

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries ended almost flat save for the long-ends, as equities whipsawed from negative to positive territory following the White House trade advisor Peter Navarro's clarification of his earlier statement regarding US-China trade matters. Overall benchmark yields ended a within 1bps of prior day's close save for the 30Y bond which rose 3bps. Both the UST 2Y and the much-watched UST 10Y closed flat at 0.19% and 0.71% respectively. The auction of \$46b of 2Y notes saw average bidding metrics at a BTC ratio of 2.46x (previous auction: 2.61x) whilst awarded at 0.193%. UST's are expected to oscillate between pessimism over COVID-19 virus infections and optimism over the lifting of lockdowns going forward. Traders are expected to focus on the upcoming \$47b of 5Y notes; in the absence of meaningful data tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.19	0
5-yr UST	0.33	-1
10-yr UST	0.71	0
30-yr UST	1.49	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.28	1	2.34	0
5-yr	2.54	0	2.53	-2
7-yr	2.72	0	2.77	3
10-yr	2.90	2	2.90	0
15-yr	3.33	0	3.43	0
20-yr	3.61	0	3.68	0
30-yr	4.01	0	4.05	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.15	0
3-yr	2.16	0
5-yr	2.36	1
7-yr	2.54	0
10-yr	2.72	-3

Source : Bloomberg

#### Upcoming Government Bond Tender

Nil

##### MGS/GII

- Local govies ended softer amid higher secondary market volume of RM3.96b. Overall benchmark MGS/GII yields closed mostly unchanged-to-higher i.e. between 0-2bps save for the 5Y GII with interest seen in the off-the-run 20's, 24's and 25's. The benchmark 5Y MGS 9/25 closed within 1bps at 2.54% whilst the 10Y MGS 8/29 rose 2bps at 2.90%. GII bond trades spiked to form ~54% of overall trades. Separately the Finance Minister said that the nation's debt level could hit the statutory limit of 55% of GDP this year; from 52% currently following a series of economic stimulus packages due to the economic downturn. Nevertheless the bulk (i.e. 97%) is mainly domestic debt. Up next on the data front are the CPI numbers for May expected out at noon today.

##### Corp Bonds/Sukuk

- Investor interest improved amid higher secondary market rising to RM720m with trades mainly across the AA-AA-part of the curve as overall yields closed mostly mixed yet again. Both the gov-guaranteed DANA 5/23 and DANA 2/23 closed between 2-28bps lower compared to previous-done levels at 2.50%. TELEKOM dominated the AAA-space with a slew of 2020-2022 tranches moving between 0-149bps lower at 2.65-84% area; notching ~RM300m in nominal amounts. AA-rated KLK 8/25 closed sharply lower on yields at 3.19% whilst the 4/26 and 9/29 tranche ended between 1-17bps lower at 3.24% and 3.47% respectively. The banking space saw AFFIN 2118NC23 perps edge 1bps lower at 4.29% whilst MBSB 29NC24 went 23bps lower at 4.00%.

## Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	07/20	2.133	73	2.014	22/06/2020	12
MGS	10/20	2.027	332	1.999	22/06/2020	3
MGS	02/21	2.022	2	1.998	18/06/2020	2
MGS	07/21	2.040	237	2.036	22/06/2020	0
MGS	09/21	2.041	8	2.060	22/06/2020	-2
MGS	11/21	2.088	25	2.075	22/06/2020	1
MGS	03/22	2.164	6	2.181	22/06/2020	-2
MGS	08/22	2.245	20	2.244	22/06/2020	0
MGS	09/22	2.246	7	2.236	22/06/2020	1
MGS	03/23	2.283	138	2.270	22/06/2020	1
MGS	04/23	2.301	49	2.321	22/06/2020	-2
MGS	08/23	2.369	154	2.380	22/06/2020	-1
MGS	06/24	2.475	26	2.481	22/06/2020	-1
MGS	07/24	2.511	1	2.512	22/06/2020	0
MGS	03/25	2.564	22	2.522	19/06/2020	4
MGS	09/25	2.535	281	2.531	22/06/2020	0
MGS	04/26	2.687	10	2.689	22/06/2020	0
MGS	07/26	2.706	24	2.706	22/06/2020	0
MGS	11/26	2.706	100	2.723	22/06/2020	-2
MGS	03/27	2.728	60	2.780	15/06/2020	-5
MGS	11/27	2.832	84	2.834	22/06/2020	0
MGS	06/28	2.906	13	2.926	22/06/2020	-2
MGS	08/29	2.895	81	2.874	22/06/2020	2
MGS	04/30	3.021	20	3.050	18/06/2020	-3
MGS	06/31	3.145	1	3.151	22/06/2020	-1
MGS	04/33	3.320	3	3.262	19/06/2020	6
MGS	06/38	3.616	17	3.609	22/06/2020	1
GII	08/20	2.000	200	2.009	18/06/2020	-1
GII	04/21	2.038	100	2.043	19/06/2020	-1
GII	04/22	2.201	310	2.209	22/06/2020	-1
GII	04/23	2.415	20	2.444	11/06/2020	-3
GII	05/23	2.340	50	2.342	19/06/2020	0
GII	11/23	2.410	57	2.414	22/06/2020	0
GII	05/24	2.495	300	2.480	22/06/2020	2
GII	08/24	2.547	2	2.581	19/06/2020	-3
GII	10/24	2.528	48	2.546	19/06/2020	-2
GII	08/25	2.601	220	2.642	22/06/2020	-4
GII	10/25	2.648	9	2.620	19/06/2020	3
GII	03/26	2.680	180	2.693	22/06/2020	-1
GII	09/26	2.749	133	2.762	22/06/2020	-1
GII	07/27	2.809	160	2.861	22/06/2020	-5
GII	09/27	2.772	64	2.746	22/06/2020	3
GII	10/28	2.928	55	2.942	17/06/2020	-1
GII	07/29	2.983	120	2.987	22/06/2020	0
GII	09/30	2.994	91	3.047	19/06/2020	-5
GII	06/33	3.472	41	3.247	29/05/2020	23
GII	10/35	3.639	5	3.541	19/06/2020	10
			<u>3957</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*
DanaInfra Nasional Berhad	02/23	GG	2.501	5	2.781	23/04/2020	-28	22
DanaInfra Nasional Berhad	05/23	GG	2.500	15	2.523	12/06/2020	-2	22
Small Medium Enterprise Development Bank Malay	04/27	GG	3.008	20	-	-	-	28
Telekom Malaysia Berhad	12/20	AAA	2.655	83	4.142	17/11/2017	-149	62
Telekom Malaysia Berhad	06/21	AAA	2.669	40	2.671	19/06/2020	0	63
Telekom Malaysia Berhad	09/21	AAA	2.694	30	3.035	17/04/2020	-34	65
Telekom Malaysia Berhad	12/21	AAA	2.721	30	3.259	10/02/2020	-54	68
Telekom Malaysia Berhad	05/22	AAA	2.785	10	3.078	20/04/2020	-29	59
Telekom Malaysia Berhad	12/22	AAA	2.837	110	2.976	27/04/2020	-14	64
TNB Northern Energy Berhad	11/25	AAA	3.117	10	3.071	04/03/2020	5	59
Sarawak Energy Berhad	06/26	AAA	3.069	11	2.999	28/05/2020	7	41
Danga Capital Berhad	09/27	AAA	3.254	20	3.279	17/06/2020	-2	53
Rantau Abang Capital Berhad	03/29	AAA	3.355	30	3.241	27/05/2020	11	50
TNB Western Energy Berhad	07/29	AAA	3.367	15	4.640	14/12/2018	-127	51
Tenaga Nasional Berhad	08/38	AAA	3.764	10	3.769	19/06/2020	-1	16
Encorp Systembilt Sdn Berhad	11/21	AA1	2.866	1	3.055	10/03/2020	-19	83
Sabah Development Bank Berhad	04/24	AA1	4.281	1	4.574	22/06/2020	-29	184
Kuala Lumpur Kepong Berhad	08/25	AA1	3.188	10	3.578	15/04/2020	-39	66
Kuala Lumpur Kepong Berhad	04/26	AA1	3.239	60	3.248	16/06/2020	-1	58
Kuala Lumpur Kepong Berhad	09/29	AA1	3.466	30	3.631	21/04/2020	-17	61
Quantum Solar Park (Semenanjung) Sdn Berhad	04/31	A+	5.059	1	5.720	13/04/2020	-66	217
Sime Darby Plantation Sdn Bhd	03/16	AA	3.555	40	3.494	28/05/2020	6	-5
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	4.001	20	4.235	19/06/2020	-23	114
Affin Islamic Bank Berhad	10/17	A3	4.288	1	4.291	18/06/2020	0	68
Affin Bank Berhad	07/18	A3	4.288	10	4.297	19/06/2020	-1	68
Southern Power Generation Sdn Berhad	10/24	AA-	3.366	10	3.490	10/02/2020	-12	92
Malakoff Power Berhad	12/24	AA-	3.382	10	3.348	27/05/2020	3	94
AZRB Capital Sdn Berhad	12/24	AA-	4.409	2	-	-	-	188
AZRB Capital Sdn Berhad	12/26	AA-	4.589	1	-	-	-	186
Jimah East Power Sdn Berhad	12/27	AA-	3.676	10	3.689	19/06/2020	-1	95
Jimah East Power Sdn Berhad	12/30	AA-	3.886	10	3.939	17/06/2020	-5	100
Malakoff Power Berhad	12/23	AA-	3.279	20	3.247	02/06/2020	3	100
Celcom Networks Sdn Berhad	08/24	AA+	3.183	10	3.218	12/06/2020	-4	74
Celcom Networks Sdn Berhad	08/27	AA+	3.421	30	3.419	10/06/2020	0	69
Edra Solar Sdn Berhad	10/22	AA2	3.338	1	3.645	19/02/2020	-31	114
Country Garden Real Estate Sdn Berhad	02/23	AA3	4.946	1	4.601	10/06/2020	35	266
Eco World International Berhad	04/23	-	5.623	2	5.818	22/06/2020	-19	334
Tropicana Corporation Berhad	09/19	-	6.338	2	6.438	22/06/2020	-10	273
Mah Sing Group Berhad	04/17	-	5.046	1	5.098	19/06/2020	-5	144
				<u>720</u>				

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

## Market/Corporate News: What's Brewing

**United Malacca Bhd widened its net loss to RM61.23 million for the fourth quarter ended April 30, 2020 (4QFY20), from RM10.82 million a year earlier.** This was recorded after taking into account an impairment on bearer plants of RM56.8 million. Loss per share (LPS) stood at 29.22 sen compared with 4QFY19's LPS of 5.16 sen. However, quarterly revenue grew 52.74% to RM86.19 million versus RM56.43 million previously, the group said in its result filing with Bursa Malaysia today. Overall, United Malacca said it recorded narrower plantation losses of RM4.1 million for its Malaysian and Indonesian operations compared with 4QFY19's losses of RM13.3 million. This was achieved on the back of higher crude palm oil (CPO) prices in Malaysia and higher fresh fruit bunch (FFB) production in Indonesia. For the full year ended April 30, 2020 (FY20), the oil palm company returned to profitability, raking in RM15.78 million in earnings compared with a net loss of RM39.03 million previously. This was contributed by a gain on disposal of non-current assets held for sale of RM103.2 million. Earnings per share for FY20 stood at 7.52 sen compared with LPS of 18.61 for FY19. Revenue for the period grew 44% to RM293.98 million from RM203.74 million previously. The group has declared a second interim single-tier dividend of six sen for FY20, to be paid on Aug 26. Total single-tier dividend for FY20 is eight sen. United Malacca's full year performance was achieved on the back of higher unit cost of production and lower FFB production in Malaysia, and higher FFB production, improved yields and reduced transport costs in Indonesia. The Indonesian operations, however, were dampened by low CPO prices and high unit cost of production arising from young matured area of 5,051 hectares (ha). "The group achieved higher FFB production for the financial year ended April 30, 2020 compared with the preceding year despite the sale of four plantations with a mature area totalling 979ha during the year. We expect FFB production to increase during FY21 due to higher yields, better age profile and an increase in mature area in oil palm estates in Kalimantan, Indonesia," it said. Going

forward, United Malacca said it remains focused on improving labour productivity and cost efficiency as well as increasing FFB yield. The group expects FY21 to be challenging due to an expected decline in market demand triggered by the Covid-19 outbreak while CPO price is likely to remain at the current level. (Source: *The Edgemarkets*)

**Criticisms that Tenaga Nasional Bhd (TNB) is purely motivated by profits couldn't be further from the truth.** Truth be told, the power company has given back to the people through the payment of record-high dividend payments to the government which are ploughed back in terms of development allocation to the rakyat. This is besides the numerous community projects the company has undertaken to help the rakyat in numerous areas including the social and economic sectors as well as sports. It is understandable that people are currently unhappy with the high electricity bills they received as domestic customers' consumption increased by 20%-50% during the Movement Control Order (MCO) period. To reduce their financial burden, the government joined hands with TNB to announce the Bantuan Prihatin Elektrik additional aid this week. This will benefit 7.66 million consumers in the domestic or residential category in Peninsular Malaysia including four million consumers who would be enjoying free electricity supply for three months. This is introduced on top of the on-going electricity discount introduced since April and will be reflected in consumers' bills for July. As a public-listed blue chip on Bursa Malaysia and in the second spot among the top 10 companies, it is definitely not a poorly managed monopoly. Such criticisms are misplaced. Neither have the power tariffs been uncaring to the plight of the rakyat affected by the Covid-19 pandemic, as they claim that since the price of oil has dropped, TNB should cut tariffs to reflect this. TNB has shared its profits with the government and the rakyat for the almost 71 years it has been in existence. There is no doubt that based on its financial track record, TNB is a professionally-run utility company. Its infrastructure and workforce of over 35,000 have helped propel the nation's development by providing power to run industries, businesses, economies and lighting homes for 71 years. Based on the tariff structure set by the authorities, TNB has been able to plough back profits as capital expenditure (CAPEX), dividends and returns to the government and community projects through the sheer hard work of its management. There is no doubt that dividend payout by a highly-capitalised company like TNB is a clear indicator of its commendable cash flow and financial strength. The company has also been pivotal in paying consistently high dividends from year to year, a clear reflection that TNB is a strong and reliable company benefitting investors, shareholders, as well as the rakyat. In the last financial year, TNB chalked up a record-high dividend payout of RM5.69 billion. As for its electricity tariffs, it consists of two components — base tariff and Imbalance Cost Pass-Through (ICPT). ICPT is a mechanism under the Incentive-Based Regulation (IBR) framework which allows TNB as the utility to reflect changes, either through an increase or a reduction, in fuel and other generation-related costs in the electricity tariff every six months in the form of rebate or surcharge. Suruhanjaya Tenaga as Malaysia's energy regulator determines the calculation and methodology of the ICPT, subject to Government approval on a six-monthly basis. The benefits of ICPT to customers include a transparent and fair electricity price, sufficient, uninterrupted and reliable power supply as well as encouraging customers to improve energy efficiency. The electricity generation fuel mix in Peninsular Malaysia in 2019 was 53.9% coal, 42.3% natural gas including liquefied natural gas (LNG), 3.2% hydro and others, and 0.6% solar. Due to this fuel mix of power generation in Peninsular Malaysia, the oil price movement has no direct impact on electricity tariffs. In continuing to provide power to the country, TNB is still among the top 10 companies on Bursa Malaysia in second place with a market capitalisation which as of May 6 stood at RM69.2 billion, a reflection of its financial accountability. Its shareholders as of May 6 this year include majority shareholder Khazanah Nasional Bhd which holds a 25.8% equity, Permodalan Nasional Bhd (PNB) 18.1%, Employees Provident Fund (EPF) 16.7%, Kumpulan Wang Persaraan (KWAP) 6.7%, and other

government agencies like Tabung Haji and Lembaga Tabung Angkatan Tentera own 1.2%. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
TIME dotCom Berhad	RM1 bil Islamic MTN Programme (2015/2035)	From AA3 to/Positive to AA2/Stable	Upgraded

Source: RAM, MARC

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