

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker but off their lows on optimism that the GOP would ultimately agree on a new economic stimulus bill despite current disputes coupled with stronger-than-expected NAHB housing index. The curve bear-steepened as overall benchmark yields ended between 0-3bps up from prior session's close. The UST 2Y closed within 1bps higher at 0.15% whilst the much-watched UST 10Y edged 2bps up 0.77%. Meanwhile, heavy corporate bond issuance was also a contributing factor that weighed on UST's; led by ~\$4.75b multi-tranche offering by T-mobile USA. Faced with slowing global growth and resurging infections, the focus of policy makers at last week's all-virtual IMF and World Bank meetings was bent on more support for the world economy. Hence central banks are pulling out the stops to do all they can to boost financial markets with massive asset purchases and pushing government borrowing costs to record lows.

MGS/GIII

- Local govies closed mostly weaker in narrow ranges on Monday in the continued absence of catalysts amid a tepid secondary market volume of only RM323m. Overall benchmark yields closed mostly unchanged-to-higher between 0-2bps across the curve save for the 5Y MGS and 3Y GII. The benchmark 5Y MGS 9/25 edged 1bps lower at 2.08% whilst the recently-issued 10Y MGS 4/31 closed unchanged at 2.59%. Some interest was seen in the off-the-run 21's and also 10Y benchmark MGS. GII bond trades rose to form 28% of overall trades. Meanwhile, Finance Minister Zafrul said that the government had spent up to RM1.7b since Feb to battle the COVID-19 pandemic with funds having been channelled through 14 various ministries. The economic calendar for the week is light save for September inflation data tomorrow.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space too saw lesser investor interest amid soft secondary market volume of a mere RM146m with interest seen in only about 7 various bonds. Overall yields closed mostly mixed. There were no government-guaranteed trades. DANUM 5/23 closed 3bps higher compared to previous-done levels at 2.39% whilst CAGA 1/33 ended bps lower at 3.32%. The AA-rated space saw both nwly-issued BGSM 10/21 and RHB25NC20 make its debut at 2.545% and 2.85% each. The banking space also saw AFFIN 27NC22 close sharply lower on yields at 3.39%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.34	1
10-yr UST	0.77	2
30-yr UST	1.56	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.76	0	1.81	-3
5-yr	2.08	-1	2.00	0
7-yr	2.34	0	2.35	0
10-yr	2.59	0	2.55	0
15-yr	3.04	0	3.14	0
20-yr	3.38	1	3.49	0
30-yr	3.78	2	4.03	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.87	0
3-yr	1.94	0
5-yr	2.14	-1
7-yr	2.33	0
10-yr	2.63	0

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 09/21	1.480	40	1.521	16/10/2020	-4
MGS 03/22	1.639	2	1.652	16/10/2020	-1
MGS 09/22	1.707	5	1.721	16/10/2020	-1
MGS 03/23	1.756	13	1.755	16/10/2020	0
MGS 06/24	1.871	1	1.894	16/10/2020	-2
MGS 09/24	1.927	12	1.978	16/10/2020	-5
MGS 09/25	2.080	1	2.089	16/10/2020	-1
MGS 11/26	2.249	20	2.279	16/10/2020	-3
MGS 05/27	2.337	22	2.333	16/10/2020	0
MGS 11/27	2.407	1	2.401	16/10/2020	1
MGS 08/29	2.617	15	2.618	16/10/2020	0
MGS 04/30	2.652	10	2.688	16/10/2020	-4
MGS 04/31	2.588	74	2.588	16/10/2020	0
MGS 04/33	3.054	10	3.024	16/10/2020	3
MGS 07/34	3.035	3	3.034	16/10/2020	0
MGS 05/40	3.378	1	3.368	16/10/2020	1
MGS 07/48	3.921	1	3.921	16/10/2020	0
MGS 06/50	3.784	1	3.767	16/10/2020	2
GII 03/22	1.620	10	1.697	15/10/2020	-8
GII 05/23	1.807	2	1.836	15/10/2020	-3
GII 07/29	2.668	30	2.645	15/10/2020	2
GII 11/34	3.135	40	3.135	16/10/2020	0
GII 11/49	4.028	10	4.028	15/10/2020	0
		<u>323</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*	
Danum Capital Berhad	05/23	AAA	2.393	50	2.367	28/09/2020	3	62
Cagamas Berhad	10/33	AAA	3.320	20	3.399	28/09/2020	-8	28
RHB Bank Berhad	10/25	AA2	2.850	35	-	-	-	76
BGSM Management Sdn Berhad	10/21	AA3	2.545	20	-	-	-	99
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.999	1	3.999	16/10/2020	0	191
Affin Bank Berhad	02/27	A1	3.389	20	3.879	06/10/2020	-49	114
Bank Muamalat Malaysia Berhad	11/21	A	4.775	1	3.774	16/10/2020	100	322
			<u>146</u>					

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

Market/Corporate News: What's Brewing

Promotional activities by manufacturers helped lift Malaysia's vehicle sales by 26.37% — the strongest growth registered so far this year. Malaysians bought a total of 56,444 units of vehicles in September, compared with 44,666 units in the same month last year, according to the Malaysian Automotive Association (MAA). The September figure was also higher by 7% when compared with August's 52,800 units, and is the second-highest monthly sales figure recorded so far this year, MAA said in a statement. Passenger vehicle sales accounted for 51,422 units during the month, while commercial vehicle sales stood at 4,399 units. Year to date, total vehicle sales stood at 341,489 units, down 22.91% from the 442,985 vehicles registered in the corresponding nine months last year. In terms of production, September saw an increase of 15.26% to 51,987 units, compared with 45,101 units in September 2019. Year to date, total vehicle production fell 25.79% to 315,863 units, from 425,653 units in the same period of 2019. According to the association, the rise in sales in September was due to greater promotional activities by car manufacturers and the higher production during the month. An analyst who spoke on condition of anonymity said the rise in September sales was not much of a surprise considering the new model launches during the month. "There were new models coming in — namely volume generative models — that helped bring up sales," he said. The analyst added that many car manufacturers also brought forward their planned end-of-the-year promotions to September. Lower sales seen for October The current Conditional Movement Control Order in Sabah, Labuan, Selangor, Kuala Lumpur and Putrajaya, along with the cautious consumer sentiment following the end of the loan moratorium on Sept 30, is likely to result in lower sales in October compared with September. The analyst, however, noted that there has been a recovery in vehicle sales since the height of the pandemic earlier this year, expecting the October sales volume to stay around 50,000 units. "There is a recovery taking place at the moment in the sector. If sales can continue at the levels seen in September, the industry should be able to meet its targets and [analysts' expectations]," he said. While many consumers would be reticent about making big ticket purchases in the current economic environment, the analyst said the rise in sales volume seen since June has been fuelled by the sales and services tax (SST) exemption placed on both completely built-up (CBU) and completely knocked-down (CKD) units. Until Dec 31, SST for CKD vehicles is completely exempted, while CBU vehicles enjoy a 50% exemption. The MAA's current total industry volume forecast is 470,000 units. This is significantly lower than the initial projection of 607,000 units in January, but higher than the revised projection of 400,000 announced in April..
(Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Solar Management (Seremban) Sdn Bhd	RM260 mil ASEAN Green SRI Sukuk (2020/2038)	AA3/Stable	Assigned

Source: RAM, MARC

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