

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw some smaller moves on Friday following the White House statement that the administration is open to a bigger stimulus despite reiterating opposition to the \$2.2 trillion plan from the House Democrats. Overall benchmark yields ended mostly between a mere 0-1bps lower from prior day's close with the UST 2Y at 0.16% and the much-watched 10Y yield edging 1bps lower at 0.78%. Separately the Fed's securities and mortgage derivatives holdings rose \$51b last week to \$6.62 trillion, the most in history. Meanwhile, it is thought that a convincing victory for Biden may lead to a knee-jerk steepening reaction of the US curve on strong possibility that he would implement sizeable fiscal stimulus. Expect some volatility in UST levels leading up to the November presidential election. There's not much data tonight as focus will remain on chances for a fresh stimulus.

MGS/GIII

- Local govies closed mostly weak last Friday with the belly pressured the most amid a lower secondary market volume of RM2.82b as investors were reluctant to take positions going into the weekend on slight political concerns this week and stubborn levels of COVID-19 infections in several states. Overall benchmark yields closed mostly higher between 0-2bps across the curve. Both the benchmark 5Y MGS 9/25 and the 10Y MGS 8/29 yields edged 1bps higher at 2.18% and 2.64% each. Interest was mainly seen in the off-the-runs 20-21's, and 5Y benchmark MGS. GII bond trades fell sharply to form a mere 10% of overall trades. Nevertheless, seasonal strength could provide some support for EM local-currency sovereigns. Expect BNM to decide on the interest rate outlook on the 3rd of November; a few days before the 2021 Budget.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw traction fizzle out last Friday amid lower secondary market volume at RM280m with interest in only about 17 various bonds. Overall yields closed mixed again with some interest seen across the AAA-AA part of the curve. The sole Govt-guaranteed trade consisted of PRASA 12/38 which spiked 15bps compared to previous-done levels at 3.60%. AAA-rated SEB 27 and 32 ended between 1-7bps higher at 2.76% and 3.25% each. AA-rated space saw KLK 9/22 edge 1bps lower at 2.38% whilst energy-related bonds TG BIN 8/22 and BGSM 6/24 saw a total of RM60m in nominal trades done. (Whilst BGSM edged 1bps lower at 2.84%, TG BIN fell sharply by 95 bps to close at 2.84%). The banking space saw MAYBANK 30NC25 make its debut trade at 2.90% whilst its perps i.e. 2117NC26 ended unchanged at 3.24%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.16	0
5-yr UST	0.34	0
10-yr UST	0.78	-1
30-yr UST	1.57	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.86	2	1.91	1
5-yr	2.18	1	2.15	0
7-yr	2.41	2	2.35	1
10-yr	2.64	1	2.60	0
15-yr	3.01	0	3.15	2
20-yr	3.32	1	3.49	0
30-yr	3.72	0	4.04	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.89	1
3-yr	1.96	1
5-yr	2.15	2
7-yr	2.33	0
10-yr	2.63	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 10/20	1.796	200	1.796	08/10/2020	0
MGS 02/21	1.550	61	1.540	08/10/2020	1
MGS 07/21	1.480	605	1.550	08/10/2020	-7
MGS 09/21	1.580	385	1.600	08/10/2020	-2
MGS 11/21	1.589	110	1.649	08/10/2020	-6
MGS 03/22	1.746	18	1.717	08/10/2020	3
MGS 08/22	1.780	100	1.806	07/10/2020	-3
MGS 09/22	1.781	5	1.807	07/10/2020	-3
MGS 03/23	1.856	61	1.835	08/10/2020	2
MGS 08/23	1.927	5	1.948	08/10/2020	-2
MGS 06/24	2.034	56	2.001	08/10/2020	3
MGS 07/24	2.040	88	2.029	08/10/2020	1
MGS 09/25	2.180	411	2.169	08/10/2020	1
MGS 04/26	2.338	44	2.293	08/10/2020	4
MGS 07/26	2.310	4	2.316	08/10/2020	-1
MGS 11/26	2.384	100	2.378	08/10/2020	1
MGS 03/27	2.417	5	2.394	07/10/2020	2
MGS 05/27	2.408	1	2.387	08/10/2020	2
MGS 11/27	2.425	5	2.412	08/10/2020	1
MGS 06/28	2.467	12	2.485	07/10/2020	-2
MGS 08/29	2.635	58	2.629	08/10/2020	1
MGS 04/30	2.680	35	2.665	08/10/2020	2
MGS 06/31	2.781	6	2.771	08/10/2020	1
MGS 04/33	3.087	19	3.050	08/10/2020	4
MGS 11/33	3.097	6	3.063	08/10/2020	3
MGS 07/34	3.014	83	3.014	08/10/2020	0
MGS 05/35	3.260	6	3.276	07/10/2020	-2
MGS 04/37	3.348	6	3.319	08/10/2020	3
MGS 06/38	3.467	6	3.420	08/10/2020	5
MGS 05/40	3.324	34	3.317	08/10/2020	1
MGS 09/43	3.847	6	3.799	08/10/2020	5
MGS 07/48	3.928	1	3.849	08/10/2020	8
GII 04/22	1.744	2	1.751	08/10/2020	-1
GII 07/22	1.775	29	1.842	05/10/2020	-7
GII 05/23	1.914	120	1.907	08/10/2020	1
GII 11/23	1.959	53	1.945	08/10/2020	1
GII 03/26	2.222	22	2.241	08/10/2020	-2
GII 09/27	2.352	2	2.343	08/10/2020	1
GII 10/28	2.615	4	2.610	08/10/2020	1
GII 07/29	2.665	1	2.666	08/10/2020	0
GII 11/34	3.148	30	3.124	08/10/2020	2
GII 05/47	3.981	1	4.020	08/10/2020	-4
GII 11/49	4.039	10	4.039	06/10/2020	0
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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*	
Prasarana Malaysia Berhad	12/38	GG	3.600	20	3.450	30/07/2020	15	28
Public Bank Berhad	02/21	AAA	1.900	100	3.011	17/03/2020	-111	27
Sarawak Energy Berhad	01/27	AAA	2.764	10	2.698	03/09/2020	7	45
Sarawak Energy Berhad	12/32	AAA	3.249	10	3.241	15/09/2020	1	60
Tenaga Nasional Berhad	08/35	AAA	3.379	5	3.379	07/10/2020	0	33
Kuala Lumpur Kepong Berhad	09/22	AA1	2.381	20	2.394	08/09/2020	-1	60
Malayan Banking Berhad	10/30	AA1	2.900	10	-	-	-	25
Tanjung Bin Power Sdn Berhad	08/22	AA2	2.837	10	3.788	26/03/2020	-95	106
BGSM Management Sdn Berhad	06/24	AA3	2.785	40	2.795	29/09/2020	-1	74
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.999	11	3.999	07/10/2020	0	181
Gamuda Land (T12) Sdn Berhad	08/30	AA3	3.818	10	3.890	11/08/2020	-7	117
Malayan Banking Berhad	02/17	AA3	3.242	20	3.241	30/09/2020	0	-8
Tan Chong Motor Holdings Berhad	11/21	A1	3.778	1	3.778	07/10/2020	0	214
Bank Muamalat Malaysia Berhad	11/21	A	3.798	10	3.845	11/09/2020	-5	216
Eco World International Berhad	10/21	-	5.208	1	5.081	07/10/2020	13	357
Eco World International Berhad	05/23	-	6.354	2	6.182	08/10/2020	17	449
Mah Sing Group Berhad	04/17	-	3.801	1	5.471	08/10/2020	-167	48
			<u>280</u>					

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

Market/Corporate News: What's Brewing

A group of leasing companies has rejected a restructuring plan put forward by Malaysia Airlines, bringing the state carrier closer to a showdown over its future.

Lessors claiming to represent 70% of the airplanes and engines leased to the airline group have called the plan "inappropriate and fatally flawed" and pledged to challenge it, according to people familiar with the matter and a letter from a London law firm seen by Reuters. However, some leasing companies have endorsed the plan, one of the people said, declining to be named due to the sensitivity of the matter. Law firm Clifford Chance, which sent the letter on behalf of the lessors, did not respond to a request for comment. In an email to Reuters, Malaysia Aviation Group (MAG), the airline's parent company, said on Saturday it was "pleased" with the level of support it had received from its lessors and was continuing discussions with them. "(MAG) is confident that there are appropriate legal mechanisms available should that support not be universal," it said. "MAG reiterates that the spirit of its restructuring plan is not intended to create unnecessary pain among its creditors but is done in good faith to drive for the long-term survivability of MAG and its dependent value chain of partners," it said. The airline group is seeking to implement the restructuring plan through a UK court process, according to sources. The letter from the law firm further raises the stakes after Reuters reported that the Malaysian airline group had warned lessors that its shareholder, state fund Khazanah, would stop funding the group and force it into a winding down process if restructuring talks were unsuccessful. The letter, dated Oct 8, states that if the airline group "insists on proceeding with the proposed restructuring plan (RP), our clients will use all means at their disposal to challenge it on all possible grounds." Malaysia Airlines is one of dozens of carriers severely hit by the coronavirus crisis, which has battered demand for air travel. (Source: *The EdgeMarkets*)

Budget 2021 will not deviate much from the previous budgets' convention but will be infused with initiatives similar in spirit to the Prihatin Rakyat Economic Stimulus Package (Prihatin) and National Economic Recovery Plan (Penjana), according to an economic expert.

"The upcoming national budget will still hinge on aspects such as jobs and people's income," Prof Dr Jamal Othman, who is from Universiti Kebangsaan Malaysia's Economics and Management Faculty, said during a Ruang Bicara session aired on Bernama TV yesterday. According to him, the government's focus will not directly be on the gross domestic product (GDP) per se but the GDP will see the effect when the government addresses more pressing matters such as jobs. "Faced with the Covid-19 pandemic situation, I think the issue of economic growth is not the highest priority; what's more important is to protect our ability to continue with our lives (as usual), which is inextricably linked to income. "Economic growth will come later on," he said. Jamal forecast the budget deficit would widen from 5.5% to 6% of GDP, which he said would not be unusual given the challenging global economic situation this year due to the pandemic. He said countries with an open economy would naturally be worse affected, and this could be seen in the drop in the country's exports, which led to the dependence on domestic consumption for recovery. Unfortunately, that was also affected due to people having lost their jobs, Jamal said. However, the declining unemployment rate signalled that the implementation of the Prihatin and Penjana initiatives were producing positive results, he added. The country's unemployment rate fell to 4.7% in July, down from 4.9% in June and 5.3% in May. As of Sept 25, the government had implemented one-off cash assistances and three- to six-month initiatives worth RM122.7 billion under Prihatin. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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