HongLeong Bank

Global Markets Research
Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bull-steepened on Thursday mimicking equities as the Fed ramped up its UST purchases to $75b per day from $40b and bought across the curve. Overall benchmark yields ended between -7 to +3bps with the UST 2Y ending richer at 0.39% whilst the much-watched UST 10Y edged 1bps higher at 1.13%. Meanwhile the negative yields on the front-end UST's attracted investors to the 4-week and 8-week auctions yesterday; affirming the view that money-market funds were rising in the US. Elsewhere, the BOE cut rates by 15bps and launched another new QE programme. The Fed meantime established more dollar swap lines with other central banks. Expect volatility to persist in the coming days.

MGS/GIII

- Local govvies saw heightened activity amid secondary market volume of RM8.71b with net selling activities causing overall benchmark yields to spike between 0-47bps. Interest was mainly centred in the off-the-run 25s, 27's and also benchmark 3Y, 10Y and the long-end 30Y MGS/GI bonds. The benchmark 5Y MGS 6/24 spiked 40bps at 3.62% whilst the 10Y MGS 8/29 similarly rose 37bps at 3.62% as well. The curve was surprisingly seen flat between 5-10Y tenures. GII bonds formed about ~27% of overall trades. Meanwhile, FTSE Russell's interim update on the nation's Fixed Income country classification is only expected out on the 2nd of April. Expect weakness to prevail as the nation reels from COVID-19 impact, plunging oil prices and also the weakening MYR.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw sustained activity akin to prior day with secondary market volume at RM311m with interest seen mainly in the GG and AA-part of the curve. Overall yields mosly spiked higher instead. Govt-guaranteed DANAINFRA saw the 11/24, 9/29 and the 11/39 tranches ballooned between 66-79bps compared to previous-done levels at 2.94%, 325% and 3.26% respectively. 3.60% respectively. AAA-rated AMAN 5/29 however saw strong bids resulting in a 47bps decline to 3.64% whilst AA-rated energy bond YTL Power 27-28's rose beween 9-35bps at 3.86-96% levels. The banking space saw AFFIN Perps 2118NC23 jump 42bps at 4.76%. We note several other names like CIMB , HLFG and AmBank names traded in odd-lot denominations.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.39	-7
5-yr UST	0.65	-7
10-yr UST	1.13	1
30-yr UST	1.78	3

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.35	47	3.02	22
5-yr	3.62	40	3.33	0
7-yr	3.62	25	3.41	0
10-yr	3.62	37	3.61	22
15-yr	3.88	27	3.69	0
20-yr	3.61	0	4.21	47
30-yr	4.31	11	4.40	3

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.52	4
3-yr	2.55	5
5-yr	2.65	7
7-yr	2.74	3
10-yr	3.05	5

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of RM4.0b of 5Y MGS 9/25 on Friday, 20th March 2020

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/20	2.745	100	2.780	18/03/2020	-3
MGS	07/20	2.849	214	2.700	18/03/2020	15
MGS	10/20	2.935	253	2.588	18/03/2020	35
MGS	02/21	3.143	33	2.733	18/03/2020	41
MGS	07/21	3.372	21	2.876	18/03/2020	50
MGS	09/21	3.408	19	2.732	18/03/2020	68
MGS	11/21	3.089	178	2.754	17/03/2020	34
MGS	03/22	3.194	879	3.092	18/03/2020	10
MGS	08/22	3.264	397	2.984	18/03/2020	28
MGS	09/22	3.295	196	3.173	18/03/2020	12
MGS	03/23	3.348	154	2.878	18/03/2020	47
MGS	04/23	3.462	347	3.207	18/03/2020	26
MGS	08/23	3.376	93	3.238	18/03/2020	14
MGS	06/24	3.619	229	3.223	18/03/2020	40
MGS	07/24	3.687	80	3.255	18/03/2020	43
MGS	09/24	3.792	4	3.387	18/03/2020	41
MGS	03/25	3.605	16	3.351	18/03/2020	25
MGS	09/25	3.590	488	3.238	18/03/2020	35
MGS	04/26	3.741	25	3.215	18/03/2020	53
MGS	07/26	3.798	328	3.462	18/03/2020	34
MGS	11/26	3.730	219	3.394	18/03/2020	34
MGS	03/27	3.900	23	3.414	18/03/2020	49
MGS	05/27	3.616	308	3.366	18/03/2020	25
MGS	11/27	3.868	86	3.401	18/03/2020	47
MGS	06/28	3.797	87	3.382	17/03/2020	42
MGS	09/28	3.493	4	3.280	18/03/2020	21
MGS	08/29	3.619	393	3.250	18/03/2020	37
MGS	04/30	3.934	18	3.299	18/03/2020	64
MGS	06/31	4.100	116	3.678	18/03/2020	42
MGS	04/32	3.633	1	3.376	18/03/2020	26
MGS	04/33	4.015	18	3.650	18/03/2020	37
MGS	11/33	4.050	218	3.674	18/03/2020	38
MGS	07/34	3.881	321	3.610	18/03/2020	27
MGS	05/35	4.093	1	3.592	17/03/2020	50
MGS	06/38	3.997	58	3.784	18/03/2020	21
MGS	09/43	4.271	11	3.990	18/03/2020	28
MGS	03/46	4.203	3	4.305	18/03/2020	-10
MGS	07/48	4.306	411	4.199	18/03/2020	11
GII	04/20	2.964	57	2.767	18/03/2020	20
GII	05/20	2.653	20	2.668	18/03/2020	-2
GII	08/20	2.853	10	2.699	18/03/2020	15
GII	03/22	2.855	40	2.712	16/03/2020	14
GII	04/22	2.731	296	2.870	18/03/2020	-14
GII	11/22	3.120	20	3.101	09/01/2020	2
GII	05/23	3.021	251	2.797	16/03/2020	22
GII	07/23	3.106	290	3.104	18/03/2020	0
GII	10/23	3.227	100	3.226	18/03/2020	0
GII	11/23	3.191	80	3.197	18/03/2020	-1
GII	10/24	3.325	317	3.321	18/03/2020	0
GII	08/25	3.715	92	3.018	18/03/2020	70
GII	03/26	3.412	111	3.412	18/03/2020	0
GII	09/26	3.670	10	3.150	16/03/2020	52
GII	06/27	3.300	10	3.358	18/03/2020	-6
GII	10/28	3.320	20	3.320	18/03/2020	0
GII	12/28	3.362	1	3.343	18/03/2020	2
GII	07/29	3.606	111	3.391	18/03/2020	22
GII	10/35	4.000	30	3.508	17/03/2020	49
GII	09/39	4.209	41	3.740	18/03/2020	47
GII	05/47	4.298	90	4.199	18/03/2020	10
GII	11/49	4.404	370	4.372	18/03/2020	3
			8715			

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*
DanaInfra Nasional Berhad	11/24	GG	3.617	10	2.940	26/02/2020	68	4
DanaInfra Nasional Berhad	09/29	GG	3.912	10	3.250	16/03/2020	66	32
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.011	5	3.120	12/03/2020	89	42
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.940	20	3.189	12/03/2020	75	11
Prasarana Malaysia Berhad	03/34	GG	3.939	20	3.649	17/03/2020	29	11
DanaInfra Nasional Berhad	11/35	GG	4.049	40	3.260	17/02/2020	79	22
Perbadanan Tabung Pendidikan Tinggi Nasional	03/37	GG	4.149	20	3.399	02/03/2020	75	32
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	4.199	10	3.479	27/02/2020	72	11
Mercedes-Benz Services Malaysia Sdn Berhad	11/23	AAA	3.645	20	3.310	05/03/2020	34	16
Cagamas MBS Berhad	12/25	AAA	3.850	5	3.353	12/03/2020	50	24
Aman Sukuk Berhad	05/29	AAA	3.638	10	4.110	16/05/2019	-47	1
Genting RMTN Berhad	11/34	AAA	5.227	1	4.521	13/03/2020	71	140
YTL Power International Berhad	05/27	AA1	3.858	20	3.769	05/02/2020	9	23
YTL Power International Berhad	08/28	AA1	3.958	10	3.611	28/02/2020	35	33
UMW Holdings Berhad	06/20	AA2	2.954	8	3.289	21/01/2020	-34	3
Tanjung Bin Energy Issuer Berhad	09/20	AA3	3.020	5	4.496	06/07/2018	-148	10
Jimah Energy Ventures Sdn Berhad	11/20	AA3	3.041	5	3.623	09/08/2019	-58	12
SPR Energy (M) Sdn Berhad	07/22	AA3	3.795	46	4.800	19/07/2017	-101	55
Bumitama Agri Ltd	07/26	AA3	3.879	4	3.448	11/03/2020	43	27
AmBank (M) Berhad	03/27	AA3	5.060	1	3.079	12/03/2020	198	143
TG Excellence Berhad	02/20	AA-	4.657	3	4.473	18/03/2020	18	56
CIMB Group Holdings Berhad	05/16	A1	4.667	2	4.514	18/03/2020	15	57
CIMB Group Holdings Berhad	05/16	A1	5.336	1	5.091	18/03/2020	25	124
Hong Leong Financial Group Berhad	11/17	A1	5.227	1	3.574	05/03/2020	165	113
DRB-Hicom Berhad	12/26	A+	4.758	1	3.919	04/03/2020	84	113
Affin Bank Berhad	07/18	A3	4.759	10	4.335	18/03/2020	42	67
Eco World International Berhad	04/23	-	6.088	1	5.143	17/03/2020	95	272
Eco World International Berhad	05/23	-	7.109	1	6.001	17/03/2020	111	374
Eco World Capital Assets Berhad	08/24	-	6.605	1	5.427	17/03/2020	118	312
Kenanga Investment Bank Berhad	03/30	-	5.000	20			500	141
AEON Credit Service (M) Berhad	12/14	-	6.168	1	6.585	18/03/2020	-42	207
Tropicana Corporation Berhad	09/19	-	7.431	2	6.228	18/03/2020	120	334
				311				

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

Market/Corporate News: What's Brewing

Top Glove Corp Bhd's net profit in the second quarter ended Feb 29, 2020 (2QFY20) rose 9.35% to RM115.68 million from RM105.79 million in the year-ago quarter, thanks to tax incentives from ongoing expansion and higher revenue**.** Revenue for the quarter rose 6.02% to RM1.23 billion from RM1.16 billion in 2QFY19, due largely to its nitrile glove segment, which saw a 14% year-on-year (y-o-y) increase in sales volume. The group currently operates 711 lines producing 73.4 billion pieces of gloves per year. At over 90% capacity, Top Glove said it can ramp up production to 100%, added with new capacity coming onstream. **Genting Malaysia Bhd (GENM)** has entered into a subscription agreement with Nasdaq-listed Empire Resorts Inc to inject US$40 million (RM174.8 million) into the latter, through subscribing to Empire Resorts Series G Preferred Stock, with a maturity date of Dec 31, 2038. The salient terms of the Series G Preferred Stock are that it is senior to Empire's common stock, it is convertible at any time on or after Dec 31, 2030 and prior to the maturity date at a conversion price of US$20 per common stock, and it has an automatic conversion on maturity date at US$20 per common stock. **WCT Holdings Bhd's** wholly-owned subsidiary WCT Bhd has accepted the letter of award (LoA) for an estimated RM1.2 billion contract to undertake superstructure works within parcel 2 of the Pavilion Damansara Heights mixed development near Pusat Bandar Damansara here. WCT Holdings said the LoA is from Jendela Mayang Sdn Bhd, which is linked to WCT Holdings executive chairman Tan Sri Lim Siew Choon. Electrical and mechanical engineering company Kejuruteraan Asastera Bhd (KAB) has called off its solar energy investment venture with LeveragEdge Sdn Bhd (LSB). "Upon the termination, LSB shall refund the initial deposit of RM1,000 to KAB within three working days and the HoA shall have no further force or effect and neither party shall have claim whatsoever against the other, whether directly or indirectly in respect of the HoA," it said. **Censof Holdings Bhd** was forced to liquidate an additional 61.51 million shares, equivalent to a 3.5% stake in Dagang Nexchange Bhd (DNeX) yesterday, due to another round of margin call. “The original cost of investment for the 61.51 million DNeX shares was RM12.53 million. As such, the share disposal is expected to book a total loss of RM16.56 million at group level and loss of RM8.16 million at company level,” it said. **FGV Holdings Bhd** said its plantation segment has resumed activities with a minimum number of workers, supported by the logistics and support businesses sector. FGV referred to the Ministry of Plantation Industries and Commodities’s statement, which provided an exemption for the agricultural and commodity sectors to operate during the Movement Control Order. (*Source: The Star*)

European and American stocks rebounded on Thursday, halting further declines, in a sign further steps to boost liquidity by the U.S. Federal Reserve and other central banks has tentatively calmed markets that still fear a coronavirus-induced slowdown. The Fed's most recent move to reduce risk and loosen up tight markets, especially trading for Treasury securities, helped lift the dollar to a fresh three-year high against a basket of major currencies and push bond yields lower. The Fed increased access to dollars for central banks in nine countries so contracts can be taken out in key commodities and other goods that are made in the U.S. currency. The U.S. central bank said swaps, in which the Fed accepts other currencies as collateral in exchange for dollars, will be in place for at least the next six months. The swaps will allow the central banks of Australia, Brazil, South Korea, Mexico, Singapore, Sweden, Denmark, Norway and New Zealand to tap a combined total of up to $450 billion to help ensure the world's dollar-dependent financial system functions. The collateral to purchase crude oil, for example, is U.S. Treasury debt and to buy those securities requires dollars, said Michael Skordeles, U.S. macro strategist at Truist/Suntrust Advisory Services in Atlanta. "All these things kind of happening at once causes a lot of dominoes to fall, and as the dominoes fall, it creates more demand, pushing people toward the dollar," Skordeles said. "This (the dollar swap lines) is going to help, but it's not a silver bullet," he said. "Because there's a flow of capital into dollar-denominated assets, in particular U.S. Treasuries, it's starving these countries of liquidity and making the dollar appreciate." U.S. oil prices surged about 25%, recouping some losses from a sell-off that drove prices to near 20-year lows over the past month, but analysts saw the rebound as a brief reprieve from the economic tsunami the virus is expected to cause. Stocks responded, rebounding from initial declines, as investors held out hope the latest policymaker efforts will stop the freefall in equity markets and reduce the selling of bonds. But stocks on Wall Street pared some gains at the close. The aggressive moves by both central banks and governments have been met with a muted market response and have failed to boost overall sentiment, said Candice Bangsund, a global asset allocation strategist at Fiera Capital in Montreal. "Investors remain intensely focused on the progression of the fast-spreading pandemic and its implications for the global economy," she said. MSCI's gauge of stocks across the globe gained 0.22% and emerging market stocks lost 2.41%. On Wall Street, the Dow Jones Industrial Average rose 188.27 points, or 0.95%, to 20,087.19. The S&P 500 gained 11.29 points, or 0.47%, to 2,409.39 and the Nasdaq Composite added 160.73 points, or 2.3%, to 7,150.58. The meltdown in markets had pushed Wall Street's three main indexes down about 30% as of Wednesday from their record closing highs last month. Global bond prices gyrated, with desperate investors dumping government bonds and hoarding cash in markets gripped by pandemic fears that have forced central banks to step up support for debt. U.S. Treasury yields largely fell in volatile trading, a sign the Fed's efforts were working. Benchmark 10-year notes last rose 28/32 in price to yield 1.1667%. The dollar rallied further as investors rushed to secure liquidity. The British pound was down in choppy trade and slipped past the previous day's trough to the lowest since at least 1985. Bond markets stabilized somewhat after the European Central Bank pledged late Wednesday to buy 750 billion euros ($820 billion) in sovereign debt through 2020. That brought the ECB's planned purchases for this year to 1.1 trillion euros. The dollar index rose 1.846% and the Japanese yen weakened 2.26% versus the greenback at 110.58 per dollar. Government bond yields in Italy and across the euro zone dropped after the ECB's emergency measures, though European stocks fell back into negative territory after arresting their rout in early trading. Expected price swings for some of the world's biggest currencies rocketed to multiyear highs as the demand for dollars forced traders to dump currencies across the board. For the British pound versus the dollar, expected volatility gauges leapt to 24.4%, their highest level since before the 2016 Brexit vote. "One unresolved and really critical issue is what's going on in volatility," said Andrew Sheets, chief cross-asset strategist at Morgan Stanley. "I think that volatility needs to stabilise before the broader market can heal." Italy, which has seen its borrowing costs jump in recent days, led the drop in yields after the ECB move. The gap over the safer German Bund's yields tightened. The U.S. Fed earlier promised a liquidity facility for money market mutual funds, and Australia's central bank slashed interest rates to a record low of 0.25%. Traders reported huge strains in bond markets, however, as distressed funds sold any liquid asset to cover equity losses and investor redemptions. Benchmark 10-year sovereign bond yields in New Zealand, Malaysia, Korea, Singapore and Thailand surged as prices fell, and U.S. 10-year Treasuries rose 10 basis points through the session. The coronavirus pandemic has killed more than 9,700 people globally, infected more than 236,000 and prompted widespread emergency lockdowns. Gold fell and, like other assets, was buffeted by volatility. Copper, a gauge of global economic health, hit its down-limit in Shanghai, and London futures traded in London fell to their lowest since 2016. U.S. gold futures settled up 0.1% at $1,479.30 an ounce.. *(Source: The Star Edgemarkets/Reuters)*

Rating Action

Issuer	PDS Description	Rating/Outlook	Action
Great Realty Sdn Bhd	RM170 mil Guaranteed MTN Programme	AAA(FG)/Stable	Reaffirmed

Source: RAM, MARC

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