

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries ended weaker in another lackluster trading session last Friday following a much-bigger than expected improvement in the Uni of Michigan's consumer sentiment for September. Overall benchmark yields nudged between a mere 0-1bps higher with the UST 2Y pretty much unchanged at 0.14% whilst the much-watched 10Y nudged 1bps higher at 0.70% compared to prior day's close. The Fed has todate purchased more than \$1.8 trillion UST securities since cutting interest rates in March with TIPS consisting ~8% of overall purchases. Interestingly, declining lending opportunities and rising deposits are seen enticing banks to increase their UST holdings. Bond trading activity may be subdued as traders digest the recent slowing down of the pace of economic rebound and also the Fed's intention to leave rates unchanged at near-zero levels for some time to come. Nevertheless expect focus to shift to the upcoming 2Y, 5Y and 7Y auctions this week.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.28	0
10-yr UST	0.70	1
30-yr UST	1.45	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.95	0	1.99	-1
5-yr	2.17	2	2.12	2
7-yr	2.47	-1	2.44	10
10-yr	2.67	-1	2.62	2
15-yr	3.11	-2	3.21	-7
20-yr	3.50	-4	3.54	0
30-yr	3.98	13	4.13	-6

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.99	0
3-yr	2.08	0
5-yr	2.25	-1
7-yr	2.39	0
10-yr	2.68	0

Source : Bloomberg

MGS/GIII

- Local govies saw mixed signals last Friday despite prior day's poor bidding metrics for the 30Y GII 11/49 auction. Benchmark yields ended mixed between -7 to +13bps; with the 7Y GII and 30Y MGS bearing the brunt of yield movements amid a sustained overall secondary market volume of RM3.82b. The benchmark 5Y MGS 9/25 edged 2bps higher at 2.17% whilst the 10Y MGS 8/29 yields declined 1bps at 2.67%. Interest was again mainly seen in the shorter-end off-the-runs 20-21's and also benchmark 15Y, 30Y MGS/GII. GII bond trades decreased to form ~36% of overall trades. MYR has improved to its strongest level since Feb due to higher oil prices and also a weaker dollar. Meantime FTSE Russell's announcement of its decision on Malaysia's weightage of sovereign bonds in its WGBI on 24th Sep this week is expected to a key event risk for now. Expect some attention to shift to the CPI data for August come Wednesday with another negative reading.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw muted appetite amid a slightly better secondary market volume of RM277m with transactions seen in about 19 various bonds. Overall yields closed mostly mixed-to-lowerr on yields with interest seen along the GG-AAA part of the curve. Govt-guaranteed DANA 39's saw levels converge with the 4/39 tranche and 7/39 tranche close 11bps higher and 25bps lower respectively compared to previous done levels at 3.59-60% levels. AAA-rated CAGAMAS edged 1bps higher at 2.20% whilst PUTRAJAYA 5/26 closed unchanged at 2.71%. The AA-space saw energy-related bonds i.e. JEV 11/20 fall sharply on yields at 2.52% whereas BGSM 12/22 traded again about 2bps lower at 2.66%. The banking space saw AmBank Islamic 25NC20 decline 2bps at 2.64%.

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 10/20	1.720	618	1.693	17/09/2020	3
MGS 02/21	1.679	165	1.691	17/09/2020	-1
MGS 07/21	1.730	97	1.701	17/09/2020	3
MGS 11/21	1.793	91	1.759	17/09/2020	3
MGS 03/22	1.848	122	1.852	17/09/2020	0
MGS 09/22	1.841	10	1.870	17/09/2020	-3
MGS 04/23	1.945	11	1.937	15/09/2020	1
MGS 08/23	2.000	37	1.993	17/09/2020	1
MGS 07/24	2.073	6	2.070	17/09/2020	0
MGS 09/24	2.167	14	2.096	17/09/2020	7
MGS 03/25	2.174	28	2.184	17/09/2020	-1
MGS 09/25	2.167	63	2.147	17/09/2020	2
MGS 04/26	2.228	2	2.260	17/09/2020	-3
MGS 11/26	2.346	34	2.358	17/09/2020	-1
MGS 05/27	2.474	118	2.482	17/09/2020	-1
MGS 11/27	2.532	18	2.522	17/09/2020	1
MGS 06/28	2.549	4	2.556	17/09/2020	-1
MGS 09/28	2.609	4	2.621	17/09/2020	-1
MGS 08/29	2.665	214	2.678	17/09/2020	-1
MGS 06/31	2.882	94	2.867	17/09/2020	2
MGS 04/33	3.127	160	3.141	17/09/2020	-1
MGS 11/33	3.180	2	3.179	17/09/2020	0
MGS 07/34	3.110	286	3.127	17/09/2020	-2
MGS 06/38	3.529	30	3.490	17/09/2020	4
MGS 05/40	3.495	172	3.533	17/09/2020	-4
MGS 09/43	3.950	24	3.950	17/09/2020	0
MGS 03/46	3.968	13	3.924	17/09/2020	4
MGS 07/48	3.971	3	3.885	17/09/2020	9
GII 08/21	1.753	20	1.714	15/09/2020	4
GII 04/22	1.851	20	1.850	11/09/2020	0
GII 05/23	1.985	230	1.994	17/09/2020	-1
GII 07/23	2.001	20	1.971	17/09/2020	3
GII 10/23	2.034	30	1.855	04/09/2020	18
GII 11/23	2.042	40	1.976	15/09/2020	7
GII 10/24	2.119	80	2.095	11/09/2020	2
GII 08/25	2.206	20	2.160	17/09/2020	5
GII 03/26	2.273	34	2.169	09/09/2020	10
GII 09/26	2.367	30	2.403	17/09/2020	-4
GII 07/27	2.544	1	2.430	17/09/2020	11
GII 09/27	2.440	50	2.341	08/09/2020	10
GII 10/28	2.678	36	2.691	17/09/2020	-1
GII 07/29	2.703	140	2.640	17/09/2020	6
GII 10/30	2.615	55	2.600	17/09/2020	2
GII 06/33	3.072	2	4.030	17/09/2020	-96
GII 11/34	3.209	2	3.276	17/09/2020	-7
GII 11/49	4.134	571	4.198	17/09/2020	-6
		<u>3817</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*	
Pengurusan Air SPV Berhad	02/21	GG	1.986	10	1.867	14/09/2020	12	25
Danainfra Nasional Berhad	07/21	GG	1.870	15	2.020	28/07/2020	-15	13
Prasarana Malaysia Berhad	08/21	GG	1.870	35	1.820	19/08/2020	5	13
Prasarana Malaysia Berhad	09/24	GG	2.207	15	2.377	10/07/2020	-17	12
Turus Pesawat Sdn Berhad	11/24	GG	2.256	15	2.957	21/04/2020	-70	17
Danainfra Nasional Berhad	04/39	GG	3.589	10	3.480	07/09/2020	11	10
Danainfra Nasional Berhad	07/39	GG	3.600	10	3.849	08/01/2020	-25	11
Swiri Assets Berhad	09/21	AAA	3.190	20	-	-	-	145
Cagamas Berhad	03/22	AAA	2.204	40	2.199	17/09/2020	1	36
Swiri Assets Berhad	09/22	AAA	3.295	20	-	-	-	145
Rantau Abang Capital Berhad	10/22	AAA	2.314	25	2.746	13/05/2020	-43	47
Swiri Assets Berhad	09/23	AAA	3.396	10	-	-	-	146
Putrajaya Holdings Sdn Berhad	05/26	AAA	2.707	20	2.709	20/07/2020	0	37
Jimah Energy Ventures Sdn Berhad	11/20	AA3	2.523	10	3.894	20/06/2019	-137	78
BGSM Management Sdn Berhad	12/22	AA3	2.655	10	2.677	17/09/2020	-2	81
AmBank Islamic Berhad	12/25	AA3	2.643	10	2.672	17/09/2020	-3	48
Eco World International Berhad	05/23	-	5.370	1	5.594	15/09/2020	-22	344
Eco World Capital Assets Berhad	08/24	-	5.984	1	5.601	09/09/2020	38	390
YNH Property Berhad	08/19	-	6.808	1	6.785	15/09/2020	2	332
			<u>277</u>					

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

Market/Corporate News: What's Brewing

The developers of the Sungai Besi-Ulu Klang Elevated Expressway (SUKE), Projek Lintasan Kota Holdings Sdn Bhd (Prolintas), has issued a stop-work order, following the incident in which a parapet wall slab from the ongoing highway construction fell and hit a car along the Middle Ring Road 2(MRR2) in Bandar Tasik Selatan here yesterday (Sept 19). Prolintas, in a statement last night, said it will lend full cooperation to the authorities over the incident. "The SUKE Emergency Response Team (ERT) is already at the scene to control traffic and remove the parapet wall and the car involved (in the incident). " Any inconvenience caused is much regretted and SUKE will ensure that all aspects of safety are prioritised and improved from time to time," the statement read. A woman was inches away from certain death but instead escaped with just an injured left hand, when the concrete slab fell and hit her car at about 5.45pm.. (Source: *The EdgeMarkets*)

The Employees Provident Fund (EPF) reported a gross investment income of RM15.12 billion for the second quarter ended June 30, 2020 (2Q20), up 24.3% from the RM12.16 billion it reported for 1Q20, as equities trended upwards towards the end of 2Q20, when both the FBM KLCI and global markets started to improve as economies gradually reopened. Net investment income came in at RM13.46 billion for the quarter, up 79.5% from RM7.5 billion for 1Q20. In a statement, EPF chief executive officer (CEO) Tunku Alizakri Alias said the extremely volatile and challenging conditions seen since the early part of 2020 showed no signs of normalising as ongoing issues like the US-China trade tensions and low oil prices remained unresolved, while Covid-19 continued to run havoc in unprepared countries around the world. Nevertheless, he said, the fund's Strategic Asset Allocation (SAA) framework that guides it in how it structures its investments and portfolio served it well during the tumultuous first half of the year. "For example, our exposure to fixed income instruments enabled us to ride out the initial slump at the beginning of the quarter. We then saw an upward movement in equities towards the end of the quarter when both the FBM KLCI and global markets started to improve as economies gradually but cautiously reopened. Moving forward, we remain cautious as a second Covid-19 wave remains a possibility, which would have a major negative multiplier impact on the already weak economic conditions faced by many countries which have yet to come out of the first wave," he said. Equities contributed 54% or RM8.11 billion of the retirement fund's gross investment income for 2Q20, while fixed income instruments contributed RM6.17 billion, real estate and infrastructure contributed RM470 million, and money market instruments provided the remaining RM370 million. In contrast, equities contributed 52% or RM6.32 billion of its gross investment income for 1Q20, while fixed income instruments contributed 40% or RM4.87 billion. Its real estate and infrastructure investments contributed RM540 million, while money market instruments contributed another RM430 million. The retirement fund's investment assets stood at RM929.64 billion as at end-June, of which 30% were invested overseas. "As of the second quarter of the year, 39% of the total gross investment income recorded was contributed by the EPF's overseas investments. The overseas income was driven by a recovery across global equity markets in the second quarter, which allowed the EPF to ride out the slump during the first quarter of the year. Fixed income also contributed higher gains due to a low-yield environment, which provided more opportunities for the fund to realise its gains," the EPF noted in the statement. On prospects for the second half of 2020, Tunku Alizakri said the EPF remains cautious, even though more countries are easing their quarantine restrictions and markets reopen for business, as a Covid-19 vaccine remains a promise that would not be fulfilled in the immediate future. "We already have Australia's Victoria state going back into a lockdown in early July and New Zealand and Hong Kong relooking their control measures. "In light of the unprecedented situation, we believe that we managed to deliver a satisfactory performance, balancing the pressing liquidity needs of our members against the long-term responsibility of ensuring financial adequacy at retirement and sustainable returns

on investment. "Moving forward, it will be even more crucial for the EPF to continue investing in fundamentally strong assets, especially those companies which have shown an ability to pivot in adapting to the new norm," he said. On that note, he said the EPF is committed to accelerating its adoption of environmental, social and governance (ESG) criteria as a core part of its investment decision-making process as it believes strong ESG practices will enable economies, industries and companies to be more adaptable and resilient in times of crisis.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Pengerang LNG (Two) Sdn Bhd	Proposed Islamic Medium-Term Notes (IMTN) programme of up to RM3.0 billion	AAA-IS/Stable	Assigned
TNB Northern Energy Berhad	Islamic Securities (sukuk) of RM1.415 billion	AAA-IS/Stable	Affirmed
UiTM Solar Power Sdn Bhd	Green Sustainable and Responsible Investment (SRI) Sukuk of up to RM240.0 million	AAA-IS/Stable	Affirmed
Zamarad Assets Berhad	Tranche 2 Sukuk Murabahah: Class A Class B	AAA/S table AA2/Stable	Reaffirmed
	Tranche 3 Sukuk Murabahah: Class A Class B	AAA/S table AA2/Stable	Reaffirmed
Al Dzahab Assets Berhad	Tranches 1 and 2 Sukuk Murabahah covering Class A and Class B	AAA	Reaffirmed

Source: RAM, MARC

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