

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries ended weaker yesterday with the curve extending its bear-steepening mode following European risk-on sentiment that weighed on bunds as both France and Germany made plans for a 500b-euro recovery fund. News on progress of vaccine cures for COVID-19 and supply pressures by heavy IG issuance (led by Pfizer's \$4b 4-part deal) also dampened appetite for UST's. Overall benchmark yields rose between 3-11bps with the UST 2Y closing 3bps up at 0.18% whilst the much-watched UST 10Y spiked 8bps at 0.73%. Nevertheless the Fed is not expected to shift quickly to a negative rate policy approach but will continue its massive bond buying programme; currently running at ~\$9b each business day. Expect some attention to shift to the upcoming inaugural \$20b of 20Y tomorrow together with an active IG issuance slate this entire week.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.18	3
5-yr UST	0.37	6
10-yr UST	0.73	8
30-yr UST	1.44	11

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.28	-1	2.34	6
5-yr	2.51	1	2.52	2
7-yr	2.71	-1	2.80	4
10-yr	2.87	0	2.82	0
15-yr	3.21	1	3.28	1
20-yr	3.44	0	3.48	5
30-yr	3.88	0	3.69	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.18	-1
3-yr	2.15	-5
5-yr	2.29	0
7-yr	2.41	1
10-yr	2.65	0

Source : Bloomberg

##### Upcoming Government Bond Tender

Nil

##### MGS/GII

- Local govies closed mixed again on a cautious note amid lower secondary market volume of RM3.79b. The GII curve however shifted higher whilst overall benchmark MGS/GII yields closed mostly mixed-to-higher between -1bps to +6bps. Interest was mainly centred in the off-the-run 20-21's, 29's and also 7Y, 10Y benchmark MGS. The benchmark 5Y MGS 6/24 edged 1bps higher to close at 2.51% whilst the 10Y MGS 8/29 closed within 1bps at 2.87%. GII bonds spiked to form a mere ~44% of overall trades. Meanwhile the MYR recovered this morning on some slight risk-on sentiment; supported by a slight recovery in oil and gas prices. Expect mild support for bonds ahead of this Wednesday's CPI numbers for April.

##### Corp Bonds/Sukuk

- Corporate bonds/Sukuk space maintained solid activity with secondary market slightly lower at RM557m. Interest was seen mainly across the GG-AAA part of the curve as overall yields again ended mostly mixed-to-lower. PRASA dominated the GG-segment with the 2023 tranches closing 15-49bps sharply lower compared to previous-done levels at 2.51-54% levels. AAA-rated TNB Western 25 and 29-30's too closed sharply lower on yields at 3.03% and between 3.29-36%. The seldom traded UNITAPAH saw both its 6/24 and 12/28 bonds exchange hands at 13bps and 79bps lower; closing at 3.30% and 3.65% each. The banking space saw Bank Muamalat end at 3.85% whilst MBSB 20's moved between 3-4bps lower between 2.88-92% area.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	2.041	284	2.044	15/05/2020	0
MGS 07/21	2.073	105	2.077	15/05/2020	0
MGS 09/21	2.092	208	2.092	15/05/2020	0
MGS 11/21	2.134	61	2.104	15/05/2020	3
MGS 03/22	2.209	10	2.200	15/05/2020	1
MGS 09/22	2.273	20	2.249	15/05/2020	2
MGS 03/23	2.283	110	2.295	15/05/2020	-1
MGS 08/23	2.366	52	2.374	15/05/2020	-1
MGS 06/24	2.473	182	2.452	15/05/2020	2
MGS 07/24	2.485	120	2.482	15/05/2020	0
MGS 03/25	2.529	70	2.551	14/05/2020	-2
MGS 09/25	2.511	33	2.501	15/05/2020	1
MGS 07/26	2.673	56	2.682	15/05/2020	-1
MGS 11/26	2.683	75	2.692	15/05/2020	-1
MGS 05/27	2.714	230	2.724	15/05/2020	-1
MGS 11/27	2.811	51	2.797	15/05/2020	1
MGS 06/28	2.881	21	2.894	15/05/2020	-1
MGS 09/28	2.980	1	2.924	29/04/2020	6
MGS 08/29	2.871	233	2.874	15/05/2020	0
MGS 06/31	3.139	3	3.053	12/05/2020	9
MGS 04/33	3.298	134	3.326	15/05/2020	-3
MGS 11/33	3.323	40	3.324	15/05/2020	0
MGS 07/34	3.209	1	3.195	15/05/2020	1
MGS 06/38	3.530	1	3.515	15/05/2020	1
MGS 03/46	3.845	25	3.713	14/05/2020	13
GII 08/20	-	70	2.121	06/05/2020	-
GII 08/20	2.051	100	2.061	15/05/2020	-1
GII 11/20	2.063	100	2.578	30/03/2020	-52
GII 03/21	2.094	13	2.100	12/05/2020	-1
GII 08/21	2.119	13	2.137	13/05/2020	-2
GII 03/22	2.225	10	2.280	15/05/2020	-5
GII 04/22	2.240	160	2.298	15/05/2020	-6
GII 05/23	2.342	70	2.283	08/05/2020	6
GII 05/24	2.515	32	2.453	15/05/2020	6
GII 10/24	2.518	10	2.498	15/05/2020	2
GII 08/25	2.637	20	2.668	15/05/2020	-3
GII 03/26	2.687	60	2.662	13/05/2020	2
GII 09/26	2.751	60	2.751	15/05/2020	0
GII 06/27	2.831	3	2.825	05/05/2020	1
GII 07/27	2.841	72	2.834	15/05/2020	1
GII 09/27	2.801	145	2.765	15/05/2020	4
GII 08/28	2.947	20	2.934	06/05/2020	1
GII 10/28	2.968	60	2.932	15/05/2020	4
GII 07/29	2.967	253	2.952	15/05/2020	2
GII 09/30	3.039	80	3.002	14/05/2020	4
GII 06/33	3.302	110	3.250	15/05/2020	5
GII 08/33	3.299	10	3.201	12/05/2020	10
GII 11/34	3.275	161	3.268	15/05/2020	1
GII 08/37	3.450	29	3.314	08/05/2020	14
GII 09/39	3.480	1	3.429	15/05/2020	5
		<u>3787</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	2.520	35	2.757	28/04/2020	-24	22
Prasarana Malaysia Berhad	08/23	GG	2.516	80	2.666	06/05/2020	-15	22
Prasarana Malaysia Berhad	09/23	GG	2.513	50	2.999	01/04/2020	-49	22
Prasarana Malaysia Berhad	12/23	GG	2.544	30	2.776	11/03/2020	-23	12
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.599	15	2.835	10/03/2020	-24	17
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.601	25	2.785	27/04/2020	-18	17
MKD Kencana Sdn Berhad	02/25	GG	2.700	75	3.722	21/06/2019	-102	19
Prasarana Malaysia Berhad	09/25	GG	2.755	10			276	25
Prasarana Malaysia Berhad	09/25	GG	2.757	10	2.920	24/04/2020	-16	25
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	2.787	30	2.980	26/02/2020	-19	28
Danalinfra Nasional Berhad	11/27	GG	3.042	20	3.350	15/04/2020	-31	22
Cagamas Berhad	10/20	AAA	2.345	5	4.026	14/12/2018	-168	26
Cagamas Berhad	04/21	AAA	2.423	10	3.253	19/08/2019	-83	34
Putrajaya Holdings Sdn Berhad	04/22	AAA	2.781	15	4.101	05/03/2019	-132	57
TNB Western Energy Berhad	01/25	AAA	3.033	20	3.456	16/04/2020	-42	52
TNB Western Energy Berhad	01/29	AAA	3.289	10	3.739	15/01/2020	-45	43
TNB Western Energy Berhad	01/30	AAA	3.358	20	3.799	15/01/2020	-44	47
Sepangar Bay Power Corporation Sdn Berhad	07/20	AA1	2.368	10	2.490	14/05/2020	-12	29
MBSB Bank Berhad (fka Asian Finance Bank Ber	10/20	AA1	2.881	10	2.916	14/05/2020	-4	80
MBSB Bank Berhad (fka Asian Finance Bank Ber	12/20	AA1	2.915	5	2.941	14/05/2020	-3	83
UniTapah Sdn Berhad	06/24	AA1	3.299	5	3.432	18/02/2020	-13	87
UniTapah Sdn Berhad	12/28	AA1	3.647	5	4.441	05/04/2019	-79	79
Konsortium ProHAWK Sdn Berhad	12/21	AA2	2.973	5	2.983	14/05/2020	-1	76
UEM Sunrise Berhad	12/20	AA-	2.845	2	2.976	12/03/2020	-13	76
Malakoff Power Berhad	12/20	AA-	2.776	5	2.804	14/05/2020	-3	69
Grand Sepadu (NK) Sdn Berhad	06/20	AA-	2.378	5	2.633	14/05/2020	-26	30
MMC Corporation Berhad	11/27	AA-	5.133	1	5.011	03/04/2020	12	241
CIMB Group Holdings Berhad	05/16	A1	4.424	2	3.351	15/05/2020	107	97
CIMB Group Holdings Berhad	05/16	A1	4.188	1	4.341	08/05/2020	-15	73
CIMB Group Holdings Berhad	05/16	A1	3.666	1	4.391	15/05/2020	-73	21
MBSB Bank Berhad (fka Asian Finance Bank Ber	12/31	A3	4.601	10	4.580	14/05/2020	2	171
Bank Muamalat Malaysia Berhad	11/21	A	3.852	30	4.497	27/04/2020	-65	164
Eco World International Berhad	10/21	-	5.280	1	5.284	14/05/2020	0	320
Eco World International Berhad	05/23	-	5.488	1	5.734	15/05/2020	-25	319
AEON Credit Service (M) Berhad	12/14	-	4.522	1	4.423	15/05/2020	10	107
				<u>557</u>				

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

## Market/Corporate News: What's Brewing

**Lembaga Tabung Angkatan Tentera (LTAT) or the Armed Forces Fund Board has declared a dividend of 2.5% for the financial year ended Dec 31,2019 (FY19) which is a higher than the 2% declared in FY18.** This is despite a lower net profit of RM91.7mil in FY19 compared with RM221mil for FY18. LTAT chairman Tan Sri Mohd Zahidi Zainuddin said the company was able to announce improved dividends in FY19 as a result of a waiver of liabilities that were due to the government. "LTAT was exempted from paying dividends on the government's contribution to the fund for FY19. This has allowed the fund to also record higher retained earnings of RM62mil in FY19 after payment of dividends amounting to RM220.9mil, compared with retained earnings of RM38.7mil in FY18," he said. LTAT's assets under management stood at RM9.48bil as at the end of last year. Zahidi added that FY19 was a difficult year for LTAT as it faced a challenging investment environment. "LTAT's performance was affected due to zero dividends from two key subsidiary companies: BOUSTEAD HOLDINGS BHD and Affin Bank Bhd, compared with RM124.2mil in dividends received in FY18. Investments in the subsidiaries constitute 47% of our total fund size," he said. He added that the fund's results were also affected by the absence of land sales compared with RM87.2mil in this category that was recorded in FY18. "LTAT is conscious that there is much more to be done to improve its prospects as part of the transformation journey of the fund. Moreover, LTAT faces a tough investing environment due to the wide-ranging socioeconomic impact of the Covid-19 pandemic," he said. The challenges included historically low oil prices as well as lower consumer and corporate spending. "The fund is undergoing the implementation

of the first phase of its transformation journey to fortify its structure by balancing our ability to deliver short-term wins while ensuring long-term sustainability. "This includes realigning investment strategies with the overall long-term investment objectives and philosophy," he added. He said LTAT's strategic asset allocation framework is almost complete. The framework would set the long-term direction and targets for the portfolio towards improved diversification. Accordingly, LTAT said it is looking into a potential rebalancing of its portfolio to introduce allocation in tradeable fixed income instruments. It is also exploring the potential of having exposure in the global markets. Efforts to create and optimise value derived from the existing portfolio of investments are continuing, it said. "In addition, ongoing improvements to LTAT's investment policies and processes, risk management practices, investment infrastructure and talent would allow the fund to strengthen the investment portfolio and organisation as a whole," Zahidi said. (Source: *The EdgeMarkets*)

**Two listed steel companies, CSC Steel Holdings Bhd and Southern Steel Bhd, managed to post improved financial results in the January-March quarter, although the period included the first two weeks of the Movement Control Order (MCO).** For CSC Steel, a better product mix and cost management resulted in its net profit for the first quarter ended March 31, 2020 rising 8.68% to RM5.01 million, from RM4.61 million a year earlier. Despite the higher profit, quarterly revenue fell 14.17% to RM284.27 million, from RM331.93 million previously. The group, whose major shareholder is Taiwan's China Steel Corp, attributed this to the temporary halt of business operations due to the MCO, combined with the drop in average steel prices, following lower raw material costs. "The company will adhere to the government regulations, ensure the safety of the employees, and work closely with downstream, in order to get through this difficult time. "We shall also cooperate closely with our customers to overcome the economic tsunami. In the meantime, production planning will be more flexibly adjusted according to market and economic recovery," CSC Steel said in a filing to Bursa Malaysia. Meanwhile, Southern Steel, remained in the red for the third quarter ended March 31, 2020, despite an improvement in overall financial results. This marks the group's sixth consecutive loss-making quarter. The group's net loss for the quarter narrowed to RM37.58 million, from RM41.57 million a year earlier, as margin improved from lower inventory cost. Quarterly revenue was down 32.8% to RM470.37 million, from RM699.96 million previously, due to lower sales volume and selling price. For the cumulative nine-month period, Southern Steel reported a wider net loss of RM418.12 million, versus RM84.2 million in the previous corresponding period. Nine-month revenue fell 29.73% to RM1.71 billion, from RM2.44 billion previously. The group attributed the large loss during the period mainly to an impairment loss of RM258 million recognised on plant and equipment including spares, relating to the group's hot-rolled coil investment. Southern Steel said in its filing that the Covid-19 pandemic has adversely affected its operations. The group's plants, which were shut down on March 18 due to the MCO, are now able to commence operation. "Although the group has recently obtained permissions from the Ministry of International Trade and Industry to begin operation, the management will have to fully understand the supply chain and market demand before production can be stepped up," said Southern Steel. Thus, the board has decided to suspend all views on the prospects of the group until such time that the overall impact of Covid-19 on the group becomes clearer, it said. In the meantime, the management's focus is to conserve cash within the business and to this end, all senior managers have agreed to a voluntary reduction in base salary and continued to explore ways to reduce cost, it added. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
rojek Smart Holdings Sdn Bhd	Islamic MTN Facility of up to RM330 mil in nominal value (2015/2032)	A1/from Negative to Stable	Revised

Source: RAM, MARC

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