

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.29	1
10-yr UST	0.62	3
30-yr UST	1.26	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.98	0	2.01	0
5-yr	2.13	1	2.09	0
7-yr	2.32	1	2.37	0
10-yr	2.61	1	2.61	1
15-yr	2.97	0	3.04	0
20-yr	3.19	1	3.33	1
30-yr	3.56	-1	3.69	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	-1
3-yr	1.90	-4
5-yr	2.07	-2
7-yr	2.35	0
10-yr	2.58	3

Source : Bloomberg

Upcoming Government Bond Tender

Nil

- US Treasuries closed weaker in another lackluster trading session on Monday following tepid bidding metrics for the 5Y auction and also supply concerns based on reports of the GOP's intention to pass a COVID-19 relief legislation bill anywhere between \$1-3 trillion. Overall benchmark yields ended between 0-3bps higher with the UST 2Y again almost unchanged at 0.15% and the much-watched UST 10Y closing 3bps higher instead at 0.62%. The auction of \$49b 5Y papers was awarded at a high yield of 0.288% on a BTC ratio of 2.32x (previous 6 auctions: 2.49x) and followed closely on the heels of another earlier disappointing 2Y note auction. UST's have been seen to be range-bound of late. Expect attention to shift to the \$44b 7y bond auction tonight as traders may remain sidelined ahead of the Fed's FOMC meeting and its accompanying statement scheduled for 30th July.

MGS/GIII

- Local govies saw profit-taking emerge following recent strength amid a solid secondary market volume of RM5.22b as overall benchmark yields ended mostly unchanged-to-higher i.e. between a mere 0-1bps save for the long bond. Interest was mainly seen in the off-the-run 20-21's and also 15Y benchmark MGS. Both the benchmark 5Y MGS 9/25 and 10Y MGS 8/29 yields edged 1bps higher at 2.13% and 2.61% respectively. GII bond trades rose to form ~29% of overall trades. Nevertheless, the \$3.9b 1MDB settlement between Goldman Sachs and the government is expected to provide relief and lend a bid to bonds and the Ringgit. Expect some attention to shift to the release of June's trade data at noon.

Corp Bonds/Sukuk

- Investor interest remained decent yesterday amid a sustained secondary market volume of RM657m; with transactions mainly seen across the curve (i.e GG to single-A). Overall yields continued to close mostly lower. The govt-guaranteed DANA 25's ended mostly between 2-16bps lower compared to previous-done levels between 2.34-42% area. AAA-rated Bakun 30-31's saw yields fall sharply to between 3.15-24% whilst SEB saw a slew of 2031-2035 tranches close between 2-24bps lower at 3.13-42% levels. The AA-space saw energy-related bonds Souther Power 2026-2034 tranches close sharply lower on yields as well at levels ranging from 3.05% until 3.83% whilst BGSM closed 31bps lower at 3.10%. The banking saw ALLIANCE 2119NC24 perps trade RM20m; however spiking 29bps to 4.79%.

Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	08/20	0.756	760	0.916	24/07/2020	-16
MGS	10/20	1.720	101	1.748	24/07/2020	-3
MGS	07/21	1.770	20	1.782	24/07/2020	-1
MGS	09/21	1.779	1084	1.798	22/07/2020	-2
MGS	03/22	1.867	202	1.860	24/07/2020	1
MGS	03/23	1.976	259	1.972	24/07/2020	0
MGS	04/23	1.997	82	2.000	24/07/2020	0
MGS	08/23	2.021	232	2.027	23/07/2020	-1
MGS	06/24	2.061	2	2.063	24/07/2020	0
MGS	07/24	2.083	13	2.054	24/07/2020	3
MGS	09/24	2.072	3	2.075	23/07/2020	0
MGS	03/25	2.115	2	2.128	22/07/2020	-1
MGS	09/25	2.125	37	2.116	24/07/2020	1
MGS	07/26	2.223	32	2.234	24/07/2020	-1
MGS	11/26	2.257	40	2.249	24/07/2020	1
MGS	05/27	2.317	10	2.312	24/07/2020	1
MGS	11/27	2.333	1	2.340	24/07/2020	-1
MGS	08/29	2.612	239	2.600	24/07/2020	1
MGS	04/30	2.682	4	2.675	24/07/2020	1
MGS	04/33	3.069	13	3.024	24/07/2020	4
MGS	07/34	2.973	459	2.974	24/07/2020	0
MGS	04/37	3.328	5	3.283	23/07/2020	4
MGS	06/38	3.337	3	3.357	24/07/2020	-2
MGS	05/40	3.189	20	3.176	24/07/2020	1
MGS	07/48	3.657	1	3.710	24/07/2020	-5
MGS	06/50	3.560	102	3.572	24/07/2020	-1
GII	08/20	1.785	550	1.754	24/07/2020	3
GII	03/22	1.873	30	1.903	24/07/2020	-3
GII	05/23	2.010	81	2.012	24/07/2020	0
GII	07/23	2.065	13	2.035	23/07/2020	3
GII	10/24	2.085	45	2.087	23/07/2020	0
GII	08/25	2.132	30	2.199	22/07/2020	-7
GII	10/25	2.136	171	2.157	23/07/2020	-2
GII	03/26	2.242	1	2.235	24/07/2020	1
GII	09/26	2.300	28	2.297	24/07/2020	0
GII	07/27	2.395	24	2.392	23/07/2020	0
GII	08/28	2.620	40	2.622	22/07/2020	0
GII	10/28	2.595	90	2.593	24/07/2020	0
GII	10/30	2.607	126	2.602	24/07/2020	1
GII	06/33	3.073	60	3.073	24/07/2020	0
GII	11/34	3.040	124	3.045	24/07/2020	0
GII	09/39	3.328	82	3.316	24/07/2020	1
GII	05/47	3.736	1	3.789	23/07/2020	-5
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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	07/24	GG	2.294	65	2.893	21/04/2020	-60	23
Danainfra Nasional Berhad	02/25	GG	2.335	10	2.327	24/07/2020	1	21
Danainfra Nasional Berhad	04/25	GG	2.345	40	2.500	08/07/2020	-16	22
Danainfra Nasional Berhad	11/25	GG	2.404	5	2.428	20/07/2020	-2	28
Danainfra Nasional Berhad	11/25	GG	2.419	60	2.459	14/07/2020	-4	30
Rantau Abang Capital Berhad	12/20	AAA	2.211	2	2.519	30/06/2020	-31	43
Bakun Hydro Power Generation Sdn Berhad (fka S	08/26	AAA	2.797	30	2.798	21/07/2020	0	55
Genting RMTN Berhad	11/29	AAA	3.576	2	3.668	23/07/2020	-9	102
Bakun Hydro Power Generation Sdn Berhad (fka S	08/30	AAA	3.149	50	3.838	10/12/2019	-69	54
Sarawak Energy Berhad	04/31	AAA	3.129	10	3.370	22/06/2020	-24	52
Bakun Hydro Power Generation Sdn Berhad (fka S	08/31	AAA	3.241	10	4.039	31/03/2020	-80	63
Bank Pembangunan Malaysia Berhad	03/32	AAA	3.330	8	3.629	28/04/2020	-30	72
Sarawak Energy Berhad	12/32	AAA	3.259	20	3.488	25/06/2020	-23	65
Sarawak Energy Berhad	11/33	AAA	3.329	50	3.509	29/05/2020	-18	35
Sarawak Energy Berhad	08/35	AAA	3.424	30	3.449	24/07/2020	-2	45
YTL Power International Berhad	05/27	AA1	3.367	10	3.401	22/07/2020	-3	105
United Overseas Bank (Malaysia) Berhad	07/28	AA1	2.918	10	3.682	18/03/2020	-76	43
Public Islamic Bank Berhad	10/29	AA1	3.018	10	3.199	03/03/2020	-18	47
YTL Corporation Berhad	07/30	AA1	3.447	1	3.590	24/07/2020	-14	84
Bandar Serai Development Sdn Berhad	10/20	AA3	2.646	1	2.671	14/07/2020	-2	86
Country Garden Real Estate Sdn Berhad	03/21	AA3	3.077	5	3.101	24/07/2020	-2	129
BGSM Management Sdn Berhad	03/26	AA3	3.099	20	3.413	11/06/2020	-31	85
UEM Sunrise Berhad	05/21	AA-	3.253	5	3.267	24/07/2020	-1	147
SAJ Capital Sdn Berhad	01/22	AA-	3.001	10	3.211	17/06/2020	-21	111
WCT Holdings Berhad	05/22	AA-	3.469	2	3.578	09/07/2020	-11	158
UEM Sunrise Berhad	03/24	AA-	3.693	1	4.060	18/06/2020	-37	163
Southern Power Generation Sdn Berhad	04/26	AA-	3.048	20	3.487	12/02/2020	-44	80
Southern Power Generation Sdn Berhad	04/27	AA-	3.138	10	3.701	22/04/2020	-56	82
Southern Power Generation Sdn Berhad	04/28	AA-	3.229	10	3.678	30/01/2020	-45	74
UiTM Solar Power Sdn Berhad	04/31	AA-	4.549	2	4.550	22/07/2020	0	194
Southern Power Generation Sdn Berhad	10/32	AA-	3.640	13	3.999	18/06/2020	-36	103
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/34	AA-	4.719	30	4.540	14/02/2020	18	174
Southern Power Generation Sdn Berhad	10/34	AA-	3.829	10	4.180	17/03/2020	-35	85
TG Excellence Berhad	02/20	AA-	3.119	10	3.359	23/07/2020	-24	-6
LBS Bina Group Berhad	03/20	-	5.700	1	5.698	23/07/2020	0	252
DRB-Hicom Berhad	12/24	A+	3.798	5	3.985	20/07/2020	-19	174
Quantum Solar Park (Semenanjung) Sdn Berhad	10/34	A+	5.248	10	5.359	24/06/2020	-11	227
Quantum Solar Park (Semenanjung) Sdn Berhad	04/35	A+	5.289	10	5.910	18/01/2018	-62	231
Tropicana Corporation Berhad	05/27	A+	5.689	40	5.691	24/07/2020	0	337
Alliance Islamic Bank Berhad	03/19	BBB1	4.792	20	4.499	15/06/2020	29	161
				657				

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

Market/Corporate News: What's Brewing

Terengganu state government's subsidiary TDM Bhd will continue to prioritise sustainable and profitable growth for both its core segments — plantation and healthcare. Chairman Raja Datuk Idris Raja Kamarudin said the financial year ending Dec 31, 2020 (FY20) would be full of challenges and the group would strive to manage factors under its control. "Aimed on improving efficiencies and becoming output driven, we have formulated Business Development Plan and Value Creation Plan to achieve the desired results," he said in a statement in conjunction with the company's virtual annual general meeting today which saw shareholders approving all the resolutions tabled. "In addition, our hospitals have immediately made relevant measures to face the challenges from the Covid-19 pandemic and to sustain business growth through new service offering by formulating a business continuity plan," he said. For the plantation segment, Raja Idris said the group was optimistic on the long-term fundamentals of the industry and would remain focused in improving productivity and optimising production cost. "We are committed to our sustainability agendas, and our Roundtable on Sustainable Palm Oil (RSPO) certification has qualified us to receive premiums on the sale of certified sustainable palm oil and palm kernel," he said. The group's plantation arm, TDM Plantation Sdn Bhd, manages 16 oil palm estates and three palm oil mills, three bio-composting plants and one biogas plant. TDM Plantation Sdn Bhd has obtained 100% RSPO and Malaysian Sustainable Palm Oil certificates. Under Kumpulan Medic Iman Sdn Bhd, TDM owns four community specialist hospitals — two in the Klang Valley and two on the East Coast -- that provide quality and affordable secondary healthcare services. TDM recorded a 79% larger after-tax loss of RM209.92 million for the financial year ended Dec 31, 2019, although revenue rose seven per cent to RM425.07 million. (Source: *The Star*)

Kossan Rubber Industries Bhd's share price rocketed 21.01% or RM2.90 to an all-time high of RM16.70. Its market capitalisation ballooned to RM21.36 billion, more than Telekom Malaysia Bhd's market cap of RM14.98 billion. Kossan took the centre stage as analysts were raising earnings forecasts after an analyst briefing last week. The frenzied buying interest in the stock was driven by the optimism that the rubber glove maker, like its peers, would post record-breaking earnings in the current financial year ending Dec 31, 2020 (FY20) and the year after. More importantly, it is expanding quickly to ride the strong global demand growth. The Covid-19 lockdown measures enforced over the last few months have presented an unprecedented challenge for small businesses in Malaysia. The resurgence of new Covid-19 cases in an increasing number of countries in recent weeks continues to fuel interest in rubber glove makers globally, including Kossan. Net profit according to a brokerage outfit may swell to RM941 million in FY21, this would be the highest ever recorded since its listing in 1996. It expects its net profit to more than double to RM617 million for the current financial year from RM224.78 million in FY19. However, its net profit will retreat to RM551 million in FY22 after the record-high profit, according to its note to clients. The earnings upgrade hinges on higher-than-expected average selling price (ASP) from the third quarter of 2020 onwards, the new glove plant with a capacity of 1.4 billion pieces per annum, and longer order-book visibility. Given the higher EPS forecasts, the stockbroking firm upped its target price (TP) to RM16.40, from RM15 previously. A brokerage noted that Kossan remains attractive given its laggard play in the glove sector, trading at a 36% discount to the Malaysian glove-sector average CY21 P/E ratio of 34 times, in spite of it standing to benefit from the sector's favourable supply-demand dynamics in light of Covid-19. Another analyst is forecasting Kossan's FY20 net profit to come in at RM580.1 million, with its FY21 net profit increasing to RM734.4 million, and retreating to RM558.9 million for FY22. It maintains a "buy" call on the counter, while raising its TP to RM17.75, from RM16.37 previously. Meanwhile, a prominent brokerage raises its fair value on Kossan to RM15.74, from RM12.51 previously with the new valuation based on a PE multiple of 27 times FY21 EPS. "We raise our earnings forecasts by 7% for FY20F, 26% for FY21F and 22% for FY22F. This is to account for higher assumptions of ASP and sales volume. We increase our assumption for ASP to US\$29 (previously US\$28) in FY20F and FY21F. We also raise our assumption for sales volume by 5% for FY21F and 14% for FY22F," it noted. It anticipates Kossan's net profit to be at RM671.4 million for FY20, RM745.5 million for FY21 and RM573.4 million for FY22. Meanwhile, other analysts commented that anecdotal evidence suggests a further rerating as Kossan is expanding capacity more aggressively compared to the past conservative approach. "This potentially could fuel a potential further PER rerating," he added. They expect Kossan to achieve a net profit of RM682.1 million for FY20 and RM811.9 million for FY21. During last week's briefing, the rubber glove maker told analysts that its current annual capacity was 29 billion pieces. However, 10 production lines would commence operations at its Plant 19 next month as planned. As a result, Kossan would have a total capacity of 32 billion pieces by year end, with an additional 1.4 billion pieces with lines by the first half of 2021 (1H21). Its recent land purchase in Meru, Klang would add production as early as 2H21, with six lines that would produce two billion pieces. Consequently, Kossan's total capacity in FY21 would reach 35.42 billion pieces, an increase of 10.5% year-on-year. (Source: *The Edgemarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Kapar Energy Ventures Sdn Bhd	RM2.0 billion Sukuk Ijarah	AA+ IS	Affirmed
PESTECH International Berhad	Corporate Credit ratings	A1/Stable/P1	Assigned

Source: RAM, MARC

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