

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

US Treasuries

- US Treasuries pulled back on Wednesday and ended in the red following the record size issuance and soft \$35b 10Y auction results which notched a mere BTC ratio of 2.30x (previous 10 auctions: 2.47x). The recovery in equities also contributed to the weakness seen with overall benchmark yields higher between 0-4bps. The curve ended steeper as the UST 2Y closed within 1bps at 0.15% whilst the much-watched 10Y edged 2bps up compared to prior day's close; at 0.70%. The long-end of the curve has been sensitive to increases in supply and may continue to be impacted by auctions going forward. Meanwhile the effective Fed fund rates was 0.09% yesterday. Bond traders are likely to shift attention to the upcoming auction of \$23b 30Y bonds tonight whilst uncertainty around ECB policy meeting may restrict trading activity.

MGS/GIII

- Local govies saw yields richer mainly extending out from the 10Y tenures amid lower secondary market volume of RM2.11b; ahead of the all-important MPC meeting today. Overall benchmark yields ended mostly between 0-4bps lower save for the short-end MGS bonds. The benchmark 5Y MGS 9/25 ended within 1bps at 2.05% whilst the 10Y MGS 8/29 yields edged 1bps lower at 2.57%. Interest was mainly seen in the shorter-end off-the-runs 20-21's and also benchmark 7Y MGS. GII bond trades dropped to form ~24% of overall trades. Meanwhile, investors await FTSE Russell's announcement of its decision on Malaysia's weightage of sovereign bonds in its WGBI on 24th Sep. Expect attention to shift to the MPC meeting's decision on OPR at 3pm today for which we are penciling in a potential 25bps cut.

Corp Bonds/Sukuk

- The Corporate Bond/Sukuk space remained decent on Wednesday despite lower secondary market volume of RM433m with transactions seen in 33 various bonds across the curve. Overall yields closed mostly unchanged-to-lower with interest mainly centred in the AA-part of the curve. Both Govt-guaranteed DANA and PTPTN 29's saw active trades again, closing unchanged compared to previous done levels at 2.68-69% levels. AAA-rated TNB Northern 5/31 which was last traded in May ended 40bps lower at 3.04%. The AA-space saw a slew of energy-related bonds hog the limelight with names like TADAU and Southern Power among the names. MMC Corp 27-28's closed unchanged between 3.84-87%. Similarly, toll operator DUKE3 saw its 2033 and 2035 tranche also closed unchanged at 4.59% and 4.77% each on substantial volume of RM80m. The banking space saw PUBLIC Islamic 27NC22 rally strongly to close at 2.56%.

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.28	1
10-yr UST	0.70	2
30-yr UST	1.46	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.85	1	1.86	0
5-yr	2.05	0	2.04	-1
7-yr	2.34	0	2.34	0
10-yr	2.57	-1	2.56	0
15-yr	3.01	-2	3.09	-2
20-yr	3.37	-3	3.44	0
30-yr	3.68	-4	3.65	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.90	0
3-yr	1.96	1
5-yr	2.16	-1
7-yr	2.33	0
10-yr	2.58	0

Source : Bloomberg

Upcoming Government Bond Tender

Nil

Daily Trades : Government Bond

Securities	Closing	Vol	Previous	Previous	Chg
	YTM	(RM mil)	YTM	Trade Date (dd/mm/yyyy)	(bp)
MGS 10/20	1.613	193	1.748	08/09/2020	-14
MGS 07/21	1.685	245	1.700	08/09/2020	-1
MGS 09/21	1.693	52	1.680	08/09/2020	1
MGS 03/22	1.721	3	1.730	08/09/2020	-1
MGS 08/22	1.765	2	1.768	08/09/2020	0
MGS 09/22	1.795	4	1.760	08/09/2020	3
MGS 03/23	1.854	42	1.844	08/09/2020	1
MGS 04/23	1.840	31	1.833	08/09/2020	1
MGS 08/23	1.951	2	1.967	08/09/2020	-2
MGS 06/24	2.019	9	2.007	08/09/2020	1
MGS 07/24	2.036	3	1.995	08/09/2020	4
MGS 09/24	2.015	28	2.032	08/09/2020	-2
MGS 09/25	2.048	73	2.043	08/09/2020	0
MGS 07/26	2.227	1	2.212	08/09/2020	1
MGS 09/26	2.334	60	2.304	03/09/2020	3
MGS 11/26	2.255	10	2.237	08/09/2020	2
MGS 05/27	2.337	251	2.338	08/09/2020	0
MGS 11/27	2.391	38	2.361	08/09/2020	3
MGS 06/28	2.499	107	2.520	08/09/2020	-2
MGS 08/29	2.570	158	2.579	08/09/2020	-1
MGS 04/30	2.679	2	2.625	04/09/2020	5
MGS 06/31	3.127	2	2.757	08/09/2020	37
MGS 04/33	3.106	13	3.110	08/09/2020	0
MGS 11/33	3.145	67	3.140	08/09/2020	0
MGS 07/34	3.009	89	3.030	08/09/2020	-2
MGS 05/35	3.273	2	3.266	02/09/2020	1
MGS 04/37	3.376	4	3.329	08/09/2020	5
MGS 06/38	3.425	2	3.378	04/09/2020	5
MGS 05/40	3.366	101	3.396	08/09/2020	-3
MGS 07/48	3.792	3	3.753	03/09/2020	4
MGS 06/50	3.676	6	3.719	08/09/2020	-4
GII 03/22	1.744	10	1.777	08/09/2020	-3
GII 10/24	2.037	4	2.043	08/09/2020	-1
GII 08/25	2.133	9	2.091	08/09/2020	4
GII 10/25	2.116	130	2.117	08/09/2020	0
GII 03/26	2.169	4	2.163	08/09/2020	1
GII 09/26	2.289	30	2.292	08/09/2020	0
GII 10/28	2.580	1	2.581	08/09/2020	0
GII 07/29	2.589	184	2.576	08/09/2020	1
GII 11/34	3.087	102	3.112	08/09/2020	-2
GII 08/37	3.379	30	3.450	07/09/2020	-7
		<u>2106</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*	
Lembaga Pembiayaan Perumahan Sektor Awam	09/23	GG	2.061	10	2.144	18/08/2020	-8	22
DanaInfra Nasional Berhad	02/29	GG	2.678	30	2.680	08/09/2020	0	22
Perbadanan Tabung Pendidikan Tinggi Nasional	03/29	GG	2.689	20	2.690	08/09/2020	0	23
Prasarana Malaysia Berhad	03/40	GG	3.505	20	3.510	02/09/2020	0	12
Projek Lebuhraya Usahasama Berhad	01/24	AAA	2.505	10	2.666	18/08/2020	-16	67
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak)	08/27	AAA	2.818	10	3.148	30/06/2020	-33	48
Bakun Hydro Power Generation Sdn Berhad (fka Sarawak)	08/29	AAA	3.008	10	3.008	01/09/2020	0	49
TNB Northern Energy Berhad	05/31	AAA	3.044	10	3.439	15/05/2020	-40	47
Sarawak Energy Berhad	11/33	AAA	3.234	6	3.188	17/08/2020	5	22
Public Islamic Bank Berhad	08/27	AA1	2.558	10	4.009	24/06/2019	-145	22
UMW Holdings Berhad	10/21	AA2	2.563	10	3.057	12/03/2020	-49	87
Anih Berhad	11/23	AA	2.841	4	3.197	02/07/2020	-36	100
Tadau Energy Sdn Berhad	07/27	AA3	3.756	10	4.518	10/10/2019	-76	142
Tadau Energy Sdn Berhad	07/28	AA3	3.866	1	3.868	04/09/2020	0	141
Tadau Energy Sdn Berhad	07/29	AA3	3.967	5	3.968	04/09/2020	0	144
Tadau Energy Sdn Berhad	07/32	AA3	4.285	5	4.672	18/06/2020	-39	172
Malaysian Resources Corporation Berhad	08/23	AA-	3.577	1	3.577	08/09/2020	0	174
Southern Power Generation Sdn Berhad	10/29	AA-	3.139	10	3.711	02/07/2020	-57	62
Southern Power Generation Sdn Berhad	04/31	AA-	3.218	10	3.206	19/08/2020	1	65
Southern Power Generation Sdn Berhad	10/31	AA-	3.289	10	3.281	02/09/2020	1	72
TG Excellence Berhad	02/20	AA-	3.320	8	2.959	03/09/2020	36	-7
Pelabuhan Tanjung Pelepas Sdn Berhad	06/27	AA-	3.198	40	3.229	08/09/2020	-3	86
MMC Corporation Berhad	11/27	AA-	3.837	40	3.839	07/09/2020	0	150
MMC Corporation Berhad	03/28	AA-	3.868	40	3.869	07/09/2020	0	141
Pelabuhan Tanjung Pelepas Sdn Berhad	06/30	AA-	3.339	40	3.582	26/08/2020	-24	77
Penang Port Sdn Berhad	12/31	AA-	3.449	10	3.459	19/08/2020	-1	88
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/33	AA-	4.591	20	4.594	08/09/2020	0	158
Lebuhraya DUKE Fasa 3 Sdn Berhad	08/35	AA-	4.769	20	4.770	08/09/2020	0	175
DRB-Hicom Berhad	12/26	A+	4.134	1	4.135	04/09/2020	0	191
DRB-Hicom Berhad	08/25	A+	4.223	3	3.983	07/09/2020	24	217
Bank Muamalat Malaysia Berhad	06/26	A3	3.955	2	3.988	17/08/2020	-3	173
MEX II Sdn Berhad	04/30	A	6.490	6	6.186	27/02/2020	30	392
TSH Sukuk Ijarah Sdn Berhad	04/23	A+	4.165	1	4.780	30/11/2018	-62	233
			<u>433</u>					

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

Market/Corporate News: What's Brewing

Hibiscus Petroleum Bhd is raising up to RM2 billion via a private placement as part of its accelerated plans to acquire good-value and high-quality producing assets. This is in view of the improved oil and gas (O&G) sector as the global economy starts to recover from the crippling effects of the COVID-19, the group said in a bourse filing today. "The COVID-19 pandemic and low oil price environment initially slowed down mergers and acquisitions activity globally in the first half of the calendar year 2020. However, with the ramp up of economic activity globally, the outlook for the O&G sector is also improving. "The group has accelerated its asset acquisition plans as the outlook for the O&G market improves. As established exploration and production players, especially those in Europe, assess their portfolios in light of an increasing focus on the renewable energy space, Hibiscus sees acquisition opportunities for good-value and high-quality producing assets," it added. According to the group, priority will be given to assets with strong production potential coupled with cost optimisation opportunities. Hibiscus said it remains committed to growing its business in its areas of geographic focus, particularly in Southeast Asia. In light of this, the O&G firm has proposed the issuance of up to two billion units of convertible redeemable preference shares (CRPS) at an issue price of RM1 apiece, which is based on the most common denominator. The CRPS, it said, may be placed out in single or multiple tranches. "The conversion price for the first tranche of the CRPS has been fixed at 66 sen, representing a premium of approximately 10% over the five-day volume weighted average mid prices (VWAMP) of Hibiscus shares up to yesterday at 59.72 sen. "In the event that there are subsequent tranches of CRPS being placed out, the conversion price for the subsequent tranches of CRPS will be fixed at a premium of up to 10% over the five-day VWAMP up to and including the market day immediately before the price-fixing date," it added. The CRPS are intended to be placed out to both local and foreign investors to be identified at a later date by way of book-building. These parties, Hibiscus said, may include a corporation with total net assets exceeding RM10 million based on the last audited accounts, a partnership with total net assets exceeding RM10 million and individuals whose total net personal or joint assets with their spouses exceed RM3 million. Hibiscus intends to utilise the net proceeds of RM1.94 billion — after defraying estimated expenses — for a maximum of three O&G asset acquisitions located in Southeast Asia, whether directly or indirectly through entities holding such assets. For illustrative purposes, it said the effects of the proposed private placement of CRPS will result in the company's issued share capital to be at 1.59 billion units worth RM764.97 million — assuming full redemption of the entire two billion CRPS — or 4.62 billion units worth RM2.7 billion — assuming full conversion of the CRPS into new Hibiscus shares. This is based on the issued share capital of the company as at Aug 28, being the latest practicable date.. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
TNB Western Energy Berhad	Sukuk of up to RM4.0 billion	AAA-IS/Stable	Affirmed
Premier Auto Assets Berhad	RM20 million Senior Class B Notes under RM105 million Tranche 1 Medium Term Notes (Tranche 1 MTN)	From AA3 to AA1/Stable	Upgraded
	RM35 million of Senior Class A Notes	AAA/Stable	Reaffirmed

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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