

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries extended its strength on Thursday especially in the longer-ends as the curve maintained its bull-flattening bias; benefiting from a mixed bag of economic data. Fed member Dudley's comments that the central bank may extend the duration of its purchases also boosted demand in that space. Initial jobless claim as at 18th July rose to 1.42m compared to estimates of 1.3m whilst continuing claims fell to 16.2m from 17.3m. Overall benchmark yields ended mostly between 2-6bps lower with the UST 2Y almost unchanged at 0.15% and the much-watched UST 10Y closing 2bps lower at 0.58%. UST's have been seen to have plied through narrow ranges of late; similar to crude oil and the Yen. July PMI readings will be eyed next, in addition to COVID-19 and US-China tension development.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.27	0
10-yr UST	0.58	-2
30-yr UST	1.23	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.97	1	2.01	0
5-yr	2.10	-3	2.09	-1
7-yr	2.32	-2	2.37	-3
10-yr	2.60	-2	2.61	-2
15-yr	2.98	-7	3.03	-4
20-yr	3.21	-11	3.33	-5
30-yr	3.61	-8	3.69	2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.89	1
3-yr	1.95	3
5-yr	2.10	0
7-yr	2.34	0
10-yr	2.50	-6

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GIII

- Local govies continued to see positive sentiment and improved activity on Thursday; evidenced by the solid results of 15Y MGS auction which was led mainly by offshore parties. Secondary market volume notched an impressive RM7.77b as overall benchmark yields ended mostly between 1-11bps lower save for the short bonds and 30Y GII. Interest was mainly seen in the longer-end. i.e. off-the-run 24's and also benchmark MGS/GII bonds up to 20Y tenures. The benchmark 5Y MGS 9/25 rallied 3bps lower at 2.10% whilst the 10Y MGS 8/29 yields edged another 2bps lower notching a new historical low of 2.60%. GII bond trades rose to form ~44% of overall trades. The reopening of 15Y MGS 7/34 was awarded at 2.97% on a BTC ratio of 2.1x with bids totaling ~RM10.5b. Ongoing negotiations between the government and Goldman Sachs pertaining to the recovery of some 1MDB assets may also boost sentiment.

Corp Bonds/Sukuk

- Investor interest remained strong yesterday amid a solid secondary market volume of RM853m; with transactions mainly seen across the GG-AAA part of the curve. Overall yields continued to close mostly lower-to-unchanged. The longer-end PLUS 38's saw a combined RM215m in nominal amounts traded between 8-73bps lower compared to previous-done levels at 3.60% whilst the ultra-long bonds DANA 5/46 and 5/50 ended 1-7bps lower at 3.85% and 3.87% each. The AAA-rated AMAN 23's declined between 28-30bps to close ~ 2.60-64% area whereas SEB 25-27's closed mixed on yields between 2.70-88% levels. The AA-space toll-operator DUKE 8/31 grind 6bps lower at 4.47% whilst ENCORP 5/25 closed unchanged at 2.75%. Nevertheless, the banking space was quiet.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.772	147	1.751	22/07/2020	2
MGS 07/21	1.732	10	1.741	22/07/2020	-1
MGS 11/21	1.808	76	1.815	21/07/2020	-1
MGS 03/22	1.867	124	1.870	22/07/2020	0
MGS 08/22	1.930	2	1.911	22/07/2020	2
MGS 09/22	1.919	1	1.917	22/07/2020	0
MGS 03/23	1.973	283	1.966	22/07/2020	1
MGS 04/23	1.993	62	2.004	22/07/2020	-1
MGS 08/23	2.027	179	2.048	22/07/2020	-2
MGS 06/24	2.064	230	2.055	22/07/2020	1
MGS 07/24	2.050	148	2.049	22/07/2020	0
MGS 09/24	2.075	4	2.091	21/07/2020	-2
MGS 09/25	2.101	372	2.127	22/07/2020	-3
MGS 07/26	2.235	1	2.260	21/07/2020	-2
MGS 11/26	2.253	6	2.300	22/07/2020	-5
MGS 05/27	2.317	282	2.342	22/07/2020	-2
MGS 11/27	2.355	147	2.383	22/07/2020	-3
MGS 06/28	2.482	44	2.527	22/07/2020	-4
MGS 08/29	2.601	479	2.616	22/07/2020	-2
MGS 06/31	2.740	43	2.797	22/07/2020	-6
MGS 04/33	3.020	32	3.052	22/07/2020	-3
MGS 11/33	3.015	84	3.076	22/07/2020	-6
MGS 07/34	2.980	778	3.048	22/07/2020	-7
MGS 05/35	3.270	33	3.266	22/07/2020	0
MGS 04/37	3.283	14	3.332	22/07/2020	-5
MGS 06/38	3.351	266	3.363	22/07/2020	-1
MGS 05/40	3.208	361	3.314	22/07/2020	-11
MGS 09/43	3.677	30	3.692	22/07/2020	-2
MGS 07/48	3.711	30	3.760	22/07/2020	-5
MGS 06/50	3.609	60	3.693	22/07/2020	-8
GII 08/20	1.749	170	1.772	21/07/2020	-2
GII 03/21	1.750	2	1.769	22/07/2020	-2
GII 04/21	1.783	200	1.773	22/07/2020	1
GII 07/22	1.803	19	1.927	21/07/2020	-12
GII 07/23	2.035	10	2.054	17/07/2020	-2
GII 11/23	2.032	50	2.048	22/07/2020	-2
GII 10/24	2.087	67	2.094	22/07/2020	-1
GII 10/25	2.157	20	2.218	21/07/2020	-6
GII 03/26	2.239	21	2.247	22/07/2020	-1
GII 09/26	2.275	30	2.300	22/07/2020	-2
GII 07/27	2.392	40	2.426	22/07/2020	-3
GII 09/27	2.366	180	2.394	22/07/2020	-3
GII 07/29	2.682	526	2.705	22/07/2020	-2
GII 09/30	2.707	70	2.750	22/07/2020	-4
GII 10/30	2.612	185	2.637	22/07/2020	-2
GII 06/33	3.048	190	3.113	22/07/2020	-6
GII 08/33	3.070	150	3.126	22/07/2020	-6
GII 11/34	3.033	736	3.078	22/07/2020	-4
GII 08/37	3.358	280	3.415	22/07/2020	-6
GII 09/39	3.333	420	3.382	22/07/2020	-5
GII 05/47	3.789	40	3.854	08/07/2020	-6
GII 11/49	3.694	20	3.669	22/07/2020	2
GII 05/23	2.011	15	2.006	22/07/2020	1
		<u>7768</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	05/24	GG	2.276	10	2.589	02/07/2020	-31	22
Pengurusan Air SPV Berhad	06/25	GG	2.353	60	2.438	09/07/2020	-9	24
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	2.591	60	2.607	22/07/2020	-2	26
Perbadanan Tabung Pendidikan Tinggi Nasional	02/28	GG	2.770	50	2.774	20/07/2020	0	26
Malaysia Rail Link Sdn Berhad	07/30	GG	2.878	60	-	-	-	27
Prasarana Malaysia Berhad	09/37	GG	3.500	15	3.798	14/01/2020	-30	52
Projek Lebuhraya Usahasama Berhad	01/38	GG	3.559	155	3.642	15/07/2020	-8	58
Projek Lebuhraya Usahasama Berhad	12/38	GG	3.599	60	4.329	30/03/2020	-73	35
Perbadanan Tabung Pendidikan Tinggi Nasional	03/39	GG	3.600	40	3.679	28/04/2020	-8	35
Prasarana Malaysia Berhad	03/40	GG	3.550	10	3.651	20/07/2020	-10	30
Prasarana Malaysia Berhad	03/45	GG	3.745	10	3.851	17/07/2020	-11	49
Danainfra Nasional Berhad	05/46	GG	3.849	40	3.859	22/07/2020	-1	60
Danainfra Nasional Berhad	05/50	GG	3.869	5	3.940	15/07/2020	-7	62
Aman Sukuk Berhad	03/23	AAA	2.602	5	2.902	29/06/2020	-30	63
Aman Sukuk Berhad	10/23	AAA	2.644	25	2.920	09/03/2020	-28	67
Pengurusan Air SPV Berhad	06/24	AAA	2.552	20	3.000	01/07/2020	-45	49
Sarawak Energy Berhad	08/25	AAA	2.701	5	2.797	10/07/2020	-10	58
Sarawak Energy Berhad	06/26	AAA	2.768	10	2.802	17/07/2020	-3	52
Sarawak Energy Berhad	01/27	AAA	2.881	51	2.862	17/07/2020	2	63
Danum Capital Berhad	05/27	AAA	2.785	40	2.858	20/07/2020	-7	45
Pengurusan Air SPV Berhad	06/29	AAA	3.000	10	3.028	22/07/2020	-3	45
Genting RMTN Berhad	11/29	AAA	3.668	10	3.625	22/07/2020	4	112
CIMB Group Holdings Berhad	04/25	AA1	2.623	1	2.897	22/07/2020	-27	51
Encorp Systembilt Sdn Berhad	05/25	AA1	2.748	15	2.744	21/07/2020	0	63
Jimah East Power Sdn Berhad	12/24	AA-	3.271	40	4.232	12/06/2019	-96	121
Bumitama Agri Ltd	07/26	AA3	3.359	1	3.429	15/07/2020	-7	111
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/22	AA-	3.119	10	3.817	28/08/2019	-70	123
Southern Power Generation Sdn Berhad	10/25	AA-	3.005	10	3.408	29/05/2020	-40	89
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/31	AA-	4.469	10	4.528	21/10/2019	-6	187
TG Excellence Berhad	02/20	AA-	3.359	11	3.360	22/07/2020	0	11
DRB-Hicom Berhad	12/29	A+	5.029	1	5.179	09/07/2020	-15	248
IJM Land Berhad	03/19	A2	4.399	1	4.852	17/07/2020	-45	115
Eco World Capital Assets Berhad	08/24	-	5.399	1	6.834	09/06/2020	-144	334
YNH Property Berhad	08/19	-	6.100	2	6.284	10/07/2020	-18	285
				<u>853</u>				

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

Market/Corporate News: What's Brewing

Top Glove Corp Bhd is now second only to Malayan Banking Bhd (Maybank) in terms of market capitalisation (cap). At today's close, the country's largest banking group has a market cap of RM88.58 billion. At its market cap of RM70.45 billion, Top Glove has surpassed Public Bank Bhd (valued at RM69.57 billion) and Tenaga Nasional Bhd (RM64.69 billion) by a margin of RM1 billion. Top Glove was again the top gainer on Bursa Malaysia today, closing RM1.42 or 5.75% higher at its record high of RM26.12. Despite logging a 455% gain year-to-date, the bullish sentiment among analysts covering Top Glove remains unfettered. Of the gloves' bull, Affin Hwang Capital Research analyst Ng Chi Hoong earlier this week raised his target price for Top Glove from RM22.40 to RM46.40, hinging on a price-earnings ratio (PER) of 30 times on forecast earnings. Notably, if Top Glove's shares reach RM46.40 apiece, this would mean that its market cap will reach RM125 billion, surpassing that of Maybank by a comfortable 40% margin. Ng even thinks investors may ascribe a higher valuation due to its strong earnings growth outlook and ponders the possibility of Top Glove breaching RM100 per share should investors peg a PER of 52 times to it, similar to Hartalega's valuation. If Top Glove were to trade at RM100 apiece, this would mean its market cap will reach a whopping RM269 billion. In fact, there has not been any Malaysian-listed company reaching the RM150 billion mark. Ng's optimism is premised on a high possibility that Top Glove's average selling price (ASP) could be higher than his base case of 5% month-on-month increment, given the strong surge in glove demand. "If selling prices were to increase by 8-10% month-on-month each month in FY21E, our earnings forecasts would be uplifted between 24%-42%," he said, adding that Top Glove could see direct earnings improvement due to operating leverage as cost does not increase in tandem with increase in ASP. In terms of the tampering from US Customs and Border Protection detention order, Ng thinks the impact on Top Glove's earnings is manageable at around 5% to 6%. Ng also believes that should any

unfavourable circumstances transpire, Top Glove could reroute its orders for the US to other countries at spot prices, and that could in fact pose better margin for the glove maker as spot prices are generally higher by about 5%. (Source: *The Edgemarkets*)

British American Tobacco (M) Bhd (BAT) reported a 28.39% fall in second quarter net profit to RM54.61 million from RM76.27 million a year earlier, due to lower sales. Earnings per share for the quarter ended June 30, 2020 fell to 19.1 sen from 26.7 sen, the group said in a filing with Bursa Malaysia. Revenue stood at RM546.59 million, down 14.7% from RM640.81 million previously. BAT said domestic volume saw an increase of 15% over the preceding quarter due to the group's fast and agile response to fully replenish the market within the first week of restart of operations following the Movement Control Order (MCO). The group said that despite the difficult operating landscape, it has declared a second interim dividend of 18 sen per share, totaling RM51 million, to be paid out on Aug 19. BAT managing director Jonathan Reed, in a separate statement, said the group delivered a strong performance despite the challenges brought about by the COVID-19 pandemic. "Our strong second quarter performance came on the back of our ability to resupply the market quickly following the Movement Control Order as well as our growth in market share, driven by our focus on the organised convenience channel," he said. For the six months ended June 30, 2020, BAT's net profit fell 36.08% to RM105.38 million from RM164.87 million. Revenue dropped 18.55% to RM1.03 billion from RM1.27 billion. BAT said the decline in profit was mainly due to legal market contraction as a result of illegal cigarette volume and illegal nicotine vaping growth, market downtrading and lower duty-free sales as a result of COVID-19 travel restrictions. The group said total legal industry volume declined 6% during the six months compared with the same period of last year, and black market volume continues to be at 69% of the total nicotine market with growth driven by illicit vaping. "The results from enforcement actions though improved were insufficient to drive a recovery in legal cigarette volumes. "This (decline in sales) was partially offset by the benefit of cost rationalisation that the group has undertaken." BAT said. Reed said tackling the tobacco black market and illegal vaping remains the biggest issue for the sustainability of the legal tobacco industry, adding that the company has taken proactive steps to address illegal tobacco trade by launching a campaign on July 6.. (Source: *The Edgemarkets*)

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

Source: RAM, MARC

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