

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries closed mixed on Tuesday following weaker-than-expected bidding metrics for the UST 3Y notes which was awarded at 0.211% on a mere BTC ratio of 2.28x (previous 6 auctions: 2.43x). The longer-ends were richer as the curve continued to flatten with overall benchmark yields closing mixed between -2 to +1bps across. The UST 2Y yield edged 1bps up at 0.15% whilst the much-watched 10Y closed within 1bps lower at 0.92%. Risk appetite is seen to take its cue from UK-EU trade discussions whilst expectations continue to be boosted for additional fiscal stimulus by the newly-led Democratic government. Treasury secretary Mnuchin has presented a new \$916b COVID-19 relief proposal to House speaker Pelosi as the pandemic continues to ravage across the US. Meanwhile expect attention to focus on the upcoming \$38b 10Y auction as the data front remains relatively light.

##### MGS/GII

- On Tuesday, local govies saw slight pressure following last Friday's downgrade of the nation's long-term issuer default rating from A- to BBB+/Stable. Nevertheless, The continued rise in foreign holdings of MYR debt for the 7<sup>th</sup> month in-a-row to a 4-year high capped losses whilst denoting confidence in underlying govies. Overall benchmark yields closed mixed yet again between -3 to +5bps amid a lower secondary market volume of -RM1.6b. The 5Y MGS 9/25 yields moved 3bps higher at 2.18% whilst the 10Y MGS 4/31 yields spiked 5bps at 2.69%. Some interest was mainly seen in the benchmark 10Y MGS/GII. GII bond trades eased to form 42% of overall trades. Expect some attention to focus on the upcoming October industrial production numbers this Friday.

##### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw upbeat momentum amid a rise in secondary market volume of RM578m with interest across the credit curve. Overall yields closed mostly mixed-to-higher in trades involving 32 various bonds. The long end govt-guaranteed DANA 4/35 spiked 38bps higher compared to previous-done levels at 3.68% whilst the 4/48 tranche closed 18bps up at 4.27%. AAA-rated TOYOTA 25's saw RM120m in nominal amounts exchange hands between 0-6bps lower whereas DANGA 2/26 rose 8bps instead at 2.75%. AA-rated NORTHERN Gateway 28-29's which were last traded more than a year ago saw yields decline sharply at 3.32-42%. Energy-related EDRA bonds saw the 2031, 2032 and 2036 tranches close 10-16bps higher at 3.94%, 4.00% levels and 4.32% each. Meanwhile, the banking space saw BPMB 10/27 and 11/31 trade mixed on yields at 3.06% and 3.47% respectively.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	1
5-yr UST	0.39	1
10-yr UST	0.92	0
30-yr UST	1.66	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.92	0	2.00	1
5-yr	2.18	3	2.32	-3
7-yr	2.52	4	2.59	4
10-yr	2.74	5	2.90	-2
15-yr	3.28	0	3.31	0
20-yr	3.56	1	3.62	-1
30-yr	4.01	3	4.05	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.93	0
3-yr	2.08	1
5-yr	2.26	-2
7-yr	2.42	0
10-yr	2.65	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 09/21	1.682	9	1.672	07/12/2020	1
MGS 11/21	1.714	26	1.700	07/12/2020	1
MGS 03/22	1.780	20	1.801	07/12/2020	-2
MGS 08/22	1.810	2	1.728	04/12/2020	8
MGS 09/22	1.774	5	1.750	07/12/2020	2
MGS 03/23	1.920	59	1.920	07/12/2020	0
MGS 04/23	1.940	10	1.950	07/12/2020	-1
MGS 06/24	2.077	1	2.056	04/12/2020	2
MGS 07/24	2.087	5	2.108	07/12/2020	-2
MGS 09/24	2.096	19	2.119	07/12/2020	-2
MGS 09/25	2.183	15	2.157	07/12/2020	3
MGS 07/26	2.371	61	2.360	07/12/2020	1
MGS 11/26	2.395	53	2.349	04/12/2020	5
MGS 03/27	2.503	5	2.553	07/12/2020	-5
MGS 05/27	2.520	50	2.485	07/12/2020	4
MGS 11/27	2.587	9	2.602	07/12/2020	-1
MGS 06/28	2.664	3	2.641	04/12/2020	2
MGS 08/29	2.799	30	2.801	07/12/2020	0
MGS 04/30	2.831	42	2.889	07/12/2020	-6
MGS 04/31	2.744	116	2.693	07/12/2020	5
MGS 06/31	2.946	21	2.957	07/12/2020	-1
MGS 04/32	3.106	26	3.058	01/12/2020	5
MGS 04/33	3.274	42	3.346	07/12/2020	-7
MGS 11/33	3.301	40	3.391	03/12/2020	-9
MGS 07/34	3.277	81	3.281	07/12/2020	0
MGS 04/37	3.495	3	3.507	07/12/2020	-1
MGS 06/38	3.640	70	3.672	07/12/2020	-3
MGS 05/40	3.556	9	3.549	07/12/2020	1
MGS 09/43	3.890	4	3.912	07/12/2020	-2
MGS 03/46	3.920	5	3.967	07/12/2020	-5
MGS 07/48	3.990	71	4.050	04/12/2020	-6
MGS 06/50	4.007	7	3.978	07/12/2020	3
GII 08/21	1.630	15	1.641	04/12/2020	-1
GII 04/22	1.783	30	1.750	03/12/2020	3
GII 07/22	1.798	10	1.795	03/12/2020	0
GII 05/23	1.999	25	1.985	07/12/2020	1
GII 05/24	2.103	30	2.050	04/12/2020	5
GII 10/24	2.151	30	2.157	07/12/2020	-1
GII 03/26	2.316	40	2.345	07/12/2020	-3
GII 09/26	2.435	23	2.440	01/12/2020	0
GII 09/27	2.592	50	2.553	07/12/2020	4
GII 08/28	2.754	3	2.758	02/12/2020	0
GII 10/30	2.895	390	2.917	07/12/2020	-2
GII 09/39	3.624	30	3.634	04/12/2020	-1
		<u>1596</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	1.952	40	1.949	04/12/2020	0	15
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	2.139	10	2.014	26/10/2020	13	23
Bank Pembangunan Malaysia Berhad	09/24	GG	2.318	10	3.219	28/01/2020	-90	23
Jambatan Kedua Sdn Berhad	05/25	GG	2.389	30	2.421	28/07/2020	-3	30
Bank Pembangunan Malaysia Berhad	09/34	GG	3.630	15	3.701	16/01/2020	-7	37
DanaInfra Nasional Berhad	04/35	GG	3.679	5	3.295	21/10/2020	38	41
DanaInfra Nasional Berhad	04/48	GG	4.270	20	4.095	06/11/2020	18	70
Impian Ekspresi Sdn Berhad	11/23	AAA	3.062	60	-	-	-	115
Toyota Capital Malaysia Sdn Berhad	01/25	AAA	3.037	60	3.098	22/06/2020	-6	95
Pengurusan Air SPV Berhad	06/25	AAA	2.668	20	2.621	18/11/2020	5	58
Toyota Capital Malaysia Sdn Berhad	09/25	AAA	3.119	60	-	-	-	95
Bank Pembangunan Malaysia Berhad	10/25	AAA	2.811	20	2.820	01/12/2020	-1	64
Danga Capital Berhad	02/26	AAA	2.750	10	2.668	17/11/2020	8	58
Bank Pembangunan Malaysia Berhad	10/27	AAA	3.059	10	3.049	03/12/2020	1	53
Bank Pembangunan Malaysia Berhad	11/31	AAA	3.469	30	4.750	03/11/2016	-128	74
Northern Gateway Infrastructure Sdn Berhad	08/28	AA1	3.332	10	4.691	03/12/2018	-136	71
Northern Gateway Infrastructure Sdn Berhad	08/29	AA1	3.421	10	4.651	29/01/2019	-123	71
Hong Leong Financial Group Berhad	06/29	AA2	3.100	30	3.059	25/11/2020	4	39
Fortune Premiere Sdn Berhad	12/22	AA	2.807	4	2.777	03/11/2020	3	100
Malakoff Power Berhad	12/21	AA-	2.496	20	2.672	12/08/2020	-18	78
UiTM Solar Power Sdn Berhad	04/31	AA-	4.551	5	4.430	18/08/2020	12	183
Edra Energy Sdn Berhad	07/31	AA3	3.939	20	3.820	26/11/2020	12	121
Edra Energy Sdn Berhad	01/32	AA3	3.981	10	3.818	03/11/2020	16	126
Edra Energy Sdn Berhad	07/32	AA3	4.011	10	3.875	30/07/2020	14	129
Cypark Ref Sdn Berhad	06/36	AA3	4.580	5	4.475	26/11/2020	11	132
Edra Energy Sdn Berhad	07/36	AA3	4.319	10	4.219	18/02/2020	10	105
Cypark Ref Sdn Berhad	06/39	AA3	4.860	15	4.788	26/11/2020	7	129
Alliance Bank Malaysia Berhad	10/32	A2	3.501	1	3.551	30/10/2020	-5	78
Tropicana Corporation Berhad	06/23	A+	5.043	1	5.001	07/12/2020	4	313
DRB-Hicom Berhad	12/26	A+	4.479	2	4.478	29/09/2020	0	212
Quantum Solar Park (Semenanjung) Sdn Berhad	04/28	A+	4.621	5	4.548	29/09/2020	7	209
DRB-Hicom Berhad	12/29	A+	4.881	20	4.860	23/10/2020	2	217
				<u>578</u>				

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

## Market/Corporate News: What's Brewing

**Petroleum Nasional Bhd (Petronas) has emphasised that its strong fundamentals have enabled the company to withstand volatility and shocks in the market.** In a statement today, the national oil firm said it was able to maintain its strong financial profile and consistently maintain a conservative financial policy, stringent capital discipline and focus on cost optimisation towards ensuring the preservation of liquidity, despite the economic downturn and disruptions following the Covid-19 pandemic. This came after a decision by Fitch Ratings to downgrade Petronas' long-term foreign and local currency issuer default ratings (IDRs) to BBB+ (Outlook Stable) from A- (Outlook Negative). The revision of the credit ratings was made following the downgrade of Malaysia's sovereign rating to BBB+ (Outlook Stable) from A- (Outlook Negative) published on Dec 4, 2020. "The 'aa-' Standalone Credit Profile (SCP) also reflects Petronas' strong business profile, its position as a large-scale and fully integrated oil and gas producer as well as diverse operations in upstream, liquefied natural gas (LNG), and downstream refining and petrochemicals," it said. Petronas said its ratings continue to be capped to the sovereign rating so long as the company sustainably generates more than 10% of the government's revenues under Fitch's government-related entities rating criteria. Meanwhile, Petronas' SCP as assessed by Fitch has remained unchanged since 2016 at 'aa-', which is four notches above that of the sovereign rating compared with the previous three notches above. "Petronas has accounted for more than 15% of the Malaysian state's revenue over the last five years. "We have been in a net cash position since 2006 and the lowest through-the-cycle leverage and highest interest-coverage ratio among 'AA-' rated peers," it added. (Source: The EdgeMarkets)

**The Federal Land Development Authority (Felda) is planning to make a mandatory offer of RM1.30 per share for FGV Holdings Bhd, as it tightens control**

**in the plantation group under its plan to transform and restructure Felde and its related companies to strengthen its core business in the plantation sector.** Felde, which owns a 21.24% stake in FGV, is upping its stake in the plantation group by buying over the entire 6.1% stake held by Kumpulan Wang Persaraan (Diperbadankan) (KWAP) and a 7.78% interest held by Urusharta Jamaah Sdn Bhd at RM658 million or RM1.30 per share, which will raise Felde's stake in FGV to 35.12%. As at Nov 19, Urusharta Jamaah held 8.29% in FGV. The offer price marks a premium of 2.36% or three sen from FGV's last traded price RM1.27, which is also the closing price on the last trading day (Dec 7) prior to this announcement. The counter was suspended from trading at 4.15pm today to make way for the announcement. In a press notice today, Maybank Investment Bank, on behalf of Felde, said the latter has inked conditional share purchase agreements (CSPAs) with KWAP to take over its 222.48 million FGV shares for RM289.2 million, and with Urusharta Jamaah for its 283.71 million FGV shares for RM368.8 million. Upon completion of the proposed acquisition, Felde, together with the parties acting in concert (PACs) with it, will collectively hold more than 50% of FGV shares, Maybank IB said, thus triggering a mandatory takeover offer (MO). It did not name the PACs. "Upon the CSPAs becoming unconditional, Felde will serve the notice of mandatory offer to the board of directors of FGV," the notice read. "For clarity, the proposals will not result in an MO by Felde to acquire all the remaining voting shares in MSM Malaysia Holdings Bhd not held by FGV," it added. MSM, in which FGV has a 51% stake, operates the group's sugar business. Maybank Investment Bank is Felde's principal adviser in this corporate exercise. It was also a joint advisor for FGV's listing back in June 2012 at RM4.45 a share, when its initial public offering fetched RM10.5 billion (US\$3.1 billion), making it the second largest IPO in the world that year, after social media giant Facebook Inc's US\$16 billion. At its present price, FGV has a market capitalisation of RM4.63 billion. In its notice today, Maybank IB said Felde had announced on Oct 30 that it was embarking on a transformation plan to make Felde financially independent and sustainable, which includes enhancing Felde's core income from its lands. This potentially involved terminating its land lease agreement with FGV and taking over the related palm oil mills, subject to satisfactory discussions with FGV. The LLA involves Felde-owned estates totalling 350,733 ha, which were leased to FGV for 99 years from Nov 1, 2011. "Concurrently, the proposals [today] were considered, and based on the advice from financial and legal advisers, the proposals represent the most efficient and effective approach for Felde," it said. The proposed acquisition, it said, will enhance Felde's ability to control the plantation land and integrated value-chain of FGV and its subsidiaries, which will pave the way for greater cooperation in the business activities of Felde and FGV Group, and provide Felde access to high value-added downstream activities undertaken by FGV Group in the plantation sector. "Through the increase in operational and financial efficiencies by streamlining the entire value chain of upstream and downstream operations in the plantation sector, respectively held by Felde and FGV Group, the proposed acquisition is expected to contribute positively to the future earnings of Felde and create sustainable synergies within the enlarged Felde group. This in turn will allow Felde to have sustainable cash flows to restore the performance and sustainability of Felde," it added.

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: RAM, MARC

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