

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries bull-flattened on strong risk-off bids as the resurgence of COVID-19 infections prompted authorities to impose some curbs on economic activities, especially in Texas and Florida. Overall benchmark yields ended between 2-6bps lower with the UST 2Y declining 2bps at 0.17% and the much-watched UST 10Y rallying at 0.64% levels. Meanwhile the wide rift between the amount of US government debt and the proposed scale-back on purchases by the Fed is expected to be watched closely. Expect some quarter-end flows to keep the bond market supported whilst traders focus on the upcoming ISM data and also minutes of the recent Fed's meeting come Wednesday.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	-2
5-yr UST	0.30	-3
10-yr UST	0.64	-4
30-yr UST	1.37	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.27	0	2.33	0
5-yr	2.50	0	2.51	0
7-yr	2.72	0	2.76	0
10-yr	2.88	1	2.88	0
15-yr	3.33	0	3.41	-25
20-yr	3.62	4	3.68	0
30-yr	4.04	2	4.05	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.12	-1
3-yr	2.12	-3
5-yr	2.35	-1
7-yr	2.55	1
10-yr	2.72	0

Source : Bloomberg

#### Upcoming Government Bond Tender

Re-opening of RM3.5b+ RM2.0b (Private placement) of 20Y GII 9/39 on Monday, 29<sup>th</sup> June 2020

##### MGS/GII

- Local govies lacked momentum and direction in a relatively quiet session last Friday amid secondary market volume of RM3.97b. Overall benchmark MGS/GII yields closed mostly unchanged-to-higher i.e between 0-4bps, save for the 15Y. Trades were mainly centred in the off-the-run 20-21's, 27's and also 7Y, 10Y benchmark MGS/GII bonds. The benchmark 5Y MGS 9/25 closed within 1bps lower at 2.50% whilst the 10Y MGS 8/29 edged 1bps higher at 2.88%. GII bond trades rose to form ~37% of overall trades. Meanwhile S&P Global Ratings joined Fitch Ratings in lowering the nation's outlook to negative from stable whilst affirming its long-term foreign currency rating at A-. Concerns remained over the nation's debt level which could surpass the current statutory limit of 55% of GDP this year. Expect investors to focus on the upcoming auction involving the reopening of the 20Y GII today.

##### Corp Bonds/Sukuk

- Investor interest eased last Friday as secondary market volume dropped to RM368m with interest mainly across the GG and AA-segment; as overall yields closed mostly mixed-to-lower. Govt-guaranteed DANA 11/30 and 4/33 rose between 13-24bps higher compared to previous-done levels at 317% and 3.44% respectively whilst the longer-end LPPSA 38-39 saw different fortunes whilst closing between 3.80-82% area. AAA-rated DANGA 9/27 however declined 4bps at 3.22%. AA-rated WCT 1/25 and 4/26 closed between 1-46bps lower at 4.09 and 4.25% each whilst CELCOM 8/27 edged 2bps lower at 3.40%. CIMB Group Holdings 2116NC24 traded again but moved 1bps up at 3.89% whereas Hong Financial Group 9/20 closed sharply lower on yields at 2.75%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/20	2.010	31	2.022	25/06/2020	-1
MGS 10/20	1.999	409	1.991	25/06/2020	1
MGS 02/21	1.981	73	2.000	25/06/2020	-2
MGS 07/21	2.061	564	2.038	25/06/2020	2
MGS 09/21	2.051	1	2.043	25/06/2020	1
MGS 03/22	2.157	51	2.147	25/06/2020	1
MGS 08/22	2.236	85	2.228	25/06/2020	1
MGS 09/22	2.228	287	2.240	24/06/2020	-1
MGS 03/23	2.274	112	2.271	25/06/2020	0
MGS 04/23	2.311	4	2.316	25/06/2020	0
MGS 08/23	2.350	80	2.368	25/06/2020	-2
MGS 06/24	2.446	56	2.451	25/06/2020	0
MGS 09/24	2.463	90	2.491	24/06/2020	-3
MGS 09/25	2.502	376	2.501	25/06/2020	0
MGS 04/26	2.667	10	2.703	25/06/2020	-4
MGS 07/26	2.691	71	2.692	25/06/2020	0
MGS 11/27	2.847	4	2.859	25/06/2020	-1
MGS 06/28	2.918	1	2.918	25/06/2020	0
MGS 08/29	2.877	130	2.864	25/06/2020	1
MGS 04/33	3.331	11	3.327	25/06/2020	0
MGS 11/33	3.377	25	3.334	25/06/2020	4
MGS 05/35	3.508	1	3.538	24/06/2020	-3
MGS 04/37	3.526	1	3.589	25/06/2020	-6
MGS 03/46	4.014	1	3.985	25/06/2020	3
MGS 06/50	4.036	34	4.013	22/06/2020	2
GII 08/20	2.047	3	2.003	25/06/2020	4
GII 11/20	2.039	10	1.989	25/06/2020	5
GII 03/21	2.050	20	2.032	19/06/2020	2
GII 04/22	2.177	31	2.201	23/06/2020	-2
GII 07/22	2.199	100	2.236	19/06/2020	-4
GII 11/22	2.250	40	2.290	16/06/2020	-4
GII 05/23	2.333	105	2.330	25/06/2020	0
GII 07/23	2.374	48	2.328	24/06/2020	5
GII 11/23	2.386	50	2.412	24/06/2020	-3
GII 10/24	2.505	30	2.508	25/06/2020	0
GII 08/25	2.547	10	2.568	25/06/2020	-2
GII 10/25	2.566	10	2.587	25/06/2020	-2
GII 03/26	2.623	50	2.651	25/06/2020	-3
GII 09/26	2.693	110	2.707	25/06/2020	-1
GII 09/27	2.756	420	2.756	25/06/2020	0
GII 10/28	2.939	120	2.926	25/06/2020	1
GII 07/29	3.012	205	2.991	25/06/2020	2
GII 09/30	3.034	30	2.992	24/06/2020	4
GII 10/30	2.880	23	2.883	24/06/2020	0
GII 11/34	3.412	40	3.408	25/06/2020	0
GII 10/35	3.590	10	3.639	23/06/2020	-5
		<u>3970</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.793	10	2.803	24/06/2020	-1	35
Prasarana Malaysia Berhad	03/30	GG	3.210	10	3.131	29/05/2020	8	33
Jambatan Kedua Sdn Berhad	05/30	GG	3.219	10	3.751	07/11/2019	-53	34
DanaInfra Nasional Berhad	11/30	GG	3.169	20	3.039	02/03/2020	13	29
DanaInfra Nasional Berhad	04/33	GG	3.440	20	3.200	12/03/2020	24	11
Lembaga Pembiayaan Perumahan Sektor Awam	10/38	GG	3.800	30	3.679	15/06/2020	12	19
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	3.820	20	4.199	19/03/2020	-38	21
Danga Capital Berhad	09/27	AAA	3.219	20	3.254	23/06/2020	-4	50
Sarawak Energy Berhad	06/35	AAA	3.681	30	3.650	16/06/2020	3	35
Hong Leong Financial Group Berhad	09/20	AA1	2.749	10	3.443	24/09/2019	-69	70
Krung Thai Bank Public Company Limited	07/25	AA2	5.216	0	3.490	20/04/2020	173	271
Bumitama Agri Ltd	07/24	AA3	3.367	20	3.694	22/01/2020	-33	92
Celcom Networks Sdn Berhad	08/27	AA+	3.396	30	3.421	23/06/2020	-2	67
Westports Malaysia Sdn Berhad	10/27	AA+	3.397	10	3.491	22/06/2020	-9	67
UEM Sunrise Berhad	06/23	AA-	3.901	10	-	-	-	164
WCT Holdings Berhad	01/25	AA-	4.087	20	4.549	06/05/2020	-46	159
WCT Holdings Berhad	04/26	AA-	4.252	20	4.263	09/06/2020	-1	160
MMC Corporation Berhad	04/27	AA-	4.288	2	5.003	01/04/2020	-72	156
Quantum Solar Park (Semenanjung) Sdn Berhad	10/28	A+	4.798	10	5.440	13/04/2020	-64	197
Quantum Solar Park (Semenanjung) Sdn Berhad	04/29	A+	4.852	10	4.839	28/05/2020	1	198
Quantum Solar Park (Semenanjung) Sdn Berhad	10/30	A+	5.011	10	5.528	11/12/2019	-52	213
Quantum Solar Park (Semenanjung) Sdn Berhad	04/31	A+	5.049	10	5.059	23/06/2020	-1	217
CIMB Group Holdings Berhad	05/16	A1	3.888	20	3.878	25/06/2020	1	28
CIMB Group Holdings Berhad	05/16	A1	4.389	1	3.935	25/06/2020	45	78
UMW Holdings Berhad	04/18	A1	4.905	1	4.067	22/06/2020	84	129
MBSB Bank Berhad (fka Asian Finance Bank Berh	12/29	A3	3.919	3	4.001	23/06/2020	-8	105
Eco World International Berhad	04/23	-	5.446	3	5.876	22/06/2020	-43	319
Eco World International Berhad	04/23	-	6.265	1	5.623	23/06/2020	64	400
Tropicana Corporation Berhad	06/23	-	5.140	7	-	-	-	288
Tropicana Corporation Berhad	06/25	-	5.550	1	-	-	-	305
Mah Sing Group Berhad	04/17	-	4.944	1	5.035	25/06/2020	-9	133
Tropicana Corporation Berhad	09/19	-	6.091	1	6.142	25/06/2020	-5	248
				<u>368</u>				

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

## Market/Corporate News: What's Brewing

**Several megaprojects that do not require additional funding will be continued to provide economic opportunities as the government seeks to boost the country's economy following Covid-19, Prime Minister Tan Sri Muhyiddin Yassin said.**

Although enormous expenses had been being spent to deal with problems caused by Covid-19, he said another strategy to provide other economic opportunities is by continuing megaprojects that had already been decided. "For example, the East Coast Rail Link (ECRL) project involves an expenditure of RM40 billion, while other projects that were previously approved and did not require additional expenditure were not stopped — instead they will be continued. "These include the projects that we have decided, namely the Kuala Lumpur-Singapore high-speed rail (HSR) project, which will stop at various stations, including the Pagoh Education Hub," he said in a dialogue during a meeting with community leaders of the Pagoh parliamentary constituency here today. Muhyiddin, who is also the Member of Parliament for Pagoh, said upon reviewing the HSR project, as the prime minister under the new administration, he found that there is a need to proceed with it but details of the project are still being worked out by the governments of the two countries. At the same time, he welcomed the involvement of the private sector in the project as it could assist the government in reducing its burden in implementing the HSR project. Last month, the Malaysian and Singapore governments mutually agreed to extend the deferment of the 350km HSR project to Dec 31 from May 31. In a statement, Senior Minister cum International Trade and Industry Minister Datuk Seri Mohamed Azmin Ali said the two countries had agreed to resume discussions that would encompass some of the proposed changes in the commercial and technical aspects of the project. (Source: *The Edgemarkets*)

**As the overcrowded e-wallet market steps closer towards consolidation, players in this segment are positioning to stay ahead and deepen their presence in the digital payment space.** The top-three players currently in the e-wallet business are Touch 'n Go eWallet, Boost and GrabPay, while others are also vying for a stake in this

fast-growing cashless arena. The way forward for the providers of such services, according to analysts, is to merge, adding that consolidation is the name of the game in the e-wallet space. “Only the strong will survive, while the smaller ones will need to merge or be acquired,” one analyst noted. On its survival in the consolidation move, TNG Digital Sdn Bhd CEO Ignatius Ong told StarBiz that consolidation was inevitable for e-wallet players. “Touch ‘n Go eWallet is a strong contender in the fintech space, as we are currently the nation’s number one choice among the e-wallet players in Malaysia. “We will continue to evolve and align with the needs of the consumers. For a big player like Touch ‘n Go eWallet, our next step is to provide offerings that are not only more inclusive, but also able to accommodate the speed of change for implementing new solutions at scale such as the introduction of a financial suite of services. “As the most used e-wallet in the country, Touch ‘n Go eWallet plays a vital role in transforming the nation towards a cashless future. There will be a natural attrition, but we will continue to be here, leaping forward to drive Malaysia into a cashless nation,” he said. TNG Digital is the operator of Touch ‘n Go eWallet. As for the number and growth of its e-wallet business, Ong noted that it had a network of 10.8 million users and counting, mapped to its 180,000 acceptance points across multiple sectors across online and offline merchants. These include SMEs, food and beverage, groceries, utilities, and more. With a robust pipeline of new features set to launch and change the way how financial services are consumed through the Touch ‘n Go eWallet, he said the company foresees an incremental user growth of about 30% by year-end. Boost is another dominant player in the e-wallet market with 170,000 merchants and 7.5 million users. Its CEO Mohd Khairil Abdullah said the growing awareness and leaps in e-wallet usage over the past three months was encouraging and had contributed to a more robust e-wallet landscape. Boost e-wallet is the brand name of the cashless payment platform developed by Axiata Digital Ecode, a subsidiary of Axiata Digital Services (ADS). ADS is in turn a subsidiary of Axiata Group Bhd. “We have a view that within the next three years or so, there will be consolidation and we will see three, or at most five main e-wallet players remaining with a couple of closed-loop niche e-wallet players. “One of the areas we are looking to expand into is digital financial services. We have a vested interest to ensure Malaysians, especially the under-served, have equal opportunity and access to financial systems and services by leveraging on Boost as a tool for economic empowerment,” he said. Khairil said the new features that would be rolled out would strive to aid in narrowing the digital and financial inclusion gap faced by consumers and businesses, towards a trajectory that gives everyone a strong case to participate in the digital economy. To beef up its digital financial services business regionally, Great Eastern and ADS last Thursday announced a strategic investment deal where the insurer would buy a 21.8% stake in Boost Holdings Bhd. Boost Holdings is a new company that would be created from the investment of Great Eastern. Khairil stressed that as a homegrown company, the e-wallet player was not “technology-locked” by third parties and this paved the way for faster innovation. Meanwhile, Boston Consulting Group partner Diego de Sartiges, who is also an expert in financial services and digital banking, told StarBiz that more than 40 e-payment licences have been issued in the country, which makes it one of the most crowded markets worldwide in the digital payments space, if not the most. He attributed this partly to local regulations which make it easy for consumers to get access to e-wallets. At the same time, he said the market is also at a stage where there was ample funding to build new e-wallets which are attached to incentives. This, he added, has made it appealing for customers to try out new platforms for payments. “One interesting thing in Malaysia specifically, is that the government is pushing for a cashless agenda. In the budget 2020 announcement, the government proposed a digital stimulus to accelerate the adoption of e-wallets, providing all eligible Malaysians a one-off RM30 incentive to spend via selected service providers Boost, GrabPay, and Touch ‘n Go eWallet. “What’s interesting here is that they selected only three e-wallet providers for this initiative, which could mean that they are trying to push for consolidation in this space. At the very least, this is the first step towards consolidation,” de Sartiges noted. Another interesting trend in Malaysia, he said, was the introduction of the digital banking

licensing framework, opening the way for non-traditional providers such as e-wallets to make inroads into the industry and compete directly with traditional banks. Bank Negara is expected to issue up to five digital banking licences after the end of the consultation period for its exposure draft on the Licensing Framework for Digital Banks on June 30 this year. Some of the e-wallet players like Boost, Grab, TNG Digital are also vying for a digital banking licence. He said there would be digital banks which would probably integrate their e-wallets with their overall banking proposition to fortify their offerings. "This is going to change the game in the digital payments space, and it's going to get a lot more difficult for the other e-wallets that don't have integrated banking services to compete on that level. "With all these factors at play, in addition to the current landscape where wallets' investors are being more cautious about the need to monetise more quickly, the smaller contenders in Malaysia will either need to sell to a bigger provider eventually or just disappear," he said. He expects some of the funding for under-performing e-wallets to dry out, which he describes as a worldwide trend. "Investors will look at monetisation and all those loss-making wallets will see funding cuts. This means less incentives, leading to less customers, and less adoption, and eventually those e-wallets will be unable to survive," de Sartiges said. To a question on the need for regulation of e-wallets, he said regulation at the moment was fairly relaxed, as e-wallets were limited in the amount they could hold. "It all depends on how the digital payments landscape evolves – if customers start seeing e-wallets as a replacement for bank accounts, if they want to be able to hold a larger amount on the e-wallet, or have a higher daily transfer limit, then there will be more risk involved, such as money laundering risk or cybersecurity risk. "If that is the case, then it will need to be more regulated. If that happens, this will actually lead to an impact on the customer experience. "Some of the key value propositions of e-wallets are easy onboarding, accessibility to most consumers and driving financial inclusion. If regulation starts to become more stringent, for example, registering with an ID, minimum deposit amount etc, this will actually impact the overall adoption of e-wallets," de Sartiges noted.. (Source: The Edgemarkets)

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

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.