

Global Markets Research
Fixed Income
Fixed Income Daily Market Snapshot
US Treasuries

- US Treasuries pared gains on Monday following earlier reports that EU leaders reached an impasse over a new 750b euro stimulus package. The curve reversed prior day's steepening move as overall benchmark yields ended mostly between 0-2bps lower with the UST 2Y within 1bps higher at 0.15% and the much-watched UST 10Y declining by 2bps at 0.61%. The safe appeal of bonds were seen threatened by trial runs of COVID-19 vaccines by pharma giants that included Pfizer and AstraZeneca. The swap spreads ended tighter whilst the IG issuance slate included BOA's \$4.75b dual tranche debt papers and also issuances by Toyota Motor Credit. The economic calendar remains light with some attention expected to shift to the initial jobs claims report and new/existing home sales later this week.

MGS/GII

- Momentum in local govies eased slightly yesterday amid a slight pull-back in secondary market volume to RM3.34b. Nevertheless overall benchmark MGS/GII yields mostly unchanged-to-lower between 0-2bps; save for the ofdd-lot trades in the long bond. Interest was mainly seen in the off-the-run 21's and also 15Y benchmark MGS/GII. The benchmark 5Y MGS 9/25 edged 1bps lower at 2.15% whilst the 10Y MGS 8/29 closed literally unchanged at 2.64%. GII bond trades maintained to form to form ~43% of overall trades. Traders are seen expecting some support for local govies with a view for potential further easing later this year. Meantime, the country's mid-to-long term economic recovery plan will be announced in October. The Ringgit meanwhile has strengthened against a backdrop of a weaker USD and hopes of COVID-19 vaccine discovery supporting risk appetite.

Corp Bonds/Sukuk

- This GG and credit bond space saw activity ease amid slightly lower secondary market volume of RM446m; with activity mainly seen across the AAA-AA part of the curve. Overall yields continued to close mostly lower. The govt-guaranteed DANA 11/25 and PRASA 3/40 closed 2-3bps lower compared to previous-done levels at 2.43% and 3.65% respectively. AAA-rated SEB saw its longer end 2035-2036 tranches close 17-20bps sharply lower between 3.48-52% levels. The AA-space saw BENIH Restu 6/25 trade RM80m in nominal amounts; moving 21bps lower at 3.14%. Single-A rated AEON 30NC25 which was last traded in March ended 5bps lower on substantial volume; closing at 3.90%. The banking space saw MAYBANK 2117NC26 perps similarly well-bid resulting in yields closing lower at 3.33%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.28	0
10-yr UST	0.61	-2
30-yr UST	1.31	-2

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.98	0	2.02	0
5-yr	2.15	-1	2.11	-1
7-yr	2.39	-2	2.44	0
10-yr	2.64	0	2.65	0
15-yr	3.08	-1	3.13	-2
20-yr	3.32	-4	3.42	0
30-yr	3.60	-17	3.80	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.88	0
3-yr	1.88	0
5-yr	2.08	2
7-yr	2.34	-1
10-yr	2.55	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 08/20	1.342	50	1.396	17/07/2020	-5
MGS 10/20	1.791	176	1.741	16/07/2020	5
MGS 07/21	1.777	590	2.197	17/07/2020	-42
MGS 09/21	1.794	240	1.808	17/07/2020	-1
MGS 11/21	1.817	80	1.808	17/07/2020	1
MGS 03/22	1.885	97	1.895	17/07/2020	-1
MGS 04/23	2.013	30	2.010	17/07/2020	0
MGS 06/24	2.067	1	2.095	17/07/2020	-3
MGS 07/24	2.083	2	2.128	17/07/2020	-4
MGS 09/25	2.146	130	2.154	17/07/2020	-1
MGS 07/26	2.317	3	2.307	17/07/2020	1
MGS 11/26	2.269	70	2.327	17/07/2020	-6
MGS 05/27	2.389	66	2.405	17/07/2020	-2
MGS 11/27	2.420	1	2.415	17/07/2020	0
MGS 06/28	2.592	8	2.640	17/07/2020	-5
MGS 06/31	2.861	32	2.866	17/07/2020	0
MGS 04/33	3.093	10	3.112	17/07/2020	-2
MGS 07/34	3.078	135	3.087	17/07/2020	-1
MGS 05/40	3.321	150	3.357	17/07/2020	-4
MGS 09/43	3.735	30	3.705	17/07/2020	3
MGS 03/46	3.780	2	3.820	16/07/2020	-4
MGS 07/48	3.796	1	3.812	14/07/2020	-2
MGS 06/50	3.598	2	3.771	17/07/2020	-17
GII 08/20	1.747	170	1.780	15/07/2020	-3
GII 03/21	1.785	50	1.794	17/07/2020	-1
GII 04/22	1.921	30	1.933	16/07/2020	-1
GII 07/22	1.942	120	1.956	16/07/2020	-1
GII 05/23	2.021	70	2.020	17/07/2020	0
GII 10/23	2.067	40	2.292	03/07/2020	-23
GII 10/24	2.113	80	2.123	17/07/2020	-1
GII 08/25	2.239	20	2.247	16/07/2020	-1
GII 10/25	2.239	20	2.252	15/07/2020	-1
GII 09/26	2.384	60	2.402	16/07/2020	-2
GII 07/29	2.726	210	2.720	17/07/2020	1
GII 10/30	2.648	110	2.651	17/07/2020	0
GII 11/34	3.129	450	3.152	17/07/2020	-2
		<u>3336</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	11/25	GG	2.428	5	2.461	14/07/2020	-3	28
Perbadanan Tabung Pendidikan Tinggi Nasional	02/28	GG	2.774	60	3.549	15/08/2019	-78	22
Prasarana Malaysia Berhad	03/40	GG	3.651	10	3.667	15/07/2020	-2	32
Telekom Malaysia Berhad	09/21	AAA	2.264	20	2.344	09/07/2020	-8	46
Sarawak Energy Berhad	01/22	AAA	2.440	10	2.733	19/06/2020	-29	52
GENM Capital Berhad	07/23	AAA	3.706	1	3.068	09/07/2020	64	172
Danum Capital Berhad	02/25	AAA	2.648	10	2.707	15/07/2020	-6	50
Putrajaya Holdings Sdn Berhad	05/26	AAA	2.709	10	3.051	03/07/2020	-34	41
Putrajaya Bina Sdn Berhad	09/26	AAA	2.829	10	2.911	17/07/2020	-8	53
Danum Capital Berhad	05/27	AAA	2.858	10	2.878	16/07/2020	-2	46
Pengurusan Air SPV Berhad	06/27	AAA	2.901	5	2.987	09/07/2020	-9	50
Sarawak Energy Berhad	06/35	AAA	3.479	30	3.681	26/06/2020	-20	41
Sarawak Energy Berhad	04/36	AAA	3.519	30	3.688	24/06/2020	-17	45
Sabah Credit Corporation	12/21	AA1	2.683	20	3.676	21/10/2019	-99	88
Encorp Systembilt Sdn Berhad	05/25	AA1	2.836	10	4.539	26/09/2017	-170	69
Kuala Lumpur Kepong Berhad	09/29	AA1	3.199	30	3.228	17/07/2020	-3	61
Southern Power Generation Sdn Berhad	04/34	AA-	3.869	20	4.320	29/10/2019	-45	80
Benih Restu Berhad	06/25	AA2	3.143	80	3.350	02/07/2020	-21	99
Malayan Banking Berhad	02/17	AA3	3.329	10	3.558	30/06/2020	-23	0
Southern Power Generation Sdn Berhad	10/35	AA-	4.039	10	4.472	29/10/2019	-43	97
TG Excellence Berhad	02/20	AA-	3.770	1	3.229	14/07/2020	54	44
Affin Bank Berhad	09/27	A1	3.052	0	3.384	17/07/2020	-33	65
AEON Credit Service (M) Berhad	03/30	A1	3.897	50	3.950	10/03/2020	-5	127
DRB-Hicom Berhad	12/24	A+	3.985	2	3.986	17/07/2020	0	189
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/31	A3	3.599	1	3.599	10/07/2020	0	97
Eco World International Berhad	04/23	-	5.718	1	5.502	15/07/2020	22	373
Eco World International Berhad	05/23	-	5.238	1	4.924	17/07/2020	31	325
LBS Bina Group Berhad	03/20	-	5.785	1	5.926	16/07/2020	-14	246
			<u>446</u>					

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

Market/Corporate News: What's Brewing

TA Enterprise Bhd (TAE) said due to a delay in implementing its takeover offer for an additional stake in its 60.17%-owned unit TA Global Bhd (TAG), the material properties of the TA Group have to be revalued. In separate filings with Bursa Malaysia, TAE and TAG said the properties have to be revalued by the respective independent valuers to comply with the Main Market Listing Requirements. This is "to ensure that the date of valuation which forms the basis of the valuation certificate to be included in the circular, shall not be more than six months before the date of the circular issued to shareholders", the filings said. "The updated valuation reports to be prepared by the respective independent valuers will take into consideration the effects of Covid-19 on the material properties of TA Group," they added. As a result, the circular in relation to the offer and the proposed subscription to shareholders of TAE is now scheduled to be released in mid-November. The dispatch of offer documents to shareholders of TAG is also targeted for mid-November. Subsequently, the extraordinary general meeting to seek approval from the non-interested shareholders of TAE in relation to the offer is now expected to be held at the end of November, according to the filings. Under the offer, first announced on Feb 12, TAE plans to acquire up to 2.12 billion shares in TAG, representing up to a 39.83% stake, at 28 sen per share for a total of RM593.43 million. To part-fund the deal, TAE proposed the issuance of up to 550.54 million new TAE shares at 66.5 sen apiece, to be subscribed by controlling shareholder Datuk Tony Tiah. On May 6, TAE sought the Securities Commission Malaysia's (SC) approval to abort the plan, citing the adverse impact of Covid-19 pandemic as the main reason. However, the SC rejected the request. (Source: *The Edgemarkets*)

Merger and acquisition (M&A) activities in Malaysian plantations stood at almost RM1 billion in the first half of the year (1H20) largely due to a scarcity of land. In a note today, a prominent Investment Bank said new planting has slowed drastically in recent years due to weak investment case as well as lack of plantable reserves. "The commitments on 'NDPE' (no deforestation, no new planting on peat and no exploitation) by established planters also meant an increasing shift in interests towards brownfield estates in search of growth. "Furthermore, RSPO (Roundtable on Sustainable Palm Oil) members face increasingly onerous process of complying with RSPO's NPP (new planting procedures) on greenfield developments which may take up to three years before any planting can take place (ie time-consuming with uncertain outcome)," it said. It also added that the Malaysian and Indonesian governments have resolved to limit available land for oil palm expansion, which contributed to scarcity of land for plantations. It also said that there were five transactions alone during 1H which totalled RM647 million, surpassing 2019's total transaction value of RM528 million. The M&A figure would hit RM1 billion if Kuala Lumpur Kepong Bhd's (KLK) proposal to acquire a 60% equity stake in PT Pinang Witmas Sejati (PTPWS), Indonesia from the Perak State Agricultural Development Corp for RM342 million in April was included. PTPWS has 14,980ha of land in South Sumatra. KLK's proposed acquisition is also a sign that interest in land has extended to Indonesia. "Since 2012, total M&A plantation-related transactions in Malaysia amounted to RM14.3 billion (these excluded two major IPOs [namely FGV Holdings Bhd and Boustead Plantations Bhd] which raised a combined RM10.8 billion in cash in 2012-2014). The transactions averaged RM1.7 billion per year since 2012," it noted. It viewed that M&A activities will remain robust into 2H20 and 2021 as a few companies have publicly made known their intentions to restructure, re-strategise and or deleverage. For example, TH Plantations Bhd's board has identified some RM1 billion in assets for sale in order to deleverage. Meanwhile, TDM Bhd is selling two of its Indonesian subsidiaries — with a planted oil palm area of 10,727ha — after receiving a RM210 million offer back in February. The IB noted that even after its RM279 million land sales in the first quarter of 2020, Sime Darby Plantation Bhd is still targeting to sell more than RM1 billion worth of land and more RM500 million in non-core, non-strategic assets in 2020 to 2021 to pare down its borrowings. It also did not discount the possibility of IJM Corp Bhd putting its 56% stake in IJM Plantations Bhd up

for sale again if the price was right. Meanwhile, FGV Holdings Bhd's chief executive officer Datuk Haris Fadzillah Hassan said in an interview last November that it was putting up its Asian Plantations' estates and Trurich Resources' estates in Indonesia for sale. It also noted that Boustead Plantations could afford to sell a few non-strategic but prime estates that are no longer economical to operate as oil palm plantations, such as the remaining 274ha of its Balau Estate in Semenyih, next to the University of Nottingham Malaysia. It said that most Malaysian planters are still looking for upstream acquisition opportunities, such as IOI Corp Bhd, which is allocating RM1 billion in cash for regional M&A opportunities, and Sime Darby Plantation, which is open to opportunities in West Africa. Additionally, it does not discount the possibility of Hap Seng Plantations Holdings Bhd eyeing another candidate after failing to buy a 55% stake in Kretam Holdings Bhd for RM1.1 billion in 2018. "Armed with net cash of RM84 million and shareholders' fund of RM1.63 billion (as at March 31, 2020), [Hap Seng Plantations] has the capacity to gear up for acquisitions," he noted. The industry's collective net gearing had risen to 38.6% as of end-March from 8% a decade ago, with current levels remaining manageable and still conducive for smaller M&A activities. (Source: *The Edgemarkets*)

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

Source: RAM, MARC

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