

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	-1
5-yr UST	0.27	-2
10-yr UST	0.59	-2
30-yr UST	1.30	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.02	4	2.01	-1
5-yr	2.17	2	2.10	-1
7-yr	2.37	-2	2.41	-3
10-yr	2.63	-1	2.64	-1
15-yr	3.08	0	3.11	-2
20-yr	3.32	0	3.40	-2
30-yr	3.75	16	3.79	-1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	0
3-yr	1.91	3
5-yr	2.09	0
7-yr	2.37	4
10-yr	2.57	2

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM5.0b 15Y MGS 7/34 on Thursday, 23rd July 2020

- US Treasuries saw light activity; closing modestly higher on Tuesday despite some ongoing demand for risk as EU leaders finally reached an agreement that includes a package of EUR 750b to tackle the economic malaise due to the COVID-19 pandemic. Nevertheless this needs the approval of 27 member nations. The curve shifted slightly lower as overall benchmark yields ended between 1-2bps down with the UST 2Y at 0.14% and the much-watched UST 10Y declining by 2bps at 0.59%. Meanwhile the Fed's current balance sheet of \$6.96 trillion (June: \$7.17 trillion) which was expected to see massive expansion earlier is now seen to experience a slower pace of growth in response to the perceived actual usage under the Fed's programs and also improved market liquidity. The economic calendar remains light with some attention expected to shift to the \$17b 20y auction tonight and also the initial jobs claims report tomorrow.

MGS/GII

- Momentum in local govies improved substantially yesterday amid a doubling of secondary market volume to RM6.52b. Nevertheless overall benchmark MGS yields ended mixed (as opposed to GII which closed between 1-3bps lower). Interest was mainly seen in the off-the-run 20-21's and also the longer-ends i.e. 15Y, 20Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 rose 2bps at 2.17% whilst the 10Y MGS 8/29 edged 1bps lower instead at 2.63%. GII bond trades eased slightly to form ~39% of overall trades. The Ringgit meanwhile has opened stronger again this morning against a backdrop of a weaker USD and hopes of COVID-19 vaccine discovery supporting risk appetite. Meanwhile negotiations are currently ongoing between the government and Goldman Sachs pertaining to the recovery of some 1MDB assets. Expect attention to shift to the upcoming 15Y MGS auction tomorrow.

Corp Bonds/Sukuk

- This GG and credit bond space saw upbeat activity amid slightly higher secondary market volume of RM566m; with interest mainly seen across the GG and AA-part of the curve. Overall yields continued to close mostly lower. The longer-end govt-guaranteed PRASA 38-39's closed 1-3bps lower compared to previous-done levels at 3.59% and 3.61% respectively. The AA-space saw energy cum power-related bonds EDRA, Southern Power and UITM solar exchange hands between 7-60bps lower whilst YTL Power 5/27 moved 4bps lower at 3.42%. GAMUDA 3/23 saw RM50m in nominal amounts traded, closing 23bps sharply lower at 3.11%. The banking space saw AFFIN BANK 27NC22's spike 15-25bps instead between 3.16-20% area.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	08/20	1.308	86	1.342	20/07/2020	-3
MGS	10/20	1.748	263	1.791	20/07/2020	-4
MGS	07/21	1.785	543	1.777	20/07/2020	1
MGS	09/21	1.773	637	1.794	20/07/2020	-2
MGS	11/21	1.815	79	1.817	20/07/2020	0
MGS	03/22	1.904	80	1.885	20/07/2020	2
MGS	08/22	1.927	100	1.931	17/07/2020	0
MGS	09/22	1.924	42	1.955	16/07/2020	-3
MGS	03/23	2.010	180	1.982	17/07/2020	3
MGS	04/23	2.002	80	2.013	20/07/2020	-1
MGS	08/23	2.051	1	2.073	17/07/2020	-2
MGS	06/24	2.084	52	2.067	20/07/2020	2
MGS	09/24	2.091	14	2.106	17/07/2020	-1
MGS	09/25	2.170	61	2.146	20/07/2020	2
MGS	04/26	2.267	1	2.303	09/07/2020	-4
MGS	07/26	2.260	4	2.317	20/07/2020	-6
MGS	11/26	2.261	20	2.269	20/07/2020	-1
MGS	05/27	2.372	180	2.389	20/07/2020	-2
MGS	06/28	2.554	21	2.592	20/07/2020	-4
MGS	08/29	2.625	150	2.638	20/07/2020	-1
MGS	04/30	2.716	65	2.756	16/07/2020	-4
MGS	06/31	2.821	226	2.861	20/07/2020	-4
MGS	04/33	3.090	191	3.093	20/07/2020	0
MGS	11/33	3.088	140	3.125	16/07/2020	-4
MGS	07/34	3.081	503	3.078	20/07/2020	0
MGS	06/38	3.385	53	3.385	17/07/2020	0
MGS	05/40	3.321	150	3.321	20/07/2020	0
MGS	09/43	3.744	3	3.735	20/07/2020	1
MGS	03/46	3.808	11	3.780	20/07/2020	3
MGS	07/48	3.787	1	3.796	20/07/2020	-1
MGS	06/50	3.754	70	3.598	20/07/2020	16
GII	08/20	1.772	10	1.747	20/07/2020	2
GII	04/21	1.793	80	1.813	15/07/2020	-2
GII	04/21	1.803	55	1.800	08/07/2020	0
GII	03/22	1.905	13	1.919	17/07/2020	-1
GII	04/22	1.906	220	1.921	20/07/2020	-2
GII	07/22	1.927	30	1.942	20/07/2020	-1
GII	05/23	2.010	41	2.021	20/07/2020	-1
GII	11/23	2.068	30	2.059	17/07/2020	1
GII	08/24	2.109	50	2.158	09/07/2020	-5
GII	10/24	2.100	61	2.113	20/07/2020	-1
GII	10/25	2.218	20	2.239	20/07/2020	-2
GII	03/26	2.293	270	2.301	17/07/2020	-1
GII	09/26	2.342	60	2.384	20/07/2020	-4
GII	09/27	2.409	120	2.439	17/07/2020	-3
GII	10/28	2.630	40	2.652	17/07/2020	-2
GII	12/28	2.627	40	2.665	17/07/2020	-4
GII	07/29	2.713	191	2.726	20/07/2020	-1
GII	09/30	2.744	150	2.772	16/07/2020	-3
GII	10/30	2.643	70	2.648	20/07/2020	-1
GII	08/33	3.144	50	3.174	17/07/2020	-3
GII	11/34	3.112	375	3.129	20/07/2020	-2
GII	08/37	3.415	10	3.480	13/07/2020	-6
GII	09/39	3.395	510	3.418	16/07/2020	-2
GII	11/49	3.786	20	3.797	10/07/2020	-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*
Pengurusan Air SPV Berhad	06/22	GG	2.116	10	2.731	17/04/2020	-62	21
Pengurusan Air SPV Berhad	06/22	GG	2.116	10	2.765	15/04/2020	-65	21
Lembaga Pembiayaan Perumahan Sektor Awam	10/28	GG	2.789	10	2.997	03/07/2020	-21	24
DanaInfra Nasional Berhad	11/29	GG	2.849	60	3.181	20/05/2020	-33	26
DanaInfra Nasional Berhad	11/29	GG	2.850	15	2.870	17/07/2020	-2	27
Perbadanan Tabung Pendidikan Tinggi Nasional	07/31	GG	3.097	30	3.129	15/07/2020	-3	47
Prasarana Malaysia Berhad	12/38	GG	3.594	60	3.599	17/07/2020	-1	28
Prasarana Malaysia Berhad	08/39	GG	3.609	10	3.640	17/07/2020	-3	29
DanaInfra Nasional Berhad	05/46	GG	3.861	20	4.589	26/03/2020	-73	55
Manjung Island Energy Berhad	11/20	AAA	2.138	20	2.187	17/07/2020	-5	34
Bakun Hydro Power Generation Sdn Berhad (fka S	08/26	AAA	2.798	10	2.998	09/03/2020	-20	52
Batu Kawan Berhad	06/23	AA1	2.655	15	2.877	14/07/2020	-22	68
Encorp Systembilt Sdn Berhad	05/25	AA1	2.744	25	2.836	20/07/2020	-9	60
Kuala Lumpur Kepong Berhad	08/25	AA1	2.738	5	2.880	17/07/2020	-14	59
YTL Power International Berhad	05/27	AA1	3.420	10	3.458	10/07/2020	-4	104
CIMB Group Holdings Berhad	09/29	AA	3.048	10	3.076	16/07/2020	-3	46
Gamuda Berhad	03/23	AA3	3.110	50	3.337	25/06/2020	-23	113
Exsim Ventures Berhad	08/23	AA3	4.162	5	4.501	12/05/2020	-34	218
IJM Corporation Berhad	10/24	AA3	3.247	10	3.555	10/03/2020	-31	116
Edra Energy Sdn Berhad	01/29	AA3	3.597	20	3.839	28/05/2020	-24	105
Edra Energy Sdn Berhad	07/29	AA3	3.627	30	3.950	04/05/2020	-32	104
Konsortium KAJV Sdn Bhd	05/21	AA-	3.820	20	4.020	27/05/2020	-20	203
Konsortium KAJV Sdn Bhd	05/22	AA-	4.128	10	-	-	-	222
Sinar Kamiri Sdn Berhad	01/26	AA-	4.231	5	4.930	04/11/2019	-70	195
Sinar Kamiri Sdn Berhad	01/27	AA-	4.360	5	5.001	04/11/2019	-64	198
Sinar Kamiri Sdn Berhad	01/28	AA-	4.480	5	5.559	12/02/2018	-108	193
UiTM Solar Power Sdn Berhad	04/30	AA-	4.421	5	5.021	14/08/2019	-60	179
UiTM Solar Power Sdn Berhad	04/31	AA-	4.551	5	5.028	27/12/2019	-48	192
Southern Power Generation Sdn Berhad	04/31	AA-	3.519	10	3.866	18/06/2020	-35	89
Southern Power Generation Sdn Berhad	04/32	AA-	3.628	10	3.699	17/07/2020	-7	100
Bank Islam Malaysia Berhad	12/25	A1	2.777	20	3.120	03/03/2020	-34	63
Affin Bank Berhad	02/27	A1	3.160	5	2.911	15/07/2020	25	78
Affin Bank Berhad	09/27	A1	3.201	15	3.052	20/07/2020	15	83
Quantum Solar Park (Semenanjung) Sdn Berhad	10/27	A+	4.531	5	5.119	27/12/2019	-59	216
Quantum Solar Park (Semenanjung) Sdn Berhad	04/28	A+	4.602	10	5.178	27/12/2019	-58	206
IJM Land Berhad	03/19	A2	4.902	1	4.164	15/07/2020	74	159
Matrix Concepts Holdings Berhad	03/23	-	4.601	1	5.000	27/05/2020	-40	262
				<u>566</u>				

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

Market/Corporate News: What's Brewing

Global sales of semiconductor manufacturing equipment by original equipment manufacturers are projected to log a record high revenue of US\$70 billion in 2021 on the strength of double-digit growth, said the US-based Semiconductor Equipment & Materials International (SEMI). In releasing its mid-year total semiconductor equipment forecast at the annual SEMICON West exposition event, SEMI said chip manufacturing equipment are expected to increase by 6% to US\$63.2 billion in 2020 from US\$59.6 billion in 2019, before logging a record high in 2021. It said growth across a number of semiconductor segments is expected to power the expansion. Specifically, SEMI expects the wafer fab equipment segment to rise 5% in 2020 followed by 13% growth in 2021 driven by a memory spending recovery and investments in leading edge and China. It also said foundry and logic spending, accounting for about half of total wafer fab equipment sales, will see single-digit increases in 2020 and 2021. "Both DRAM and NAND spending in 2020 will surpass 2019 level and is projected to grow over 20%, respectively, in 2021," it said. Meanwhile, SEMI expects the assembly and packaging equipment segment to grow 10% to US\$3.2 billion in 2020 and 8% to US\$3.4 billion in 2021, driven by advanced packaging capacity build-up. It also said the semiconductor test equipment market is expected to increase 13%, reaching US\$5.7 billion in 2020, and to continue the growth momentum in 2021 on the back of 5G demand. In terms of region, SEMI said China, Taiwan and South Korea are expected to lead the pack in spending in 2020. "Robust spending in China in the foundry and memory sectors is expected to vault the region to the top in total semiconductor equipment spending in 2020 and 2021." As for Taiwan, after seeing 68% growth of equipment spending in 2019, SEMI expects the country to contract this year but bounce back with 10% growth in 2021, with the region maintaining the second spot in equipment investments. It also expects South Korea to rank third in semiconductor equipment investments in 2020 by outstripping its 2019 level, making it the third top spender in 2020. "Korea equipment spending is projected to grow 30% in

2021, powered by the memory investment recovery. Most other regions tracked will also see growth in 2020 or 2021," it said.. (Source: *The Edgemarkets*)

Iris Corporation Bhd (Iris Corp) is refocusing and establishing itself in the trusted identity (ID) verification solutions space, with direct clients across the globe, while also providing technical input, consultation and advice for a number of others. In a statement, chief executive officer Shaiful Subhan said the tech company wants to be known as a leading player in the trusted ID space both domestically and internationally, "a company with strong fundamentals, known for a solid delivery record and providing value to all our stakeholders." He is confident that this target is achievable with the firm's "Innovative, Relevant, Intelligent & Secure (IRIS)" mantra and continued achievements, evidenced by a range of patents and other global certifications and awards. "Returning to this focused approach, which has spanned a wide range of projects since the late 1990s — from a secure smart card project in Canada to fast-tracked deployments in a number of African nations -- has seen Iris Corp return to profitability in the last two years. "Rationalising the non-core, loss-making businesses has contributed to substantial cost savings," Shaiful said, noting how these divestments have led to a turnaround at Iris Corp, after four years in the red. According to him, Iris Corp is well regarded by its global peers as to its credit, Malaysia became the first country to deploy e-passports in 1998 using its technology. "We have had the opportunity to provide our trusted ID solutions to 34 different clients with different needs and operating in different environments. "So we don't see ourselves as just vendors; we are partners of growth for our clients from all across the globe," he said. He maintained that Iris Corp is nimble when deploying solutions, reducing unnecessary complexity of solutions to ensure a better fit between new devices and legacy systems. "And because not every client can afford to pay for the 'best systems', while still needing world-class solutions, this 'IRIS' approach often ends up being a far more affordable option," he said. Shaiful said the ongoing contract to supply polycarbonate citizenship identity cards in Bhutan is an example of how Iris Corp delivers a cost-effective relevant solution, which remains compatible with legacy systems. "We've done the same with our longest continuous client Nigeria, which launched Africa's first e-passport with biometrics in 2003, working with what they originally had and progressively helping them upgrade within their budgets for the e-passports. "Such an agile perspective has let Iris Corp deliver some really fast results to clients. In 2016, Iris Corp deployed in just four months the Senegal ECOWAS Biometric eID national identity card which also functions as a voting card and a valid regional travel document, much faster than the typical period of six to 12 months." In addition, Saiful said, Iris Corp helped the Solomon Islands launch the first e-passport system in the South Pacific region and new e-gates for border control. "All this was possible as Iris Corp is careful not to be too intricately tied up with vendor solutions, taking client's needs first. The 'best solutions' sometimes force clients to adapt instead. That doesn't necessarily produce the desired results," he noted. He said by taking the path less travelled, Iris Corp has chalked up an impressive track record of delivering around 100 million e-passports, more than 150 million eIDs /driving licence cards and deployed around 230,000 contactless card readers in 28 countries. Hence, he said Iris Corp is really proud to be the only company in Malaysia to have received the the Integraf High Security Printing certification. "Clients look to us because of our practicality about limits on resources and infrastructure available, our global expertise and strong customer-centric culture. During the Movement Control Order, our employees worked from home to ensure business continuity and to maintain close communication with our clients and business partners by supporting them virtually. "Our focus on growing our trusted ID business is unwavering. To complement this, we will also explore adjacent solutions which will enhance our trusted ID offerings, e.g. new biometric technologies, as well as digitalisation, in order to develop new revenue streams for the company," he concluded.. (Source: *The Edgemarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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