

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries sold-off on Monday; led again by the longer-ends where rates climbed to their highest levels since March as risk appetite surged following Pfizer's positive large-scale vaccine studies. The curve bear-steepened as overall benchmark yields ended between 3-15bps sharply higher. Yields of the UST 2Y closed 3bps up at 0.18% whilst the much-watched UST 10Y spiked 13bps at 0.95%. With the US elections coming to a near close with Democrat President-elect Biden at the helm, volatility in the rates asset class is expected to ease this week. The sell-off saw the 2s10s spreads widening to 77bps; its widest ever since 2017. Meanwhile, Treasury's \$54b auction of 3Y notes; awarded at 0.25% saw decent bidding metrics on a BTC ratio of 2.40x (average for previous 5 auctions: 2.45x). Meanwhile, expect some attention to shift to the upcoming record sized \$41b 10Y auction tonight and Thursday's \$27b 30Y exercise.

##### MGS/GII

- Local govies continued to rally for the 3<sup>rd</sup> day running on Monday sparked initially by the huge increase of in foreign holdings of MYR bods in October. The expected surge of offshore investments into higher-yielding sovereign debt in Asia was also a telling factor. Secondary market volume more than doubled to RM4.79b as overall benchmark yields continued to decline between 3-17bps across the curve save for the long bond. Both the 5Y MGS 9/25 the 10Y MGS 4/31 yields declined 8bps each at 2.04% and 2.56% each. Interest was seen in off-the-run 21's and most benchmark MGS i.e. 5Y, 7Y and 10Y bonds. GII bond trades rose to form 29% of overall trades. Meanwhile, the economic calendar is light until Friday when the 3Q2020 GDP data will be released.

##### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector remained tepid on Monday amid secondary market volume of only RM178m with some interest seen across the AAA-AA part of the curve. Overall yields closed mostly mixed-to-higher in about 18 various bonds. There were no govt-guaranteed bond transactions. AAA-rated PASB 6/25 and SEB 6/35 saw RM20m in nominal amounts traded each between -2 to +2bps compared to previous-done levels at 2.60% and 3.45% respectively. TNB 8/38 was most actively traded; rising 4bps to 3.63%. A slew of energy-related bonds i.e. TADAU and Southern Power dominated the space. TADAU 7/28 edged 1bps lower at 3.86 whilst Southern Power 34-35's closed 1-6bps lower between 3.76%-82% area. Meanwhile, the banking space was relatively quiet.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.18	3
5-yr UST	0.45	9
10-yr UST	0.95	13
30-yr UST	1.74	15

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.79	-3	1.89	-8
5-yr	2.04	-8	2.15	-8
7-yr	2.30	-7	2.23	-17
10-yr	2.56	-8	2.61	-5
15-yr	3.02	-6	3.10	-17
20-yr	3.30	-10	3.46	-10
30-yr	3.85	5	4.02	-4

\* 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

## Daily Trades : Government Bond

Securities		Closing	Vol	Previous	Previous	Chg
		YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS	07/21	1.600	240	1.616	06/11/2020	-2
MGS	09/21	1.652	172	1.639	05/11/2020	1
MGS	11/21	1.669	2	1.668	06/11/2020	0
MGS	03/22	1.627	1	1.745	06/11/2020	-12
MGS	08/22	1.791	1	1.768	06/11/2020	2
MGS	09/22	1.785	2	1.744	06/11/2020	4
MGS	03/23	1.794	458	1.825	06/11/2020	-3
MGS	04/23	1.896	64	1.885	05/11/2020	1
MGS	08/23	1.866	11	1.887	06/11/2020	-2
MGS	06/24	1.969	37	2.004	06/11/2020	-3
MGS	09/25	2.037	564	2.113	06/11/2020	-8
MGS	07/26	2.200	1	2.291	06/11/2020	-9
MGS	11/26	2.277	21	2.307	06/11/2020	-3
MGS	05/27	2.295	433	2.361	06/11/2020	-7
MGS	11/27	2.398	91	2.493	06/11/2020	-9
MGS	08/29	2.594	215	2.638	06/11/2020	-4
MGS	04/30	2.685	140	2.759	05/11/2020	-7
MGS	04/31	2.560	483	2.639	06/11/2020	-8
MGS	04/32	2.964	15	3.003	06/11/2020	-4
MGS	04/33	3.055	30	3.130	06/11/2020	-7
MGS	11/33	3.047	30	3.187	06/11/2020	-14
MGS	07/34	3.024	143	3.087	06/11/2020	-6
MGS	05/35	3.337	2	3.337	05/11/2020	0
MGS	04/37	3.412	35	3.402	06/11/2020	1
MGS	06/38	3.443	10	3.526	06/11/2020	-8
MGS	05/40	3.303	160	3.404	06/11/2020	-10
MGS	09/43	3.960	5	3.900	06/11/2020	6
MGS	03/46	3.891	1	3.944	06/11/2020	-5
MGS	07/48	3.920	1	3.998	06/11/2020	-8
MGS	06/50	3.846	61	3.800	06/11/2020	5
GII	04/21	1.637	70	1.506	12/10/2020	13
GII	07/22	1.726	60	1.696	03/11/2020	3
GII	05/23	1.884	283	1.963	06/11/2020	-8
GII	07/23	1.868	41	1.846	02/11/2020	2
GII	11/23	1.955	1	1.849	02/11/2020	11
GII	03/26	2.154	250	2.231	06/11/2020	-8
GII	09/27	2.227	55	2.393	06/11/2020	-17
GII	08/28	2.581	175	2.692	03/11/2020	-11
GII	10/28	2.595	120	2.728	04/11/2020	-13
GII	07/29	2.654	70	2.722	06/11/2020	-7
GII	11/34	3.103	10	3.271	04/11/2020	-17
GII	08/37	3.521	20	3.574	26/10/2020	-5
GII	09/39	3.457	150	3.558	05/11/2020	-10
GII	11/49	4.022	63	4.060	04/11/2020	-4
			<u>4792</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*
Bank Pembangunan Malaysia Berhad	03/22	AAA	2.347	3	2.347	05/11/2020	69
Pengurusan Air SPV Berhad	06/25	AAA	2.598	20	2.578	27/10/2020	55
Sarawak Energy Berhad	04/31	AAA	3.161	2	3.118	21/10/2020	59
Sarawak Energy Berhad	06/35	AAA	3.449	20	3.466	30/10/2020	46
Bank Pembangunan Malaysia Berhad	11/35	AAA	3.594	10	3.527	02/09/2020	60
Tenaga Nasional Berhad	08/38	AAA	3.629	50	3.589	23/10/2020	31
Samalaju Industrial Port Sdn Berhad	12/26	AA1	2.927	10	2.938	25/08/2020	71
CIMB Bank Berhad	08/26	AA+	3.006	1	4.403	22/10/2020	79
UMW Holdings Berhad	10/26	AA2	3.139	10	3.080	28/10/2020	93
Edra Energy Sdn Berhad	07/25	AA3	4.488	1	3.320	23/10/2020	244
Pelabuhan Tanjung Pelepas Sdn Berhad	08/25	AA-	3.073	10	3.150	01/09/2020	102
Tadau Energy Sdn Berhad	07/28	AA3	3.860	10	3.866	09/09/2020	140
Pelabuhan Tanjung Pelepas Sdn Berhad	08/27	AA-	3.242	10	3.300	01/09/2020	94
Southern Power Generation Sdn Berhad	10/34	AA-	3.759	10	3.669	04/08/2020	77
Southern Power Generation Sdn Berhad	04/35	AA-	3.819	10	3.670	25/08/2020	83
Alliance Bank Malaysia Berhad	10/35	A2	4.020	1	3.827	06/11/2020	103
YNH Property Berhad	08/19	-	6.812	1	6.812	04/11/2020	350
YNH Property Berhad	08/19	-	6.899	1	6.451	06/11/2020	45
			<u>178</u>				

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

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

**Kossan Rubber Industries Bhd's net profit for the third quarter ended Sept 30, 2020 (3QFY20) surged 609% to RM348.74 million from RM49.18 million in the previous corresponding quarter, mainly due to higher sales volume and selling price as demand for rubber gloves continue to outstrip supply amid the Covid-19 pandemic.** Quarterly revenue jumped 95% to RM1.03 billion from RM531.26 million in 3QFY19. The impressive strong earnings growth, however, is in line with market expectations. According to Bloomberg, analyst consensus forecasts the rubber glove maker's annual net profit to balloon to RM740.6 million for the financial year ending Dec 31, 2020 (FY20) and RM963 million for FY21. For the nine-month period ended Sept 30, 2020, Kossan's net profit more than tripled to RM544.6 million from RM163.78 million in the year-ago period, while cumulative revenue grew 43% to RM2.35 billion from RM1.64 billion a year ago, mainly supported by the gloves and cleanroom divisions. In its filing with the bourse, Kossan said it saw improvements in all three of its divisions, namely the gloves, technical rubber products (TRP) and cleanroom business segments. The gloves division achieved 671% growth in pre-tax profit to RM416.65 million. The TRP division recorded a 19% increase in pre-tax profit, as the division had resumed full operations since the lockdown imposed under the Movement Control Order (MCO), while also seeing a rebound in deliveries in the infrastructure segment. The cleanroom division's pre-tax profit soared 1,132% to RM10.19 million, as demand for the division's products increased as a result of the Covid-19 pandemic. For the first nine months of the year, Kossan's net profit more than tripled to RM544.6 million from RM163.78 million in the year-ago period, while cumulative revenue grew 43% to RM2.35 billion from RM1.64 billion a year ago, mainly supported by the gloves and cleanroom divisions. Looking ahead, the group noted the exponential growth in demand for personal protective equipment due to the pandemic and said demand continues to exceed supply in its gloves division. "The increase in average selling price has started to be reflected in the current quarter, and the group expects further significant upward price adjustments on a quarter-on-quarter basis in 4QFY20," said the group. Meanwhile, Kossan said the TRP division will benefit from the gradual uptick in economic activity and infrastructure spending domestically and regionally, as it serves the infrastructure and automotive segment. "Management is confident of a further step-up in revenue and profit growth in the fourth quarter and for FY20 to be an exceptional growth year for the group," it said. (Source: *The EdgeMarkets*)

**United Plantations Bhd's net profit for the third quarter ended Sept 30, 2020 rose 58.35% to RM95.33 million, from RM60.2 million a year ago, on higher palm prices and production.** Quarterly revenue increased 19.87% to RM334.04 million, from RM278.66 million, according to the group's filing today. For the January-September period, net profit grew 47.78% to RM300.1 million from RM203.07 in the same period last year, as revenue climbed 8.7% to RM947.26 million from RM871.46 million. Nine-month revenue for the group's plantation segment increased 20.2% to RM616 million, from RM512.3 million previously, mainly due to higher group crude palm oil (CPO) and palm kernel (PK) production, and higher CPO and PK average prices. The group's CPO and PK production was up by 10.8% and 9.4% respectively during the same period, whereas average group CPO and PK prices increased by 11.8% and 24.2%. United Plantations said its cost of production per tonne of CPO and PK was lower by 8% and 8.1% respectively in the current period, as a result of higher production. "Consequently, the profit before tax of this segment surged by 62.8% to RM334.6 million from RM205.5 million in the corresponding period," it said.

The group said based on the prices contracted under its forward sales policy and with production having increased due to large areas steadily coming into maturity from its replanted areas in Malaysia, United Plantations expects its full-year results to be satisfactory and significantly better than in 2019. "United Plantation will, in accordance with its replanting policy, continue to replant areas of its older and less productive oil palm stands in Malaysia during 2020. Cost efficiencies and improved productivity will

therefore continue as a vital part of sustaining our positive development, going forward," it said. Highlighting its positive liquidity and conservative capital resources, the group believes that based on present fundamentals, it will be able to perform satisfactorily without the need for any asset impairments arising from the current Covid-19 pandemic. "Whilst United Plantation has so far managed to avoid a Covid-19 outbreak, the company has to remain vigilant and will continue to enforce the various standard operating procedures introduced by the government, as well as by our group," it said.

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Pengurusan Air Selangor Sdn Bhd	Proposed Islamic Medium-Term Notes Programme of up to RM10 bil in nominal value and Islamic Commercial Papers Programme of up to RM10 bil in nominal value	AAA/Stable and P1	Assigned

Source: RAM, MARC

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