

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.36	3
10-yr UST	0.82	5
30-yr UST	1.60	5

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.75	-1	1.79	-1
5-yr	2.00	-5	2.17	-4
7-yr	2.34	0	2.37	1
10-yr	2.62	-1	2.59	0
15-yr	3.10	-2	3.21	-6
20-yr	3.45	-3	3.53	-4
30-yr	3.85	6	4.04	-2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.83	0
3-yr	1.89	0
5-yr	2.07	-2
7-yr	2.25	-1
10-yr	2.50	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker last Friday as record-level COVID-19 cases and the uncertainty of the upcoming elections saw little support for bonds. Overall benchmark yields ended between 0-5bps higher from prior session's close as the curve steepened with the UST 2Y closing within 1bps higher at 0.15% and the much-watched UST 10Y spiking 5bps at 0.82%. Meanwhile the auction of \$53b 2Y UST auction saw weaker bidding metrics; i.e. BTCof 2.24x (previous 6 auction average: 2.49x) and awarded at a high yield of 0.6% (previous 6 auction average: 0.503%). Separately, the Fed bought \$8.3b of UST's for the week ended 30th Oct, resulting in total purchases of almost \$2.0 trillion since cutting rates to the effective lower bound in March this year. Expect attention to shift to the October manufacturing reports tonight followed by the run-up to the US elections beginning tomorrow.

MGS/GII

- Local govies were well-bid on Friday amid a higher secondary market volume of RM3.16b as overall benchmark yields ended the week mostly lower i.e. -6 to +1bps across the curve save for the long bond. The benchmark 5Y MGS 9/25 rallied pushing yields down another 5bps to a near historical low of 2.00% whilst the 10Y MGS 4/31 yields edged 1bps lower at 2.62%. Interest was seen in off-the-run 21-22's and also the benchmark 5Y GII. GII bond trades maintained to form 24% of overall trades. Investors surprisingly shrugged off the domestic political uncertainties on optimism that the government's upcoming presentation of the National Budget 2021 on the 6th of November will be passed in Parliament. Expect attention to also focus on the OPR decision by BNM tomorrow.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector saw strong investor appetite on Friday amid higher secondary market volume of RM555m with interest mainly seen across the GG-AA part of the curve as overall yields closed mostly mixed-to-lower in about 27 various bonds. Govt-guaranteed LPPSA 9/23 and DANA 11/24 closed 1-3 bps lower compared to previous-done levels at 2.03% and 2.15% respectively. AAA-rated SEB 27-28's ended 2-3bps lower between 2.73-89% levels whereas both the 7/29 and 6/35 tranches spiked 5bps each instead at 2.95% and 3.47%. The AA-space saw port-operator WESTPORT 27-28's notch 2 trades each; closing mixed on yields at 2.97% and 3.00% each. The banking space saw CIMB Group Holdings 27NC22 decline 20bps at 2.65%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 02/21	1.450	4	1.497	28/10/2020	-5
MGS 07/21	1.509	40	1.483	28/10/2020	3
MGS 09/21	1.538	156	1.500	28/10/2020	4
MGS 11/21	1.502	99	1.520	28/10/2020	-2
MGS 03/22	1.663	184	1.576	28/10/2020	9
MGS 08/22	1.651	30	1.637	28/10/2020	1
MGS 09/22	1.681	48	1.663	28/10/2020	2
MGS 03/23	1.745	125	1.756	28/10/2020	-1
MGS 04/23	1.768	122	1.809	27/10/2020	-4
MGS 08/23	1.769	20	1.817	27/10/2020	-5
MGS 06/24	1.908	51	1.913	28/10/2020	-1
MGS 07/24	1.929	6	1.941	26/10/2020	-1
MGS 09/24	1.935	54	1.912	28/10/2020	2
MGS 09/25	2.003	208	2.056	28/10/2020	-5
MGS 04/26	2.188	6	2.221	27/10/2020	-3
MGS 07/26	2.189	29	2.222	28/10/2020	-3
MGS 11/26	2.261	8	2.265	28/10/2020	0
MGS 05/27	2.339	97	2.335	28/10/2020	0
MGS 11/27	2.415	59	2.430	28/10/2020	-2
MGS 06/28	2.520	27	2.514	28/10/2020	1
MGS 09/28	2.627	1	2.537	08/10/2020	9
MGS 08/29	2.657	188	2.640	28/10/2020	2
MGS 04/30	2.736	74	2.745	28/10/2020	-1
MGS 04/31	2.618	283	2.626	28/10/2020	-1
MGS 06/31	2.807	125	2.818	28/10/2020	-1
MGS 04/32	2.985	8	2.986	28/10/2020	0
MGS 04/33	3.126	50	3.119	28/10/2020	1
MGS 11/33	3.126	3	3.135	28/10/2020	-1
MGS 07/34	3.103	122	3.127	28/10/2020	-2
MGS 05/35	3.334	1	3.259	16/10/2020	8
MGS 04/37	3.366	69	3.460	27/10/2020	-9
MGS 05/40	3.446	69	3.480	28/10/2020	-3
MGS 09/43	3.803	1	3.875	28/10/2020	-7
MGS 03/46	3.865	17	3.934	27/10/2020	-7
MGS 07/48	3.992	2	4.018	28/10/2020	-3
MGS 06/50	3.851	9	3.794	28/10/2020	6
GII 08/21	1.509	4	1.475	28/10/2020	3
GII 03/22	1.542	114	1.657	27/10/2020	-12
GII 04/22	1.658	3	1.718	26/10/2020	-6
GII 05/23	1.792	10	1.799	28/10/2020	-1
GII 11/23	1.809	6	1.851	22/10/2020	-4
GII 10/24	1.937	74	1.976	28/10/2020	-4
GII 08/25	2.143	12	2.120	21/10/2020	2
GII 03/26	2.169	331	2.210	28/10/2020	-4
GII 07/27	2.366	22	2.363	14/10/2020	0
GII 09/27	2.372	40	2.365	28/10/2020	1
GII 08/28	2.652	40	2.677	28/10/2020	-2
GII 10/28	2.670	3	2.593	21/10/2020	8
GII 07/29	2.761	28	2.749	28/10/2020	1
GII 10/30	2.589	31	2.584	22/10/2020	0
GII 11/34	3.212	10	3.272	28/10/2020	-6
GII 10/35	3.426	1	3.427	24/09/2020	0
GII 09/39	3.525	32	3.569	27/10/2020	-4
GII 11/49	4.038	10	4.060	27/10/2020	-2
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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*
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	2.031	75	2.061	09/09/2020	-3	27
DanaInfra Nasional Berhad	11/24	GG	2.152	20	2.162	15/09/2020	-1	22
DanaInfra Nasional Berhad	05/32	GG	3.140	50	3.240	29/05/2020	-10	52
Cagamas Berhad	10/24	AAA	2.186	55	2.483	24/09/2020	-30	26
Danga Capital Berhad	02/26	AAA	2.682	20	2.704	28/09/2020	-2	63
Sarawak Energy Berhad	01/27	AAA	2.734	30	2.764	09/10/2020	-3	51
Sarawak Energy Berhad	11/28	AAA	2.890	50	2.910	28/09/2020	-2	41
Sarawak Energy Berhad	07/29	AAA	2.945	20	2.891	05/08/2020	5	36
Rantau Abang Capital Berhad	01/32	AAA	3.218	10	3.059	11/08/2020	16	60
Pengurusan Air SPV Berhad	10/34	AAA	3.307	20	3.319	28/10/2020	-1	19
Sarawak Energy Berhad	06/35	AAA	3.466	10	3.416	22/10/2020	5	35
GENM Capital Berhad	07/23	AA1	4.558	1	4.663	12/10/2020	-11	280
Westports Malaysia Sdn Berhad	10/27	AA+	2.969	10	3.397	26/06/2020	-43	63
Westports Malaysia Sdn Berhad	03/28	AA+	2.999	10	3.001	20/10/2020	0	66
Fortune Premiere Sdn Berhad	03/23	AA	2.840	10	2.838	27/10/2020	0	118
CIMB Group Holdings Berhad	11/27	AA	2.646	30	2.843	06/08/2020	-20	30
Perbadanan Kemajuan Negeri Selangor	12/22	AA3	3.161	10	3.747	10/01/2020	-59	150
BGSM Management Sdn Berhad	09/23	AA3	2.706	30	3.413	24/04/2020	-71	95
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/24	AA3	3.920	15	-	-	-	199
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/25	AA3	4.068	20	-	-	-	202
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/26	AA3	4.167	20	-	-	-	194
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/27	AA3	4.316	20	-	-	-	197
Tanjung Bin Energy Issuer Berhad	09/31	AA3	3.469	10	3.750	22/06/2020	-28	85
Penang Port Sdn Berhad	12/31	AA-	3.463	8	3.459	28/10/2020	0	84
CIMB Group Holdings Berhad	05/16	A1	3.398	1	3.409	28/10/2020	-1	-7
Alliance Bank Malaysia Berhad	10/32	A2	3.551	0	3.552	28/10/2020	0	93
Alliance Bank Malaysia Berhad	10/35	A2	3.951	0	3.904	28/10/2020	5	84
				<u>555</u>				

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

Market/Corporate News: What's Brewing

Finance Minister Datuk Seri Tengku Zafrul has revealed that the allocation for Budget 2021 will be bigger than the RM297 billion Budget 2020, and that the government will not be cutting back on its development spending, which over the decade accounted for barely one quarter of the government expenditure in the past 10 years, or less in some years. In an interview with Sinar Harian, the minister said the upcoming budget will also be more dynamic than the preceding one, given the current unpredictability of the Covid-19 pandemic. While he did not confirm the quantum of the budget, he assured that the size will be bigger than Budget 2020 to create jobs and restart the economy. A total of RM297 billion has been allocated for Budget 2020, comprising RM241 billion for operating expenditure and RM56 billion for development expenditure. Budget 2020 is the second largest budget since 2011 (see charts). While foreseeing an expansionary budget as the government needs to be the economic growth locomotive, economists are wondering the size of the national budget for 2021 compared with the one in 2019 which was RM315.96 billion — one of the biggest, if not the biggest, in history. The sizable budget was due partly to the refund of goods & services tax and income tax. Petrolia Nasional Bhd (Petronas) declared a special dividend of RM30 billion that year to shoulder the financial burden. "Budget 2021 is an expansionary budget. We have to increase the allocation for development because this will have a long-term impact [on the economy]," Tengku Zafrul was quoted as saying. Citing the building of hospitals as an example, he said such a project could create more job opportunities and increase economic gains. The country's development expenditure (devex) has not been more than 26% of the public expenditure in the past 10 years. The highest devex allocation granted was in Budget 2018 amounted to RM59.1 billion. Since 2018, the devex has been above RM50 billion. Emoluments usually have the lion's share of the public expenditure. Other big items are debt service charges, supplies and services, and retirement charges. Emoluments accounted for 27.8% of the public spending in Budget 2020, debt service charges 11.8%, supplies & services 13% and retirement charges 9.1%. "We have to spend more but we will also have to cut down on wastage and leakages. For example, we

have seen that the operating expenditure of the government has come down, as we no longer spend on events. "There are many initiatives we can take to create savings, which can be reinvested to assist the rakyat and the economy," he said. He also gave examples of how other governments, like those in Europe, that survived the 2008 Global Financial Crisis by increasing their spending. At the same time, however, the government needs to be prepared for any unforeseen circumstances, such as another resurgence of Covid-19 cases. "We will have to see and implement what is best for this coming budget," he said. Meanwhile, Tengku Zafrul expects the economy to see recovery next year, although it will not return to the pre-Covid-19 trajectory, and therefore, the economy will need to be restarted from a fundamental level. To date, the government has spent some RM55 billion in fiscal stimulus via the Prihatin, Prihatin SME, Penjana and Kita Prihatin packages, he said, making Budget 2021 "the fifth budget" this year. Asked what would happen if the upcoming budget that will be tabled this Friday does not get approved, the minister said he hopes it will go through, as the government has had discussions with many quarters. "This budget is focused on the rakyat and the business segment to spur the economy. I hope the MPs from all parties can unite and support this budget. It is a budget for all — not solely for the government," he said. The government has allocated a total of RM297 billion for Budget 2020, comprising RM241 billion for operating expenditure and RM56 billion for development expenditure. (Source: *The EdgeMarkets*)

UEM Sunrise Bhd said today that it needs more time to decide on its proposed merger with Eco World Development Group Bhd (EcoWorld) due to the size and complexity of the exercise. It has requested an extension of time to respond on the proposal to Jan 2 next year, from the initial deadline of Oct 30. "Given the size and complexity of the proposed merger, the Board of UEM Sunrise is of the view that they require more time before deciding whether to proceed with negotiations on the proposed merger, and will revert with their decision by Jan 2, 2021," the group said in a filing with Bursa Malaysia. UEM Sunrise added that it will make requisite announcements to Bursa Malaysia for any material developments in relation to the proposed merger in due course. On Oct 5, UEM Group Bhd announced its proposal to merge its property development arm UEM Sunrise with EcoWorld, in a deal that will entail an exchange of securities, confirming a previous report by The Edge. UEM Group said it proposed the merger as it saw a "pressing need for industry players to consolidate resources and capabilities" to withstand the headwinds that property developers are currently facing. Under the deal, new shares in UEM Sunrise will be issued at a proposed 44.3 sen each to holders of EcoWorld shares — for all shares held in the latter at an exchange price of 46.9 sen. Upon completion of the proposed merger, EcoWorld will become a wholly-owned subsidiary of UEM Sunrise and be delisted.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Evyap Sabun Malaysia Sdn Bhd (Evyap Malaysia)	Proposed RM500.0 million Sukuk Wakalah Programme	AA-IS/Stable	Assigned
Edra Power Holdings Sdn Bhd	Corporate credit ratings	AA1/Stable/P1	Reaffirmed

Source: RAM, MARC

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