

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.18	1
5-yr UST	0.45	3
10-yr UST	0.96	4
30-yr UST	1.74	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.81	2	1.94	5
5-yr	2.08	4	2.23	8
7-yr	2.39	10	2.36	13
10-yr	2.66	10	2.61	0
15-yr	2.95	-7	3.13	3
20-yr	3.40	10	3.46	0
30-yr	3.78	-6	4.06	4

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.86	1
3-yr	1.93	2
5-yr	2.13	3
7-yr	2.30	1
10-yr	2.53	1

Source : Bloomberg

### Upcoming Government Bond Tender

Reopening of RM3.0b (private placement of RM500m) 30Y MGS 6/50 on Thursday, 12<sup>th</sup> Nov 2020

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries extended its weakness on Tuesday, pressured by the longer-ends where yields headed higher following the average bidding metrics for the record-sized 10Y auction. The curve bear-steepened as overall benchmark yields ended between 1-4bps higher with the UST 2Y edging up at 0.18% whilst the much-watched UST 10Y rose 4bps at 0.96%; its highest since March. The \$41b 10Y auction drew 0.96% on a BTC ratio of only 2.32x versus the past six (6) average auctions at 2.42x. With the impact of the US elections fading gently with Democrat President-elect Biden at the helm, volatility in the rates asset class is expected to eventually ease. However the upbeat news of Pfizer Inc's COVID-19 vaccine is expected to stir some movements. Both the 2s10s and 5s30s spreads meanwhile remain etched at a 3-year high of 77bps and 128bps respectively. Expect attention to shift to Thursday's \$27b 30Y exercise; which has the potential to weigh on the curve.

### MGS/GIII

- Local govies witnessed profit-taking on Tuesday following three (3) earlier days of rally on the back of an anticipated surge of offshore investments into higher-yielding sovereign debt in Asia. Secondary market volume eased slightly to RM4.09b as overall benchmark yields declined between 0-13bps across the curve save for the 15 and 30Y tenures. The 5Y MGS 9/25 yields rose 4bps at 2.08% whilst the 10Y MGS 4/31 spiked 10bps instead 2.66% each. Interest was seen in off-the-run 21-22's, 26's and also 3Y MGS. GII bond trades fell to form 18% 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 saw a spike in interest amid secondary market volume of RM480m with interest seen across the AAA-AA part of the curve. Overall yields closed mostly mixed in about 25 various bonds. There were no govt-guaranteed bond transactions. AAA-rated PUTRAJAYA 23-24's closed 6bps lower compared to previous-done levels between 2.36-47%. DIGI 4/27 saw yields fall sharply to 2.76% whilst DANGA 33 spiked 13bps instead at 3.24%. AA-rated KLK 25-26's saw RM110m in nominal amounts traded; ending 5-6bps higher between 2.73-80% area. Meanwhile, the banking space saw AFFIN Islamic 28NC23 edge 1bps lower at 3.73%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/21	1.519	72	1.600	09/11/2020	-8
MGS 09/21	1.551	415	1.652	09/11/2020	-10
MGS 11/21	1.550	616	1.669	09/11/2020	-12
MGS 03/22	1.698	179	1.627	09/11/2020	7
MGS 08/22	1.727	5	1.791	09/11/2020	-6
MGS 09/22	1.746	227	1.785	09/11/2020	-4
MGS 03/23	1.809	209	1.794	09/11/2020	1
MGS 04/23	1.849	40	1.896	09/11/2020	-5
MGS 08/23	1.860	9	1.866	09/11/2020	-1
MGS 06/24	2.011	4	1.969	09/11/2020	4
MGS 07/24	1.996	3	2.036	06/11/2020	-4
MGS 09/24	2.013	51	2.042	06/11/2020	-3
MGS 09/25	2.079	137	2.037	09/11/2020	4
MGS 04/26	2.227	4	2.256	04/11/2020	-3
MGS 07/26	2.272	308	2.200	09/11/2020	7
MGS 09/26	2.299	40	2.175	12/10/2020	12
MGS 11/26	2.281	1	2.277	09/11/2020	0
MGS 05/27	2.392	199	2.295	09/11/2020	10
MGS 11/27	2.449	12	2.398	09/11/2020	5
MGS 06/28	2.497	34	2.481	06/11/2020	2
MGS 08/29	2.674	57	2.594	09/11/2020	8
MGS 04/30	2.728	2	2.685	09/11/2020	4
MGS 04/31	2.655	514	2.560	09/11/2020	9
MGS 06/31	2.833	61	2.784	09/11/2020	5
MGS 04/33	3.107	17	3.055	09/11/2020	5
MGS 07/34	2.950	53	3.024	09/11/2020	-7
MGS 06/38	3.477	5	3.443	09/11/2020	3
MGS 05/40	3.404	86	3.303	09/11/2020	10
MGS 09/43	3.810	4	3.960	09/11/2020	-15
GII 05/23	1.940	197	1.884	09/11/2020	6
GII 03/26	2.229	150	2.154	09/11/2020	8
GII 09/27	2.355	130	2.227	09/11/2020	13
GII 10/28	2.633	10	2.595	09/11/2020	4
GII 07/29	2.697	10	2.654	09/11/2020	4
GII 09/30	2.697	10	2.792	30/10/2020	-9
GII 11/34	3.131	70	3.103	09/11/2020	3
GII 11/49	4.088	151	4.022	09/11/2020	7
		<u>4092</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*	
Gulf Investment Corporation G.S.C	03/21	AAA	2.456	4	2.488	05/10/2020	-3	83
Telekom Malaysia Berhad	09/21	AAA	2.115	30	2.126	22/09/2020	-1	49
Bank Pembangunan Malaysia Berhad	03/22	AAA	2.389	10	2.347	09/11/2020	4	76
Aman Sukuk Berhad	03/23	AAA	2.415	10	2.602	23/07/2020	-19	70
Putrajaya Holdings Sdn Berhad	07/23	AAA	2.359	20	2.422	17/09/2020	-6	53
Putrajaya Holdings Sdn Berhad	09/23	AAA	2.371	20	2.432	17/09/2020	-6	54
Putrajaya Holdings Sdn Berhad	07/24	AAA	2.466	20	2.528	07/08/2020	-6	47
Putrajaya Bina Sdn Berhad	09/24	AAA	2.520	10	2.524	04/11/2020	0	53
Bank Pembangunan Malaysia Berhad	10/25	AAA	2.789	40	-	-	-	69
DiGi Telecommunications Sdn Berhad	04/27	AAA	2.762	50	3.143	14/02/2020	-38	50
Sarawak Energy Berhad	12/32	AAA	3.258	40	3.247	03/11/2020	1	60
Danga Capital Berhad	01/33	AAA	3.239	20	3.109	26/08/2020	13	58
Sabah Development Bank Berhad	04/24	AA1	3.499	1	3.962	05/11/2020	-46	167
Kuala Lumpur Kepong Berhad	08/25	AA1	2.731	70	2.681	08/09/2020	5	64
Kuala Lumpur Kepong Berhad	04/26	AA1	2.801	40	2.784	06/10/2020	2	71
Imtiaz Sukuk II Berhad	10/25	AA2	2.965	10	2.965	26/10/2020	0	87
UMW Holdings Berhad	10/26	AA2	3.142	20	3.139	09/11/2020	0	88
Press Metal Aluminium Holdings Berhad	10/24	AA3	3.899	10	3.348	30/07/2020	55	190
Gamuda Land (T12) Sdn Berhad	08/25	AA3	3.478	10	3.465	02/11/2020	1	138
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.999	5	3.999	27/10/2020	0	190
Tan Chong Motor Holdings Berhad	11/21	A1	3.828	1	3.766	21/10/2020	6	220
Affin Islamic Bank Berhad	10/28	A1	3.729	30	3.740	05/11/2020	-1	123
CIMB Group Holdings Berhad	11/30	-	2.930	5	-	-	-	27
YNH Property Berhad	08/19	-	6.907	3	6.812	09/11/2020	9	352
Tropicana Corporation Berhad	09/19	-	6.057	1	6.058	04/11/2020	0	267
			<u>480</u>					

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

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

**Malaysian corporates are expected to, by and large, post improved earnings for the third quarter (3Q) of this year, compared with the previous quarter, following the lifting of the movement control order (MCO) that dragged economic activities almost to a complete standstill previously.** In particular, those in the plantation and exports-oriented sectors are anticipated to perform better, according to JF Apex research head Lee Chung Cheng. In the plantation sector, companies are expected to have benefitted from the higher crude palm oil prices seen during the quarter, said Lee. As for those in the exports-oriented sectors, companies involved in the manufacturing of electrical and electronics, as well as furniture will perform well, since they would have seen a surge of pent-up demand, especially from the US market, said Lee. Nevertheless, on a year-on-year basis, earnings growth will still be down for most companies, Lee said. And the sectors that rely on domestic consumption such as banking, REITs and retail, are expected to remain lacklustre. Similarly, CGS CIMB Research head Ivy Ng expects plantation companies to do well, and for technology firms to outperform, as the latter would be kept busy clearing backlogged orders from 2Q, when the MCO was imposed. The recovery momentum, however, could be derailed by the recent reinstatement of the conditional MCO (CMCO) on all but three states on the Peninsular until Dec 6, which also marked a one-month extension of the CMCO that has been reimposed on Selangor, Kuala Lumpur, Putrajaya, as well as Sabah — the worst virus-hit state in the country. Hence, CGS CIMB Research head Ivy Ng, who is expecting a rebound in corporate earnings for 3Q, is cautious on the outlook for 4Q. “The lockdown is obviously not going to help in terms of recovery in consumer spending,” she told The Edge. Still, there’s a silver lining, she said, in that the movement restrictions are not going to be as strict as in 2Q, when the MCO kicked in on March 18, as people are still allowed to go out and economic activities are allowed to continue. “But people are cautious, so you may not get the consumer spending [momentum] that you expect. And the continued lockdown around the world could also affect consumption and business activities,” she added. “The expectation is for earnings recovery to continue, but because of the resurgence of Covid-19 cases, we may not see the recovery momentum continuing into the 4Q. It depends on how fast we can contain the Covid-19 situation,” she said. As for banks, Ng said it all “depends on what their provisioning is like”, adding that their earnings are “unlikely to be very strong”. Rakuten Trade Sdn Bhd’s research head Kenny Yee, however, does not think that corporate earnings for 3Q and 4Q will necessarily be better than 2Q, due to the “after-effects of the MCO”. “I think 3Q and 4Q could be even worse than 2Q in terms of earnings, because 2Q was just the starting point of the MCO,” said Yee, adding that the market will likely see the after-effects of that movement restriction reflected in companies’ bottomlines in these subsequent quarters. “The only good ones are gloves companies,” he said, adding banks, construction and tourism-related industries will continue to underperform. “A lot of people are still struggling. That’s why the market is seeing constant downgrades in corporate earnings. The biggest disappointment will be the banking side,” Yee said. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Kinabalu Capital Sdn Bhd	RM20 million Class A Medium-Term-Notes (MTN) and RM200 million Commercial Papers (CP) under Issue 1	AAA/Stable and P1	Affirmed
Besraya (M) Sdn Bhd	RM700 million Sukuk Mudharabah Issuance Facility (2011/2028)	AA3/Stable	Reaffirmed

Source: RAM, MARC

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