

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US treasuries reacted mixed to the Fed's move and policy guidance. The Fed voted unanimously to raise rates by 75bps and reiterated the case for further rate hikes ahead. Yields was seen climbing higher initially but retreated after Fed Chair Powell's press conference reiterating aggressive future rate hike path to fend off inflation, even at the expense of slowing growth. Benchmark 2Y note yields jumped 8bps to 4.05% while the 10s lost 3bps to 3.53%, further widening the yield curve inversion to -52bps. Guidance for a median rate of 4.4% by end of 2022 implied the Fed expectation for another 125bps hike in the remaining two meetings for the year, likely in a sequence of 75bps in November and 50bps in December in our view. This shall exert further upward pressure on bond yields going forward. Markets will now set eyes on initial jobless claims, regional Fed activity indices and PMIs in the remaining week for more clues on the health of the US economy.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	4.05	8
5-yr UST	3.77	2
10-yr UST	3.53	-3
30-yr UST	3.50	-7

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	7	3.59	2
5-yr	3.95	4	4.03	2
7-yr	4.12	2	4.16	2
10-yr	4.23	1	4.22	1
15-yr	4.41	1	4.44	3
20-yr	4.58	1	4.54	6
30-yr	4.72	8	4.72	6

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.48	1
3-yr	3.80	3
5-yr	3.97	2
7-yr	4.10	4
10-yr	4.26	6

Source : Bloomberg

Upcoming Government Bond Tender

RM5.0bn reopening of 7Y MGS 4/29 on 22 September 2022

MGS/GII

- Local govies remained under pressure on Wednesday, just ahead of the September FOMC announcement where markets weigh odds of a 75-100bps increase, and hence a higher terminal rate above 4.00%. Overall benchmark yields ended higher between 1-8bps along with continuous rise in IRS (1-6bps). The benchmark 5Y MGS 11/27 yield edged 4bps up at 3.95% whilst the 10Y MGS 7/32 yield inched up a bp to 4.23%. Trading interests in the secondary market softened a little but remained above the RM3.0bn mark at RM3.08bn (prior: RM3.50bn). The bulk of the trading centered around off the run '22-'24, which collectively accounted for more than half of yesterday's trading volume. 5Y and 10Y benchies also attracted commendable interests, last dealt at 3.96% and 4.20% respectively. In the GII space, trading accounted for a smaller 15% share of overall trade, with the 3Y benchmark GII 10/25 sealing RM188m deals and last done at 3.58%. With FOMC event risk out of the window, attention will be on the reopening auction of RM5.0bn 7Y MGS 04/29 today, followed by Malaysia CPI tomorrow.

Corp Bonds/Sukuk

- Trading activities in Corporate Bonds/Sukuk softened again, to a mere RM190bn on Wednesday, as investors would likely have stayed on the sideline. Interests were seen on energy as well as financial names. The AAA-part of the curve took center stage, with TNB '33 garnered RM40m trades and traded 14bps higher at 4.63%. Sarawak Petchem '28 and '37 traded 5-7bps higher at 4.51% and 4.97%. Back to the GG segment, only DANA '25 and SMEDB '27 were seen last traded at 3.81% (+41bps) and 4.14% (+31bps) respectively.

Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 09/22	2.51	273	2.53	20/9/2022	-2
MGS 03/23	2.99	799	2.68	20/9/2022	31
MGS 04/23	2.92	74	2.73	20/9/2022	19
MGS 08/23	3.00	152	3.01	20/9/2022	0
MGS 06/24	3.41	423	3.28	20/9/2022	13
MGS 07/24	3.38	8	3.43	20/9/2022	-6
MGS 03/25	3.53	171	3.45	20/9/2022	8
MGS 09/25	3.62	69	3.55	20/9/2022	6
MGS 07/26	3.84	1	3.81	20/9/2022	3
MGS 11/26	3.83	3	3.87	20/9/2022	-4
MGS 05/27	3.89	1	3.87	20/9/2022	2
MGS 11/27	3.96	242	3.92	20/9/2022	4
MGS 06/28	4.03	6	4.03	20/9/2022	-1
MGS 04/29	4.07	32	4.10	20/9/2022	-3
MGS 08/29	4.12	18	4.11	20/9/2022	1
MGS 04/31	4.26	8	4.25	20/9/2022	1
MGS 06/31	4.25	0	4.22	20/9/2022	3
MGS 04/32	4.35	0	4.19	15/9/2022	16
MGS 07/32	4.20	171	4.18	20/9/2022	1
MGS 04/33	4.39	7	4.37	20/9/2022	1
MGS 11/33	4.44	3	4.40	20/9/2022	3
MGS 07/34	4.45	5	4.43	20/9/2022	2
MGS 05/35	4.49	1	4.46	20/9/2022	3
MGS 04/37	4.40	9	4.40	20/9/2022	0
MGS 05/40	4.60	6	4.56	20/9/2022	4
MGS 10/42	4.59	20	4.54	20/9/2022	4
MGS 09/43	4.63	9	4.63	20/9/2022	0
MGS 03/46	4.75	1	4.76	20/9/2022	-2
MGS 06/50	4.56	106	4.68	20/9/2022	-12
GII 11/22	2.62	0	2.59	20/9/2022	3
GII 05/23	2.87	2	2.74	9/9/2022	14
GII 11/23	3.18	0	3.10	19/9/2022	8
GII 08/25	3.60	2	3.33	14/9/2022	27
GII 10/25	3.58	188	3.56	20/9/2022	3
GII 03/26	3.78	3	3.76	20/9/2022	2
GII 07/27	4.01	10	3.80	14/9/2022	20
GII 09/27	4.00	90	4.00	20/9/2022	0
GII 10/28	4.12	42	4.09	20/9/2022	3
GII 07/29	4.10	20	4.14	20/9/2022	-4
GII 10/30	4.25	1	4.16	19/9/2022	9
GII 08/33	4.37	20	4.24	13/9/2022	14
GII 11/34	4.46	1	4.43	20/9/2022	4
GII 10/35	4.38	0	4.18	25/8/2022	20
GII 07/36	4.42	1	4.33	15/9/2022	9
GII 08/37	4.51	0	4.57	19/9/2022	-6
GII 09/39	4.49	0	4.42	15/9/2022	8
GII 09/41	4.54	80	4.48	20/9/2022	6
		<u>3077</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	11/25	GG	3.81	10	3.40	6/4/2022	41	32
Small Medium Enterprise Development Bank Malaysia Berhad	04/27	GG	4.14	30	3.83	5/4/2022	31	19
Cagamas Berhad	05/23	AAA	3.44	5	3.37	2/9/2022	7	45
Telekom Malaysia Berhad	10/24	AAA	3.78	10	2.79	22/9/2021	99	38
Cagamas Berhad	10/24	AAA	3.85	5	3.08	6/1/2022	78	46
Sarawak Petchem Sdn Berhad	07/28	AAA	4.51	30	4.45	14/9/2022	5	47
Tenaga Nasional Berhad	08/33	AAA	4.63	40	4.49	6/9/2022	14	41
Sarawak Petchem Sdn Berhad	07/37	AAA	4.97	20	4.90	5/9/2022	7	54
Pengurusan Air Selangor Sdn Bhd	09/42	AAA	5.30	5	-	-	-	74
Sabah Development Bank Berhad	07/24	AA1	4.60	4	4.04	20/9/2022	56	120
Sabah Credit Corporation	04/25	AA1	4.22	10	-	-	-	74
Sabah Development Bank Berhad	05/25	AA1	4.40	6	-	-	-	92
Sabah Development Bank Berhad	05/25	AA1	4.70	3	4.29	20/9/2022	41	122
Public Bank Berhad	12/29	AA1	4.01	2	3.91	14/7/2022	10	-11
CIMB Group Holdings Berhad	09/32	AA2	4.31	1	4.31	20/9/2022	0	9
Edra Energy Sdn Berhad	07/23	AA3	3.71	10	3.72	20/9/2022	-1	72
Yinson Holdings Berhad	12/26	A1	5.60	0	5.96	20/9/2022	-36	184
				<u>0</u>				
				<u>190</u>				

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

Rating Action			
Issuer	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 Damanlela

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.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

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.