

QUARTERLY REPORT

2Q21 (April 2021 – June 2021)



2Q2021 – DOWNSIDE RISKS CONTINUE AS CASES RISEN

The COVID-19 pandemic situation in Malaysia is worsen with new cases rise to a new high. The World Bank has revised downward Malaysia's GDP projection to 4.5% from 6%. Malaysia's fiscal deficit is expected to rise to between 6.5% and 7% of its GDP this year. On the inflation front, the Consumer Price Index (CPI) in April rose at its fastest pace in four years. In June, the CPI rose 3.4% due to higher fuel prices.

GLOBAL MARKET

Overview

The short yield curve, 3-year US Treasuries yield rose 11 bps q-o-q. The belly curve up to 10-year yields declined 5 - 29 bps. In Fed's quarterly projections, 13 of 18 officials favored at least one rate increase by the end of 2023.

MY Government Bond

Overview

MGS and GII performance are mixed q-o-q with short 3-year yields increased 14 - 16 bps. BNM in its 4th Monetary Policy Meeting maintained the Overnight Policy Rate (OPR) at 1.75% level.

MY Corporate Bond & Sukuk

Overview

Corporate AAA yields increased across the curve. RM 29.95 billion corporate bonds and sukuk issued in 2Q21.

Dec-20	Mar-21	UST	Apr-21	MTM	May-21	MTM	Jun-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.17	0.35	3 YEAR	0.35	0.00	0.30	-0.05	0.46	0.16	0.11	0.29
0.36	0.92	5 YEAR	0.86	-0.06	0.79	-0.07	0.87	0.08	-0.05	0.51
0.65	1.40	7 YEAR	1.32	-0.08	1.24	-0.08	1.21	-0.03	-0.19	0.56
0.93	1.74	10 YEAR	1.65	-0.09	1.58	-0.07	1.45	-0.13	-0.29	0.52

Dec-20	Mar-21	MGS	Apr-21	MTM	May-21	MTM	Jun-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.88	2.13	3 YEAR	2.34	0.21	2.28	-0.06	2.27	-0.01	0.14	0.39
2.10	2.66	5 YEAR	2.53	-0.13	2.58	0.05	2.54	-0.04	-0.12	0.44
2.39	3.08	7 YEAR	2.98	-0.10	2.99	0.01	3.00	0.01	-0.08	0.61
2.65	3.24	10 YEAR	3.11	-0.13	3.20	0.09	3.28	0.08	0.04	0.63

Dec-20	Mar-21	GII	Apr-21	MTM	May-21	MTM	Jun-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.92	2.14	3 YEAR	2.16	0.02	2.04	-0.12	2.30	0.26	0.16	0.38
2.26	2.73	5 YEAR	2.65	-0.08	2.73	0.08	2.69	-0.04	-0.04	0.43
2.51	2.96	7 YEAR	3.04	0.08	3.02	-0.02	3.02	0.00	0.06	0.51
2.81	3.35	10 YEAR	3.26	-0.09	3.30	0.04	3.35	0.05	0.00	0.54

Dec-20	Mar-21	BOND AAA	Apr-21	MTM	May-21	MTM	Jun-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	2.95	3 YEAR	2.89	-0.06	2.82	-0.07	2.77	-0.05	-0.18	0.32
2.70	3.39	5 YEAR	3.18	-0.21	3.17	-0.01	3.14	-0.03	-0.25	0.44
2.95	3.78	7 YEAR	3.54	-0.24	3.48	-0.06	3.47	-0.01	-0.31	0.52
3.26	4.16	10 YEAR	3.94	-0.22	3.89	-0.05	3.86	-0.03	-0.30	0.60

Dec-20	Mar-21	SUKUK AAA	Apr-21	MTM	May-21	MTM	Jun-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	2.95	3 YEAR	2.89	-0.06	2.82	-0.07	2.77	-0.05	-0.18	0.32
2.70	3.39	5 YEAR	3.18	-0.21	3.17	-0.01	3.14	-0.03	-0.25	0.44
2.95	3.78	7 YEAR	3.54	-0.24	3.48	-0.06	3.47	-0.01	-0.31	0.52
3.26	4.16	10 YEAR	3.94	-0.22	3.89	-0.05	3.86	-0.03	-0.30	0.60

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

The government bond auction for 2Q21 garnered an average BTC of 2.191x, a slight increase from the previous quarter (1Q21: 2.161x). A reopening of 20Y MGS 05/40 received the highest BTC at 2.651x. The new/reopening issuances for MGS/GII stood at RM 40.00 billion (1Q21: RM 40.50 billion). As of June 2021, the outstanding amount for MGS/GII was at RM 866.02 billion (1Q21: RM 838.52 billion).

Economists projected the fiscal deficit percentage of GDP will be higher as the government recently announced the RM 150 billion PEMULIH stimulus package.

2Q21 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 06/28	7	Reopening	Apr	4,500	45,000	1.590	2.933	2.963	2.981
2	GII 07/36	15	Reopening	Apr	2,500	49,500	2.545	3.975	4.010	4.034
3	MGS 06/24	3	Reopening	Apr	4,500	54,000	2.086	2.346	2.363	2.373
4	GII 11/49	30	Reopening	May	2,000	58,000	2.433	4.540	4.568	4.581
5	MGS 05/35	15	Reopening	May	2,500	62,500	2.445	3.930	3.956	3.970
6	GII 03/26	5	Reopening	May	4,500	67,000	2.003	2.700	2.728	2.739
7	MGS 04/31	10	Reopening	Jun	4,500	72,000	1.966	3.287	3.313	3.333
8	GII 10/24	3	Reopening	Jun	4,500	76,500	2.001	2.330	2.341	2.350
9	MGS 05/40	20	Reopening	Jun	2,000	80,500	2.651	4.223	4.254	4.268

Source BNM, BIX Malaysia

There will be nine reopening MGS and GII auctions in 3Q21.

UPCOMING ISSUANCE 3Q21

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	GII 07/36	15	Reopening	Jul						
2	MGS 11/26	5	Reopening	Jul						
3	GII 10/30	10	Reopening	Jul						
4	MGS 06/50	30	Reopening	Aug						
5	GII 08/28	7	Reopening	Aug						
6	MGS 06/24	3	Reopening	Aug						
7	GII 09/41	20	Reopening	Sep						
8	MGS 04/31	10	Reopening	Sep						
9	GII 03/26	5	Reopening	Sep						

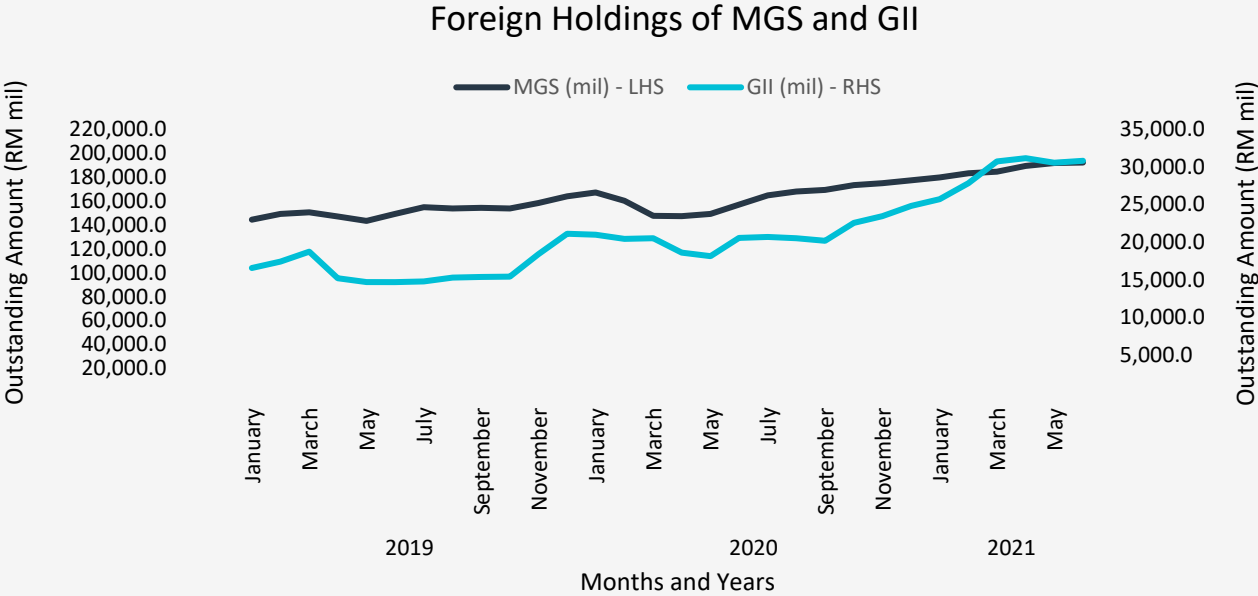
Source BNM, BPAM, BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

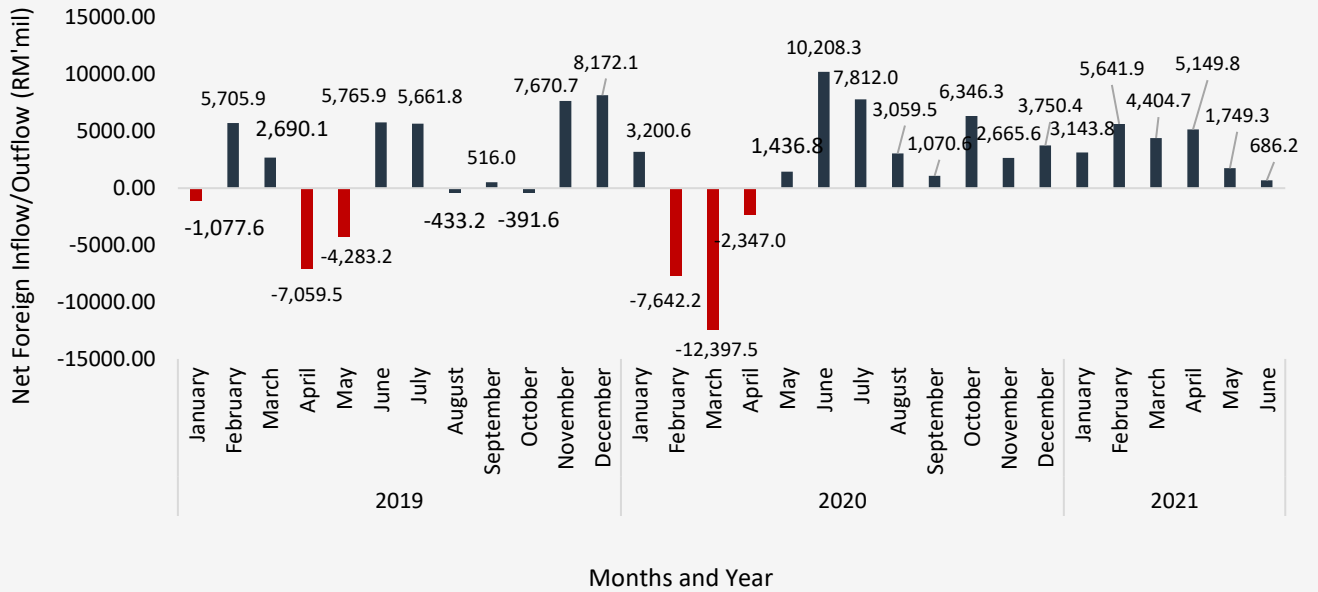
Overview

The foreign inflow to MGS and GII tapered off in 2Q21 with net inflow amounted RM 5.15 billion, RM 1.75 billion and RM 0.69 billion respectively in April, May, and June. As of June 2021, the total foreign holdings of MGS and GII stood at RM 222.92 billion (March 2021: RM 215.34 billion), a 3.5% increase from the previous quarter.

In June, S&P affirms Malaysia's 'A-' foreign currency and 'A' local currency ratings, but outlook remains negative.



Cumulative Net Foreign Flow to MGS and GII



CORPORATE BOND & SUKUK

Overview

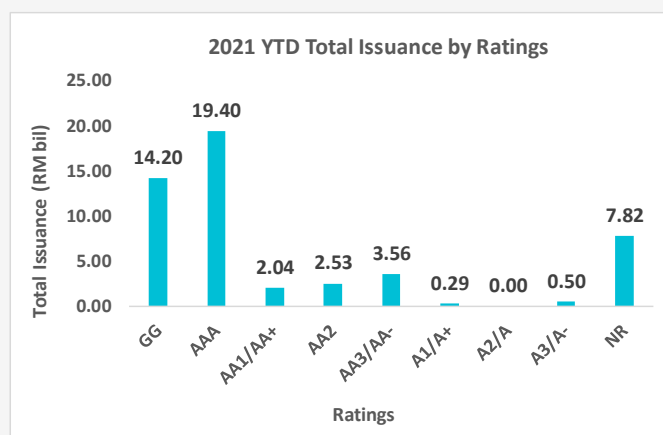
RM 29.95 billion corporate bonds and sukuk were issued in 2Q21 (1Q21: RM 20.39 billion), 46.89% increase from the previous quarter. AAA-rated corporate bonds and sukuk were the most issued with RM 13.05 billion issuances. The government-guaranteed is the second most issued with RM 5.00 billion issuances.

Corporate credit space in Malaysia is dominated with AAA-rated issuances with year-to-date issuance amounted to RM 19.40 billion.

In 2Q21, Danainfra Nasional Berhad issued the largest amount of RM 2.0 billion [DANAINFRA ICP 365D 08.04.2022 - Tranche No 5](#).

Issuance 2Q2021

Month/Rating	April 21 (RM bil)	May 21 (RM bil)	June 21 (RM bil)
GG	3.00	2.00	
AAA	7.40	2.00	3.65
AA1/AA+	0.45	0.20	0.29
AA2/AA	1.56		0.80
AA3/AA-	1.09	1.04	0.83
A1/A+	0.18		0.11
A2/A			
A3/A-			0.50
NR	1.04	2.46	1.35
Total	14.72	7.70	7.53
Total Issuance			29.95



Source BNM, BIX Malaysia

Rating Outlook

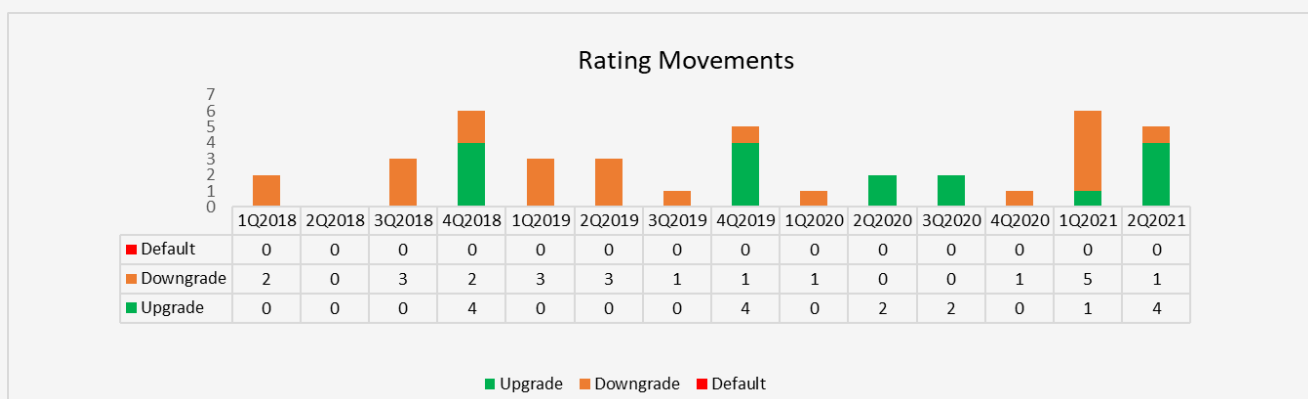
Four upgraded and one downgraded bonds/sukuk in 2Q21.

Upgrade

1. Premier Auto Assets Berhad (RAM)
2. Kedah Cement Sdn Bhd (the Company, formerly Lafarge Cement Sdn Bhd) (RAM Holdings Berhad)
3. Zamarad Assets Berhad (RAM)
4. Kimanis Power Sdn Bhd (MARC)

Downgrade

1. Alpha Circle Sdn Bhd (MARC)



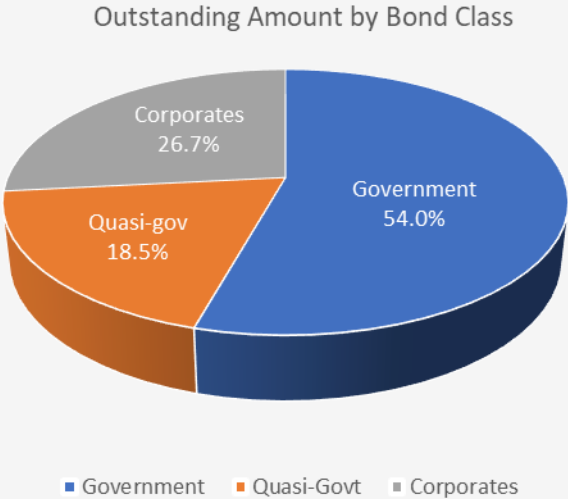
Sources: MARC, RAM and BIX Malaysia

BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of June 2021, the outstanding amount of Malaysian bond market was at RM 1.64 trillion. (March 2020: RM 1.60 trillion). Breakdown by bond classes, the outstanding amount for government issuances stood at RM 890.11 billion. The corporates and quasi-government outstanding amounts were at RM 436.50 billion and RM 311.08 billion, respectively.

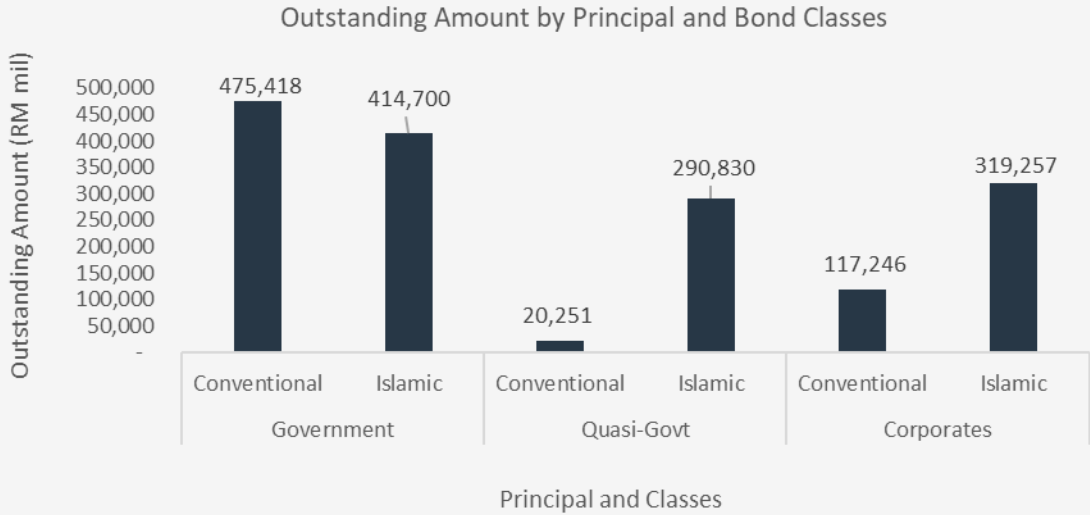


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of June 2021, the outstanding amount of the Government conventional bond was at RM 475.42 billion and the Government Islamic bond (Sukuk) at RM 414.70 billion. The conventional Quasi-Govt outstanding amount stood at RM 20.25 billion whereas its Islamic counterpart stood at RM 290.83 billion. For corporates issuance, the conventional bond outstanding amount was at RM 117.25 billion and its Islamic sukuk was at RM 319.26 billion.



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