

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries came under pressure following the release of sharper than expected rebound in 3Q GDP in the US at 33.1% QOQ, momentarily shrugging off rising implications from rising Covid-19 cases and stimulus gridlock. Treasury yields rose 0-5bps along the curve, also in anticipation of a Joe Biden victory in next week's General Election. 10Y UST yield made its biggest jump in three weeks (+5bps) to 0.82%. Next up on the calendar front is core PCE and personal outlay data, which may be sidelined as election jitters gain traction.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.37	3
10-yr UST	0.82	5
30-yr UST	1.60	5

MGS			GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)	
3-yr	1.76	0	1.80	-1	
5-yr	2.06	-5	2.21	1	
7-yr	2.34	-6	2.37	-5	
10-yr	2.63	-3	2.58	0	
15-yr	3.13	-1	3.27	0	
20-yr	3.48	1	3.57	0	
30-yr	3.79	-13	4.06	0	

* Market indicative levels

M YR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.83	-4
3-yr	1.90	-4
5-yr	2.09	-6
7-yr	2.26	-8
10-yr	2.49	-13

Source : Bloomberg

MGS/GII

- The Malaysian markets were closed yesterday for a public holiday. On Wednesday trading, local govies were well-bid following the recent losses as investors saw values emerging especially in the belly, pushing yields down 1-13bps by and large save for the minute 1bp gain in 5Y GII and 20Y MGS. Secondary market volume gained pace for a 4th straight day, to RM2.97bn on Wednesday, its highest in two weeks. The benchmark 5Y MGS 9/25 yields closed 5bps lower at 2.06% whilst the 10Y MGS 4/31 saw yields inching 3bps lower at 2.63%. Interest was seen in off-the-run 29's and also the benchmark 3Y, 5Y and 7Y MGS/GII. GII bond trades retreated to the recent ranges of 22% of overall trades yesterday, from 49% on Tuesday which was boosted by the 5Y GII 3/26 auction. We expect investors to stay cautious amid several event risks locally and abroad, which will likely keep trading momentum subdued. BNM MPC meeting next Tuesday and the scheduled tabling of Budget 2021 next Friday will be closely watched in the domestic space.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk sector continued to garner decent investor appetite on Wednesday, charting a higher secondary market volume of RM486m. Interests were seen across the AAA-AA part of the curve with overall yields closed mostly mixed. Govt-guaranteed DANA 11/35 and 4/38 spiked 11- 33bps at 3.46% and 3.63% respectively. AAA-rated TELEKOM and AMAN 5/24 and 9/26 closed unchanged at 2.15% and 2.54% each. The AA-space saw energy-related BGSM 12/26 bonds close unchanged whilst toll-operator KESTURI 31-33's declined 13-22bps between 3.96-4.11%. The banking space saw several trades involving PUBLIC Bank perps 2118NC23 notch its maiden trade at 3.09% whilst CIMB Group Holdings 28NC23 and 29NC24 saw yields fall sharply at 2.68% and 2.81% each.

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 02/21	1.497	16	1.480	15/10/2020	2
MGS 07/21	1.483	16	1.427	27/10/2020	6
MGS 09/21	1.500	51	1.471	27/10/2020	3
MGS 11/21	1.520	85	1.574	27/10/2020	-5
MGS 03/22	1.576	167	1.644	27/10/2020	-7
MGS 08/22	1.637	16	1.677	27/10/2020	-4
MGS 09/22	1.663	70	1.666	27/10/2020	0
MGS 03/23	1.756	394	1.753	27/10/2020	0
MGS 06/24	1.913	31	1.913	27/10/2020	0
MGS 09/24	1.912	1	1.955	27/10/2020	-4
MGS 03/25	2.055	1	2.031	23/10/2020	2
MGS 09/25	2.056	354	2.109	27/10/2020	-5
MGS 07/26	2.222	11	2.220	27/10/2020	0
MGS 11/26	2.265	9	2.321	27/10/2020	-6
MGS 05/27	2.335	236	2.393	27/10/2020	-6
MGS 11/27	2.430	104	2.439	27/10/2020	-1
MGS 06/28	2.514	4	2.516	26/10/2020	0
MGS 08/29	2.640	382	2.709	27/10/2020	-7
MGS 04/30	2.745	12	2.769	27/10/2020	-2
MGS 04/31	2.626	80	2.654	27/10/2020	-3
MGS 06/31	2.818	82	2.808	27/10/2020	1
MGS 04/32	2.986	1	2.979	13/10/2020	1
MGS 04/33	3.119	2	3.122	27/10/2020	0
MGS 11/33	3.135	1	3.080	16/10/2020	5
MGS 07/34	3.127	131	3.140	27/10/2020	-1
MGS 06/38	3.568	0	3.536	23/10/2020	3
MGS 05/40	3.480	54	3.473	27/10/2020	1
MGS 09/43	3.875	0	3.875	27/10/2020	0
MGS 07/48	4.018	21	3.948	27/10/2020	7
MGS 06/50	3.794	0	3.919	27/10/2020	-13
GII 08/21	1.475	9	1.531	15/10/2020	-6
GII 05/23	1.799	64	1.805	27/10/2020	-1
GII 08/24	1.978	20	2.109	07/10/2020	-13
GII 10/24	1.976	80	1.979	27/10/2020	0
GII 03/26	2.210	280	2.201	27/10/2020	1
GII 09/26	2.261	40	2.290	27/10/2020	-3
GII 09/27	2.365	60	2.412	27/10/2020	-5
GII 08/28	2.677	40	2.596	15/10/2020	8
GII 07/29	2.749	50	2.787	27/10/2020	-4
GII 11/34	3.272	0	3.272	27/10/2020	0
		<u>2974</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*
DanaInfra Nasional Berhad	11/35	GG	3.460	5	3.130	06/08/2020	33	33
DanaInfra Nasional Berhad	04/38	GG	3.630	5	3.520	16/10/2020	11	13
Pengurusan Air SPV Berhad	11/21	AAA	2.099	80	3.016	17/04/2020	-92	57
Telekom Malaysia Berhad	05/22	AAA	2.145	50	2.141	27/10/2020	0	47
Mercedes-Benz Services Malaysia Sdn Berhad	05/22	AAA	2.471	20	3.025	09/03/2020	-55	80
Cagamas Berhad	08/23	AAA	1.975	50	2.131	22/10/2020	-16	20
Mercedes-Benz Services Malaysia Sdn Berhad	11/23	AAA	2.630	10	2.924	14/05/2020	-29	85
Aman Sukuk Berhad	05/24	AAA	2.540	10	2.543	26/10/2020	0	58
Rantau Abang Capital Berhad	03/29	AAA	2.917	5	2.927	21/10/2020	-1	41
Sarawak Energy Berhad	12/32	AAA	3.248	10	3.244	21/10/2020	0	59
Sarawak Energy Berhad	11/33	AAA	3.317	10	3.327	08/10/2020	-1	19
Pengurusan Air SPV Berhad	10/34	AAA	3.319	30	3.293	27/10/2020	3	19
Celcom Networks Sdn Berhad	08/24	AA+	2.685	45	2.829	22/07/2020	-14	73
Westports Malaysia Sdn Berhad	10/26	AA+	2.898	10	2.899	22/10/2020	0	64
Celcom Networks Sdn Berhad	08/27	AA+	3.019	30	3.018	26/10/2020	0	63
UMW Holdings Berhad	10/26	AA2	3.080	10	3.123	28/09/2020	-4	82
CIMB Group Holdings Berhad	03/28	AA	2.678	20	4.000	31/01/2020	-132	29
CIMB Group Holdings Berhad	09/29	AA	2.806	20	3.039	22/07/2020	-23	20
Edra Energy Sdn Berhad	07/26	AA3	3.388	2	4.377	13/10/2020	-99	113
BGSM Management Sdn Berhad	12/26	AA3	2.989	20	2.984	27/10/2020	0	73
Hong Leong Assurance Berhad	01/30	AA3	3.000	3	2.997	23/10/2020	0	39
Public Bank Berhad	06/18	AA3	3.085	10			309	-42
Perbadanan Kemajuan Pertanian Negeri Pahang	10/28	AA3	4.460	5			446	195
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/31	AA-	3.964	10	4.094	06/07/2020	-13	131
Penang Port Sdn Berhad	12/31	AA-	3.459	2	3.464	27/10/2020	0	80
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	12/33	AA-	4.108	10	4.330	10/09/2019	-22	98
TG Excellence Berhad	02/20	AA-	3.499	1	3.104	26/10/2020	40	-1
Affin Bank Berhad	02/27	A1	3.085	1	2.951	26/10/2020	13	83
CIMB Group Holdings Berhad	05/16	A1	3.409	0	3.447	26/10/2020	-4	-10
Alliance Bank Malaysia Berhad	10/30	A2	3.319	0	3.304	27/10/2020	2	66
Alliance Bank Malaysia Berhad	10/32	A2	3.552	0	3.650	26/10/2020	-10	90
Alliance Bank Malaysia Berhad	10/35	A2	3.904	1	3.904	27/10/2020	0	77
AEON Credit Service (M) Berhad	12/14	-	4.913	0	4.212	13/08/2020	70	-
				<u>486</u>				

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

Market/Corporate News: What's Brewing

AirAsia X Bhd plans to drop a local airport operator from its US\$15.3 billion (RM63.5 billion) debt restructuring plan to expedite discussions with creditors as its cash is running out fast, people with direct knowledge of the matter said. The budget carrier is seeking to reconstitute the US\$15.3 billion of unsecured debt into a principal amount of RM200 million (US\$48 million) and have the rest waived. But Malaysia Airports Holdings Bhd (MAHB) filed a lawsuit last week to claim RM78 million (US\$18.74 million) owed by AirAsia X and a separate application to be excluded from the restructuring scheme, arguing that its debts were secured. A source, who was not authorised to speak publicly about the plans, told Reuters the legal action against the airline could delay its plan to restructure debt to stave off liquidation. The source said AirAsia X, the long-haul arm of AirAsia Group Bhd, has less than six months of cash left and has been looking to convene a meeting of creditors to vote on the scheme. "It needs to move on and have that meeting as soon as possible," the person said. "Fundraising is expected to take a couple of months at least so it's imperative for the company to complete restructuring by January or February." AirAsia X declined to comment. Airport operator MAHB said on Sunday its attempt to recover debt from AirAsia X would not derail the airline's scheme. But the legal suit follows similar action taken by another creditor. Aircraft lessor BOC Aviation Ltd filed a lawsuit against AirAsia X and its subsidiary in August to claim US\$23 million in debt and this month applied to intervene in the airline's court application for its scheme. The airline's restructuring proposal needs approval from creditors holding at least 75% of the total value of the debts, and the source said that the bulk of the figure is linked to future aircraft orders and it

gives Airbus SE nearly 75% on its own. "No creditor will want to make a decision if they don't know what the outcome with MAHB is," another source said, adding that MAHB could have the financial stamina for a legal battle but AirAsia X did not. The sources said that the airline was hoping there would be no other new legal action that might impede the proposed creditors' meeting. Post restructuring, the airline plans to raise up to RM500 million to restart the company, it said on Monday. (Source: *The EdgeMarkets*)

FGV Holdings Bhd today reiterated that it is has yet to receive a written notice from the Federal Land Development Authority (FELDA) regarding the termination of the land lease agreement (LLA), but has prepared its businesses and operations for this eventuality. In a statement, FGV said once it receives an official notice from FELDA as required under the LLA, it will follow the procedures outlined in the LLA to start the process of termination and determining the compensation due to FGV, which will take 18 months to complete. "As LLA termination had always been a much-talked about scenario, FGV has already prepared its businesses and operations for this eventuality," the country's largest crude palm oil producer said. Yesterday, Minister in the Prime Minister's Department (Economy) Datuk Seri Mustapa Mohamed said in a statement that the termination of the LLA and the issuance of a RM9.9 billion worth sukuk by FELDA were some of the proposals approved by the Cabinet to ensure FELDA's recovery. FGV said its overall long-term strategy, which is to further grow and strengthen its high value-add business activities focusing on food and branded consumer products, remain intact and may potentially be expedited to provide higher expected returns to shareholders as the result of the LLA termination. (Source: *The StarOnline*)

UEM Sunrise Bhd said today that it needs more time to decide on its proposed merger with Eco World Development Group Bhd (EcoWorld) due to the size and complexity of the exercise. It has requested an extension of time to respond on the proposal to Jan 2 next year, from the initial deadline of Oct 30. "Given the size and complexity of the proposed merger, the Board of UEM Sunrise is of the view that they require more time before deciding whether to proceed with negotiations on the proposed merger, and will revert with their decision by Jan 2, 2021," the group said in a filing with Bursa Malaysia. UEM Sunrise added that it will make requisite announcements to Bursa Malaysia for any material developments in relation to the proposed merger in due course. On Oct 5, UEM Group Bhd announced its proposal to merge its property development arm UEM Sunrise with EcoWorld, in a deal that will entail an exchange of securities, confirming a previous report by The Edge. UEM Group said it proposed the merger as it saw a "pressing need for industry players to consolidate resources and capabilities" to withstand the headwinds that property developers are currently facing. Under the deal, new shares in UEM Sunrise will be issued at a proposed 44.3 sen each to holders of EcoWorld shares — for all shares held in the latter at an exchange price of 46.9 sen. Upon completion of the proposed merger, EcoWorld will become a wholly-owned subsidiary of UEM Sunrise and be delisted.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Perbadanan Kemajuan Pertanian Negeri Pahang	Proposed RM650 mil Sukuk Wakalah Programme (2020/2050)	AA3(s)/Stable	Assigned
Zamarad Assets Berhad	Tranche 5 RM85 mil Class A Sukuk and RM15 mil Class B Sukuk, under Zamarad's RM2 bil Sukuk Murabahah Programme	AAA/Stable and AA2/Stable	Assigned

Source: RAM, MARC

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