments (5 percent)," he added. He also said that the government would always monitor and evaluate TH's investments because it was the nation's largest Islamic financial institution and held Muslim depositors' funds in trust. "Therefore, all investments and dealings conducted by TH will always be scrutinised by the government on a periodic basis," he said. (Source: *The Edgemarkets*)

Paramount Corp Bhd is acquiring 4.54 acres of prime freehold land with buildings at Jalan Ampang Hilir, Kuala Lumpur for RM243.8 million, cash, in the vicinity of the popularly known 'Embassy Row'. It is acquiring the property, which has a 20-storey building with service suites and 132 units of low-rise condominiums situated on it, from the subsidiaries of Singapore-listed Wing Tai Holdings Ltd. It plans to redevelop the land – comprising two contiguous plots – into a premium high-rise residential development that comprises about 650 units of condominium, with an estimated gross development value of RM863 million, to be generated over five years. "This is Paramount's first venture into property development in Kuala Lumpur and we are very excited about the prospects. This acquisition will enable Paramount to enhance our property development profile at a prime location in the heart of KL," said Paramount group chief executive officer Jeffrey Chew in a statement. The estimated GDV from the proposed development is expected to further strengthen Paramount's current total expected GDV of RM6.8 billion to RM7.7 billion, and contribute positively to the group's future earnings, he said. The site, according to Paramount, is located at the prestigious U-Thant enclave of Kuala Lumpur and surrounded by foreign embassies, high commissions, high-end residences, international schools and medical centres. "The market prices for condominiums in the area are about 30% to 40% lower than those at the KLCC area. As such, Paramount's proposed premium residential development would be an attractive address in the KL city and an alternative to properties at KLCC," Chew said. The development will also have easy access to a catchment of expatriates in the area as well as the larger population of the Klang Valley which is expected to surpass 10 million by 2035, he said. "The acquisition is in line with our strategy of replenishing land bank at strategic locations with strong growth potential and to scale up our property development activities to generate long term sustainable income. "Demand for housing in the Klang Valley remains resilient due to population and economic growth. The value of residential property transactions in the Klang Valley was RM33.9 billion in 2019, accounting for nearly half the total of RM72.4 billion transacted in Malaysia that year," he added. In a stock exchange filing, Paramount further said that the project's total gross development cost could not be determined at this juncture, pending finalisation of the detailed redevelopment plan for the property. "As such, it is too preliminary to ascertain the expected profits to be derived from the proposed development," it said.. (Source: *The Edgemarkets*)

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

Source: RAM, MARC

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