November 19, 2020

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended mostly weaker on Wednesday following the 20Y auction exercise (which saw tepid bidding metrics) coupled with Pfizer's optimism in obtaining emergency use authorization for the COVID-19 vaccine over the next few days. The curve was steeper as overall benchmark yields closed between 0-2bps higher across the curve save for the long bond. The UST 2Y yield closed within 1bps higher at 0.17% whilst the much-watched UST 10Y yields edged 2bps up at 0.86%. The 20Y bond auction tailed market's expectations; yielding 1.422% on a mere BTC ratio of 2.27x (previous auction: 2.43x) Meanwhile the Fed speak event saw Fed's Williams, warning about the potential for slower growth with the ebbing of fiscal support. Expect attention tonight to shift to the release of initial jobless claims for week ending 14th Nov.

MGS/GIII

- Local govvies ended mostly weaker on Wednesday amid a sustained secondary market volume of RM2.87b. Overall benchmark yields ended between 0-6bps higher again across the curve save for the 10Y MGS. The 5Y MGS 9/25 yields closed unchanged at 2.09% whilst the 10Y MGS 4/31 rallied 3bps instead at 2.65%. Interest was seen in off-the-run 21-22's, 24's and also benchmark 3Y GII. GII bond trades rose to form 30% of overall trades. Meanwhile the MYR has advanced to a near 9-month high on the back of a weaker USD, and improved risk-sentiment following positive vaccine news and the signing of one of the world's largest free-trade agreement known as Regional Comprehensive Economic Partnership (RCEP). Meanwhile, the economic calendar remains light for the remainder of the week with traders looking forward to the 7Y GII auction today.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk saw interests dip yesterday amid lower secondary market volume of RM304m with interest seen across the GG-AA part of the curve. Overall yields closed mostly mixed in about 20 various bonds. The long-end Govt-guaranteed DANA and PRASA 39's ended on different fortunes with both bonds up 13bps and -1bps respectively compared to previous done levels at 3.67% each. AAA-rated TELEKOM 21's closed 1-4bps lower between 2.08-11%. The AA-space saw enery-related bonds JEP 31-32's edge 1bps higher between 3.58-66% whilst MMC Corp 11/25 rallied 10bps at 3.66%. Meanwhile, the banking space saw UOB 30NC25 decline 15bps at 3.00% whilst some odd-lot trades were noted on CIMB, Alliance and Affin-related names.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.17	0
5-yr UST	0.39	1
10-yr UST	0.86	2
30-yr UST	1.62	-2

	MGS		GII*	
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.84	3	1.93	0
5-yr	2.09	0	2.28	0
7-yr	2.42	0	2.34	0
10-yr	2.65	-3	2.63	0
15-yr	3.14	1	3.24	6
20-yr	3.46	1	3.51	0
30-yr	4.03	2	4.14	5

** Market indicative levels*

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.91	0
3-yr	2.01	0
5-yr	2.21	0
7-yr	2.37	0
10-yr	2.62	0

Source : Bloomberg

Upcoming Government Bond Tender

Re-opening of RM4.0b 7Y GII 9/27 on Thursday, 19th Nov 2020

Daily Trades : Government Bond

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	09/21	1.571	85	1.542	17/11/2020	3
MGS	11/21	1.580	557	1.547	17/11/2020	3
MGS	03/22	1.723	122	1.701	17/11/2020	2
MGS	09/22	1.679	3	1.699	17/11/2020	-2
MGS	03/23	1.839	86	1.808	17/11/2020	3
MGS	04/23	1.856	9	1.803	17/11/2020	5
MGS	08/23	1.893	94	1.870	17/11/2020	2
MGS	06/24	2.023	284	2.025	17/11/2020	0
MGS	07/24	2.069	96	2.015	16/11/2020	5
MGS	09/24	2.075	11	2.069	17/11/2020	1
MGS	03/25	2.155	6	2.080	17/11/2020	7
MGS	09/25	2.091	72	2.092	17/11/2020	0
MGS	04/26	2.264	1	2.260	17/11/2020	0
MGS	07/26	2.319	137	2.301	17/11/2020	2
MGS	09/26	2.377	10	2.335	17/11/2020	4
MGS	11/26	2.369	3	2.361	17/11/2020	1
MGS	05/27	2.419	46	2.420	17/11/2020	0
MGS	11/27	2.473	11	2.467	17/11/2020	1
MGS	06/28	2.551	9	2.553	17/11/2020	0
MGS	08/29	2.701	9	2.708	17/11/2020	-1
MGS	04/31	2.648	165	2.676	17/11/2020	-3
MGS	06/31	2.842	72	2.870	16/11/2020	-3
MGS	04/33	3.127	2	3.138	17/11/2020	-1
MGS	07/34	3.142	64	3.136	17/11/2020	1
MGS	04/37	3.364	7	3.385	17/11/2020	-2
MGS	06/38	3.525	4	3.510	17/11/2020	2
MGS	05/40	3.459	20	3.449	17/11/2020	1
MGS	09/43	3.934	1	3.904	16/11/2020	3
MGS	06/50	4.030	34	4.014	17/11/2020	2
GII	03/21	1.641	1	1.570	16/11/2020	7
GII	08/21	1.660	80	1.638	17/11/2020	2
GII	03/22	1.707	3	1.715	17/11/2020	-1
GII	04/22	1.730	44	1.750	17/11/2020	-2
GII	07/22	1.769	246	1.743	17/11/2020	3
GII	05/23	1.930	197	1.931	17/11/2020	0
GII	11/23	1.980	5	1.955	09/11/2020	2
GII	03/26	2.281	80	2.282	17/11/2020	0
GII	09/26	2.317	8	2.310	16/11/2020	1
GII	10/28	2.658	56	2.656	16/11/2020	0
GII	07/29	2.694	22	2.682	17/11/2020	1
GII	10/30	2.634	8	2.629	16/11/2020	0
GII	06/33	3.260	6	3.153	17/11/2020	11
GII	11/34	3.244	96	3.181	17/11/2020	6
GII	11/49	4.139	1	4.093	17/11/2020	5
			2872			

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*
DanaInfra Nasional Berhad	05/24	GG	2.157	10	2.215	14/08/2020	-6	14
Pengurusan Air SPV Berhad	06/25	GG	2.294	20	2.332	12/10/2020	-4	19
Prasarana Malaysia Berhad	07/35	GG	3.351	20	3.199	30/07/2020	15	23
DanaInfra Nasional Berhad	04/39	GG	3.670	10	3.541	13/10/2020	13	22
Prasarana Malaysia Berhad	08/39	GG	3.670	10	3.681	04/11/2020	-1	22
Cypark Renewable Energy Sdn Berhad	09/20	GG	6.470	3	-	-	-	302
Telekom Malaysia Berhad	06/21	AAA	2.082	40	2.120	22/09/2020	-4	47
Telekom Malaysia Berhad	09/21	AAA	2.107	30	2.115	10/11/2020	-1	50
Mercedes-Benz Services Malaysia Sdn Berhad	06/22	AAA	2.432	20	2.295	07/09/2020	14	71
Pengurusan Air SPV Berhad	06/25	AAA	2.621	70	2.598	09/11/2020	2	52
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.999	10	3.144	14/10/2020	-15	34
CIMB Bank Berhad	08/26	AA+	4.405	1	3.006	09/11/2020	140	211
Imtiaz Sukuk II Berhad	10/25	AA2	2.939	10	2.965	10/11/2020	-3	83
Edra Energy Sdn Berhad	07/25	AA3	4.249	1	4.487	11/11/2020	-24	214
MMC Corporation Berhad	11/27	AA-	3.849	14	3.858	11/11/2020	-1	145
Jimah East Power Sdn Berhad	06/31	AA-	3.578	10	3.569	03/09/2020	1	92
Jimah East Power Sdn Berhad	06/32	AA-	3.658	10	3.644	20/10/2020	1	100
Alliance Bank Malaysia Berhad	10/30	A2	3.451	1	3.300	06/11/2020	15	79
Affin Bank Berhad	07/18	A3	3.628	1	4.210	22/09/2020	-58	17
MMC Corporation Berhad	11/25	AA-	3.662	15	3.759	13/08/2020	-10	156
				304				

spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Kuala Lumpur Kepong Bhd (KLK) and its parent Batu Kawan Bhd said they expect earnings for the financial year ending Sept 30, 2021 (FY21) to improve on the back of higher crude palm oil (CPO) prices sustained by tight supply and higher exports. However, they cautioned that the outlook of their oleochemicals and industrial chemicals divisions will be challenging, owing to the ongoing Covid-19 pandemic. In a bourse filing, KLK said its net profit grew 19.31% to RM208.82 million or 19.4 sen per share in its fourth quarter ended Sept 30, 2020 (4QFY20), from RM175.02 million or 16.4 sen per share last year. Quarterly revenue was up 5.29% at RM4 billion from RM3.8 billion, according to a filing with the local stock exchange today. The group, however, said it will recommend a final dividend for the financial year ended Sept 30, 2020 (FY20) at a later date. At present, the total interim dividend paid in FY20 is 15 sen per share. In FY19, KLK paid an interim dividend of 15 sen apiece and a final dividend of 35 sen per share. The company reported that its plantation segment's profit was 52.2% higher at RM192.4 million in the current quarter compared with RM126.4 million in 4QFY19, driven by favourable CPO and palm kernel (PK) selling prices. Its property segment also reported a 63.2% surge in profit to RM29.5 million from RM18.1 million. Meanwhile, its manufacturing segment's profit was 24.8% higher at RM118.9 million from RM95.3 million on the back of a higher revenue and a higher unrealised gain of RM20.1 million arising from fair value changes on outstanding derivative contracts. The oleochemicals division also achieved a higher profit of RM118.8 million from RM94.6 million. Under its corporate segment, it reported an income of RM36.1 million from RM22.7 million as it recognised a surplus of RM82.7 million arising from the sale of plantation land and government acquisitions as well as a surplus of RM21.1 million on the deemed disposal of subsidiary Equatorial Palm Oil plc. Notably, the plantation company also saw its other operating income grow by 127.8% to RM165.16 million from RM72.5 million. For the full FY20, its net profit surged 25.12% to RM772.6 million or 72 sen a share, from RM617.51 million or 58 sen per share last year, while revenue was up by a marginal 0.4% to RM15.6 billion from RM15.53 billion. Meanwhile, in another filing, Batu Kawan — which holds a 47.16% stake in KLK — saw its net profit for 4QFY20 drop 12% to RM85.17 million from RM96.7 million in the previous corresponding quarter amid unrealised loss under its plantation segment and foreign exchange (forex) translation loss under its investment holding segment. However, quarterly revenue increased 4.9% to RM4.12 billion from RM3.92 billion. Batu Kawan said the plantation segment saw a 45% increase in profit year-on-year to RM193.65 million, contributed by stronger CPO and PK prices. The profit was partly offset by unrealised loss of RM27.18 million from changes in fair value on outstanding derivative contracts. The manufacturing segment posted a 20% increase in profit for the quarter, as the oleochemicals division saw better margins in Europe and higher revenue in China, as well as higher unrealised gain arising from fair value changes on outstanding derivative contracts. However, the industrial chemicals division saw a 20% decline in profit due to lower selling prices and sales volume of caustic soda. The property development segment saw a 64% jump in profit, while the investment holding/others segment recorded a RM54.32 million unrealised forex translation loss on inter-company loans denominated in foreign currencies and equity loss of RM14.65 million. The equity loss was due to its overseas associate Synthomer plc which saw non-operating charges incurred on amortisation of acquired intangibles, acquisitions and restructuring costs and impairment of fixed assets. For the cumulative 12-month period, net profit increased 15% to RM417.28 million from RM363.5 million, while revenue was slightly higher at RM16.08 billion versus RM16.05 billion a year earlier. (*Source: The EdgeMarkets)*

Global debt is expected to soar to a record US$277 trillion by the end of the year as governments and companies continue to spend in response to the Covid-19 pandemic, the Institute of International Finance (IIF) said in a report today. The IIF, whose members include over 400 banks and financial institutions across the globe, said debt ballooned already by US$15 trillion this year to US$272 trillion through September. Governments — mostly from developed markets — accounted for nearly half of the increase. Developed markets' overall debt jumped to 432% of gross domestic product (GDP) in the third quarter (3Q), from a ratio of about 380% at the end of 2019. Emerging market debt-to-GDP hit nearly 250% in 3Q, with China reaching 335%, and for the year the ratio is expected to reach about 365% of global GDP. "There is significant uncertainty about how the global economy can deleverage in the future without significant adverse implications for economic activity," the IIF said in its report. Total US debt is on track to hit US$80 trillion in 2020, the IIF report said, up from US$71 trillion in 2019. In the euro area, debt rose by US$1.5 trillion to US$53 trillion through September. Among developing economies, Lebanon, China, Malaysia, and Turkey have seen the biggest increases in non-financial sector debt ratios so far this year. Emerging market governments' declining revenues have made paying down debt "much more onerous" even amid record-low borrowing costs across the globe. Through the end of next year, some US$7 trillion of emerging market bonds and syndicated loans will come due, about 15% of which is denominated in US dollars, IIF said. Officials from the Group of 20 last month agreed to extend the Debt Service Suspension Initiative freeze on official bilateral debt payments to the first half of 2021 and said they would consider another six-month extension in April. The global economy is forecast to shrink 4.4% this year and expand 5.2% in 2021 according to estimates from the International Monetary Fund as pandemic-induced lock downs and travel restrictions weigh on economic output. (*Source: The EdgeMarkets/Reuters)*

Rating Action

Isuser	PDS Description	Rating/Outlook	Action
MEX II Sdn Bhd	RM1.3 billion Sukuk Murabahah Programme	From A-IS to BBB-IS	Downgraded
Deutsche Bank (Malaysia) Berhad	Financial Institution rating	AA1/Stable/P1	Reaffirmed

Source: RAM, MARC

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