

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.27	-1
10-yr UST	0.65	-3
30-yr UST	1.38	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.84	-5	1.89	-2
5-yr	2.07	0	2.05	-2
7-yr	2.24	0	2.32	-1
10-yr	2.50	2	2.50	1
15-yr	2.93	-1	2.96	-1
20-yr	3.25	-1	3.30	-7
30-yr	3.58	-2	3.65	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.85	0
3-yr	1.90	0
5-yr	2.10	1
7-yr	2.30	1
10-yr	2.52	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries advanced again on haven bids amid disappointing US initial jobless claims that showed the reading exceeding the 1.0m mark again, risk derailing the recovery traction especially at a time of stalemate among lawmakers on an extension of the already expired unemployment benefits. Markets also shrugged off the gain in ADP employment and continued to digest the less dovish than expected FOMC minutes which somewhat raised concern of an earlier rate hike, which we do not think will be the case given that the Covid-19 pandemic fallout remains very much a huge drag and risk to growth outlook. Overall benchmark yields closed largely lower with the UST 2Y little changed at 0.14% and the much-watched UST 10Y closing 3bps lower at the 0.65% levels. The auction of 30Y TIPS drew a negative yield of 0.272% (prior +0.261%), its first on record. Expect attention to shift to Markit PMIs and home sales data tonight.

MGS/GIII

- Local govies advanced on Wednesday amid increased trading interests ahead of Thursday public holiday and probably ahead of the upcoming FTSE Russell's review on the nation's WGBI weightage. Secondary market volume more than doubled to RM5.19bn (prior RM2.47bn). Overall benchmark yields ended mostly mixed-to-lower between -7 to +2bps. Interests skewed mainly to the front end to the belly of the curve with the benchmark 3Y MGS 3/23 garnered RM942m in volume, ending 5bps lower at 1.84%. Meanwhile, benchmark 5Y MGS 9/25 ended flat at 2.07% whilst the 10Y MGS 8/29 edged 2bps higher at 2.50%. GII bond trades weakened to form ~39% of overall trades (prior 42%). We expect cautious mode to dominate ahead of the weekend and upcoming FTSE Russell announcement on Malaysia's weightage in WGBI.

Corp Bonds/Sukuk

- In the corporate bond/ sukuk space, secondary market interest remained robust with volume remaining near the RM1.0bn mark at RM982m on Wednesday. Trading focus remained on the GG and AA-rated papers with yields closing mixed overall. Government-guaranteed PRASA '30 saw RM150m dealt at 2.68% (+3bps) while PTPTN '24 last traded between 2.222-2.245% with RM150m changed hands. DANA '23, '27, '29 also attracted RM145m volume, last settled at 2.150%, 2.502% and 2.658% respectively. Among the AA-rated issuances, Southern Power '29-'32 hogged investors' radar with yields ending generally lower between 3.109% to 3.309%. Meanwhile, AAA-rated DANGA '33 and '35 also saw heavy trading interests, last dealt between 3.109% and 3.230%.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.836	390	1.670	18/08/2020	17
MGS 02/21	1.689	32	1.568	14/08/2020	12
MGS 07/21	1.711	43	1.753	18/08/2020	-4
MGS 11/21	1.726	28	1.761	18/08/2020	-3
MGS 03/22	1.755	10	1.760	17/08/2020	-1
MGS 08/22	1.788	1	1.820	17/08/2020	-3
MGS 09/22	1.783	1	1.847	18/08/2020	-6
MGS 03/23	1.841	942	1.889	18/08/2020	-5
MGS 04/23	1.896	12	1.892	18/08/2020	0
MGS 08/23	1.894	94	1.949	18/08/2020	-6
MGS 06/24	2.024	40	2.042	18/08/2020	-2
MGS 07/24	2.008	3	2.023	18/08/2020	-2
MGS 09/25	2.068	192	2.071	18/08/2020	0
MGS 04/26	2.182	120	2.251	18/08/2020	-7
MGS 07/26	2.216	212	2.250	18/08/2020	-3
MGS 11/26	2.244	1	2.276	17/08/2020	-3
MGS 11/27	2.320	11	2.314	18/08/2020	1
MGS 06/28	2.459	3	2.487	18/08/2020	-3
MGS 08/29	2.497	283	2.482	18/08/2020	1
MGS 04/30	2.557	101	2.574	17/08/2020	-2
MGS 06/31	2.718	0	2.704	17/08/2020	1
MGS 04/32	2.833	0	2.858	18/08/2020	-2
MGS 04/33	2.948	129	2.982	18/08/2020	-3
MGS 11/33	2.982	8	2.984	17/08/2020	0
MGS 07/34	2.927	464	2.938	18/08/2020	-1
MGS 05/35	3.194	1	3.218	18/08/2020	-2
MGS 04/37	3.238	1	3.247	17/08/2020	-1
MGS 06/38	3.303	1	3.268	18/08/2020	4
MGS 05/40	3.253	51	3.260	18/08/2020	-1
MGS 03/46	3.674	2	3.650	18/08/2020	2
MGS 07/48	3.701	1	3.709	18/08/2020	-1
MGS 06/50	3.577	3	3.593	18/08/2020	-2
GII 04/21	1.723	33	1.743	18/08/2020	-2
GII 04/21	1.714	20	1.803	21/07/2020	-9
GII 03/22	1.809	2	1.809	18/08/2020	0
GII 07/22	1.805	150	1.817	14/08/2020	-1
GII 11/22	1.797	70	1.862	04/08/2020	-7
GII 05/23	1.886	370	1.909	14/08/2020	-2
GII 07/23	1.907	180	1.948	18/08/2020	-4
GII 08/24	2.049	163	2.050	14/08/2020	0
GII 10/24	2.048	110	2.070	18/08/2020	-2
GII 08/25	2.066	10	2.107	14/08/2020	-4
GII 10/25	2.066	47	2.079	14/08/2020	-1
GII 09/26	2.236	100	2.244	18/08/2020	-1
GII 07/27	2.331	310	2.320	17/08/2020	1
GII 09/27	2.319	80	2.325	18/08/2020	-1
GII 10/28	2.498	100	2.502	18/08/2020	0
GII 07/29	2.563	32	2.564	18/08/2020	0
GII 10/30	2.499	6	2.490	18/08/2020	1
GII 06/33	2.997	30	3.002	18/08/2020	0
GII 08/33	3.021	60	3.025	17/08/2020	0
GII 11/34	2.960	50	2.966	18/08/2020	-1
GII 08/37	3.352	40	3.341	13/08/2020	1
GII 09/39	3.301	50	3.370	17/08/2020	-7
		<u>5192</u>			

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*
Prasarana Malaysia Berhad	08/21	GG	1.820	10	2.198	03/06/2020	-38	9
MKD Kencana Sdn Berhad	02/23	GG	2.098	5	2.491	12/06/2020	-39	24
Khazanah Nasional Berhad	08/23	GG	2.186	35	2.179	17/08/2020	1	33
Danainfra Nasional Berhad	10/23	GG	2.150	80	2.149	18/08/2020	0	30
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.222	30	2.793	26/06/2020	-57	24
Perbadanan Tabung Pendidikan Tinggi Nasional	03/24	GG	2.245	120	2.246	17/08/2020	0	26
GovCo Holdings Berhad	09/27	GG	2.510	45	3.048	25/06/2020	-54	27
Danainfra Nasional Berhad	11/27	GG	2.502	5	2.979	29/05/2020	-48	26
Danainfra Nasional Berhad	02/29	GG	2.658	60	2.659	12/08/2020	0	28
Prasarana Malaysia Berhad	09/29	GG	2.648	20	2.650	18/08/2020	0	18
Prasarana Malaysia Berhad	02/30	GG	2.680	150	2.650	07/08/2020	3	18
Malaysia Rail Link Sdn Berhad	07/30	GG	2.740	50	2.878	23/07/2020	-14	24
Cagamas Berhad	05/23	AAA	2.281	20	2.324	18/08/2020	-4	43
Danum Capital Berhad	02/25	AAA	2.530	15	2.507	18/08/2020	2	46
TNB Western Energy Berhad	01/26	AAA	2.659	10	3.258	24/02/2020	-60	59
Danum Capital Berhad	02/26	AAA	2.590	15	2.566	14/08/2020	2	52
Telekom Malaysia Berhad	10/28	AAA	2.689	10	3.278	30/06/2020	-59	31
Danga Capital Berhad	01/33	AAA	3.109	50	3.121	17/08/2020	-1	61
Danga Capital Berhad	09/33	AAA	3.149	10	3.399	14/07/2020	-25	21
Danum Capital Berhad	02/35	AAA	3.230	25	3.250	11/08/2020	-2	29
Tenaga Nasional Berhad	08/40	AAA	3.479	5	3.479	14/08/2020	0	22
YTL Corporation Berhad	11/26	AA1	3.350	5	3.339	17/08/2020	1	117
Kuala Lumpur Kepong Berhad	09/29	AA1	3.068	20	3.080	18/08/2020	-1	60
YTL Corporation Berhad	07/30	AA1	3.529	10	3.447	30/07/2020	8	103
United Overseas Bank (Malaysia) Berhad	08/30	AA1	2.719	0	2.719	18/08/2020	0	22
Kuala Lumpur Kepong Berhad	09/34	AA1	3.469	10	3.538	11/08/2020	-7	53
Country Garden Real Estate Sdn Berhad	02/23	AA3	5.302	1	5.106	11/08/2020	20	345
AmBank Islamic Berhad	10/28	AA3	2.925	10	2.944	07/08/2020	-2	54
Malaysian Resources Corporation Berhad	08/23	AA-	3.685	5			369	183
Southern Power Generation Sdn Berhad	04/29	AA-	3.109	10	3.439	14/07/2020	-33	65
Southern Power Generation Sdn Berhad	04/31	AA-	3.206	30	3.248	04/08/2020	-4	71
Southern Power Generation Sdn Berhad	10/31	AA-	3.250	80	3.249	05/08/2020	0	75
Penang Port Sdn Berhad	12/31	AA-	3.459	20	3.469	14/08/2020	-1	96
Southern Power Generation Sdn Berhad	04/32	AA-	3.309	10	3.628	21/07/2020	-32	81
TG Excellence Berhad	02/20	AA-	3.570	0	3.101	14/08/2020	47	31
Jati Cakerawala Sdn Berhad	01/23	A1	3.901	0	3.900	14/08/2020	0	211
YNH Property Berhad	07/19	-	6.128	0	6.180	18/08/2020	-5	287
Eco World International Berhad	10/21	-	4.790	0	4.330	06/08/2020	46	-
				<u>982</u>				

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

Market/Corporate News: What's Brewing

Kuala Lumpur Kepong Bhd (KLK) reported a 658% surge in its net profit to RM368.7 million for the third quarter ended June 30, 2020 (3QFY20), from RM48.62 million in the previous year's corresponding quarter, due to forex gains. Revenue for the quarter was slightly higher at RM3.71 billion from RM3.7 billion in the previous year. The significant increase in profit was attributed to forex gains totalling RM199.3 million during the quarter, said KLK in its filing with the bourse. The forex gains comprised RM171.9 million derived from translation of inter-company loans denominated in foreign currencies as a result of the appreciation of the rupiah against the ringgit and US dollar, as well as another RM27.4 million gain on translation of a US dollar-denominated bank loan in an Indonesian subsidiary. On top of the forex gain, the group said its profit in 3QFY19 was arrived at after the recognition of RM145.3 million provision for impairment of an estate in Liberia. "Excluding the above items, the pre-tax profit of the group for the current quarter rose 79.3% to RM287.8 million," it said. Segmentally, KLK said its plantation operations recorded a substantially higher profit of RM229.4 million due to improved crude palm oil (CPO) and palm kernel selling prices. The segment also saw an increase in fresh fruit bunch production by 5.8% to 1.014 million tonnes, higher sales volume of CPO and higher contributions from processing and trading operations. For the nine quarters to June 30, KLK's net profit rose 27.4%

to RM563.79 million from RM442.49 million in the previous year, while revenue contracted 1.2% to RM11.59 billion from RM11.73 billion. The group's manufacturing segment also saw growth of 8.1% to RM107 million, helped by unrealised profit of RM20.4 million due to changes in fair value of outstanding derivative contracts. The property development business saw profit falling 36.8% to RM7 million, with a sharp decline in revenue to RM15.1 million, while its investment holding/others segment saw a loss of RM22.6 million. Despite the uncertainties brought about by the Covid-19 pandemic, KLK expects to see improvement in its profit for the current financial year. "CPO prices have improved, underpinned by declining palm oil inventories and recovery in demand with the reopening of global economies. "In the light of improvement in CPO prices together with the results achieved to date, plantation profit is anticipated to be higher for the current financial year 2020," said the group. KLK's share price rose two sen or 0.09% to close at RM22.60, giving a market capitalisation of RM24.43 billion. (Source: *The EdgeMarkets*)

Petronas Chemicals Group Bhd's (PetChem) net profit for the second quarter ended June 30, 2020 fell 63% quarter-on-quarter to RM186 million from RM506 million. Revenue was lower at RM3.18 billion versus RM3.89 billion in the preceding quarter. Reviewing its performance, PetChem said plant utilisation rate was at 94%, higher than 89% in the preceding quarter, mainly due to better plant performance resulting in higher production volume. However, it said sales volumes were lower following deferred shipment in the current quarter due to tighter control at ports as a result of the Covid-19 movement control order. Meanwhile, on a year-on-year basis, PetChem's net profit slumped 83.33% to RM186 million from RM1.12 billion, due to lower product prices and sales volume, and compressed margin. In a bourse filing today, PetChem said revenue fell to RM3.18 billion from RM4.34 billion in the previous year, on lower product prices and sales volume. Earnings per share slumped to 2 sen from 14 sen previously. PetChem declared an interim single-tier dividend of 5 sen per share, amounting to RM400 million in respect of the financial year ending Dec 31, 2020. For the six months ended June 30, PetChem's net profit fell to RM692 million from RM1.92 billion a year ago on the back of revenue of RM7.07 billion against RM8.47 billion previously. Commenting on its prospects, PetChem said the results of the group's operations are expected to be primarily influenced by global economic conditions, petrochemical product prices, which have a high correlation to crude oil price, particularly for the olefins and derivatives segment, utilisation rate of production facilities and foreign exchange rate movements. It said the Covid-19 pandemic continues to adversely affect the global economy and that it was also not spared. "The utilisation of our production facilities is dependent on plant maintenance activities and sufficient availability of feedstock as well as utilities supply. "The group will continue with its operational excellence programme and supplier relationship management to sustain plant utilisation level at above industry benchmark," it said. In a separate statement, PetChem managing director/chief executive officer Datuk Sazali Hamzah said overall, the group delivered a resilient performance despite operating in an extremely challenging environment. "The domino effect of Covid-19 brought down petrochemical prices to historical lows, particularly in April and May. We mitigated the impact by focusing on operational efficiency and capitalising on our strong market presence in this region. "Coupled with our close collaboration with customers, we were able to maximise production to meet sales and delivery commitments with minimal disruption even during these tough times," he said. Sazali said PetChem was cautiously optimistic as the market is showing signs of improvement with the reopening of economies, but a meaningful recovery is only expected to occur gradually towards end-2020 into

2021. “We are committed towards enhancing our operational and commercial capabilities, as well as cost reduction efforts, towards softening the impact of persistent low product prices. “Our team continues to be vigilant of potential risks or disruptions and simultaneously responsive to market changes,” he said.

At the midday break today, PetChem was unchanged at RM6.15, for a market capitalisation of RM49.20 billion. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
OCBC Bank (Malaysia) Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
CIMB Group Holdings Berhad	RM6.0 billion Conventional/Islamic MTN Programme (2008/2038)	AA ₁ /Stable	Reaffirmed
	RM6.0 billion Conventional CP Programme (2015/2022)	P1	Reaffirmed
	RM10.0 billion Additional Tier-1 Capital Securities Programme (2016/-)	A ₁ /Stable	Reaffirmed
CIMB Bank Berhad	RM10.0 billion Tier-2 Subordinated Debt Programme (2013/2073):		
	<ul style="list-style-type: none"> • Issuances prior to 1 January 2016 with non-viability events linked to CIMB Bank Berhad 	AA ₁ /Stable	Reaffirmed
	<ul style="list-style-type: none"> • Issuances on or after 1 January 2016 with non-viability events linked to CIMB Bank Berhad as well as CIMB Group Holdings Berhad and its subsidiaries 	AA ₂ /Stable	Reaffirmed
	RM10.0 billion Additional Tier-1 Capital Securities Programme (2016/-)	A ₁ /Stable	Reaffirmed
	RM20.0 billion MTN Programme (2017/-)	AAA/Stable	Reaffirmed
CIMB Islamic Bank Berhad	RM10.0 billion Sukuk Wakalah Programme (2017/-)	AAA/Stable	Reaffirmed

Source: RAM, MARC

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