

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries extended gains as markets remained largely uneasy about the pandemic evolution, growth outlook and not forgetting geopolitical risks. This came despite signs of continuous recovery as revealed by the latest PMI readings which saw both manufacturing and services ticked higher to 53.6 and 54.8 respectively in August. Overall benchmark yields closed largely lower with the 10s shedding another 2bps to 0.63% while the 2s ended flat at 0.14%, further flattening the curve. This week, markets will likely be driven by a combination of first tier US economic releases as well as expectations for more monetary policy guidance at the virtual Jackson Hole annual symposium, after last week's disappointment from FOMC minutes. In addition, the US Treasury will also sell \$22bn of 2Y FRN, \$51bn 5Y notes and \$47bn 7Y bonds this week.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.27	-1
10-yr UST	0.63	-2
30-yr UST	1.34	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.82	-3	1.83	-6
5-yr	2.05	-2	2.03	-2
7-yr	2.24	0	2.31	-1
10-yr	2.50	0	2.50	0
15-yr	2.93	0	2.96	0
20-yr	3.27	2	3.30	0
30-yr	3.58	0	3.65	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.85	0
3-yr	1.90	0
5-yr	2.10	0
7-yr	2.30	0
10-yr	2.52	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GIII

- Local govies ended mixed on Friday amid softer trading interests ahead of the weekend. We believe the approaching FTSE Russell review on Malaysia bond weightage in the WGBI is also having some bearings on investor sentiments. Secondary market volume tapered off to RM3.79bn (prior RM5.19bn). Overall benchmark yields ended mostly flat with the remaining moves (mainly front end to the belly and 20Y MGS) turning in mixed between -6 to +2bps. Interests skewed mainly to the front end off the run '20-22, benchmark 3Y MGS 3/23 and GII 5/23, as well as 10Y MGS 8/29. The 3Y benchmark GII 5/23 will be added to the GBI-EM global diversified Index at the August month-end rebalancing, and is viewed positively with potential inclusion of other local govies going forward. While this benchy garnered a sizeable RM335m trade, overall GII bond trades softened to form only 23% of overall trades (prior 39%). We expect cautious mode to dominate ahead of the upcoming FTSE Russell announcement on Malaysia's weightage in WGBI.

Corp Bonds/Sukuk

- In the corporate bond/ sukuk space, secondary market interest also eased off in line with the local govies space. Secondary market volume almost halved to RM536m (prior RM982m) on Friday. Trading focus remained on the GG and AA-rated papers with yields closing largely lower. Government-guaranteed PRASA '7/29 traded wider by 1bp at 2.639% with RM80m changed hands. This was followed by MRL '7/30 (RM50m) which traded flat at 2.739%. Among the AA-rated issuances, Sime Darby Plantation '3/16 and IJM '4/25 took center stage, with RM68m and RM62m dealt respectively at 3.183% and 3.250%. PNR Merdeka Ventures '12/32 made its debut at 4.008% with RM40m done.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.687	310	1.836	19/08/2020	-15
MGS 09/21	1.715	426	1.709	18/08/2020	1
MGS 11/21	1.728	10	1.726	19/08/2020	0
MGS 03/22	1.755	491	1.755	19/08/2020	0
MGS 08/22	1.801	24	1.788	19/08/2020	1
MGS 03/23	1.814	431	1.841	19/08/2020	-3
MGS 04/23	1.827	26	1.896	19/08/2020	-7
MGS 08/23	1.890	54	1.894	19/08/2020	0
MGS 06/24	2.012	35	2.024	19/08/2020	-1
MGS 07/24	2.003	0	2.008	19/08/2020	0
MGS 09/24	2.026	5	2.042	18/08/2020	-2
MGS 09/25	2.051	77	2.068	19/08/2020	-2
MGS 07/26	2.168	1	2.216	19/08/2020	-5
MGS 11/26	2.259	4	2.244	19/08/2020	1
MGS 03/27	2.282	1	2.258	12/08/2020	2
MGS 11/27	2.306	7	2.320	19/08/2020	-1
MGS 06/28	2.436	19	2.459	19/08/2020	-2
MGS 08/29	2.502	549	2.497	19/08/2020	0
MGS 04/30	2.528	271	2.557	19/08/2020	-3
MGS 06/31	2.669	36	2.718	19/08/2020	-5
MGS 04/33	2.940	1	2.948	19/08/2020	-1
MGS 11/33	2.949	30	2.982	19/08/2020	-3
MGS 07/34	2.927	70	2.927	19/08/2020	0
MGS 05/35	3.200	6	3.194	19/08/2020	1
MGS 06/38	3.299	2	3.303	19/08/2020	0
MGS 05/40	3.273	24	3.253	19/08/2020	2
MGS 03/46	3.685	0	3.674	19/08/2020	1
MGS 07/48	3.703	0	3.701	19/08/2020	0
MGS 06/50	3.576	5	3.577	19/08/2020	0
GII 03/22	1.765	1	1.809	19/08/2020	-4
GII 04/22	1.786	18	1.824	18/08/2020	-4
GII 05/23	1.827	335	1.886	19/08/2020	-6
GII 07/23	1.886	60	1.907	19/08/2020	-2
GII 11/23	1.887	180	1.946	18/08/2020	-6
GII 08/24	2.023	40	2.049	19/08/2020	-3
GII 10/24	2.032	40	2.048	19/08/2020	-2
GII 08/25	2.065	41	2.066	19/08/2020	0
GII 10/25	2.061	11	2.066	19/08/2020	0
GII 09/27	2.309	10	2.319	19/08/2020	-1
GII 10/28	2.500	82	2.498	19/08/2020	0
GII 07/29	2.552	60	2.563	19/08/2020	-1
		<u>3793</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*
GovCo Holdings Berhad	09/27	GG	2.508	45	2.510	19/08/2020	0	28
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	10/28	GG	2.600	25	3.077	05/06/2020	-48	19
Prasarana Malaysia Berhad	07/29	GG	2.639	80	2.628	17/08/2020	1	17
Malaysia Rail Link Sdn Berhad	07/30	GG	2.739	50	2.740	19/08/2020	0	24
Sarawak Energy Berhad	06/21	AAA	2.179	5	2.182	17/08/2020	0	47
Pengurusan Air SPV Berhad	02/24	AAA	2.446	10	2.695	15/07/2020	-25	62
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3.058	10	3.478	09/06/2020	-42	56
Bank Pembangunan Malaysia Berhad	11/35	AAA	3.461	10	3.701	01/06/2020	-24	53
Tenaga Nasional Berhad	08/40	AAA	3.500	1	3.479	19/08/2020	2	24
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.721	1	2.719	19/08/2020	0	22
CIMB Bank Berhad	12/25	AA+	2.319	5	2.310	18/08/2020	1	26
Fortune Premiere Sdn Berhad	09/25	AA	3.199	30	3.198	05/08/2020	0	114
Sime Darby Plantation Berhad (fka Sime Darby Plantation Sdn Bhd)	03/16	AA	3.183	68	3.189	12/08/2020	-1	-7
IJM Corporation Berhad	04/25	AA3	3.250	62	4.027	17/12/2019	-78	119
Tadua Energy Sdn Berhad	07/28	AA3	3.908	20	4.813	25/06/2019	-91	150
Northport (Malaysia) Berhad	12/24	AA-	3.494	10	4.118	29/01/2020	-62	149
AZRB Capital Sdn Berhad	12/24	AA-	3.997	20	4.409	23/06/2020	-41	199
AZRB Capital Sdn Berhad	12/26	AA-	4.188	20	4.278	29/07/2020	-9	200
Penang Port Sdn Berhad	12/26	AA-	3.148	20	3.289	17/07/2020	-14	96
Jati Cakerawala Sdn Berhad	01/23	A1	3.891	1	3.901	19/08/2020	-1	211
UMW Holdings Berhad	04/18	A1	4.343	0	4.423	16/07/2020	-8	109
Matrix Concepts Holdings Berhad	06/23	-	4.435	1	4.601	21/07/2020	-17	260
Tropicana Corporation Berhad	09/19	-	6.284	1	5.803	12/08/2020	48	-
Eco World International Berhad	04/23	-	5.746	1	5.211	18/08/2020	54	-
PNR Merdeka Ventures Sdn Berhad	12/32	-	4.008	40	-	-	-	-
				<u>536</u>				

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

Market/Corporate News: What's Brewing

Malaysia's state-backed oil company Petroliaam Nasional Bhd has had preliminary talks about buying Permian Basin shale driller DoublePoint Energy LLC, according to people familiar with the matter. Talks are in the early stages so there's no guarantee a transaction will occur, said the people, who declined to be named because the negotiations are private. If a deal does go ahead it could be worth several billion dollars, they said. A Petronas spokesman contacted on Wednesday wasn't immediately able to comment. Cody Campbell, co-CEO of DoublePoint, declined to comment on any bidders and said the company hasn't retained bankers to advise on any potential sale. "We are beginning to see signs of life in the A&D market," Campbell said, using the industry acronym for acquisitions and divestitures. "We're optimistic about the direction in which it's headed." Chevron Corp's US\$5 billion deal to buy Noble Energy Inc. earlier this year raised hopes of a pickup in dealmaking in the US energy patch, which is reeling from a steep crash in oil prices caused by the Covid-19 pandemic. Noble and its advisers talked with 10 other companies before agreeing to be bought by Chevron, underscoring the desire of many operators to consolidate. But as the Chevron deal showed, buyers are unwilling to pay high premiums for shale producers because of low oil prices, a decade-long history of poor industry returns and a plethora of potential sellers to choose from. DoublePoint co-chief executive officers Campbell and John Sellers last month hosted President Donald Trump at a rig in West Texas. The pair, both 38, became well known in the Permian for patching together drilling leases and selling them to larger operators, including a US\$2.8 billion sale to Parsley Energy Inc in 2017. DoublePoint pumps about 55,000 barrels of oil a day but its key asset is a 100,000-acre swath of drilling rights in the heart of the Permian. The company is heavily hedged through the end of 2021, reducing exposure to oil-price volatility as it ramps up output, Campbell said in April. The explorer also has undrawn equity commitments from private equity backers that include Apollo Global Management Inc, Quantum Energy Partners, Magnetar Capital and Blackstone Group Inc's GSO Capital Partners. An Apollo spokesperson declined to comment for this story. Blackstone,

Magnetar and Quantum didn't immediately respond to requests for comment.
(Source: *The EdgeMarkets*)

TIME dotCom Bhd posted a net profit of RM69.79 million for its second quarter (2Q) ended June 30, 2020, down 29% quarter-on-quarter (q-o-q) from RM97.96 million. In a bourse filing today, it said revenue for the quarter came in at RM304.8 million, up 3.7% q-o-q from RM293.95 million. Earnings per share were 11.63 sen. For the first half (1H) ended June 30, 2020, TIME dotCom's cumulative net profit rose 71% year-on-year to RM167.75 million, on the back of RM589.75 million revenue versus RM293.95 million. On a year-on-year basis, TIME dotCom's net profit for 2Q fell 26.53% from RM92.5 million. Reviewing its performance, TIME dotCom said its recorded higher sales across all core product segments. It said recurring revenues from data, data centre and voice grew 11.7%, 7.2% and 0.4%, respectively. All core customer groups also contributed to revenue growth, led by the retail and wholesale customer groups, it said. In a separate statement, TIME dotCom chief executive officer Afzal Abdul Rahim said the firm was able to continue driving growth in 1H owing to "the longer-term approach that we've always taken towards the business". "Coverage expansion and service quality remain key priorities for the group as we support our customers in an increasingly digital environment," he said. On its outlook, TIME dotCom said on the regional front, the group will continue working with its partners in Thailand and Vietnam to tap into the increasing demand for cross-border connectivity across the ASEAN region. It said towards the goal of establishing the group as a key regional data centre player and operator, the group has embarked on the construction of a new data centre in Bangkok, Thailand, built in partnership with its associate Symphony Communications Public Co Ltd, as well as a new wholly-owned data centre in Cyberjaya, Malaysia. It said both data centres are expected to be operational by the end of the year and will serve to ensure continued future revenue growth and benefit the group strategically in the longer term. At the midday break, TIME dotCom rose 1.85% or 20 sen to RM11 with 470,600 shares traded. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
CIMB Thai Bank Public Company Limited	Financial institution ratings	AA2/Stable/P1	Reaffirmed
	RM2 bil Tier-2 Subordinated Debt Programme (2014/2044)	AA3/Stable	Reaffirmed
MEX II Sdn Bhd	RM1.3 billion Sukuk Murabahah Programme and RM150.0 million Junior Bonds.	A _{1s} and BBB/ MARCWatch Negative	Extended MARCWatch Negative

Source: RAM, MARC

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