

## Global Markets Research

### Fixed Income

#### Fixed Income Daily Market Snapshot

##### US Treasuries

- US Treasuries clawed back into positive territory in listless session on Thursday following a mixed batch of economic numbers. The curve ended lower as overall benchmark yields edged between a mere 0-1bps lower from prior day's close. The UST 2Y edged 1bps down at 0.13% whilst the much-watched 10Y was pretty much unchanged at 0.67%. Meanwhile the \$50b 7Y auction attracted average demand only on a BTC ratio of 2.42x (previous 10 auctions: 2.51x) and was awarded at an all-time low of 0.462%. Bond trading activity may continue to be supported by the potential slowing down in the pace of economic rebound based on an uptick in the initial jobless claims to for week ended 19<sup>th</sup> Sep and the Fed's intention to leave rates unchanged at near-zero levels for awhile. There are no meaningful economic data out tonight.

##### MGS/GIII

- Local govies saw weakness on Thursday ahead of FTSE Russell's announcement on the nation's weightage in the WGBI coupled with political news by the opposition. Nevertheless at the time of writing FTSE Russell has decided to **maintain Malaysia on the WatchList**; however with possible reclassification from market accessibility Level 2 to 1; whilst acknowledging the additional initiatives undertaken by the government. Overall benchmark yields ended mostly higher i.e. between -1 to +6bps; save for the 30Y MGS amid a higher overall secondary market volume of RM3.79b. The benchmark 5Y MGS 9/25 spiked 6bps at 2.26% whilst the 10Y MGS 8/29 yields closed 3bps higher at 2.72%. Interest was mainly seen in the shorter-end off-the-runs 20-22's and 24's. GII bond trades rose to form an insignificant 4% of overall trades. With the FTSE Russell announcement out of the way for now, expect a quiet session going into the weekend with some attention shifting next week to the trade and export data for August.

##### Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw interest wane with secondary market volume notching RM431m yesterday with transactions seen in about 30 various bonds as overall yields closed mostly mixed across the GG-AA part of the curve. The gov-guaranteed LPPSA 10/25 and DANA 3/27 spiked 9-13bps compared to previous-done levels at 2.39% and 2.54% each. The AAA-rated SEB 1/22 and 7/24 closed between 1-19bps lower at 2.22% and 2.51% respectively whilst the 11/33 tranche rose 12bps at 3.35%. AA-rated YTL saw all four(4) tranches of both its Power-related bonds and also Corporate bonds close dbetween -1 to +1bps higher; totaling RM80m in nominal amounts. The banking space however had nil trades.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.13	-1
5-yr UST	0.27	0
10-yr UST	0.67	0
30-yr UST	1.41	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.93	-1	1.98	-1
5-yr	2.26	6	2.18	4
7-yr	2.47	4	2.35	-1
10-yr	2.72	3	2.56	0
15-yr	3.06	1	3.22	1
20-yr	3.41	-3	3.59	0
30-yr	3.81	-17	4.11	1

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.93	-1
3-yr	2.01	-1
5-yr	2.18	-3
7-yr	2.37	-1
10-yr	2.69	1

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	10/20	1.798	1282	1.780	23/09/2020	2
MGS	02/21	1.759	84	1.599	23/09/2020	16
MGS	07/21	1.682	228	1.731	23/09/2020	-5
MGS	09/21	1.725	270	1.729	23/09/2020	0
MGS	11/21	1.713	346	1.760	23/09/2020	-5
MGS	03/22	1.797	214	1.823	23/09/2020	-3
MGS	08/22	1.846	4	1.880	23/09/2020	-3
MGS	09/22	1.868	3	1.839	23/09/2020	3
MGS	03/23	1.932	120	1.940	23/09/2020	-1
MGS	04/23	2.000	6	1.963	21/09/2020	4
MGS	08/23	2.034	23	2.019	23/09/2020	1
MGS	06/24	2.130	8	2.090	22/09/2020	4
MGS	07/24	2.205	400	2.184	23/09/2020	2
MGS	09/24	2.228	243	2.206	23/09/2020	2
MGS	03/25	2.247	33	2.207	23/09/2020	4
MGS	09/25	2.263	5	2.204	23/09/2020	6
MGS	04/26	2.320	4	2.274	21/09/2020	5
MGS	07/26	2.365	14	2.340	23/09/2020	3
MGS	11/26	2.412	54	2.344	23/09/2020	7
MGS	05/27	2.472	45	2.435	23/09/2020	4
MGS	11/27	2.516	14	2.525	23/09/2020	-1
MGS	06/28	2.586	4	2.549	23/09/2020	4
MGS	08/29	2.718	45	2.692	23/09/2020	3
MGS	04/30	2.776	1	2.744	23/09/2020	3
MGS	06/31	2.873	1	2.894	23/09/2020	-2
MGS	04/33	3.136	1	3.138	23/09/2020	0
MGS	11/33	3.169	1	3.127	23/09/2020	4
MGS	07/34	3.061	22	3.047	23/09/2020	1
MGS	04/37	3.481	3	3.422	23/09/2020	6
MGS	06/38	3.490	7	3.521	23/09/2020	-3
MGS	05/40	3.406	141	3.433	23/09/2020	-3
MGS	09/43	3.878	25	3.938	23/09/2020	-6
MGS	06/50	3.810	5	3.978	18/09/2020	-17
GII	03/22	1.845	3	1.841	23/09/2020	0
GII	04/22	1.842	7	1.846	22/09/2020	0
GII	05/23	1.986	2	1.989	23/09/2020	0
GII	10/24	2.178	3	2.136	21/09/2020	4
GII	10/25	2.302	3	2.202	15/09/2020	10
GII	06/27	2.420	20	2.456	17/09/2020	-4
GII	07/27	2.464	42	2.392	22/09/2020	7
GII	09/27	2.348	20	2.354	23/09/2020	-1
GII	07/29	2.741	2	2.716	22/09/2020	2
GII	11/34	3.217	10	3.206	23/09/2020	1
GII	08/37	3.571	4	3.402	10/09/2020	17
GII	11/49	4.105	20	4.100	23/09/2020	1
			<u>3789</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*
Pengurusan Air SPV Berhad	06/21	GG	2.028	3	1.910	06/08/2020	12	28
Prasarana Malaysia Berhad	08/21	GG	1.932	5	1.870	18/09/2020	6	19
DanaInfra Nasional Berhad	05/22	GG	2.015	5	1.847	04/09/2020	17	17
Perbadanan Tabung Pendidikan Tinggi Nasional	06/22	GG	1.969	20	2.052	28/08/2020	-8	13
Small Medium Enterprise Development Bank Malaysia E	08/22	GG	2.095	20	4.269	26/07/2018	-217	25
DanaInfra Nasional Berhad	11/22	GG	1.986	20	2.021	28/08/2020	-3	14
Lembaga Pembiayaan Perumahan Sektor Awam	10/25	GG	2.388	10	2.302	28/08/2020	9	15
DanaInfra Nasional Berhad	03/27	GG	2.540	20	2.409	26/08/2020	13	16
Telekom Malaysia Berhad	12/20	AAA	2.048	23	2.581	29/06/2020	-53	30
Sarawak Energy Berhad	01/22	AAA	2.220	10	2.233	27/08/2020	-1	47
Danum Capital Berhad	05/23	AAA	2.374	10	2.398	22/09/2020	-2	42
Sarawak Energy Berhad	07/24	AAA	2.507	10	2.699	09/07/2020	-19	37
Cagamas Berhad	10/24	AAA	2.483	10	2.903	18/06/2020	-42	35
Danum Capital Berhad	05/25	AAA	2.599	4	2.539	25/08/2020	6	36
Sarawak Energy Berhad	11/33	AAA	3.349	40	3.234	09/09/2020	12	25
Pengurusan Air SPV Berhad	10/34	AAA	3.449	30	3.499	09/07/2020	-5	35
Tenaga Nasional Berhad	08/35	AAA	3.469	10	3.431	15/09/2020	4	37
Abu Dhabi National Energy Company PJSC	03/22	AA1	3.066	10	3.395	22/06/2020	-33	132
YTL Power International Berhad	06/22	AA1	2.830	10	2.837	23/09/2020	-1	99
YTL Corporation Berhad	04/23	AA1	3.048	40	3.037	14/07/2020	1	110
YTL Power International Berhad	08/28	AA1	3.508	10	3.492	11/08/2020	2	92
YTL Corporation Berhad	06/34	AA1	3.905	20	3.809	25/08/2020	10	80
Jimah Energy Ventures Sdn Berhad	11/20	AA3	2.542	10	4.296	10/12/2018	-175	80
Jimah Energy Ventures Sdn Berhad	11/20	AA3	2.534	10	2.523	18/09/2020	1	79
Gamuda Land (T12) Sdn Berhad	08/25	AA3	3.457	10	3.540	11/08/2020	-8	122
Dynasty Harmony Sdn Berhad	12/30	AA3	5.017	10	5.422	19/06/2020	-40	232
Dynasty Harmony Sdn Berhad	12/31	AA3	5.139	10	5.410	20/02/2020	-27	244
Malaysian Resources Corporation Berhad	08/27	AA-	3.998	10	4.148	14/08/2020	-15	152
CIMB Group Holdings Berhad	05/16	A1	3.326	30	3.632	23/09/2020	-31	-8
Eco World International Berhad	05/23	-	5.364	1	4.584	21/09/2020	78	341
				<u>431</u>				

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

## Market/Corporate News: What's Brewing

**Malaysia will be retained on the Watch List of the FTSE World Government Bond Index (WGBI), as of the September 2020 review, for possible reclassification from Market Accessibility Level 2 to 1.** In the classification published Sept 24, FTSE Russell acknowledged the additional initiatives instigated by Bank Negara Malaysia (BNM), over the last twelve months to improve the accessibility of the Malaysian government bond market for foreign investors. It said market enhancements include, but are not limited to:- Improving secondary market bond liquidity through further progress on the establish of a Debt Management Office, an improved Auction Calendar that offers more re-opening of prior issues, a greater number of Malaysian Government Securities (MGS) available via repo, consolidation of bond issuances to increase the outstanding size per issuance and reducing the number of issuances and, introducing MGS futures with physical delivery; and- Enhancing the foreign exchange market structure through making permanent the Appointed Overseas Office (AOO) programme, allowing Japanese local custodian banks to undertake third party FX and dynamic hedging and streamlining the FX documentation and due diligence processes. FTSE Russell said it will continue to engage with its advisory committees and other stakeholders, over the next six months, to determine the practical improvements that emanate from these important and welcomed initiatives, which should enhance the experience of international participants in the Malaysian fixed income market. FTSE Russell said an accessibility level of 2 is required for a market to be considered eligible for inclusion in the FTSE World Government Bond Index (WGBI), while an accessibility level of 1 is required for a market to be considered for inclusion in the FTSE Emerging Markets Government Bond Index (EMGBI) Markets on the cusp of reclassification to a higher level following enhancements to market accessibility, or to a lower level in the event of a deterioration of investment conditions, are placed on a Watch List. Meanwhile, FTSE Russell said that Chinese Government Bonds (CGB) will be included

in the WGBI with inclusion scheduled to start with the October 2021 profiles. It said the commencement date is subject to final affirmation in March 2021 from members of the FTSE Russell advisory committees and other index users that these recently announced reforms have made the anticipated practical improvements to the market structure. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Press Metal Aluminium Holdings Berhad	M5.0 bil Islamic MTN (IMTN) Programme (2019/2049)	AA3/Stable	Reaffirmed
Menara ABS Berhad	RM1 bil Sukuk Ijarah Programme (2008/2023) Tranche A1 Tranche A2 Tranche A3 Tranche A4	AAA/Stable AA2/Stable AA3/Stable AA#/Stable	Reaffirmed

Source: RAM, MARC

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