

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended mixed yesterday; largely ignoring the revised 5.0% slump in 1Q2020 GDP. The narrow range was also due to a dearth of meaningful catalysts amid an uninspiring 7Y auction. A slight steepening of the curve was seen with pressure on the longer-ends; sending the 5s30s spread to a YTD high. Concerns remain on the possibility of yield-curve control and additional long-end supply going forward. Overall benchmark yields ended marginally changed i.e. between -1 to +1bps. The UST 2Y edged 1bps lower at 0.17% whilst the much-watched UST 10Y ended 1bps higher instead at 0.69%. Meanwhile Treasury's \$38b of 7Y bonds was awarded at 0.553% despite posting another tail with a BTC ratio of 2.55x (average previous 6 auctions: 2.52x). Investors are expected to get jittery over Trump's upcoming press conference tonight that might restrict social media platforms.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	-1
5-yr UST	0.34	0
10-yr UST	0.69	1
30-yr UST	1.45	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.28	0	1.96	-36
5-yr	2.47	-1	2.47	0
7-yr	2.64	0	2.70	-3
10-yr	2.81	-2	2.72	-4
15-yr	3.16	-1	3.25	0
20-yr	3.42	-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	0
3-yr	2.15	-2
5-yr	2.26	0
7-yr	2.43	1
10-yr	2.63	0

Source : Bloomberg

MGS/GIII

- Local govies closed stronger yesterday with MGS bonds seeing much more activity compared to GII as the longer-ends garnered investor interest amid higher secondary market volume of RM3.92b. Overall benchmark MGS/GII yields declined between 0-4bps lower save for the odd-lot trade on the short 3Y GII following its last trade a mere one (1) week ago. Interest was mainly centred in the off-the-run 20's, 22's, 24's and also 7Y benchmark MGS. The benchmark 5Y MGS 9/25 edged 1bps lower at 2.47% whilst the 10Y MGS 8/29 closed 2bps lower at 2.81%. GII bonds rose to form ~25% of overall trades. Meanwhile some investors and bond traders are expecting further easing policies by BNM 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 Monday followed by the trade numbers for April on Thursday.

Corp Bonds/Sukuk

- Corporate bonds/Sukuk space saw elevated activity in the secondary market with overall volume slightly lower at RM899m. Interest was mainly seen across the GG part of the curve with some spillover into the AAA-AA space. The Govt-guaranteed LPPSA saw mixed fortunes with the 2026 tranches rising 1-7bps compared to previous-done levels at 2.90% whilst both the 4/28 and 4/29 tranches rallied between 12-26bps at 3.04 and 3.09% each. AAA-rated PLUS 24 closed unchanged at 3.01% whilst the 2026 tranche closed sharply lower on yields at 3.11%. TNB 8/38 also closed unchanged at 3.72%. AA-rated YTL Power 23-27's closed mixed between -2 to +3bps between 3.26-55% levels whilst PKNS 5/21 and 5/23 made their debut trade between 3.40% and 3.55%. The banking space saw Maybank peprs i.e. 2117NC24 end at 3.61% on a whopping 64bps gain.

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 10/20	2.036	306	2.017	27/05/2020	2
MGS 02/21	2.050	40	2.022	27/05/2020	3
MGS 07/21	2.063	3	2.082	27/05/2020	-2
MGS 11/21	2.083	215	2.080	27/05/2020	0
MGS 03/22	2.155	3	2.156	27/05/2020	0
MGS 08/22	2.224	50	2.249	27/05/2020	-2
MGS 09/22	2.227	70	2.243	22/05/2020	-2
MGS 03/23	2.279	190	2.280	27/05/2020	0
MGS 04/23	2.326	21	2.327	22/05/2020	0
MGS 08/23	2.344	8	2.299	27/05/2020	4
MGS 06/24	2.438	390	2.451	27/05/2020	-1
MGS 07/24	2.466	6	2.480	27/05/2020	-1
MGS 09/24	2.465	86	2.469	27/05/2020	0
MGS 09/25	2.466	131	2.475	27/05/2020	-1
MGS 04/26	2.607	7	2.635	27/05/2020	-3
MGS 07/26	2.642	123	2.655	27/05/2020	-1
MGS 11/26	2.659	31	2.612	27/05/2020	5
MGS 03/27	2.665	34	2.770	18/05/2020	-11
MGS 05/27	2.644	446	2.647	27/05/2020	0
MGS 11/27	2.720	11	2.732	27/05/2020	-1
MGS 06/28	2.850	39	2.851	27/05/2020	0
MGS 08/29	2.806	542	2.824	27/05/2020	-2
MGS 04/30	2.935	12	2.937	27/05/2020	0
MGS 06/31	3.054	40	3.056	27/05/2020	0
MGS 04/33	3.240	33	3.223	27/05/2020	2
MGS 07/34	3.164	4	3.175	27/05/2020	-1
MGS 05/35	3.418	2	3.331	27/05/2020	9
MGS 04/37	3.443	3	3.444	27/05/2020	0
MGS 05/40	3.418	10	3.444	27/05/2020	-3
MGS 09/43	3.830	2	3.739	27/05/2020	-
MGS 07/48	3.801	60	3.803	27/05/2020	0
GII 07/22	2.030	70	2.051	18/05/2020	-2
GII 07/27	2.041	120	2.044	27/05/2020	0
GII 08/25	2.201	10	2.251	27/05/2020	-5
GII 07/29	2.227	75	2.240	19/05/2020	-1
GII 09/27	2.266	30	2.263	27/05/2020	0
GII 08/20	1.964	5	2.316	22/05/2020	-35
GII 10/30	2.567	15	2.606	21/05/2020	-4
GII 09/30	2.655	41	2.674	22/05/2020	-2
GII 09/26	2.654	50	2.705	27/05/2020	-5
GII 04/22	2.736	20	2.737	22/05/2020	0
GII 03/26	2.695	71	2.741	27/05/2020	-5
GII 04/21	2.696	115	2.729	27/05/2020	-3
GII 11/22	2.927	230	2.928	22/05/2020	0
GII 06/27	2.930	10	2.938	22/05/2020	-1
GII 05/23	2.724	139	2.763	27/05/2020	-4
		<u>3918</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*
GovCo Holdings Berhad	02/21	GG	2.207	40	2.220	21/05/2020	-1	14
Bank Pembangunan Malaysia Berhad	09/21	GG	2.259	75	2.749	09/03/2020	-49	20
Johor Corporation	06/22	GG	2.381	90	2.766	17/04/2020	-39	20
Prasarana Malaysia Berhad	09/22	GG	2.452	135	2.712	17/04/2020	-26	27
Lembaga Pembiayaan Perumahan Sektor Awam	04/26	GG	2.901	15	2.828	30/04/2020	7	29
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	2.901	5	2.888	27/05/2020	1	29
Lembaga Pembiayaan Perumahan Sektor Awam	04/28	GG	3.041	20	3.302	07/02/2020	-26	29
DanaInfra Nasional Berhad	02/29	GG	3.100	60	3.127	21/05/2020	-3	31
Lembaga Pembiayaan Perumahan Sektor Awam	04/29	GG	3.087	30	3.207	11/02/2020	-12	29
DanaInfra Nasional Berhad	09/29	GG	3.131	60	3.168	14/05/2020	-4	34
Lembaga Pembiayaan Perumahan Sektor Awam	09/36	GG	3.460	10	3.430	05/05/2020	3	27
DanaInfra Nasional Berhad	02/39	GG	3.609	10	3.614	24/04/2020	0	18
DanaInfra Nasional Berhad	04/39	GG	3.599	5	3.710	20/04/2020	-11	17
Prasarana Malaysia Berhad	03/40	GG	3.639	20	3.713	04/05/2020	-7	21
DanaInfra Nasional Berhad	05/40	GG	3.670	5	-	-	-	24
Prasarana Malaysia Berhad	02/50	GG	3.990	20	4.040	27/05/2020	-5	56
Rantau Abang Capital Berhad	12/20	AAA	2.497	5	3.003	14/04/2020	-51	43
Aman Sukuk Berhad	02/23	AAA	2.874	10	4.242	17/01/2019	-137	60
Projek Lebuhraya Usahasama Berhad	01/24	AAA	3.006	30	3.008	20/05/2020	0	59
Aman Sukuk Berhad	04/24	AAA	2.897	40	3.207	15/04/2020	-31	49
Projek Lebuhraya Usahasama Berhad	01/26	AAA	3.108	30	3.889	23/03/2020	-78	50
Sarawak Energy Berhad	06/26	AAA	2.999	10	3.009	27/05/2020	-1	39
Sarawak Energy Berhad	04/36	AAA	3.604	10	3.653	28/04/2020	-5	41
Tenaga Nasional Berhad	08/38	AAA	3.724	10	3.729	14/05/2020	0	29
YTL Power International Berhad	08/23	AA1	3.256	20	3.258	22/05/2020	0	98
YTL Power International Berhad	10/24	AA1	3.337	20	3.361	14/05/2020	-2	93
YTL Power International Berhad	05/27	AA1	3.550	10	3.516	27/05/2020	3	91
Sime Darby Plantation Sdn Bhd	03/16	AA	3.494	10	3.467	28/02/2020	3	6
Perbadanan Kemajuan Negeri Selangor	05/21	AA3	3.400	20	-	-	-	134
Jimah Energy Ventures Sdn Berhad	05/23	AA3	3.335	2	3.894	28/08/2019	-56	106
Perbadanan Kemajuan Negeri Selangor	05/23	AA3	3.550	15	-	-	-	128
AmBank Islamic Berhad	12/26	AA3	4.169	1	3.629	12/09/2019	54	153
Edra Energy Sdn Berhad	01/29	AA3	3.839	1	4.489	24/03/2020	-65	104
Malayan Banking Berhad	02/17	AA3	3.613	10	4.253	26/03/2020	-64	18
Penang Port Sdn Berhad	12/29	AA-	3.659	20	3.699	13/05/2020	-4	85
Affin Bank Berhad	02/27	A1	4.505	1	4.013	05/05/2020	49	187
Quantum Solar Park (Semenanjung) Sdn Berhad	04/29	A+	4.839	2	5.377	31/10/2019	-54	204
CIMB Group Holdings Berhad	05/16	A1	3.375	2	4.367	21/05/2020	-99	-6
UNW Holdings Berhad	04/18	A1	4.736	1	4.743	21/05/2020	-1	130
IJM Land Berhad	03/19	A2	4.872	1	4.635	08/05/2020	24	144
Bank Muamalat Malaysia Berhad	06/26	A3	4.072	2	4.081	21/05/2020	-1	146
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/31	A3	4.602	11	4.600	27/05/2020	0	179
Bank Muamalat Malaysia Berhad	11/21	A	3.826	2	3.852	18/05/2020	-3	176
YNH Property Berhad	08/19	-	6.958	1	6.501	22/05/2020	46	352
Eco World International Berhad	04/23	-	7.153	1	6.965	19/05/2020	19	488
Mah Sing Group Berhad	04/17	-	5.608	1	6.399	22/05/2020	-79	217
				899				

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

Market/Corporate News: What's Brewing

The Armed Forces Fund Board (LTAT) is considering taking its main investee company BOUSTEAD HOLDINGS BHD private at 80 sen per share, following the weak performance of the company's share prices recently. In a statement yesterday, LTAT said it is finalising the funding for the deal which required regulatory approvals. LTAT, which has RM9.5bil in assets under management, owns a 59% stake in Boustead. The share price in Boustead has been on a decline for years even before the coronavirus (Covid-19) crisis hit the global economy. On March 23, Boustead's share price fell to an all-time low of 35 sen in line with the overall weakness of the broader market. The conglomerate, which is in real estate, financial services, plantations and manufacturing businesses, saw its share price surge by almost 31% over the past five days to 63 sen. LTAT, however, cautioned that the potential privatisation may not go through as it is still working on the deal. "We wish to highlight that this notification does not amount to a firm intention that we will undertake the proposal. "Accordingly, there can be no certainty that we will proceed with the proposal," it said. "If we decide to proceed with the proposal, we expect to make an offer price of 80 sen per ordinary share in Boustead," LTAT said. The fund said it will make

subsequent announcements on any material development in relation to the proposed privatisation of Boustead in accordance with the rules on take-overs, mergers and compulsory acquisitions. Boustead is an umbrella holding company for LTAT, which controls several companies including Boustead Plantations Bhd, BOUSTEAD HEAVY INDUSTRIES CORP Bhd (BHIC), AFFIN HOLDINGS BHD and Pharmaniaga Bhd. In 2019, LTAT posted a lower net profit of RM91.7mil compared with RM221mil for the financial year 2018 (FY18). LTAT said its performance was affected due to zero dividends from two key subsidiary companies, namely Boustead Holdings Bhd and Affin Bank Bhd, compared with RM124.2mil in dividends received in FY18. Investments in Boustead and Affin constitute 47% of LTAT's total fund size. For the financial year ended Dec 31, 2019, Boustead posted RM1.28bil loss compared to a loss of RM554.3mil a year earlier due to kitchen-sinking exercise that involved RM1.3bil impairment and amortisation for its heavy industries, plantation and pharmaceutical divisions. Revenue for the period grew 1.45% to RM10.33bil from RM10.19bil in FY18 as higher contribution from the pharmaceutical segment more than offset weaker revenue from the plantation, heavy industries, property and trading segments. Boustead, which is one the key contributor to LTAT's income, did not declare any dividend for FY19. (Source: *The EdgeMarkets*)

BIMB Holdings Bhd's net profit rose 3.3% to RM209.24 million for the first quarter ended March 31, 2020 (1QFY20) from RM202.52 million a year ago, on the back of better performances from its two main subsidiaries, Bank Islam Malaysia Bhd and Syarikat Takaful Malaysia Keluarga Bhd. This resulted in higher earnings per share of 11.71 sen for 1QFY20 compared with 11.63 sen for 1QFY19. However, quarterly revenue was down 6% to RM1.24 billion from RM1.32 billion a year ago. In a bourse filing today, BIMB said Bank Islam's profit before zakat and tax for 1QFY20 increased by a marginal 0.8% year-on-year (y-o-y) to RM221.5 million on higher total net income. However, the bank saw its gross fund based income decline 1.8% y-o-y to RM14.3 million mainly due to a 25-basis-point (bps) cut in overnight policy rate (OPR) in May 2019 as well as in January and March this year on the back of a 9.5% y-o-y increase in net financing. The bank's total assets for 1QFY20 grew to RM65.5 billion, from RM63.3 billion in 1QFY19 on increased net financing. Customer deposit and investment accounts were up 3.1% y-o-y to RM55.5 billion. Total current and savings accounts and transactional investment accounts stood at 35.9% of total customer deposits and investment accounts. Meanwhile, Takaful Malaysia recorded a 5.3% y-o-y increase in net profit to RM101.59 million in 1QFY20 on lower expense reserves, which was in line with lower production of its medical products. Quarterly revenue was down by 0.56% y-o-y to RM913.04 million. On prospects, BIMB noted that the OPR rate cuts totalling 100bps in the first half of 2020 will put a squeeze on banks' net income margins and overall profitability. In addition, the six-month moratorium on financing repayment will result in a one-off provision in line with MFRS 9 to be absorbed by banks. On its part, Bank Islam has adopted value-based intermediation at the heart of its business model where it aligns its measures in accordance with Bank Negara Malaysia's guidelines — which place emphasis on protecting consumers' financial viability, sustaining real economy, focusing on affordable investing and continuing to support the front-line workers and underprivileged communities. As for Takaful Malaysia, the company will continue with its innovative strategies via the implementation of its digital strategy, the introduction of online solutions, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and brand awareness initiatives. "Takaful Malaysia is prepared for a very different market and operating landscape post-MCO (Movement Control Order) period as

concerns over job security remain heightened, and consumers will be more cautious about their spending. It is expected that economic activities will take some time to recover," it said.. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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