

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries fell on Wednesday as the curve steepened led by the longer-ends as President Trump was seen to backtrack on his earlier decision to cut off discussions over the prospects of a new COVID-19 stimulus package. Overall benchmark yields rose between 0-5bps from prior day's close with the UST 2Y ended almost unchanged at 0.15% whilst the much-watched 10Y yields rose 5bps to close at 0.79%. The \$35b UST 10Y bond auction saw decent BTC ratio of 2.47x, better than the 2.30x the previous month and awarded at 0.765%. Uncertainty over the additional fiscal stimulus had caused dealers to absorb the major portion of yesterday's cash-management T-bill offering exercise. As the Fed policy remains in autopilot mode, attention is expected to be focused on the upcoming US elections instead. Expect attention to shift to the upcoming \$23b 30Y bond auction tonight and also initial jobs claims numbers week ending 3rd October.

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 0.15 | 0 |
| 5-yr UST | 0.34 | 3 |
| 10-yr UST | 0.79 | 5 |
| 30-yr UST | 1.59 | 5 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 1.85 | -6 | 1.91 | -3 |
| 5-yr | 2.12 | -7 | 2.13 | 0 |
| 7-yr | 2.33 | -7 | 2.36 | -1 |
| 10-yr | 2.63 | -1 | 2.57 | 1 |
| 15-yr | 3.01 | 0 | 3.11 | -1 |
| 20-yr | 3.29 | -2 | 3.49 | 2 |
| 30-yr | 3.73 | -5 | 4.04 | 0 |

* Market indicative levels

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 1.87 | -3 |
| 3-yr | 1.95 | -1 |
| 5-yr | 2.13 | -3 |
| 7-yr | 2.32 | -1 |
| 10-yr | 2.63 | -1 |

Source : Bloomberg

MGS/GIII

- Local govies closed mostly stronger again on Wednesday as investors were mulling a potential rate cut going forward in view of the impact on the economy due to the resurgence of COVID-19 infections. Foreign holdings of overall MYR bonds which improved to the highest @ RM209.5b in more than 2 years also boosted confidence in the market. Despite a lower secondary market of RM3.60b, overall benchmark yields ended between 0-7bps lower save for the 10Y and 20Y GII. The benchmark 5Y MGS 9/25 rallied 7bps at 2.33% whilst the 10Y MGS 8/29 yields edged 1bps lower at 2.63%. Interest was mainly seen in the off-the-runs 20's, 26's and 5Y, 7Y benchmark MGS. GII bond trades rose to form 37% of overall trades. Meanwhile, BNM is expected to decide on the interest rate outlook before the 2021 budget in November.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space yesterday saw traction improve amid a doubling in secondary market volume at RM538m with interest in about 25 various bonds. However overall yields closed mixed again with interest mainly seen across the GG-AAA part of the curve. Govt-guaranteed KHAZANAH 9/22 declined 15bps compared to previous-done levels at 1.99% on substantial RM100m volume whilst DANA 36-38's saw yields tumble 2-20bps between 3.40-56%. AAA-rated TNB 8/35 closed unchanged at 3.38% whilst DANAG 30 rose 6bps instead at 3.03%. AA-rated YTL Power 10/21 declined 21bps at 2.75% whereas YTL Corp 4/23 settled unchanged at 3.05%. Several odd-lot trades on unrated property-related bonds i.e. Eco World International and Capital were noted again; closing mostly higher on yields.

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 | 10/20 | 1.797 | 508 | 1.797 | 06/10/2020 | 0 |
| MGS | 02/21 | 1.529 | 67 | 1.549 | 06/10/2020 | -2 |
| MGS | 07/21 | 1.587 | 46 | 1.580 | 06/10/2020 | 1 |
| MGS | 09/21 | 1.600 | 128 | 1.600 | 06/10/2020 | 0 |
| MGS | 11/21 | 1.734 | 75 | 1.704 | 06/10/2020 | 3 |
| MGS | 03/22 | 1.741 | 102 | 1.723 | 06/10/2020 | 2 |
| MGS | 08/22 | 1.806 | 5 | 1.799 | 06/10/2020 | 1 |
| MGS | 09/22 | 1.807 | 5 | 1.817 | 06/10/2020 | -1 |
| MGS | 03/23 | 1.854 | 174 | 1.918 | 06/10/2020 | -6 |
| MGS | 04/23 | 1.908 | 8 | 2.005 | 05/10/2020 | -10 |
| MGS | 06/24 | 1.977 | 42 | 2.030 | 06/10/2020 | -5 |
| MGS | 07/24 | 2.029 | 6 | 2.030 | 06/10/2020 | 0 |
| MGS | 09/24 | 2.057 | 1 | 2.111 | 05/10/2020 | -5 |
| MGS | 03/25 | 2.139 | 6 | 2.138 | 06/10/2020 | 0 |
| MGS | 09/25 | 2.117 | 458 | 2.187 | 06/10/2020 | -7 |
| MGS | 07/26 | 2.324 | 5 | 2.331 | 06/10/2020 | -1 |
| MGS | 11/26 | 2.377 | 60 | 2.366 | 06/10/2020 | 1 |
| MGS | 03/27 | 2.394 | 5 | 2.397 | 06/10/2020 | 0 |
| MGS | 05/27 | 2.333 | 245 | 2.400 | 06/10/2020 | -7 |
| MGS | 11/27 | 2.434 | 78 | 2.420 | 06/10/2020 | 1 |
| MGS | 06/28 | 2.485 | 65 | 2.496 | 06/10/2020 | -1 |
| MGS | 08/29 | 2.630 | 104 | 2.644 | 06/10/2020 | -1 |
| MGS | 04/30 | 2.672 | 31 | 2.670 | 06/10/2020 | 0 |
| MGS | 04/33 | 3.074 | 15 | 3.071 | 06/10/2020 | 0 |
| MGS | 05/35 | 3.276 | 5 | 3.259 | 05/10/2020 | 2 |
| MGS | 06/38 | 3.454 | 10 | 3.450 | 05/10/2020 | 0 |
| GII | 03/21 | 1.679 | 52 | 1.659 | 06/10/2020 | 2 |
| GII | 08/21 | 1.705 | 138 | 1.704 | 06/10/2020 | 0 |
| GII | 04/22 | 1.749 | 30 | 1.770 | 05/10/2020 | -2 |
| GII | 05/23 | 1.911 | 60 | 1.943 | 06/10/2020 | -3 |
| GII | 07/23 | 1.966 | 10 | 2.002 | 06/10/2020 | -4 |
| GII | 05/24 | 2.080 | 10 | 1.970 | 03/09/2020 | 11 |
| GII | 10/24 | 2.128 | 110 | 2.129 | 06/10/2020 | 0 |
| GII | 03/26 | 2.215 | 220 | 2.273 | 05/10/2020 | -6 |
| GII | 09/26 | 2.356 | 65 | 2.366 | 05/10/2020 | -1 |
| GII | 07/27 | 2.408 | 140 | 2.430 | 01/10/2020 | -2 |
| GII | 09/27 | 2.361 | 72 | 2.365 | 06/10/2020 | 0 |
| GII | 10/28 | 2.609 | 70 | 2.612 | 06/10/2020 | 0 |
| GII | 07/29 | 2.642 | 50 | 2.649 | 06/10/2020 | -1 |
| GII | 09/30 | 2.678 | 160 | 2.698 | 06/10/2020 | -2 |
| GII | 10/30 | 2.568 | 41 | 2.555 | 06/10/2020 | 1 |
| GII | 11/34 | 3.112 | 10 | 3.118 | 06/10/2020 | -1 |
| GII | 09/39 | 3.487 | 110 | 3.470 | 06/10/2020 | 2 |
| | | | <u>3601</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* |
|--|-------|--------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| Khazanah Nasional Berhad | 06/22 | GG | 1.992 | 5 | 2.412 | 16/06/2020 | -42 | 20 |
| Khazanah Nasional Berhad | 09/22 | GG | 1.990 | 100 | 2.144 | 22/07/2020 | -15 | 20 |
| DanaInfra Nasional Berhad | 03/34 | GG | 3.199 | 20 | 3.129 | 13/08/2020 | 7 | 18 |
| DanaInfra Nasional Berhad | 10/36 | GG | 3.400 | 10 | 3.600 | 10/06/2020 | -20 | 38 |
| DanaInfra Nasional Berhad | 11/38 | GG | 3.560 | 10 | 3.578 | 28/07/2020 | -2 | 26 |
| Danga Capital Berhad | 01/30 | AAA | 3.030 | 30 | 2.965 | 28/08/2020 | 6 | 46 |
| Sarawak Energy Berhad | 06/35 | AAA | 3.459 | 20 | 3.481 | 06/10/2020 | -2 | 44 |
| Tenaga Nasional Berhad | 08/35 | AAA | 3.379 | 10 | 3.379 | 02/10/2020 | 0 | 36 |
| Teknologi Tenaga Perlis Consortium Sdn Berhad | 01/21 | AA1 | 2.258 | 30 | 2.333 | 01/10/2020 | -8 | 59 |
| YTL Power International Berhad | 10/21 | AA1 | 2.753 | 20 | 3.041 | 01/07/2020 | -29 | 108 |
| YTL Corporation Berhad | 04/23 | AA1 | 3.046 | 20 | 3.048 | 24/09/2020 | 0 | 117 |
| GENM Capital Berhad | 07/23 | AA1 | 4.602 | 10 | 4.880 | 30/09/2020 | -28 | 273 |
| Cypark Ref Sdn Berhad | 06/40 | AA3 | 5.051 | 40 | 5.270 | 22/07/2020 | -22 | 175 |
| UEM Sunrise Berhad | 12/22 | AA- | 3.472 | 3 | 3.501 | 04/08/2020 | -3 | 168 |
| UiTM Solar Power Sdn Berhad | 04/30 | AA- | 4.288 | 4 | 4.419 | 22/07/2020 | -13 | 165 |
| Tan Chong Motor Holdings Berhad | 11/21 | A1 | 3.778 | 1 | 3.782 | 05/10/2020 | 0 | 211 |
| Tropicana Corporation Berhad | 10/23 | A1 | 5.450 | 83 | 5.400 | 06/10/2020 | 5 | 357 |
| Tropicana Corporation Berhad | 10/25 | A1 | 5.650 | 88 | 5.450 | 06/10/2020 | 20 | 351 |
| MNRB Holdings Berhad | 03/29 | A1 | 3.918 | 10 | 4.631 | 14/04/2020 | -71 | 143 |
| CIMB Group Holdings Berhad | 05/16 | A1 | 3.808 | 1 | 3.430 | 02/10/2020 | 38 | 51 |
| UEM Sunrise Berhad | 05/23 | AA- | 3.583 | 20 | 3.528 | 05/10/2020 | 6 | 171 |
| MBSB Bank Berhad (fka Asian Finance Bank Berhad) | 12/31 | A3 | 3.600 | 1 | 3.597 | 01/10/2020 | 0 | 96 |
| Eco World International Berhad | 10/21 | - | 5.081 | 1 | 4.966 | 06/10/2020 | 12 | 341 |
| Eco World International Berhad | 04/23 | - | 6.085 | 1 | 5.950 | 06/10/2020 | 14 | 421 |
| Eco World Capital Assets Berhad | 08/24 | - | 6.410 | 2 | 6.409 | 06/10/2020 | 0 | 437 |
| | | | | <u>538</u> | | | | |

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

Market/Corporate News: What's Brewing

The parent of Malaysia Airlines Bhd has warned leasing companies that state fund Khazanah Nasional Bhd will stop funding the group and force it into a winding down process if restructuring talks with lessors are unsuccessful, according to a letter seen by Reuters. The warning from Malaysia Aviation Group (MAG), the holding company for the carrier, raises the stakes in negotiations for a financial shake-up known as "Plan A" and sets out an alternative plan to divert funds to a sister airline unit called Firefly. "In the event Plan A fails, shareholder (Khazanah) will cease funding for MAG and will trigger winding down/liquidation process for MAG," according to the document, the contents of which have been confirmed by six people familiar with the matter. Khazanah, MAG's sole shareholder, declined to comment. In an email response to Reuters, MAG said details concerning its restructuring plan are strictly bound by non-disclosure agreements between the parties involved. "MAG will depict its final position upon achieving resolution with the parties it is negotiating with," it said, adding the restructuring plan is a crucial step for it to come out as a "sustainable and profitable organisation in future". It also said the restructuring comes after various cash conservation and cost reduction initiatives to keep its business afloat proved to be inadequate due to the prolonged effect of the coronavirus crisis. MAG's comments in the letter reviewed by Reuters came days after the airline group asked lessors in a letter for steep discounts on aircraft rentals as part of a broad restructuring plan, some of the people said. According to the latest document, under a "Plan B" scenario, Khazanah would "inject funds into Firefly directly to start new jet operations at Kuala Lumpur on a much smaller scale, focusing first on domestic services". Low-cost carrier Firefly, which operates a fleet of 12 twin turboprops, mainly within the country, is currently a fully owned subsidiary of MAG. According to the document, Firefly would obtain narrow-body planes and subsequently wide-body aircraft from the market. Malaysia's national airline has struggled to recover from two tragedies in 2014 — the mysterious disappearance of flight MH370 and the shooting down of flight MH17 over eastern Ukraine. Khazanah took it private that year as part of a US\$1.5 billion restructuring, but efforts to turn around its business have been further upended by the Covid-19 pandemic. Reuters reported last week that MAG had told lessors it was

unlikely to be able to make payments owed after November unless it received more funding from Khazanah. Khazanah told Reuters last week it was supportive of Malaysia Airlines' restructuring efforts but that if they proved unsuccessful, it would need to evaluate options on how to maintain connectivity for Malaysia. MAG said last week the airline had reached out to lessors, creditors, and key suppliers recently as it embarks on an urgent restructuring due to the impact of the pandemic. (Source: *The EdgeMarkets*)

Sunsuria Bhd plans to issue up to RM500 million worth of Islamic medium terms notes or sukuk wakalah. The tenure of the Sukuk Wakalah Programme will be up to 30 years, said Sunsuria in a filing to the stock exchange, adding that the programme has been assigned a preliminary rating of A+IS with a stable outlook by Malaysian Rating Corp Bhd. Sunsuria said the proceeds raised from the sukuk will be used to finance capital expenditure, working capital requirements and investments, as well as for general corporate purposes. It will also be used to refinance the existing borrowings and future financing of the group, it added. Maybank Investment Bank Bhd is the sole principal adviser, sole lead arranger and sole lead manager for the Sukuk Wakalah Programme, while Maybank Islamic Bhd is the shariah adviser. Newfields Advisors Sdn Bhd, on the other hand, is the financial adviser for the programme. (Source: *The EdgeMarkets*)

| Rating Action | | | |
|-----------------|---|----------------|----------|
| Isuser | PDS Description | Rating/Outlook | Action |
| Sunsuria Berhad | Proposed RM500.0 million Sukuk Wakalah Programme. | A+ IS/Stable | Assigned |

Source: RAM, MARC

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