

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries ended a tad weaker (having maintained strength and momentum earlier in the session) following the rally of tech-heavy Nasdaq on Wall Street. Overall benchmark yields ended a mere 0-1bps higher with the UST 2Y closing at 0.19% and the much-watched UST 10Y at 0.71% respectively. Recent retail sales and employment data which exceeded estimates, helped reinforce hopes of a V-shaped recovery even as most economists urge caution. Nevertheless a “tug of war” is seen between pessimism over COVID-19 virus infections and optimism over the lifting of lockdowns. Separately, the IG issuance slate is expected to be lighter for the whole of this week with a total of only \$25b expected. Meanwhile, expect traders to focus on the upcoming auction of \$46b of 2Y notes coupled with PMI data for June.

##### MGS/GIII

- Local govies ended generally weaker in a lackluster session amid lower secondary market volume of RM1.65b. Overall benchmark MGS/GII yields closed mostly higher between 0-6bps save for the 7Y GII and 30Y MGS; as some interest was seen in the off-the-run 20's and the 10Y benchmark MGS. Both the benchmark 5Y MGS 9/25 and the 10Y MGS 8/29 closed within 1bps higher at 2.53% and 2.88% respectively. GII bond trades fell to form a mere ~29% of overall trades. Expect investors concern to remain over the wider fiscal deficit following the recent PRIHATIN and PENJANA economic stimulus packages. Up next on the data front are the CPI numbers for May expected out at noon tomorrow.

##### Corp Bonds/Sukuk

- Investor interest remained decent despite lower secondary market halving to RM407m with trades mainly across the AA-AA-part of the curve as overall yields closed mostly mixed yet again. PTPTN 24's spiked between 14-21bps compared to previous-done levels at 2.80-81% levels whilst the 7/26 tranche rallied 11bps at 3.01% instead. AAA-rated PUTRAJAYA 4/22 saw the largest volume of RM40m in nominal amounts traded sharply lower on yields at 2.79% whilst both MANJUNG 11/27 and TNB Northern 5/28 ended between 7-8bps higher at 3.26% and 3.32% each. AA-rated energy bond EDRA 34-35's closed between 0-20bps higher between 4.24-31% whilst TBEI 9/31 moved 10bps lower at 3.75%. The banking space saw RHB Islamic 29NC24 edge 1bps lower 3.36%.

| UST       |             |           |
|-----------|-------------|-----------|
| Tenure    | Closing (%) | Chg (bps) |
| 2-yr UST  | 0.19        | 0         |
| 5-yr UST  | 0.34        | 1         |
| 10-yr UST | 0.71        | 1         |
| 30-yr UST | 1.47        | 1         |

| MGS    |             | GII*      |             |           |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr   | 2.27        | 1         | 2.34        | 0         |
| 5-yr   | 2.53        | 0         | 2.55        | 0         |
| 7-yr   | 2.72        | 1         | 2.75        | -2        |
| 10-yr  | 2.88        | 0         | 2.90        | 1         |
| 15-yr  | 3.33        | 3         | 3.43        | 0         |
| 20-yr  | 3.61        | 2         | 3.68        | 6         |
| 30-yr  | 4.01        | -1        | 4.05        | 0         |

\* Market indicative levels

| MYR IRS Levels |             |           |
|----------------|-------------|-----------|
| IRS            | Closing (%) | Chg (bps) |
| 1-yr           | 2.15        | 0         |
| 3-yr           | 2.16        | -1        |
| 5-yr           | 2.34        | -2        |
| 7-yr           | 2.54        | 0         |
| 10-yr          | 2.75        | 0         |

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

## Daily Trades : Government Bond

| Securities |       | Closing | Vol         | Previous | Previous                   | Chg  |
|------------|-------|---------|-------------|----------|----------------------------|------|
|            |       | YTM     | (RM mil)    | YTM      | Trade Date<br>(dd/mm/yyyy) | (bp) |
| MGS        | 07/20 | 2.014   | 130         | 2.015    | 19/06/2020                 | 0    |
| MGS        | 10/20 | 1.999   | 165         | 2.001    | 19/06/2020                 | 0    |
| MGS        | 07/21 | 2.036   | 86          | 2.023    | 19/06/2020                 | 1    |
| MGS        | 09/21 | 2.060   | 34          | 2.060    | 19/06/2020                 | 0    |
| MGS        | 11/21 | 2.075   | 10          | 2.073    | 19/06/2020                 | 0    |
| MGS        | 03/22 | 2.181   | 50          | 2.172    | 19/06/2020                 | 1    |
| MGS        | 08/22 | 2.244   | 26          | 2.240    | 19/06/2020                 | 0    |
| MGS        | 09/22 | 2.236   | 43          | 2.229    | 19/06/2020                 | 1    |
| MGS        | 03/23 | 2.270   | 50          | 2.256    | 19/06/2020                 | 1    |
| MGS        | 04/23 | 2.321   | 65          | 2.314    | 19/06/2020                 | 1    |
| MGS        | 08/23 | 2.380   | 66          | 2.365    | 19/06/2020                 | 1    |
| MGS        | 06/24 | 2.481   | 27          | 2.483    | 19/06/2020                 | 0    |
| MGS        | 07/24 | 2.512   | 34          | 2.513    | 19/06/2020                 | 0    |
| MGS        | 09/24 | 2.503   | 84          | 2.505    | 19/06/2020                 | 0    |
| MGS        | 09/25 | 2.531   | 32          | 2.527    | 19/06/2020                 | 0    |
| MGS        | 04/26 | 2.689   | 23          | 2.689    | 19/06/2020                 | 0    |
| MGS        | 07/26 | 2.706   | 22          | 2.703    | 19/06/2020                 | 0    |
| MGS        | 11/26 | 2.723   | 3           | 2.715    | 19/06/2020                 | 1    |
| MGS        | 05/27 | 2.723   | 33          | 2.714    | 19/06/2020                 | 1    |
| MGS        | 11/27 | 2.834   | 25          | 2.844    | 19/06/2020                 | -1   |
| MGS        | 08/29 | 2.874   | 126         | 2.874    | 19/06/2020                 | 0    |
| MGS        | 06/31 | 3.151   | 1           | 3.146    | 18/06/2020                 | 0    |
| MGS        | 11/33 | 3.359   | 1           | 3.342    | 18/06/2020                 | 2    |
| MGS        | 07/34 | 3.325   | 20          | 3.295    | 18/06/2020                 | 3    |
| MGS        | 04/37 | 3.570   | 4           | 3.581    | 18/06/2020                 | -1   |
| MGS        | 05/40 | 3.608   | 10          | 3.584    | 18/06/2020                 | 2    |
| MGS        | 07/48 | 4.024   | 3           | 4.024    | 19/06/2020                 | 0    |
| MGS        | 06/50 | 4.013   | 6           | 4.022    | 18/06/2020                 | -1   |
| GII        | 04/22 | 2.209   | 62          | 2.211    | 19/06/2020                 | 0    |
| GII        | 07/23 | 2.387   | 20          | 2.399    | 19/06/2020                 | -1   |
| GII        | 11/23 | 2.414   | 100         | 2.398    | 19/06/2020                 | 2    |
| GII        | 05/24 | 2.480   | 7           | 2.526    | 19/06/2020                 | -5   |
| GII        | 08/25 | 2.642   | 44          | 2.663    | 19/06/2020                 | -2   |
| GII        | 03/26 | 2.693   | 70          | 2.696    | 19/06/2020                 | 0    |
| GII        | 09/26 | 2.762   | 40          | 2.792    | 19/06/2020                 | -3   |
| GII        | 07/27 | 2.861   | 65          | 2.869    | 19/06/2020                 | -1   |
| GII        | 09/27 | 2.746   | 24          | 2.765    | 19/06/2020                 | -2   |
| GII        | 07/29 | 2.987   | 20          | 2.993    | 19/06/2020                 | -1   |
| GII        | 10/30 | 2.900   | 10          | 2.890    | 16/06/2020                 | 1    |
| GII        | 09/39 | 3.678   | 14          | 3.617    | 18/06/2020                 | 6    |
|            |       |         | <u>1652</u> |          |                            |      |

## Daily Trades : Corp Bonds/ Sukuk

| Securities                                    |       | Rating | Closing<br>YTM | Vol<br>(RM mil) | Previous<br>YTM | Previous<br>Trade Date<br>(dd/mm/yyyy) | Chg<br>(bp) | Spread<br>Against<br>MGS* |
|---|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Khazanah Nasional Berhad                      | 02/21 | GG     | 2.200          | 5               | 2.203           | 19/06/2020                             | 0           | 16                        |
| Perbadanan Tabung Pendidikan Tinggi Nasional  | 03/24 | GG     | 2.799          | 20              | 2.594           | 20/05/2020                             | 21          | 36                        |
| DanaInfra Nasional Berhad                     | 05/24 | GG     | 2.629          | 10              | 2.661           | 18/06/2020                             | -3          | 19                        |
| Pengurusan Air SPV Berhad                     | 06/24 | GG     | 2.652          | 10              | 2.799           | 28/04/2020                             | -15         | 21                        |
| Perbadanan Tabung Pendidikan Tinggi Nasional  | 12/24 | GG     | 2.810          | 10              | 2.672           | 27/05/2020                             | 14          | 37                        |
| Perbadanan Tabung Pendidikan Tinggi Nasional  | 07/26 | GG     | 3.005          | 20              | 3.119           | 22/04/2020                             | -11         | 35                        |
| Lembaga Pembiayaan Perumahan Sektor Awam      | 10/28 | GG     | 3.150          | 10              | 3.080           | 02/06/2020                             | 7           | 34                        |
| Cagamas Berhad                                | 11/20 | AAA    | 2.368          | 15              | 2.411           | 12/06/2020                             | -4          | 32                        |
| Sarawak Energy Berhad                         | 06/21 | AAA    | 2.564          | 5               | 2.581           | 19/06/2020                             | -2          | 52                        |
| Putrajaya Holdings Sdn Berhad                 | 04/22 | AAA    | 2.789          | 40              | 4.087           | 11/03/2019                             | -130        | 60                        |
| Toyota Capital Malaysia Sdn Berhad            | 01/25 | AAA    | 3.098          | 9               | 3.390           | 17/03/2020                             | -29         | 56                        |
| Danga Capital Berhad                          | 02/26 | AAA    | 3.169          | 10              | 3.172           | 15/06/2020                             | 0           | 51                        |
| Pengurusan Air SPV Berhad                     | 06/26 | AAA    | 3.177          | 10              | 3.177           | 17/06/2020                             | 0           | 52                        |
| Manjung Island Energy Berhad                  | 11/27 | AAA    | 3.260          | 9               | 3.189           | 27/05/2020                             | 7           | 54                        |
| TNB Northern Energy Berhad                    | 05/28 | AAA    | 3.320          | 10              | 3.239           | 27/05/2020                             | 8           | 51                        |
| Sarawak Energy Berhad                         | 04/31 | AAA    | 3.370          | 10              | 3.397           | 19/06/2020                             | -3          | 49                        |
| Manjung Island Energy Berhad                  | 11/31 | AAA    | 3.479          | 10              | 3.480           | 18/06/2020                             | 0           | 60                        |
| Tenaga Nasional Berhad                        | 08/32 | AAA    | 3.439          | 40              | 3.419           | 10/06/2020                             | 2           | 56                        |
| Sarawak Energy Berhad                         | 12/32 | AAA    | 3.490          | 30              | 3.458           | 04/06/2020                             | 3           | 61                        |
| Abu Dhabi National Energy Company PJSC        | 03/22 | AA1    | 3.395          | 5               | 4.348           | 29/10/2019                             | -95         | 120                       |
| Teknologi Tenaga Perlis Consortium Sdn Berhad | 07/23 | AA1    | 3.146          | 10              | 3.329           | 21/02/2020                             | -18         | 88                        |
| Hong Leong Financial Group Berhad             | 06/29 | AA2    | 3.338          | 10              | 3.360           | 03/06/2020                             | -2          | 48                        |
| Exsim Capital Resources Berhad                | 01/22 | AA3    | 3.474          | 10              | 3.508           | 09/06/2020                             | -3          | 128                       |
| RHB Islamic Bank Berhad                       | 05/29 | AA3    | 3.356          | 20              | 3.362           | 19/06/2020                             | -1          | 50                        |
| Tanjung Bin Energy Issuer Berhad              | 09/31 | AA3    | 3.750          | 10              | 3.849           | 04/05/2020                             | -10         | 87                        |
| Edra Energy Sdn Berhad                        | 01/34 | AA3    | 4.238          | 10              | 4.238           | 19/05/2020                             | 0           | 93                        |
| Edra Energy Sdn Berhad                        | 01/35 | AA3    | 4.318          | 10              | 4.120           | 18/02/2020                             | 20          | 101                       |
| AZRB Capital Sdn Berhad                       | 12/22 | AA-    | 4.189          | 2               | -               | -                                      | -           | 192                       |
| UEM Sunrise Berhad                            | 10/25 | AA-    | 4.169          | 6               | 3.482           | 21/05/2020                             | 69          | 163                       |
| Eco World International Berhad                | 04/23 | -      | 5.818          | 1               | 6.317           | 11/06/2020                             | -50         | 355                       |
| Tropicana Corporation Berhad                  | 09/19 | -      | 6.438          | 2               | 6.543           | 19/06/2020                             | -11         | 284                       |
| TG Excellence Berhad                          | 02/20 | AA-    | 3.623          | 12              | 3.525           | 16/06/2020                             | 10          | 2                         |
| Westports Malaysia Sdn Berhad                 | 04/25 | AA+    | 3.339          | 8               | 3.753           | 09/10/2019                             | -41         | 80                        |
| Westports Malaysia Sdn Berhad                 | 10/27 | AA+    | 3.491          | 8               | 3.419           | 29/05/2020                             | 7.2         | 77                        |
| MBSB Bank Berhad (fka Asian Finance Bank Berh | 12/31 | A3     | 4.331          | 1               | 4.600           | 15/06/2020                             | -27         | 145                       |
|   |       |        |                | 407             |                 |  |             |                           |

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

## Market/Corporate News: What's Brewing

**Amid upcoming changes in the top leadership of PetroliaM Nasional Bhd (Petronas), all eyes are now on whether it will retract its appeal in court to nullify the RM2 billion petroleum products sales tax demanded by Sarawak.** Tomorrow, the Court of Appeal in Putrajaya will hear Petronas' appeal against the Kuching High Court's decision three months ago that Sarawak is entitled to impose a state law to collect petroleum products sales tax from 2019 onwards. The status of the appeal will pave the way forward for the nation's oil and gas industry, which is heading towards uncharted waters as oil-rich states like Sarawak seek more control over their oil and gas assets currently controlled and regulated by Petronas under the Petroleum Development Act (PDA 1974). In the midst of this, Malaysia's federal administration under Perikatan Nasional, which took over Putrajaya in February, is attempting to consolidate support ahead of a potential vote of no confidence in the Dewan Rakyat next month. In December last year, Petronas president and group chief executive officer Tan Sri Wan Zulkiflee Wan Ariffin told The Edge that "the legal process will have to take its course" with respect to the Sarawak sales tax issue. The understanding is that Petronas already pays taxes to the federal government in the form of petroleum income tax, and that Sarawak's petroleum products sales tax under its State Sales Tax (Taxable Goods and Rate of Tax) (Amendment) (No. 2) Order, 2018 is deemed as double taxation. In May this year however, Petronas and Sarawak state government issued a joint statement saying that Petronas had agreed to pay the petroleum products sales tax imposed by Sarawak for the year 2019, which amounted to RM2 billion. The statement added that both parties would drop all legal actions on the matter and negotiate lower sales tax moving forward, with prime minister Tan Sri Muhyiddin Yassin hailing the deal as the right approach in terms of the long-term economic, financial and social interest of the nation. Following that, on June 6, the Prime Minister's Office announced that Wan Zulkiflee would leave the national oil company on July 1 after 37

years of service, and would take over the helm of troubled Malaysia Airlines Bhd. His post at the national oil company would be replaced by Petronas executive vice-president and group chief financial officer, Tengku Muhammad Taufik Tengku Aziz. The status of the deal, however, came into question on June 11, when case management for Petronas' appeal went ahead to arrange for the hearing tomorrow, instead of having the appeal retracted. A day later, Sarawak Chief Minister Datuk Patinggi Abang Johari Abang Openg told reporters that Petronas was in the process of withdrawing its appeal, which was filed before the new federal government made any decision on the matter. "When you want to withdraw (an appeal at the Court of Appeal), there is a procedure (requiring the parties involved to appear) in the court (to make an application for the withdrawal)," he reportedly said. For Perikatan Nasional, an end to the appeal will further smoothen relations with its political ally Gabungan Parti Sarawak (GPS), which is chaired by Abang Johari and controls 18 seats in the Dewan Rakyat. Beyond the issue of SST on Petronas, Abang Johari also said the federal government under Muhyiddin had set up a committee, jointly-chaired by Finance Minister Tengku Zafrul Tengku Abdul Aziz and Senior Minister of Works Datuk Seri Fadillah Yusof, to negotiate on other aspects of Sarawak's involvement in the nation's petroleum and gas industry.. (Source: *The Edgemarkets*)

| Rating Action |                 |                |        |
|---------------|-----------------|----------------|--------|
| Issuer        | PDS Description | Rating/Outlook | Action |
| Nil           | Nil             | Nil            | Nil    |

Source: RAM, MARC

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