

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries closed strong on Tuesday following the long weekend break; benefitting from their safe appeal status as investors reacted to updates regarding the new proposed stimulus bill which is seen to be at an impasse for now. The curve flattened as overall benchmark yields ended between 2-6bps lower from last Friday's close. The UST 2Y edged 2bps lower at 0.14% and the much-watched 10Y yield rallied 5bps at 0.73%. Meanwhile Consumer Prices for September climbed 0.2% (Aug: 0.4%). The recent halt in clinical trials for COVID-19 vaccines by Eli Lilly and Johnson & Johnson was also believed to lend a bid to bonds. Separately, Fed's securities and mortgage derivatives holdings rose \$51b last week to a historic high of \$6.62 trillion. Expect some volatility in UST levels leading up to the November presidential election with attention focused on developments regarding the above-mentioned stimulus bill.

MGS/GIII

- Local govies closed mostly unchanged-to-stronger on Tuesday on some expectations of potential interest rate cut going forward due to the anticipated slowdown in economic activities. Concerns emerged due to the partial lock-down in several states arising from the resurgence in COVID-19 infections. Secondary market volume rose to a RM3.17b as overall benchmark yields closed between 0-6bps lower across the curve save for the 7Y, 20Y GII. Interest was mainly seen in the off-the-runs 21's, 3Y benchmark GII and 7Y benchmark MGS. GII bond trades fell to form 28% of overall trades. The benchmark 5Y MGS 9/25 declined 6bps at 2.12% whilst the 10Y MGS 8/29 closed unchanged at 2.66%. It is noted that most EM economies are currently offering higher short-dated yields than the US. This coupled with some seasonal strength could ignite foreign appetite in EM local currency government debt.. Expect attention to focus on the upcoming 10Y MGS auction today.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw traction improve amid higher secondary market volume of RM439m with interest in about 27 various bonds. Overall yields closed mixed again with some interest seen along the GG-AA part of the curve. Govt-guaranteed LPPSA 26-27's closed unchanged compared to previous-done levels between 2.47-52% whilst the long-end DANA 5/46 spiked 15bps at 3.92%. AAA-rated PASB 10/34 closed 5bps lower at 3.40%. The AA-rated space saw YTL Corp 11/26 rise 5bps at 3.37% whilst YTL Power 8/28 settled unchanged at 3.51%. Other energy-related bonds that saw activity included EDRA 2/20, 1/25 and also BGSM 6/24 which altogether closed mixed on yields. The banking space saw AFFIN Islamic 28NC23 close unchanged at 3.64% on RM40m in nominal amount of trades.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	-2
5-yr UST	0.30	-3
10-yr UST	0.73	-5
30-yr UST	1.51	-6

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.80	-2	1.89	-1
5-yr	2.12	-6	2.08	-5
7-yr	2.39	0	2.39	4
10-yr	2.66	0	2.55	-4
15-yr	3.06	-1	3.14	-1
20-yr	3.17	-14	3.51	1
30-yr	3.72	0	4.03	-1

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.87	-1
3-yr	1.97	0
5-yr	2.14	-1
7-yr	2.33	0
10-yr	2.63	0

Source : Bloomberg

Upcoming Government Bond Tender

New issuance of RM5.0b 10Y MGS 4/31
on Wednesday, 14th Oct 2020

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/21	1.521	135	1.480	09/10/2020	4
MGS 09/21	1.500	937	1.541	12/10/2020	-4
MGS 03/22	1.701	24	1.746	09/10/2020	-4
MGS 08/22	1.787	7	1.761	12/10/2020	3
MGS 03/23	1.802	32	1.825	12/10/2020	-2
MGS 04/23	1.863	5	1.837	12/10/2020	3
MGS 08/23	1.839	100	1.929	12/10/2020	-9
MGS 06/24	1.957	11	2.027	12/10/2020	-7
MGS 07/24	2.032	5	2.025	12/10/2020	1
MGS 09/24	2.006	5	2.039	08/10/2020	-3
MGS 03/25	2.096	17	2.126	08/10/2020	-3
MGS 09/25	2.115	195	2.176	12/10/2020	-6
MGS 04/26	2.313	2	2.291	12/10/2020	2
MGS 07/26	2.264	105	2.332	12/10/2020	-7
MGS 05/27	2.386	537	2.390	12/10/2020	0
MGS 11/27	2.417	10	2.431	12/10/2020	-1
MGS 06/28	2.478	50	2.467	09/10/2020	1
MGS 08/29	2.659	6	2.659	12/10/2020	0
MGS 04/30	2.680	5	2.680	09/10/2020	0
MGS 06/31	2.794	8	2.788	12/10/2020	1
MGS 04/33	3.069	27	3.087	09/10/2020	-2
MGS 11/33	3.114	5	3.097	09/10/2020	2
MGS 07/34	3.064	19	3.073	12/10/2020	-1
MGS 04/37	3.366	6	3.348	09/10/2020	2
MGS 06/38	3.481	7	3.467	09/10/2020	1
MGS 05/40	3.165	24	3.301	12/10/2020	-14
MGS 07/48	3.895	6	3.892	12/10/2020	0
MGS 06/50	3.721	2	3.723	09/10/2020	0
GII 05/23	1.888	313	1.893	12/10/2020	-1
GII 05/24	1.946	19	1.987	12/10/2020	-4
GII 10/24	2.081	44	2.135	12/10/2020	-5
GII 08/25	2.208	60	2.233	02/10/2020	-2
GII 03/26	2.239	10	2.239	12/10/2020	0
GII 09/26	2.321	90	2.354	08/10/2020	-3
GII 09/27	2.387	21	2.352	09/10/2020	4
GII 07/29	2.713	10	2.665	09/10/2020	5
GII 10/30	2.554	10	2.598	08/10/2020	-4
GII 11/34	3.136	200	3.148	09/10/2020	-1
GII 11/49	4.027	100	4.039	09/10/2020	-1
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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*	
DanaInfra Nasional Berhad	05/23	GG	2.032	30	2.038	12/10/2020	-1	21
Small Medium Enterprise Development Bank Malaysia E	04/25	GG	2.368	30	2.318	25/08/2020	5	24
Lembaga Pembiayaan Perumahan Sektor Awam	09/26	GG	2.468	25	2.471	12/10/2020	0	18
Lembaga Pembiayaan Perumahan Sektor Awam	04/27	GG	2.517	25	2.520	12/10/2020	0	13
DanaInfra Nasional Berhad	02/28	GG	2.618	20	2.619	12/10/2020	0	23
Prasarana Malaysia Berhad	03/34	GG	3.204	1	3.246	05/10/2020	-4	15
DanaInfra Nasional Berhad	04/39	GG	3.541	5	3.589	18/09/2020	-5	21
DanaInfra Nasional Berhad	09/40	GG	3.661	15	-	-	-	33
DanaInfra Nasional Berhad	05/46	GG	3.920	10	3.770	02/09/2020	15	59
TTM Sukuk Berhad	11/21	AAA	2.189	5	4.196	03/09/2018	-201	60
Pengurusan Air SPV Berhad	10/34	AAA	3.399	30	3.449	24/09/2020	-5	34
YTL Corporation Berhad	11/26	AA1	3.367	60	3.319	04/09/2020	5	108
YTL Power International Berhad	08/28	AA1	3.505	60	3.508	24/09/2020	0	100
Westports Malaysia Sdn Berhad	05/23	AA+	2.555	10	2.578	23/09/2020	-2	73
ORIX Leasing Malaysia Berhad	02/23	AA2	3.025	20	3.917	17/10/2019	-89	127
TG Excellence Berhad	02/20	AA-	3.045	8	3.518	02/10/2020	-47	-28
BGSM Management Sdn Berhad	06/24	AA3	2.776	10	2.785	09/10/2020	-1	77
Edra Energy Sdn Berhad	01/25	AA3	3.278	10	3.204	06/10/2020	7	127
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.999	1	3.999	09/10/2020	0	187
Edra Energy Sdn Berhad	07/26	AA3	4.377	1	3.395	22/07/2020	98	209
Cypark Ref Sdn Berhad	06/34	AA3	4.385	10	5.149	29/04/2020	-76	133
Cypark Ref Sdn Berhad	06/37	AA3	4.680	10	5.369	29/04/2020	-69	162
Tan Chong Motor Holdings Berhad	11/21	A1	3.783	1	3.778	09/10/2020	0	219
Affin Islamic Bank Berhad	10/28	A1	3.640	40	3.640	08/10/2020	0	114
Eco World International Berhad	10/21	-	5.232	1	3.406	12/10/2020	183	364
Eco World International Berhad	04/23	-	6.237	1	6.238	12/10/2020	0	441
Eco World International Berhad	05/23	-	6.232	1	5.690	12/10/2020	54	441
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*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Based on corporate announcements and news flow today, companies that may be in focus today include Top Glove Corp Bhd, GuocoLand (Malaysia) Bhd, Tune Protect Group Bhd, Symphony Life Bhd, Kanger International Bhd, Reservoir Link Energy Bhd and Handal Energy Bhd. Top Glove Corp Bhd is said to have hired banks, namely Citigroup, China International Capital Corporation and UBS, to arrange a Hong Kong listing that could raise at least US\$1 billion. GuocoLand (Malaysia) Bhd said its wholly-owned subsidiary GLM Real Estate Holdings Sdn Bhd has received a notice of assessment for 2016 of RM82.6 million, comprising income tax of RM56.3 million and a penalty of RM26.3 million. This is as IRB considers the gains made by GLM from the disposal of shares in a property subsidiary as chargeable under the Income Tax Act, instead of the Real Property Gains Tax Act. There is a potential net tax impact of RM70.2 million to the company, as GLM had previously paid real property gains tax of RM12.4 million. Tune Protect Group Bhd has appointed Indian national Rohit Chandrasekharan Nambiar as its group CEO, effective tomorrow. Rohit, who was the former CEO of AXA Affin Life Insurance Bhd, is filling the post that has been left vacant by Khoo Ai Lin, who resigned on July 31. Symphony Life Bhd's wholly-owned unit Prestige Capital Sdn Bhd is planning to sell six parcels of industrial development land in Ulu Langat, Selangor to Perdana Park City Sdn Bhd for RM250 million, which is more than two-thirds of Symphony Life's market capitalisation. The disposal of the parcels is expected to result in a gain after tax of RM74.24 million for the group. Kanger International Bhd has proposed a private placement of up to 386.97 million shares or 20% of the total number of its issued shares to raise RM68.88 million to third party investors to be identified later. Of this amount, RM34.38 million will be allocated for future viable investment, while RM34.38 million will be used as working capital for existing businesses. Reservoir Link Energy Bhd said its 60%-owned subsidiary has bagged a contract from Thailand's national petroleum company PTT Exploration and Production Public Company Ltd (PTTEP) to provide downhole heating technology complete with equipment and services. The two-year contract to Reservoir Link Solutions Sdn Bhd was awarded by PTTEP's units PTTEP HK Offshore Ltd, PTTEP Sabah Oil Ltd and PTTEP Sarawak Oil Ltd. Handal Energy Bhd's wholly-owned unit Handal Offshore Services Sdn Bhd (Handal Cranes) has received a letter of award from Carigali Hess Operating Company Sdn Bhd for the provision of pedestal crane inspection and maintenance services. The contract is for a duration of three years, with an additional two years extension option. *(Source: The EdgeMarkets)*

Boustead Holdings Bhd's subsidiary, Boustead Naval Shipyard Sdn Bhd, has obtained a restraining order from the High Court until Oct 30 against one creditor. The order was granted by Judicial Commissioner Liza Chan Sow Keng. The ad interim restraining order until the end of the month against the creditor is part of the company's move to enter into a proposed scheme of arrangement. It was previously reported that Boustead Naval Shipyard could be facing financial difficulties following a winding-up petition filed by MTU Services (Malaysia) Sdn Bhd in July over an alleged debt of RM56.04 million. MTU Services filed the petition on July 3. "MTU [Services has] alleged that Boustead Naval Shipyard is indebted to them for a total sum of RM56.04 million for the equipment supplied and services it provided to the company," Boustead said in an announcement to Bursa in July. However, it is understood that the restraining order granted to Boustead Naval Shipyard does not apply to MTU Services. Boustead Naval Shipyard was represented by lawyers Lee Shih and Nathalie Ker of Messrs Lim Chee Wee Partnership. Boustead Holdings, a 59.44%--owned flagship of Lembaga Tabung Angkatan Tentera, announced to Bursa Malaysia that its unit Boustead Naval Shipyard has applied to the Kuala Lumpur High Court pursuant to Sections 366 and 368 of the Companies Act 2016 ("Act") for, among others, the following orders: (a) An order pursuant to Section 366(1) of the Act to summon meetings of the creditors of Boustead Naval Shipyard or any class of them for the purpose of considering and if deemed appropriate, to approve with or without modification, a proposed scheme of

arrangement and compromise between Boustead Naval Shipyard and its creditors; and (b) A restraining order pursuant to Section 368 of the Act whereby, among others, all proceedings and/or further proceedings and/or future proceedings in any action or proceedings against Boustead Naval Shipyard and/or its assets, including but not limited to court, winding up and arbitration proceedings as well as any intended or future proceedings ("Restraining Order"). The Restraining Order excludes the financial institution creditors of Boustead Naval Shipyard. The ad interim restraining order will not restrain or stay the continuation of the legal proceedings brought by MTU Services and Ingat Kawan Sdn Bhd, according to the announcement. Besides its financial woes, Boustead Naval Shipyard's incomplete project has caught attention as well. The Edge weekly has reported that the company is understood to be seeking a substantial amount of funds from the federal government to complete a RM9 billion littoral combat ships (LCS) project awarded sometime back. To recap, in December 2011, Boustead Naval Shipyard received a letter of award from the Ministry of Defence to design, construct, equip, instal, commission, integrate, test and conduct trials and deliver six Second Generation Patrol Vessels Littoral Combat Ships (Frigate Class) at a contract value of RM9 billion. The LCS contract was originally slated for completion last year and is hanging in the balance, with a large amount of funds already drawn down but none of the vessels completed. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Bank of China (Malaysia) Berhad's (BOCM)	Financial Institution rating	AA1/Stable/P1	Reaffirmed
Pacific & Orient Insurance Co. Berhad's (P&O Insurance)	Insurer financial strength (IFS) rating RM150 million Subordinated Notes Programme (2012/2024).	A2/From Stable to Negative	Revised
		A3/From Stable to Negative	Revised

Source: RAM, MARC

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