

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries recovered some lost ground as the curve shifted lower yesterday following some brisk bargain-hunting and following the Fed Chair's reassurance that the Fed will provide additional support to the US economy. Overall benchmark yields ended between 1-4bps with the UST 2Y edging 1bps lower at 0.17% whilst the much-watched UST 10Y rallied and pushed yields down by 4bps to 0.69%. The dollar issuance slate remained active with multi-tranche, longer-tenured issuances. Although the Democrats are rallying for more funds for workers, the Republicans remain skeptical that another stimulus bill is needed anytime soon; stating that the Congress should wait to see the effects of the initial ~\$3 trillion trickles into the economy. Nevertheless, vibes from the White House reveal its eagerness for another round of tax cuts. Expect attention to shift to the upcoming inaugural \$20b of 20Y tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	-1
5-yr UST	0.33	-4
10-yr UST	0.69	-4
30-yr UST	1.41	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.29	1	2.34	0
5-yr	2.54	3	2.52	1
7-yr	2.72	1	2.78	-2
10-yr	2.87	0	2.96	14
15-yr	3.20	-1	3.28	0
20-yr	3.45	2	3.49	1
30-yr	3.88	0	3.85	16

* Market indicative levels

MGS/GII

- Local govies closed generally weaker on a quiet trading session amid lower secondary market volume of RM2.51b. Both the MGS and GII curve shifted higher whilst overall benchmark MGS/GII yields closed mostly higher i.e. between -1 to +16bps. Interest was mainly centred in the off-the-run 21's, 26's and also 10Y benchmark MGS. The benchmark 5Y MGS 6/24 rose 3bps at 2.54% whilst the 10Y MGS 8/29 closed within 1bps again at 2.87%. GII bonds eased to form ~35% of overall trades. Meanwhile the MYR trades in a narrow range today ahead of the April CPI data to be released at noon today. Expect attention to eventually shift to the auction re-opening of the existing 10Y benchmark MGS 8/29 tomorrow.

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.18	0
3-yr	2.18	2
5-yr	2.29	0
7-yr	2.43	2
10-yr	2.65	0

Source : Bloomberg

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space maintained strong secondary market activity with overall volume at RM583m. Interest was seen mainly across the GG-AA part of the curve as overall yields again ended mostly mixed unlike recent previous sessions. MKD Kenchana 4/23 saw RM100m in nominal amounts traded sharply lower on yields compared to previous-done levels at 2.50% levels whilst PRASA 2/23 rose 7bps instead at 2.54%. AAA-rated DANGA 30 saw yields rise by 22bps 3.29% whereas PLUS 31-32's edged up 1bps between 3.44-48%. The AA-rated space was dominated by power cum energy-related bonds. EDRA 28, and 31-35's saw yields close mostly mixed between -41 to +72bps whilst JEP 27-31's saw yields end mostly higher instead between 3.65-96% area. The banking space saw AmBank Islamic 27NC22 and 28NC23 rally to close at 3.12% and 3.31% each.

Upcoming Government Bond Tender

RM4.5b re-opening of 10Y MGS 8/29 on Thurs, 21st May 2020

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	1	2.041	18/05/2020	0
MGS 02/21	2.060	300	2.070	15/05/2020	-1
MGS 09/21	2.103	4	2.092	18/05/2020	1
MGS 11/21	2.103	200	2.134	18/05/2020	-3
MGS 03/22	2.192	13	2.209	18/05/2020	-2
MGS 03/23	2.293	40	2.283	18/05/2020	1
MGS 04/23	2.351	5	2.332	15/05/2020	2
MGS 08/23	2.365	2	2.366	18/05/2020	0
MGS 06/24	2.474	63	2.473	18/05/2020	0
MGS 07/24	2.489	178	2.485	18/05/2020	0
MGS 09/24	2.488	80	2.496	15/05/2020	-1
MGS 03/25	2.549	20	2.529	18/05/2020	2
MGS 09/25	2.538	17	2.511	18/05/2020	3
MGS 07/26	2.664	83	2.673	18/05/2020	-1
MGS 11/26	2.707	42	2.683	18/05/2020	2
MGS 05/27	2.723	112	2.714	18/05/2020	1
MGS 11/27	2.811	14	2.811	18/05/2020	0
MGS 06/28	2.889	67	2.881	18/05/2020	1
MGS 08/29	2.874	183	2.871	18/05/2020	0
MGS 06/31	3.147	100	3.139	18/05/2020	1
MGS 11/33	3.317	66	3.323	18/05/2020	-1
MGS 07/34	3.202	2	3.209	18/05/2020	-1
MGS 05/40	3.454	30	3.437	15/05/2020	2
MGS 09/43	3.827	1	3.798	18/05/2020	3
MGS 03/46	3.806	1	3.845	18/05/2020	-4
MGS 07/48	3.876	1	3.880	15/05/2020	0
GII 08/20	2.080	40	-	18/05/2020	-
GII 03/21	2.083	30	2.094	18/05/2020	-1
GII 04/21	2.081	90	2.091	15/05/2020	-1
GII 08/21	2.080	50	2.119	18/05/2020	-4
GII 04/22	2.227	75	2.240	18/05/2020	-1
GII 07/22	2.240	20	2.258	15/05/2020	-2
GII 05/23	2.338	20	2.342	18/05/2020	0
GII 07/23	2.338	3	2.398	13/05/2020	-6
GII 11/23	2.372	78	2.439	15/05/2020	-7
GII 05/24	2.515	20	2.515	18/05/2020	0
GII 10/24	2.525	20	2.518	18/05/2020	1
GII 08/25	2.646	40	2.637	18/05/2020	1
GII 10/25	2.660	20	2.652	14/05/2020	1
GII 03/26	2.695	20	2.687	18/05/2020	1
GII 09/26	2.750	180	2.751	18/05/2020	0
GII 09/27	2.779	40	2.801	18/05/2020	-2
GII 12/28	2.955	40	2.946	14/05/2020	1
GII 07/29	2.953	6	2.967	18/05/2020	-1
GII 10/30	2.959	27	2.824	12/05/2020	14
GII 11/34	3.278	60	3.275	18/05/2020	0
GII 09/39	3.493	10	3.480	18/05/2020	1
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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*
Pengurusan Air SPV Berhad	02/21	GG	2.188	5	2.196	13/05/2020	-1	11
Khazanah Nasional Berhad	09/22	GG	2.449	50	2.466	12/05/2020	-2	24
Prasarana Malaysia Berhad	02/23	GG	2.542	30	2.474	14/05/2020	7	25
MKD Kencana Sdn Berhad	04/23	GG	2.495	100	3.594	25/06/2019	-110	20
Danainfra Nasional Berhad	08/23	GG	2.545	30	2.559	12/05/2020	-1	25
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	2.650	30	2.928	21/04/2020	-28	21
Great Realty Sdn Berhad	05/23	AAA	4.078	2	4.627	15/01/2020	-55	178
Danum Capital Berhad	02/25	AAA	2.945	15	2.939	05/05/2020	1	42
Danga Capital Berhad	09/27	AAA	3.238	10	3.160	15/05/2020	8	52
Sarawak Energy Berhad	11/28	AAA	3.189	6	3.329	17/03/2020	-14	32
DiGi Telecommunications Sdn Berhad	09/29	AAA	3.289	30	4.138	26/03/2020	-85	42
Danga Capital Berhad	01/30	AAA	3.290	50	3.069	06/03/2020	22	38
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.438	10	3.428	15/05/2020	1	53
Projek Lebuhraya Usahasama Berhad	01/32	AAA	3.478	10	3.470	15/05/2020	1	57
Genting RMTN Berhad	11/34	AAA	4.096	1	4.119	29/04/2020	-2	89
Hong Leong Financial Group Berhad	06/29	AA2	3.371	5	3.372	15/05/2020	0	50
Edra Energy Sdn Berhad	01/23	AA3	3.458	1	3.608	28/04/2020	-15	116
Edra Energy Sdn Berhad	07/25	AA3	4.384	1	3.667	29/04/2020	72	186
AmBank Islamic Berhad	03/27	AA3	3.119	10	4.000	16/04/2020	-88	40
Edra Energy Sdn Berhad	01/28	AA3	3.757	10	4.218	13/09/2019	-46	94
AmBank Islamic Berhad	10/28	AA3	3.313	10	3.731	07/04/2020	-42	50
Jimah East Power Sdn Berhad	12/29	AA-	3.855	20	3.635	09/03/2020	22	95
Edra Energy Sdn Berhad	01/31	AA3	4.008	10	4.419	11/10/2019	-41	110
Edra Energy Sdn Berhad	07/31	AA3	4.049	10	4.428	19/12/2019	-38	114
Edra Energy Sdn Berhad	01/34	AA3	4.238	10	3.980	10/03/2020	26	103
Edra Energy Sdn Berhad	07/35	AA3	4.359	20	4.149	18/02/2020	21	115
Jimah East Power Sdn Berhad	06/27	AA-	3.649	10	4.296	30/03/2020	-65	93
Jimah East Power Sdn Berhad	06/30	AA-	3.885	20	3.729	28/02/2020	16	98
Jimah East Power Sdn Berhad	06/31	AA-	3.959	10	3.799	28/02/2020	16	105
Kedah Cement Sdn Berhad (fka Lafarge Cement S	12/20	A1	2.988	1	3.105	05/05/2020	-12	91
UMW Holdings Berhad	04/18	A1	4.692	1	4.963	04/05/2020	-27	123
DRB-Hicom Berhad	12/29	A+	5.257	10	5.898	08/05/2020	-64	235
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	4.387	10	4.490	12/05/2020	-10	148
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/31	A3	4.602	6	4.601	18/05/2020	0	170
DRB-Hicom Berhad	12/14	A-	5.305	5	-	-	531	184
Eco World International Berhad	10/21	-	4.915	1	5.280	18/05/2020	-37	284
Eco World Capital Assets Berhad	08/22	-	4.660	5	5.107	21/02/2020	-45	245
AEON Credit Service (M) Berhad	11/13	-	4.992	6	5.883	30/09/2019	-89	153
Mah Sing Group Berhad	04/17	-	6.296	14	5.412	18/05/2020	88	283
				<u>583</u>				

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

Market/Corporate News: What's Brewing

MMC Corporation Bhd is looking to expand overseas to enable the group to establish a bigger presence that will lead to more opportunities. Its group managing director Datuk Seri Che Khalib Mohamad Noh said, however, Malaysia will remain the primary location of operations for the group. "The management is of the view that replicating the company's proven business model overseas could be an effective strategic move towards realising greater growth, given suitable opportunity. "Overseas expansion reduces our dependence on a single geographic location and further diversifies our income. As such, we are constantly on the look-out to venture into industries in which we have existing experience and expertise, and countries where we are already familiar with," he said in MMC's 2019 Annual Report. Besides, the group will also continue to leverage on its inherent strengths towards realising set business goals and targets, while creating value for stakeholders. Che Khalib said the company's businesses operate in key sectors of the economy and play vital roles in their respective value chains, nation building and the nation's economy. He said there are also new opportunities to tap into and the Alam Flora acquisition has opened the pathway to penetrate into the high potential environmental services niche segment, and in Malaysia, the environmental services sector remains a largely untapped market with considerable potential for growth. "With regards to energy, the ongoing focus on renewable energy especially solar and small hydro provide opportunities for the

group. Having secured the biogas and small hydro projects, we are well-placed to expand further when bids for large-scale solar are called," he said. The reintroduction of competitive bidding, opening up of fuel sourcing, access to transmission grids and the liberalisation of the retail segment are likely to enhance efficiency along the value chain and in turn, drive down production costs, and this will generate steady income for the group, he said. In addition, the water industry also presents encouraging opportunities, given the stronger focus placed by the government towards achieving water security, there has been a growing shift towards addressing water issues, by both the private and public sector. He said the group's engineering division may also undertake studies on existing government plans and where possible, recommend more effective alternatives based on its own proposed concepts and designs, whereby operational excellence and cost efficiency will be further prioritised. Meanwhile, for the industrial development division, industrial property remains comparatively resilient compared to residential or commercial property. He said foreign direct investment appears to be improving and the group are ready with a vast amount of infra-ready landbank, mainly located in high-growth industrial areas such as Senai, Johor and Kulim, Kedah. "Our ports and logistics division will continue to serve as the core revenue generator for the group. The focus remains on responding to increasing competition by expanding capabilities, strengthening our partnership with the shipping alliances, and targeting the hinterland to boost cargo volumes. We will continue to focus on optimising the synergistic possibilities between our ports, both commercially and operationally," he added. (Source: *The EdgeMarkets/Bernama*)

Bintulu Port Holdings Bhd's net profit for the first quarter ended March 31, 2020 (1QFY20) sank 21% year-on-year (y-o-y) as it incurred higher tax expense and spent more on maintenance and operational supplies, as well as staff cost. Hence, its net profit for the three months fell to RM31.07 million from RM39.5 million, though revenue only saw a marginal decline of less than 1% to RM177.71 million from RM178.38 million. Consequently, earnings per share (EPS) declined to 6.75 sen from 8.59 sen, its stock exchange filing today showed. Bintulu Port's tax expense for the quarter rose to RM16.12 million from RM12.2 million a year ago, while staff cost increased to RM25.57 million from RM23.33 million. Its spending for maintenance and operation supplies was also higher at RM35.4 million versus RM31.28 million previously, while its cost of construction services rose to RM2.02 million from RM987,000. "The expenditure during the quarter under review of RM138.36 million was higher by RM3.79 million, compared to 1QFY19's RM134.57 million, mainly due to provision for maintenance dredging cost," it said. Notwithstanding the weaker quarterly earnings, the group declared a two sen first interim dividend for FY20, payable on Aug 10, half the four sen dividend it declared for the previous corresponding quarter. The group said cargo handling and vessel calls for liquefied natural gas (LNG) will still be a main revenue contributor this year. However, based on its initial assessment of Covid-19's impact on its business, it anticipated a reduction in palm oil volume due to the lockdown in India, lower palm oil yields and a slight demand reduction for LNG cargo. "The group also expects a slower growth in dry bulk and break bulk cargoes, such as raw materials for Samalaju's investors, fertilisers and construction materials. Even though container volume showed positive growth in 1QFY20 compared to 1QFY19, the group expects that container volume for the year is also subject to the logistic supply chain disruption due to the Covid-19 pandemic," it added. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Kimanis Power Sdn Bhd's (KPSB)	RM1,160.0 million Sukuk Programme (sukuk)	AAA/Stable/P1	Affirmed
Public Bank Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM20 billion Senior MTN Programme (2013/2043)	AAA/Stable	Reaffirmed
	RM10 billion Subordinated MTN Programme (2013/2043)	AA1/Stable	Reaffirmed
	RM10 billion Additional Tier-1 Capital Securities Programme (AT-1 Programme)	AA3/Stable	Reaffirmed
Public Islamic Bank Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	Senior and subordinated sukuk under the Bank's RM5 billion Sukuk Murabahah Programme (2014/2044).	AAA/Stable and AA1/Stable	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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

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