

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker with the longer-end pressured last Friday as traders brushed aside weak US economic data that included decreases in industrial data and retail sales for April. Overall benchmark yields rose between 0-4bps with the UST 2Y closing almost unchanged at 0.15% whilst the much-watched UST 10Y edged 2bps higher at 0.63%. Nevertheless there was some slight cheer as the University of Michigan's consumer sentiment in May showed slight improvement. Meanwhile foreign selling of UST's hit a record high in March as net outflows recorded \$300b as opposed to net purchases of \$5b in February. Expect some attention to shift to the upcoming Congressional testimony by the Fed Chair Powell this week.

MGS/GIII

- Local govies closed mixed again on a cautious note amid higher secondary market volume of RM5.38b. Both MGS and GII curve steepened as overall benchmark yields closed mixed between -4bps to +5bps save for the 30Y MGS which spiked 7bps on an odd-lot trade. Interest was mainly centred in the off-the-run 20-21's, 24's and 26's. The benchmark 5Y MGS 6/24 rallied 4bps to close at 2.50% whilst the 10Y MGS 8/29 edged 1bps instead at 2.87%. GII bonds dropped to form a mere ~20% of overall trades. Meanwhile the MYR is still seen weaker due to equity outflows. Expect mild support for bonds ahead of this Wednesday's CPI numbers for April.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space maintained strong activity with secondary market at RM662m. Interest was seen mainly across the AAA part of the curve as overall yields again ended mostly mixed-to-lower. Govt-guaranteed DANA 11/34 closed unchanged at 3.38% whereas PTPTN 2/34 closed 54bps sharply lower instead compared to previous-done levels at 3.40%. AAA-rated PLUS saw a slew of tranches i.e. 2029-2037, traded lower on yields between 3.32-78% area; totaling RM100m. AA-rated new debutant UEM Sunrise 5/21 bonds closed at 3.65% (-5bps lower than its coupon of 3.70%) whilst YTL Power 10/21 moved 7bps lower at 3.00%. The banking space saw Bank Islam 30NC25 end at 3.67% whereas HLF 29NC24 saw strong bidding; causing it to close 33bps lower at 3.37%.

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 0.15        | 0         |
| 5-yr UST  | 0.31        | 0         |
| 10-yr UST | 0.63        | 2         |
| 30-yr UST | 1.32        | 4         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 2.30        | -1        | 2.28        | 0         |
| 5-yr   | 2.50        | -4        | 2.50        | -1        |
| 7-yr   | 2.72        | -1        | 2.77        | 1         |
| 10-yr  | 2.87        | -1        | 2.82        | 0         |
| 15-yr  | 3.20        | 2         | 3.27        | 2         |
| 20-yr  | 3.44        | 0         | 3.43        | 5         |
| 30-yr  | 3.88        | 7         | 3.69        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 2.18        | -2        |
| 3-yr           | 2.20        | -2        |
| 5-yr           | 2.29        | -1        |
| 7-yr           | 2.40        | -1        |
| 10-yr          | 2.65        | 2         |

Source : Bloomberg

Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bond

| Securities | Closing | Vol         | Previous | Previous                   | Chg  |
|------------|---------|-------------|----------|----------------------------|------|
|            | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp) |
| MGS 10/20  | 2.044   | 200         | 2.099    | 14/05/2020                 | -6   |
| MGS 02/21  | 2.070   | 460         | 2.079    | 14/05/2020                 | -1   |
| MGS 07/21  | 2.077   | 688         | 2.098    | 14/05/2020                 | -2   |
| MGS 09/21  | 2.092   | 407         | 2.169    | 13/05/2020                 | -8   |
| MGS 11/21  | 2.104   | 390         | 2.174    | 14/05/2020                 | -7   |
| MGS 03/22  | 2.200   | 141         | 2.274    | 14/05/2020                 | -7   |
| MGS 08/22  | 2.267   | 70          | 2.295    | 12/05/2020                 | -3   |
| MGS 09/22  | 2.249   | 132         | 2.268    | 14/05/2020                 | -2   |
| MGS 03/23  | 2.295   | 170         | 2.303    | 14/05/2020                 | -1   |
| MGS 04/23  | 2.332   | 42          | 2.361    | 14/05/2020                 | -3   |
| MGS 08/23  | 2.374   | 62          | 2.353    | 14/05/2020                 | 2    |
| MGS 06/24  | 2.452   | 321         | 2.466    | 14/05/2020                 | -1   |
| MGS 07/24  | 2.482   | 13          | 2.452    | 14/05/2020                 | 3    |
| MGS 09/25  | 2.501   | 49          | 2.541    | 14/05/2020                 | -4   |
| MGS 07/26  | 2.682   | 509         | 2.721    | 14/05/2020                 | -4   |
| MGS 11/26  | 2.692   | 82          | 2.762    | 14/05/2020                 | -7   |
| MGS 05/27  | 2.724   | 83          | 2.739    | 14/05/2020                 | -1   |
| MGS 11/27  | 2.797   | 47          | 2.843    | 14/05/2020                 | -5   |
| MGS 06/28  | 2.894   | 13          | 2.901    | 14/05/2020                 | -1   |
| MGS 08/29  | 2.874   | 196         | 2.887    | 14/05/2020                 | -1   |
| MGS 04/30  | 3.025   | 137         | 3.067    | 14/05/2020                 | -4   |
| MGS 04/33  | 3.326   | 13          | 3.270    | 14/05/2020                 | 6    |
| MGS 11/33  | 3.324   | 19          | 3.300    | 14/05/2020                 | 2    |
| MGS 07/34  | 3.195   | 7           | 3.178    | 14/05/2020                 | 2    |
| MGS 05/40  | 3.437   | 60          | 3.437    | 14/05/2020                 | 0    |
| MGS 07/48  | 3.880   | 4           | 3.814    | 14/05/2020                 | 7    |
| GII 08/20  | 2.061   | 5           | 2.071    | 14/05/2020                 | -1   |
| GII 04/21  | 2.091   | 200         | 2.090    | 14/05/2020                 | 0    |
| GII 03/22  | 2.280   | 10          | 2.256    | 13/05/2020                 | 2    |
| GII 04/22  | 2.298   | 2           | 2.257    | 13/05/2020                 | 4    |
| GII 07/22  | 2.258   | 10          | 2.302    | 06/05/2020                 | -4   |
| GII 10/23  | 2.420   | 5           | 2.411    | 13/05/2020                 | 1    |
| GII 11/23  | 2.439   | 2           | 2.384    | 14/05/2020                 | 6    |
| GII 05/24  | 2.453   | 4           | 2.472    | 13/05/2020                 | -2   |
| GII 10/24  | 2.498   | 120         | 2.510    | 14/05/2020                 | -1   |
| GII 08/25  | 2.668   | 3           | 2.628    | 14/05/2020                 | 4    |
| GII 09/26  | 2.751   | 30          | 2.704    | 13/05/2020                 | 5    |
| GII 07/27  | 2.834   | 164         | 2.841    | 14/05/2020                 | -1   |
| GII 09/27  | 2.765   | 46          | 2.759    | 12/05/2020                 | 1    |
| GII 10/28  | 2.932   | 80          | 2.956    | 14/05/2020                 | -2   |
| GII 07/29  | 2.952   | 151         | 2.952    | 14/05/2020                 | 0    |
| GII 06/33  | 3.250   | 10          | 3.148    | 12/05/2020                 | 10   |
| GII 11/34  | 3.268   | 170         | 3.251    | 14/05/2020                 | 1.7  |
| GII 09/39  | 3.429   | 50          | 3.376    | 12/05/2020                 | 5.3  |
|            |         | <u>5376</u> |          |                            |      |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                    |       | Rating | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) | Spread<br>Against<br>MGS* |
|---|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Pengurusan Air SPV Berhad                     | 02/21 | GG     | 2.198          | 30              | 2.677           | 17/04/2020                             | -48         | 11                        |
| Perbadanan Tabung Pendidikan Tinggi Nasional  | 02/34 | GG     | 3.401          | 20              | 3.940           | 19/03/2020                             | -54         | 22                        |
| DanaInfra Nasional Berhad                     | 11/34 | GG     | 3.379          | 50              | 3.380           | 13/05/2020                             | 0           | 20                        |
| Putrajaya Holdings Sdn Berhad                 | 09/20 | AAA    | 2.620          | 15              | 2.795           | 12/03/2020                             | -18         | 53                        |
| Sarawak Energy Berhad                         | 06/21 | AAA    | 2.629          | 20              | 2.968           | 24/04/2020                             | -34         | 54                        |
| Public Islamic Bank Berhad                    | 07/21 | AAA    | 2.846          | 5               | 3.277           | 18/12/2019                             | -43         | 76                        |
| Putrajaya Holdings Sdn Berhad                 | 07/21 | AAA    | 2.729          | 20              | 3.946           | 02/04/2019                             | -122        | 64                        |
| Manjung Island Energy Berhad                  | 11/21 | AAA    | 2.828          | 30              | 3.107           | 17/04/2020                             | -28         | 61                        |
| Telekom Malaysia Berhad                       | 11/25 | AAA    | 3.082          | 30              | 3.238           | 22/04/2020                             | -16         | 42                        |
| Danga Capital Berhad                          | 09/27 | AAA    | 3.160          | 10              | 3.150           | 14/05/2020                             | 1           | 43                        |
| Projek Lebuhraya Usahasama Berhad             | 01/29 | AAA    | 3.317          | 10              | 3.429           | 29/04/2020                             | -11         | 46                        |
| Projek Lebuhraya Usahasama Berhad             | 01/30 | AAA    | 3.368          | 20              | 3.469           | 28/04/2020                             | -10         | 49                        |
| Projek Lebuhraya Usahasama Berhad             | 01/31 | AAA    | 3.428          | 10              | 4.059           | 20/03/2020                             | -63         | 55                        |
| TNB Northern Energy Berhad                    | 05/31 | AAA    | 3.439          | 20              | 3.609           | 30/01/2020                             | -17         | 56                        |
| Manjung Island Energy Berhad                  | 11/31 | AAA    | 3.409          | 20              | 4.120           | 25/03/2020                             | -71         | 53                        |
| Projek Lebuhraya Usahasama Berhad             | 01/32 | AAA    | 3.470          | 20              | 3.540           | 28/04/2020                             | -7          | 59                        |
| Projek Lebuhraya Usahasama Berhad             | 01/33 | AAA    | 3.529          | 20              | 3.548           | 24/02/2020                             | -2          | 35                        |
| TNB Northern Energy Berhad                    | 05/33 | AAA    | 3.571          | 20              | 4.289           | 02/04/2020                             | -72         | 39                        |
| Projek Lebuhraya Usahasama Berhad             | 01/36 | AAA    | 3.729          | 10              | 4.060           | 30/12/2019                             | -33         | 55                        |
| Projek Lebuhraya Usahasama Berhad             | 01/37 | AAA    | 3.778          | 10              | 3.999           | 20/08/2019                             | -22         | 60                        |
| Teknologi Tenaga Perlis Consortium Sdn Berhad | 01/21 | AA1    | 2.816          | 5               | 3.142           | 20/02/2020                             | -33         | 73                        |
| YTL Power International Berhad                | 10/21 | AA1    | 2.999          | 20              | 3.068           | 06/05/2020                             | -7          | 91                        |
| UMW Holdings Berhad                           | 02/21 | AA2    | 2.844          | 10              | 3.187           | 14/02/2020                             | -34         | 75                        |
| Hong Leong Financial Group Berhad             | 06/29 | AA2    | 3.372          | 20              | 3.700           | 21/04/2020                             | -33         | 52                        |
| MMC Corporation Berhad                        | 11/20 | AA-    | 3.139          | 5               | 3.275           | 29/04/2020                             | -14         | 105                       |
| UEM Sunrise Berhad                            | 05/21 | AA-    | 3.650          | 40              | -               | -                                      | -           | 156                       |
| Country Garden Real Estate Sdn Berhad         | 03/25 | AA3    | 3.822          | 20              | -               | -                                      | -           | 131                       |
| Country Garden Real Estate Sdn Berhad         | 03/27 | AA3    | 4.051          | 20              | 4.176           | 12/05/2020                             | -13         | 132                       |
| Jimah East Power Sdn Berhad                   | 12/30 | AA-    | 3.935          | 10              | 3.689           | 09/03/2020                             | 25          | 106                       |
| DRB-Hicom Berhad                              | 08/24 | A+     | 4.416          | 10              | 3.737           | 14/05/2020                             | 68          | 212                       |
| Special Power Vehicle Berhad                  | 11/20 | A1     | 3.350          | 10              | 3.598           | 31/01/2020                             | -25         | 126                       |
| Bank Islam Malaysia Berhad                    | 03/30 | A1     | 3.668          | 100             | -               | -                                      | -           | 79                        |
| CIMB Group Holdings Berhad                    | 05/16 | A1     | 3.351          | 1               | 4.381           | 14/05/2020                             | -103        | -10                       |
| Eco World International Berhad                | 05/23 | -      | 5.734          | 1               | 6.710           | 13/05/2020                             | -98         | -                         |
| Eco World Capital Assets Berhad               | 08/24 | -      | 7.036          | 1               | 6.984           | 14/05/2020                             | 5           | -                         |
|   |       |        |                | <u>662</u>      |                 |  |             |                           |

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

## Market/Corporate News: What's Brewing

**82% of US companies in Malaysia have suffered significant losses resulting from the COVID-19 outbreak and the subsequent Movement Control Order that was enforced by the Government to curb the spread of the coronavirus, according to a survey by the American Malaysian Chamber of Commerce (AMCHAM).** One third of the respondents had incurred over RM10 million in losses for every two weeks the restrictions on business activity had been in place. A considerable number of respondents - 16% - have reported losses in excess of RM500 million since the MCO was put in place, AMCHAM said in a statement today. "The unprecedented economic and public health challenges posed by the pandemic have disrupted livelihoods and cost the Malaysian economy approximately RM2.4 billion a day throughout the MCO period. Therefore, it is no surprise that US companies in Malaysia have taken heavy financial hits over the past few months," AMCHAM said. The survey, AMCHAM's first comprehensive Covid-19 and MCO Business Impact survey, polled AMCHAM members - comprising mainly large US multinational companies that are heavily invested in Malaysia - to understand how the pandemic and the policy responses of the Malaysian Government have impacted their business activity and investment plans. The survey was conducted between April 17 and April 24 at the start of the third phase of the MCO, and involved 114 respondents. Almost half of these respondents are from the electrical and electronics (E&E) and semiconductor industries. Retrenchments avoided for now but business reconfiguration may affect local SME partners. As a short-term solution to mitigate the pandemic's impact, AMCHAM said most respondents have been forced to look

into cost-cutting measures and adjustments of their long-term business strategy, while devising new standard operating procedures (SOPs) to ensure employee safety and well-being during the crisis. "Despite these challenges, and reflecting the long-term perspective with which American companies invest in Malaysia, the vast majority of employers have been able to avoid laying off staff or implementing mandatory unpaid leave," it said. However, half of the respondents are now expecting to reduce their investment in Malaysia this year, while 20% feel it is too early to comment. And many are taking steps to revise their supply chain strategies to ensure future business continuity, which includes readjustments such as the movement of sourcing lines or the shifting of test and assembly operations. "A majority of respondents indicated that they work extensively with local SMEs to support their operations in Malaysia, and therefore these local businesses may also incur considerable losses if adjustments to the supply chain become necessary," AMCHAM said. Most of the respondents also stressed the need for greater clarity of policies relating to the MCO, and called on the Government to work alongside the business community to identify ways in which business activities can be restarted quickly without compromising safety. "These unique times also open doors of opportunity and the past few weeks have shown the power of collaboration. AMCHAM looks forward to continuing our active engagement with the Government to find pragmatic solutions," said AMCHAM chief executive officer Siobhan Das. "The COVID-19 pandemic has necessitated a paradigm shift within the Malaysian economy and society as a whole towards a 'new normal'... With strategic choices, reforms, and commitment to developing the skills of its people, Malaysia can cement its central role in the global value chain and economy. As the world moves towards a living-with-COVID-19 era, American businesses that have found a home in Malaysia are committed to contributing to the solutions," she added. (Source: *The EdgeMarkets*)

**Oil rose above \$30 a barrel for the first time in two months as producers in the U.S. and elsewhere continued to cut activity, helping to rebalance a market that was thrown into disarray by coronavirus lockdowns.** Futures in New York climbed around 4% after almost doubling in a run of three weekly advances. The number of drilling rigs in the U.S. fell for a ninth week to levels not seen in more than a decade, while stockpiles at the key storage hub in Cushing, Oklahoma, shrank for the first time since late February. Iraq said it planned to halt output from one of its oil fields due to protests. The American cuts come on top of almost 10 million barrels a day of curbs from the OPEC+ alliance, which kicked in at the beginning of May. Mohammad Barkindo, secretary-general of the Organization of Petroleum Exporting Countries, said in a Bloomberg Television interview that the outlook for the second half was looking more encouraging as the global economy recovers. OPEC+ is responding to the oil market's collapse with an urgency never seen before. The group's production cutbacks are well on their way to their goal of removing around 10% of global supplies, according to tanker-tracking data, interviews with physical crude traders and refiners, and assessments by consultants. Together with a tentative recovery in demand, that's made a repeat of last month's plunge below zero extremely unlikely before the expiration of the West Texas Intermediate June contract on Tuesday. WTI for June delivery rose 4.4% to \$30.72 a barrel on the New York Mercantile Exchange as of 8:16 a.m. in Singapore after climbing 19% last week. Brent for July settlement added 3.6% to \$33.67 following a 4.9% advance last week. However, there's still a risk that oil's recovery could be derailed if the pandemic worsens and leads to restrictions being reimposed. Federal Reserve Chairman Jerome Powell warned Friday that stocks and other assets that have rallied sharply in the past month would suffer "significant declines" if there were setbacks in the fight

to contain the virus. Iraq, OPEC's second-biggest producer, said it planned to halt output from the southeastern oil field of Al-Ahdab due to protests that are blocking operations, according to a person with knowledge of the situation. The protesters are demanding the resignation of the governor of Wasit Province, where the field is located, along with his two deputies, said the person, who asked not to be identified because the information isn't public. (Source: *The EdgeMarkets*)

| Rating Action |                 |                |        |
|---------------|-----------------|----------------|--------|
| Issuer        | PDS Description | Rating/Outlook | Action |
| Nil           | Nil             | Nil            | Nil    |

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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