

Global Markets Research

Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.13	0
5-yr UST	0.26	0
10-yr UST	0.65	0
30-yr UST	1.42	0

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	2.03	5	2.04	3
5-yr	2.39	7	2.23	-2
7-yr	2.45	0	2.40	-2
10-yr	2.70	-1	2.56	0
15-yr	3.13	2	3.28	2
20-yr	3.41	-2	3.61	2
30-yr	3.78	-3	4.13	3

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.92	-1
3-yr	2.00	0
5-yr	2.20	1
7-yr	2.36	0
10-yr	2.64	1

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries saw some nervousness on Tuesday following the 1st presidential debate that saw alternate situations between slight risk-on and off modes due to better sentiment from consumer confidence and home prices data; versus talk of fiscal negotiations. Overall benchmark yields ended within a mere 1bps from prior day's close with both the UST 2Y and the much-watched 10Y maintaining at 0.13% and 0.65% respectively. Gains were also seen capped due to an active IG issuance slate led by French bank BPCE and medical-equipment maker Danaher. We note that the current optimism hasn't translated into significant yield moves as the Fed is expected to stay pat on interest rates until 2023. Expect some attention to shift to the September ADP private payrolls, the Q2 GDP revision (if any) and also some housing data with the key jobs report this Friday being foremost on investors minds.

MGS/GII

- Local govies ended mostly mixed on Tuesday with some support seen following the strong 5Y MGS auction exercise. Overall benchmark yields ended between -3 to +7bps amid a doubling of secondary market volume at RM4.50b. The benchmark 5Y MGS 9/25 yields continued to spike post-auction by 7bps to 2.39% whilst the 10Y MGS 8/29 yields edged 1bps lower at 2.70%. Interest was mainly seen in the off-the-runs 22's and also benchmark 3Y, 5Y MGS. GII bond trades dropped to form a mere 8% of overall trades. The auction saw a solid BTC ratio of 2.803x with total bids submitted at a YTD high of RM14.0b whilst being awarded at 2.389%. Meanwhile the rise in global virus infections has seen the USDMYR 1-month volatility rise lately. Expect some attention to shift to the September PMI manufacturing data release tomorrow.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space saw strong interest amid secondary market volume of RM583m yesterday in more transactions seen (i.e. ~40 various bonds) as overall yields closed mostly mixed again across the AAA-AA part of the curve. There were surprisingly no govt-guaranteed bond trades. The AAA-rated PLUS bonds saw different fortunes with the 24-31's rising 2-15bps higher compared to previous-done levels abetween 2.58-3.28% levels whilst the 2032 tranche fell 20bps at 3.28%. AA-rated KLK 9/34 edged 1bps higher at .62% whereas WESTPORTS 10/25 declined 1bps instead at 2.84%. A slew of EDRA energy 2028-2029 bonds totaling ~RM70m exchanged hands closing 0-2bps lower ranging from 3.44-3.61%. The banking space BPMB 3/22 move 4bps lower at 2.30%.

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
MGS 10/20	1.702	40	1.573	28/09/2020	13
MGS 07/21	1.722	2	1.748	28/09/2020	-3
MGS 09/21	1.764	104	1.702	28/09/2020	6
MGS 11/21	1.749	52	1.713	25/09/2020	4
MGS 03/22	1.798	3	1.780	25/09/2020	2
MGS 08/22	1.869	210	1.869	25/09/2020	0
MGS 09/22	1.868	272	1.851	25/09/2020	2
MGS 03/23	2.030	698	1.978	28/09/2020	5
MGS 04/23	2.038	2	2.021	28/09/2020	2
MGS 08/23	2.073	21	2.041	28/09/2020	3
MGS 06/24	2.219	22	2.172	25/09/2020	5
MGS 07/24	2.237	38	2.216	28/09/2020	2
MGS 09/24	2.219	283	2.232	28/09/2020	-1
MGS 03/25	2.287	2	2.246	28/09/2020	4
MGS 09/25	2.395	1619	2.327	28/09/2020	7
MGS 04/26	2.422	4	2.386	28/09/2020	4
MGS 07/26	2.416	136	2.399	28/09/2020	2
MGS 11/26	2.424	33	2.438	25/09/2020	-1
MGS 05/27	2.453	111	2.455	28/09/2020	0
MGS 11/27	2.526	1	2.526	28/09/2020	0
MGS 06/28	2.597	1	2.579	28/09/2020	2
MGS 09/28	2.691	3	2.705	28/09/2020	-1
MGS 08/29	2.703	331	2.711	28/09/2020	-1
MGS 04/30	2.814	21	2.792	25/09/2020	2
MGS 06/31	2.871	35	2.889	28/09/2020	-2
MGS 04/32	3.031	4	3.051	28/09/2020	-2
MGS 04/33	3.130	4	3.160	28/09/2020	-3
MGS 11/33	3.167	2	3.169	24/09/2020	0
MGS 07/34	3.130	10	3.109	28/09/2020	2
MGS 05/35	3.260	1	3.348	25/09/2020	-9
MGS 04/37	3.389	8	3.474	28/09/2020	-9
MGS 06/38	3.482	4	3.527	28/09/2020	-4
MGS 05/40	3.409	38	3.430	28/09/2020	-2
MGS 09/43	3.935	31	3.877	25/09/2020	6
MGS 03/46	3.881	5	3.941	28/09/2020	-6
MGS 07/48	3.952	8	3.992	28/09/2020	-4
MGS 06/50	3.783	1	3.810	28/09/2020	-3
GII 07/22	1.884	7	1.881	14/09/2020	0
GII 05/23	2.037	75	1.999	28/09/2020	4
GII 11/23	2.059	50	2.054	25/09/2020	1
GII 10/24	2.226	5	2.244	28/09/2020	-2
GII 03/26	2.342	7	2.346	25/09/2020	0
GII 09/26	2.466	26	2.449	25/09/2020	2
GII 09/27	2.399	16	2.415	28/09/2020	-2
GII 10/28	2.719	60	2.662	23/09/2020	6
GII 11/34	3.275	50	3.250	28/09/2020	2
GII 09/39	3.612	20	3.596	28/09/2020	2
GII 11/49	4.133	20	4.133	25/09/2020	0
		<u>4495</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*	
Sarawak Energy Berhad	06/21	AAA	2,227	10	2,179	21/08/2020	5	47
Bank Pembangunan Malaysia Berhad	03/22	AAA	2,299	40	2,336	15/09/2020	-4	55
Aman Sukuk Berhad	04/22	AAA	2,338	50	2,756	11/06/2020	-42	49
Projek Lebuhraya Usahasama Berhad	01/24	AAA	2,578	50	2,505	09/09/2020	7	56
Bakun Hydro Power Generation Sdn Berhad (fka Sarav	08/25	AAA	2,688	10	2,688	28/09/2020	0	35
Bakun Hydro Power Generation Sdn Berhad (fka Sarav	08/26	AAA	2,768	10	2,771	25/09/2020	0	36
Projek Lebuhraya Usahasama Berhad	01/27	AAA	2,869	40	2,837	15/09/2020	3	46
Telekom Malaysia Berhad	09/27	AAA	2,704	10	2,907	08/07/2020	-20	25
Telekom Malaysia Berhad	10/28	AAA	2,785	10	2,767	22/09/2020	2	22
Projek Lebuhraya Usahasama Berhad	01/29	AAA	3,058	10	3,037	21/09/2020	2	49
Projek Lebuhraya Usahasama Berhad	01/31	AAA	3,207	20	3,058	21/08/2020	15	50
Projek Lebuhraya Usahasama Berhad	01/32	AAA	3,278	20	3,478	19/05/2020	-20	57
Sarawak Energy Berhad	11/33	AAA	3,349	20	3,349	24/09/2020	0	23
Sarawak Energy Berhad	06/35	AAA	3,479	20	3,341	04/09/2020	14	36
Sarawak Energy Berhad	04/36	AAA	3,549	10	3,320	26/08/2020	23	43
Teknologi Tenaga Perlis Consortium Sdn Berhad	07/23	AA1	2,698	10	3,146	22/06/2020	-45	68
Malayan Banking Berhad	10/25	AA1	2,138	26	2,299	23/09/2020	-16	-20
Kuala Lumpur Kepong Berhad	09/34	AA1	3,624	15	3,614	22/09/2020	1	51
Westports Malaysia Sdn Berhad	10/25	AA+	2,839	10	2,849	23/09/2020	-1	51
UMW Holdings Berhad	10/21	AA2	2,490	10	2,497	28/09/2020	-1	74
UMW Holdings Berhad	06/22	AA2	2,627	10	3,226	17/04/2020	-60	78
Anih Berhad	11/21	AA	2,625	10	2,639	18/08/2020	-1	87
Jimah Energy Ventures Sdn Berhad	11/21	AA3	2,692	10	2,975	02/07/2020	-28	94
BGSM Management Sdn Berhad	06/24	AA3	2,795	10	2,808	28/09/2020	-1	59
Edra Energy Sdn Berhad	01/28	AA3	3,434	10	3,435	06/08/2020	0	98
Edra Energy Sdn Berhad	07/28	AA3	3,488	30	3,494	28/09/2020	-1	92
Edra Energy Sdn Berhad	01/29	AA3	3,561	2	3,560	28/09/2020	0	99
Edra Energy Sdn Berhad	07/29	AA3	3,609	30	3,627	21/07/2020	-2	96
Southern Power Generation Sdn Berhad	04/26	AA-	2,888	10	3,048	27/07/2020	-16	48
Southern Power Generation Sdn Berhad	04/27	AA-	2,979	10	3,138	27/07/2020	-16	53
Penang Port Sdn Berhad	12/31	AA-	3,469	30	3,449	09/09/2020	2	76
Tan Chong Motor Holdings Berhad	11/21	A1	3,803	1	3,805	28/09/2020	0	205
CIMB Group Holdings Berhad	05/16	A1	2,854	2	3,379	25/09/2020	-53	-57
CIMB Group Holdings Berhad	05/16	A1	3,825	1	3,724	21/09/2020	10	40
Quantum Solar Park (Semenanjung) Sdn Berhad	10/25	A+	4,238	1	4,278	11/08/2020	-4	190
DRB-Hicom Berhad	12/26	A+	4,478	4	4,133	14/09/2020	35	207
Quantum Solar Park (Semenanjung) Sdn Berhad	04/28	A+	4,548	8	4,588	12/08/2020	-4	198
Eco World International Berhad	10/21	-	4,961	1	4,761	21/09/2020	20	321
Eco World International Berhad	05/23	-	5,899	1	5,364	24/09/2020	54	388
YNH Property Berhad	08/19	-	6,664	3	6,667	28/09/2020	0	324
			<u>583</u>					

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

Market/Corporate News: What's Brewing

Aeon Credit Service (M) Bhd reported a 5.4% increase in its net profit to RM51.81 million for the second quarter ended Aug 31, 2020 (2QFY21), from RM49.13 million a year earlier, amid lower operating expenses. However, revenue for the quarter fell 10% year-on-year to RM363.97 million from RM404.45 million, due to the recognition of Day-One modification loss of RM28.41 million under the AEON Relief Programme launched in June to provide financial assistance to customers affected by the pandemic outbreak, and lower revenue fee income. Notwithstanding a stronger quarter, Aeon Credit announced a lower interim dividend of 9.2 sen per share or a total of RM23.49 million, payable on Nov 5, compared with the 22.25 sen payout it declared in the year-ago quarter that amounted to RM56.43 million. In a filing with the bourse, Aeon Credit said the lower operating expenses during the quarter — which resulted in the ratio of operating expenses against revenue standing at 65% as compared to 74% in the same quarter last year — came in due to lower impairment losses on financing receivables, as well as lower personnel and advertising expenses. The group's gross financing receivables stood at RM10.26 billion as at Aug 31, up RM662.84 million year-on-year, while net financing receivables after allowance for impairment loss stood at RM9.43 billion, up 5.5% from RM8.94 billion a year earlier. Its non-performing loans (NPL) ratio came in at 1.95% as at Aug 31, down marginally from 2% in the previous year. Its other income was little changed at RM41.7 million — comprising mainly of bad debts recovered and insurance commission — compared with RM41.53 million previously. Meanwhile, funding cost for the current quarter was higher compared to the preceding year, amid higher borrowings, in line with the growth of receivables. The nominal value of the borrowings as at Aug 31 stood at RM8.05 billion, compared with RM7.33 billion as at Aug 31 last year. The group's net profit for the first six months of FY21, however, was down 41% to RM78.09 million from RM133.73 million a year earlier, though revenue only contracted 3.7% to RM753.85 million from RM783.03 million. The drop in earnings was mainly due to the impact of the Movement Control Order that had disrupted its operations, it said, which resulted not just in lower revenue from fee income but also lower bad debts recovered and higher impairment losses on financing receivables in anticipation of the effects of the pandemic outbreak, and higher interest expenses. AEON Credit managing director Yuro Kisaka said the group had navigated the unprecedented pandemic crisis by focusing on manpower allocation, sales growth and receivables collection. Meanwhile, the group continues to closely monitor and assess the inherent credit risk in its financing portfolio by emphasising on enhancement of asset quality, embracing prudent cost and cash management, and improving financial and operational efficiencies. "The pandemic has increased the digital acceptance in the market. In FYE21, we will accelerate the deployment and rollout of our digitisation efforts to improve our customers' touch points and user experience. "Meanwhile, we continue to leverage on the AEON Group's established customer database to capture better asset quality customers and re-strategise our capital investment plan this year on projects that drive efficiencies," Kisaka said in a separate statement. (Source: *The EdgeMarkets*)

Ireka Corp Bhd is targeting its demerger from London-Stock Exchange-listed Aseana Properties Ltd to be completed by the end of this year. The exercise, first announced in May, involves separating the interests of Ireka group from 23%-owned Aseana. It also includes Aseana buying back Ireka's shares in Aseana, in exchange for certain assets owned by Aseana, namely The RuMa Hotel and Residences in Kuala Lumpur and a parcel of land in Kota Kinabalu. Ireka group deputy managing director Monica Lai Voon Huey said the exercise is currently awaiting the approval of Bursa Malaysia and the Securities Commission (SC), before the group is allowed to convene an extraordinary general meeting (EGM) to seek shareholders' approval. "The demerger plan is a significant exercise for Ireka, so SC and Bursa will need to approve the proposal. Also, it is a related-party transaction, so there will be an independent [adviser] to see if this is a reasonable or fair transaction. All those are ongoing

processes, we hope we are able to get something out there before the end of October (approval from the regulators)," Lai told a press conference after Ireka's annual general meeting today. Post-exercise, Ireka will increase its stake in RuMa Hotel and Residences to about 77% from 30%. Lai said the hotel business is slated to resume operations on Oct 7, after being suspended for eight months since March due to the movement control order (MCO) implemented by the government to curb the spread of the Covid-19 virus. As for the parcel of land in Kota Kinabalu, the group intends to build a senior living facility there in future, given that the group has experiences in hospitality and property development. Ireka sees improved performance in FY21, driven by property segment. Meanwhile, loss-making Ireka expects to see some improvement in its performance for the current financial year ending March 31, 2021 (FY21), helped by a low interest rate environment. The bottomline will be driven by the unsold units from its existing properties, namely KaMi Mont'Kiara Residences, Dwi@Rimbun Kasia in Nilai, Negeri Sembilan and an industrial park development at ASTA Enterprise Park Kajang (Phase Two). "We have been aggressively pushing out the sales incentives and packages to entice people to buy the property," Lai said, adding that the group has also slowly switched its promotional activities to social media platforms in view of the pandemic. To-date, KaMi Mont'Kiara Residences has recorded 95% sales, while Dwi@Rimbun Kasia has sold up to 60%. The current unbilled sales total about RM200 million. Ireka managing director Datuk Lai Voon Hon expects the property market to improve by the middle of next year, and hence the group will only plan to launch new developments in FY22. For the battered construction segment, he said it is set to recover in 2021 as he anticipates the government to pump-prime the sector to boost economic recovery under the upcoming Budget 2021 and 12th Malaysia Plan, considering the sector has the most multiplier effect on the economy. "We are cautiously confident that the construction segment should rebound next year. I do not think it will get any worse than this year in terms of construction activity.," he said. Ireka's construction activities have fully resumed, he said, following the pandemic disruption. To-date, the outstanding orderbook for the construction segment stands at RM320 million and should provide an earnings visibility of about 15 months for the group, he added. Ireka's net loss narrowed to RM8.81 million in 1QFY21, from RM10.26 million a year ago, helped by lower expenses and cost of sales. Revenue for the quarter fell 32.15% to RM14.73 million from RM21.71 million, as the construction, property development and trading and services segments were hit by the pandemic and the MCO. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
OSK Rated Bond Sdn Bhd (OSKRB)	Proposed Sukuk Murabahah/Multi-Currency Medium-Term Notes Programme (Sukuk/MCMTN) with a combined limit of up to RM2.0 billion	AAIS/AA	Assigned

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

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