

**Global Markets Research**
**Fixed Income**
**Fixed Income Daily Market Snapshot**
**US Treasuries**

- US Treasuries snapped two consecutive days of gains as markets cheered FDA's approval on convalescent plasma for Covid-19 treatment. This revived risk appetite and prompted investors to dump haven US treasuries overnight. Overall yields edged 1-3bps higher with the widely watched 10Y note yields inching up 3bps to 0.65% while the 2Y yields rose one basis point to 0.15%. We expect markets to take direction from tonight's barrage of US data notably housing and consumer confidence prints for more clues on the health of the US economy. That said, Powell's speech at the annual Jackson Hole Symposium will remain the biggest market mover in our view, in addition to the second reading of US 2Q GDP.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	1
5-yr UST	0.28	2
10-yr UST	0.65	3
30-yr UST	1.36	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.81	0	1.81	-2
5-yr	2.04	-1	2.03	0
7-yr	2.22	-2	2.32	1
10-yr	2.51	1	2.51	1
15-yr	2.93	0	2.96	0
20-yr	3.27	0	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	2.28	-1
10-yr	2.51	-2

Source : Bloomberg

**Upcoming Government Bond Tender**

Reopening of 15Y GII 11/34 (RM4.0bn + RM1.0bn private placement) on 26-August (Wednesday)

**MGS/GII**

- Local govies traded on a softer note on Monday. Secondary market volume pulled back further to RM2.33bn, its lowest in two weeks. Trading interests were seen focused more on the non-benchies particularly the 20-22s with the exception of benchmark 10Y MGS 8/29, that garnered RM387m deals. Overall yields were mixed with the benchmark 5Y MGS 9/25 yields ended 1bp lower at 2.04% while the 10Y MGS 8/29 yields closed 1bps higher at 2.51%. GII trades also softened to RM0.62bn, making up a mere 27% of overall trades, but up slightly from Friday's 23%. We expect cautious mode to dominate ahead of the upcoming FTSE Russell announcement on Malaysia's weightage in WGBI. However, in the interim, investors attention may be diverted to the reopening auction of 15Y GII 11/34 on Wednesday.

**Corp Bonds/Sukuk**

- Contrary to the softer trading momentum in local govies, secondary market volume of corporate bonds/ sukuk picked up slightly to RM598m on Monday (prior RM536m). Interests were seen rather well spread across various sectors and across the GG to AA-rated part of the curve. PRASA '26, '29, '45 hogged the stage with RM100m changed hands collectively, last dealt at 2.309%, 2.640%, and 3.610% respectively. Within the AAA-rated space, TELEKOM '22 saw RM50m done at 2.245% (-11bps), followed by DANGA '26 (RM40m at 2.565%). AA-rated MMC Corp '27-'28 also attracted sizeable interests (RM100m) last dealt at between 3.898% - 3.977%.

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.656	484	1.687	21/08/2020	-3
MGS 02/21	1.660	8	1.689	19/08/2020	-3
MGS 09/21	1.699	100	1.715	21/08/2020	-2
MGS 03/22	1.754	34	1.755	21/08/2020	0
MGS 08/22	1.753	142	1.801	21/08/2020	-5
MGS 09/22	1.759	50	1.783	19/08/2020	-2
MGS 03/23	1.810	4	1.814	21/08/2020	0
MGS 04/23	1.840	16	1.827	21/08/2020	1
MGS 08/23	1.857	33	1.890	21/08/2020	-3
MGS 06/24	2.011	5	2.012	21/08/2020	0
MGS 07/24	2.003	20	2.003	21/08/2020	0
MGS 09/24	2.014	2	2.026	21/08/2020	-1
MGS 09/25	2.042	10	2.051	21/08/2020	-1
MGS 07/26	2.200	50	2.168	21/08/2020	3
MGS 09/26	2.257	25	2.220	13/08/2020	4
MGS 05/27	2.220	56	2.239	18/08/2020	-2
MGS 11/27	2.302	8	2.306	21/08/2020	0
MGS 06/28	2.499	120	2.436	21/08/2020	6
MGS 08/29	2.514	387	2.502	21/08/2020	1
MGS 06/31	2.699	5	2.669	21/08/2020	3
MGS 11/33	2.990	55	2.949	21/08/2020	4
MGS 07/34	2.931	99	2.927	21/08/2020	0
MGS 03/46	3.663	1	3.685	21/08/2020	-2
MGS 07/48	3.706	0	3.703	21/08/2020	0
GII 04/22	1.707	20	1.786	21/08/2020	-8
GII 07/22	1.783	30	1.805	19/08/2020	-2
GII 05/23	1.807	85	1.827	21/08/2020	-2
GII 10/23	1.888	10	1.937	17/08/2020	-5
GII 10/24	2.034	50	2.032	21/08/2020	0
GII 08/25	2.068	60	2.065	21/08/2020	0
GII 10/25	2.062	30	2.061	21/08/2020	0
GII 06/27	2.320	40	2.761	01/07/2020	-44
GII 09/27	2.316	20	2.309	21/08/2020	1
GII 10/28	2.506	190	2.500	21/08/2020	1
GII 07/29	2.546	52	2.552	21/08/2020	-1
GII 10/30	2.512	1	2.499	19/08/2020	1
GII 06/33	3.010	23	2.997	19/08/2020	1
GII 11/34	2.960	10	2.960	19/08/2020	0
		<u>2334</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*	
Small Medium Enterprise Development Bank Malaysia Berhad	04/25	GG	2.338	10	2.382	13/08/2020	-4	28
Prasarana Malaysia Berhad	02/26	GG	2.309	40	2.449	28/07/2020	-14	12
Small Medium Enterprise Development Bank Malaysia Berhad	04/27	GG	2.538	10	2.610	11/08/2020	-7	31
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak Hidro Sdn Berhad)	10/28	GG	2.598	25	2.600	21/08/2020	0	20
Prasarana Malaysia Berhad	07/29	GG	2.640	40	2.639	21/08/2020	0	17
Danainfra Nasional Berhad	05/30	GG	2.730	40	2.969	08/07/2020	-24	23
Prasarana Malaysia Berhad	07/45	GG	3.610	20	-	-	-	35
Danainfra Nasional Berhad	05/46	GG	3.680	10	3.659	07/08/2020	2	42
Telekom Malaysia Berhad	12/22	AAA	2.245	50	2.356	11/08/2020	-11	47
Danga Capital Berhad	02/26	AAA	2.565	40	2.810	15/07/2020	-25	38
Pengurusan Air SPV Berhad	06/26	AAA	2.598	10	3.177	22/06/2020	-58	41
Bank Pembangunan Malaysia Berhad	11/26	AAA	2.709	30	2.729	12/08/2020	-2	52
Danum Capital Berhad	05/30	AAA	2.910	15	2.956	07/08/2020	-5	41
Sarawak Energy Berhad	12/32	AAA	3.104	20	3.144	05/08/2020	-4	60
Tenaga Nasional Berhad	08/40	AAA	3.500	0	3.500	21/08/2020	0	24
Gamuda Berhad	03/23	AA3	3.018	10	3.110	21/07/2020	-9	120
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	2.686	10	3.007	07/07/2020	-32	50
Gamuda Berhad	11/26	AA3	3.398	10	3.438	12/08/2020	-4	121
AmBank Islamic Berhad	10/28	AA3	2.899	10	2.925	19/08/2020	-3	50
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	2.170	25	-	-	-	-
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/25	AA-	3.470	10	3.629	09/03/2020	-16	141
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/26	AA-	3.570	10	3.702	30/07/2020	-13	138
MMC Corporation Berhad	04/27	AA-	3.898	10	4.179	14/07/2020	-28	167
MMC Corporation Berhad	11/27	AA-	3.937	40	3.998	12/08/2020	-6	171
MMC Corporation Berhad	03/28	AA-	3.977	50	3.978	14/08/2020	0	157
Affin Bank Berhad	02/27	A1	3.386	20	3.391	18/08/2020	0	120
Affin Bank Berhad	09/27	A1	3.500	20	3.201	21/07/2020	30	127
CIMB Group Holdings Berhad	05/16	A1	3.246	1	3.081	14/08/2020	17	-1
Affin Bank Berhad	07/18	A3	4.326	10	3.569	13/08/2020	76	107
YNH Property Berhad	07/19	-	6.178	1	6.128	19/08/2020	5	292
Eco World International Berhad	10/21	-	3.925	0	4.790	19/08/2020	-87	-
Tropicana Corporation Berhad	09/19	-	6.283	1	6.284	21/08/2020	0	-
				598				

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

## Market/Corporate News: What's Brewing

FGV Holdings Bhd reported today a second-quarter net profit of RM20.55 million versus a net loss of RM52.2 million a year earlier on factors including an improvement in the group's oil palm plantation operations. In a statement to Bursa Malaysia today, FGV said revenue rose to RM3.29 billion for the second quarter ended June 30, 2020 (2QFY20) from RM3.28 billion. In quarterly terms, FGV said it registered a 2QFY20 net profit against a net loss of RM142.35 million for the preceding 1QFY20. "The group reported a profit before zakat and taxation of RM17.82 million, compared to a RM163.05 million loss for the preceding quarter, on the back of a higher revenue of RM3.29 billion and an improvement in plantation and [the] logistic and others sector's results for the current quarter. "The plantation sector reported a profit of RM47.11 million, compared to an RM152.09 million loss for the preceding quarter," FGV said. (Source: *The EdgeMarkets*)

The auditing conducted on Small Medium Enterprise Development Bank Malaysia Bhd (SME Bank) found that its financial performance was at a stable level, the Auditor-General's Report 2019 Series 1 said. It said SME Bank's financial performance in 2019 improved by recording a profit before tax and zakat amounting to RM213.86 million against a loss before tax and zakat in 2018. In addition, total assets exceeded total liabilities for the same period. The current level of liquidity of assets was also good at 2.14: 1, indicating the ability of SME Bank to cover its current liabilities, according to the report released today. However, SME Bank still recorded accumulated losses amounting to RM383.15 million until Dec 31, 2019. "SME Bank's cash balance and cash equivalents at end-2019 amounted to RM1.113 billion," the report said. Overall, it said SME Bank's corporate governance practices were good despite non-compliant Standard Operating Procedures (SOPs) that needed to be improved to abide

by the corporate governance best practice recommendations. (Source: *The EdgeMarkets*)

IRIS Corp Bhd and MyEG Services Bhd are said to be the front runners to bag the billion-ringgit National Integrated Immigration System (NIIS), according to sources. The contract will be awarded anytime this month, they say. It seems that the NIIS project will be split between the two companies. The tender document sighted by *The Edge* last year allows for multiple companies to form a consortium to bid for the contract. “Yes, I heard that Iris is the front runner for the contract. They are going to be the system integrator for the NIIS,” says an industry player who was involved in various government contracts in the past. The NIIS will be replacing the current Malaysian Immigration System (myIMMS) at all gateways, including airports and land crossings. The MyIMMS is said to be obsolete as it was first developed in 1993. The tender to bid for the NIIS was called late last year and it attracted almost 30 bids from local information technology system integrator and cybersecurity companies. The bids received ranged from RM1 billion to RM1.8 billion. Another source confirms that Iris put in the bid through a consortium, in which S5 Systems Sdn Bhd is a party. S5 Systems is owned by S5 Holdings Inc, in which MyEG Services Bhd has a 10% equity interest. S5 Holdings is currently the target of a reverse takeover by Ancom Logistics Bhd. NIIS is the latest reiteration of the government’s plan to replace the obsolete myIMMS. In August 2017, the then Barisan Nasional government awarded a RM3.5 billion contract to Prestariang Bhd to develop, operate and maintain a new immigration system for 15 years. However, on Dec 11, 2018, the Home Ministry decided to terminate the contract, saying that the National Immigration Control System (SKIN) — as it was called then — was too expensive, and decided to call for another round of tenders. Prestariang decided to take the ministry to court on April 15, 2019, seeking compensation of RM732.86 million for work done on the system prior to the contract termination. Hearing on the case commenced at the High Court of Kuala Lumpur on July 21. Note that the more expensive SKIN contract included a maintenance contract, whereas the NIIS contract is just to build, install and commission the system. There will be a separate contract for the maintenance of the system. Iris is a provider of smart identification solutions and e-border control systems. It was the proprietor of the technology behind the world’s first e-passports and immigration autogates at the Kuala Lumpur International Airport. Since then, Iris’ e-passports have become the standard for e-passports around the world. According to Iris’ website, its Border Control Solution is able to provide integrated border control management, including manual, automated and mobile border clearance, travel document verification, visa information system, biometric identification and verification, traveller movement and advanced passenger information. Besides Iris and MyEG, other known bidders for the contract include Datasonic Group Bhd, Heitech Padu Bhd, Dagang Nexchange Bhd (DNeX), Dataprep Holdings Bhd, Scicom (MSC) Bhd, Omesti Bhd and Kumpulan Fima Bhd. Interestingly, S5 is said to be involved in all the major bids. Besides Iris, the industry player *The Edge* spoke to who confirmed Iris as one of the front runners of the NIIS contract, says S5 is also involved in bids put in by MyEG and Heitech Padu. Heitech Padu is the developer of myIMMS. While the system is obsolete, Heitech Padu should still be able to offer a better system for the NIIS, and its experience integrating all the needs of the different departments and agencies into a system should be its strength in the bid. For the financial year ended March 31, 2020 (FY2020), Iris recorded a lower net profit of RM13.7 million, compared with RM38.3 million a year ago, although its revenue stayed flat at RM229.6 million versus RM229.2 million a year earlier. Over the last one year, Iris’ share price has more than doubled, closing at 33 sen per share last Friday and valuing the group

at RM978.9 million. Meanwhile, MyEG closed at RM1.38 last Friday, after rising 25.45% this year, giving it a market capitalisation of RM4.784 billion. (*Source: The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Nil			

*Source: RAM, MARC*

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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