

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries caught a slight bid on Wednesday following a strong 20Y bond auction coupled with concerns over rising COVID-19 infections across Texas, Florida and California; as well as lockdowns in Beijing. Overall benchmark yields edged mostly lower between 0-1bps. The UST 2Y closed within 1bps at 0.20% whilst the much-watched UST 10Y ended 1bps lower at 0.74%. Fed Chair Powell's 2<sup>nd</sup> day of congressional testimony turned no new leads. The first 20Y bond reopening auction saw a solid BTC ratio of 2.63x (prior auction: 2.53x) and awarded at 1.314%; benefitting from the recent steepening of the long-end vs front-end and belly. On the Secondary Market Corporate Credit Facility, Powell said the Fed will eventually move away from buying ETFs altogether and focus on buying bonds as the "primary mode of support" for credit markets. Expect traders to follow further updates on the COVID-19 pandemic.

##### MGS/GIII

- Local govvnies continued to witness another relatively quiet day amid a decrease in secondary market volume of RM2.95b. Benchmark MGS yields closed mostly mixed between -1 to +4bps with interest mainly centred in the off-the-run 20's, 22's and also the 10Y benchmark MGS. The benchmark 5Y MGS 9/25 edged 1bps higher at 2.55% whilst the 10Y MGS 8/29 declined 1bps instead at 2.91%. GII bonds dropped to form ~33% of overall trades. Expect investors to focus on BNM's future policy response and further COVID-19 updates in and around the region whilst the new government navigates its way around a weak 2Q economic climate.

##### Corp Bonds/Sukuk

- Investor interest was seen sustained amid secondary market volume of RM685m with trades mainly across the AA-part of the curve followed by the GG-AAA segment. Overall yields closed mostly mixed. The short Govt-guaranteed GOVCO 2/21 closed 3bps lower compared to previous-done levels at 2.17% whilst PRASA 34's closed unchanged between 3.45-48% levels. AAA-rated PUTRAJAYA and PASB 26's rose between 5-7bps at 3.14-20% area whilst RANTAU 5/31 spiked 14bps at 3.50%. AA-rated energy cum power bonds i.e. JEP and Southern Power saw several tranches between 2026-203 dominate trades; closing mixed on yields. MAHB 2112NC24 perps closed 8bps higher on substantial volume of RM170m. The banking space was however quiet.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.20	0
5-yr UST	0.34	0
10-yr UST	0.74	-1
30-yr UST	1.53	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.33	1	2.38	0
5-yr	2.55	1	2.57	4
7-yr	2.73	-1	2.79	0
10-yr	2.91	-1	2.89	0
15-yr	3.30	2	3.41	1
20-yr	3.60	0	3.66	0
30-yr	4.01	0	4.05	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.17	0
3-yr	2.21	-2
5-yr	2.40	0
7-yr	2.55	2
10-yr	2.75	4

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	242	2.026	16/06/2020	0
MGS 10/20	1.980	27	2.006	16/06/2020	-3
MGS 07/21	2.009	28	2.021	16/06/2020	-1
MGS 09/21	2.065	2	2.077	16/06/2020	-1
MGS 03/22	2.188	222	2.188	16/06/2020	0
MGS 08/22	2.257	164	2.226	15/06/2020	3
MGS 09/22	2.256	140	2.256	16/06/2020	0
MGS 03/23	2.335	119	2.324	16/06/2020	1
MGS 04/23	2.370	30	2.382	16/06/2020	-1
MGS 08/23	2.412	136	2.409	16/06/2020	0
MGS 06/24	2.472	73	2.498	16/06/2020	-3
MGS 07/24	2.519	5	2.522	16/06/2020	0
MGS 09/25	2.553	150	2.539	16/06/2020	1
MGS 07/26	2.721	93	2.728	16/06/2020	-1
MGS 11/26	2.735	12	2.742	16/06/2020	-1
MGS 05/27	2.731	104	2.742	16/06/2020	-1
MGS 11/27	2.835	17	2.862	16/06/2020	-3
MGS 06/28	2.925	10	2.928	15/06/2020	0
MGS 08/29	2.910	379	2.918	16/06/2020	-1
MGS 04/30	3.051	1	3.062	16/06/2020	-1
MGS 06/31	3.182	1	3.165	16/06/2020	2
MGS 07/34	3.300	13	3.282	16/06/2020	2
MGS 04/37	3.531	2	3.549	15/06/2020	-2
MGS 03/46	3.989	22	4.028	16/06/2020	-4
GII 03/21	2.016	9	2.040	16/06/2020	-2
GII 04/22	2.227	129	2.218	16/06/2020	1
GII 07/22	2.258	50	2.261	16/06/2020	0
GII 07/23	2.422	50	2.424	16/06/2020	0
GII 10/23	2.446	20	2.447	15/06/2020	0
GII 11/23	2.450	120	2.454	16/06/2020	0
GII 05/24	2.557	2	2.446	03/06/2020	11
GII 10/24	2.565	30	2.526	15/06/2020	4
GII 08/25	2.641	105	2.643	15/06/2020	0
GII 10/25	2.652	30	2.594	10/06/2020	6
GII 03/26	2.701	70	2.701	16/06/2020	0
GII 09/26	2.777	100	2.770	16/06/2020	1
GII 07/27	2.885	25	2.894	16/06/2020	-1
GII 10/28	2.942	19	2.944	16/06/2020	0
GII 07/29	3.017	51	3.000	16/06/2020	2
GII 11/34	3.413	30	3.404	16/06/2020	1
GII 08/37	3.591	100	3.402	21/05/2020	19
GII 05/47	3.950	20	4.076	10/06/2020	-13
		<u>2954</u>			

## 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*
GovCo Holdings Berhad	02/21	GG	2.165	65	2.198	06/20	13
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.737	30	2.723	06/20	27
DanaInfra Nasional Berhad	07/27	GG	3.026	10	2.951	05/20	29
DanaInfra Nasional Berhad	10/31	GG	3.324	10	3.290	06/20	41
Prasarana Malaysia Berhad	03/34	GG	3.450	10	3.451	06/20	15
Prasarana Malaysia Berhad	08/34	GG	3.479	10	3.480	06/20	18
Malaysia Steel Works (KL) Berhad	11/21	AAA	3.218	10	3.228	06/20	118
Putrajaya Holdings Sdn Berhad	05/26	AAA	3.139	20	3.072	05/20	47
Pengurusan Air SPV Berhad	06/26	AAA	3.177	10	3.130	05/20	51
Projek Lebuhraya Usahasama Berhad	01/27	AAA	3.241	14	3.189	06/20	50
Danga Capital Berhad	09/27	AAA	3.279	10	3.278	06/20	54
Rantau Abang Capital Berhad	05/31	AAA	3.501	20	3.357	06/20	59
Tenaga Nasional Berhad	08/38	AAA	3.771	15	3.759	06/20	17
YTL Power International Berhad	08/23	AA1	3.268	10	3.266	06/20	94
YTL Power International Berhad	10/24	AA1	3.388	15	3.367	06/20	92
Malaysia Airport Holdings Berhad	12/14	AA2	4.084	170	4.008	06/20	48
Ranhill Powertron II Sdn Berhad	06/21	AA	3.145	20	4.665	08/18	111
Ranhill Powertron II Sdn Berhad	06/22	AA	3.356	10	4.738	08/18	114
Fortune Premiere Sdn Berhad	09/25	AA	3.538	80	3.469	06/20	99
Perbadanan Kemajuan Negeri Selangor	08/21	AA3	2.949	2	2.963	06/20	91
Cahaya Mata Sarawak Berhad	05/22	AA3	3.112	10	3.200	05/20	90
Tadau Energy Sdn Berhad	07/30	AA3	4.489	10	4.569	01/20	158
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/20	AA-	2.956	6	2.986	06/20	92
SAJ Capital Sdn Berhad	01/22	AA-	3.211	2	3.220	06/20	100
WCT Holdings Berhad	05/22	AA-	3.725	20	3.733	06/20	151
Jimah East Power Sdn Berhad	06/26	AA-	3.602	10	3.790	03/20	19
Jimah East Power Sdn Berhad	12/26	AA-	3.627	10	4.099	07/19	96
Southern Power Generation Sdn Berhad	04/29	AA-	3.739	10	4.360	03/20	62
Jimah East Power Sdn Berhad	06/30	AA-	3.889	10	3.885	05/20	98
Southern Power Generation Sdn Berhad	10/30	AA-	3.839	10	3.790	01/20	93
Jimah East Power Sdn Berhad	12/30	AA-	3.939	10	3.935	05/20	103
Southern Power Generation Sdn Berhad	04/32	AA-	3.959	10	4.108	12/19	105
CIMB Group Holdings Berhad	05/16	A1	3.544	1	3.648	06/20	6
Eco World International Berhad	10/21	-	5.235	1	5.238	06/20	320
Eco World International Berhad	05/23	-	6.175	4	6.209	06/20	385
Southern Power Generation Sdn Berhad	10/31	AA-	3.909	20	4.147	04/20	24
			<u>685</u>				100

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

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

YNH Property Bhd's share price climbed as much as 18 sen or 5.63% to hit its all-time high of RM3.58 in the morning session, albeit in thin trades. In the period, the counter has gained 18.15% as opposed to the 2.9% decline in the Bursa Malaysia Property Index. At its last close, **YNH Property is the third most expensive stock across Bursa Malaysia in terms of price-to-book value (P/BV) after its sister company Rapid Synergy Bhd and HCK Capital Group Bhd.** YNH Property, controlled by non-executive director Datuk Dr Yu Kuan Chon with a 32.58% interest, last saw its shares trade at 1.45 times P/BV against net book value of RM2.20 per share. Rapid Synergy, which has Yu as the common shareholder with 29.44% control over the company, trades at a hefty P/BV of 3.42 times based on its last close of RM5.68 and net book value of RM1.37 per share. Meanwhile, HCK Capital, whose shares settled at RM1.21, traded at P/BV of 2.45 times, against net book value of 49 sen per share. The company is controlled by Sarawakian tycoon Tan Sri Clement Hii whose 63.36% stake is held via Hiichiikok Equities Sdn Bhd. The valuations are much higher than the P/BV ratio of 0.38 times fetched by the Bursa Malaysia Property Index, which tracks 94 property stocks across the local bourse. YNH, which developed a township in its home state Perak, has always boasted that it has interesting assets yet to be capitalised such as a 95-acre plot in Genting Highlands and a three-acre parcel on Jalan Sultan Ismail near the Petronas Twin Towers. YNH expressed plans to launch two high-rise projects this year with gross development value of RM700 million each in a parcel in Genting Highlands, as well as in Dutamas. That was, however, before COVID-19 hit and disrupted the supply chain. The group is set to release its first quarter ended March 31, 2020 (1QFY20) results by the end of this month. For the financial year ended Dec 31, 2019 (FY19), YNH's net profit jumped 170% to RM42.17 million from RM15.61 million, thanks to lower cost of sales amid recognition of balance of profit for the completion of Sfera Residensi in Puchong, and profit contribution from the Kiara 163 project in Kuala Lumpur. Full-year revenue slid 1.32% to RM349.33 million from RM354.02 million. The results leave YNH shares at a trailing 12-month price-to-earnings ratio of 40 times, as opposed to 200 times PER for Rapid Synergy and 66 times in HCK Capital. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Cagamas MBS Berhad	RM2.41 bil residential mortgage-backed securities (CMBS 2007-2)	AAA/Stable	Reaffirmed
	RM2.11 bil Sukuk Musyarakah Islamic residential mortgage-backed securities (CMBS 2007-1-i).		
	RM2.06 bil residential mortgage-backed securities (CMBS 2005-2)		
	RM2.05 bil Sukuk Musyarakah Islamic residential mortgage-backed securities (CMBS 2005-1)		

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

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.