

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended slightly weaker last Friday following bouts of volatility in what was seen as a mixed reaction to both optimism on the economic outlook tinged with fears on the COVID-19 front. The curve bear-steepened as overall benchmark yields ended between 0-2bps higher with the UST 2Y unchanged at 0.15% and the much-watched UST 10Y edging 1bps up at 0.63%. Despite the steep 2-month decline seen in the University of Michigan sentiment index; housing starts and building permits did better in June. Meanwhile the US Treasury cash balance rose to a record \$1.81 trillion; a day after the largest tax obligation day of 2020 which was pushed back from 15th April due to the virus pandemic. The economic calendar remains light with some attention expected to shift to the initial jobs claims report and new/existing home sales later this week.

MGS/GII

- Local govies were lent strong bids again last Friday amid a slight pull-back in secondary market volume to RM4.48b with overall benchmark MGS/GII yields mostly lower between 0-4bps. Interest was mainly seen in the off-the-run 20-21's, 33's and also 3Y, 10Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 rallied 3bps at 2.16% whilst the 10Y MGS 8/29 closed unchanged at 2.63%. GII bond trades eased to form ~44% of overall trades. The yield curve which had steepened partly due to concerns over the fiscal deficit saw the front-end active and richer instead as traders were seen expecting some support for local govies with a view for potential further easing later this year. The Ringgit meanwhile is supported partly by the rebound in oil prices while being influenced by political and economic headwinds.

Corp Bonds/Sukuk

- Investor interest improved last Friday as secondary market volume rose to RM639m; with activity centred seen across the AA-segment followed by the GG-AAA part of the curve. Nevertheless, overall yields continued to drift mostly lower. The longer-end PRASA saw action with the 12/38 and 3/45 edging lower between 0-1bps compared to previous-done levels at 3.60% and 3.85% each whilst the 8/39 tranche closed a whopping 36bps lower. AAA-rated PLUS and SEB 28's closed between 22-23bps lower at 2.99-3.04% levels whereas DANAGA and TNB 33's closed between 4-16bps lower at 3.32-3.4% area. The AA-space saw plantation giant KLK 8/25 and 8/29 move opposite ends to close at 2.88% and 3.23% respectively. JEP 12/25 however fell 91bps at 3.29% whilst Southern Power 10/30 and 4/32 declined between 10-30bps at 3.54% and 3.70% each. The banking space saw AmBank Islamic 27NC22 close unchanged at 2.87%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.28	1
10-yr UST	0.63	1
30-yr UST	1.33	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.98	-2	2.02	-2
5-yr	2.16	-3	2.12	-1
7-yr	2.41	0	2.44	-2
10-yr	2.63	0	2.65	0
15-yr	3.09	-1	3.15	-4
20-yr	3.36	0	3.42	0
30-yr	3.77	-1	3.80	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	-4
3-yr	1.88	-3
5-yr	2.07	0
7-yr	2.35	-2
10-yr	2.55	0

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 07/21	2.197	300	1.846	16/07/2020	35
MGS 08/22	1.931	100	1.939	16/07/2020	-1
MGS 07/24	2.128	120	2.147	14/07/2020	-2
MGS 09/25	2.154	108	2.182	16/07/2020	-3
MGS 06/50	3.771	53	3.784	16/07/2020	-1
MGS 03/27	2.466	6	2.499	10/07/2020	-3
MGS 09/24	2.106	3	2.159	16/07/2020	-5
MGS 04/23	2.010	56	2.034	15/07/2020	-2
MGS 08/29	2.632	2	2.634	16/07/2020	0
MGS 05/27	2.405	74	2.408	16/07/2020	0
MGS 03/23	1.982	625	2.004	16/07/2020	-2
MGS 09/21	1.808	1	1.814	16/07/2020	-1
MGS 11/26	2.327	123	2.345	15/07/2020	-2
MGS 04/37	3.370	2	3.419	16/07/2020	-5
MGS 06/24	2.095	105	2.114	16/07/2020	-2
MGS 06/31	2.866	96	2.882	16/07/2020	-2
MGS 04/33	3.112	30	3.125	16/07/2020	-1
MGS 05/35	3.303	10	3.500	01/07/2020	-20
MGS 11/21	1.808	1	1.827	16/07/2020	-2
MGS 11/27	2.415	2	2.460	16/07/2020	-4
MGS 06/38	3.385	20	3.385	16/07/2020	0
MGS 07/34	3.087	91	3.100	16/07/2020	-1
MGS 02/21	1.771	100	1.802	15/07/2020	-3
MGS 05/40	3.357	160	3.357	16/07/2020	0
MGS 08/20	1.396	310	1.444	16/07/2020	-5
GII 07/23	2.054	100	2.059	16/07/2020	-1
GII 07/27	2.448	150	2.537	16/07/2020	-9
GII 07/29	2.720	220	2.715	16/07/2020	1
GII 09/27	2.439	130	2.461	16/07/2020	-2
GII 10/28	2.652	172	2.679	16/07/2020	-3
GII 10/30	2.651	110	2.649	16/07/2020	0
GII 11/23	2.059	60	2.081	16/07/2020	-2
GII 03/26	2.301	110	2.318	15/07/2020	-2
GII 03/22	1.919	3	1.945	14/07/2020	-3
GII 10/24	2.123	110	2.136	16/07/2020	-1
GII 08/33	3.174	10	3.211	10/07/2020	-4
GII 03/21	1.794	278	1.819	15/07/2020	-2
GII 06/33	3.142	270	3.157	16/07/2020	-2
GII 11/34	3.152	90	3.189	16/07/2020	-4
GII 05/23	2.020	160	2.036	16/07/2020	-2
GII 12/28	2.665	10	2.678	16/07/2020	-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*
Khazanah Nasional Berhad	10/27	GG	2.719	5	2.751	16/07/2020	-3	31
Bakun Hydro Power Generation Sdn Berhad (fka S	08/28	GG	2.779	50	3.011	07/07/2020	-23	24
Danalinfra Nasional Berhad	11/29	GG	2.870	5	2.916	15/07/2020	-5	27
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.399	20	3.410	15/07/2020	-1	30
Danalinfra Nasional Berhad	05/35	GG	3.309	20	-	-	-	21
Prasarana Malaysia Berhad	12/38	GG	3.599	10	3.610	16/07/2020	-1	24
Prasarana Malaysia Berhad	08/39	GG	3.640	10	4.000	15/04/2020	-36	29
Prasarana Malaysia Berhad	03/45	GG	3.851	50	3.851	16/07/2020	0	50
Manjung Island Energy Berhad	11/20	AAA	2.187	10	2.758	25/06/2020	-57	38
Putrajaya Holdings Sdn Berhad	05/25	AAA	2.678	10	2.999	30/06/2020	-32	51
Sarawak Energy Berhad	06/26	AAA	2.802	20	2.842	15/07/2020	-4	48
Putrajaya Bina Sdn Berhad	09/26	AAA	2.911	10	2.914	08/07/2020	0	59
Sarawak Energy Berhad	01/27	AAA	2.862	65	2.879	10/07/2020	-2	46
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.042	5	3.269	03/06/2020	-23	64
Sarawak Energy Berhad	11/28	AAA	2.988	15	3.209	03/06/2020	-22	45
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.131	10	3.128	10/07/2020	0	59
Rantau Abang Capital Berhad	05/31	AAA	3.169	20	3.501	17/06/2020	-33	53
Tenaga Nasional Berhad	08/32	AAA	3.275	16	3.439	22/06/2020	-16	64
Danga Capital Berhad	01/33	AAA	3.320	10	3.364	14/07/2020	-4	22
Tenaga Nasional Berhad	08/33	AAA	3.344	10	3.507	02/07/2020	-16	24
Danum Capital Berhad	02/35	AAA	3.451	5	3.657	02/07/2020	-21	35
Tenaga Nasional Berhad	08/38	AAA	3.665	10	3.764	23/06/2020	-10	31
CIMB Group Holdings Berhad	04/25	AA1	2.760	1	2.761	16/07/2020	0	59
Kuala Lumpur Kepong Berhad	08/25	AA1	2.880	10	2.855	16/07/2020	2	71
Kuala Lumpur Kepong Berhad	09/29	AA1	3.228	10	3.398	02/07/2020	-17	63
Celcom Networks Sdn Berhad	10/26	AA+	3.141	4	3.349	10/06/2020	-21	82
Sime Darby Plantation Sdn Bhd	03/16	AA	3.345	34	3.555	23/06/2020	-21	-1
Trinity Asia Ventures Berhad	09/22	AA3	4.141	10	4.151	16/07/2020	-1	222
Country Garden Real Estate Sdn Berhad	03/27	AA3	3.907	40	3.911	16/07/2020	0	150
AmBank Islamic Berhad	03/27	AA3	2.871	10	2.873	15/07/2020	0	47
AEON Credit Service (M) Berhad	02/28	AA3	3.565	20	3.711	07/07/2020	-15	102
Edra Energy Sdn Berhad	07/30	AA3	3.754	20	4.398	15/10/2019	-64	112
Edra Energy Sdn Berhad	07/31	AA3	3.848	20	4.049	19/05/2020	-20	121
Kimanis Power Sdn Berhad	12/23	AA-	3.097	10	4.394	12/03/2019	-130	111
Jimah East Power Sdn Berhad	12/25	AA-	3.286	30	4.198	02/07/2019	-91.2	111.7
Penang Port Sdn Berhad	12/26	AA-	3.289	1	3.439	04/06/2020	-15	97
Southern Power Generation Sdn Berhad	10/30	AA-	3.539	10	3.836	18/06/2020	-30	90
Southern Power Generation Sdn Berhad	04/32	AA-	3.699	10	3.800	13/07/2020	-10	106
DRB-Hicom Berhad	12/24	A+	3.986	8	4.302	15/07/2020	-32	188
Affin Bank Berhad	09/27	A1	3.384	1	3.204	15/07/2020	18	98
Affin Bank Berhad	07/18	A3	4.029	1	4.288	23/06/2020	-26	67
Eco World International Berhad	10/21	-	4.118	1	5.078	16/07/2020	-96	231
Eco World International Berhad	05/23	-	4.924	2	5.614	16/07/2020	-69	293
Mah Sing Group Berhad	03/25	-	3.987	1	3.719	01/07/2020	27	182
				639				

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

Market/Corporate News: What's Brewing

Construction work on the Light Rail Transit 3 (LRT3) is due for full completion by Feb 28, 2024, said Prasarana Malaysia Bhd chairman Datuk Seri Tajuddin Abdul Rahman. He said as of June 30, 33.12% of the project, which stretches 37.8km connecting people within the western corridor of the Klang Valley and Kuala Lumpur, had been completed. He added that the LRT3 will benefit more than two million people in these areas and handle about 67,000 commuters every day before the Greater Klang Valley urban rail system is completed. "Besides reducing traffic congestion especially along the Kuala Lumpur-Klang Federal Highway, the LRT3 which integrates with the Kelana Jaya LRT line at the Glenmarie station, will also act as a catalyst for economic growth," he said. He was speaking at a press conference held in conjunction with the launch of the LRT3 U-Girder Project and the Prasarana chairman media dinner event here last night. (Source: *The Edgemarkets*)

Despite the numerous challenges brought by the Covid-19 pandemic, Malaysia is riding out the severe economic downturn comparatively better than many economies, said the World Bank. Country director for Brunei, Malaysia, the Philippines, Thailand, East Asia and Pacific, Ndiame Diop said Malaysia's economy rests on strong fundamentals. Malaysia's diversified economic structure, sound financial system, effective public health response, and proactive macroeconomic policy support have all helped soften the pandemic's blow, he said in a statement today. "While we

expect the economy to see a sharp contraction this year with gross domestic product shrinking by 3.1% and a particularly pronounced contraction in the second quarter, there is light at the end of the tunnel," he said. The World Bank estimates that 90% of the world's economies would see a contraction this year. "The impact from the pandemic is expected to lead to the first increase in global extreme poverty since 1998, effectively wiping out the progress made since 2017," he said. Diop noted that the Malaysian government has deployed a six-stage strategy to build resolve, resilience, and to restart the economy, adding that the country is currently on the recovery stage; building the foundation for the later stages, namely revitalising and reforming the economy. "This means the government is set on not just getting out of this crisis, it is also trying to get into a better shape than it was before, so it is more able to withstand the next one," he said. Diop said while significant policy support has been put in place, the government may need to do more to protect those who need it most, especially vulnerable households and businesses. While some economic activities would rebound post Movement Control Order, it would take some time for incomes and jobs to recover as some economic sectors, such as manufacturing, would see a faster return to growth than others, like tourism. "This may mean providing further rounds of financial assistance to the vulnerable, especially the Bottom 40 who lack the savings and support networks to withstand a prolonged hit to their earnings," he said. He said the crisis underscores the need for Malaysia to put in place a stronger social protection system that is more cost-effective and less fragmented to improve individuals' and households' welfare, both during the recovery period and in the future. Diop said Covid-19 caught Malaysia somewhat off guard with limited budgetary space to respond with direct fiscal injections; noting that as the economy recovers, reforms would need to be taken to boost tax revenues, including finding new sources of revenue that are more progressive. A key focus also must be on upskilling and retraining the workforce for a new economy, as well as accelerating the digital agenda and bridging the digital divide, he said. "Even before the crisis, there was a growing realisation that Malaysia needed to shift its competitive approach towards attracting higher-quality investments, a challenge which is even more critical to address now." (Source: *The Edgemarkets/Bernama*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Cagamas Berhad	Conventional and Islamic Commercial Papers (CP/ICP) programmes with a combined aggregate limit of RM20.0 billion	MARC-1/ MARC-1 IS	Affirmed
	Conventional and Islamic Medium-Term Notes (MTN/IMTN) programmes of up to RM60.0 billion	AAA / AAA-IS	Affirmed
F&N Capital Sdn Bhd	RM750 mil MTN Programme (2013/2028) M750 mil CP Programme (2013/2020)	AA1(s)/Stable P1	Reaffirmed Reaffirmed

Source: RAM, MARC

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