

## Global Markets Research

### Fixed Income

## Fixed Income Daily Market Snapshot

### US Treasuries

- US treasuries traded on a softer tone last Friday amid a rebound in equities on vaccine optimism. Subdued PPI print as well as a sharp pullback in consumer sentiments to a 3-month low have had little impact on UST. 10Y note yields climbed 2bps higher to 0.90% on Friday, a rebound from the 9bps fall a day earlier. Meanwhile, the front end 2Y note yields were little changed at 0.18%. Overall yields have shifted higher compared to a week ago amid paring of risk aversion after nervousness surrounding the US election settles somewhat. In the week ahead, the line-up of Fed chatter and key US data including retail sales and industrial production may have some bearings but we expect the UST markets to be supported overall by improving market sentiments and lower debt supply comprising only \$27bn 20Y bond and \$12bn 10Y TIPS reopening.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.18	0
5-yr UST	0.41	1
10-yr UST	0.90	2
30-yr UST	1.65	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.82	1	1.96	4
5-yr	2.12	-2	2.26	-3
7-yr	2.40	-2	2.34	-8
10-yr	2.64	-3	2.64	4
15-yr	3.11	7	3.13	-1
20-yr	3.40	-1	3.51	0
30-yr	4.00	-2	4.13	7

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.91	1
3-yr	2.00	4
5-yr	2.19	2
7-yr	2.36	3
10-yr	2.62	5

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

### MGS/GIII

- Trading interests gained further traction on Friday, judging from the higher secondary market volume of RM2.83bn, amid improvement in overall market sentiments and as Malaysia reported a much smaller 2.7% YOY decline in its 3Q GDP. Interest were seen skewed to the benchies MGS/GII up to 10Y and GII 30Y. Overall benchmark yields however ended mixed between -8 to +7bps across the curve. Benchmark 5Y MGS 9/25 yields fell 2bps to 2.12% while the 10s shed 3bps to 2.64%. GII bond trades remained tepid at 19% of overall trades, through this marked an improvement from 11% prior. With no major domestic event and data next week, markets will likely turn their attention towards global development as well as upcoming budget vote on 25 November for direction.

### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk continued to see softening trading momentum with secondary market volume tapering off further to RM137m on Friday (prior RM244m), with only 13 names traded amid overall lower yields. Trading was spread across the AAA-A segment with no signs of any GG papers. We noticed the usual popular names being traded, on top of energy papers. AAA-rated PUTRAJAYA '9/23 and DANGA '2/26 saw RM20m and RM25m being dealt respectively at 2.36% (-1bp) and 2.68% (flat). Moving down the curve, DUKE '8/35 which just had its outlook revised from Negative to Stable saw RM20m changed hands at 4.75% (-2bps). Single-A rated AFFIN Islamic '10/28 garnered the most interest during the day (RM30m), done at 3.70%. Meanwhile, IRS extended its upward climb again after taking breather on Thursday, nudging 1-5bps higher across with the 10Y the most by 5bps at 2.62%.

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous	Chg (bp)
MGS 07/21	1.590	1	1.515	12/11/2020	8
MGS 09/21	1.552	46	1.602	12/11/2020	-5
MGS 11/21	1.555	271	1.570	12/11/2020	-2
MGS 03/22	1.698	12	1.703	12/11/2020	-1
MGS 08/22	1.731	1	1.725	12/11/2020	1
MGS 03/23	1.821	291	1.806	12/11/2020	1
MGS 04/23	1.870	33	1.837	11/11/2020	3
MGS 09/24	2.012	41	2.021	12/11/2020	-1
MGS 03/25	2.094	2	2.042	10/11/2020	5
MGS 09/25	2.121	196	2.137	12/11/2020	-2
MGS 07/26	2.290	20	2.309	12/11/2020	-2
MGS 05/27	2.400	397	2.422	11/11/2020	-2
MGS 11/27	2.467	54	2.483	12/11/2020	-2
MGS 06/28	2.560	17	2.525	12/11/2020	4
MGS 08/29	2.678	295	2.683	12/11/2020	0
MGS 04/30	2.763	61	2.728	10/11/2020	3
MGS 04/31	2.644	296	2.676	12/11/2020	-3
MGS 06/31	2.829	31	2.868	12/11/2020	-4
MGS 04/33	3.111	3	3.116	12/11/2020	0
MGS 11/33	3.162	0	3.149	12/11/2020	1
MGS 07/34	3.105	101	3.035	12/11/2020	7
MGS 04/37	3.393	10	3.409	11/11/2020	-2
MGS 06/38	3.518	19	3.490	12/11/2020	3
MGS 05/40	3.398	6	3.404	12/11/2020	-1
MGS 09/43	3.814	0	3.850	12/11/2020	-4
MGS 03/46	3.898	4	3.900	11/11/2020	0
MGS 07/48	3.998	3	3.953	12/11/2020	5
MGS 06/50	3.995	76	4.013	12/11/2020	-2
GII 04/22	1.717	1	1.719	12/11/2020	0
GII 07/22	1.768	30	1.772	12/11/2020	0
GII 05/23	1.961	85	1.923	11/11/2020	4
GII 10/24	2.073	15	2.041	11/11/2020	3
GII 03/26	2.264	183	2.293	12/11/2020	-3
GII 09/27	2.337	10	2.414	12/11/2020	-8
GII 07/29	2.670	30	2.705	11/11/2020	-4
GII 10/30	2.640	30	2.605	09/11/2020	4
GII 11/34	3.131	10	3.144	11/11/2020	-1
GII 11/49	4.127	148	4.088	10/11/2020	4
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## 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*	
Putrajaya Holdings Sdn Berhad	09/23	AAA	2.361	20	2.371	10/11/2020	-1	55
Danga Capital Berhad	02/26	AAA	2.681	25	2.682	30/10/2020	0	58
Sarawak Energy Berhad	04/31	AAA	3.132	10	3.161	09/11/2020	-3	47
Danum Capital Berhad	02/34	AAA	3.346	1	3.359	14/10/2020	-1	27
Kapar Energy Ventures Sdn Berhad	07/22	AA+	2.638	10	2.708	18/08/2020	-7	92
CIMB Group Holdings Berhad	11/27	AA	2.884	10	2.642	04/11/2020	24	48
Edra Energy Sdn Berhad	01/28	AA3	3.528	5	3.434	29/09/2020	9	112
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.748	20	4.767	11/09/2020	-2	167
Affin Islamic Bank Berhad	10/28	A1	3.698	30	3.700	11/11/2020	0	119
CIMB Group Holdings Berhad	05/16	A1	3.437	0	3.092	04/11/2020	35	2
IJM Land Berhad	03/19	A2	4.450	0	4.601	13/10/2020	-15	103
TSH Sukuk Ijarah Sdn Berhad	04/23	A+	4.140	1	4.165	08/09/2020	-3	242
YNH Property Berhad	07/19	-	6.524	4	6.815	11/11/2020	-29	310
			<u>137</u>					

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

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

The government is prepared to increase the number of contributors eligible to withdraw their savings from Account 1 of the Employees Provident Fund (EPF), says Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz. However, he said the matter was still under discussion with the parties involved, especially EPF. He said the proposal was made taking into account the concerns of the people who were affected by the impact of Covid-19 transmission. "After the negotiations are over, we have to wait a few more days for myself and the EPF to announce the effort to extend the benefit to more than 600,000 people. We will also explain why we are doing so," he said in a press conference at Wisma Bernama here today. When tabling Budget 2021 on Nov 6, Tengku Zafrul announced that certain target groups would be allowed to withdraw RM500 a month for up to a year from Account 1 of their EPF savings to help alleviate their financial burden. In April, the EPF introduced the i-Lestari scheme which allowed contributors to withdraw RM500 per month for a period of 12 months, benefiting about 4.7 million people, and involving funds worth RM11.6 billion. Meanwhile, when asked about the possibility of the Dewan Rakyat not approving the budget, Tengku Zafrul said if that happened, the government would not be able to carry out its commitments including paying the salaries and assistance of frontliners in the war against Covid-19. However, he was optimistic that the budget which involved operating and development expenditures focused on helping the people and restoring the country's business and the economy, would be approved. "For me, if this budget can help our country, then there is no reason for it not to be approved, and rejected [in the Dewan Rakyat]. If it's rejected, in terms of the economy, we will not be able to fund the government's commitments, including disbursing aid to the people," he said. Meanwhile, the finance minister also denied allegations by some quarters that vernacular schools were marginalised in next year's budget allocation. He said during the tabling of the budget, the allocation for schools was not classified according to the type of school, and that the allocation in detail for each type of school would be explained by the Ministry of Education soon. (Source: *The EdgeMarkets*)

The government will strive to ensure that the development projects in 2020 are fully completed, said Minister in the Prime Minister's Department (Economic Affairs) Datuk Seri Mustapa Mohamed. To this end, the minister said he, together with the chief secretary to the government, will chair a meeting to discuss the project implementation plans soon. He added that the meeting will involve several ministries, including the Ministry of Finance (MoF), Ministry of Works and the Implementation Coordination Unit under the Prime Minister's Department. The meeting will also discuss the implementation and monitoring of 2021 development projects. "Under the Prihatin package, the government has allocated RM4 billion for projects implemented by G1 and G2 contractors, while Budget 2021 has allocated RM2.5 billion to the said contractors for the implementation of small and medium projects nationwide. "Around 54,000 G1 contractors and 24,000 G2 contractors nationwide are expected to benefit from the allocation," he said in a statement today. Mustapa said although the economy is showing signs of recovery, the country is still far from pre-Covid-19 crisis levels as the Covid-19 vaccine has yet to be proven completely successful, and the Malaysia's borders are still shut. "As such, we need to continue to look for creative ways to ensure economic sustainability in the midst of living in the new norm 'together' with Covid-19," he said. In a related development, the minister said the nation's gross domestic product (GDP) had contracted 2.7% in the third quarter of 2020, but noted that the decline was better than the Bloomberg's projection of -4%. "This

clearly shows that the nation is on the right track for recovery,” he said, adding that 80.6% of the RM64.96 billion allocated for development expenditure in 2020 had been utilised as at Nov 8, 2020. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Lebuhraya DUKE Fasa 3 Sdn Bhd (DUKE 3)	RM3.64 billion Sukuk Wakalah	AA-IS/ Stable	Affirmed; Outlook revised from Negative to Stable

Source: RAM, MARC

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