

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	1
5-yr UST	0.36	4
10-yr UST	0.82	6
30-yr UST	1.60	8

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	1.82	-186	1.96	0	
5-yr	2.11	-1	2.23	-3	
7-yr	2.36	-4	2.39	3	
10-yr	2.64	-4	2.65	0	
15-yr	3.09	-3	3.27	0	
20-yr	3.40	-7	3.56	0	
30-yr	3.80	-3	4.06	0	

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.85	0
3-yr	1.91	0
5-yr	2.10	0
7-yr	2.29	0
10-yr	2.52	0

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries slid on Friday; led by the longer-ends which ended cheaper following the stronger than forecast October jobs data. The curve-steepened as overall benchmark yields ended between 1-8bps higher. The UST 2Y edged 1bps up at 0.15% whilst the much-watched UST 10Y spiked 6bps at 0.82%. As the US elections come to a near close with Biden winning the Presidency, volatility in the rates asset class is expected to ease this week whilst the issuance of \$122b worth of notes and bonds at the quarterly refunding auctions will take place in record sizes for 3Y, 10Y and 30Y bonds. To recap, overall borrowings are estimated at \$617b for 4Q2020 with an estimated increase of up to \$1.13 trillion in 1Q2021. Meanwhile, the GOP which had retained its Senate majority is expected to avert a sharp increase in bill supply and cash balance rundown which may have otherwise occurred under a "blue sweep".

### MGS/GII

- Local govies continued strengthening for the 2<sup>nd</sup> running last Friday spurred by a huge increase of RM6.4 in foreign holdings of local govies (MGS+GII+SPK) in October. Investors were also seen bargain-hunting; undeterred by the unveiling of the National Budget 2021. However secondary market volume more than halved to RM1.63b as overall benchmark yields continued to decline between 0-7bps across the curve save for the ultra short-end that saw the re-adjustment of the 3Y MGS which was skewed prior day. The 5Y MGS 9/25 edged 1bps lower at 2.11% whilst the 10Y MGS 4/31 yields rallied 4bps at 2.64%. Interest was seen in off-the-run 21's and also the benchmark 7Y, 10Y MGS. GII bond trades dropped to form 14% of overall trades. The unveiling of the Budget by the MOF reveals a fiscal deficit of RM86.5b (6.0% of GDP) for 2020, within our earlier projection and a subsequent reduction to RM84.8b (5.4% of GDP) in 2021. Meanwhile, expect some attention on the upcoming September industrial production numbers today.

### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector saw muted secondary market activity amid a mere volume of only RM186m with some interest seen across the GG and single-A part of the curve. Overall yields closed mostly mixed-to-higher in about 19 various bonds. Govt-guaranteed LPPSA 2025 and 2029 tranches closed 10-16bps lower compared to previous-done levels at 2.27% and 3.66% each. AAA-rated MERC 11/23 rose 6bps instead at 2.69% whilst CAGA 11/24 saw RM45min nominal amounts exchange hands some 4bps lower at 2.31%. The AA-rated DUKE 8/39 closed unchanged at 5.14% whereas A1-rated KEDAH CEMENT 1/23 made its debut trade at 4.27%. Meanwhile, the banking space saw AFFIN Islamic 27NC22 bonds edge 1bps lower at 3.35%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/21	1.616	103	1.631	05/11/2020	-1
MGS 11/21	1.668	39	1.712	05/11/2020	-4
MGS 03/22	1.745	38	1.681	05/11/2020	6
MGS 08/22	1.768	20	1.760	05/11/2020	1
MGS 09/22	1.744	24	1.713	05/11/2020	3
MGS 03/23	1.825	75	1.832	05/11/2020	-1
MGS 08/23	1.887	13	1.908	05/11/2020	-2
MGS 06/24	2.004	3	2.029	05/11/2020	-2
MGS 07/24	2.036	21	2.041	05/11/2020	0
MGS 09/24	2.042	28	2.017	05/11/2020	2
MGS 03/25	2.099	20	2.148	05/11/2020	-5
MGS 09/25	2.113	185	2.122	05/11/2020	-1
MGS 07/26	2.291	23	2.292	05/11/2020	0
MGS 11/26	2.307	3	2.318	05/11/2020	-1
MGS 05/27	2.361	238	2.400	05/11/2020	-4
MGS 11/27	2.493	9	2.509	05/11/2020	-2
MGS 06/28	2.481	20	2.616	05/11/2020	-14
MGS 08/29	2.638	124	2.705	05/11/2020	-7
MGS 04/31	2.639	233	2.682	05/11/2020	-4
MGS 04/32	3.003	10	2.985	30/10/2020	2
MGS 04/33	3.130	30	3.118	03/11/2020	1
MGS 11/33	3.187	1	3.144	04/11/2020	4
MGS 07/34	3.087	90	3.122	05/11/2020	-3
MGS 04/37	3.402	11	3.361	03/11/2020	4
MGS 06/38	3.526	16	3.580	04/11/2020	-5
MGS 05/40	3.404	10	3.473	05/11/2020	-7
MGS 03/46	3.944	3	3.911	05/11/2020	3
MGS 07/48	3.998	1	3.954	05/11/2020	4
GII 11/20	1.739	6	1.588	23/10/2020	15
GII 05/23	1.963	115	1.962	05/11/2020	0
GII 10/24	2.120	22	1.998	03/11/2020	12
GII 03/26	2.231	10	2.256	05/11/2020	-2
GII 09/27	2.393	68	2.363	05/11/2020	3
GII 07/29	2.722	14	2.731	03/11/2020	-1
		<u>1628</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*	
Danainfra Nasional Berhad	10/23	GG	2.030	20	2.058	15/09/2020	-3	19
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	2.269	5	2.368	22/09/2020	-10	25
Lembaga Pembiayaan Perumahan Sektor Awam	04/39	GG	3.659	10	3.820	26/06/2020	-16	19
Danainfra Nasional Berhad	04/48	GG	4.095	2	3.829	02/09/2020	27	62
Mercedes-Benz Services Malaysia Sdn Berhad	11/23	AAA	2.685	25	2.630	28/10/2020	6	84
Cagamas Berhad	11/24	AAA	2.308	45	2.350	04/09/2020	-4	29
Bakun Hydro Power Generation Sdn Berhad (fka Sarav	08/25	AAA	2.681	10	2.658	23/10/2020	2	57
Gamuda Berhad	04/21	AA3	2.705	1	2.760	13/08/2020	-5	101
MMC Corporation Berhad	11/20	AA-	0.000	2	2.542	15/10/2020	-254	-170
TG Excellence Berhad	02/20	AA-	3.076	5	3.080	05/11/2020	0	-40
Special Power Vehicle Berhad	05/21	A1	3.470	2	4.255	03/06/2019	-79	178
Kedah Cement Sdn Berhad (fka Lafarge Cement Sdn E	01/23	A1	4.271	10	-	-	-	250
Affin Bank Berhad	02/27	A1	3.353	10	3.363	04/11/2020	-1	106
Bank Islam Malaysia Berhad	11/27	A1	3.244	8	3.534	04/03/2020	-29	86
Alliance Bank Malaysia Berhad	10/30	A2	3.300	1	3.319	28/10/2020	-2	61
Bank Muamalat Malaysia Berhad	11/21	A	4.110	5	3.839	22/10/2020	27	242
WCT Holdings Berhad	09/19	A	5.687	10	5.689	05/11/2020	0	222
Tropicana Corporation Berhad	05/27	A+	5.539	10	5.541	05/11/2020	0	315
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/39	AA-	5.139	5	5.140	05/11/2020	0	167
			<u>186</u>					

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

### Market/Corporate News: What's Brewing

**Malaysian state-owned energy giant Petroliam Nasional Bhd (Petronas) is expected to pay the resource-rich state of Sabah RM1.25 billion in sales tax next year, state media said.** Sabah Deputy Chief Minister Datuk Seri Dr Jeffrey Kitingan said Prime Minister Muhyiddin Yassin had agreed for the state to collect the 5% tax from Petronas next year, Bernama news agency said late yesterday. Sabah and neighbouring Sarawak state in Borneo island hold much of the nation's oil and gas reserves, and have long asked for more payments from Petronas, the sole manager of the country's energy reserves. Petronas suffered its first loss in nearly five years during the second quarter due to a coronavirus-driven slump in demand and oil prices. The payments could further hurt its finances. The firm had fought Sarawak state's demand for sales tax in court, but in September paid the state RM2.96 billion in taxes, as part of an unexpected settlement deal. Analysts said the payment could encourage other states to make similar demand. Sarawak is run by a close political ally of the prime minister, who sources have said is open to giving more oil money to the state. But former Petronas chief executive Tan Sri Wan Zulkiflee Wan Ariffin had opposed the settlement and resigned in June. Muhyiddin's agreement for Petronas to pay Sabah comes after his ruling coalition wrestled control of the state from the opposition after narrowly winning a state election in September. Petronas is a significant source of revenue for the federal government and a hit to its finances could also affect the annual dividend it pays to the government, its sole shareholder. The company is set to pay RM34 billion in dividend this year to help the government fight the Covid-19 pandemic, and RM18 billion next year. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
AEON Credit Service (M) Berhad	Senior and Subordinated Sukuk Wakalah Programme and P1 rating of its RM1 billion Islamic CP Programme	AA3/Stable and A1/Stable	Reaffirmed
MEX I Capital Berhad	Proposed RM1.17 bil Islamic Medium-Term Notes (the Proposed Sukuk	A2/Stable	Assigned

Source: RAM, MARC

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

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