

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries weakened a tad post FOMC announcement but managed to regain lost ground to close the day firmer. 10-year UST yields fell marginally to 0.58% while the 2-year also edged lower by just one basis point to 0.14%. The Fed kept interest rates unchanged at a record low of 0-0.25% as expected and refrained from offering further forward guidance. The grim assessment on the economic outlook however suggests the Fed stands ready to act in the months ahead. This should keep overall demand for UST supported. All eyes will now be on the the first reading of 2Q GDP tonight where markets is expecting a steep contraction of 34.5% QOQ. Initial jobless claims will also be closely watched for more clues on the labour market health after last week's spike.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	-1
5-yr UST	0.25	-1
10-yr UST	0.58	0
30-yr UST	1.24	2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.92	-5	1.99	-2
5-yr	2.12	0	2.04	-3
7-yr	2.28	-1	2.30	-1
10-yr	2.58	-2	2.58	-2
15-yr	2.96	0	3.03	-1
20-yr	3.16	-4	3.32	-1
30-yr	3.51	-2	3.66	-3

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	0
3-yr	1.87	0
5-yr	2.07	2
7-yr	2.33	0
10-yr	2.58	1

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of RM4.0b 7Y GII 9/27 on Thursday, 30th July 2020

MGS/GIII

- Local govovies gained traction yesterday with higher secondary market volume of RM6.0bn, an increase of ~15% from RM5.22b on Tuesday. Interest was mainly seen in the front end of the curve 20-22's as well as 3Y MGS 3/23 and 10Y MGS 8/29 benchies. Overall benchmark yields ended mostly lower between 1-5bps across the curve, with the biggest move (-5bps) seen in benchmark 3Y MGS 3/23. Benchmark 5Y MGS 9/25 inched up slightly by less than a bp to 2.12% while 10Y MGS 8/29 yields edged 2bps lower at 2.58%. GII bond trades remained robust with RM2.45bn dealt even though it formed a lower 41% (prior 49%) of overall trades. Expect attention to shift to the 7Y GII reopening today with a tender size of RM4.0bn, below our forecast of RM5.0bn. At its new issuance back in end-March, the sale attracted a robust bid-to-cover of 2.874x at an average yield of 3.422%.

Corp Bonds/Sukuk

- Interest in corporate bonds/ sukuk pulled back somewhat. Secondary market volume more than halved to RM418m (prior RM909m) but overall yields continued to gyrate lower. Investors continued to favour the GG-AA part of the curve. GG papers dominated, making up 53% of total volume transacted. DANAINFRA '29 to '46 garnered the most interests with RM185m changed hands at between 3.00-3.79% (down 3-32bps). PRIMA '07/25 made its debut at 2.38% with RM10m dealt while PRASA '02/30 saw RM25m changed hands at 2.79%. Banking names dominated in the AA-rated space. CIMB Group '05/16 saw RM40m done at 3.619% (-7bps).

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.699	791	1.751	28/07/2020	-5
MGS 02/21	1.740	17	1.700	28/07/2020	4
MGS 07/21	1.778	35	1.750	28/07/2020	3
MGS 09/21	1.753	146	1.779	27/07/2020	-3
MGS 11/21	1.778	304	1.798	28/07/2020	-2
MGS 03/22	1.829	359	1.847	28/07/2020	-2
MGS 08/22	1.872	100	1.875	27/07/2020	0
MGS 09/22	1.876	51	1.864	24/07/2020	1
MGS 03/23	1.914	334	1.969	28/07/2020	-6
MGS 04/23	1.954	69	2.005	28/07/2020	-5
MGS 08/23	2.000	20	2.021	27/07/2020	-2
MGS 07/24	2.054	4	2.041	28/07/2020	1
MGS 09/24	2.071	4	2.095	28/07/2020	-2
MGS 09/25	2.115	76	2.114	28/07/2020	0
MGS 04/26	2.169	1	2.209	28/07/2020	-4
MGS 07/26	2.219	51	2.223	27/07/2020	0
MGS 09/26	2.279	10	2.716	01/07/2020	-44
MGS 11/26	2.237	32	2.257	27/07/2020	-2
MGS 05/27	2.277	163	2.288	28/07/2020	-1
MGS 11/27	2.288	5	2.292	28/07/2020	0
MGS 06/28	2.396	120	2.412	28/07/2020	-2
MGS 09/28	2.484	180	2.640	20/07/2020	-16
MGS 08/29	2.575	397	2.598	28/07/2020	-2
MGS 04/30	2.619	90	2.623	28/07/2020	0
MGS 06/31	2.715	0	2.740	23/07/2020	-3
MGS 11/33	2.980	1	3.022	28/07/2020	-4
MGS 07/34	2.959	180	2.964	28/07/2020	0
MGS 04/37	3.274	5	3.271	28/07/2020	0
MGS 06/38	3.323	8	3.314	28/07/2020	1
MGS 05/40	3.158	2	3.195	28/07/2020	-4
MGS 03/46	3.695	1	3.698	27/07/2020	0
MGS 06/50	3.514	1	3.531	28/07/2020	-2
GII 08/20	1.766	440	1.792	28/07/2020	-3
GII 04/21	1.764	220	1.778	28/07/2020	-1
GII 08/21	1.800	85	1.900	08/07/2020	-10
GII 03/22	1.834	113	1.873	27/07/2020	-4
GII 05/23	1.985	69	2.004	28/07/2020	-2
GII 07/23	2.059	5	2.014	28/07/2020	5
GII 10/23	2.013	10	2.030	28/07/2020	-2
GII 10/24	2.044	50	2.072	28/07/2020	-3
GII 03/26	2.196	160	2.216	28/07/2020	-2
GII 07/27	2.352	10	2.384	28/07/2020	-3
GII 09/27	2.300	80	2.309	28/07/2020	-1
GII 08/28	2.526	100	2.580	28/07/2020	-5
GII 10/28	2.536	110	2.582	28/07/2020	-5
GII 07/29	2.632	260	2.664	28/07/2020	-3
GII 09/30	2.673	130	2.707	23/07/2020	-3
GII 10/30	2.584	117	2.601	28/07/2020	-2
GII 06/33	3.042	52	3.073	27/07/2020	-3
GII 11/34	3.033	100	3.042	28/07/2020	-1
GII 08/37	3.350	100	3.358	28/07/2020	-1
GII 09/39	3.316	218	3.326	28/07/2020	-1
GII 11/49	3.664	20	3.692	24/07/2020	-3
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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*
PRIMA Corporation Malaysia	07/25	GG	2.380	10	-	-	-	26
Danainfra Nasional Berhad	09/29	GG	2.794	10	2.999	08/07/2020	-21	28
Prasarana Malaysia Berhad	02/30	GG	2.790	25	3.629	18/03/2020	-84	20
Danainfra Nasional Berhad	11/30	GG	2.850	15	3.169	26/06/2020	-32	26
Danainfra Nasional Berhad	03/34	GG	3.200	40	3.328	29/05/2020	-13	23
Danainfra Nasional Berhad	11/34	GG	3.221	100	3.379	15/05/2020	-16	25
Danainfra Nasional Berhad	04/35	GG	3.220	5	3.249	24/07/2020	-3	25
Danainfra Nasional Berhad	05/46	GG	3.749	15	3.789	28/07/2020	-4	57
Telekom Malaysia Berhad	04/23	AAA	2.424	20	2.545	08/07/2020	-12	47
Genting RMTN Berhad	11/29	AAA	3.550	11	3.576	28/07/2020	-3	104
Danum Capital Berhad	02/35	AAA	3.364	20	3.451	17/07/2020	-9	39
Tenaga Nasional Berhad	08/38	AAA	3.586	3	3.665	17/07/2020	-8	40
Sabah Development Bank Berhad	01/22	AA1	2.723	16	3.700	12/11/2019	-98	94
YTL Power International Berhad	10/24	AA1	3.067	20	3.388	17/06/2020	-32	101
United Overseas Bank (Malaysia) Berhad	02/30	AA1	2.800	5	-	-	-	21
CIMB Bank Berhad	08/26	AA+	2.735	6	3.100	06/05/2020	-37	51
Al-Aqar Capital Sdn Berhad	05/23	AA2	3.167	10	-	-	317	121
Benih Restu Berhad	06/25	AA2	3.046	10	3.100	28/07/2020	-5	92
AmBank Islamic Berhad	10/28	AA3	2.986	10	3.281	04/06/2020	-30	56
Malakoff Power Berhad	12/20	AA-	2.577	6	2.577	22/07/2020	0	79
AZRB Capital Sdn Berhad	12/26	AA-	4.278	10	4.589	23/06/2020	-31	205
Affin Bank Berhad	02/27	A1	3.153	10	3.160	24/07/2020	-1	86
CIMB Group Holdings Berhad	05/16	A1	3.619	40	3.692	14/07/2020	-7	44
Alliance Bank Malaysia Berhad	10/25	A2	2.631	1	3.216	01/06/2020	-59	51
YNH Property Berhad	07/19	-	5.834	1	6.100	23/07/2020	-27	265
Eco World International Berhad	05/23	-	5.423	1	5.074	27/07/2020	35	-
				<u>418</u>				

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

Market/Corporate News: What's Brewing

The banking industry will provide a targeted moratorium extension and provision of repayment flexibility to those severely impacted by the fallout from the Covid-19 pandemic, Bank Negara said. The central bank issued the statement on Wednesday following Prime Minister Tan Sri Muhyiddin Yassin's announcement on measures to assist individuals and SMEs who continue to be affected by Covid-19. "Ahead of the blanket moratorium ending on Sept 30, 2020, Bank Negara has been working closely with banks to ensure that assistance continues to be provided to borrowers affected by Covid-19. "Banks stand ready to assist borrowers affected by Covid-19 with repayment plans and other arrangements appropriate to their specific circumstances," it said. Bank Negara said income and cash flow challenges remain for some, especially those who have lost their jobs or experienced a reduction in incomes. "In this regard, a targeted approach ensures that financial resources and attention are prioritised where it is needed the most," it said. In a statement, it said the flexibility would be for: (1) Individuals who have lost their jobs in 2020 and have yet to find a job will be offered an extension of the loan moratorium for a further three months by their bank; (2) Individuals who are still in employment but whose salaries have been affected due to COVID-19 will be offered a reduction in loan instalment in proportion to their salary reduction, depending on the type of financing. Banks will offer the flexibility for a period of at least six months. Banks will also consider extending the flexibility at the end of that period, bearing in mind the salary of the borrower at that time. For hire purchase financing, affected borrowers will be offered revised instalment schedules that are consistent with the Hire-Purchase Act 1967. In addition, banks have also committed to provide repayment flexibility to other individuals and all SME borrowers affected by COVID-19. The flexibility offered by each bank will take into account the specific circumstances of borrowers. This includes: (1) allowing borrowers to pay only the interest portion of

the loan over a period of time; (2) lengthening the overall period of the loan to reduce monthly instalments; or (3) providing other forms of flexibility until a borrower is in a more stable position to resume repayments in full. All other borrowers who have the means should start to repay as it will reduce their overall debt and borrowing cost. (Source: The Star Online)

The government has decided that only three sectors — construction, plantation and agriculture — will be allowed to employ foreign workers in future to cut the nation's reliance on foreign workers. Deputy Human Resources Minister Awang Hashim said other sectors that currently use foreign workers will be required to employ locals instead. "The government has previously announced its move to reduce our reliance on foreign workers. Currently, there are more than two million foreign workers registered with the Ministry of Human Resources," Awang said in Dewan Rakyat. "We have decided to only allow the three sectors to employ foreign workers [in future]," he added. Awang was responding to a question from Lubok Antu Member of Parliament (MP) Jugah Muiyang about initiatives taken by the government to reduce the number of foreign workers in Malaysia. It is understood that the hiring of foreign workers has been frozen until year end, with the government to consider allowing the construction, agriculture and plantation sectors to hire foreign workers next year. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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