

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

- US Treasuries found support on flight-to-safety as US-China tensions simmered over Hong Kong's status. Investors were seen digesting the Fed's contention of using policies that would aim to keep borrowing costs at fixed levels for various maturities of government debt papers. Overall benchmark yields ended slightly lower between 0-1bps save for the short-end i.e. the UST 2Y which edged 1bps higher at 0.18% whilst the much-watched UST 10Y ended 1bps lower at 0.68%. Meanwhile Treasury's \$45b of 5Y bonds was awarded at a record-low 0.334% (following prior day's solid 2Y auction) but on a weaker BTC ratio of 2.68x. Expect attention to shift to the upcoming 1Q2020 GDP data release tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.18	1
5-yr UST	0.35	0
10-yr UST	0.68	-1
30-yr UST	1.44	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.28	1	2.32	0
5-yr	2.48	-1	2.47	-1
7-yr	2.65	1	2.73	0
10-yr	2.82	3	2.76	-1
15-yr	3.18	-2	3.25	0
20-yr	3.44	3	3.46	0
30-yr	3.80	0	3.79	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.12	2
3-yr	2.16	4
5-yr	2.26	1
7-yr	2.43	3
10-yr	2.63	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GIII

- Local govvnies closed mixed with GII bonds seen more resilient compared to MGS yesterday amid low secondary market volume of RM2.62b. Overall benchmark MGS/GII yields closed between -2 to +3bps with both the 10Y and 30Y benchmarks bonds weaker than the rest. Interest was mainly centred in the off-the-run 20's and also 10Y benchmark MGS. The benchmark 5Y MGS 9/25 bucked the overall trend edging 1bps lower at 2.48% whilst the 10Y MGS 8/29 rose 3bps at 2.82%. GII bonds dropped to form a mere ~17% of overall trades. Meanwhile some bond traders are poised to expect further easing policies by BNM in the immediate future based on slowing economic growth and lower consumer prices. Separately, the data front is light for this week with Markit PMI Manufacturing and trade data expected out next week.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw surge in secondary market activity post Raya holidays with overall volume at RM1.3b. Interest was mainly seen still seen across the GG part of the curve with spillover into the AAA-AA space. The Govt-guaranteed 2023 tranches were especially active with ~RM400m in nominal amounts traded. Both Khazanah 8/23 and LPPSA 9/23 closed 1-3bps lower compared to previous-done levels at 2.55% and 2.50% each. DANA 8/23 edged 1bps higher instead at 2.56% whilst the 10/23 tranche rallied 22bps, to close at 2.57%. AAA-rated energy bonds MANJUN 11/27 and TNB 8/32 closed sharply lower on yields at 3.19% and 3.39% respectively whilst TNB Northern ended 15bps lower at 3.24%. AA-rated YTL Power 27-28's grind lower on yields in relatively heavy volume between 3.52-62% area. The banking space was however relatively quiet.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	2.037	563	1.843	22/05/2020	19
MGS 10/20	2.017	100	2.038	22/05/2020	-2
MGS 02/21	2.022	41	2.045	22/05/2020	-2
MGS 07/21	2.082	76	2.061	22/05/2020	2
MGS 09/21	2.083	125	2.076	22/05/2020	1
MGS 11/21	2.080	49	2.080	22/05/2020	0
MGS 03/22	2.156	2	2.155	22/05/2020	0
MGS 08/22	2.249	12	2.232	22/05/2020	2
MGS 03/23	2.280	87	2.274	22/05/2020	1
MGS 08/23	2.299	2	2.354	22/05/2020	-6
MGS 06/24	2.451	50	2.447	22/05/2020	0
MGS 07/24	2.480	16	2.500	21/05/2020	-2
MGS 03/25	2.469	3	2.509	22/05/2020	-4
MGS 09/25	2.475	141	2.484	22/05/2020	-1
MGS 04/26	2.635	5	2.633	22/05/2020	0
MGS 07/26	2.655	5	2.661	22/05/2020	-1
MGS 05/27	2.647	165	2.637	22/05/2020	1
MGS 11/27	2.732	17	2.740	22/05/2020	-1
MGS 06/28	2.851	12	2.827	22/05/2020	2
MGS 09/28	2.879	15	2.902	22/05/2020	-2
MGS 08/29	2.824	538	2.795	22/05/2020	3
MGS 04/30	2.937	3	2.981	22/05/2020	-4
MGS 06/31	3.056	55	3.055	22/05/2020	0
MGS 04/33	3.223	7	3.209	22/05/2020	1
MGS 11/33	3.254	7	3.308	20/05/2020	-5
MGS 07/34	3.175	3	3.198	22/05/2020	-2
MGS 04/37	3.444	1	3.434	22/05/2020	1
MGS 05/40	3.444	12	3.410	22/05/2020	3
MGS 09/43	3.739	10	3.774	22/05/2020	-4
MGS 03/46	3.895	43	3.874	22/05/2020	2
MGS 07/48	3.803	20	3.800	22/05/2020	0
GII 04/21	2.044	10	2.060	20/05/2020	-2
GII 04/22	2.251	1	2.227	22/05/2020	2
GII 11/22	2.263	20	2.407	30/04/2020	-14
GII 09/26	2.705	50	2.730	22/05/2020	-2
GII 07/27	2.741	100	2.749	22/05/2020	-1
GII 09/27	2.729	165	2.733	22/05/2020	0
GII 10/28	2.888	50	2.882	22/05/2020	1
GII 07/29	2.947	30	2.928	22/05/2020	2
GII 10/30	2.763	10	2.773	22/05/2020	-1
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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*
Pengurusan Air SPV Berhad	07/20	GG	2.051	40	2.735	08/04/2020	-68	-1
Khazanah Nasional Berhad	03/21	GG	2.184	20	2.712	17/04/2020	-53	12
Khazanah Nasional Berhad	08/23	GG	2.551	55	2.563	12/05/2020	-1	27
Danainfra Nasional Berhad	08/23	GG	2.557	30	2.545	19/05/2020	1	28
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	2.496	130	2.522	22/05/2020	-3	22
Danainfra Nasional Berhad	10/23	GG	2.566	180	2.782	23/04/2020	-22	29
Perbadanan Tabung Pendidikan Tinggi Nasional	12/24	GG	2.672	15	2.681	20/05/2020	-1	20
Danainfra Nasional Berhad	04/26	GG	2.840	70	2.840	14/05/2020	0	23
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	2.888	60	2.848	30/04/2020	4	28
Danainfra Nasional Berhad	11/26	GG	2.921	140	2.978	28/04/2020	-6	27
Prasarana Malaysia Berhad	03/28	GG	2.995	15	3.000	20/05/2020	0	24
Danainfra Nasional Berhad	11/29	GG	3.168	25	3.170	20/05/2020	0	35
Prasarana Malaysia Berhad	03/30	GG	3.149	10	3.139	30/04/2020	1	33
Danainfra Nasional Berhad	04/30	GG	3.149	10	3.267	16/03/2020	-12	33
Danainfra Nasional Berhad	03/32	GG	3.237	30	3.240	20/05/2020	0	42
Danainfra Nasional Berhad	11/32	GG	3.267	15	3.270	20/05/2020	0	45
Danainfra Nasional Berhad	03/34	GG	3.330	75	3.420	20/04/2020	-9	13
Danainfra Nasional Berhad	11/35	GG	3.440	10	4.049	19/03/2020	-61	24
Prasarana Malaysia Berhad	02/50	GG	4.040	5	4.000	08/05/2020	4	61
Gas Malaysia Berhad	12/22	AAA	2.976	20	3.149	05/03/2020	-17	70
Danum Capital Berhad	05/25	AAA	2.959	16	-	-	-	48
Sarawak Energy Berhad	06/26	AAA	3.009	9	3.017	21/05/2020	-1	40
Danum Capital Berhad	05/27	AAA	3.139	6	-	-	-	49
Manjung Island Energy Berhad	11/27	AAA	3.189	20	3.889	31/03/2020	-70	43
TNB Northern Energy Berhad	05/28	AAA	3.239	10	3.389	28/04/2020	-15	48
Sarawak Energy Berhad	11/28	AAA	3.189	27	3.189	19/05/2020	0	39
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3.329	10	3.317	15/05/2020	1	53
Rantau Abang Capital Berhad	03/29	AAA	3.241	10	3.450	21/04/2020	-21	44
Sarawak Energy Berhad	07/29	AAA	3.230	3	3.818	10/04/2020	-59	43
Danum Capital Berhad	05/30	AAA	3.289	6	-	-	-	47
Sarawak Energy Berhad	04/31	AAA	3.350	12	3.350	14/05/2020	0	54
Manjung Island Energy Berhad	11/31	AAA	3.410	1	3.409	15/05/2020	0	60
Tenaga Nasional Berhad	08/32	AAA	3.386	20	4.010	24/03/2020	-62	57
Sarawak Energy Berhad	12/32	AAA	3.449	5	3.450	14/05/2020	0	25
Genting RMTN Berhad	11/34	AAA	4.093	2	4.096	19/05/2020	0	89
Projek Lebuhraya Usahasama Berhad	01/35	AAA	3.670	6	3.670	17/03/2020	0	47
Danum Capital Berhad	02/35	AAA	3.590	9	4.111	15/04/2020	-52	39
YTL Power International Berhad	05/27	AA1	3.516	60	3.670	29/04/2020	-15	87
YTL Power International Berhad	08/28	AA1	3.628	60	4.349	26/03/2020	-72	87
TG Excellence Berhad	02/20	AA-	3.561	30	3.563	20/05/2020	0	13
Besraya (M) Sdn Berhad	07/21	AA3	3.021	3	4.681	11/01/2019	-166	96
Konsortium KAJV Sdn Bhd	05/21	AA-	4.020	5	4.295	23/12/2019	-28	196
Malakoff Power Berhad	12/24	AA-	3.348	10	4.291	02/05/2019	-94	87
MMC Corporation Berhad	03/28	AA-	4.400	5	4.400	22/05/2020	0	165
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/31	A3	4.600	1	4.601	22/05/2020	0	179
Matrix Concepts Holdings Berhad	03/23	-	5.000	1	5.343	29/04/2020	-34	272
Eco World International Berhad	05/23	-	4.765	2	6.278	20/05/2020	-151	249
LBS Bina Group Berhad	03/20	-	6.547	1	-	-	-	312
				<u>1304</u>				

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

Market/Corporate News: What's Brewing

Ho Hup Construction Company Bhd has bagged two contracts worth a combined RM102.49 million from China Communications Construction (ECRL) Sdn Bhd to work on the East Coast Rail Link (ECRL). Both jobs, which are for 30 months — starting June 15, 2020 — are for the construction and completion of subgrade, drainage and culvert works on Section 6 of the ECRL, according to Ho Hup's stock exchange filing today. The first contract is worth RM53.79 million, while the second is worth RM48.7 million. The ECRL contracts are subject to the acceptance of the letters of acceptances (LoAs) by the company and formal sub-contracts to be entered into between China Communications Construction (ECRL) and Ho Hup. The LoAs are expected to contribute positively to its earnings and net assets per share, Ho Hup said. They are not expected to have any material effect on the gearing of the group for the financial year ending Dec 31, 2020, until the expiry of the contracts, it added. (Source: The EdgeMarkets)

Batu Kawan Bhd's quarterly net profit dropped sharply by nearly 80% to RM16.02 million for the second quarter ended March 31 (2QFY20) from RM79.28 million a year ago, mainly due to a sizeable RM201.3 million of unrealised foreign currency exchange translation losses on bank and inter-company loans. However, its plantation segment registered strong earnings growth, lifted by stronger crude palm oil prices (CPO). In a stock exchange filing today, the plantation conglomerate said the forex loss is largely due to the significant depreciation of Indonesian rupiah against the US dollar and ringgit during the period. In the January-March period, the rupiah depreciated by as much as 20%, especially during the global stock market rout experienced in late February. Nonetheless, Batu Kawan has declared an interim dividend of 15 sen per share tallying its dividend amount paid in the corresponding period last year. The dividend is to be paid on Aug 6, while the entitlement date is fixed on July 15. For the quarter ended March 31, 2020 (2QFY20), Batu Kawan posted 3.43% lower in revenue to RM3.93 billion from RM4.07 billion previously. The group's plantation segment generated higher profit before tax (PBT) of RM154.69 million, up 48.6% against RM104.08 million a year ago, thanks to stronger CPO and palm kernel prices coupled with RM11.21 million unrealised gain arising from changes in fair value on outstanding derivative contracts. However, the improvement was offset by higher CPO production costs due to a decline in FFB production by 9.4% to 923,163 metric tons and RM32.77 million unrealised loss arising from translation of an Indonesian subsidiary's US dollar denominated loans. Meanwhile, its manufacturing segment reported a marginally lower profit by 3.4% of RM116.49 million from RM120.60 million previously. Specifically, the oleochemical division registered a higher current quarter's profit of RM96.32 million despite higher unrealised loss arising from fair value changes on outstanding derivatives contracts which amounted to RM16.48 million. "Malaysia and China operations had shown stronger performance while Europe operations reported lower profits with reduction in sales volume," it said. Meanwhile, its Industrial Chemical division posted a 29.5% lower profit at RM20.30 million impacted by lower selling prices and higher energy cost. For the six-month period ended (6MFY20), Batu Kawan posted a 44.69% decline in net profit to RM119.45 million from RM215.97 million a year ago, due to the foreign exchange impact. Revenue for the period fell nearly 2% to RM8.13 billion from RM8.29 billion in the previous year's corresponding period. Going forward, Batu Kawan expects its plantation segment to be satisfactory for the financial year 2020 in view of better operating performance. However, it notes that the operating environment for its manufacturing segment will remain challenging due to economic uncertainties resulting from the pandemic. "Both the group's oleochemical and industrial chemical divisions look towards the recovery of demand once the pandemic subsides. "Overall, the group expects a satisfactory profit for the financial year 2020, subject to uncertainties arising from the COVID-19 pandemic," it said.. (Source: The EdgeMarkets)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tanjung Bin Power Sdn Bhd	RM4.5 bil Sukuk Ijarah Programme	AA2/Stable	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & 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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