

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries ended weak on Election Day i.e Tuesday as the distinct risk-tone in the markets saw higher UST yields, higher equities along with a weaker Dollar. This was possibly due to expectations that the US presidential election would produce a clear winner in the form of Biden; which could entail a significant, bond financed fiscal stimulus that can boost inflation. The curve bear-steepened with the UST 2Y edging 1bps higher at 0.17% and the much-watched UST 10Y spiking 6bps at 0.90%. Meanwhile, the 5s30s spread widened to ~131bps; its widest since 2016. The Treasury is expected to announce its refunding announcement tonight which includes the sizes of next week's coupon auctions and preview of auction sizes for the November to January window. As we expect further yield swings due to that; some attention is also expected to shift to the ongoing US elections and also ISM services data for October.

##### MGS/GIII

- Local govvnies succumbed further on Tuesday following some disappointment as BNM held its benchmark OPR at the existing record low of 1.75%. Secondary market volume rose to RM3.58b as overall benchmark yields ended between 0-12bps higher across the curve. The benchmark 5Y MGS 9/25 spiked the most by 12bps at 2.15% whilst the 10Y MGS 4/31 yields closed 7bps higher at 2.70%. Interest was seen in off-the-run 21's and also the benchmark 5Y MGS/GII. GII bond trades maintained to form 33% of overall trades. Investors noted the spike in IRS for most tenors that indicated some expectations for higher rates going forward and are now eagerly awaiting the government's upcoming presentation of the National Budget 2021 on Friday, 6<sup>th</sup> of November. The data front remains light this week with foreign reserves as at 30<sup>th</sup> Oct to be released this Friday.

##### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector continued to see tepid activity yesterday amid a mere secondary market volume of RM124m with soe interest seen along the GG and AA part of the curve as overall yields closed mostly mixed in about 16 various bonds. Govt-guaranteed DANA 9/27 made its debut secondary trade at 2.62%; 4bp lower than its coupon issued recently in September. AA-rated PKP Negeri Pahang 26-27's edged 1bps each between 4.16-31% whilst EDRA 32 declined 26bps at 3.82%. Several odd-lot trades were noted in names such as Solar Mgmt Seremban, Fortune Premier and also CIMB Group Holdings perps.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	1
5-yr UST	0.39	2
10-yr UST	0.90	6
30-yr UST	1.68	6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.76	0	1.92	10
5-yr	2.15	12	2.23	5
7-yr	2.35	0	2.47	12
10-yr	2.70	7	2.60	0
15-yr	3.12	5	3.25	4
20-yr	3.50	5	3.55	4
30-yr	3.92	10	4.08	4

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	5
3-yr	1.93	5
5-yr	2.15	9
7-yr	2.29	4
10-yr	2.52	4

Source : Bloomberg

#### 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 02/21	1.780	26	1.450	30/10/2020	33
MGS 07/21	1.639	324	1.500	02/11/2020	14
MGS 09/21	1.631	240	1.531	02/11/2020	10
MGS 11/21	1.740	217	1.488	02/11/2020	25
MGS 03/22	1.750	90	1.573	02/11/2020	18
MGS 08/22	1.705	110	1.664	02/11/2020	4
MGS 09/22	1.761	87	1.616	02/11/2020	15
MGS 07/24	1.914	3	1.921	02/11/2020	-1
MGS 09/24	1.959	33	1.946	02/11/2020	1
MGS 03/25	2.038	15	2.017	02/11/2020	2
MGS 09/25	2.147	228	2.030	02/11/2020	12
MGS 04/26	2.186	13	2.183	02/11/2020	0
MGS 07/26	2.217	71	2.208	02/11/2020	1
MGS 11/26	2.227	3	2.296	02/11/2020	-7
MGS 05/27	2.350	145	2.349	02/11/2020	0
MGS 11/27	2.458	45	2.425	02/11/2020	3
MGS 06/28	2.508	28	2.534	02/11/2020	-3
MGS 08/29	2.762	174	2.658	02/11/2020	10
MGS 04/30	2.744	58	2.708	02/11/2020	4
MGS 04/31	2.698	170	2.632	02/11/2020	7
MGS 06/31	2.863	23	2.817	02/11/2020	5
MGS 04/33	3.118	5	3.136	02/11/2020	-2
MGS 11/33	3.156	2	3.132	02/11/2020	2
MGS 07/34	3.120	6	3.072	02/11/2020	5
MGS 05/35	3.305	2	3.334	02/11/2020	-3
MGS 04/37	3.361	2	3.349	02/11/2020	1
MGS 06/38	3.550	3	3.530	02/11/2020	2
MGS 09/43	3.900	6	3.889	02/11/2020	1
MGS 03/46	3.932	5	3.901	02/11/2020	3
MGS 07/48	3.969	1	3.965	02/11/2020	0
MGS 06/50	3.921	30	3.821	02/11/2020	10
GII 08/21	1.650	100	1.509	30/10/2020	14
GII 03/22	1.670	50	1.652	02/11/2020	2
GII 07/22	1.696	10	1.679	02/11/2020	2
GII 05/23	1.916	123	1.821	02/11/2020	10
GII 08/24	1.817	26	1.978	28/10/2020	-16
GII 03/26	2.234	676	2.187	02/11/2020	5
GII 09/26	2.259	110	2.261	28/10/2020	0
GII 07/27	2.366	20	2.378	02/11/2020	-1
GII 09/27	2.471	20	2.350	02/11/2020	12
GII 08/28	2.692	20	2.652	30/10/2020	4
GII 10/28	2.715	20	2.657	02/11/2020	6
GII 07/29	2.731	5	2.749	02/11/2020	-2
GII 11/34	3.254	170	3.210	02/11/2020	4
GII 09/39	3.552	40	3.508	02/11/2020	4
GII 11/49	4.082	30	4.038	02/11/2020	4
		<u>3584</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*
Prasarana Malaysia Berhad	03/24	GG	2.063	40	2.143	22/09/2020	-8	22
DanaInfra Nasional Berhad	09/27	GG	2.620	15	-	-	-	18
Sarawak Energy Berhad	12/32	AAA	3.247	1	3.248	28/10/2020	0	57
Anih Berhad	11/23	AA	2.784	10	2.841	09/09/2020	-6	94
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/26	AA3	4.160	5	4.167	30/10/2020	-1	187
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/27	AA3	4.310	5	4.316	30/10/2020	-1	187
Dynasty Harmony Sdn Berhad	12/28	AA3	4.741	5	4.850	05/08/2020	-11	219
Solar Management (Seremban) Sdn Berhad	10/31	AA3	4.453	2	4.450	20/10/2020	0	178
Edra Energy Sdn Berhad	01/32	AA3	3.818	10	4.078	10/08/2020	-26	115
Solar Management (Seremban) Sdn Berhad	10/34	AA3	4.766	1	4.750	20/10/2020	2	165
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/23	AA-	3.170	6	3.236	05/08/2020	-7	133
CIMB Group Holdings Berhad	05/16	A1	3.448	11	3.459	02/11/2020	-1	-3
CIMB Group Holdings Berhad	05/16	A1	3.858	4	3.858	26/10/2020	0	38
Perbadanan Kemajuan Pertanian Negeri Pahang (fka L	10/28	A3	4.460	5	4.460	28/10/2020	0	191
Fortune Premiere Sdn Berhad	12/22	A	2.777	3	2.776	26/10/2020	0	104
Eco World International Berhad	05/23	-	6.493	1	6.384	15/10/2020	11	465
				124				

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

## Market/Corporate News: What's Brewing

**Fraser & Neave Holdings Bhd's (F&N) net profit grew 26.41% to RM85.99 million in its fourth quarter ended Sept 30, 2020 (4QFY20), from RM68.99 million a year earlier, thanks to prudent cost controls on overheads and lower advertising and promotions spending.** Earnings per share increased to 23.5 sen from 18.6 sen, the group's filing with Bursa Malaysia showed. The group also attributed the higher earnings to gain on disposal of the "Teapot" trademark, amounting to RM7.8 million. The higher earnings was despite a 2.19% fall in revenue to RM953.7 million, from RM975.09 million a year earlier. On a quarter-on-quarter basis, F&N said its net profit was down 8.37% from RM93.85 million, while revenue was up 3.88% from RM918.07 million in the preceding quarter. The lower earnings, the group said, were due to higher input and packaging costs and the weaker ringgit against the baht translation. F&N has recommended a final dividend of 33 sen per share. For the full financial year (FY20), the group's net profit was flat at RM410.38 million or 111.9 sen per share, versus RM410.26 million or 111.9 sen per share in the previous year, despite the Covid-19 pandemic and commodity price pressures. Revenue slid 2.17% to RM3.99 billion, from RM4.08 billion. In a separate statement today, the food and beverage company said the sustained demand for dairy products, boosted by in-home consumption, moderated the contraction in F&B Malaysia's performance this year. Meanwhile, F&B Thailand delivered a resilient full year performance attributed to successful tactical strategies, as well as recovery in Indochina and export markets. F&B Malaysia's full year operating profit dropped 10% to RM144.9 million, while F&B Thailand's operating profit improved 5.3% to RM381 million. Against a challenging backdrop, exports from Malaysia, nonetheless, achieved a close-to 10% growth, driven by more robust sales to the Middle East and Africa, and Asean markets, the group said. It added that the Indochina markets that is managed by F&B Thailand also performed strongly this year, with Cambodia and Laos collectively contributing over RM200 million in revenue. "Total exports from Malaysia and Thailand contributed RM796 million revenue to the group this year, a noteworthy achievement in light of the pandemic. "We would have overachieved our target group export sales of RM800 million in FY20 in normal circumstances," said F&N chief executive officer Lim Yew Hoe. On prospects, the group said it remains cautious amid the pandemic, as the situation, both locally and globally, remains fluid and uncertain. It added, however, that the pandemic provides an opportunity for reset and to 'reimagine' its business strategies to fuel growth and innovation. "We will adopt innovative strategies to boost customer experience and e-commerce engagements through our own F&N Life platform, as well as through

working closer with e-commerce partners in both Malaysia, Thailand and overseas markets," said F&N. (Source: *The EdgeMarkets*)

**Bank Negara Malaysia (BNM) has decided to maintain the Overnight Policy Rate (OPR) at 1.75% today as the country's economic activity is projected to improve further and as the central bank expects the nation's underlying inflation to remain subdued as the world economy contends with the resurgence in Covid-19 cases.** In a statement today, BNM said the global economy continues to recover, led by improvements in manufacturing and export activity although the resurgence in Covid-19 cases suggests that the global economic recovery will likely remain uneven in the near term. "For Malaysia, the latest indicators point towards significant improvement in economic activity in the third quarter. The introduction of targeted measures to contain Covid-19 in several states could affect the momentum of the recovery in the fourth quarter. Nonetheless, growth for the year 2020 is expected to be within the earlier forecasted range. "For 2021, economic activity is projected to improve further. This will be underpinned by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures, and higher production from existing and new facilities. Nevertheless, the pace of recovery will be uneven across sectors, with economic activity in some industries remaining below pre-pandemic levels, and a slower improvement in the labour market. Downside risks to the outlook remain, stemming mainly from ongoing uncertainties surrounding the pandemic globally and domestically," BNM said in the statement, which was issued following the conclusion of its Monetary Policy Committee's (MPC) final meeting for 2020 today. On Malaysia's inflation, BNM said that in line with earlier assessments, headline inflation is likely to average negative this year given the substantially lower global crude oil prices. For 2021, headline inflation is projected to average higher. The country's inflation outlook will continue to be significantly affected by global oil and commodity prices, according to BNM. "Underlying inflation is expected to remain subdued in 2021 amid continued spare capacity in the economy," BNM said. According to BNM, the MPC considers the current stance of the central bank's monetary policy to be appropriate and accommodative. "The cumulative 125 basis points reduction in the OPR this year will continue to provide stimulus to the economy. The MPC will continue to assess evolving conditions and their implications on the overall outlook for inflation and domestic growth. "The bank (BNM) remains committed to utilise its policy levers as appropriate to create enabling conditions for a sustainable economic recovery," BNM said. The MPC had also during its meeting today approved the schedule of its meetings for 2021. BNM said that in accordance with the Central Bank of Malaysia Act 2009, the MPC will convene six times during 2021. "The meetings will be held over two days, with the monetary policy statement released at 3pm on the second day of the MPC meeting," the central bank said. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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