

QUARTERLY REPORT

3Q21 (July 2021 – September 2021)



3Q2021 – CHALLENGES IN MALAYSIAN BOND AND SUKUK MARKET

The expansionary concept of the upcoming Budget 2022 and Bank Negara Malaysia (BNM) kept its Overnight Policy Rate (OPR) unchanged at 1.75%, may have impacted the prices of bond in the market.

The government expects Malaysia's fiscal deficit to narrow to 6% of GDP in 2022 from 6.5% of GDP this year.

GLOBAL MARKET

Overview

The short yield curve, 3-year US Treasuries yield increased 7 bps q-o-q. The belly curve up to 10-year yields also increased to 7 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 15-26 bps. Malaysian bond market has priced in a gradual normalization of the OPR to about 3% or 3.25% in the next two years.

MY Corporate Bond & Sukuk

Overview

Corporate AAA yields increased across the curve. It is seen to be an effective funding instrument to manage sustainability transitions.

Dec-20	Jun-21	UST	Jul-21	MTM	Aug-21	MTM	Sep-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.17	0.46	3 YEAR	0.35	-0.11	0.40	0.05	0.53	0.13	0.07	0.36
0.36	0.87	5 YEAR	0.69	-0.18	0.77	0.08	0.98	0.21	0.11	0.62
0.65	1.21	7 YEAR	1.00	-0.21	1.07	0.07	1.32	0.25	0.11	0.67
0.93	1.45	10 YEAR	1.24	-0.21	1.29	0.05	1.52	0.23	0.07	0.59

Dec-20	Jun-21	MGS	Jul-21	MTM	Aug-21	MTM	Sep-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.88	2.27	3 YEAR	2.28	0.01	2.34	0.06	2.44	0.10	0.17	0.56
2.10	2.54	5 YEAR	2.62	0.08	2.68	0.06	2.92	0.24	0.38	0.82
2.39	3.00	7 YEAR	3.02	0.02	3.04	0.02	3.30	0.26	0.30	0.91
2.65	3.28	10 YEAR	3.17	-0.11	3.19	0.02	3.37	0.18	0.09	0.72

Dec-20	Jun-21	GII	Jul-21	MTM	Aug-21	MTM	Sep-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.92	2.30	3 YEAR	2.30	0.00	2.36	0.06	2.56	0.20	0.26	0.64
2.26	2.69	5 YEAR	2.61	-0.08	2.64	0.03	2.99	0.35	0.30	0.73
2.51	3.02	7 YEAR	2.99	-0.03	3.16	0.17	3.33	0.17	0.31	0.82
2.81	3.35	10 YEAR	3.29	-0.06	3.31	0.02	3.46	0.15	0.11	0.65

Dec-20	Jun-21	BOND AAA	Jul-21	MTM	Aug-21	MTM	Sep-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	2.77	3 YEAR	2.71	-0.06	2.76	0.05	2.92	0.16	0.15	0.47
2.70	3.14	5 YEAR	3.05	-0.09	3.09	0.04	3.34	0.25	0.20	0.64
2.95	3.47	7 YEAR	3.37	-0.10	3.41	0.04	3.71	0.30	0.24	0.76
3.26	3.86	10 YEAR	3.76	-0.10	3.71	-0.05	3.85	0.14	-0.01	0.59

Dec-20	Jun-21	SUKUK AAA	Jul-21	MTM	Aug-21	MTM	Sep-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	2.77	3 YEAR	2.71	-0.06	2.76	0.05	2.92	0.16	0.15	0.47
2.70	3.14	5 YEAR	3.05	-0.09	3.09	0.04	3.34	0.25	0.20	0.64
2.95	3.47	7 YEAR	3.37	-0.10	3.41	0.04	3.71	0.30	0.24	0.76
3.26	3.86	10 YEAR	3.76	-0.10	3.71	-0.05	3.85	0.14	-0.01	0.59

BOND & SUKUK RESEARCH

Any feedback please email:
feedback@bixmalaysia.com

GOVERNMENT BOND AUCTION

Overview

The government bond auction for 3Q21 garnered an average BTC of 2.289x, an increase from the previous quarter (2Q21: 2.191x). A reopening of 10Y GII 10/30 received the highest BTC at 3.403x. The new/reopening issuances for MGS/GII stood at RM 42.5 billion (2Q21: RM 40 billion). As of September 2021, the outstanding amount for MGS/GII was at RM 876.32 billion (2Q21: RM 866.02 billion).

There are some prospects for an increase to the statutory debt limit to 65% of GDP, which would drive expectations for wider fiscal deficits and high bond supply for this year and next.

3Q21 AUCTION

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	2,500	85,00	3.056	3.969	3.982	3.992
2	MGS 11/26	5	Reopening	Jul	5,000	90,000	1.505	2.585	2.616	2.644
3	GII 10/30	10	Reopening	Jul	3,500	95,500	3.403	3.273	3.286	3.297
4	MGS 06/50	30	Reopening	Aug	2,000	99,500	2.280	4.259	4.289	4.300
5	GII 08/28	7	Reopening	Aug	4,500	104,00	1.980	3.145	3.163	3.178
6	MGS 06/24	3	Reopening	Aug	5,000	109,000	1.950	2.338	2.355	2.363
7	GII 09/41	20	Reopening	Sep	2,500	113,500	2.687	4.165	4.178	4.191
8	MGS 04/31	10	Reopening	Sep	4,500	119,000	1.606	3.270	3.292	3.310
9	GII 03/26	5	Reopening	Sep	4,000	123,000	2.133	3.000	3.025	3.040

There will be nine reopening MGS and GII auctions in 4Q21.

UPCOMING ISSUANCE 4Q21

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	Oct						
2	GII 11/49	30	Reopening	Oct						
3	MGS 11/26	5	Reopening	Oct						
4	GII 10/30	10	Reopening	Nov						
5	MGS 05/35	15	Reopening	Nov						
6	GII 10/24	3	Reopening	Nov						
7	MGS 05/40	20	Reopening	Dec						
8	GII 08/28	7	Reopening	Dec						
9	MGS 06/24	3	Reopening	Dec						

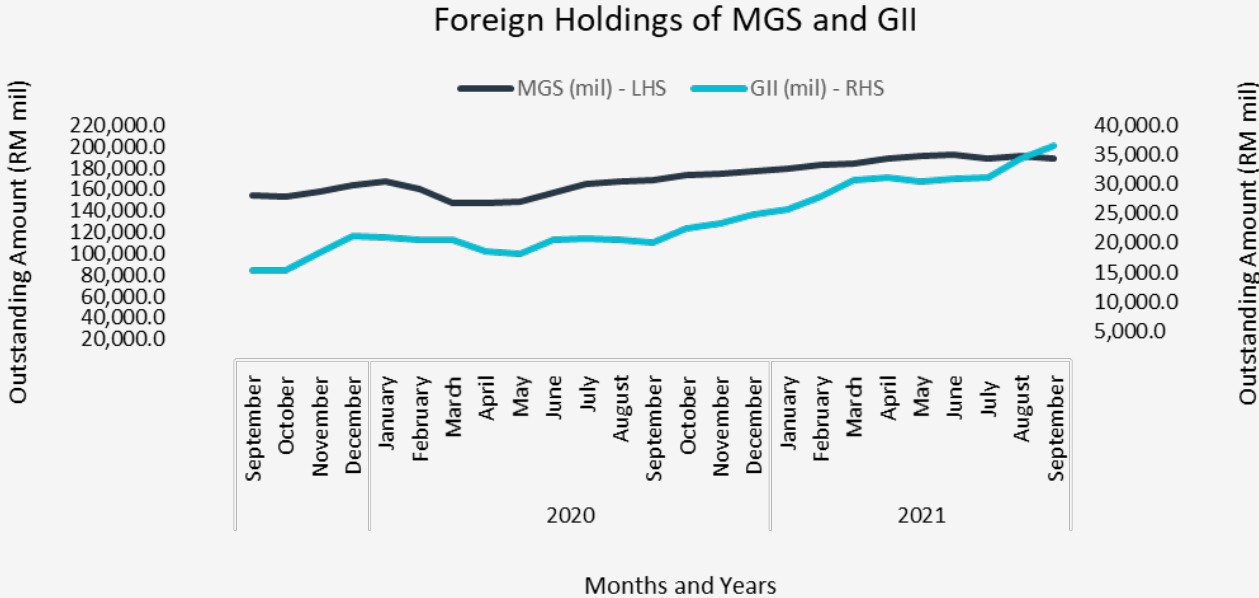
Source BNM, BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

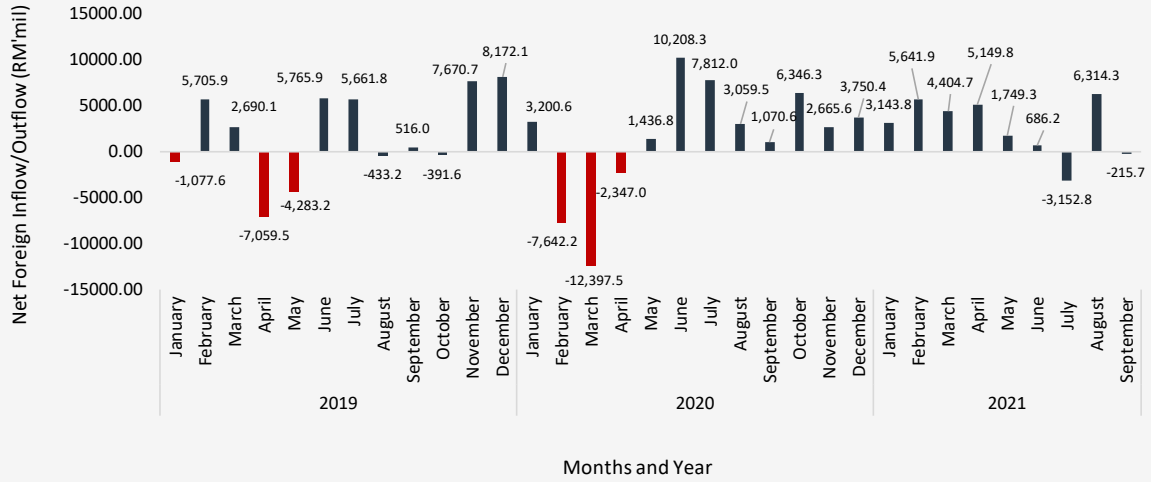
Overview

The foreign inflow to MGS and GII tapered off in 3Q21 with net inflow amounted - RM3.15 billion, RM 6.31 billion and - RM 0.22 billion respectively in July, August and September. As of September 2021, the total foreign holdings of MGS and GII stood at RM 225.87 billion (June 2021: RM 222.92 billion), a 1.32% increase from the previous quarter.

In the recent report, near-term bond supply demand outlook argue for higher bond yields as foreign bond inflows have been losing momentum at time when issuances are expected to be ramped up going into a year-end.



Cumulative Net Foreign Flow to MGS and GII



CORPORATE BOND & SUKUK

Overview

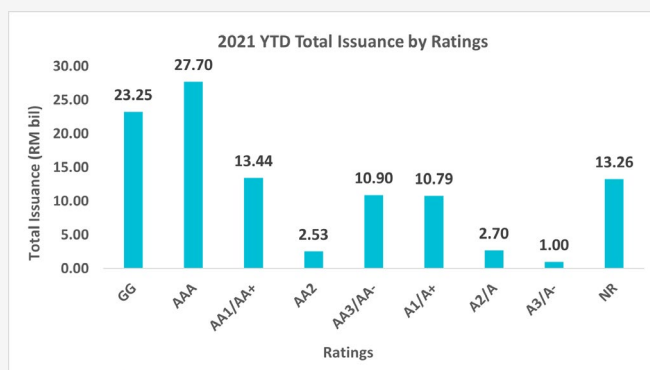
RM 49.25 billion corporate bonds and sukuk were issued in 3Q21 (2Q21: RM 29.95 billion), 264.4% increase from the previous quarter. AA+ rated corporate bonds and sukuk were the most issued with RM 11.40 billion issuances. The government-guaranteed is the second most issued with RM 9.05 billion issuances.

Corporate credit space in Malaysia is dominated with AAA rated issuances with year-to-date issuance amounted to RM 27.70 billion.

In 3Q21, Malayan Banking Berhad issued the largest amount of RM 3.0 billion [DANAINFRA CP 365D 08.04.2022 - Tranche No 5](#).

Issuance 3Q2021

Month/Rating	July 21 (RM bil)	August 21 (RM bil)	September 21 (RM bil)
GG	2.85	1.70	4.50
AAA		6.10	2.20
AA1/AA+	5.80	2.00	3.60
AA2/AA			
AA3/AA-	1.09	3.27	3.00
A1/A+		4.50	
A2/A			2.70
A3/A-			0.50
NR	1.20	1.42	2.82
Total	10.94	18.99	19.32
Total Issuance			49.25



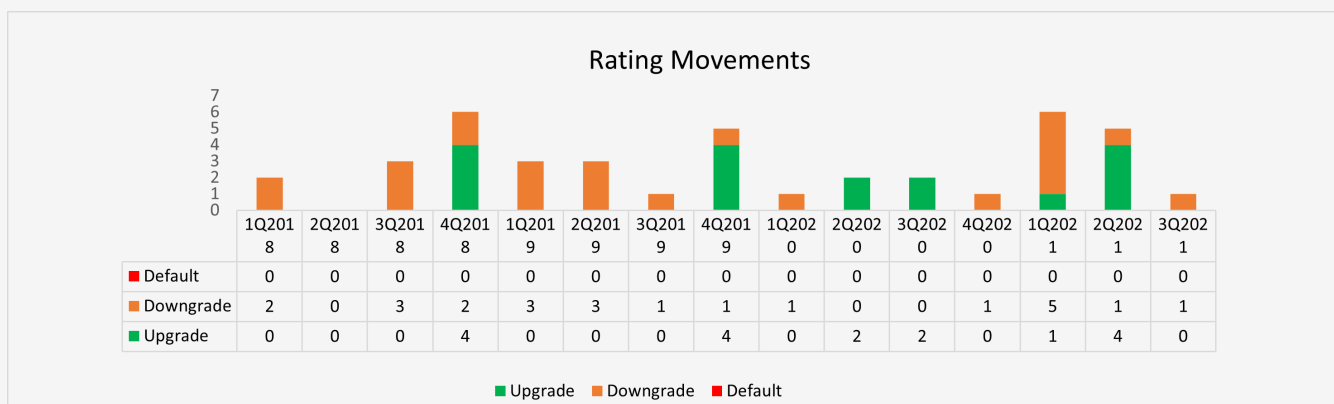
Source BNM, BIX Malaysia

Rating Outlook

One downgraded bonds/sukuk in 2Q21.

Downgrade

1. Alpha Circle Sdn Bhd (MARC)



Sources: MARC, RAM and BIX Malaysia

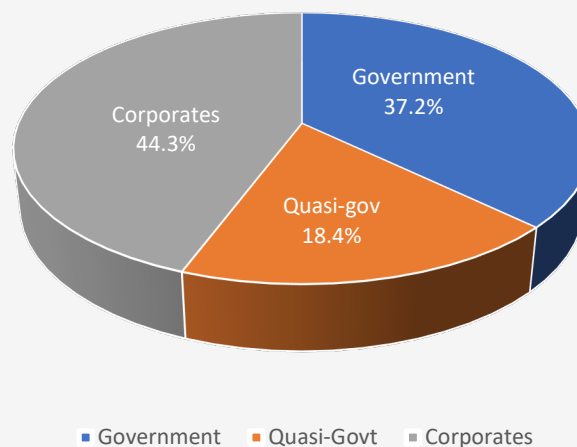
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of September 2021, the outstanding amount of Malaysian bond market was at RM 1.72 trillion. (June 2021: RM 1.64 trillion). Breakdown by bond classes, the outstanding amount for government issuances stood at RM 641.03 billion. The corporates and quasi-government outstanding amounts were at RM 318.60 billion and RM 763.76 billion, respectively.

Outstanding Amount by Bond Class

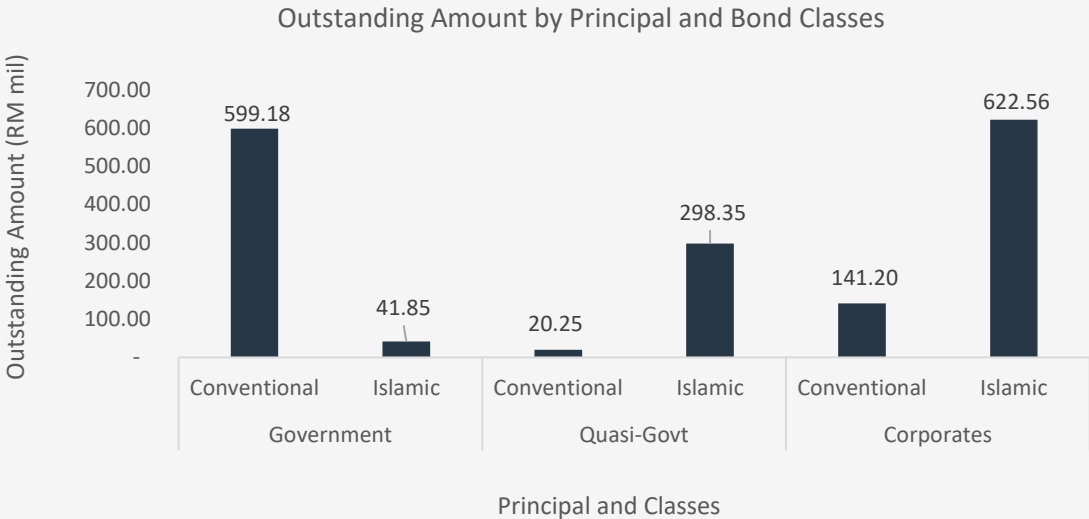


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of September 2021, the outstanding amount of the Government conventional bond was at RM 599.18 billion and the Government Islamic bond (Sukuk) at RM 41.85 billion. The conventional Quasi-Govt outstanding amount stood at RM 20.25 billion whereas its Islamic counterpart stood at RM 298.35 billion. For corporates issuance, the conventional bond outstanding amount was at RM 141.20 billion and its Islamic sukuk was at RM 622.56 billion.



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