

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- The US treasuries market reopened after the Christmas holiday in a mixed note, amid lingering concerns over the spread of Omicron and its potential risks to the economic recovery and policy normalization path. Yields rose 1-2bps up to the 10Y while the long bond saw a 2bps retreat in yields. 2Y note yield rose to 0.70%, its highest since Mar-20 spurred by a poor auction whilst the 10Y UST yield edged 2bps lower to 1.48%. The US treasury's auction of \$56bn 2Y notes yesterday attracted a bid-cover of 2.55x at a high yield of 0.769%. Meanwhile, the sale of 3-month and 6-month bills were met with decent demand. We continue to expect subdued market activities for the remaining of the week although attention will likely be on the upcoming debt sales amid light economic releases.

MGS/GIII

- Trading in local govies picked up somewhat on Monday with secondary market volume rising to RM907m (prior RM280m). Interests were seen focused mainly on the non-benchmark MGS 3/22, MGS 5/35, and GII 8/28. Overall benchmark yields closed generally higher across the curve up to 8bps. GII trades increased further to form 43% of overall trade (prior 30%) with GII 8/28 and benchmark GII 11/49 leading the pack with RM240m and RM80m changed hands respectively. Both the 5Y benchmark MGS 11/26 and 10Y MGS 4/31 ended the day flat at 3.14% and 3.55% respectively compared to prior day's close. Expect the local bond markets to remain quiet with subdued trading this week heading into the year end holidays. Malaysia export numbers due today is expected to be upbeat sustaining at hefty double-digit pace but we doubt it will have any significant bearing on the local market.

| UST | | |
|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) |
| 2-yr UST | 0.70 | 1 |
| 5-yr UST | 1.25 | 0 |
| 10-yr UST | 1.48 | -2 |
| 30-yr UST | 1.89 | -2 |

| MGS | | GII* | | |
|--------|-------------|-----------|-------------|-----------|
| Tenure | Closing (%) | Chg (bps) | Closing (%) | Chg (bps) |
| 3-yr | 2.82 | 0 | 2.93 | 2 |
| 5-yr | 3.14 | 0 | 3.20 | 0 |
| 7-yr | 3.43 | 3 | 3.37 | 0 |
| 10-yr | 3.55 | 0 | 3.63 | 1 |
| 15-yr | 3.86 | 2 | 3.97 | 0 |
| 20-yr | 4.10 | 8 | 4.17 | 0 |
| 30-yr | 4.19 | 0 | 4.50 | 5 |

* Market indicative levels

| MYR IRS Levels | | |
|----------------|-------------|-----------|
| IRS | Closing (%) | Chg (bps) |
| 1-yr | 2.21 | 0 |
| 3-yr | 2.75 | 0 |
| 5-yr | 2.96 | 0 |
| 7-yr | 3.20 | 0 |
| 10-yr | 3.39 | -1 |

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Corp Bonds/Sukuk

- Tracking the pick-up in the local govies space, the Corporate Bonds/Sukuk market saw secondary market volume increasing to RM181m on Monday (prior RM51m), but that was entirely driven by the debut of single A-rated MCIS '12/31 which clocked in RM155m deals at 4.85%. Beside MCIS, only four other names were traded, the most notable being AA3-rated PacLease '6/22 which traded 12bps lower at 2.70% with RM20m changed hands. Expect a quiet market ahead as most investors are away in this last trading week of the year.

Daily Trades : Government Bond

| Securities | Closing YTM | Vol (RM mil) | Previous YTM | Previous Trade Date (dd/mm/yyyy) | Chg (bp) |
|------------|----------------|-----------------|-----------------|--|-------------|
| MGS 03/22 | 1.73 | 170 | 1.70 | 24/12/2021 | 3 |
| MGS 06/24 | 2.82 | 50 | 2.82 | 24/12/2021 | 0 |
| MGS 09/25 | 3.05 | 20 | 3.01 | 22/12/2021 | 4 |
| MGS 05/27 | 3.26 | 0 | 3.23 | 24/12/2021 | 3 |
| MGS 11/27 | 3.27 | 1 | 3.26 | 24/12/2021 | 1 |
| MGS 06/28 | 3.43 | 18 | 3.40 | 24/12/2021 | 3 |
| MGS 04/33 | 3.83 | 76 | 3.80 | 21/12/2021 | 2 |
| MGS 11/33 | 3.85 | 20 | 3.87 | 23/12/2021 | -2 |
| MGS 05/35 | 3.86 | 102 | 3.85 | 21/12/2021 | 2 |
| MGS 04/37 | 3.94 | 0 | 3.94 | 23/12/2021 | 0 |
| MGS 05/40 | 4.10 | 59 | 4.02 | 24/12/2021 | 8 |
| GII 10/24 | 2.93 | 20 | 2.90 | 23/12/2021 | 2 |
| GII 08/28 | 3.56 | 240 | 3.56 | 21/12/2021 | 0 |
| GII 10/28 | 3.46 | 29 | 3.45 | 23/12/2021 | 1 |
| GII 10/30 | 3.63 | 22 | 3.61 | 23/12/2021 | 1 |
| GII 11/49 | 4.49 | 80 | 4.45 | 21/12/2021 | 5 |
| | | <u>907</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* |
|------------------------------------|-----------|----------------|-----------------|-----------------|--|-------------|---------------------------|
| GENM Capital Berhad | 07/28 AA1 | 4.67 | 0 | 4.58 | 24/12/2021 | 9 | 124 |
| Pac Lease Berhad | 06/22 AA3 | 2.70 | 20 | 2.83 | 12/11/2021 | -12 | 86 |
| Tropicana Corporation Berhad | 09/19 A | 6.12 | 5 | 6.07 | 24/12/2021 | 5 | 201 |
| MCIS Insurance Berhad | 12/31 A2 | 4.85 | 155 | - | - | - | 129 |
| Cypark Renewable Energy Sdn Berhad | 09/20 - | 6.70 | 2 | 6.70 | 20/12/2021 | 0 | 260 |
| | | | <u>181</u> | | | | |

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

Rating Action

| Issuer | PDS Description | Rating/Outlook | Action |
|---------------------------------|---|--------------------------|------------|
| Malayan Banking Berhad | Financial institution ratings | AAA/Stable/P1 | Reaffirmed |
| Maybank Islamic Berhad | Financial institution ratings | AAA/Stable/P1 | Reaffirmed |
| Maybank Investment Bank Berhad | Financial institution ratings | AAA/Stable/P1 | Reaffirmed |
| Tan Chong Motor Holdings Berhad | RM1.5 billion Islamic Medium-Term Notes (Sukuk Murabahah) Programme | A+ _{IS} /Stable | Assigned |
| ORIX Leasing Malaysia Berhad | RM500 mil Medium Term Notes (MTN) Programme (2016/2031). | AA2/Stable | Reaffirmed |
| ORIX Credit Malaysia Sdn Bhd's | RM1.5 bil MTN Programme (2021/2051) and RM500 mil Commercial Papers Programme (2020/2027) | AA2/Stable P1 | Reaffirmed |

Source: RAM, MARC

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