

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries bear-steepened on Tuesday as investors were on tenterhooks; awaiting an agreement on a COVID-19 stimulus bill to support the economy although the Republican-controlled senate is seen to favor a smaller bill. Overall benchmark yields ended between 0-3bps higher from prior session's close with the UST 2Y almost unchanged at 0.14% and the much-watched UST 10Y edging 2bps up at 0.79%. Hedge funds were seen active in the long-end sector as the UST 30Y ended at a 4-month high. The slowing global growth and resurging infections may however see more central banks support their respective economies and are expected to boost financial markets with massive asset purchases whilst pushing government borrowing costs to record lows. Expect some attention to shift to the jobless claims for week ending 17th October, come tomorrow.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.34	0
10-yr UST	0.79	2
30-yr UST	1.59	3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.74	-2	1.82	2
5-yr	2.09	1	2.00	0
7-yr	2.34	0	2.35	0
10-yr	2.59	1	2.56	1
15-yr	3.04	0	3.15	2
20-yr	3.38	0	3.49	0
30-yr	3.81	3	4.04	1

* Market indicative levels

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

Source : Bloomberg

Upcoming Government Bond Tender

Nil

MGS/GII

- Local govies closed mostly weaker in narrow ranges on Tuesday in the continued absence of catalysts despite the increase in secondary market volume of RM1.77b. Overall benchmark yields closed mostly higher between 0-3bps across the curve save for the short-end. Both the benchmark 5Y MGS 9/25 and the recently-issued 10Y MGS 4/31 edged 1bps higher at 2.09% and 2.59% respectively. Some interest was seen in the off-the-run 24's and also 15Y benchmark GII. GII bond trades rose to form 30% of overall trades. Meanwhile the MYR is seen steady in rangebound mode as investors monitor the elevated COVID-19 infection tally and ongoing political developments. Expect some attention to shift to the September inflation data release at noon today.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space too saw higher secondary market volume of RM521m mainly due to the debut trades by Solar Management (Seremban) Sdn Bhd. Interest was seen across the curve as overall yields closed however closed mostly mixed-to-lower. Govt-guaranteed PRASA 12/23 edged 2bps compared to previous-done levels at 2.08% whilst PTPTN 2/34 ended unchanged at 3.30%. AAA-rated TELEKOM 10/28 edged 1bps up at 2.80% whilst MANJUNG 11/30 saw yields fall sharply at 3.06%. The AA-space was dominated by abovementioned SOLAR with various 2021-2036 tranches done yesterday. The banking space saw AFFIN 27NC22 tranches close between 0-4bps lower on about RM60m in nominal amounts.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/21	1.470	34	1.521	16/10/2020	-5
MGS 11/21	1.511	142	1.569	16/10/2020	-6
MGS 03/22	1.631	10	1.639	19/10/2020	-1
MGS 08/22	1.685	3	1.696	15/10/2020	-1
MGS 09/22	1.687	40	1.707	19/10/2020	-2
MGS 03/23	1.743	57	1.756	19/10/2020	-1
MGS 04/23	1.809	10	1.773	19/10/2020	4
MGS 08/23	1.816	10	1.830	16/10/2020	-1
MGS 06/24	1.900	130	1.871	19/10/2020	3
MGS 07/24	1.928	239	1.939	16/10/2020	-1
MGS 09/24	1.927	11	1.927	19/10/2020	0
MGS 09/25	2.088	171	2.080	19/10/2020	1
MGS 04/26	2.229	14	2.206	16/10/2020	2
MGS 11/26	2.294	1	2.249	19/10/2020	4
MGS 03/27	2.359	2	2.374	16/10/2020	-2
MGS 05/27	2.339	49	2.337	19/10/2020	0
MGS 06/28	2.484	38	2.496	16/10/2020	-1
MGS 08/29	2.626	30	2.617	19/10/2020	1
MGS 04/30	2.687	18	2.652	19/10/2020	3
MGS 04/31	2.594	84	2.588	19/10/2020	1
MGS 06/31	2.767	111	2.723	16/10/2020	4
MGS 07/34	3.036	11	3.035	19/10/2020	0
MGS 04/37	3.355	1	3.349	16/10/2020	1
MGS 03/46	3.866	2	3.826	16/10/2020	4
MGS 06/50	3.810	20	3.784	19/10/2020	3
GII 11/20	1.638	28	1.681	15/09/2020	-4
GII 05/23	1.824	120	1.807	19/10/2020	2
GII 08/25	2.134	3	2.198	14/10/2020	-6
GII 03/26	2.150	2	2.123	16/10/2020	3
GII 10/28	2.602	7	2.584	15/10/2020	2
GII 07/29	2.674	3	2.668	19/10/2020	1
GII 09/30	2.667	10	2.678	15/10/2020	-1
GII 10/30	2.559	3	2.547	15/10/2020	1
GII 11/34	3.151	300	3.135	19/10/2020	2
GII 09/39	3.490	40	3.490	14/10/2020	0
GII 11/49	4.035	15	4.028	19/10/2020	1
		<u>1769</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	12/23	GG	2.078	40	2.097		-2	32
Perbadanan Tabung Pendidikan Tinggi Nasional	02/34	GG	3.301	15	3.300		0	26
Cagamas Berhad	10/21	AAA	1.954	30	2.530		-58	40
Cagamas Berhad	04/22	AAA	2.010	11	3.223		-121	31
Telekom Malaysia Berhad	10/28	AAA	2.796	20	2.785		1	33
Manjung Island Energy Berhad	11/30	AAA	3.061	3	4.019		-96	47
Cagamas Berhad	10/33	AAA	3.315	10	3.320		0	28
Tenaga Nasional Berhad	08/40	AAA	3.719	10	3.789		-7	36
Kuala Lumpur Kepong Berhad	09/34	AA1	3.621	20	3.619		0	58
Westports Malaysia Sdn Berhad	03/28	AA+	3.001	10	3.279		-28	66
Fortune Premiere Sdn Berhad	12/22	AA	2.837	1	3.818		-98	114
Solar Management (Seremban) Sdn Berhad	10/23	-	3.600	10	-		-	-
Solar Management (Seremban) Sdn Berhad	10/25	AA3	3.850	15	-		385	176
Solar Management (Seremban) Sdn Berhad	10/26	AA3	3.950	15	-		395	170
BGSM Management Sdn Berhad	12/26	AA3	3.013	5	3.043		-3	76
Solar Management (Seremban) Sdn Berhad	10/37	AA3	5.050	20	-		505	201
Solar Management (Seremban) Sdn Berhad	10/38	AA3	5.150	15	-		515	179
Solar Management (Seremban) Sdn Berhad	10/29	AA3	4.250	15	-		425	-
Solar Management (Seremban) Sdn Berhad	10/28	AA3	4.050	15	-		405	-
Solar Management (Seremban) Sdn Berhad	10/21	AA3	3.200	5	-		320	-
Solar Management (Seremban) Sdn Berhad	10/24	AA3	3.600	10	-		360	-
Solar Management (Seremban) Sdn Berhad	10/27	AA3	4.050	15	-		405	-
Solar Management (Seremban) Sdn Berhad	10/30	AA3	4.350	15	-		435	-
Solar Management (Seremban) Sdn Berhad	10/31	AA3	4.450	15	-		445	-
Solar Management (Seremban) Sdn Berhad	10/34	AA3	4.750	15	-		475	-
Solar Management (Seremban) Sdn Berhad	10/36	AA3	4.950	15	-		495	-
Solar Management (Seremban) Sdn Berhad	10/22	AA3	3.400	5	-		340	-
Solar Management (Seremban) Sdn Berhad	10/32	AA3	4.550	10	-		455	-
Solar Management (Seremban) Sdn Berhad	10/33	AA3	4.650	10	-		465	-
Solar Management (Seremban) Sdn Berhad	10/36	AA3	4.850	10	-		485	-
UEM Sunrise Berhad	06/23	AA-	3.829	10	3.506		32	207
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/24	AA-	3.305	5	3.333		-3	134
Jimah East Power Sdn Berhad	06/29	AA-	3.414	10	3.808		-39	85
Jimah East Power Sdn Berhad	06/30	AA-	3.479	20	3.499		-2	89
Jimah East Power Sdn Berhad	06/32	AA-	3.644	5	3.819		-18	105
Affin Bank Berhad	02/27	A1	3.387	30	3.389		0	114
Affin Bank Berhad	09/27	A1	3.443	30	3.481		-4	110
CIMB Group Holdings Berhad	05/16	A1	3.456	1	3.292		16	10
Alliance Bank Malaysia Berhad	10/25	A2	5.590	4	4.040		155	350
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	12/31	A3	3.599	1	3.600		0	101
				<u>521</u>				

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

Market/Corporate News: What's Brewing

Malaysian Rating Corporation Bhd (MARC) has affirmed Sime Darby Plantation Bhd's corporate credit rating at AAA with a stable outlook, as well as AAIS with stable outlook rating for the company's perpetual subordinated sukuk programme of up to RM3 billion. In a statement today, the rating agency said Sime Darby Plantation's sizeable, geographically-diversified and integrated palm oil operations remained key rating drivers. "The rating also benefits from a one-notch uplift for implicit support from its parent Permodalan Nasional Bhd, a government-linked investment company. Sime Darby Plantation's exposure to crude palm oil (CPO) price movement that leads to cash flow volatility remains a moderating factor. "Given the group's commitment to spend an average of RM800 million per annum on replanting, the decline in cash flow generation from lower CPO prices in recent years has weighed on its ability to reduce its debt obligations from internally generated funds," it said. Sime Darby Plantation had instead relied on proceeds from land disposals to pare down its borrowings; following some delays, land parcel sales totalling RM438 million were completed by the first half (1H) of this year, MARC said. "Sime Darby Plantation's adjusted borrowings were lower at RM8.7 billion (1H19: RM8.9 billion), translating to a debt-to-equity ratio of 0.55 times. On completion of the full disposal of land parcels with the proceeds utilised to reduce borrowings, group leverage is expected to improve to about 0.52 times," it added.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Sime Darby Plantation Berhad	Corporate Credit rating	AAA/Stable	Affirmed
	Perpetual Subordinated Sukuk Programme (Perpetual Sukuk) of up to RM3.0 billion	AA-IS/Stable	Affirmed
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank).	Financial Institution (FI) rating	AAA/Stable	Affirmed

Source: RAM, MARC

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