

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw demand well-intact last Friday causing the curve to shift lower with overall benchmark yields easing between 1-3bps. Gains were partly-helped by the release of PPI data which printed slightly weaker than forecast core readings. The UST 2Y yield edged 1bps lower at 0.14% whilst the much-watched 10Y yield declined 3bps at 0.91%. Investors risk appetite is expected to be influenced by the proposed additional fiscal stimulus by the newly-led Democratic government, Brexit discussions and the upcoming FOMC decision on QE extension. The possibility of the Fed to extend out duration in its QE exercise has complemented demand for safety assets as record COVID-19 cases and lockdowns threaten economic recovery.

MGS/GIII

- On Friday, local govvnies continued to be well-bid with overall benchmark yields closing mostly mixed-to-lower between -8 to +1bps amid a sharp decline in secondary market volume of ~RM1.27b. The 5Y MGS 9/25 yields however edged 1bps higher at 2.15% whilst the 10Y MGS 4/31 yields closed unchanged on at 2.74%. Interest was mainly seen in the off-the-run 21's, 26's, 43's and benchmark 5Y MGS. GII bond trades decreased to form ~16% of overall trades. Expect investors search for yields and signs of recovery in the local economy to continue providing support for bonds as evidenced by the steady holdings in MYR government debt. The data front meanwhile remains empty for the week.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space however saw a jump in investor interest amid a hike in secondary market volume of RM557m with interest seen across the credit curve. Overall yields closed mostly mixed-to-higher in trades involving 49 various bonds. Govt-guaranteed PRASA 2/30 closed unchanged compared to previous-done levels at 3.08% whereas the 2/35 tranche spiked 33bps; closing at 3.61%. The AAA-rated space saw energy-related bonds MANJUNG and SEB dominate the sector. MANJUNG 11/22 edged 2bps up at 2.30% whilst the 30-31 tranches rose 16-21bps between 3.26-38% levels. However MANJUNG 11/29 rallied 68bps at 3.17%. SEB 35-36's were overpowered by sellers with yields spiking between 26-31bps; resulting in closing levels of 3.76-83%. AA-rated BGSM 12/23 declined 14bps at 2.76% whilst BGSM 6/24 rose 4bps instead at 2.82%. Meanwhile, the banking space saw AFFIN Islamic 2117NC edge 2bps lower at 4.23%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	-1
5-yr UST	0.39	-2
10-yr UST	0.91	-3
30-yr UST	1.68	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.91	0	1.98	1
5-yr	2.15	1	2.30	0
7-yr	2.49	-3	2.58	-1
10-yr	2.74	0	2.88	-1
15-yr	3.20	-6	3.31	0
20-yr	3.45	-8	3.60	1
30-yr	3.89	-6	4.01	-4

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.92	0
3-yr	2.08	0
5-yr	2.26	0
7-yr	2.42	0
10-yr	2.63	-1

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 02/21	1.666	20	1.650	09/12/2020	2
MGS 07/21	1.700	135	1.701	10/12/2020	0
MGS 11/21	1.687	56	1.700	10/12/2020	-1
MGS 08/22	1.825	2	1.818	10/12/2020	1
MGS 09/22	1.813	23	1.800	09/12/2020	1
MGS 03/23	1.909	22	1.911	10/12/2020	0
MGS 04/23	1.930	13	1.932	10/12/2020	0
MGS 08/23	1.976	5	1.948	10/12/2020	3
MGS 06/24	2.073	3	2.038	10/12/2020	4
MGS 07/24	2.048	2	2.050	10/12/2020	0
MGS 09/25	2.152	85	2.144	10/12/2020	1
MGS 07/26	2.337	83	2.332	10/12/2020	1
MGS 11/26	2.400	29	2.406	10/12/2020	-1
MGS 03/27	2.419	5	2.387	10/12/2020	3
MGS 05/27	2.486	51	2.519	10/12/2020	-3
MGS 11/27	2.571	53	2.532	10/12/2020	4
MGS 08/29	2.781	20	2.781	10/12/2020	0
MGS 04/30	2.847	6	2.852	10/12/2020	0
MGS 06/31	2.940	4	2.929	10/12/2020	1
MGS 04/33	3.204	47	3.230	10/12/2020	-3
MGS 11/33	3.288	40	3.302	09/12/2020	-1
MGS 07/34	3.198	84	3.260	10/12/2020	-6
MGS 05/35	3.277	2	3.292	10/12/2020	-1
MGS 06/38	3.563	50	3.546	10/12/2020	2
MGS 05/40	3.451	53	3.527	10/12/2020	-8
MGS 09/43	3.901	101	3.867	10/12/2020	3
MGS 03/46	3.910	12	3.955	10/12/2020	-4
MGS 06/50	3.894	55	3.956	10/12/2020	-6
GII 04/21	1.636	10	1.685	10/12/2020	-5
GII 08/21	1.629	10	1.630	08/12/2020	0
GII 05/23	1.977	10	1.969	10/12/2020	1
GII 09/27	2.584	1	2.597	10/12/2020	-1
GII 10/30	2.883	56	2.892	10/12/2020	-1
GII 06/33	3.344	1	3.378	10/12/2020	-3
GII 09/39	3.603	10	3.596	10/12/2020	1
GII 05/47	4.057	30	4.086	02/12/2020	-3
GII 11/49	4.009	80	4.048	09/12/2020	-4
		<u>1267</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*
Prasarana Malaysia Berhad	02/30	GG	3.078	40	3.078	09/12/2020	0	35
Prasarana Malaysia Berhad	02/35	GG	3.609	30	3.280	03/09/2020	33	36
Cagamas Berhad	11/21	AAA	2.149	5	2.848	09/03/2020	-70	44
Projek Lebuhraya Usahasama Berhad	01/22	AAA	2.273	10	2.314	25/11/2020	-4	57
Cagamas Berhad	10/22	AAA	2.201	5	2.241	01/10/2020	-4	40
Manjung Island Energy Berhad	11/22	AAA	2.295	10	2.277	21/10/2020	2	49
Pengurusan Air SPV Berhad	02/24	AAA	2.531	20	2.450	21/10/2020	8	61
Pengurusan Air SPV Berhad	10/26	AAA	2.820	20	2.847	10/12/2020	-3	45
Bank Pembangunan Malaysia Berhad	03/27	AAA	2.989	20	2.758	17/08/2020	23	62
CIMB Bank Berhad	05/27	AAA	2.960	20	3.853	24/12/2019	-89	59
Projek Lebuhraya Usahasama Berhad	01/28	AAA	3.149	20	2.957	21/09/2020	19	63
Telekom Malaysia Berhad	10/28	AAA	2.999	10	2.960	30/11/2020	4	36
Manjung Island Energy Berhad	11/29	AAA	3.168	10	3.849	28/11/2019	-68	44
Manjung Island Energy Berhad	11/30	AAA	3.255	50	3.099	23/11/2020	16	51
Manjung Island Energy Berhad	11/31	AAA	3.375	50	3.168	16/11/2020	21	63
Danum Capital Berhad	02/34	AAA	3.649	30	3.479	23/11/2020	17	40
Sarawak Energy Berhad	06/35	AAA	3.759	20	3.447	17/11/2020	31	51
Sarawak Energy Berhad	08/35	AAA	3.769	10	3.460	17/11/2020	31	52
Sarawak Energy Berhad	04/36	AAA	3.829	10	3.569	23/11/2020	26	58
Celcom Networks Sdn Berhad	08/27	AA+	3.089	10	3.117	09/12/2020	-3	57
Projek Lebuhraya Usahasama Berhad	01/31	AA	3.360	25	3.400	02/12/2020	-4	62
Gamuda Berhad	03/23	AA3	3.008	10	2.995	25/11/2020	1	121
BGSM Management Sdn Berhad	12/23	AA3	2.761	30	2.900	05/08/2020	-14	84
BGSM Management Sdn Berhad	06/24	AA3	2.819	30	2.776	13/10/2020	4	74
Sinar Kamiri Sdn Berhad	01/27	AA-	4.315	5	4.358	22/07/2020	-4	195
Sinar Kamiri Sdn Berhad	01/28	AA-	4.454	5	4.478	22/07/2020	-2	194
UiTM Solar Power Sdn Berhad	04/30	AA-	4.410	5	4.288	07/10/2020	12	168
Penang Port Sdn Berhad	12/31	AA-	3.598	10	3.499	11/11/2020	10	85
CIMB Group Holdings Berhad	05/16	A1	3.464	1	2.896	27/11/2020	57	-3
Affin Islamic Bank Berhad	10/17	A3	4.230	20	4.255	11/09/2020	-2	74
DRB-Hicom Berhad	12/26	A+	4.479	2	4.479	08/12/2020	0	211
Quantum Solar Park (Semenanjung) Sdn Berhad	10/27	A+	4.550	5	4.529	22/07/2020	2	204
DRB-Hicom Berhad	12/24	A+	4.199	10	4.198	12/10/2020	0	212
				<u>557</u>				

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

Market/Corporate News: What's Brewing

Permodalan Nasional Bhd (PNB) has sold Menara MIDF in Jalan Raja Chulan to Singapore-based JD Hospitality Sdn Bhd, The Edge Malaysia reported in its latest issue. The weekly said that sources told it that the deal “was done at RM140 million or RM875 psf” and “took more than 18 months to complete from the time the building was first put up for sale”. The only tenant in the 21-storey building currently is PNB wholly-owned subsidiary Malaysian Industrial Development Finance Bhd which will later relocate to PNB 118. The weekly revealed that the Menara MIDF deal was brokered by Zerine Properties “but CEO Previndran Singhe declined to comment when contacted”. PNB “confirms” with the publication “that it is in the midst of a sale process but that it is unable to disclose any details on pricing before completing the deal”. Records at the Companies Commission of Malaysia show that JD Hospitality is 70%-owned by Singapore-based MES Group Holdings Pte Ltd and 30% by Abdul Rawoof Shah VM Kader. MES manages “a portfolio of real estate investment, including workforce accommodation, integrated logistics and warehouse facilities and services, heritage hotels, office space and student accommodation”, said The Edge. Menara MIDF has a gross floor area of 190,000 sq ft and net lettable area (NLA) of 160,000 sq ft. “For PNB, it is a very good deal. I would think that the value would be closer to RM127 million or RM670 psf. It is a very old building. I doubt that it will be worth redeveloping the site. “The better option would be to refurbish, renovate or repurpose it into a hotel,” says Stanley Toh, executive director of LaurelCap Sdn Bhd. Two separate sources “indicated” to the weekly its report that “the new owner’s plan is to convert the building into a hotel once MIDF’s lease expires”. But there is also another option, such as redeveloping the site. “Menara MIDF is a very old building. I believe the building is already due for redevelopment as its economic life may be at the tail end

and the current use may also not be the best use. Based on its land area of 36,382 sq ft, the value psf on redevelopment is RM3,848 psf, which is fairly good. "Newer properties in the area are selling by strata at between RM1,000 and RM3,000 psf. With MIDF moving out to PNB 118 soon, the building will need to either find a new tenant or go for redevelopment," said ExaStrata Solutions Sdn Bhd CEO and chief real estate consultant Adzman Shah Mohd Ariffin. (Source: *The EdgeMarkets*)

The government is expected to earn palm oil windfall profit levy of more than RM500 million in 2021 if the price of crude palm oil (CPO) remains stable at RM3,000 per tonne until next year. Malaysian Palm Oil Board (MPOB) chairman Datuk Ahmad Jazlan Yaakub said this is an important contribution of the palm oil industry for the plantation sector to gross domestic product (GDP), as the country grapples with the Covid-19 pandemic. "Palm oil prices may rise higher as foreign demand continues to rise. This is also because our stock is below 2.0 million tonnes, which is about 1.6 million tonnes. "The palm oil windfall profit levy imposed on palm oil sales revenue at the current price level will enable the country to collect levy estimated at RM348 million. "If the price remains stable at the RM3,300 per tonne and above level until 2021, the government may earn RM500 million or more," he told a press conference after the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme for Smallholders Campaign here today. Ahmad Jazlan said the windfall profit levy of 3% is only imposed when the price of palm oil reaches RM2,500 per tonne and above for the Peninsula, and 1.5% for Sabah and Sarawak when the price fetches RM3,000 per tonne and above. Meanwhile, he asked more part-time independent smallholders to come forward to register for the MSPO certification to make it easier for them to market palm oil overseas. Smallholders in the country are estimated at 481,375, with independent smallholders accounting for 248,182, while planted areas under oil palm totalling 959,444 hectares. "So far, more than 30% of smallholders have been certified and many of those who have yet to obtain the certification are independent smallholders. The MSPO certificate is very important, and it becomes a benchmark to meet international demand, as it gives confidence to importing countries that palm oil is safe to use," he said. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
PETRONAS Dagangan Berhad	Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) Programmes of up to RM2.0 billion	MARC-1IS/AAA IS/Stable	Affirmed
Malakoff Power Berhad	RM5.4 billion Sukuk Murabahah	AA-IS/Stable	Affirmed
Northport (Malaysia) Bhd	Islamic Commercial Papers (ICP) Programme and Islamic Medium-Term Notes (IMTN) Programme	MARC-1IS and AA-IS/Stable	Affirmed
Genting Plantations Berhad	Corporate Credit rating	AA2/Stable/P1	Reaffirmed
	RM1.5 bil Sukuk Murabahah Programme (2015/2030)	AA2(s)/Stable	Reaffirmed
Pengurusan Air Selangor Sdn Bhd	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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