

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.30	0
10-yr UST	0.73	0
30-yr UST	1.51	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.78	-2	1.88	-1
5-yr	2.06	-5	1.97	-11
7-yr	2.33	-6	2.35	-4
10-yr	2.60	-3	2.56	1
15-yr	3.06	-1	3.14	0
20-yr	3.34	17	3.49	-2
30-yr	3.87	15	4.01	-2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.87	0
3-yr	1.96	0
5-yr	2.14	0
7-yr	2.33	0
10-yr	2.63	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw gains pared following earlier highs on Wednesday based on Treasury Secretary Mnuchin's comments that dented recent optimism of a new economic stimulus bill coming to fruition. The curve flattened again slightly as overall benchmark yields traded in a narrow-range and ended between a mere 0-1bps lower from prior session's close. Both the UST 2Y and much-watched Ust 10Y closed within 1bps at 0.14% and 0.73% each. Meanwhile, producer prices for September increased more-than-expected but did little to impact the bond market. Separately the US debt pile has now rocketed to ~\$20 trillion from earlier estimates of about \$13 trillion in 2015. Expect some volatility in UST levels leading up to the November presidential election with some attention diverted to reports on weekly initial jobless claims and regional manufacturing activity.

MGS/GIII

- Local govies closed mostly stronger on Wednesday; post new issuance of RM5.0b benchmark MGS 10Y which saw decent bidding metrics of almost 2.0x and awarded at 2.632%. Secondary market volume rose to RM5.33b as overall benchmark yields closed between 0-11bps lower across the curve save for the long-ends which were pressured between 15-17bps. The benchmark 5Y MGS 9/25 rallied 5bps at 2.06% whilst the 10Y MGS 8/29 closed 3bps lower at 2.60%. Interest was mainly seen in the off-the-runs 21's, 30's and also 3Y, 10Y, 15Y benchmark MGS/GII. GII bond trades edged higher to form 32% of overall trades. Concerns due to the partial lock-down in several states arising from the resurgence in COVID-19 infections and also the delicate political balance in favour of the current ruling govt also lent bonds a bid. Going forward, some seasonal strength is expected to ignite foreign appetite in EM local currency government debt.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw sustained interest amid slightly lower secondary market volume of RM404m with interest in about 21 various bonds. Overall yields closed mixed again with some interest seen along the GG-AA part of the curve. Govt-guaranteed DANA and SME 25's closed 2-8bps lower compared to previous-done levels at 2.27% and 2.34% respectively. The AAA-rated space saw PLUS bonds end on different fortunes with the 2030 tranche spiking 7bps at 3.14% whilst the 2033 tranche rallied 17bps at 3.36%. AA-rated IJM 4/29 closed unchanged at 3.68% whilst the short-tenured MMC 11/20 fell 23bps at 2.86%. The banking space nevertheless was relatively quiet.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 02/21	1.462	40	1.550	09/10/2020	-9
MGS 07/21	1.430	544	1.521	13/10/2020	-9
MGS 09/21	1.520	494	1.500	13/10/2020	2
MGS 11/21	1.561	12	1.606	12/10/2020	-5
MGS 03/22	1.598	50	1.701	13/10/2020	-10
MGS 08/22	1.718	49	1.787	13/10/2020	-7
MGS 03/23	1.780	280	1.802	13/10/2020	-2
MGS 04/23	1.815	158	1.863	13/10/2020	-5
MGS 08/23	1.837	33	1.839	13/10/2020	0
MGS 06/24	1.887	84	1.957	13/10/2020	-7
MGS 07/24	1.982	10	2.032	13/10/2020	-5
MGS 09/24	1.973	50	2.006	13/10/2020	-3
MGS 03/25	2.061	42	2.096	13/10/2020	-4
MGS 09/25	2.063	142	2.115	13/10/2020	-5
MGS 04/26	2.244	5	2.313	13/10/2020	-7
MGS 07/26	2.246	14	2.264	13/10/2020	-2
MGS 11/26	2.357	62	2.394	12/10/2020	-4
MGS 05/27	2.330	280	2.386	13/10/2020	-6
MGS 11/27	2.403	26	2.417	13/10/2020	-1
MGS 08/29	2.632	107	2.659	13/10/2020	-3
MGS 04/30	2.679	245	2.680	13/10/2020	0
MGS 04/31	2.598	550	-	-	-
MGS 06/31	2.762	5	2.794	13/10/2020	-3
MGS 04/33	3.079	6	3.069	13/10/2020	1
MGS 11/33	3.041	4	3.114	13/10/2020	-7
MGS 07/34	3.056	230	3.064	13/10/2020	-1
MGS 05/35	3.259	10	3.260	09/10/2020	0
MGS 04/37	3.319	6	3.366	13/10/2020	-5
MGS 06/38	3.501	59	3.481	13/10/2020	2
MGS 09/43	3.790	6	3.823	13/10/2020	-3
MGS 03/46	3.838	5	3.826	12/10/2020	1
MGS 06/50	3.871	30	3.721	13/10/2020	15
GII 05/23	1.875	700	1.888	13/10/2020	-1
GII 07/23	1.875	20	1.939	08/10/2020	-6
GII 11/23	1.887	10	1.959	09/10/2020	-7
GII 05/24	1.961	20	1.946	13/10/2020	2
GII 10/24	1.972	210	2.081	13/10/2020	-11
GII 08/25	2.198	170	2.208	13/10/2020	-1
GII 10/25	2.368	1	2.273	06/10/2020	9
GII 03/26	2.229	12	2.239	13/10/2020	-1
GII 09/26	2.291	60	2.321	13/10/2020	-3
GII 07/27	2.363	30	2.424	12/10/2020	-6
GII 09/27	2.349	20	2.387	13/10/2020	-4
GII 10/28	2.607	200	2.612	12/10/2020	0
GII 07/29	2.670	20	2.713	13/10/2020	-4
GII 10/30	2.563	30	2.554	13/10/2020	1
GII 06/33	3.126	30	3.119	06/10/2020	1
GII 11/34	3.136	40	3.136	13/10/2020	0
GII 11/49	4.006	121	4.027	13/10/2020	-2
		<u>5330</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*	
DanaInfra Nasional Berhad	02/25	GG	2.268	25	2.349	12/10/2020	-8	30
Small Medium Enterprise Development Bank Malaysia E	04/25	GG	2.344	20	2.368	13/10/2020	-2	27
Prasarana Malaysia Berhad	03/31	GG	2.941	10	2.931	25/09/2020	1	33
TTM Sukuk Berhad	11/21	AAA	2.208	5	2.189	13/10/2020	2	63
Suria KLCC Sdn Berhad	12/24	AAA	2.546	20	2.455	03/09/2020	9	58
Sarawak Energy Berhad	08/25	AAA	2.666	70	2.701	23/07/2020	-4	59
Projek Lebuhraya Usahasama Berhad	01/30	AAA	3.137	10	3.069	04/08/2020	7	56
Danum Capital Berhad	05/30	AAA	3.049	70	3.048	06/10/2020	0	44
Projek Lebuhraya Usahasama Berhad	01/33	AAA	3.358	10	3.529	15/05/2020	-17	75
Danum Capital Berhad	02/34	AAA	3.359	30	3.366	05/10/2020	-1	31
TNB Northern Energy Berhad	05/36	AAA	3.519	10	3.759	14/05/2020	-24	47
Kuala Lumpur Kepong Berhad	09/34	AA1	3.619	10	3.627	30/09/2020	-1	57
Imtiaz Sukuk II Berhad	11/21	AA2	2.402	5	2.490	02/10/2020	-9	82
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.981	12	3.999	13/10/2020	-2	190
IJM Corporation Berhad	04/29	AA3	3.679	6	3.679	23/09/2020	0	120
MMC Corporation Berhad	11/20	AA-	2.632	40	2.859	17/08/2020	-23	105
UEM Sunrise Berhad	06/21	AA-	3.157	20	3.224	01/10/2020	-7	158
Southern Power Generation Sdn Berhad	04/27	AA-	2.987	10	2.979	29/09/2020	1	63
Penang Port Sdn Berhad	12/31	AA-	3.468	20	3.469	29/09/2020	0	86
Tan Chong Motor Holdings Berhad	11/21	A1	3.781	1	3.783	13/10/2020	0	220
Eco World International Berhad	05/23	-	6.333	1	6.232	13/10/2020	10	454
			<u>404</u>					

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

Market/Corporate News: What's Brewing

The demand for rubber glove stocks has not faltered, judging by the narrowing gap between Malayan Banking Bhd's (Maybank) market capitalisation (cap) and Top Glove Corp Bhd's. Based on Top Glove's record high closing share price of RM9.48 on Wednesday, the world's largest rubber glove maker just needs to climb 52 sen more to overtake Maybank as the largest company on Bursa Malaysia - assuming Maybank's share price stays unchanged at RM7.24 - as Top Glove's market cap would have grown to RM77.59 billion. A 50-sen gain will expand Top Glove's market cap by RM4.23 billion. In contrast to Top Glove's share price rally, Maybank's share price has been declining over the last two years from its all-time high of RM10.88 in May 2018. The country's largest lender closed at RM7.24 on Wednesday after slipping 11 sen, which valued it at RM81.39 billion. Meanwhile, another rubber glove maker, Hartalega Holdings Bhd, has taken the spot as the third largest company on Bursa, pushing Public Bank to the fourth place. Based on its share closing price of RM18.16 on Wednesday, Hartalega has a market value of RM62.25 billion, while Public Bank's market cap stands at RM61.88 billion, as its shares settled at RM15.94 apiece. The Big Four rubber glove makers' rise in ranks is no mean feat. A check on Bloomberg data shows that Top Glove and Hartalega were ranked 34th and 26th, respectively, based on their market caps at the start of the year. As for Supermax Corp Bhd and Kossan Rubber Industries Bhd, both joined the ranks of being the top 30 largest counters on Bursa Malaysia in July. Now the 18th largest counter on Bursa with a market cap of RM27.33 billion, Supermax was ranked 124th at the start of this year, while Kossan (valued at RM20.41 billion) has climbed to the 23rd spot from the 62nd.. (Source: *The EdgeMarkets*)

Add this to the list of ways the Covid-19 pandemic has shaken up markets: Never before have this many large, public companies trading in the US been unprofitable. Forty-three of the 345 companies with a market valuation above US\$25 billion have posted cumulative losses over the trailing 12 months worth of reported results, according to an analysis of Bloomberg data as of Oct 13. At the start of 2020, only 14 companies fit the bill. The list reflects not only the difficult operating environment that is crushing business at bellwethers like Walt Disney Co, it also shows how stay-at-home trends have helped some companies surge into the stock market's big leagues before turning a consistent profit. Both macroeconomic conditions and the ability of high-momentum names to justify their valuations are likely to be key themes as the third-quarter earnings season begins. "The impact of the pandemic is being felt by everyone, but the effect isn't symmetrical," said David Joy, chief market strategist at Ameriprise Financial. "Some are really struggling, while there's also been extraordinary increases in demand for some new names that may not prove to be sustainable. This season will be very difficult to get your arms around in any sort of aggregate way." The number of unprofitable large companies, while not entirely due to the pandemic, eclipses even the amount during the global financial crisis, though there were fewer companies of that size then. At the start of 2009, there were 73 companies with market values of at least US\$25 billion and four of them had reported losses over the previous 12 months, according to data compiled by Bloomberg. Disney is the largest company on the current list, which also includes foreign firms with American depository receipts. Disney has posted a net loss of US\$1.1 billion over the trailing 12 months of reported results amid lengthy shutdowns at its theme parks, along with repeated delays or distribution changes for its movies. At this point last year, Disney had reported more than US\$12.3 billion in trailing 12-month net income. Shelter-in-place orders have also supported Disney's streaming-video service, which has grown to the point that the company is reorganizing to focus more on streaming. The company didn't return a request for a comment. Chevron Corp is the second-largest name by market cap and its loss is the biggest at US\$8.7 billion. The Dow Jones Industrial Average component has grappled with weaker energy demand, with West Texas intermediate crude oil still down nearly 35% year to date after trading at an

unprecedented negative price in April. The list includes several unprofitable companies whose valuation has surged as remote work and other elements of pandemic life boost demand. Among names that have climbed above the US\$25 billion threshold are Peloton Interactive Inc, up more than 360% in 2020 amid widespread closures of gyms; DocuSign Inc, which has more than tripled as more paperwork goes virtual; and Wayfair Inc., which has gained about 240% as consumers flock to the online home-goods retailer to spruce up their home offices. The overall list should shrink over the next year: Only 10 companies of US\$25 billion or more in market cap are expected to post cumulative net losses over the next 12 months, according to analyst estimates compiled by Bloomberg. For Don Calcagni, chief investment officer of Mercer Advisors, the large number of unprofitable large companies highlights that investors need to determine whether pandemic-related changes, whether good or bad, will be permanent. "Disney's losses are from the pandemic; it will be fine in the long term," he said in a phone interview. "For DocuSign or Zoom, the pandemic has only accelerated adoption that was happening anyway. But Peloton's growth looks more episodic. Going to the gym has been cut short by Covid, so I'm not sure its growth will be sustainable." (Source: *The EdgeMarkets/ Bloomberg*)

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

Source: RAM, MARC

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