

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker last Friday despite early strength; due to the twin news on President Trump and First Lady Melania's being infected by the COVID-19 virus coupled with weaker-than-expected jobs numbers for September. The curve steepened as overall benchmark yields ended between 0-3bps higher from prior day's close. The UST 2Y closed within 1bps higher at 0.13% whilst the much-watched 10Y yield rose 2bps at 0.70%. Expect attention to shift to this week's auction of \$52b 3Y, \$35b 10Y and \$23b 30Y bonds. With the Fed policy on autopilot, attention is expected to be focused on the upcoming US elections and fiscal policy. Expect conflicting reports over the Trump's health along with renewed Congressional efforts to reach a fiscal stimulus compromise, to trigger some uncertainty and cause volatility to spike for now.

MGS/GIII

- Local govies rebounded last Friday on decent investor interest following recent beaten-down levels despite overall benchmark yields declining mostly between 0-9bps save for the 3Y MGS. Secondary market volume fell to RM3.78b whilst both the benchmark 5Y MGS 9/25 and 10Y MGS 8/29 yields rallied 5bps and 7bps each at 2.22% and 2.61% respectively. Interest was mainly seen in the off-the-runs 21's and also the benchmark 10Y MGS, 30Y GII. GII bond trades spiked to form 32% of overall trades. Meanwhile, BNM is expected to decide on the interest rate outlook before the 2021 budget in November. Meanwhile the data front remains light this week. Expect attention to shift to the 3Y GII auction tomorrow.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw interest fall sharply amid a mere secondary market volume of only RM114m as overall yields closed mostly mixed with some interest mainly across the AAA-AA part of the curve. There were no govt-guaranteed trades. AAA-rated CAGAMAS 8/23 eased 4bps compared to previous-done levels at 2.31% whilst TNB 8/35 notched RM35m in nominal amounts; spiking 14bps to 3.38%. AA-rated KLK rose 4bps at 2.79% whereas YTL Corp 6/34 edged 1bps higher at 3.91%. The banking space was quiet but some odd-lot trades on unrated property-related bonds i.e. Eco World, YNH Prop and Tropicana Corp were seen done last Friday.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.13	0
5-yr UST	0.29	1
10-yr UST	0.70	2
30-yr UST	1.49	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	0.72	-127	2.00	-3
5-yr	2.22	-5	2.17	-6
7-yr	2.41	-4	2.41	-1
10-yr	2.61	-7	2.62	0
15-yr	3.02	-2	3.12	-5
20-yr	3.34	-3	3.53	-3
30-yr	3.77	-2	4.02	-9

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.92	0
3-yr	1.98	-3
5-yr	2.17	-3
7-yr	2.35	-2
10-yr	2.64	0

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM4.5b of GII 5/23 on Tuesday,
6th Oct 2020

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.653	1	1.761	01/10/2020	-11
MGS 02/21	1.619	64	1.599	01/10/2020	2
MGS 07/21	1.707	160	1.673	01/10/2020	3
MGS 09/21	1.700	854	1.680	01/10/2020	2
MGS 11/21	1.717	158	1.739	01/10/2020	-2
MGS 03/22	1.759	6	1.882	01/10/2020	-12
MGS 03/23	0.717	258	1.992	01/10/2020	-128
MGS 04/23	1.969	1	2.030	01/10/2020	-6
MGS 06/24	2.155	1	2.146	01/10/2020	1
MGS 07/24	2.116	5	2.163	01/10/2020	-5
MGS 03/25	2.194	47	2.267	01/10/2020	-7
MGS 09/25	2.214	83	2.268	01/10/2020	-5
MGS 04/26	2.351	25	2.414	01/10/2020	-6
MGS 07/26	2.378	24	2.369	01/10/2020	1
MGS 11/26	2.396	30	2.414	01/10/2020	-2
MGS 05/27	2.405	187	2.442	01/10/2020	-4
MGS 11/27	2.424	20	2.460	01/10/2020	-4
MGS 06/28	2.535	71	2.545	01/10/2020	-1
MGS 09/28	2.649	22	2.657	01/10/2020	-1
MGS 08/29	2.613	223	2.685	01/10/2020	-7
MGS 04/30	2.701	9	2.724	01/10/2020	-2
MGS 06/31	2.820	14	2.846	01/10/2020	-3
MGS 04/32	2.972	25	3.039	01/10/2020	-7
MGS 11/33	3.099	90	3.150	01/10/2020	-5
MGS 07/34	3.023	57	3.040	01/10/2020	-2
MGS 04/37	3.416	1	3.429	01/10/2020	-1
MGS 06/38	3.486	2	3.472	01/10/2020	1
MGS 05/40	3.338	95	3.372	01/10/2020	-3
MGS 03/46	3.871	5	3.899	01/10/2020	-3
MGS 07/48	3.901	1	3.904	01/10/2020	0
MGS 06/50	3.769	12	3.794	01/10/2020	-2
GII 03/21	1.679	150	1.723	01/10/2020	-4
GII 04/21	1.697	30	1.712	10/09/2020	-1
GII 04/22	1.833	1	1.802	01/10/2020	3
GII 05/23	2.004	54	2.036	30/09/2020	-4
GII 07/23	2.050	34	2.046	30/09/2020	0
GII 11/23	2.038	10	2.052	01/10/2020	-1
GII 10/24	2.168	76	2.232	01/10/2020	-6
GII 08/25	2.233	10	2.240	01/10/2020	-1
GII 03/26	2.292	60	2.321	01/10/2020	-3
GII 09/26	2.375	20	2.393	01/10/2020	-2
GII 09/27	2.408	8	2.420	01/10/2020	-1
GII 10/28	2.641	160	2.671	01/10/2020	-3
GII 07/29	2.698	130	2.708	01/10/2020	-1
GII 09/30	2.747	40	2.792	30/09/2020	-4
GII 11/34	3.115	50	3.164	01/10/2020	-5
GII 09/39	3.526	64	3.556	01/10/2020	-3
GII 11/49	4.018	330	4.105	01/10/2020	-9
		<u>3777</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*	
Cagamas Berhad	08/23	AAA	2.308	20	2.344	15/09/2020	-4	37
Danum Capital Berhad	02/35	AAA	3.430	10	3.308	02/09/2020	12	39
Tenaga Nasional Berhad	08/35	AAA	3.379	35	3.243	29/09/2020	14	34
Sabah Development Bank Berhad	04/24	AA1	3.916	0	2.991	21/09/2020	93	179
Kuala Lumpur Kepong Berhad	04/26	AA1	2.790	10	2.751	08/09/2020	4	44
YTL Corporation Berhad	06/34	AA1	3.910	2	3.905	24/09/2020	1	87
Imtiaz Sukuk II Berhad	11/21	AA2	2.490	30	2.865	01/07/2020	-38	77
UiTM Solar Power Sdn Berhad	04/29	AA-	4.153	2	4.791	06/01/2020	-64	155
UMW Holdings Berhad	04/18	A1	4.202	1	4.645	01/10/2020	-44	87
Tropicana Corporation Berhad	06/25	A+	5.305	1	5.619	15/09/2020	-31	306
IJM Land Berhad	03/19	A2	4.962	1	4.528	01/10/2020	43	163
Eco World International Berhad	05/23	-	5.897	1	5.899	29/09/2020	0	395
YNH Property Berhad	08/19	-	6.423	1	6.810	01/10/2020	-39	309
Tropicana Corporation Berhad	09/19	-	6.287	1	6.304	28/09/2020	-2	295
			<u>114</u>					

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

Market/Corporate News: What's Brewing

The National Union of Bank Employees (NUBE) has urged banks to reinstate the blanket moratorium on loan repayments for its members and other low wage earners in the country, as the current targeted approach does not address the realities of their financial plight in mitigating the Covid-19 economic downturn. In a statement today, NUBE secretary general J. Solomon (pictured) said the government must immediately get banks to expand the blanket moratorium for at least until the end of the year for all those in the lower income groups, especially the B40 and M40, as well as businesses reeling from the economic slump. Solomon said NUBE is the largest union in the banking sector whose members are mainly non executives. "Many of our members urgently need a further respite from loan repayments. "However, they and many other bank customers do not qualify for the targeted moratorium adopted by banks on the misconception that they did not lose their jobs or suffered pay cuts, therefore are unaffected by the economic downturn," he said. He said most of the NUBE members are in the frontline and need to take extra precautions which will incur additional cost to protect themselves and their families from the pandemic and the impact. "Extra cost for them would be purchasing masks for themselves and their families, sanitisers, quality food and vitamins to boost their immunity and comply with other new norms-related expenses as a result of social distancing," he said. Solomon said the situation rings true not just for NUBE members but also applies to thousands of low income households across Malaysia. He said job losses and pay cuts to one or more members of such families pose a tremendous burden on their ability to service loans and at the same time, have enough money to put food on the table. "NUBE feedback shows that while its members largely kept their jobs, many of them have either spouses or children and in some cases, both, who were laid off or forced to take pay cuts, thereby reducing the household income and the ability to sustain themselves," he said. Solomon said the government and banks must address the plight of the families whose livelihoods have been disrupted. "The best way to do that is to reinstate the blanket moratorium on housing, vehicle and personal loans for the B40 and M40 families by at least three months and carry out a review on its necessity periodically, based on the prevailing economic and employment situation in the country. "Forcing these financially hit families including those of NUBE members to resume servicing their loans from this month, is tantamount to ignoring the hardship and suffering on the ground — something which the targeted moratorium with its slew of conditions attached, has failed to address." "There should not be any accrued or compound interest charged to borrowers benefiting from the extension of the repayment moratorium," he said.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
hellam Plantations (Sabah) Sdn Bhd	RM150 million 10-year tranche (2016/2026)	AAA(FG)/Stable	Reaffirmed

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

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.