

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

- Selling continued in US Treasuries overnight following Fed Chair's Powell comment on a shift in monetary policy framework that signaled the Fed is not in a hurry to raise rates. Powell said the Fed will seek inflation that averages 2.0% over time which implies inflation will be allowed to momentarily rise above 2.0%. The shift in maximum employment is also a more broad-based and inclusive goal. Expectations for rates to remain low for longer post Powell's testimony pushed yields at the back end of the curve up sharply by 6-10bps, hence bear steepening the curve. Meanwhile, mixed US data bag seems to have little impact on markets. Second reading of 2Q GDP showed a slightly smaller contraction of 31.7% QOQ while initial jobless claims remained above the 1.0m mark pointing to a fragile labour market. Attention will shift to US personal outlay reports as well as consumer sentiments print today.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	1
5-yr UST	0.31	3
10-yr UST	0.75	6
30-yr UST	1.51	10

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.84	3	1.84	4
5-yr	2.07	-1	2.05	3
7-yr	2.29	0	2.30	0
10-yr	2.55	-1	2.52	0
15-yr	3.05	2	3.13	6
20-yr	3.42	5	3.36	2
30-yr	3.70	5	3.65	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	0
3-yr	1.95	0
5-yr	2.15	0
7-yr	2.33	0
10-yr	2.55	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Local govies saw sustained momentum amid a day of mixed trading with yields closing the day between -1 and +6bps across the curve. Benchmark 5Y MGS 9/25 and the 10Y MGS 8/29 yields slipped one basis point to 2.07% and 2.55% respectively while the back end of the curve remained under pressure pushing yields higher still. Secondary market volume rose marginally to RM4.02bn (prior RM3.91bn) with heavy interests in the major benchmarks, particularly 3Y MGS 3/23, 10Y MGS 8/29, and the just reopened 15Y GII 11/34. These issuances garnered RM803m, RM324m, and RM460m deals respectively yesterday. Selling was more wide spread in the GII space with yields ended flat to higher across the curve. GII trades normalized to form 26% overall trade (prior 59% spurred by the reopening of GII 11/34). Trading may pick up a tad today with event risk from Fed Chair Powell's speech out of the way, but overall trading is expected to remain cautious ahead of the long weekend.

Corp Bonds/Sukuk

- Contrary to sustained momentum in the local govies space, corporate bonds/ sukuk saw softer trading interests on Thursday. Secondary market volume retreated to RM517m (prior RM836m). Trading interests continued to focus on the GG and AA-rated part of the curve with yields settling lower overall. In the GG space, Pengurusan Air SPV '25 led with RM80m dealt (-48bps to 2.288%), followed by DANAINFRA '23, '46 and '49 that saw a combined RM75m changed hands between 2.071% - 3.878%. In the corporate bond scene, AA3-rated Ambank '27 and Ambank Islamic '28 were heavily traded at 2.775% (-2bps) and 2.826% (-79bps) respectively. Single A-rated DRB Hicom '25 and '30 made a debut trade at 4.340% and 5.010% respectively.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.554	39	1.552	26/08/2020	0
MGS 07/21	1.680	214	1.650	25/08/2020	3
MGS 09/21	1.673	3	1.685	26/08/2020	-1
MGS 11/21	1.726	2	1.706	25/08/2020	2
MGS 08/22	1.724	168	1.740	25/08/2020	-2
MGS 09/22	1.744	170	1.787	26/08/2020	-4
MGS 03/23	1.838	803	1.814	26/08/2020	2
MGS 08/23	1.880	78	1.872	25/08/2020	1
MGS 06/24	2.069	70	2.006	26/08/2020	6
MGS 07/24	2.047	325	2.052	26/08/2020	0
MGS 09/24	2.055	53	2.030	26/08/2020	3
MGS 09/25	2.065	136	2.078	26/08/2020	-1
MGS 07/26	2.250	2	2.216	26/08/2020	3
MGS 03/27	2.345	0	2.282	25/08/2020	6
MGS 05/27	2.290	28	2.289	26/08/2020	0
MGS 11/27	2.401	77	2.347	26/08/2020	5
MGS 06/28	2.503	20	2.520	26/08/2020	-2
MGS 08/29	2.553	324	2.566	26/08/2020	-1
MGS 04/33	3.067	9	3.002	26/08/2020	7
MGS 11/33	3.115	60	3.116	26/08/2020	0
MGS 07/34	3.052	136	3.037	26/08/2020	2
MGS 06/38	3.352	0	3.262	25/08/2020	9
MGS 05/40	3.420	241	3.373	26/08/2020	5
MGS 06/50	3.703	7	3.650	26/08/2020	5
GII 03/21	1.649	110	1.650	26/08/2020	0
GII 08/21	1.676	1	1.715	14/08/2020	-4
GII 05/23	1.837	208	1.793	26/08/2020	4
GII 08/24	2.035	73	2.023	21/08/2020	1
GII 10/24	2.052	100	2.019	26/08/2020	3
GII 10/25	2.076	40	2.061	25/08/2020	2
GII 03/26	2.143	1	2.125	25/08/2020	2
GII 07/29	2.569	10	2.546	24/08/2020	2
GII 06/33	3.100	2	3.001	26/08/2020	10
GII 11/34	3.124	460	3.061	26/08/2020	6
GII 09/39	3.358	51	3.339	26/08/2020	2
		<u>4022</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*	
Danalnra Nasional Berhad	10/23	GG	2.071	40	2.155	14/08/2020	-8	26
Pengurusan Air SPV Berhad	09/25	GG	2.288	80	2.768	25/06/2020	-48	25
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	2.299	10	2.290	26/08/2020	1	26
Small Medium Enterprise Development Bank Malaysia Berhad	04/27	GG	2.623	10	2.518	25/08/2020	11	39
Danalnra Nasional Berhad	05/46	GG	3.650	15	3.679	25/08/2020	-3	39
Danalnra Nasional Berhad	11/49	GG	3.878	20	4.034	05/05/2020	-16	61
Cagamas Berhad	03/21	AAA	1.791	30	2.826	09/03/2020	-104	10
Sarawak Energy Berhad	01/22	AAA	2.233	20	2.440	20/07/2020	-21	54
Bank Pembangunan Malaysia Berhad	11/26	AAA	2.708	10	2.709	24/08/2020	0	52
Danga Capital Berhad	09/33	AAA	3.174	10	3.154	26/08/2020	2	24
Tenaga Nasional Berhad	08/40	AAA	3.549	5	3.500	26/08/2020	5	29
Kuala Lumpur Kepong Berhad	09/22	AA1	2.443	10	2.463	12/08/2020	-2	68
United Overseas Bank (Malaysia) Berhad	07/28	AA1	2.829	10	2.918	27/07/2020	-9	44
Hong Leong Financial Group Berhad	06/29	AA2	2.948	10	3.278	08/07/2020	-33	48
AmBank (M) Berhad	03/27	AA3	2.775	95	2.796	18/08/2020	-2	54
Tanjung Bin Energy Issuer Berhad	03/27	AA3	3.103	2	3.658	24/01/2020	-56	87
AmBank Islamic Berhad	02/28	AA3	2.826	70	3.611	03/07/2020	-79	59
UEM Sunrise Berhad	04/22	AA-	3.368	1	3.436	30/07/2020	-7	161
UEM Sunrise Berhad	10/23	AA-	3.598	10	4.257	31/05/2019	-66	179
Pelabuhan Tanjung Pelepas Berhad	.08/27	AA-	3.300	15	-	-	-	-
CIMB Group Holdings Berhad	05/16	A1	3.821	0	3.619	29/07/2020	20	56
Tropicana Corporation Berhad	06/23	A+	5.021	1	5.285	12/08/2020	-26	321
DRB Hicom Berhad	.08/25	A+	4.340	24	-	-	-	-
DRB Hicom Berhad	.08/30	A+	5.010	15	-	-	-	-
Eco World Capital Assets Berhad	.08/24	-	5.665	4	5.665	26/08/2020	0	-
			<u>517</u>					

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

Market/Corporate News: What's Brewing

Federal Reserve Chair Jerome Powell announced a new approach to policy Thursday that takes a more relaxed stance on inflation and on its view of how low U.S. unemployment can go. Powell said the Fed will seek inflation that averages 2% over time, a step that implies allowing for periods of overshoots. Its shift on maximum employment will allow labor-market gains to run more broadly. "The maximum level of employment is a broad-based and inclusive goal," Powell said in a speech delivered virtually for the central bank's annual policy symposium traditionally held in Jackson Hole, Wyoming. "This change reflects our appreciation for the benefits of a strong labor market, particularly for many in low- and moderate-income communities." During the longest U.S. economic expansion on record until the pandemic hit earlier this year, many groups benefited --including minorities and women -- in their ability to find work. With unrest breaking out across the U.S. over racial inequality, questions about how the Fed's policy helps communities broadly have been raised. In its new statement on longer-run goals, the Fed said its decisions would be informed by its assessment of "shortfalls of employment from its maximum level." The previous version had referred to "deviations from its maximum level." The change de-emphasizes previous concerns that low unemployment can cause excess inflation. Regarding price pressures, the document says the committee will target "inflation that averages 2% over time" and will aim to bring inflation above the 2% target following periods when inflation runs below that level. Powell called the changes "a robust updating of our monetary policy framework." (Source: Bloomberg)

Malayan Banking Bhd (Maybank) reported today that net profit for the second quarter ended June 30, 2020 (2QFY20) fell 51.55% to RM941.73 million from RM1.94 billion a year earlier as net interest income and Islamic banking income dropped as well as due to significantly higher allowance for impaired loans amid a Covid-19 pandemic-driven weaker economic outlook. In a statement to Bursa Malaysia today, Maybank said group revenue declined to RM11.79 billion in 2QFY20 from RM13.05 billion. "The group's net interest income and Islamic banking income for the quarter ended June 30, 2020 decreased by RM351 million or 8.2% to RM3,949.5 million as compared to the previous period corresponding quarter ended June 30, 2019. "The group's allowances for impairment losses on loans, advances, financing and other debts increased by RM1,347.7 million or 344.1% to RM1,739.3 million as compared to the previous period corresponding quarter ended June 30, 2019. "[In quarterly terms] the group's profit after tax and zakat attributable to equity holders for the quarter ended June 30, 2020 decreased by RM1,108 million to RM941.7 million against the preceding quarter ended March 31, 2020 of RM2,049.7 million," Maybank said. For the first half of FY20, Maybank said cumulative net profit fell to RM2.99 billion from RM3.75 billion a year earlier while revenue was lower at RM25.01 billion versus RM26.03 billion. Given the weakening outlook for the economic landscape arising from the Covid-19 pandemic and evolving developments in the marketplace, Maybank said the group has revised its headline key performance indicator for return on equity to about 7.5% for FY20 on the back of lower income due to softer loan growth, net interest margin compression and day-one modification loss. "Also, the group's loan loss provisioning is expected to remain elevated. "The group will moderate its expected lower income by stepping up its strategic cost management programme to limit the increase in overheads," Maybank said. At Bursa's 12.30pm break today, Maybank's share price settled down one sen or 0.13% at RM7.45 for a market value of RM83.86 billion. The stock saw some three million shares traded.

(Source: The EdgeMarkets)

IHH Healthcare Bhd has narrowed its losses to RM120.64 million or 1.64 sen per share in the second quarter ended June 30, 2020 (2QFY20), from RM319.79 million or 3.9 sen per share in the preceding quarter, on lower tax and in the absence of impairment on goodwill of its Global Hospitals arm in India. The group however noted that excluding exceptional items, it booked a loss of RM84.16 million for 2QFY20, which was a swing from a profit of RM189.35 million in 1QFY20, on the back of weaker performance across all fronts, except for Parkway Life REIT (PLifeREIT) which held steady on forex gains. Revenue fell 27.85% to RM2.57 billion in 2QFY20, from RM3.56 billion in 1QFY20, again as all businesses declined except for PLifeREIT. Year-on-year, IHH swung to a net loss from a net profit of RM184.99 million or 1.86 per share in 2QFY19, while revenue fell 29.63% from RM3.65 billion. “We saw the worst impact in April and May,” said IHH, which has operations in Malaysia, Singapore, India, Turkey, China and Hong Kong. “Amid the pandemic, patients postponed semi-elective and elective during lockdown, while foreign patients — which make up between 5% and 25% of revenue — could not travel to our facilities,” it added. For the six-month period ended June 30, IHH booked a net loss of RM440.43 million or 5.54 sen per share, from profit of RM274.5 million or 2.63 sen per share in the same period last year. Half-year revenue dropped 16.02% to RM6.12 billion, from RM7.29 billion. On prospects, IHH pointed to recovery in home markets occupancy to 40%-60% in June from 65%-70% pre-Covid 19. It also reported a net profit in that month. “We have seen this progressive recovery in occupancy continue across July and August,” it added. To mitigate the short-term impact of Covid-19, IHH took front row seats by undertaking screening tests and caring for Covid-19 patients, while it also collaborated with governments to manage care facilities and border screening in Singapore. A telemedicine service was also launched in key markets, it said. On prospects, IHH maintains that it is well prepared to ride out the pandemic. Still, it expects “continued impact” from Covid-19 for the rest of the year, margin squeeze on fixed costs as patient volume fluctuates, and higher costs arising from supplies to operate amid the pandemic — although cost management has been a big focus. The group expects to defer about 30% of its capital expenditure to beyond 2020, “In addition, the construction of Parkway Shanghai Hospital in China will be delayed, as a result of halting of construction during the lockdown,” it said. Shares of IHH closed unchanged at RM5.41 today, after trading lower for much of the day, valuing the group at RM47.48 billion. (Source: The EdgeMarkets)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Bank Kerjasama Rakyat Malaysia Berhad	Proposed RM10 bil Sukuk Wakalah Programme (2020/2050)	AA2(s)/Stable	Assigned
	Financial institution ratings	AA2/Stable/P1	Reaffirmed
	RM9 bil Islamic MTN and Islamic CP Programme (2013/2023)	AA ₂ (s)/Stable/P1(s)	Reaffirmed
	RM5 bil Subordinated Sukuk Murabahah Programme (2016/2036)	AA ₃ (s)/Stable	Reaffirmed

Source: RAM, MARC

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