

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.14	0
5-yr UST	0.27	0
10-yr UST	0.67	0
30-yr UST	1.42	1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.94	0	1.97	-2
5-yr	2.20	0	2.14	0
7-yr	2.45	-1	2.36	-5
10-yr	2.66	-1	2.66	4
15-yr	3.07	-1	3.14	0
20-yr	3.41	-3	3.59	0
30-yr	3.98	0	4.07	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.94	-4
3-yr	2.04	-4
5-yr	2.21	-4
7-yr	2.38	-1
10-yr	2.68	-1

Source : Bloomberg

### Upcoming Government Bond Tender

Nil

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries ended little changed in narrow channels as the curve steepened slightly on Tuesday. Overall benchmark yields closed between 0-1bps from prior day's close with the short-end performing slightly better following the 2Y auction. The UST 2Y ended within 1bps lower at 0.14% whilst the much-watched 10Y similarly closed within 1bps higher instead at 0.67%. Meanwhile the \$52b 2Y auction notched a BTC ratio of 2.42x (previous auction in Aug: 2.78x) and was awarded at 0.136% vs 0.134% WI. Bond trading activity may continue be dictated by the recent slowing down of the pace of economic rebound and the Fed's intention to leave rates unchanged at near-zero levels for some time to come. Expect some attention to shift to the \$53b 5Y note auction and also upcoming manufacturing and PMI numbers for September tonight.

### MGS/GII

- Local govvies ended mostly stronger on Tuesday on some positive vibes over FTSE Russell's upcoming decision on the nation's weightage in the WGBI. Overall benchmark yields ended between 0-5bps lower (save for the 10Y GII) amid a lower overall secondary market volume of RM2.90b. The benchmark 5Y MGS 9/25 closed within 1bps higher at 2.20% whilst the 10Y MGS 8/29 yields edged 1bps lower at 2.66%. Interest was again mainly seen in the shorter-end off-the-runs 20's, 28's, 32's and also benchmark 10Y MGS. GII bond trades fell sharply to form a mere 8% of overall trades. Meanwhile switch auctions worth RM3.1b were successfully conducted yesterday involving the switch from MGS 9/28 and 4/32 into MGS 5/35, 9/43 and 7/48. Meantime FTSE Russell's announcement of its decision on Malaysia's weightage of sovereign bonds in its WGBI on Thursday, 24<sup>th</sup> Sep this week is still deemed to be a key event risk for now. Expect some attention to shift to the CPI data for August this afternoon with another negative reading.

### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw robust activity amid a high secondary market volume of RM779m with transactions seen in about 37 various bonds. Overall yields closed mostly mixed on with interest seen surprisingly across the curve. The Govt-guaranteed PRASA 3/24 ended 18bps lower compared to previous done levels at 2.14% whilst the the 2026-2027 tranches however spiked 8-9bps between 2.40-59%. The AAA-sector was dominated by telco names i.e. TELEKOM and DIGI and also property-related PUTRAJAYA bonds. PUTRAJAYA 7/21 and the 25's closed between -2 to +3bps at 2.22% and 2.60% levels. The AA-rated KLK 9/29 and 9/34 moved 6-8bps higher at 3.12% and 3.61% each. The banking space saw BANK Islam 25NC20 close 3bps up at 2.62%.

## Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.747	251	1.716	21/09/2020	3
MGS 02/21	1.599	10	1.649	21/09/2020	-5
MGS 07/21	1.730	146	1.716	21/09/2020	1
MGS 09/21	1.764	23	1.710	21/09/2020	5
MGS 11/21	1.750	28	1.734	21/09/2020	2
MGS 03/22	1.806	33	1.827	21/09/2020	-2
MGS 09/22	1.846	40	1.849	21/09/2020	0
MGS 03/23	1.943	4	1.943	21/09/2020	0
MGS 08/23	2.012	26	2.009	21/09/2020	0
MGS 06/24	2.090	14	2.035	14/09/2020	5
MGS 07/24	2.134	62	2.094	21/09/2020	4
MGS 09/24	2.157	76	2.180	21/09/2020	-2
MGS 09/25	2.202	43	2.196	21/09/2020	1
MGS 07/26	2.278	7	2.338	21/09/2020	-6
MGS 11/26	2.353	5	2.338	21/09/2020	2
MGS 05/27	2.445	146	2.459	21/09/2020	-1
MGS 11/27	2.507	35	2.471	21/09/2020	4
MGS 09/28	2.600	750	2.609	18/09/2020	-1
MGS 08/29	2.660	218	2.671	21/09/2020	-1
MGS 04/30	2.739	10	2.707	21/09/2020	3
MGS 06/31	2.864	35	2.879	21/09/2020	-2
MGS 04/32	3.032	438	3.102	17/09/2020	-7
MGS 07/34	3.066	216	3.071	21/09/2020	-1
MGS 05/35	3.370	10	3.347	21/09/2020	2
MGS 05/40	3.406	17	3.440	21/09/2020	-3
MGS 09/43	3.911	29	3.914	21/09/2020	0
MGS 07/48	3.987	1	4.020	21/09/2020	-3
GII 03/22	1.815	11	1.864	11/09/2020	-5
GII 04/22	1.846	1	1.851	18/09/2020	0
GII 11/22	1.926	20	1.797	19/08/2020	13
GII 05/23	1.971	10	1.992	21/09/2020	-2
GII 02/24	2.163	10	2.800	15/04/2020	-64
GII 08/25	2.229	2	2.226	21/09/2020	0
GII 07/27	2.392	3	2.544	18/09/2020	-15
GII 09/27	2.359	49	2.410	21/09/2020	-5
GII 10/28	2.680	20	2.684	21/09/2020	0
GII 07/29	2.716	100	2.715	21/09/2020	0
GII 10/30	2.656	1	2.615	18/09/2020	4
		<u>2898</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*
Perbadanan Tabung Pendidikan Tinggi Nasional	08/21	GG	1.916	5	1.850	15/09/2020	7	17
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	2.050	10	2.410	16/06/2020	-36	20
Perbadanan Tabung Pendidikan Tinggi Nasional	08/23	GG	2.128	10	2.160	17/08/2020	-3	19
Prasarana Malaysia Berhad	03/24	GG	2.143	80	2.323	13/07/2020	-18	20
Lembaga Pembiayaan Perumahan Sektor Awam	04/25	GG	2.368	15	2.269	14/09/2020	10	18
Prasarana Malaysia Berhad	02/26	GG	2.402	60	2.310	25/08/2020	9	21
Prasarana Malaysia Berhad	09/27	GG	2.588	125	2.512	07/09/2020	8	14
DanaInfra Nasional Berhad	11/47	GG	4.069	10	3.899	14/07/2020	17	63
Telekom Malaysia Berhad	06/21	AAA	2.120	40	2.644	29/06/2020	-52	38
Putrajaya Holdings Sdn Berhad	07/21	AAA	2.219	20	2.200	04/09/2020	2	48
Telekom Malaysia Berhad	09/21	AAA	2.126	30	2.124	15/09/2020	0	38
Cagamas Berhad	03/22	AAA	2.208	35	2.204	18/09/2020	0	46
Danum Capital Berhad	05/23	AAA	2.398	15	2.266	04/09/2020	13	46
DiGi Telecommunications Sdn Berhad	04/24	AAA	2.455	10	2.699	14/07/2020	-24	35
Putrajaya Holdings Sdn Berhad	04/25	AAA	2.600	20	2.625	17/09/2020	-2	41
Putrajaya Holdings Sdn Berhad	05/25	AAA	2.600	20	2.567	04/09/2020	3	41
Telekom Malaysia Berhad	10/28	AAA	2.767	10	2.725	07/09/2020	4	21
Danum Capital Berhad	05/30	AAA	3.059	10	3.057	15/09/2020	0	39
Tenaga Nasional Berhad	08/37	AAA	3.567	20	3.689	24/06/2020	-12	48
Kuala Lumpur Kepong Berhad	09/29	AA1	3.120	20	3.037	08/09/2020	8	51
Kuala Lumpur Kepong Berhad	09/34	AA1	3.614	50	3.552	15/09/2020	6	53
Cypark Ref Sdn Berhad	06/32	AA3	4.351	10	4.429	07/08/2020	-8	169
Cypark Ref Sdn Berhad	06/33	AA3	4.450	10	5.079	29/04/2020	-63	137
Jimah East Power Sdn Berhad	06/25	AA-	3.090	10	3.096	21/09/2020	-1	90
Penang Port Sdn Berhad	12/26	AA-	3.048	10	3.148	21/08/2020	-10	70
Cerah Sama Sdn Berhad	01/28	AA-	3.428	10	4.979	28/03/2017	-155	98
MMC Corporation Berhad	03/28	AA-	3.868	10	4.281	21/09/2020	-41	131
Pelabuhan Tanjung Pelepas Sdn Berhad	06/30	AA-	3.359	20	3.371	21/09/2020	-1	69
Malaysian Resources Corporation Berhad	08/30	AA-	4.245	10	4.318	08/09/2020	-7	158
Bank Islam Malaysia Berhad	12/25	A1	2.622	20	2.596	06/08/2020	3	43
Affin Bank Berhad	02/27	A1	2.618	1	2.630	11/09/2020	-1	27
CIMB Group Holdings Berhad	05/16	A1	3.341	2	3.332	14/09/2020	1	-10
Affin Bank Berhad	07/18	A3	4.210	1	4.469	21/09/2020	-26	77
DRB-Hicom Berhad	12/29	A+	4.869	10	4.909	08/09/2020	-4	226
Quantum Solar Park (Semenanjung) Sdn Berhad	10/33	A+	5.139	10	5.279	24/06/2020	-14	205
Pelabuhan Tanjung Pelepas Sdn Berhad	08/30	AA-	3.370	30	-	-	-	70
Eco World Capital Assets Berhad	08/24	-	5.634	1	6.086	21/09/2020	-45	353
				<u>779</u>				

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

## Market/Corporate News: What's Brewing

**Cash-strapped Malaysia Airlines Bhd has postponed its upcoming bond payments as the national carrier grapples with the economic impact of the COVID-19 crisis.** CIMB Investment Bank Bhd said holders of Malaysia Airlines' RM1.5 billion nominal value unrated Perpetual Sukuk Musharakah will have repayment on the bonds deferred by six months. Issued in 2016, the next periodic distribution date was due on Sept 30. As the number of reported Covid-19 cases worldwide breaches the 26 million mark and deaths total close to 900,000 (at the point of writing), the trade-off between economic cost and reducing the spread of the pandemic through lockdowns is starting to weigh on global growth. According to CIMB Investment Bank, via an announcement put up on Bank Negara Malaysia (BNM)'s Fully Automated System for Issuing and or Tendering (FAST) site, the carrier has issued notices of deferral dated Sept 17 to the holders of its Islamic bond. "Pursuant thereto, please be informed that there will be no payment of periodic distribution amounts to the sukuk holders on the periodic distribution date in respect of the following periodic distribution periods: (1) from March 29, 2019 to Sept 30, 2019; (2) from Sept 30, 2019 to March 31, 2020; (3) from March 31, 2020 to Sept 30, 2020. "Accordingly, the periodic distribution date will be deferred to the next periodic distribution date i.e. March 31, 2021," the announcement read. The airline issued the sukuk to raise funds for working capital and general investment, among others. Malaysia Airlines has remained loss-making even after an RM6 billion bailout and privatisation exercise by its sole shareholder, sovereign wealth fund Khazanah Nasional Bhd, in 2014, as overcapacity, higher fuel costs and a depreciating ringgit kept yields from rising. The situation has been worsened by the COVID-19 pandemic, which brought the travel industry to a standstill. Malaysia Airlines

narrowed its net loss by 2.5% year-on-year to RM791.71 million in the financial year ended Dec 31, 2018 as revenue improved by a slight 0.8% y-o-y to RM8.74 billion. In June, Malaysia Airlines said it is realigning its long-term business plan (LTBP1) — which was revealed in July 2019 — to the changing aviation landscape. The LTBP1 replaces the 12-point MAS Recovery Plan, which was announced in 2014 and ended last year. The LTBP1 would have seen the national carrier achieve financial break-even by 2022 and generate enough income to cover the cost of capital for its operations two years after that. On July 28, Malaysia Airlines said it has not received any funding from the Government. It added that Khazanah had been supportive of its efforts to address and cope with the impact of the COVID-19 crisis, but had not committed any additional funding to the carrier. At the time, it was responding to a report by The Edge weekly, quoting sources, that it had secured US\$300 million worth of new funding to help see it through the pandemic crisis. (Source: *The EdgeMarkets*)

**Kanger International Bhd has entered into a deal to clinch the rights to distribute a China-developed COVID-19 vaccine in Southeast Asia.** In a bourse filing, the group said that it had entered into a proxy agreement with Shenzhen Public Health Technology Co, Ltd (SZPHT). The agreement is valid until Oct 8. Under the deal, Kanger has appointed SZPHT to procure dealership status from China National Biotec Group Company Ltd (CNBG), which is a subsidiary of China National Pharmaceutical Group Corp (Sinopharm). “The intended dealership/distributorship is in respect of the potential COVID-19 vaccines to be produced and/or manufactured by Sinopharm and CNBG, for Kanger’s distribution of the COVID-19 vaccine (Vero Cell) in Southeast Asia,” said Kanger. The group said SZPHT will be authorised to enter into a distribution agreement and consequently grant Kanger the right to distribute the vaccine procured from Sinopharm or CNBG. A service fee will be negotiated between Kanger and SZPHT once the latter has successfully secured and assisted Kanger in entering into a distribution agreement with Sinopharm or CNBG. The latest move by Kanger follows its earlier announcement that it is venturing into the rubber glove industry. On Aug 11, the group said it was approached by Dubai-based Constellation Holdings Ltd to set up a medical examination gloves operation in Malaysia. Constellation is the procurement agent for personal protective equipment (PPE) and medical equipment for the United Arab Emirates’ (UAE) Ministry of Health & Prevention. Kanger had said that Constellation would acquire 49% of Kanger Glove Manufacturing Sdn Bhd (incorporated on Aug 13) for RM49,000. The group also announced that it was acquiring some 2.24 ha of land in Kuala Selangor for RM6.8 million for a new rubber glove manufacturing plant for Kanger Glove. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

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