

QUARTERLY REPORT

1Q 2019 (Jan19-March19)



1Q2019 – Bank Negara Malaysia (BNM) cuts OPR

BNM cuts the OPR rate by 25bps to 3% on the concern of slowing global growth. The Fed decision to pause its rate hike leads to demand in the emerging market including Malaysia with 4.52% increase in bond foreign holding over the quarter.

Malaysia Government Security (MGS) and Government Islamic Instrument (GII) yields show improvement over the quarter except for MGS 10y tenure as yield rises 70 basis point from the previous quarter.

GLOBAL MARKET

Overview

The US treasuries 10y yield ended at 2.41% with 28 basis point decrease compared to the previous quarter. For 1Q19, US Treasuries and other government bonds rallied on global growth concern.

MY Government Bond

Overview

The 10y MGS ended weak at 3.77% with 70 basis point increase. Overall, MGS/GII showed significant improvement over the quarter with basis point range between 19bps-43bps throughout different tenures.

MY Corporate Bond & Sukuk

Overview

Corporate bond and sukuk yields in the AAA spectrum strengthen during 1Q19 with the robust secondary market. 1Q19 issuance slightly increased by 0.14% at RM29.04b compared to RM29.0b issuance in 4Q18.

Dec-18	Dec-18	UST	Jan-19	Feb-19	Mar-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	Close (%)	Close (%)	(BP)	(BP)	(BP)
2.46	2.46	3 YEAR	2.43	2.50	2.21	-0.29	-0.25	-0.25
2.51	2.51	5 YEAR	2.43	2.52	2.23	-0.29	-0.28	-0.28
2.59	2.59	7 YEAR	2.51	2.63	2.31	-0.32	-0.28	-0.28
2.69	2.69	10 YEAR	2.63	2.73	2.41	-0.32	-0.28	-0.28

Dec-18	Dec-18	MGS	Jan-19	Feb-19	Mar-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	Close (%)	Close (%)	(BP)	(BP)	(BP)
3.62	3.62	3 YEAR	3.58	3.57	3.38	-0.19	-0.24	-0.24
3.76	3.76	5 YEAR	3.76	3.72	3.53	-0.19	-0.23	-0.23
3.99	3.99	7 YEAR	3.90	3.87	3.72	-0.15	-0.27	-0.27
3.07	3.07	10 YEAR	4.06	2.89	3.77	0.88	0.70	0.70

Dec-18	Dec-18	GII	Jan-19	Feb-19	Mar-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	Close (%)	Close (%)	(BP)	(BP)	(BP)
3.68	3.68	3 YEAR	3.67	3.64	3.49	-0.15	-0.19	-0.19
3.83	3.83	5 YEAR	3.86	3.81	3.60	-0.21	-0.23	-0.23
4.07	4.07	7 YEAR	4.02	3.97	3.77	-0.20	-0.30	-0.30
4.24	4.24	10 YEAR	4.09	4.03	3.81	-0.22	-0.43	-0.43

Dec-18	Dec-18	BOND AAA	Jan-19	Feb-19	Mar-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	Close (%)	Close (%)	(BP)	(BP)	(BP)
4.27	4.27	3 YEAR	4.22	4.19	4.13	-0.06	-0.14	-0.14
4.40	4.40	5 YEAR	4.35	4.30	4.22	-0.08	-0.18	-0.18
4.52	4.52	7 YEAR	4.46	4.40	4.29	-0.11	-0.23	-0.23
4.64	4.64	10 YEAR	4.60	4.50	4.37	-0.13	-0.27	-0.27

Dec-18	Dec-18	SUKUK AAA	Jan-19	Feb-19	Mar-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	Close (%)	Close (%)	(BP)	(BP)	(BP)
4.20	4.20	3 YEAR	4.15	4.12	4.06	-0.06	-0.14	-0.14
4.33	4.33	5 YEAR	4.28	4.23	4.15	-0.08	-0.18	-0.18
4.45	4.45	7 YEAR	4.39	4.33	4.22	-0.11	-0.23	-0.23
4.57	4.57	10 YEAR	4.53	4.43	4.30	-0.13	-0.27	-0.27

Sources: US Treasury, BNM, BPAM & BIX Malaysia

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

Total Government bond new and reopening auction issued at 28.5 billion during 1Q19. The average BTC for the quarter is decent at 2.74x, higher than 4Q18 which was at 2.29x. The 10.5-year GII 7/29 has the highest BTC at 4.067x while the 30-year MGS 7/48 has the lowest BTC at 1.718x. The issuance of MGS/GII is expected to decline on the rise of Samurai bond issuance. Overall, the demand for government bond auction throughout the quarter is strong and solid.

1Q19 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	GII 7/29	10.5-year	New Issue	January	3,500	3,500	4.067	4.11%	4.13%	4.14%
2	MGS 7/26	7.5-year	New Issue	January	3,500	7,000	2.216	3.89%	3.91%	3.91%
3	GII 11/23	5-year	Re-opening	January	4,000	11,000	1.974	3.85%	3.86%	3.87%
4	MGS 8/29	10.5-year	New Issue	February	4,000	15,000	2.536	3.87%	3.89%	3.89%
5	GII 6/33	15-year	Re-opening	February	2,000	17,000	3.906	4.36%	4.37%	4.38%
6	MGS 3/22	3-year	Re-opening	March	3,000	20,000	3.132	3.47%	3.48%	3.49%
7	GII 9/39	20.5-year	New Issue	March	2,500	22,500	2.758	4.45%	4.47%	4.48%
8	MGS 7/48	30-year	Re-opening	March	2,000	24,500	1.718	4.55%	4.59%	4.63%
9	GII 3/26	7-year	New Issue	March	4,000	28,500	2.33	3.70%	3.73%	3.75%

Source BNM, BIX Malaysia

There will be 4 auctions of MGS and 4 auctions of GII for the next quarter. Meanwhile, 16 GII will be maturing in 2Q19 amounting to 12.24 billion.

UPCOMING ISSUANCE 2Q19

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 11/33	15	Re-opening	April						
2	GII 10/24	5	New Issue	April						
3	MGS 07/26	7	Re-opening	April						
4	GII 11/49	30	New Issue	May						
5	MGS 08/29	10	Re-opening	May						
6	GII 11/34	15	New Issue	May						
7	MGS 06/34	5	New Issue	June						
8	GII 09/34	20	Re-opening	June						

Source BNM, BIX Malaysia

CORPORATE BOND & SUKUK

Overview

Malaysia Corporate Bond and Sukuk issuance in 1Q19 amounted to RM29.04 billion, 0.4 billion higher than 4Q18. However, it is lower than last year issuance in the same quarter which was at RM29.6 billion. The increase in issuance is driven by the demand for EM assets due to OPR cuts down to 3.00% from 3.25% as well as due to the rate pause outlook in the US.

Issuance 1Q2019

Month/Rating	Jan (RM bill)	Feb (RM bill)	Mar (RM bill)
GG		3.00	4.50
AAA	3.70	4.77	0.15
AA1/AA+			0.11
AA3/AA-			0.43
A1/A+		0.50	1.23
A2/A			0.27
A3/A-	4.70		
BBB1			0.20
D			
NR	1.14	1.23	3.13
Total	9.54	9.49	10.01
Total Issuance	29.04		

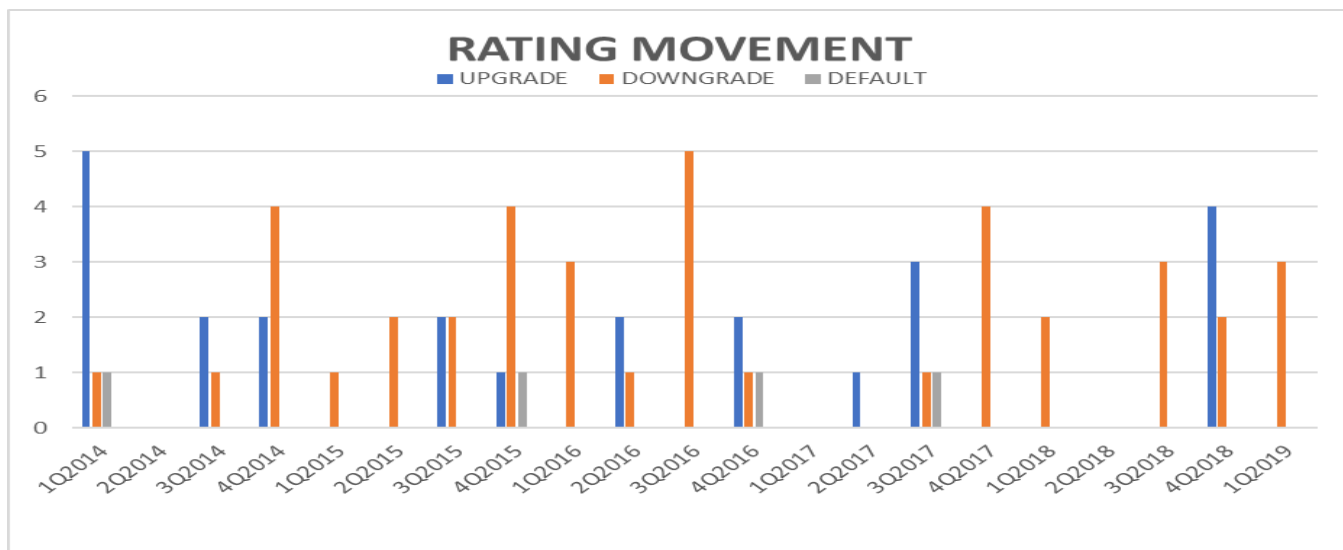
Source BNM, BIX Malaysia

Rating Outlook

There are 0 upgraded and 3 downgraded issuers during 1Q19.

Downgrade

1. Quantum Solar Park (Semenanjung) Sdn Bhd
2. Cendana Sejati Sdn Bhd
3. Murud Capital Sdn Bhd



Sources: MARC, RAM and BIX Malaysia

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