

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.33	-2
10-yr UST	0.77	-3
30-yr UST	1.55	-4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.75	0	1.81	-1
5-yr	2.11	2	2.20	1
7-yr	2.39	4	2.41	1
10-yr	2.65	1	2.58	0
15-yr	3.14	3	3.27	3
20-yr	3.47	3	3.57	6
30-yr	3.92	14	4.06	2

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.87	0
3-yr	1.94	0
5-yr	2.15	0
7-yr	2.34	-2
10-yr	2.62	-1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries rallied on Tuesday led by the longer-ends as officials in Washington were unable to make headway on the anticipated economic stimulus. Some gains may have been attributed to the better-than-expected durable goods order for September as well. Overall benchmark yields ended between 0-4bps lower from prior session's close as the curve flattened yet again with the UST 2Y edging within 1bps lower at 0.15% and the much-watched UST 10Y closing 3bps lower at 0.77%. Meanwhile the record-sized offering of \$54b 2Y UST auction managed to draw a lower yet decent BTC of 2.40x (previous 6 auctions: 2.63x) and awarded at 0.151%. The belly of the curve may experience some pressure this week from the continuation of several auctions involving 5Y and also 7Y notes for the remainder of the week totaling RM108b. Expect attention to shift to the upcoming first reading of 3Q2020 GDP and also the initial jobless claims for week ending 24th Oct tomorrow.

MGS/GIII

- Local govies experienced further weakness on Tuesday amid an improvement in secondary market volume of RM2.91b. Overall benchmark yields closed mostly higher between 2-14bps across the curve save for the short GII. The benchmark 5Y MGS 9/25 closed 2bps higher at 2.11% whilst the 10Y MGS 4/31 edged 1bps up at 2.65%. Interest was seen in off-the-run 21's, 24's and also the benchmark 30Y GII and 5Y MGS. GII bond trades jumped to form half of overall trades. Meanwhile the 5Y GII 3/26 auction saw decent bidding metrics @ close to 2.0x handle and awarded at 2.204%. Investors are expected to tread cautiously due to the delicate political situation and elevated COVID-19 infections that have caused partial lockdowns in several key states Meantime expect some attention to shift to the release of the September trade figures today.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector saw decent investor appetite yesterday amid lower secondary market volume of RM402m with interest seen across the AAA-AA part of the curve as overall yields closed mostly mixed-to-lower. Govt-guaranteed MDV3/23 fell 83bps compared to previous-done levels about 6 months ago at 2.04%. AAA-rated PUTRAJAYA Bina 9/24 and 9/26 saw yields move opposite direction, closing at 2.52% and 2.76% respectively whilst Pengerang LNG2 10/25 made its debut secondary market trade at 2.47%. The AA-space saw FRL10/21 notched RM140m in nominal amounts; closing 11bps lower at 2.65%. Penang Port saw its 2029 and 2031 tranches end unchanged at 3.29% and 3.46% each. The banking space saw several trades involving PUBLIC Bank 27NC22 and PUBLIC Islamic 29NC24 close lower on yields at 2.57% and 2.86% each.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 07/21	1.427	110	1.450	26/10/2020	-2
MGS 09/21	1.471	388	1.520	26/10/2020	-5
MGS 11/21	1.574	7	1.552	23/10/2020	2
MGS 03/22	1.644	66	1.646	26/10/2020	0
MGS 08/22	1.677	99	1.661	26/10/2020	2
MGS 09/22	1.666	38	1.683	26/10/2020	-2
MGS 03/23	1.753	133	1.758	26/10/2020	-1
MGS 04/23	1.809	2	1.809	20/10/2020	0
MGS 06/24	1.913	42	1.922	26/10/2020	-1
MGS 09/25	2.109	57	2.093	26/10/2020	2
MGS 04/26	2.221	20	2.197	26/10/2020	2
MGS 07/26	2.220	61	2.209	21/10/2020	1
MGS 05/27	2.393	110	2.357	26/10/2020	4
MGS 11/27	2.439	18	2.432	26/10/2020	1
MGS 08/29	2.709	45	2.693	26/10/2020	2
MGS 04/30	2.769	12	2.719	26/10/2020	5
MGS 04/31	2.654	75	2.647	26/10/2020	1
MGS 06/31	2.808	30	2.845	26/10/2020	-4
MGS 04/33	3.122	15	3.113	26/10/2020	1
MGS 07/34	3.140	91	3.106	26/10/2020	3
MGS 05/40	3.473	42	3.439	26/10/2020	3
MGS 07/48	3.948	11	3.938	26/10/2020	1
MGS 06/50	3.919	1	3.783	26/10/2020	14
GII 03/22	1.657	6	1.665	26/10/2020	-1
GII 05/23	1.805	15	1.816	26/10/2020	-1
GII 10/24	1.979	210	2.020	26/10/2020	-4
GII 03/26	2.201	829	2.190	26/10/2020	1
GII 09/26	2.290	40	2.312	21/10/2020	-2
GII 09/27	2.412	70	2.405	26/10/2020	1
GII 07/29	2.787	20	2.776	26/10/2020	1
GII 11/34	3.272	20	3.238	26/10/2020	3
GII 09/39	3.569	20	3.506	23/10/2020	6
GII 11/49	4.060	210	4.038	23/10/2020	2
		<u>2910</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*	
Malaysia Debt Ventures Berhad	03/23	GG	2.037	20	2.864	17/04/2020	-83	37
Prasarana Malaysia Berhad	03/34	GG	3.231	1	3.204	13/10/2020	3	10
Telekom Malaysia Berhad	05/22	AAA	2.141	30	2.785	23/06/2020	-64	47
Putrajaya Bina Sdn Berhad	09/24	AAA	2.517	10	3.378	11/09/2019	-86	56
Pengurusan Air SPV Berhad	06/25	AAA	2.578	10	2.508	02/09/2020	7	48
Pengerang LNG (Two) Sdn Berhad	10/25	AAA	2.473	5	-	-	-	37
Putrajaya Bina Sdn Berhad	09/26	AAA	2.762	5	2.748	23/10/2020	1	51
Aman Sukuk Berhad	04/27	AAA	2.795	10	2.803	22/10/2020	-1	54
Pengurusan Air SPV Berhad	10/34	AAA	3.293	5	3.332	26/10/2020	-4	16
Sabah Development Bank Berhad	04/24	AA1	3.909	1	3.499	16/10/2020	41	213
Public Bank Berhad	04/27	AA1	2.573	20	2.881	16/07/2020	-31	32
Public Islamic Bank Berhad	10/29	AA1	2.858	20	2.893	06/10/2020	-3	25
First Resources Limited	10/21	AA2	2.649	140	2.759	03/08/2020	-11	112
Hong Leong Financial Group Berhad	06/29	AA2	2.954	20	2.948	27/08/2020	1	35
Fortune Premiere Sdn Berhad	03/23	AA	2.838	4	2.840	26/10/2020	0	117
Press Metal Aluminium Holdings Berhad	08/25	AA3	3.999	1	3.999	20/10/2020	0	190
BGSM Management Sdn Berhad	08/25	AA3	2.868	20	2.868	22/10/2020	0	77
Mumtaz Rakyat Sukuk Berhad	06/26	AA3	2.561	1	2.555	23/10/2020	1	30
BGSM Management Sdn Berhad	12/26	AA3	2.984	5	3.013	20/10/2020	-3	73
Penang Port Sdn Berhad	12/29	AA-	3.286	20	3.288	30/09/2020	0	68
Malayan Banking Berhad	02/17	AA3	3.249	20	3.242	09/10/2020	1	-26
WCT Holdings Berhad	10/21	AA-	3.195	1	3.220	26/10/2020	-3	166
UEM Sunrise Berhad	06/23	AA-	3.825	2	3.829	20/10/2020	0	205
AZRB Capital Sdn Berhad	12/24	AA-	3.918	10	3.997	21/08/2020	-8	196
Penang Port Sdn Berhad	12/31	AA-	3.464	20	3.468	14/10/2020	0	81
Alliance Bank Malaysia Berhad	10/30	A2	3.304	1	3.450	26/10/2020	-15	65
Alliance Bank Malaysia Berhad	10/35	A2	3.904	1	3.950	26/10/2020	-5	77
			<u>402</u>					

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

Market/Corporate News: What's Brewing

Alliance Bank Malaysia Bhd has successfully issued RM1.2 billion Basel III-compliant Tier 2 Subordinated Medium Term Notes (Sub-MTNs) under its existing RM2 billion Sub-MTN programme. In a filing with Bursa Malaysia today, the bank said the Sub-MTNs had been issued in three tranches with maturity tenure of between 10 and 15 years. "Alliance Bank has the option to redeem the Sub-MTNs five years before the stated maturities," it said, adding that it has RM1.2 billion existing Sub-MTNs, namely tranches of RM900 million and RM300 million, callable on Oct 27 and Dec 18 this year respectively. "During the book-building exercise, only RM900 million Sub-MTNs were offered initially to investors to replace the Sub-MTNs that were callable this month. "Due to overwhelming demand from investors with more than two times book cover, the bank decided to upsize the offerings, bringing the total issue to RM1.2 billion in a single tap. "The auction closed with the Sub-MTNs priced competitively between 3.60% per annum and 4.05% per annum," it added. Alliance Bank group chief executive officer (CEO) Joel Kornreich said the success of this transaction reflects investors' confidence in the bank's financial strength and long-term prospects. "We are pleased that they recognise the bank's efforts in helping our customers weather the current pandemic while keeping the bank safe," he said. Meanwhile, Alliance Investment Bank CEO Michael Ng said the transaction demonstrated the resilience of the Malaysian debt capital market, which remains a viable option for companies to diversify funding sources. "While investors remain selective, there is currently ample liquidity available and investors are looking for bonds or sukuk with strong credit ratings to stabilise portfolio returns," said Ngx. (Source: *The EdgeMarkets*)

Malaysia's crude palm oil (CPO) prices have shown a significant uptrend at above the RM3,000 per tonne level, the highest level in 2020, driven by high global demand from major buyers including India and China. In a statement today, the Malaysian Palm Oil Board (MPOB) said the average CPO price jumped to RM3,134 per tonne yesterday (Oct 26), compared with its lowest level this year at RM2,021.50 per tonne on May 12, recording an increase of RM1,112.50 per tonne or 55%. MPOB chairman Datuk Ahmad Jazlan Yaakub said CPO demand from India was expected to continue to increase as the country beefs up its supply of vegetable oil stocks in the domestic market in preparation for Deepavali next month. "Demand from China is also expected to continue to increase ahead of the Mid-Autumn Festival and the Golden Week starting October," he said. In addition, he said the strengthening of soybean oil prices on the Chicago Board of Trade and China's Dalian Commodity Exchange supported the increase in CPO prices. "The increase is also influenced by the movement of soybean oil prices as they both compete in the global vegetable oil market. "This price increase not only contributes to the Gross Domestic Product, but also benefits oil palm growers and industry players in Malaysia, where we all understand the people are grappling with financial difficulties as a result of the Covid-19 pandemic," he said. Ahmad Jazlan said he hoped the palm oil price will continue to remain at above RM3,000 per tonne for the continuity of the country's oil palm sector. (Source: *The EdgeMarkets*)

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

Source: RAM, MARC

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.