

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries caught early bids last Friday as weakness cast over equities; but yields however succumbed later to profit-taking on thin liquidity. The curve shifted slightly lower as overall benchmark yields edged between a mere 0-1bps lower from prior day's close. The UST 2Y was almost unchanged at 0.13% whilst the much-watched 10Y edged 1bps lower at 0.66%. Meanwhile the median forecast for the UST 10Y is to end ~0.75% by year-end. That view is largely dependent on the anticipated growth recovery as the Fed provides sufficient monetary support. The US election is thought to eventually impact yields as a Democratic win in November may jolt yields higher. There are unconfirmed reports that the House Democrats may plan to unveil a new \$2.4 trillion COVID-19 relief bill. Traders are expected to shift attention to the 1st debate between President Trump and his challenger i.e. Democratic nominee Joe Biden for clues about the outcome of the Presidential election.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.13	0
5-yr UST	0.27	-1
10-yr UST	0.66	-1
30-yr UST	1.40	-1

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.94	1	2.01	3
5-yr	2.27	1	2.22	4
7-yr	2.47	0	2.36	2
10-yr	2.72	1	2.56	0
15-yr	3.12	6	3.22	0
20-yr	3.41	1	3.59	0
30-yr	3.81	0	4.13	3

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.93	0
3-yr	2.00	-1
5-yr	2.16	-1
7-yr	2.34	-3
10-yr	2.62	-7

Source : Bloomberg

Upcoming Government Bond Tender

Reopening of RM5.0b 5Y MGS 9/25 on
Tuesday 29th Sep 2020

MGS/GIII

- Local govies saw continued weakness on Friday despite FTSE Russell deciding to maintain Malaysia on the WGBI WatchList. Overall benchmark yields ended mostly higher i.e. between 0-4bps; save for the odd-lot trades in the 15Y MGS. Overall secondary market volume was lower at RM2.61b with both the benchmark 5Y MGS 9/25 and 10Y MGS 8/29 yields edging 1bps higher at 2.27% and 2.72% respectively. Interest was mainly seen in the shorter-end off-the-runs 20's, 22'S and and also benchmark 3-10Y MGS. GII bond trades rose to form a mere 10% of overall trades. The present ruling coalition made further headway in the Sabah state elections over the weekend; winning 38 of the 73 state seats; thus paving the way for the state to benefit from Putrajaya's influence. With the FTSE Russell announcement out of the way for now, expect attention today to shift to the trade and export data for August.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw muted interest amid secondary market volume of RM353m last Friday with lesser transactions seen (i.e. ~20 various bonds) as overall yields closed mostly mixed across the GG-AA part of the curve. The longer end govt-guaranteed DANA 4/38 and 11/47 rose 1-5bps compared to previous-done levels at 3.54% and 4.08% each. The AAA-rated SEB 7/24 traded again, spiking 9bps at 2.59%. AA-rated energy-related bonds Southern Power 10/22 and JEP 12/23 closed sharply lower on yields instead at 2.60% and 3.05% each. The banking space was relatively quiet.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.775	531	1.798	24/09/2020	-2
MGS 02/21	1.731	36	1.759	24/09/2020	-3
MGS 07/21	1.750	135	1.682	24/09/2020	7
MGS 09/21	1.724	53	1.725	24/09/2020	0
MGS 11/21	1.713	3	1.713	24/09/2020	0
MGS 08/22	1.869	3	1.846	24/09/2020	2
MGS 09/22	1.851	179	1.868	24/09/2020	-2
MGS 03/23	1.941	292	1.932	24/09/2020	1
MGS 04/23	2.009	189	2.000	24/09/2020	1
MGS 08/23	1.971	103	2.034	24/09/2020	-6
MGS 06/24	2.172	2	2.130	24/09/2020	4
MGS 07/24	2.216	209	2.205	24/09/2020	1
MGS 09/24	2.236	48	2.228	24/09/2020	1
MGS 09/25	2.273	40	2.263	24/09/2020	1
MGS 04/26	2.387	11	2.320	24/09/2020	7
MGS 07/26	2.381	7	2.365	24/09/2020	2
MGS 09/26	2.449	6	2.368	24/09/2020	8
MGS 11/26	2.438	1	2.412	24/09/2020	3
MGS 05/27	2.471	189	2.472	24/09/2020	0
MGS 11/27	2.523	15	2.516	24/09/2020	1
MGS 06/28	2.595	19	2.586	24/09/2020	1
MGS 08/29	2.724	153	2.718	24/09/2020	1
MGS 04/30	2.792	36	2.776	24/09/2020	2
MGS 06/31	2.913	1	2.873	24/09/2020	4
MGS 04/33	3.159	46	3.136	24/09/2020	2
MGS 07/34	3.119	24	3.061	24/09/2020	6
MGS 05/35	3.348	3	3.338	23/09/2020	1
MGS 04/37	3.488	4	3.481	24/09/2020	1
MGS 06/38	3.526	7	3.490	24/09/2020	4
MGS 05/40	3.412	14	3.406	24/09/2020	1
MGS 09/43	3.877	3	3.878	24/09/2020	0
GII 03/22	1.814	1	1.845	24/09/2020	-3
GII 05/23	2.012	71	1.986	24/09/2020	3
GII 07/23	2.058	10	2.001	18/09/2020	6
GII 11/23	2.054	1	2.042	18/09/2020	1
GII 10/24	2.217	15	2.178	24/09/2020	4
GII 10/25	2.300	33	2.302	24/09/2020	0
GII 03/26	2.346	8	2.279	23/09/2020	7
GII 09/26	2.449	6	2.367	18/09/2020	8
GII 07/27	2.479	80	2.464	24/09/2020	2
GII 09/27	2.364	10	2.348	24/09/2020	2
GII 11/49	4.133	16	4.105	24/09/2020	3
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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*	
Prasarana Malaysia Berhad	09/22	GG	2.013	50	2.467	20/05/2020	-45	16
DanaInfra Nasional Berhad	08/23	GG	2.115	30	2.061	03/09/2020	5	14
Prasarana Malaysia Berhad	03/31	GG	2.931	55	2.876	07/09/2020	6	22
DanaInfra Nasional Berhad	04/38	GG	3.541	40	3.490	22/07/2020	5	12
DanaInfra Nasional Berhad	11/47	GG	4.079	40	4.069	22/09/2020	1	66
Sarawak Energy Berhad	07/24	AAA	2.594	20	2.507	24/09/2020	9	41
Bakun Hydro Power Generation Sdn Berhad (fka Sarav	08/26	AAA	2.771	10	2.728	13/08/2020	4	38
Westports Malaysia Sdn Berhad	04/26	AA+	2.892	10	2.833	07/09/2020	6	50
IJM Corporation Berhad	06/22	AA3	3.000	20	2.898	12/08/2020	10	115
Dynasty Harmony Sdn Berhad	06/31	AA3	5.072	13	5.359	19/02/2020	-29	236
Dynasty Harmony Sdn Berhad	06/33	AA3	5.342	13	6.039	01/08/2019	-70	223
Southern Power Generation Sdn Berhad	10/22	AA-	2.600	5	3.665	17/09/2019	-107	75
Jimah East Power Sdn Berhad	12/23	AA-	3.047	30	3.151	08/07/2020	-10	107
UEM Sunrise Berhad	03/24	AA-	3.606	10	3.604	23/09/2020	0	163
Leader Energy Sdn Berhad	07/27	AA-	3.879	1	4.150	14/07/2020	-27	140
Pelabuhan Tanjung Pelepas Sdn Berhad	06/30	AA-	3.360	2	3.359	22/09/2020	0	65
IJM Land Berhad	03/19	A2	4.463	1	4.761	02/09/2020	-30	104
Eco World International Berhad	04/23	-	5.751	1	5.204	02/09/2020	55	378
Mah Sing Group Berhad	03/25	-	4.003	1	3.987	17/07/2020	2	182
Mah Sing Group Berhad	04/17	-	4.629	2	5.129	21/09/2020	-50	121
			<u>353</u>					

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

Market/Corporate News: What's Brewing

Amir Hamzah Azizan was appointed to the CEO post in Tenaga Nasional Bhd (TNB) in April last year, when the Pakatan Harapan government was still in power. Fast forward to September 2020, after a change of power at the federal level in February. Against this background, Amir says TNB is staying the course of transformation — a move instituted by Yeo Bee Yin, during her stint helming the Ministry of Energy, Science, Technology, and Climate Change. Now under Perikatan Nasional, the ministry has been reverted back to the Ministry of Energy and Natural Resources and Ministry of Science, Technology and Innovation. Over the last one year, Amir has continued to lead the transformation of TNB, despite the current minister Datuk Dr Shamsul Anuar Nasarah having said that the government will relook at the recommendations made in the Malaysian Electricity Supply Industry 2.0 (MESI 2.0). After all, one of the recommendations under MESI2.0 is for TNB's generation and retail businesses to be separated into two different entities, wholly-owned by the group, which leaves the utility company open for scrutiny. "I think the current government is looking at how the pace of reform needs to be done in Malaysia, hence they are relooking at MESI 2.0. We are supportive to help the government think through this because at the end of the day, it is not something that we control," says Amir, during an exclusive interview with The Edge last Thursday. "But whatever it is, my obligation to TNB is that in whatever form MESI is, we are ready to do it. Hence, whether there was MESI 2.0 or not, we posited on GenCo and RetailCo because it was important for TNB to have a better control, a better focus of its generation and retail businesses," he says. (Source: *The EdgeMarkets*)

Gamuda Bhd has fallen into the red with a net loss of RM17.34 million for the fourth quarter ended July 31, 2020 (4QFY20) amid a one-off asset impairment following the shutdown of one of its Industrialised Building System (IBS) factories. The group had reported a net profit of RM40.23 million for the preceding quarter (3QFY20). For the same quarter a year earlier (4QFY19), Gamuda posted a net profit of RM179.02 million. Revenue for the quarter increased 68% to RM926.52 million from RM549.9 million in the preceding quarter, but was lower by 38% when compared with RM1.5 billion for 4QFY19. The group set aside a one-off non-cash asset impairment of RM148 million as it had to temporarily shut down one of two IBS factories, due to the slower pace of building construction amid the stringent Covid-19 standard operating procedures. "As the pace of building works slowed because contractors were only able to operate at about half capacity, the group temporarily shut down its smaller IBS factory in Sepang and consolidated all operations at the larger IBS Banting factory," said Gamuda in its filing with Bursa Malaysia. Subsequent to the one-off non-cash impairment, the group does not expect any further impairment on the IBS assets in the foreseeable future. Excluding the one-off non-cash impairment, the group posted a core net profit of RM131 million, almost four times the profit recorded in the preceding quarter. Meanwhile, Gamuda Land sold RM1 billion worth of properties during the quarter, rebounding sharply from the previous quarter's sales of RM250 million, and almost on par with the RM1.1 billion sold in 4QFY19. For the full year, Gamuda's net profit fell 47% to RM371.68 million from RM700.19 million a year earlier, while revenue contracted 20% to RM3.66 billion from RM4.57 billion. "The resilience of the group is underpinned by its construction order book of RM7 billion and unbilled property sales totalling RM3.3 billion, providing visibility over the next two years," the group said, adding that Gamuda Australia is actively bidding for over A\$10 billion worth of projects in New South Wales, Victoria, Queensland and Western Australia. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
RHB Bank Berhad	Proposed RM10 bil Multi-Currency Islamic Medium-Term Note Programme.	AA2/Stable	Assigned
	Financial Institution Rating	AA2/Stable/P1	Reaffirmed

Source: RAM, MARC

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