

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries gave up some of the prior day's gains; hovering around the unchanged line amid ongoing worries over COVID-19 infections throughout US. Investors were seen debating over potential restrictions by authorities on the reopening and continuation of business operations. Overall benchmark yields ended mostly between 0-1bps higher with the UST 2Y however closing almost unchanged at 0.19% and the much-watched UST 10Y at 0.69%. The auction of \$41b of 7Y notes attracted decent bidding metrics i.e. BTC ratio of 2.49x (previous 10 average auctions: 2.48x) whilst being awarded at 0.511%. The Labor Department's data on initial jobless claims revealed a smaller fall for the week ended 20th June; hitting the lowest levels seen since mid-April. Expect ongoing updates on the COVID-19 front to dominate headlines for the time being.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.19	0
5-yr UST	0.33	0
10-yr UST	0.69	1
30-yr UST	1.44	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.27	0	2.33	-1
5-yr	2.50	-1	2.51	-1
7-yr	2.72	1	2.76	2
10-yr	2.86	-3	2.88	0
15-yr	3.33	2	3.67	24
20-yr	3.58	-3	3.68	0
30-yr	4.01	0	4.05	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.14	1
3-yr	2.15	0
5-yr	2.36	-1
7-yr	2.54	-1
10-yr	2.72	0

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of RM3.5b+ RM2.0b (Private placement) of 20Y GII 9/39 on Monday, 29th June 2020

MGS/GIII

- Local govies ended mostly mixed amid decent secondary market volume of RM3.91b. Overall benchmark MGS/GII yields closed between -3 to +2bps save for the spike in the 15Y GII. Trades were mainly centred in the off-the-run 20-21's and also 5Y, 10Y benchmark MGS/GII bonds. The benchmark 5Y MGS 9/25 edged 1bps lower at 2.50% whilst the 10Y MGS 8/29 rallied 3bps at 2.86%. GII bond trades dropped to form ~24% of overall trades. Meanwhile concerns remain over the nation's debt level which could surpass the current statutory limit of 55% of GDP this year following the series of economic stimulus packages due to the economic downturn. There is very little on the data front with June PMI data and May trade numbers expected out next week.

Corp Bonds/Sukuk

- Investor interest ramped up on Thursday amid substantial secondary market volume of RM1.14b with interest mainly across the GG-segment; followed by the AAA-AA part of the curve as overall yields closed mostly mixed-to-lower. Govt-guaranteed PASB and LPPSA 23's edged 1bps lower compared to previous-done levels between 2.51-2.56% area. AAA-rated MANJUNG 11/31 and SEB 12/32 ended unchanged at 3.48% and 3.49% each whilst TELEKOM 24's closed between 0-2bps lower between 3.00-3.02% levels. AA-rated energy-related bond YTL Power 23's moved 0-1bps higher between 3.24-3.27% whilst GAMUDA 3.23 closed 2bps lower at 3.34%. CIMB Group Holdings 2116NC24 and 2116NC21 saw RM60m in nominal amounts traded each with yields closing between -21 to +18bps at 3.88% and 3.32% respectively.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	2.022	71	2.133	23/06/2020	-11
MGS 10/20	1.991	753	1.999	24/06/2020	-1
MGS 02/21	2.000	30	2.001	24/06/2020	0
MGS 07/21	2.038	487	2.040	24/06/2020	0
MGS 09/21	2.043	214	2.052	24/06/2020	-1
MGS 03/22	2.147	2	2.188	24/06/2020	-4
MGS 08/22	2.228	1	2.232	24/06/2020	0
MGS 03/23	2.271	20	2.271	24/06/2020	0
MGS 08/23	2.368	5	2.369	24/06/2020	0
MGS 06/24	2.451	20	2.453	24/06/2020	0
MGS 07/24	2.470	2	2.511	23/06/2020	-4
MGS 09/25	2.501	594	2.515	24/06/2020	-1
MGS 04/26	2.703	20	2.705	24/06/2020	0
MGS 07/26	2.692	2	2.693	24/06/2020	0
MGS 05/27	2.720	20	2.713	24/06/2020	1
MGS 11/27	2.859	3	2.841	24/06/2020	2
MGS 06/28	2.918	34	2.912	24/06/2020	1
MGS 08/29	2.864	597	2.888	24/06/2020	-2
MGS 06/31	3.139	32	3.129	24/06/2020	1
MGS 04/32	3.273	30	3.293	18/06/2020	-2
MGS 04/33	3.327	21	3.320	23/06/2020	1
MGS 07/34	3.329	8	3.308	24/06/2020	2
MGS 04/37	3.589	2	3.546	24/06/2020	4
MGS 05/40	3.578	1	3.608	24/06/2020	-3
MGS 09/43	3.967	1	3.992	24/06/2020	-2
GII 08/20	2.003	40	2.001	24/06/2020	0
GII 11/20	1.989	20	1.998	16/06/2020	-1
GII 04/21	2.043	50	2.038	23/06/2020	1
GII 04/22	2.159	1	2.201	23/06/2020	-4
GII 05/23	2.330	20	2.336	24/06/2020	-1
GII 10/24	2.508	220	2.520	24/06/2020	-1
GII 08/25	2.568	180	2.580	24/06/2020	-1
GII 10/25	2.587	30	2.648	23/06/2020	-6
GII 03/26	2.651	60	2.670	24/06/2020	-2
GII 09/26	2.707	120	2.707	24/06/2020	0
GII 09/27	2.756	10	2.734	24/06/2020	2
GII 10/28	2.926	70	2.921	24/06/2020	1
GII 07/29	2.991	104	2.986	24/06/2020	0
GII 11/34	3.408	20	3.430	19/06/2020	-2
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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	09/34	GG	3.546	40	3.388	05/06/2020	16	150
DanaInfra Nasional Berhad	03/42	GG	3.849	50	5.015	14/08/2018	-117	181
DanaInfra Nasional Berhad	05/47	GG	4.029	50	3.63	18/02/2020	40	199
Pengurusan Air SPV Berhad	02/23	GG	2.509	50	2.518	18/06/2020	-1	24
Pengurusan Air SPV Berhad	06/23	GG	2.539	40	2.549	03/06/2020	-1	27
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	2.555	70	2.565	05/06/2020	-1	29
DanaInfra Nasional Berhad	03/24	GG	2.59	20	2.964	15/04/2020	-37	14
Pengurusan Air SPV Berhad	09/25	GG	2.768	30	2.744	21/05/2020	2	26
Pengurusan Air SPV Berhad	02/26	GG	2.829	60	3.398	27/03/2020	-57	17
Prasarana Malaysia Berhad	02/26	GG	2.83	30	2.822	04/06/2020	1	17
DanaInfra Nasional Berhad	04/26	GG	2.82	20	2.952	28/04/2020	-13	16
GovCo Holdings Berhad	09/27	GG	3.048	45	3.048	04/06/2020	0	32
DanaInfra Nasional Berhad	05/28	GG	3.11	10	3.178	10/02/2020	-7	28
DanaInfra Nasional Berhad	11/28	GG	3.17	20	3.43	20/08/2019	-26	34
DanaInfra Nasional Berhad	04/29	GG	3.2	30	3.121	29/05/2020	8	33
Bank Pembangunan Malaysia Berhad	09/29	GG	3.227	20	3.148	05/05/2020	8	36
Manjung Island Energy Berhad	11/31	AAA	3.479	30	3.479	22/06/2020	0	144
Sarawak Energy Berhad	12/32	AAA	3.488	20	3.49	22/06/2020	0	145
Manjung Island Energy Berhad	11/20	AAA	2.758	10	2.979	17/04/2020	-22	72
Rantau Abang Capital Berhad	12/20	AAA	2.537	20	2.478	05/06/2020	6	50
Cagamas Berhad	03/22	AAA	2.603	100	-	-	-	40
Cagamas Berhad	05/23	AAA	2.761	50	2.78	10/06/2020	-2	49
Telekom Malaysia Berhad	10/24	AAA	3	15	3	24/06/2020	0	55
Telekom Malaysia Berhad	12/24	AAA	3.02	5	3.042	18/06/2020	-2	57
Putrajaya Holdings Sdn Berhad	04/25	AAA	3.035	5	2.975	21/05/2020	6	53
DiGi Telecommunications Sdn Berhad	09/26	AAA	3.148	60	3.149	09/06/2020	0	48
Rantau Abang Capital Berhad	03/29	AAA	3.349	10	3.354	24/06/2020	0	48
YTL Power International Berhad	03/23	AA1	3.244	10	3.248	19/06/2020	0	98
YTL Corporation Berhad	04/23	AA1	3.287	10	3.288	24/06/2020	0	102
YTL Power International Berhad	08/23	AA1	3.274	20	3.268	17/06/2020	1	101
Kuala Lumpur Kepong Berhad	08/25	AA1	3.2	5	3.188	23/06/2020	1	69
Anih Berhad	11/29	AA	3.651	8	3.769	28/04/2020	-12	78
Country Garden Real Estate Sdn Berhad	03/22	AA3	3.504	10	4.841	23/03/2020	-134	130
Country Garden Real Estate Sdn Berhad	02/23	AA3	3.614	10	4.946	23/06/2020	-133	135
Gamuda Berhad	03/23	AA3	3.337	10	3.358	24/06/2020	-2	107
Jimah East Power Sdn Berhad	12/22	AA-	3.2	10	4.519	29/05/2017	-132	100
Southern Power Generation Sdn Berhad	04/25	AA-	3.377	10	3.398	16/06/2020	-2	87
Penang Port Sdn Berhad	12/31	AA-	3.867	1	3.868	16/06/2020	0	183
CIMB Group Holdings Berhad	05/16	A1	3.878	60	4.09	19/06/2020	-21	184
CIMB Group Holdings Berhad	05/16	A1	3.317	60	3.135	22/06/2020	18	128
CIMB Group Holdings Berhad	05/16	A1	3.935	1	4.185	03/06/2020	-25	189
Eco World International Berhad	10/21	-	5.219	2	5.235	17/06/2020	-2	318
Tropicana Corporation Berhad	09/19	-	6.142	1	6.338	23/06/2020	-20	253
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Malaysia Building Society Bhd (MBSB) has reported a net loss of RM73.25 million for the first quarter ended March 31, 2020, compared with a net profit of RM83.83 million a year earlier, due to higher impairment charges on loans, financing and advances. This was despite revenue rising 2% to RM741.41 million, from RM727.22 million previously, on the back of a higher fixed income profit and gain from sale of investment securities. Compared to the preceding quarter ended Dec 31, 2019, however, revenue was down by RM42.74 million, mainly due to a drop in financing income from both retail and corporate portfolios following the overnight policy rate cuts in the first quarter of 2020. In its filing with Bursa Malaysia, MBSB said its deposit level remained consistent at RM36.23 billion during the quarter versus RM34.70 billion previously, while cost to income ratio stood at 30.28%, below the industry average of 44.7%. Meanwhile, the group's assets grew 7.13% to RM50.81 billion, from RM47.43 billion a year ago, contributed by growth in financial investments. Gross impaired financing regressed to 5.51% largely due to the increase in Stage 3 for the retail financing segment, whereas net impaired financing inched up to 2.32% from 2.11% a year ago. MBSB president and chief executive officer Datuk Seri Ahmad Zaini Othman said: "The operating environment will get tougher as we navigate ourselves amidst the challenges that are presently emerging but we will continue to be resilient." "We have identified the key risk areas that can impact the future asset quality and have also immediately revised our key strategies to ensure there is sustainable revenue. "Our

technological advances continued with the launch of the first shariah-compliant e-wallet in March as well as the recent mobile banking application in May,” he added. (Source: *The Edgemarkets*)

Alliance Bank Malaysia Bhd’s net profit for the fourth quarter ended March 31, 2020 (4QFY20) fell 12.27% to RM98.06 million, from RM111.78 million a year earlier. The group attributed the lower earnings to a higher allowance for expected credit losses on loans, advances and financing and other financial assets of RM98.29 million, versus RM39.92 million in 4QFY19. This was despite a 7.68% increase in quarterly revenue to RM434.41 million, from RM403.44 million in 4QFY19, the group said in a filing to Bursa Malaysia. As it is prioritising capital conservation to support future business expansion amid the Covid-19 pandemic, Alliance Bank did not recommend a second interim dividend. This means that the total dividend for the bank is six sen per share, with a payout ratio of 21.9%, for the financial year ended March 31, 2020 (FY20). However, Alliance Bank said it will consider future dividend proposals once the full economic impact of Covid-19 is clearer. For FY20 as a whole, the group’s net profit fell 21.08% to RM424.26 million, from RM537.6 million in FY19, while revenue rose 4.14% to RM1.69 billion from RM1.62 billion. The bank attributed the lower earnings to credit losses stemming from the impairment of a few large accounts during 1QFY20 and increased credit costs from mortgage portfolio and the early effect of the Covid-19 pandemic. The higher revenue, on the other hand, is driven by improvement in non-interest income. For FY20, Alliance Bank recorded a net interest margin of 2.4%, while its non-interest income ratio improved to 21.7%. It reported Common Equity Tier-1 (CET 1) ratio at 13.8%, Tier-1 Capital ratio at 14.6%, and total capital ratio at 18.9%. Alliance Bank also continues to be one of the fastest growing banks under the SME segment, registering loan growth of 8% year-on-year. On prospects, to navigate the challenges expected in FY21, Alliance Bank chief executive officer Joel Kornreich said the bank will provide its customers with financial and non-financial assistance to help sustain them through the economic downturn. “We will also manage our credit risk by reducing our exposure in high risk segments, and be selective in our new loan origination,” said Kornreich, adding that the bank continues to focus on ensuring healthy liquidity ratios and strong customer-based funding, as well as high cash availability at all its branches and ATMs nationwide. “Public health concerns as a result of the pandemic has resulted in a shift in customer preferences for remote interactions. We are therefore accelerating our remote banking and branch transformation efforts,” Kornreich said. He added that in the coming months, the bank will roll out a new e-KYC solution to enable customers to open an account or apply for credit card and personal loan fully digitally. “If they require assistance, they will still be able to interact with us remotely via phone, video call or web chat,” said Kornreich. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Sepangar Bay Power Corporation Sdn Bhd	RM575 million Nominal Value Sukuk Murabahah	AA1/Stable	Reaffirmed

Source: RAM, MARC

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