December 30, 2020

Hong Leong Bank

Global Markets Research

Fixed Income

2021 Fixed Income Outlook

Quick Review of 2020

2020 *was paranormal; taking cue from several prominent global events led by the black swan event i.e. COVID-19 pandemic from February onwards**. In the US,** the early economic malaise precipitated total rate cuts of 150bps by FOMC; a $2.3 trillion package consisting of various stimulus packages; a closely fought US election with Biden-led Republicans winning in November; all of which overshadowed previous prolonged global trade war between US and China. 2020 which saw a lower interest rate regime may now be at crossroads following generally stronger-than-expected US economic data. The "quantitative easing" introduced since March to increase the liquidity of US banks has caused the Fed's balance sheet to balloon; reaching almost $7.3 trillion in November. This measure was taken to increase the money supply and stimulate economic growth in the wake of the damage caused by the COVID-19 pandemic.*

On the local front *we witnessed several key events that included the impact of COVID-19 pandemic on the economy which necessitated a total of 125bps cuts in the OPR by BNM, a change in coalition government from Pakatan Harapan to Perikatan Nasional and the deferment of Malaysia's anticipated weightage changes in FTSE Russell's WGBI. This was followed by the successful approval of the National Budget 2021 that is expected to see an improvement in fiscal deficit from 6.0% this year to 5.4% in 2021. Fitch Rating's recent downgrade of the nation's long-term Foreign-Currency Issuer Default Rating (IDR) from A- to BBB+/Stable was shrugged off by investors surprisingly with yields extending out from 5y rallying between 3-12bps lower from the announcement date of 4th December.*

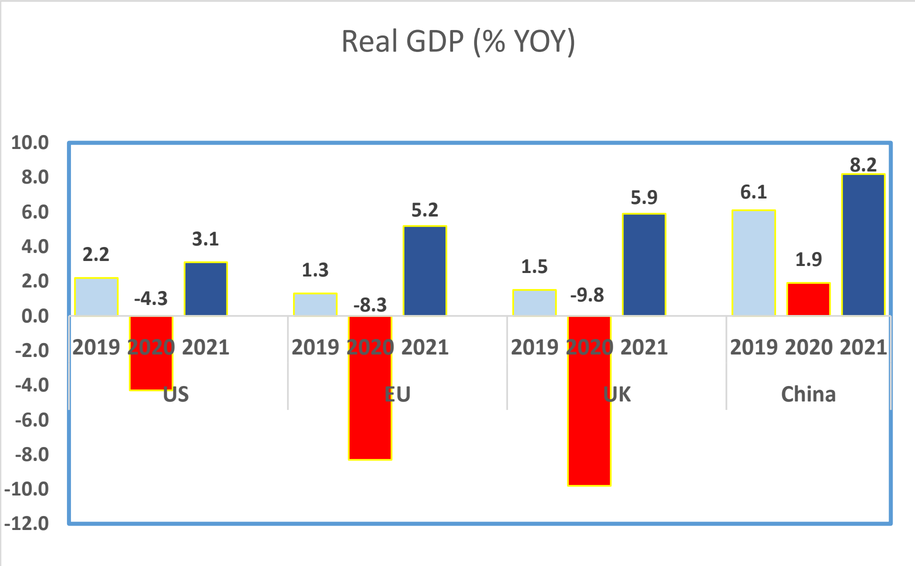
What is in store for 2021?

In the US*, expect yields to be pulled in different directions by competing views on the recovery and recent actions by the Federal Reserve. The central bank is committed to aiding the economy by keeping borrowing costs low, setting short-term interest rates near zero and buying billions of dollars of bonds. However, UST outlook is bearish especially if inflation and growth surpasses expectations as vaccine development is expected to bring an end to the pandemic. The latest approval of another stimulus bill of $900b may add to supply pressures. Hence,* ***we are underweight UST's*** *as we anticipate nominal yields staying range-bound but real yields declining amid rising inflation expectations; leading us to prefer inflation-linked over nominal UST's.* ***Expect 10Y UST to range higher between 1.0-1.3% levels****.*

On the local front *we do not expect a repeat solid performance in MYR government bond returns which saw strong rallies of between 25-112bps in 2020. We expect decent support for primary tenders whilst taking cognizance of EPF's restrained appetite at least for 1H2021; whilst higher* ***gross supply of government bonds projected @ RM152.5b*** *comes on-stream (net supply RM72.8b). Following Fitch Ratings' downgrade, investors may be more wary of potentially similar rating actions from the other two rating agencies further down the line. Another downside risk stems from FTSE Russell's eventual re-classification of Malaysia's watch-list status at its next review in March 2021. We'd expect the end in the rate down-cycle with challenging times for bond traders. Rising external bond yields may weigh on MYR bonds. Our 10Y MGS yield target is within 3.00-3.20%. As for* ***corporate bond/Sukuk issuances, we expect potential gross issuances of RM90-110b (****with maturities of about RM75.5b) in 2021. Expect spillover into secondary market with investors* ***favoring AAA and also AA-part of the yield curve*** *as investors seek alpha amid a tougher interest rate environment.*

Growth to bounce back in 2021

Global growth is expected to improve at 5.2% in 2021 (2020: shrinkage of 4.4%) based on IMF revised growth outlook published In October 2020. This is marginally lower by 0.2% from an earlier forecast of 5.4% back in June 2020 and is mainly due to its "expectations of a long, uneven and highly uncertain calamity". On a related note, it said that uncertainty surrounding its projections is "unusually large" given the lack of clarity on the health crisis and the economic response, especially as global debt levels increase. A stronger resurgence of the virus or slower-than-expected progress on vaccines could lead to a weaker economy as a whole.



Source: IMF

Key themes in 2021 include status quo in US monetary policy whilst the Fed plans to continue its bond purchase program

The Fed announced its widely expected decision to leave interest rates unchanged while also revealing plans to continue its asset purchase program until the economy shows substantial progress towards the central bank's goals of maximum employment and price stability. The Fed said it decided to keep the target range for the federal funds rate at 0-0.25%, which is where the target range has remained since an emergency rate cut in March. The accompanying statement reiterated that the Fed plans to keep rates at near-zero levels until labor market conditions have reached levels consistent with maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. It also said it plans to continue purchasing bonds at a rate of at least $120 billion per month until "substantial further progress" has been made toward its policy goals.

In addition to announcing its latest monetary policy decision, the central bank also provided updated economic projections. The latest projections show the Fed now expects the economy to shrink by less than expected in 2020 and grow by slightly more than expected in 2021 and 2022. Strains in the U.S. economic recovery had helped stall a recent climb in Treasury yields, which tend to rise when investors expect economic growth and inflation. Earlier this month, the prospect of a vaccine-fuelled economic rebound helped push the 10-year yield up. The market is just whipping around that 0.9-1.0% levels in 10Y UST as a tug of war ensues between how the economy will perform in the short and long term

US 2Y/10Y and 5Y/30Y YTD yield spreads in 2020

Source: Bloomberg

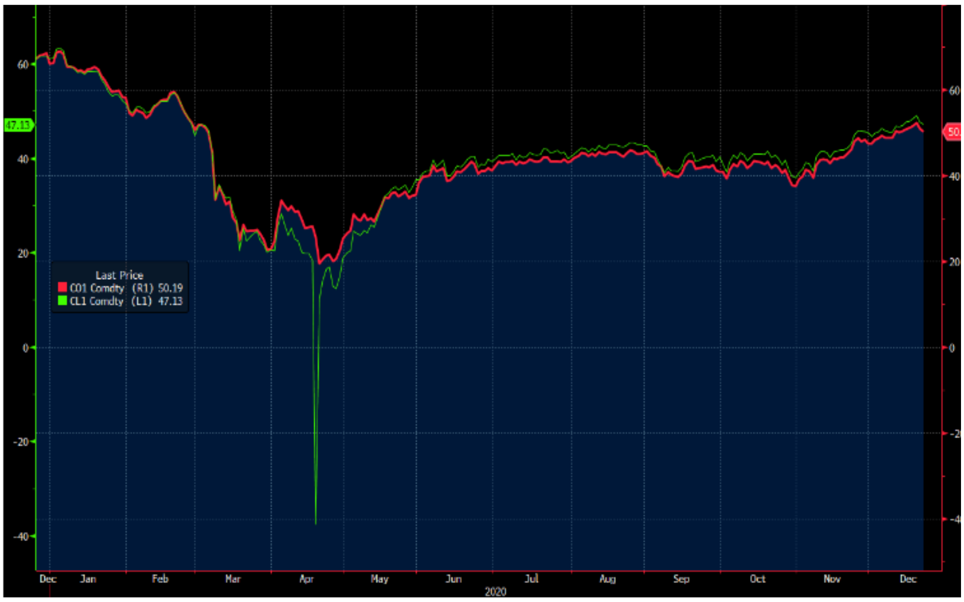
US 2Y/10Y and 5Y/30Y yield spreads from 2010-2020

Source: Bloomberg

From policy perspectives, investors will also be eagerly watching developments and upcoming policies as Britain and the EU are in the final stretch of tortuous talks to safeguard an estimated $1.0 trillion dollars of free trade beyond 31st Dec when the United Kingdom completes its transition out of the world's largest trading bloc The front-end US rates which went lower by expectations of earlier easing by the Fed tightening is now being relieved of pressure as the curve steepens despite the absence of meaningful inflationary pressures. Nevertheless, the **steeper yield curve** as depicted in the graphs above is expected to persist.

Recovering oil prices may see levels retrace higher in 2021. The US Energy Information Administration (EIA) in its recent Energy Outlook projects crude oil prices to average @ USD46/barrel for WTI and USD49/barrel for Brent compared to its estimate of USD39/barrel for WTI and USD41/barrel for Brent this year. The expected strength in global economic indicators next year could indicate an uptick in economic growth and oil demand with both China and India leading the pack. OPEC members are expected to delay or limit production increases planned in early 2021 from 2.0 million bpd to 0.5 million bpd whist the viability of COVID-19 vaccines have begun to see optimism in the form of higher prices. This is expected to improve demand and may reinforce its impact on USD and subsequently both US and Malaysia fixed income space.

US WTI and Brent Crude Oil Prices



Source: Bloomberg

Growth for Malaysian economy is expected to recover circa 6.5-7.5% in 2021 as OPR forecasted to remain unchanged at 1.75%; putting pressure on MYR Government Bonds

The Ministry of Finance (MOF) expects the Malaysian economy to expand between 6.5-7.5% in 2021, recovering from an estimated 4.5% contraction in 2020. Our full-year GDP projection for 2020 and 2021 is @ -6.0% and +5.4% respectively, versus BNM's projection of between -3.5% to -5.5% and 5.5-8.0%. While growth outlook remains decent, there is little room for monetary policy tightening barring further upside growth risks. Odds of OPR staying pat at 1.75% in 2021 is high after the central bank slashed the key interest rate four consecutive times this year, kicking off with the two 25 bps reductions at the January and March meetings, followed by a 50 bps cut in May and another 25 bps cut in July. The table below shows the six (6) BNM MPC meeting dates in 2021.

SCHEDULE OF MONETARY POLICY MEETINGS IN 2021		
MPC Meet No	Date	
1	20-Jan-21	(Wed)
2	04-Mar-21	(Thurs)
3	06-May-21	(Thurs)
4	08-Jul-21	(Thurs)
5	09-Sep-21	(Thurs)
6	03-Nov-21	(Wed)

Source: BNM

Inflation to undershoot 2.0% levels for 2021; prospects of continued low inflation in 2021 may relieve some pressure on government bond yields

Official MOF forecasts of inflation for 2021 is pegged at 2.5% YOY, a rebound from a negative print in 2020. However we anticipate that it will undershoot the 2.0% levels amid the current global crude oil price and flattish supply and demand. Underlying inflation is expected to be subdued amid continued spare capacity in the economy.

Fiscal consolidation to improve in 2021, narrowing towards deficit target of 5.4% from 6.0% in 2020; gross supply of Government Bonds to increase nevertheless…

Fiscal consolidation is expected to improve for 2021, towards a targeted fiscal deficit level of 5.4% of GDP. Going forward, the Federal Government's (GOM) revenue is expected to improve to RM236.9b in 2021 primarily due to better tax revenue collection via both CITA and PITA totaling RM77.6b (2020: RM67.9b). Development expenditure is expected to ramp up to a record high of RM69.0b; along with the expected rise in operating expenditure as the government realizes the importance of pump-priming the economy going forward. Bearing in mind that the 2021 Budget is calibrated based on an oil price assumption of $42 per barrel amid the recent steady and stronger oil prices; the dampening of prices could possibly put a strain in government coffers again. (Brent crude and WTI oil prices is trading at USD$48 and USD52 per barrel respectively at the time of writing). The development expenditure in 2021 also includes a COVID-19 fund besides the upgrading of infrastructure, improvement of roads and public transport systems.

FEDERAL GOVT REVENUE & EXPENDITURE	2019	2020e	2021f
RM (Billion)			
Revenue	264.4	227.3	236.9
Operating Expenditure	263.3	226.7	236.5
Current balance Surplus/(Deficit)	1.1	0.6	0.4
Gross Development Expenditure	54.2	50.0	69.0
less: loan recoverables	1.6	1.0	0.8
Net Development Expenditure	52.6	49.0	68.2
Misc: COVID-19 Fund		38.0	17.0
Overall surplus/(deficit)	(51.5)	(86.5)	(84.8)
Fiscal Deficit as a % of GDP	**3.4**	**6.0**	**5.4**

Source : MOF Fiscal Outlook 2021, HLBB Global Markets Research

Higher gross MGS/GII supply in 2021, circa RM152.5b; net supply higher at RM72.8b

RM (Billion)	2019	2020	2021f
MGS/GII Maturities	69.0	73.4	73.7
Net Govt Bond Supply (MGS/GII)	46.7	65.4	72.8
Projected SPK switch	-	-	6.0
1MDB cash proceeds	-	11.1	-
Gross Supply (MGS+ GII only)	**115.7**	**148.8**	**152.5**

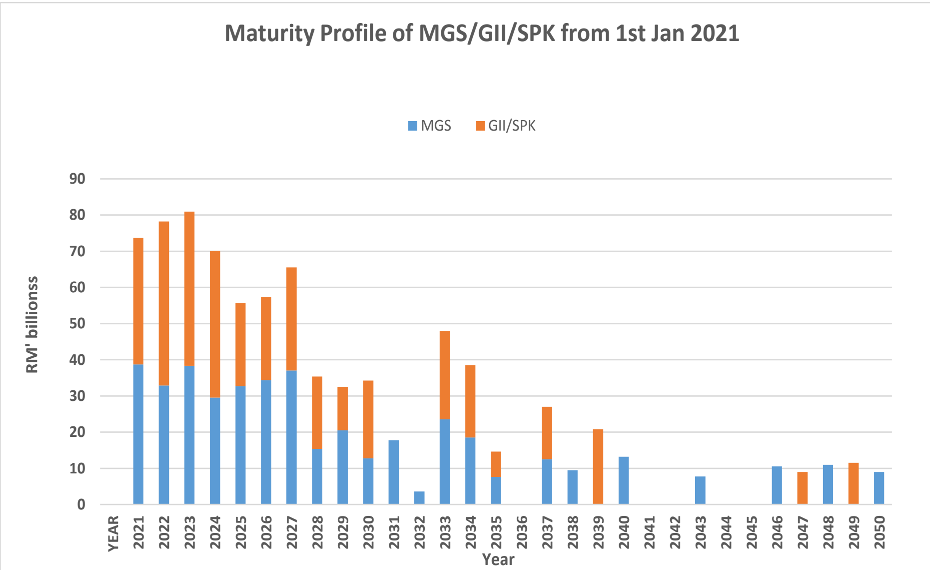
Source : MOF Fiscal Outlook 2021, HLBB Global Markets Research

As we progress into 2021, gross MGS/GII supply is projected to be larger than 2020 at circa RM152.5b whilst maturities somewhat remain ~ RM73.7b as a result of our projection that entails the potential rollover of RM6.0b worth of SPK bond maturities into Government-Guaranteed LPPSA bonds in view of strong demand for these papers. However on a net issuance basis, supply is also seen higher with projected buffer against potential outflows from upcoming maturities in 2021. There is however a scheduled USD GOM (Government of Malaysia) sovereign bond of $800m in July 2021 which is expected to be rolled over taking cognizance of the government's comfortable buffer of its self-imposed foreign debt ceiling of RM35b. Otherwise, The Federal Government's funding needs are expected to be funded primarily onshore via issuances of MGS/GII and T-bills (where necessary).

Quarter	2021	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
	JAN			
1	FEB	MGS2/21	3,500	
	MAR	GII 3/21	9,500	13,000
	APR	GII 4/21	12,500	
2	MAY			
	JUN			12,500
	JUL	MGS 7/21	13,500	
3	AUG	GII 8/21	7,000	
	SEP	MGS 9/21	11,700	32,200
	OCT	SPK 10/21	6,000	
4	NOV	MGS 11/21	10,000	
	DEC			16,000
	Total		73,700	73,700

Source: BPAM, Bloomberg, HLBB Global Markets Research

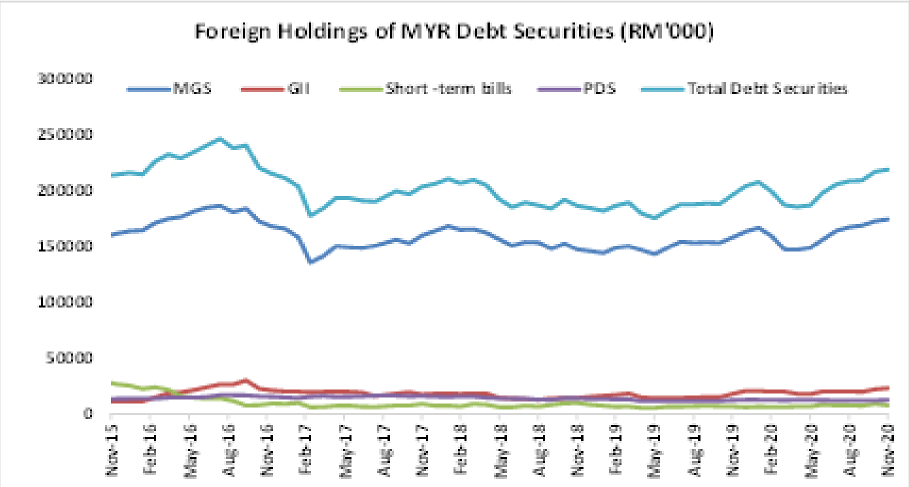
Going into 2021, investors should look out for **sizeable maturity windows in Q3** from scheduled MGS/GII maturities. Funds from maturing MGS/GII is expected to return as reinvestments into the MYR government bond space. Total combined MGS/GII maturities for 2021 will amount to circa RM73.7b versus this year's RM73.4b. Hence, we expect reinvestment flows to remain supportive of MYR bond dynamics.



Source: BPAM, HLBB Global Markets Research

Foreign holdings of both MYR Government Bonds and overall MYR bonds rose 7.2% respectively as at YTD 2020 @ RM198.4b and RM219.4b

The **average** monthly foreign holdings of MYR government bonds YTD 2020 was slightly lower at RM182b overall compared to 2019's RM187.8b despite the bull-steepening moves due to the lower interest rate regime in the US and purported inflow of funds into EM markets. This was admirable considering the midway change in political leadership from Pakatan Harapan to Perikatan Nasional and also the earlier fears of extended fiscal deficit and also the anticipated changes in the FTSE Russell WGBI which had not materialized yet. Since its lowest levels in April, foreign holdings of overall MYR bonds rose steadily from RM185.8b before ending at RM219.4b as at November 2020. This even surpassed the highest seen for 2019 @ RM204.7b in December.



Source: Bloomberg, BNM, HLBB Global Markets Research

MGS/GII tenders in 2020 remained decent despite paranormal global events; with overall BTC ratios lower at 2.22x versus 2.54x in 2019…

Government bond tenders in 2020 ended the year on a weaker average BTC ratio of 2.22x as opposed to the 2.54x in 2019. Worthy of note was the strong interest from the maiden issuances of both 10Y MGS/GII bond auction in 2020. Despite taking into account several major global events including the COVID-19 pandemic, US interest rate cuts totaling 150bps, BNM OPR cuts totaling 125bps, political upheaval on the local scene, expectations of changes in the country's weightage in FTSE Russell WGBI, the recent release and approval of the 2021 National Budget which entails among others a huge fiscal deficit and also the recent downgrade of Malaysia's long-term issuer default rating from A- to BBB+/Stable by Fitch Ratings; these bond auction/tender exercises garnered commendable interest from both onshore and off-shore investors. This was in spite of earlier concerns by investors over the nation's fiscal deficit. However the strength in Ringgit and attractive yield-carry in a low-rate global environment that has a deluge of some $17 trillion of global debt may have mooted confidence in the MYR Bond market.

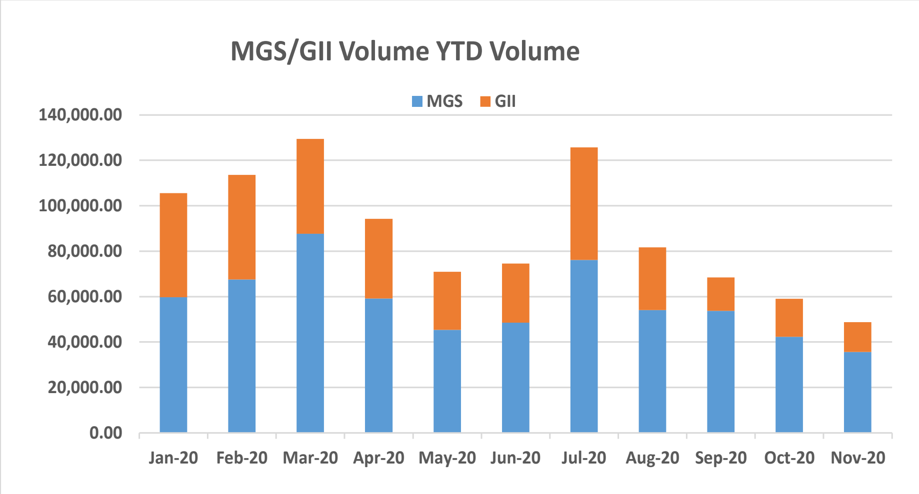
We append below again excerpts from our recent Fixed Income Auction calendar 2021 report dated 17th December detailing the upcoming year's tender exercises. .

No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement X
MGS/GII issuance pipeline in 2021						
1	7-yr reopening of MGS (Mat on 06/28)	7	Jan	Q1	3,500	
2	15.5-yr new Issuance of GII (Mat on 7/36)	15	Jan	Q1	3,000	3,000
3	10-yr Reopening of MGS (Mat on 04/31)	10	Jan	Q1	4,000	
4	5-yr Reopening of GII (Mat on 03/26)	5	Feb	Q1	4,500	
5	20-yr Reopening of MGS (Mat on 05/40)	20	Feb	Q1	2,000	2,500
6	7-yr Reopening of GII (Mat on 09/27)	7	Feb	Q1	3,500	
7	30-yr Reopening of MGS (Mat on 06/50)	30	Mar	Q1	2,000	2,000
8	10-yr Reopening of GII (Mat on 10/30)	10	Mar	Q1	4,000	
9	5-yr Reopening of MGS (Mat on 09/25)	5	Mar	Q1	4,500	
10	20.5-yr New Issue of GII (Mat on 09/41)	20	Mar	Q1	2,000	2,500
11	7-yr Reopening of MGS (Mat on 06/28)	7	Apr	Q2	4,000	
12	15-yr Reopening of GII (Mat on 7/36)	15	Apr	Q2	3,000	1,000
13	3-yr Reopening of MGS (Mat on 06/24)	3	Apr	Q2	4,000	
14	30-yr Reopening of GII (Mat on 11/49)	30	May	Q2	2,000	2,000
15	15-yr Reopening of MGS (Mat on 05/35)	15	May	Q2	3,000	1,500
16	5-yr Reopening of GII (Mat on 03/26)	5	May	Q2	4,000	
17	10-yr Reopening of MGS (Mat on 04/31)	10	Jun	Q2	3,500	500
18	3-yr Reopening of GII (Mat on 10/24)	3	Jun	Q2	4,500	
19	20-yr Reopening MGS (Mat on 05/40)	20	Jun	Q2	2,000	2,000
20	15-yr Reopening of GII (Mat on 07/36)	15	Jul	Q3	3,000	1,500
21	5-yr Reopening of MGS (Mat on 11/26)	5	Jul	Q3	4,000	
22	10-yr Reopening of GII (Mat on 10/30)	10	Jul	Q3	2,500	1,000
23	30-yr Reopening of MGS (Mat on 06/50)	30	Aug	Q3	2,000	2,500
24	7-yr Reopening of GII (Mat on 08/28)	7	Aug	Q3	4,500	
25	3-yr Reopening of MGS (Mat on 06/24)	3	Aug	Q3	4,000	
26	20-yr Reopening of GII (Mat on 09/41)	20	Sep	Q3	3,000	1,500
27	10-yr Reopening of MGS (Mat on 04/31)	10	Sep	Q3	3,500	1,000
28	5-yr Reopening of GII (Mat on 03/26)	5	Sep	Q3	4,000	
29	7-yr Reopening of MGS (Mat on 06/28)	7	Oct	Q4	4,000	
30	30-yr Reopening of GII (Mat on 11/49)	30	Oct	Q4	2,000	2,000
31	5-yr Reopening of MGS (Mat on 11/26)	5	Oct	Q4	4,000	
32	10-yr Reopening of GII (Mat on 10/30)	10	Oct	Q4	2,000	1,500
33	15-yr Reopening of MGS (Mat on 05/35)	15	Nov	Q4	3,000	1,500
34	3-yr Reopening of GII (Mat on 10/24)	3	Nov	Q4	4,000	
35	20-yr Reopening of MGS (Mat on 05/40)	20	Nov	Q4	2,000	2,000
36	7-yr Reopening of GII (Mat on 08/28)	7	Dec	Q4	3,500	
37	3-yr Reopening of MGS (Mat on 06/24)	3	Dec	Q4	3,000	
Gross MGS/GII supply in 2021					152,500	

Source: Bloomberg, BNM, HLB Global Markets Research

Trading volume for MGS/GII remained strong in 2020; partly assisted by EM inflows, change in political leadership and some volatility in Ringgit….

Trading volume for MYR Government Bonds shed from about RM350.3b in 1Q 2020 to RM240.6b in 2Q before rebounding to RM277.2b in 3Q. Expect further shrinkage in 4Q (Quarter-to-date RM147.2b) partly due to vanishing liquidity during the low holiday-month staffing levels due to the traditional year-end festivities and holidays. Demand was mainly seen in the shorter off-the-runs i.e.20-22's on lower OPR expectations and also the 3Y, 5Y and 10Y benchmarks as markets seemed to react on bargain-hunting activities for relative values amid the steadier Ringgit and muted inflation. Local institutional investors were seen leading the charge followed by inter-bank participants and offshore parties. MGS generally ended the year with yields declining sharply between 25-112bps across most tenures with the much-watched 10Y benchmark MGS 4/31, rallying 61bps at 2.69% the time of writing).



Source : BPAM, Bloomberg, HLB Global markets Research

Primary issuance print for Corporate Bonds/Sukuk in 2020 boosted by the following names:

To recap, 2020 is shaping to be a solid year (current YTD 2020 issuances have totaled RM103b) despite being lower than previous year's bumper issuances totaling RM130.8b in 2019. The primary market was boosted by Government-guaranteed (GG) bond issuances followed by the notable prints from the banking/finance sector which contributed almost 50% of total issuances. This was followed by followed by the utilities and infrastructure sector. Overall top five(5) corporate/Sukuk bond issuances were:

- PRASARANA MALAYSIA BERHAD (circa RM8b)
- LEMBAGA PEMBIAYAAN PERUMAHAN SEKTOR AWAM (circa RM8b)
- DANAINFRA NASIONAL BERHAD (circa RM7b)
- CIMB GROUP HOLDINGS BERHAD (circa RM4b)
- CAGAMAS BERHAD Energy (circa RM4b)

Also worth noting were the substantial issuances of non-GG bonds i.e. Danum Capital Berhad, Pengurusan Air SPV Berhad, CIMB Bank Bhd, MBSB Bank Berhad, Sarawak Energy Berhad, Tenaga Nasional Bhd, and Pengerang LNG (Two) Sdn Bhd.

Corporate bonds/Sukuk issuance trend for 2021 projected at gross supply of circa RM90-110b

In terms of Corporate Bonds/Sukuk supply for 2021, we are projecting a gross supply of RM90-RM110b with net issuance of about RM14.5-34.5b due to sizeable maturities of about RM75.5b (including Commercial Papers). In comparison, total corporate bond issuance YTD in 2020 fell to about RM103b in 2020 from overall RM130.8b in 2019 despite the rise in unrated issues (the current Corporate Bonds/Sukuk issuances in 2020 circa RM103b mentioned above was seen tracing only slightly higher than our earlier RM90-100b gross supply projections).

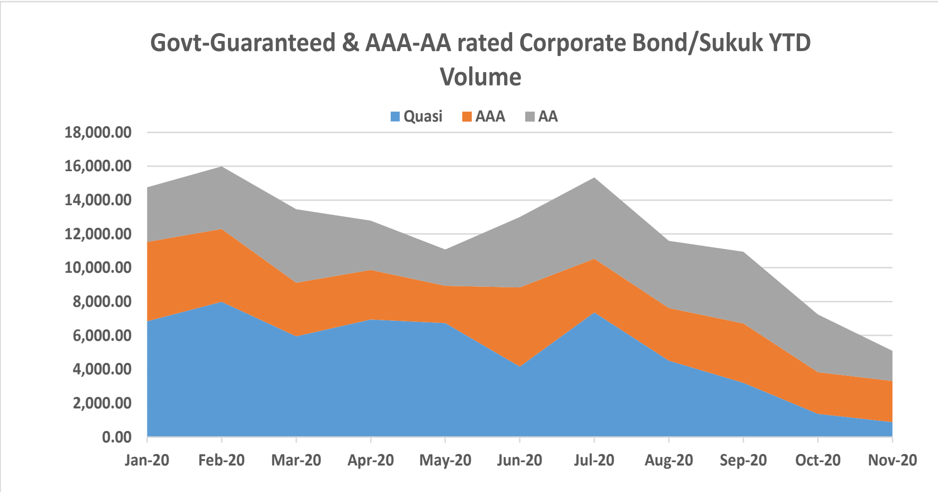
Taking into account the prospects of economic recovery, low interest rates as well as the continuation of big-ticket infrastructure projects, we have revised our earlier gross corporate bond issuance to RM100-110b in 2021. Some of these mega infrastructure-related projects include but not limited to:

- MRT3 in Klang Valley
- resumption of HSR (estimated costs RM70-100b)
- completion of Pan-Borneo Highway
- new phases of Gemas-Johor Bahru Electrified Double Tracking Rail
- 1st phase of Klang valley Double Tracking Rail
- Rapid Transit System Link from JB to Woodlands, Singapore
- West Coast Expressway

However, the consistent supply of GG-bonds due to the roll-out of mega infrastructure projects should be monitored for signs of widening yield-risk. Expect issuances to normalize with the corporate sector taking the lead as potential savings associated with issuance costs may continue to result in issuance of unrated bonds. Decent demand metrics by the relatively wide base on the buy-side should augur well on yield-carry requirements. The deep institutional investor base (consisting of pension and provident funds, takaful, insurance and asset management companies); coupled with one of the more liquid debt capital markets in ASEAN. **Institutional investors are expected to incorporate SRI frameworks into their investment guidelines with portfolio decisions guided by Environmental, Social and Governance (ESG) factors.**

In the secondary market, Corporate Bonds/Sukuk maintained decent interest on steady volume and momentum due to yield-hungry investors

The average monthly trading volume for corporate bonds/Sukuk was consistent with overall secondary market interest intact. The total transacted amount YTD for 2020 i.e. until 24th Dec of RM154.9b or daily turnover of circa RM630m was roughly at the previous year's levels (yearly RM158.0b; daily RM650m). We note steady interest across the curve with GG forming 36% of overall volume followed equally by AAA (24%) and AA-rated space (~25%) as investors hunted for liquidity and yields. Credit spreads were lower with the blended 5Y GG spread, AAA spread and blended AA-spreads tightening further to 30bps, 55bps and 83bps respectively in 2020.



Source : BPAM, Bloomberg, HLBB Global Markets Research

The actives i.e. top volume generating Corporate Bonds for 2020 which are noted for both volume and frequency of secondary market trades comprised of both Govt-Guaranteed and Corporate/Sukuk names as follows:

- LPPSA 4/33, 9/24
- DANAINFRA 5/32, 5/46, 5/22, 7/24
- PRASA 3/40, 12/38, 2/30
- KHAZANAH 9/22, 8/23, 8/24
- PTPTN 6/22
- CAGAMAS 3/21
- DANUM 2/34, 5/30
- PLUS 1/38
- SEB 1/27, 6/26
- UMWH perps
- BGSM 12/20
- KLK 9/22
- MAHB Perps
- PKNS 5/23
- MAYBANK 25NC20
- AFFIN 28NC23
- FRL 10/21
- PUNCAK WANGI 11/21

Credit rating changes noted in 2020 involved downgrades for 4 issuers with only 2 upgrades recorded by both RAM and MARC

CREDIT RATING UPGRADE/DOWNGRADE 2020					
Issuer/issuance	Agency	Date of rating	Current/Outlook	Previous/outlook	Action
MEX II Sdn Bhd					
RM1.3 billion Sukuk Murabahah Programme	MARC	18-Nov-20	BBB-IS	A-IS	↓
RM150.0 million Junior Bonds	MARC	18-Nov-20	BB	BBB	↓
Lebuhraya DUKE Fasa 3 Sdn Bhd					
RM3.64 billion Sukuk Wakalah	MARC	13-Nov-20	AA-IS/Negative	AA-IS/Stable	↓
Segi Astana Sdn Bhd					
RM415.0 million ASEAN Green Medium-Term Notes facility	MARC	21-Oct-20	AA-/Negative	AA-/Stable	↓
Alpha Circle Sdn Bhd					
RM540 million Senior Sukuk Musharakah	MARC	30-Nov-20	AA-IS/Negative	AA-IS/Stable	↓
RM55 million Junior Sukuk Musharakah	MARC	30-Nov-20	A-IS/Negative	A-IS/Stable	↓
Tan Chong Motor Holdings Berhad					
Corporate credit ratings	RAM	04-Nov-20	A1/P1/Negative	A1/P1/Stable	↓
RM1.50 billion Medium-Term Notes (MTN) Programme (2014/2034)	RAM	04-Nov-20	A1/Negative	A1/Stable	↓
Pacific & Orient Insurance Co. Berhad					
Insurer financial strength (IFS)	RAM	13-Oct-20	A2/Negative	A2/Stable	↓
RM150 million Subordinated Notes Programme (2012/2024)	RAM	13-Oct-20	A3/Negative	A3/Stable	↓
TRIplc Medical Sdn Bhd					
RM639 mil Senior Sukuk Murabahah	RAM	08-Oct-20	AA1/Negative	AA1/Stable	↓
PremierAuto Assets Berhad					
RM20 million Senior Class B Notes	RAM	09-Sep-20	AA1/Stable	AA3/Stable	↑
Genting Berhad	RAM	04-Sep-20	AA1/Negative	AAA/Stable	↓
Genting Malaysia Berhad	RAM	04-Sep-20	AA1/Negative	AAA/Stable	↓
Widad Capital Sdn Bhd					
Sukuk Murabahah Programme of up to RM110.0 mil	RAM	06-Aug-20	AA1/Stable	AA2/Positive	↑
Projek Smart Holdings Berhad					
Islamic MTN Facility up to RM330 mil in nominal value (2015/2032)	RAM	18-May-20	A1/Stable	A1/Negative	↑
RHB Bank					
Financial Institution rating	RAM	25-Apr-20	AA2/Stable	AA2/Positive	↓
KMCOB Capital Berhad					
RM55 mil Series E of its RM320 mil Guaranteed Serial Bonds (2013/2020)	RAM	12-Mar-20	event of default	AAA(FG)	↓
Cendana Sejati sdn Bhd					
RM360 million Senior Sukuk Murabahah MTN Programme	RAM	11-Feb-20	C3/negative	C1/Stable	↓
Bumitama Agri Ltd					
Long-Term rating	RAM	06-Jan-20	AA3/Stable	AA3/Positive	↓

Source: RAM; MARC; HLBB Global Markets research

Based on the table above, the majority of credit rating changes in 2020 involved **mainly rating outlook** and not outright rating per se. Among the notable ones, highway operator MEX II Sdn saw both its RM1.3b Sukuk Murabahah program and RM150m Junior bonds downgraded from A-IS to BBB-IS and from BBB to BB respectively during the year. KMCOB Capital Bhd saw its AAA (FG)-rated RM55m series E under its RM320m Guaranteed Serial Bonds (2013/2020) register an event of default. On the bright side we note an improved outlook on Premier Auto Assets Berhad's RM20m Senior Class B Notes and also Widad Capital Sdn Bhd's Sukuk Murabahah programme of up to RM110m were upgraded from AA3/Stable to AA1/Stable and AA2/Positive to AA1/Stable respectively. Overall, the credit quality/metrics of the rated portfolios saw a higher number of bond issuances with a deterioration in the Outlook; primarily as these corporations were not spared from the economic downturn due to the COVID-19 pandemic. However, we foresee an improvement in the credit metrics for transportation, oil and gas, construction and plantation/commodity sectors in the light of an improved economy next year.

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