

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries witnessed a relatively quiet trading session on Monday as the curve ended slightly steeper whilst ignoring May's pending home sales which more than doubled estimates at ~44%. Overall benchmark yields ended between 2-3bps lower save for the long bond with both the UST 2Y and the much-watched UST 10Y declining 2bps at 0.15% and 0.62% respectively. Meanwhile the growing cases of Covid-19 and the implications of a weaker global economic climate have maintained appetite for sovereign debt whilst keeping yields anchored at low levels. The IG credit issuance slate is expected to be in the region of \$15b in what is deemed to be a quiet; holiday-shortened week. Expect quarter-end flows to keep the bond market supported whilst traders focus on the upcoming ISM data tomorrow along with Fed Chair Powell's testimony before the House Financial Services Committee tonight.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	-2
5-yr UST	0.27	-3
10-yr UST	0.62	-2
30-yr UST	1.37	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.27	0	2.33	0
5-yr	2.48	-2	2.51	0
7-yr	2.74	2	2.76	0
10-yr	2.90	2	2.88	0
15-yr	3.33	0	3.42	1
20-yr	3.62	0	3.78	10
30-yr	3.94	-10	4.05	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	2.11	-2
3-yr	2.12	-1
5-yr	2.32	-3
7-yr	2.55	0
10-yr	2.72	0

Source : Bloomberg

##### MGS/GII

- Local govies experienced another relatively uneventful session yesterday amid a drop in secondary market volume to RM1.98b with the only highlight being the auction reopening of 20Y GII. Overall benchmark MGS/GII yields closed mostly either unchanged with the belly ending within a mere -2 to +2bps (save for the long-end MGS/GII). Trades were mainly centred in the off-the-run 20's 23's and also 5Y benchmark MGS bonds. The benchmark 5Y MGS 9/25 declined 2bps at 2.48% whilst the 10Y MGS 8/29 rose 2bps instead at 2.90%. GII bond trades eased to form ~30% of overall trades. The 20Y GII auction saw average bidding metrics at 2.055x and awarded at 3.761%. Investors were still seen digesting both S&P Global Ratings and Fitch Ratings which lowered the nation's outlook to negative from stable whilst affirming its long-term foreign currency rating at A-. Expect some attention to divert to the upcoming June PMI data tomorrow.

##### Corp Bonds/Sukuk

- Investor interest maintained on Monday as secondary market volume rose to RM554m with interest mainly across the AAA-segment followed by both the GG and AA-segment; as overall yields closed mostly mixed. Govt-guaranteed DANA 28-29's closed between 0-5bps higher compared to previous-done levels at 3.14-3.20% levels. AAA-rated TELEKOM dominated that segment with the 2020-2021 tranches having ended 2-7bps lower at 2.58-67% area whilst the 2023 tranches edged 1bps lower at 2.88%. The 2024 tranches however closed unchanged between 3.00-3.02%. AA-rated KESAS 10/21 closed sharply lower on yields at 3.00%. The banking space saw PUBLIC Bank 28NC24 close 4bps lower at 3.38%.

#### 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 07/20	2.033	217	2.010	26/06/2020	2
MGS 10/20	2.028	164	1.999	26/06/2020	3
MGS 07/21	2.037	16	2.061	26/06/2020	-2
MGS 11/21	2.064	2	2.058	26/06/2020	1
MGS 03/22	2.136	1	2.157	26/06/2020	-2
MGS 03/23	2.273	279	2.274	26/06/2020	0
MGS 04/23	2.314	5	2.311	26/06/2020	0
MGS 08/23	2.353	70	2.350	26/06/2020	0
MGS 06/24	2.437	104	2.446	26/06/2020	-1
MGS 03/25	2.546	1	2.547	26/06/2020	0
MGS 09/25	2.478	237	2.502	26/06/2020	-2
MGS 07/26	2.700	8	2.691	26/06/2020	1
MGS 11/26	2.708	8	2.704	26/06/2020	0
MGS 05/27	2.735	32	2.720	25/06/2020	1
MGS 11/27	2.833	17	2.847	26/06/2020	-1
MGS 06/28	2.924	6	2.918	26/06/2020	1
MGS 08/29	2.899	9	2.877	26/06/2020	2
MGS 04/30	3.069	17	3.000	26/06/2020	7
MGS 06/31	3.200	66	3.139	25/06/2020	6
MGS 04/33	3.345	9	3.331	26/06/2020	1
MGS 11/33	3.364	1	3.377	26/06/2020	-1
MGS 07/34	3.327	31	3.329	25/06/2020	0
MGS 05/35	3.517	2	3.508	26/06/2020	1
MGS 04/37	3.567	1	3.526	26/06/2020	4
MGS 03/46	4.014	2	4.014	26/06/2020	0
MGS 06/50	3.936	74	4.036	26/06/2020	-10
GII 04/22	2.199	1	2.177	26/06/2020	2
GII 11/22	2.249	20	2.250	26/06/2020	0
GII 05/23	2.329	30	2.333	26/06/2020	0
GII 07/23	2.367	6	2.374	26/06/2020	-1
GII 11/23	2.398	90	2.386	26/06/2020	1
GII 03/26	2.632	80	2.623	26/06/2020	1
GII 06/33	3.358	1	3.472	23/06/2020	-11
GII 11/34	3.424	1	3.412	26/06/2020	1
GII 10/35	3.582	3	3.590	26/06/2020	-1
GII 09/39	3.780	370	3.678	22/06/2020	10
		<u>1980</u>			

## Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing	Vol	Previous	Previous	Chg	Spread	
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)	Against MGS*	
Khazanah Nasional Berhad	09/22	GG	2.448	50	2.409	16/06/2020	4	26
DanaInfra Nasional Berhad	07/27	GG	3.010	5	3.001	24/06/2020	1	28
Prasarana Malaysia Berhad	12/27	GG	3.031	10	3.759	24/06/2019	-73	19
DanaInfra Nasional Berhad	10/28	GG	3.144	20	3.098	01/06/2020	5	30
DanaInfra Nasional Berhad	04/29	GG	3.201	25	3.200	25/06/2020	0	33
Telekom Malaysia Berhad	12/20	AAA	2.581	20	2.655	23/06/2020	-7	53
Telekom Malaysia Berhad	06/21	AAA	2.644	20	2.669	23/06/2020	-2	59
Telekom Malaysia Berhad	09/21	AAA	2.670	5	2.694	23/06/2020	-2	62
Aman Sukuk Berhad	03/23	AAA	2.902	25	3.397	09/01/2020	-50	63
Telekom Malaysia Berhad	04/23	AAA	2.880	20	2.889	18/06/2020	-1	61
Telekom Malaysia Berhad	06/23	AAA	2.879	5	2.889	19/06/2020	-1	61
Aman Sukuk Berhad	04/24	AAA	2.976	60	3.039	16/06/2020	-6	54
Telekom Malaysia Berhad	10/24	AAA	3.000	25	3.000	25/06/2020	0	56
Telekom Malaysia Berhad	12/24	AAA	3.018	5	3.020	25/06/2020	0	58
Sarawak Energy Berhad	08/25	AAA	3.009	10	2.949	22/05/2020	6	52
Telekom Malaysia Berhad	11/25	AAA	3.070	10	3.048	16/06/2020	2	58
Tenaga Nasional Berhad	08/33	AAA	3.510	10	3.501	18/06/2020	1	18
Encorp Systembilt Sdn Berhad	11/21	AA1	2.861	3	2.866	23/06/2020	0	81
Public Bank Berhad	07/29	AA1	3.381	40	3.423	04/05/2020	-4	51
Kesas Sdn Berhad	10/21	AA2	2.997	10	3.517	31/10/2019	-52	94
BGSM Management Sdn Berhad	12/20	AA3	2.739	35	2.736	15/06/2020	0	69
Exsim Capital Resources Berhad	01/22	AA3	3.467	6	3.474	22/06/2020	-1	128
Southern Power Generation Sdn Berhad	04/32	AA-	3.958	1	3.959	18/06/2020	0	107
CIMB Group Holdings Berhad	05/16	A1	3.860	21	4.389	26/06/2020	-53	23
Tropicana Corporation Berhad	06/23	A+	4.956	82	5.140	26/06/2020	-18	269
Tropicana Corporation Berhad	06/25	A+	5.305	33	5.550	26/06/2020	-25	281
				<u>554</u>				

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

### Market/Corporate News: What's Brewing

**MNRB Holdings Bhd reported a 27.1% jump in net profit to RM132.66 million for the financial year ended March 31, 2020 (FY20) due to improved business performance.** Revenue grew to RM2.56 billion from RM2.40 billion in the previous year. President and group chief executive officer Mohd Din Merican said its improved results were attributable to the robust performances of its operating subsidiaries, namely Malaysian Reinsurance Bhd (Malaysian Re), Takaful Ikhlas Family Bhd (Takaful IKHLAS Family) and Takaful Ikhlas General Bhd (Takaful IKHLAS General). "FY20 saw Malaysian Re posting its highest net profit in five years. This was achieved despite operating in a challenging business environment in which Malaysian Re was affected by a series of large domestic fire losses and lower investment income," he said in a statement today. On the investment side, MNRB's group net investment income increased 3.8% to RM360.7 million in FY20 from RM347.5 million previously, while its total assets stood at RM9.2 billion compared to RM8.7 billion in the previous financial year. "The group's investment income improved throughout the financial year, mainly due to the fair value gains in corporate and government bonds/sukuk. "However, in the final quarter of the financial year, the group's investment income was adversely affected by the volatility in the financial markets," he said. As for its subsidiary performance, Takaful IKHLAS recorded higher net investment income of RM261.4 million against FY19's RM250.6 million. Malaysian Re on the other hand, recorded lower net investment income of RM99.8 million in FY20 against the RM113.2 million previously due to a significant deterioration in the market value of equities. "As we continue to operate our business under uncertain circumstances, we remain cautiously optimistic about establishing long-term growth for the group as a whole," said Mohd Din. MNRB is one of strategic companies under the portfolio of Malaysia's sovereign wealth fund Permodalan Nasional Bhd. (Source: *The Edgemarkets*)

**Real estate player IGB Bhd is expecting the remainder of 2020 to continue to be challenging, as its portfolio of businesses continues to grapple with the impact from the Covid-19 pandemic.** In a statement today, it said aside from the global pandemic, the company also faces other global economic uncertainties, including the continued United States-China trade tensions, the knock-on effects from Brexit and ongoing geopolitical tensions in Asia. "We will push on, prioritising the health and safety of our communities as we continue to strengthen our business, creating sustained long-term values and enhancing returns to stakeholders," it said. It also stated that property investment and management in its commercial segment is expected to face a soft market due to the imbalanced supply-demand of commercial office spaces, increased competition as well as the economic downturn. "Despite the softer market, there were active leasing activities, especially within Mid Valley, while the retail segment in The Mall, Mid Valley Southkey in Johor is down due to overall decline in consumer spending, as well as oversupply of malls in Johor," it added. (Source: *The Edgemarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Leader Energy Sdn Bhd	Proposed ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah of up to RM260.0 million	AA-IS/Stable	Assigned

Source: RAM, MARC

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