

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended negative on Monday amid positive news on President Trump's discharge following his hospitalization last Friday. The safe appeal status for bonds dropped post ISM's release of faster-than-expected growth in the US service sector for September. The curve bear-steepened as overall benchmark yields spiked between 2-10bps from prior day's close. The UST 2Y closed 2bps higher at 0.15% whilst the much-watched 10Y spiked 8bps at 0.78%; the highest since June. The positive signs from the Congressional efforts to reach a fiscal stimulus compromise may cause UST's to lose further ground. Nevertheless, with the Fed policy on autopilot, attention is expected to be focused on the upcoming US elections and fiscal policy. Expect Fed Chair Powell's upcoming speech at the meeting of the National Association of Business Economics to draw some attention whilst investors also await the results of the record size \$52b 3Y auction tonight.

MGS/GIII

- Local govies closed mostly stronger on Monday (except for the 7-15Y tenures) with some slight bargain-hunting activities seen amid a lower secondary market volume of RM2.49b. Overall benchmark yields ended between -5 to +4bps save for the adjustment in the prior day's skewed levels for the 3Y MGS. Yields of the benchmark 5Y MGS 9/25 edged 2bps lower at 2.19% whilst the 10Y MGS 8/29 yields spiked 4bps at 2.65%. Interest was mainly seen in the off-the-runs 21's MGS/GII and also the benchmark 5Y MGS. GII bond trades eased to form 22% of overall trades. Meanwhile, BNM is expected to decide on the interest rate outlook before the 2021 budget in November. Expect some attention to shift to the 3Y GII auction today.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space continued to see tepid interest (i.e. 14 various bonds) yesterday as secondary market volume maintained at RM118m with overall yields closed mixed. Some interest was seen across the AAA-AA part of the curve. There were no significant govt-guaranteed trades. AAA-rated DANUM 5/25 rose 5bps compared to previous-done levels at 2.65% whilst AA-rated UMW saw substantial trades amounting to RM60m as yields edged 1bps to 2.48%. KLK rose 4bps at 2.79% whereas YTL Corp 6/34 edged 1bps higher at 3.91%. Likewise the banking space was quiet. However several odd-lot trades on unrated property-related bonds i.e. Eco World International were seen done with yields falling sharply.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	2
5-yr UST	0.34	5
10-yr UST	0.78	8
30-yr UST	1.59	10

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.92	120	1.97	-3
5-yr	2.19	-2	2.17	0
7-yr	2.41	0	2.40	-1
10-yr	2.65	4	2.62	0
15-yr	3.04	2	3.12	0
20-yr	3.29	-5	3.50	-3
30-yr	3.76	0	4.02	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.92	0
3-yr	1.98	0
5-yr	2.17	0
7-yr	2.35	0
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	1.797	114	1.653	02/10/2020	14
MGS 02/21	1.600	42	1.619	02/10/2020	-2
MGS 07/21	1.620	39	1.707	02/10/2020	-9
MGS 09/21	1.640	467	1.700	02/10/2020	-6
MGS 03/22	1.726	72	1.759	02/10/2020	-3
MGS 08/22	1.855	6	1.850	30/09/2020	0
MGS 09/22	1.833	40	1.858	01/10/2020	-3
MGS 03/23	1.916	53	1.932	02/10/2020	-2
MGS 04/23	2.005	40	1.969	02/10/2020	4
MGS 08/23	2.000	16	2.037	01/10/2020	-4
MGS 06/24	2.117	135	2.155	02/10/2020	-4
MGS 07/24	2.080	52	2.116	02/10/2020	-4
MGS 09/24	2.111	8	2.175	01/10/2020	-6
MGS 03/25	2.200	6	2.194	02/10/2020	1
MGS 09/25	2.194	281	2.214	02/10/2020	-2
MGS 04/26	2.333	4	2.351	02/10/2020	-2
MGS 07/26	2.362	4	2.378	02/10/2020	-2
MGS 11/26	2.384	62	2.396	02/10/2020	-1
MGS 03/27	2.408	5	2.428	30/09/2020	-2
MGS 05/27	2.405	70	2.405	02/10/2020	0
MGS 11/27	2.435	19	2.424	02/10/2020	1
MGS 06/28	2.524	86	2.535	02/10/2020	-1
MGS 08/29	2.652	35	2.613	02/10/2020	4
MGS 04/30	2.723	30	2.701	02/10/2020	2
MGS 06/31	2.803	20	2.820	02/10/2020	-2
MGS 04/32	2.982	25	2.972	02/10/2020	1
MGS 04/33	3.081	5	3.109	02/10/2020	-3
MGS 11/33	3.098	5	3.099	02/10/2020	0
MGS 07/34	3.040	60	3.023	02/10/2020	2
MGS 05/35	3.259	1	3.317	01/10/2020	-6
MGS 04/37	3.385	1	3.416	02/10/2020	-3
MGS 06/38	3.450	4	3.486	02/10/2020	-4
MGS 05/40	3.291	109	3.338	02/10/2020	-5
MGS 07/48	3.914	5	3.901	02/10/2020	1
MGS 06/50	3.764	6	3.769	02/10/2020	-1
GII 03/21	1.641	200	1.679	02/10/2020	-4
GII 04/22	1.770	50	1.833	02/10/2020	-6
GII 07/22	1.842	19	1.887	30/09/2020	-4
GII 05/23	1.970	20	2.004	02/10/2020	-3
GII 07/23	2.029	10	2.050	02/10/2020	-2
GII 10/24	2.167	115	2.168	02/10/2020	0
GII 03/26	2.273	70	2.292	02/10/2020	-2
GII 09/26	2.366	20	2.375	02/10/2020	-1
GII 09/27	2.396	7	2.408	02/10/2020	-1
GII 10/28	2.651	20	2.641	02/10/2020	1
GII 09/39	3.500	29	3.526	02/10/2020	-3
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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*	
Prasarana Malaysia Berhad	03/34	GG	3.246	1	3.450	17/06/2020	-20	21
Gulf Investment Corporation G.S.C	03/21	AAA	2.488	6	2.497	01/10/2020	-1	81
Danum Capital Berhad	05/25	AAA	2.651	20	2.599	24/09/2020	5	44
Danum Capital Berhad	02/34	AAA	3.366	1	3.616	02/07/2020	-25	33
UMW Holdings Berhad	10/21	AA2	2.483	60	2.490	29/09/2020	-1	80
Country Garden Real Estate Sdn Berhad	02/23	AA3	5.327	1	5.302	19/08/2020	3	352
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.937	10	3.899	30/09/2020	4	173
UEM Sunrise Berhad	05/23	AA-	3.528	8	3.550	15/09/2020	-2	159
Tan Chong Motor Holdings Berhad	11/21	A1	3.782	1	3.803	29/09/2020	-2	210
Eco World International Berhad	10/21	-	4.969	2	4.961	29/09/2020	1	329
Eco World International Berhad	04/23	-	5.350	1	5.751	25/09/2020	-40	341
Eco World International Berhad	05/23	-	5.356	1	5.897	02/10/2020	-54	342
Eco World Capital Assets Berhad	08/24	-	6.338	5	5.801	02/10/2020	54	424
Mah Sing Group Berhad	04/17	-	4.636	3	4.629	25/09/2020	1	131
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Westports Holdings Bhd said its subsidiary has been slapped with a RM120.58 million bill by the Inland Revenue Board (IRB) for additional tax liabilities, inclusive of penalties, for years of assessment from 2013 to 2018. The port operator said the additional tax assessment is in relation to the annual lease payment made by wholly-owned subsidiary Westports Malaysia Sdn Bhd(WMSB) to the Port Klang Authority (PKA) totalling RM299.9 million for the six years. It also involves the deferred revenue of RM7.97 million in 2018, Westports said in a filing with the local stock exchange today. "The IRB has now assessed that the annual lease payment made by WMSB to the PKA as not allowable for deduction in WMSB's tax computation," Westports said. The group however, said WMSB has obtained confirmation from its tax advisors and legal advice from tax solicitors to contend that IRB's interpretation is fundamentally erroneous. It noted that WMSB's accounting policy and the treatment of the annual lease payments have been audited annually by among the largest professional accounting firms since 2013, with no qualification. "WMSB will appeal and contest against the notice of additional assessment," said Westports. *(Source: The EdgeMarkets)*

Iskandar Malaysia in Johor offers good opportunities for companies to cluster the full value chain of complementary activities, from research and development to regional headquarters and manufacturing, said Singapore Deputy Prime Minister and Finance Minister Heng Swee Keat. Apart from Iskandar Malaysia, the southern economic region of Malaysia, he said the Batam, Bintan, Karimun regions of Indonesia presented the same opportunities. "Southeast Asia can benefit from the greater premium on supply chain resilience through regional cooperation," he said when delivering his Ministerial Statement in Parliament today. Heng said Singapore would further strengthen its value proposition through greater regional cooperation and by building up a leading trade and logistics ecosystem. To support its ambitions, Heng said the republic would significantly strengthen its entire trade and logistics ecosystem, deepening capabilities in its port, airport and beyond. Iskandar Malaysia has been rapidly growing since its inception in 2006 and is primed to become the preferred international metropolis to invest, work, and live with a targeted population of three million and RM383 billion in cumulative investments by 2025. It has nine promoted sectors, namely electrical and electronics, petrochemical and oleo-chemical, food and agro-processing, logistics, tourism, creative, healthcare and financial. *(Source: The EdgeMarkets)*

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Pengerang LNG (Two) Sdn Bhd (PLNG2)	Proposed Islamic Medium-Term Notes (IMTN) programme of up to RM3.0 billion	AAA-IS/Stable	Assigned

Source: RAM, MARC

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