

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended marginally weaker on Thursday; maintaining the larger part of its advances whilst reacting minimally to the FOMC which left the policy rates unchanged whilst making virtually no changes to its statement. Overall benchmark yields edged between 1-2bps higher. The UST 2Y ended at 0.16% whilst the much-watched UST 10Y closed at 0.79%. The curve spreads were uneven pending the issuance of \$122b worth of notes and bonds at next-week's quarterly refunding auctions and also the unresolved election outcome. To recap, overall borrowings are estimated at \$617b for 4Q2020 with an estimated increase of up to \$1.13 trillion in 1Q2021. Meanwhile the Fed is mulling its options on whether to extend its emergency lending programs which are set to expire on 31st Dec. Expect attention to focus on the final leg of vote-counting and also the all-important October NFP data expected out tonight.

MGS/GIII

- Local govies recovered some lost ground on Thursday on bargain-hunting activities following earlier tepid interest post-MPC. Secondary market volume doubled to RM3.66b as overall benchmark yields reversed prior day's move by declining between 0-9bps across the curve save for the ultra short-ends that included the skewed 3Y MGS trade. The benchmark 5Y MGS 9/25 yields rallied 8bps at 2.12% whilst the 10Y MGS 4/31 yields edged 1bps lower instead at 2.68%. Interest was seen in off-the-run 21's, 31's and also the benchmark 3Y, 5Y MGS/GII. GII bond trades dropped to form 17% of overall trades. IRS levels were seen declining in the short-to-medium tenors compared to prior session. Expect attention to focus on the government's upcoming presentation of the National Budget 2021 this afternoon as the data front remains light with foreign reserves as at 30th Oct to be released as well.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector continued to see limited activity yesterday amid secondary market volume of only RM192m with some interest seen along the AAA to the single-A part of the curve as overall yields closed mostly mixed-to-higher in about 15 various bonds. Therewere no govt-guaranteed trades. AAA-rated DANUM 2/35 spiked 9bps compared to previous-done levels at 3.52% whilst AA-rated IMTIAZ 5/22 and IJM 8/28 rose 5-7bps at 2.55% and 2.65% respectively. Toll operator DUKE 8/39 edged 2 bps higher 5.14%. The banking space saw AFFIN Islamic 28NC23 bonds close unchanged at 3.04% whilst Hong Leong Financial Group perps 2117NC26 saw yields fall sharply at 3.10%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	1
5-yr UST	0.34	1
10-yr UST	0.79	2
30-yr UST	1.56	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.68	181	1.96	2
5-yr	2.12	-8	2.26	-5
7-yr	2.40	-9	2.36	-3
10-yr	2.68	-1	2.65	0
15-yr	3.12	1	3.27	0
20-yr	3.47	-3	3.56	-1
30-yr	3.83	-3	4.06	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.85	-3
3-yr	1.91	-5
5-yr	2.10	-3
7-yr	2.28	0
10-yr	2.52	0

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 07/21	1.631	122	1.649	04/11/2020	-2
MGS 09/21	1.639	221	1.701	04/11/2020	-6
MGS 11/21	1.712	363	1.721	04/11/2020	-1
MGS 08/22	1.760	25	1.775	04/11/2020	-1
MGS 03/23	1.832	219	1.865	04/11/2020	-3
MGS 06/24	2.029	39	2.013	04/11/2020	2
MGS 07/24	2.041	52	2.082	04/11/2020	-4
MGS 09/24	2.017	108	2.088	04/11/2020	-7
MGS 03/25	2.148	29	2.172	04/11/2020	-2
MGS 09/25	2.122	765	2.195	04/11/2020	-7
MGS 07/26	2.292	60	2.357	04/11/2020	-7
MGS 11/26	2.318	42	2.447	04/11/2020	-13
MGS 03/27	2.461	1	2.446	04/11/2020	1
MGS 05/27	2.400	197	2.491	04/11/2020	-9
MGS 11/27	2.509	11	2.458	03/11/2020	5
MGS 06/28	2.616	38	2.610	04/11/2020	1
MGS 09/28	2.687	6	2.627	30/10/2020	6
MGS 08/29	2.705	82	2.722	04/11/2020	-2
MGS 04/30	2.759	24	2.811	04/11/2020	-5
MGS 04/31	2.682	310	2.687	04/11/2020	0
MGS 06/31	2.945	1	2.819	04/11/2020	13
MGS 07/34	3.122	207	3.115	04/11/2020	1
MGS 05/40	3.473	112	3.498	03/11/2020	-3
MGS 07/48	3.954	1	3.960	04/11/2020	-1
GII 05/23	1.962	134	1.948	04/11/2020	1
GII 05/24	2.003	91	1.961	14/10/2020	4
GII 08/25	2.171	23	2.140	02/11/2020	3
GII 10/25	2.173	50	2.167	02/11/2020	1
GII 03/26	2.256	277	2.309	04/11/2020	-5
GII 07/27	2.507	30	2.366	03/11/2020	14
GII 09/27	2.363	1	2.394	04/11/2020	-3
GII 09/39	3.558	20	3.565	04/11/2020	-1
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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*	
Bank Pembangunan Malaysia Berhad	03/22	AAA	2.347	30	2.299	29/09/2020	5	65
Danum Capital Berhad	02/35	AAA	3.520	10	3.432	06/10/2020	9	39
GENM Capital Berhad	07/23	AA1	4.376	1	4.558	30/10/2020	-18	254
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/23	AA1	2.896	10	3.918	09/12/2019	-102	106
Imtiaz Sukuk II Berhad	05/22	AA2	2.547	40	2.498	13/08/2020	5	77
Bumitama Agri Ltd	07/26	AA3	3.233	20	3.168	26/10/2020	6	88
IJM Corporation Berhad	08/28	AA3	3.651	20	3.579	04/08/2020	7	107
Lebuh raya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.140	5	5.119	07/09/2020	2	167
TG Excellence Berhad	02/20	AA-	3.080	5	3.500	04/11/2020	-42	-39
Affin Islamic Bank Berhad	10/28	A1	3.740	10	3.743	04/11/2020	0	116
Hong Leong Financial Group Berhad	11/17	A1	3.102	20	3.698	02/11/2020	-60	-37
UMW Holdings Berhad	04/18	A1	4.681	1	4.202	02/10/2020	48	121
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/31	A3	4.274	1	3.599	20/10/2020	68	159
Tropicana Corporation Berhad	05/27	A+	5.541	10	5.688	04/08/2020	-15	308
WCT Holdings Berhad	09/19	A	5.689	10	5.735	21/10/2020	-5	222
			<u>192</u>					

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

Market/Corporate News: What's Brewing

The Prime Minister's Office (PMO) said hard disk drive manufacturer Western Digital Sdn Bhd will invest RM2.3 billion to upgrade its facilities and increase its output capacity in Malaysia. In a statement, the PMO said this was agreed upon during a meeting between Prime Minister Tan Sri Muhyiddin Yassin and Western Digital group chairman Datuk Dr Syed Hussian Aljunid today, which brings the total investment by the group in the country close to RM18 billion. The new investment will go towards increasing its facility and factory capacity in Western Digital Media Penang and Western Digital Sarawak, it said, noting that the group had exported a total of RM18 billion worth of products in 2019. "The additional investment will benefit the nation's economy, besides creating new jobs for over 2,000 locals," said the PMO. The office said that the Prime Minister welcomes companies that are interested in investing in high-impact technology-based industries in Malaysia. "The Government through the Ministry of International Trade and Industry, Malaysian Investment Development Authority (MIDA) and other related agencies are always committed to attracting and convincing investors to invest or make additional investments in Malaysia. "The commitment of the Western Digital group reflects the high confidence of foreign investors in the Government to continue to expand their investments and operations in Malaysia," it said. (Source: *The EdgeMarkets*)

Auditor-General Datuk Nik Azman Nik Abdul Majid has expressed worries that 59.9% or RM82.723 billion of the federal government New Borrowing Receipts (Terimaan Pinjaman Baharu) for financial year 2019 is used to settle debts. He said ideally, it should be used for development purposes and to create the multiplier effect in generating the economy. "Only a small portion which is 29% is channeled into development funds, which is worrying ... development expenditure should be used more productively so that the projects we (government) fund gives higher multiplier effect to generate the economy and at the same time have value for money," he said at a media conference at the Parliament building today. He said through development projects, the government could collect taxes which could repay the interest and principal of the loans concerned. According to him, in 2034 the government is projected to repay RM10 billion for that year alone. "In 2034, we have to pay back RM10 billion, which means a significant increase ... we have to be prepared even though it is still far away (2034) , we have to be prepared with economic activities with huge revenue to meet the commitment to repay [debts]," he said. Commenting further, Nik Azman said the development allocation for financial year 2019 among others was used to pay the matured debts of 11 government-owned companies in the form of grants. The companies involved are: DanaInfra Nasional Bhd with an allocation of RM1.5 billion; Suria Strategic Energy Resources Sdn Bhd (RM1 billion); Jambatan Kedua Sdn Bhd (RM327 million); KL International Airport Bhd (RM82 million); TRX City Sdn Bhd (RM66 million); MKD Kencana Sdn Bhd (RM50 million); and SRC International Sdn Bhd (RM388 million). "The two companies with no development projects are Suria Strategic Energy Resources and SRC International but they are using development allocation," he said, adding that the allocation should be channeled in the form loan or advance which have to be repaid. However, he said the usage of the money is not violating Section 8 of the Loan Guarantee Act 1972 but it did not reflect the real accounting ethics in terms of auditing. In this regard, Public Accounts Committee (PAC) chairman Wong Kah Woh said the committee had heard a briefing by the auditor-general on the 2019 Federal Government Financial Statement tabled in Parliament today. "At the presentation lasting almost three hours, the PAC was comprehensively informed on the overall Federal Government Financial Statement ending Dec 31, 2019 to show the actual and accurate financial position of the federal government with its accounting records updated and orderly maintained," he said. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
SHC Capital Sdn Bhd	Proposed RM80.0 million issuance under its RM200 million IMTN (Sukuk Wakalah) programme	AA-IS/Stable	Assigned

Source: RAM, MARC

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