

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended slightly stronger last Friday led by the long-end as investors attention was shifted to heightened risk from a second wave of pandemic despite some progress in US-China trade relations via reports of China's intention to purchase additional farm products. The curve was flatter as overall benchmark yields ended between 1-2bps lower. Both the UST 2Y and the much-watched UST 10Y declined by 1bps each at 0.19% and 0.70% respectively. Meanwhile several Fed members said that the US economy isn't likely to have a fast recovery and more support will likely be needed from both the Fed and Congress. Separately, Apple has decided to re-close stores in North Carolina, Florida, Arizona etc to prevent the spread of another 2nd wave of COVID-19 infections. On the data front we will have June PMI out tomorrow. Meanwhile, expect traders to focus on further updates regarding the COVID-19 pandemic.

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 0.19 | -1 |
| 5-yr UST | 0.33 | -1 |
| 10-yr UST | 0.70 | -1 |
| 30-yr UST | 1.46 | -2 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 2.26 | -6 | 2.34 | -4 |
| 5-yr | 2.53 | -3 | 2.55 | -1 |
| 7-yr | 2.71 | -2 | 2.77 | -3 |
| 10-yr | 2.87 | -4 | 2.89 | 0 |
| 15-yr | 3.30 | 0 | 3.43 | 2 |
| 20-yr | 3.58 | 0 | 3.62 | 0 |
| 30-yr | 4.02 | 0 | 4.05 | 0 |

* Market indicative levels

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 2.15 | -2 |
| 3-yr | 2.17 | -1 |
| 5-yr | 2.36 | -1 |
| 7-yr | 2.54 | -2 |
| 10-yr | 2.75 | 0 |

Source : Bloomberg

MGS/GII

- Local govies were well-bid last Friday in relatively steady session amid higher secondary market volume of RM4.35b. Overall benchmark MGS/GII yields closed mostly between 0-6bps lower save for the 15Y GII; with interest mainly centred in the off-the-run 20-21's, 3Y and also the 5Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 moved 3bps lower at 2.53% whilst the 10Y MGS 8/29 rallied 4bps at 2.87%. GII bonds maintained to form ~40% of overall trades. Meanwhile, S&P Global Ratings noted in its March report that the nation's rating could be at risk if weaker commitment to fiscal consolidation is assessed. Expect investors to monitor and follow the movement of MYR; coupled with both economic and political updates on the nation.

Corp Bonds/Sukuk

- Investor interest remained upbeat amid higher secondary market volume of RM873m with trades across the GG-AA-part of the curve as overall yields closed mostly mixed. A flurry of PRASA, LPPSA and DANA 2025 tranches were noted with yields closing between 0-13bps lower compared to previous-done levels between 2.76-84% save for the PRASA 3/25 which ended 40bps lower at 2.72%. AAA-rated utility giant TNB 37-38's closed 0-6bps higher instead between 3.72-77% whilst SEB saw its 2021 tranches end lower on yields at 2.58-73% area. AA-rated energy cum power bonds JEP saw its 2027-2031 tranches notch~ RM100m in nominal amounts as yields closed mixed between -49bps to +2bps ranging from 3.69% to 3.97%. YTL Power 3/23 however rose 3bps at 3.25%. The banking space saw Affn Islamic 2118NC23 perps close 28bps lower at 4.30%.

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 | 2.024 | 172 | 2.026 | 17/06/2020 | 0 |
| MGS | 10/20 | 2.001 | 220 | 2.001 | 18/06/2020 | 0 |
| MGS | 07/21 | 2.023 | 327 | 2.009 | 17/06/2020 | 1 |
| MGS | 09/21 | 2.060 | 265 | 2.080 | 18/06/2020 | -2 |
| MGS | 11/21 | 2.073 | 6 | 2.104 | 18/06/2020 | -3 |
| MGS | 03/22 | 2.172 | 108 | 2.188 | 18/06/2020 | -2 |
| MGS | 08/22 | 2.240 | 2 | 2.247 | 18/06/2020 | -1 |
| MGS | 09/22 | 2.229 | 1 | 2.238 | 18/06/2020 | -1 |
| MGS | 03/23 | 2.256 | 357 | 2.320 | 18/06/2020 | -6 |
| MGS | 04/23 | 2.314 | 72 | 2.359 | 18/06/2020 | -4 |
| MGS | 08/23 | 2.365 | 24 | 2.394 | 18/06/2020 | -3 |
| MGS | 06/24 | 2.483 | 21 | 2.482 | 18/06/2020 | 0 |
| MGS | 07/24 | 2.513 | 18 | 2.521 | 18/06/2020 | -1 |
| MGS | 09/24 | 2.505 | 29 | 2.533 | 18/06/2020 | -3 |
| MGS | 03/25 | 2.522 | 13 | 2.569 | 18/06/2020 | -5 |
| MGS | 09/25 | 2.527 | 583 | 2.553 | 18/06/2020 | -3 |
| MGS | 04/26 | 2.689 | 2 | 2.696 | 16/06/2020 | -1 |
| MGS | 07/26 | 2.703 | 30 | 2.706 | 18/06/2020 | 0 |
| MGS | 11/26 | 2.715 | 50 | 2.731 | 18/06/2020 | -2 |
| MGS | 05/27 | 2.714 | 82 | 2.736 | 18/06/2020 | -2 |
| MGS | 11/27 | 2.844 | 3 | 2.852 | 18/06/2020 | -1 |
| MGS | 06/28 | 2.902 | 23 | 2.935 | 18/06/2020 | -3 |
| MGS | 08/29 | 2.874 | 144 | 2.910 | 18/06/2020 | -4 |
| MGS | 04/33 | 3.262 | 20 | 3.304 | 18/06/2020 | -4 |
| MGS | 07/48 | 4.024 | 40 | 4.002 | 18/06/2020 | 2 |
| GII | 03/21 | 2.032 | 90 | 2.016 | 17/06/2020 | 2 |
| GII | 04/21 | 2.031 | 150 | 2.087 | 12/06/2020 | -6 |
| GII | 04/21 | 2.043 | 50 | 2.051 | 18/06/2020 | -1 |
| GII | 08/21 | 2.046 | 101 | 2.068 | 15/06/2020 | -2 |
| GII | 04/22 | 2.211 | 110 | 2.219 | 18/06/2020 | -1 |
| GII | 07/22 | 2.385 | 20 | 2.590 | 17/04/2020 | -21 |
| GII | 07/22 | 2.236 | 100 | 2.261 | 16/06/2020 | -2 |
| GII | 05/23 | 2.342 | 480 | 2.378 | 18/06/2020 | -4 |
| GII | 07/23 | 2.399 | 40 | 2.434 | 18/06/2020 | -4 |
| GII | 11/23 | 2.398 | 45 | 2.446 | 18/06/2020 | -5 |
| GII | 05/24 | 2.526 | 10 | 2.557 | 17/06/2020 | -3 |
| GII | 08/24 | 2.581 | 7 | 2.584 | 18/06/2020 | 0 |
| GII | 10/24 | 2.546 | 20 | 2.558 | 18/06/2020 | -1 |
| GII | 08/25 | 2.663 | 40 | 2.637 | 18/06/2020 | 3 |
| GII | 10/25 | 2.620 | 100 | 2.640 | 18/06/2020 | -2 |
| GII | 03/26 | 2.696 | 55 | 2.709 | 18/06/2020 | -1 |
| GII | 09/26 | 2.792 | 25 | 2.777 | 17/06/2020 | 1 |
| GII | 07/27 | 2.869 | 10 | 2.880 | 18/06/2020 | -1 |
| GII | 09/27 | 2.765 | 40 | 2.792 | 16/06/2020 | -3 |
| GII | 07/29 | 2.993 | 180 | 3.011 | 18/06/2020 | -2 |
| GII | 09/30 | 3.047 | 20 | 3.047 | 18/06/2020 | 0 |
| GII | 08/33 | 3.451 | 3 | 3.448 | 10/06/2020 | 0 |
| GII | 11/34 | 3.430 | 30 | 3.413 | 17/06/2020 | 2 |
| GII | 10/35 | 3.541 | 18 | 3.392 | 02/06/2020 | 15 |
| | | | <u>4352</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* |
|---|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Khazanah Nasional Berhad | 02/21 | GG | 2.203 | 115 | 2.960 | 22/04/2020 | -76 | 17 |
| Prasarana Malaysia Berhad | 03/25 | GG | 2.721 | 40 | 3.119 | 14/04/2020 | -40 | 18 |
| Prasarana Malaysia Berhad | 09/25 | GG | 2.759 | 35 | 2.757 | 18/05/2020 | 0 | 22 |
| Lembaga Pembiayaan Perumahan Sektor Awam | 10/25 | GG | 2.839 | 5 | 2.840 | 16/06/2020 | 0 | 30 |
| Danainfra Nasional Berhad | 11/25 | GG | 2.776 | 30 | 2.903 | 23/04/2020 | -13 | 23 |
| Prasarana Malaysia Berhad | 12/25 | GG | 2.790 | 40 | 2.792 | 04/06/2020 | 0 | 25 |
| Prasarana Malaysia Berhad | 08/26 | GG | 2.869 | 140 | 3.071 | 17/04/2020 | -20 | 21 |
| Prasarana Malaysia Berhad | 11/28 | GG | 3.098 | 20 | 3.748 | 27/03/2020 | -65 | 28 |
| GovCo Holdings Berhad | 09/32 | GG | 3.369 | 25 | 3.371 | 15/06/2020 | 0 | 48 |
| Cagamas Berhad | 11/20 | AAA | 2.451 | 5 | 2.355 | 20/05/2020 | 10 | 41 |
| Sarawak Energy Berhad | 06/21 | AAA | 2.581 | 10 | 2.598 | 09/06/2020 | -2 | 54 |
| Telekom Malaysia Berhad | 06/21 | AAA | 2.671 | 10 | 3.013 | 17/04/2020 | -34 | 63 |
| Sarawak Energy Berhad | 01/22 | AAA | 2.733 | 10 | 3.089 | 17/04/2020 | -36 | 54 |
| Telekom Malaysia Berhad | 06/23 | AAA | 2.889 | 5 | 4.199 | 21/02/2019 | -131 | 62 |
| Bank Pembangunan Malaysia Berhad | 11/26 | AAA | 3.259 | 20 | 3.784 | 06/04/2020 | -53 | 60 |
| Bank Pembangunan Malaysia Berhad | 03/27 | AAA | 3.278 | 20 | 3.188 | 12/05/2020 | 9 | 56 |
| Sarawak Energy Berhad | 04/31 | AAA | 3.397 | 10 | 3.348 | 09/06/2020 | 5 | 50 |
| Tenaga Nasional Berhad | 08/37 | AAA | 3.718 | 10 | 3.659 | 02/06/2020 | 6 | 41 |
| Tenaga Nasional Berhad | 08/38 | AAA | 3.769 | 10 | 3.771 | 17/06/2020 | 0 | 17 |
| YTL Power International Berhad | 03/23 | AA1 | 3.248 | 50 | 3.217 | 15/06/2020 | 3 | 98 |
| Fortune Premiere Sdn Berhad | 03/23 | AA | 3.205 | 10 | 3.175 | 16/06/2020 | 3 | 94 |
| Fortune Premiere Sdn Berhad | 09/25 | AA | 3.535 | 10 | 3.538 | 17/06/2020 | 0 | 99 |
| Perbadanan Kemajuan Negeri Selangor | 08/21 | AA3 | 2.957 | 1 | 2.949 | 17/06/2020 | 1 | 92 |
| RHB Islamic Bank Berhad | 05/29 | AA3 | 3.362 | 30 | 3.357 | 29/05/2020 | 0 | 49 |
| Dynasty Harmony Sdn Berhad | 12/29 | AA3 | 5.319 | 15 | 5.689 | 02/12/2019 | -37 | 243 |
| Dynasty Harmony Sdn Berhad | 12/30 | AA3 | 5.422 | 15 | 5.319 | 19/02/2020 | 10 | 253 |
| Tanjung Bin Energy Issuer Berhad | 03/31 | AA3 | 3.728 | 10 | 3.828 | 23/01/2020 | -10 | 84 |
| Tanjung Bin Energy Issuer Berhad | 03/32 | AA3 | 3.808 | 10 | 3.824 | 10/06/2020 | -2 | 92 |
| Malakoff Power Berhad | 12/22 | AA- | 3.146 | 30 | 3.145 | 16/06/2020 | 0 | 96 |
| Jimah East Power Sdn Berhad | 12/27 | AA- | 3.689 | 20 | 3.670 | 21/05/2020 | 2 | 97 |
| Jimah East Power Sdn Berhad | 06/28 | AA- | 3.729 | 10 | 4.217 | 28/06/2019 | -49 | 91 |
| Jimah East Power Sdn Berhad | 06/29 | AA- | 3.808 | 10 | 3.888 | 28/04/2020 | -8 | 94 |
| Jimah East Power Sdn Berhad | 12/29 | AA- | 3.828 | 10 | 3.855 | 19/05/2020 | -3 | 96 |
| Jimah East Power Sdn Berhad | 06/31 | AA- | 3.968 | 10 | 3.946 | 18/06/2020 | 2 | 108 |
| Jimah East Power Sdn Berhad | 12/31 | AA- | 3.969 | 30 | 4.039 | 28/04/2020 | -7 | 108 |
| CIMB Group Holdings Berhad | 05/16 | A1 | 4.090 | 1 | 4.239 | 09/06/2020 | -15 | 50 |
| MBSB Bank Berhad (fka Asian Finance Bank Berh | 12/29 | A3 | 4.235 | 5 | 4.387 | 19/05/2020 | -15 | 134 |
| Affin Bank Berhad | 07/18 | A3 | 4.297 | 35 | 4.574 | 16/06/2020 | -28 | 70 |
| Eco World International Berhad | 05/23 | - | 5.876 | 1 | 6.175 | 17/06/2020 | -30 | 361 |
| Tropicana Corporation Berhad | 09/19 | - | 6.543 | 1 | 6.600 | 18/06/2020 | -6 | 295 |
| | | | | <u>873</u> | | | | |

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

Market/Corporate News: What's Brewing

National Mortgage Corporation Cagamas Berhad announced its issuance of RM150 million 3-month Conventional Commercial Papers (CCPs). In a statement, Cagamas said proceeds from the issuance will be used to fund the purchase of housing loans from the financial system. Cagamas President/Chief Executive Officer Datuk Chung Chee Leong said the successful pricing of the CCPs evidenced investors' continued strong demand for the company's short term debt securities despite global financial markets bracing for uncertainty due to economic reopening, coupled with the increasing geopolitical tension, which affected investor sentiment locally. "The CCPs were competitively priced at the corresponding 3-month KLIBOR benchmark rate plus 3 bps or equivalent to 2.31% based on KLIBOR fixing on the pricing date. The pricing of the CCPs represented 28 bps above Malaysian Treasury Bills, which was concluded via private placement basis," said Chung. Cagamas said the transaction marked its seventh issuance exercise for the year and brings the year-to-date (YTD) issuance amount to RM3.46 billion. It said the papers, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of the Company, ranking pari passu among themselves and with all other existing unsecured obligations of the Company. They will be listed and tradable under the Scripless Securities Trading System, it said. (Source: The Edgemarkets)

Two months after its dire predictions of the steepest recession in almost a century, the International Monetary Fund will release new global economic forecasts this week that will probably look even worse. Officials at the Washington-based Fund have warned that a revised outlook due on Wednesday may feature a more pessimistic view than in April. Back then, they said the "Great Lockdown" caused by the coronavirus would force a global contraction of 3% this year. A gloomier forecast might reflect their assessment of the severity of damage caused by the widespread shutdown in activity. The UK economy, for example, instantly shrank by a fifth in April

alone. Any glimmers of hope the IMF can impart may channel optimism that the worst of the outbreak has passed in some countries, allowing them to ease restrictions. That would chime with purchasing manager indexes from Japan to Europe to the US, due on Tuesday, all of which are expected to show further improvement in sentiment and activity from historic lows. However, most countries still face a long path back to normality from a downturn that is remarkably synchronized. IMF Chief Economist Gita Gopinath, who is compiling the forecasts, noted last week that both advanced and emerging market economies will endure a recession this year — the first time both have suffered in tandem since the Great Depression of the 1930s.

Europe, Middle East and Africa

June was the most open month in most of Europe after the lockdown, and a slew of activity indicators will give investors and policy makers a glimpse of how the economies are coping.

A key figure would be the purchasing managers' index for the services industry, which was hit the hardest by the restrictions. Confidence data will be watched closely in Sweden amid an ongoing debate over its relatively lax approach to the Covid 19 pandemic. The European Central Bank will also publish the accounts of its June meeting, which saw policy makers decide to expand the pandemic bond-buying program beyond market expectations. Look out for any meaningful dissenting voices among richer nations wary of extending unjustifiable support to the eurozone's most vulnerable economies.

Elsewhere, Hungarian and Czech policy makers are expected to hold interest rates, while Turkey's central bank is forecast to reduce its benchmark interest rate by another 25 basis points to 8% on Thursday, after a cumulative 1,575 basis points in cuts over the previous nine meetings.

South African Finance Minister Tito Mboweni will table an adjustment budget on Wednesday to redirect 130 billion rand (\$7.5 billion) to a stimulus package, while, in Kenya, the central bank may ease after holding rates steady a month ago.

US

In the US, investors will be watching several reports, including May new-home sales, durable goods orders and personal spending, to help them fine-tune their second-quarter GDP estimates. The government will also issue its third estimate of first quarter GDP on Thursday, along with the closely watched jobless claims report. Meanwhile, Federal Reserve officials including James Bullard and Charles Evans, are due discuss the economy.

Asia

New Zealand's central bank has a policy announcement on Wednesday after data showed the economy is in its first recession since 2010. Thailand's central bank meets later that day, with economists not expecting additional moves, according to early survey responses.

In the Philippines, a rate reduction is seen as possible on Thursday. South Korean trade data for the first 20 days of June will be scrutinized Monday for a pulse check on global commerce. (Source: *The Edgemarkets*)

| Rating Action | | | |
|---|---|------------------------|------------|
| Issuer | PDS Description | Rating/Outlook | Action |
| Islamic Development Bank (IsDB) | Financial Institution (FI) rating | AAA/MARC-1-Stable | Affirmed |
| | Sukuk Wakalah programme of up to RM400 million issued by Tadamun Services Berhad, a trust established by IsDB | AAA-IS/Stable | Affirmed |
| SAJ Capital Sdn Bhd | Sukuk Murabahah of up to RM650.0 million | AA-IS/Stable | Affirmed |
| Gas Malaysia Distribution Sdn Bhd (GMD) | Proposed Islamic Medium-Term Notes (IMTN) programme and Islamic Commercial Papers (ICP) programme with a combined limit of up to RM1.0 billion. | AAAIS/MARC-1-IS/Stable | Assigned |
| Tune Protect Group Berhad | Corporate credit rating | From A1 to A2 | Downgraded |
| Encorp Systembilt Sdn Bhd | RM1.575 bil Sukuk Murabahah | AA1/Stable | Reaffirmed |
| MBSB Bank Berhad | Structured Covered Sukuk | | |
| | Tranche 1 of RM215m | from AA1 to AAA/Stable | Upgraded |
| | Tranche 2 3 and 4 amounting to RM505m, RM765m and RM810m | AA1/Stable | Reaffirmed |

Source: RAM, MARC

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