

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw the long-end pressured yesterday as the curve bear-steepened whilst attention swayed to equities with the S&P 500 trying to surpass the 3,000 levels for the first time since March. The risk-on behavior was assisted partly due to the anticipated slowing of the COVID-19 pandemic and also opening of economies whilst heavy UST upcoming supplies was a drag on their performance. Overall benchmark yields ended between 0-7bps higher with the UST 2Y closing within 1bps at 0.17% whilst the much-watched UST 10Y spiked 4bps at 0.70%. Meanwhile Treasury's \$44b of 2Y notes was awarded at a record-low 0.178% on a strong BTC ratio of 2.68x (average for previous six auctions: 2.58x). Expect attention to shift to the upcoming 1Q2020 GDP data release tomorrow

MGS/GIII

- Local govies closed strong again across the curve despite slightly lower secondary market volume of RM3.76b as overall benchmark MGS/GII yields declined mostly between 0-8bps save for the 15Y MGS. Interest was mainly centred in the off-the-run 20-21's and also 10Y, 15Y benchmark MGS. The benchmark 5Y MGS 9/25 closed unchanged at 2.48% whilst the 10Y MGS 8/29 edged 2bps lower at 2.80%. GII bonds eased to form ~33% of overall trades. The data front is light for this week with Markit PMI Manufacturing data expected out on next Monday. Expect market activity to range sideways for today.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw secondary market activity ease as investors were reluctant to take on fresh positions ahead of the long Raya weekend and holidays. Overall volume was recorded at RM553m with some interest still seen across the GG-AA part of the curve as overall yields again ended mostly lower. LPPSA 23-24's closed 3-4bps lower compared to previous-done levels between 2.55-65%. AAA-rated SEB 24-25's also ended 1-23bps lower between 2.85-95% area whilst AA-rated energy-related bonds i.e YTL Power 23's saw RM100m in nominal amounts traded lower in yields; closing between 3.22-26%. The banking space MAYBANK 2117 NC26 end 8bps lower at 3.66%. Expect investor interest to slowly resume going forward.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	0
5-yr UST	0.35	1
10-yr UST	0.70	4
30-yr UST	1.45	7

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.27	0	2.32	-2
5-yr	2.48	0	2.48	-4
7-yr	2.64	-3	2.73	-2
10-yr	2.80	-2	2.77	-5
15-yr	3.20	1	3.25	0
20-yr	3.41	0	3.46	0
30-yr	3.80	-8	3.79	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.10	-2
3-yr	2.12	-2
5-yr	2.25	-1
7-yr	2.40	-1
10-yr	2.62	-2

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	1.843	211	2.176	21/05/2020	-33
MGS 10/20	2.038	145	2.049	21/05/2020	-1
MGS 02/21	2.045	156	2.051	20/05/2020	-1
MGS 07/21	2.061	76	2.028	21/05/2020	3
MGS 09/21	2.076	89	2.103	19/05/2020	-3
MGS 11/21	2.08	66	2.083	21/05/2020	0
MGS 03/22	2.155	124	2.145	21/05/2020	1
MGS 08/22	2.232	70	2.247	21/05/2020	-1
MGS 09/22	2.243	50	2.257	21/05/2020	-1
MGS 03/23	2.274	50	2.277	20/05/2020	0
MGS 04/23	2.327	56	2.354	20/05/2020	-3
MGS 08/23	2.354	5	2.359	21/05/2020	0
MGS 06/24	2.447	95	2.46	21/05/2020	-1
MGS 09/24	2.476	6	2.475	21/05/2020	0
MGS 03/25	2.509	4	2.527	20/05/2020	-2
MGS 09/25	2.484	42	2.486	21/05/2020	0
MGS 04/26	2.633	3	2.655	21/05/2020	-2
MGS 07/26	2.661	89	2.661	21/05/2020	0
MGS 11/26	2.65	75	2.688	21/05/2020	-4
MGS 05/27	2.637	80	2.663	21/05/2020	-3
MGS 11/27	2.74	7	2.751	21/05/2020	-1
MGS 06/28	2.827	23	2.836	21/05/2020	-1
MGS 08/29	2.795	442	2.819	21/05/2020	-2
MGS 04/30	2.981	3	2.938	21/05/2020	4
MGS 06/31	3.055	38	3.133	21/05/2020	-8
MGS 04/33	3.209	16	3.269	21/05/2020	-6
MGS 07/34	3.198	208	3.19	21/05/2020	1
MGS 05/35	3.406	200	3.382	21/05/2020	2
MGS 04/37	3.434	2	3.413	14/05/2020	2
MGS 06/38	3.501	12	3.468	21/05/2020	3
MGS 05/40	3.41	1	3.408	21/05/2020	0
MGS 03/46	3.874	30	3.845	21/05/2020	3
MGS 07/48	3.8	29	3.868	21/05/2020	-7
GII 06/20	2.046	120	2.082	12/05/2020	-4
GII 11/20	2.063	3	2.041	21/05/2020	2
GII 03/21	2.05	6	2.045	21/05/2020	0
GII 08/21	2.116	9	2.08	19/05/2020	4
GII 04/22	2.227	16	2.245	21/05/2020	-2
GII 05/23	2.316	50	2.338	19/05/2020	-2
GII 10/23	2.391	50	2.387	20/05/2020	0
GII 11/23	2.392	40	2.408	21/05/2020	-2
GII 10/24	2.48	150	2.524	20/05/2020	-4
GII 10/25	2.659	10	2.627	21/05/2020	3
GII 03/26	2.674	15	2.711	21/05/2020	-4
GII 09/26	2.73	102	2.706	21/05/2020	2
GII 06/27	2.737	110	2.815	21/05/2020	-8
GII 07/27	2.749	30	2.778	21/05/2020	-3
GII 09/27	2.733	130	2.748	21/05/2020	-2
GII 10/28	2.882	90	2.889	21/05/2020	-1
GII 07/29	2.928	170	2.901	21/05/2020	3
GII 09/30	2.938	30	2.936	21/05/2020	0
GII 10/30	2.773	122	2.822	21/05/2020	-5
		<u>3756</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*	
Pengurusan Air SPV Berhad	02/23	GG	2.518	10	2.685	24/04/2020	-17	24
Perbadanan Tabung Pendidikan Tinggi Nasional	07/23	GG	2.508	20	2.71	04/05/2020	-20	23
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	2.516	20	2.514	20/05/2020	0	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	2.522	30	2.548	21/05/2020	-3	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/24	GG	2.614	30	2.65	19/05/2020	-4	20
Gulf Investment Corporation G.S.C	03/21	AAA	3.048	40	3.17	12/05/2020	-12	98
Cagamas Berhad	11/22	AAA	2.669	10	3.273	28/01/2020	-60	47
Sarawak Energy Berhad	07/24	AAA	2.854	10	3.081	26/02/2020	-23	44
Sarawak Energy Berhad	08/25	AAA	2.949	10	2.954	21/05/2020	-1	45
YTL Power International Berhad	03/23	AA1	3.217	100	3.228	14/05/2020	-1	94
YTL Power International Berhad	08/23	AA1	3.258	100	3.748	17/01/2020	-49	98
Jimah East Power Sdn Berhad	06/23	AA-	3.335	10	3.844	21/10/2019	-51	106
MMC Corporation Berhad	03/28	AA-	4.4	1	4.948	15/04/2020	-55	165
Benih Restu Berhad	06/25	AA2	3.548	40	3.548	21/05/2020	0	105
Country Garden Real Estate Sdn Berhad	02/23	AA3	4.747	1	3.746	08/05/2020	100	247
Gamuda Berhad	03/23	AA3	3.196	20	3.356	24/04/2020	-16	92
BGSM Management Sdn Berhad	12/27	AA3	3.463	5	3.501	13/05/2020	-4	71
Malayan Banking Berhad	02/17	AA3	3.658	90	3.737	24/04/2020	-8	23
IJM Land Berhad	03/19	A2	5.402	1	5.117	12/05/2020	29	198
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/31	A3	4.601	1	4.6	21/05/2020	0	178
Eco World International Berhad	10/21	-	5.265	5	6.673	21/05/2020	-141	320
Eco World Capital Assets Berhad	08/24	-	7.338	1	6.682	21/05/2020	66	492
Mah Sing Group Berhad	04/17	-	6.399	1	5.504	21/05/2020	90	297
				<u>553</u>				

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

Market/Corporate News: What's Brewing

Sources from various industries say the KL-Singapore High Speed Rail (HSR) project, which was suspended in mid-2018, will be revived soon. A political source indicates that talks with Singapore are likely to commence soon. However, he is guarded, adding that “nothing is concrete as yet”. An engineering consultant tells The Edge that he heard about the revival of the multi-billion-ringgit project last week. “There has been talk, strong rumours, but we are not aware of the details. The consultants, I hear, have concluded their reports.” Similarly, an executive of a construction company has heard of the project's revival. “I heard it's back on but don't know the details.” A fund manager with good ties with the government says that he had heard of the project's revival and was scouting around for the main beneficiaries. “Am hearing that the Japanese may be involved, but that is conjecture,” he says. It is worth noting that a source in Japan, who was previously employed here in Malaysia with the Japanese government, has heard of the involvement of the Japanese as well. For the Malaysian portion of the HSR project, MyHSR Corp Sdn Bhd is the project delivery vehicle and implementer of the development. MyHSR Corp did not respond to questions from The Edge. Last July, MyHSR Corp, which is wholly owned by the Minister of Finance Inc, appointed Minconsult Sdn Bhd as the technical advisory consultant and Ernst & Young Advisory Services Sdn Bhd as the commercial advisory consultant. Talk of the HSR being revived comes as the end-May deadline approaches. The deadline was set in September 2018, when Singapore, at the behest of Malaysia, agreed to suspend the construction of the project. The project, initially announced by the Barisan Nasional government in September 2010, was slated for completion in 2026. However, after Pakatan Harapan took power in 2018, its initial plan was to scrap the project. But after considering that the abortive costs would exceed RM1 billion, the new government mooted a scaled-down version of the rail line. Malaysia forked out S\$15 million (almost RM46 million) as a result of the deferment. In July 2018, the entire cost of the HSR project, including

hidden costs, was pegged at an estimated RM100 billion by former Economic Affairs Minister Datuk Mohamed Azmin Ali. The Barisan Nasional government had it pegged at RM72 billion. More recently, analysts have put the cost at RM30 billion to RM40 billion. Last December, former prime minister Tun Mahathir Mohamad had said that the HSR project was back on track but was likely to be scaled down in terms of costs, and one of the plans was to reduce the speed of the trains. “The HSR will go ahead, but we will have to find out what speed (of the train) we should have. It is not necessary for it to run 400km per hour ... Maybe less speed will contribute to the reduction of cost,” he was reported as saying at the launch of the Bandar Malaysia project. Bandar Malaysia is the KL end of the KL-Singapore HSR. Meanwhile, at MyHSR Corp, it is understood that its CEO Datuk Mohd Nur Ismal Mohamed Kamal has left. Sources say commercial director Tonny Yap is leading it now, but this was conjecture at press time. Work on the HSR project was initially slated to start in late 2018, after the selection of project delivery partners in April of the same year. An open tender had been called in November 2017. The initial plan was for the eight stations — Bandar Malaysia, Sepang-Putrajaya, Seremban, Melaka, Muar, Batu Pahat and Iskandar Puteri in Malaysia, and the Jurong East station in Singapore — to commence operations by end-December 2026. Malaysian Resources Corp Bhd and Gamuda Bhd, in a 50:50 joint venture, had accepted a letter of appointment from MyHSR Corp as project delivery partner for the 135km northern section running from Bandar Malaysia station to Melaka station. The Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd-TH Properties Sdn Bhd consortium was earmarked to construct the 200km southern portion. More than 60 civil works packages were expected to be doled out, resulting in more than 5,000 sub-contract packages. There was also a two-horse race between the Chinese and Japanese — with South Koreans and Europeans also in the running albeit on the sidelines — to play a key role in the construction and provision of rolling stock and expertise. Last week, Senior Minister and Minister of International Trade and Industry Mohamed Azmin said the government would announce a six-month short-term recovery plan at the end of the month, after which a medium-term revitalisation plan under Budget 2021 would be tabled in November, followed by a long-term reform plan (the 12th Malaysia Plan) in January next year. Much of these plans stem from the adverse impact of the Covid-19 pandemic and the ensuing partial lockdown that has crippled the economy and brought industries to a standstill. Whether the KL-Singapore HSR is part of these plans remains to be seen. (Source: *The EdgeMarkets*)

The airline industry’s global debt could rise to US\$550 billion by year-end, said the International Air Transport Association (IATA). In an analysis released yesterday, IATA that that is a US\$120 billion increase over debt levels at the start of 2020. It said US\$67 billion of the new debt is composed of government loans (US\$50 billion), deferred taxes (US\$5 billion) and loan guarantees (US\$12 billion). Meanwhile, US\$52 billion is from commercial sources including commercial loans (US\$23 billion), capital market debt (US\$18 billion), debt from new operating leases (US\$5 billion), and accessing existing credit facilities (US\$6 billion). IATA said financial aid is a lifeline to get through the worst of the crisis without folding operations. However, it said during the re-start period later this year, the industry’s debt load will be near \$550 billion—a massive 28% increase. IATA director general and CEO Alexandre de Juniac said government aid is helping to keep the industry afloat. “The next challenge will be preventing airlines from sinking under the burden of debt that the aid is creating,” he said. IATA said that in total governments have committed to US\$123 billion in financial aid to airlines. It said of this, US\$67 billion will need to be repaid. The balance largely consists of wage subsidies (US\$34.8 billion), equity financing (US\$11.5

billion), and tax relief / subsidies (US\$9.7 billion). IATA said this is vital for airlines which will burn through an estimated US\$60 billion of cash in the second quarter of 2020 alone. de Juniac said over half the relief provided by governments creates new liabilities. "Less than 10% will add to airline equity. It changes the financial picture of the industry completely. "Paying off the debt owed governments and private lenders will mean that the crisis will last a lot longer than the time it takes for passenger demand to recover," he said. de Juniac added that many governments have stepped up with financial aid packages that provide a bridge over this difficult situation, including cash to avoid bankruptcies. "Where governments have not responded fast enough or with limited funds, we have seen bankruptcies. Examples include Australia, Italy, Thailand, Turkey, and the UK. "Connectivity will be important to the recovery. Meaningful financial aid to airlines now makes economic sense. It will ensure that they are ready to provide job-supporting connectivity as economies re-open," said de Juniac. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
MEX II Sdn Bhd	RM1.3 billion Sukuk Murabahah and RM150.0 million Junior bonds	A-IS and BBB/Negative	Outlook revised from Stable to Negative
Ranhill Powertron II Sdn Bhd	RM140.0 million outstanding Islamic Medium-Term Notes (IMTN)	AA-IS/Stable	Affirmed
	RM350.0 million outstanding guaranteed IMTN	AAA-IS (FG)/Stable	Affirmed

Source: RAM, MARC

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