

QUARTERLY REPORT

3Q20 (July 2020 - September 2020)



3Q2020 - Rise in Bond Supply and Foreign Holdings

As economy reopened since May after three-month of movement restriction, the 3Q20 GDP improved with smaller contraction by 2.7% compared to 2Q20 with 17.2% contraction. The unemployment rate also improved from 4.9% in June to 4.6% in September. Overall MGS and GII declined in September due to concern on FTSE WGBI announcement. The FTSE decided to keep Malaysia's bond in the index and next review will be in March 2021.

GLOBAL MARKET

Overview

There is a slight change in q-o-q UST yields ranging from 1 bps - 2 bps lower, save for 10Y. The Fed Funds Rate stay pat at 0.00-0.25% since March.

MY Government Bond

Overview

MGS/GII yields rally q-o-q by 19 bps-39 bps higher across the curve. The yields declined in September as concern about FTSE WGBI announcement on potential exclusion. The overnight policy-rate was cut by 25bps in July meeting and maintained at 1.75% in September meeting.

MY Corporate Bond & Sukuk

Overview

Corporate AAA-segment rally across maturity between 28 bps to 43 bps. The corporate bond issuance during the quarter increased by 45%.

Dec-18	Jun-20	UST	Jul-20	MTM	Aug-20	MTM	Sep-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.46	0.18	3 YEAR	0.11	-0.07	0.15	0.04	0.16	0.01	-0.02	-2.30
2.51	0.29	5 YEAR	0.21	-0.08	0.28	0.07	0.28	0.00	-0.01	-2.23
2.59	0.49	7 YEAR	0.39	-0.10	0.50	0.11	0.47	-0.03	-0.02	-2.12
2.69	0.66	10 YEAR	0.55	-0.11	0.72	0.17	0.69	-0.03	0.03	-2.00

Dec-18	Jun-20	MGS	Jul-20	MTM	Aug-20	MTM	Sep-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.62	2.24	3 YEAR	1.90	-0.34	1.83	-0.07	1.99	0.16	-0.25	-1.63
3.76	2.46	5 YEAR	2.11	-0.35	2.10	-0.01	2.24	0.14	-0.22	-1.52
3.99	2.66	7 YEAR	2.25	-0.41	2.28	0.03	2.43	0.15	-0.23	-1.56
4.07	2.86	10 YEAR	2.55	-0.31	2.60	0.05	2.67	0.07	-0.19	-1.40

Dec-18	Jun-20	GII	Jul-20	MTM	Aug-20	MTM	Sep-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.68	2.31	3 YEAR	1.97	-0.34	1.86	-0.11	2.04	0.18	-0.27	-1.64
3.83	2.53	5 YEAR	2.07	-0.46	2.03	-0.04	2.21	0.18	-0.32	-1.62
4.07	2.74	7 YEAR	2.28	-0.46	2.37	0.09	2.35	-0.02	-0.39	-1.72
4.24	2.87	10 YEAR	2.56	-0.31	2.61	0.05	2.63	0.02	-0.24	-1.61

Dec-18	Jun-20	BOND AAA	Jul-20	MTM	Aug-20	MTM	Sep-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.27	2.91	3 YEAR	2.53	-0.38	2.44	-0.09	2.48	0.04	-0.43	-1.79
4.40	3.07	5 YEAR	2.69	-0.38	2.62	-0.07	2.66	0.04	-0.41	-1.74
4.52	3.22	7 YEAR	2.85	-0.37	2.79	-0.06	2.83	0.04	-0.39	-1.69
4.64	3.41	10 YEAR	3.09	-0.32	3.04	-0.05	3.13	0.09	-0.28	-1.51

Dec-18	Jun-20	SUKUK AAA	Jul-20	MTM	Aug-20	MTM	Sep-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.20	2.91	3 YEAR	2.53	-0.38	2.44	-0.09	2.48	0.04	-0.43	-1.72
4.33	3.07	5 YEAR	2.69	-0.38	2.62	-0.07	2.66	0.04	-0.41	-1.67
4.45	3.22	7 YEAR	2.85	-0.37	2.79	-0.06	2.83	0.04	-0.39	-1.62
4.57	3.41	10 YEAR	3.09	-0.32	3.04	-0.05	3.13	0.09	-0.28	-1.44

BOND & SUKUK RESEARCH

Any feedback please email:

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GOVERNMENT BOND AUCTION

Overview

Demand for MGS/GII in 3Q20 auction weakened with average BTC fell to 1.983x (2Q20: 2.245x). The long-term 30Y GII 11/49 received the lowest BTC at 1.358x. The highest BTC recorded was at 2.803x by 5Y MGS 09/25. Gross issuance of MGS/GII in 3Q20 total RM 44.6 billion (2Q20: RM 30.5). As of September 2020, MGS and GII outstanding amount stood at RM 802.52 billion (2Q20: RM 772.73 billion). Covid-19 pandemic necessitates an expansionary fiscal policy. A RM 295 billion stimulus package was announced to mitigate the impact of Covid-19. The government has revised target fiscal deficit to 6% of GDP from 3.2% and increased its statutory debt to 60% from 55% of GDP.

3Q20 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 03/23	3	Reopening	July	5,000	68,800	2.512	1.987	2.002	2.010
2	GII 10/30	10	Reopening	July	5,000	73,800	2.591	2.650	2.665	2.679
3	MGS 07/34	15	Reopening	July	5,000	78,800	2.105	2.950	2.970	2.985
4	GII 09/27	7	Reopening	Aug	4,000	82,800	2.045	2.265	2.280	2.285
5	MGS 05/40	20	Reopening	Aug	4,000	86,800	1.469	3.200	3.240	3.273
6	GII 11/34	15	Reopening	Aug	4,000	90,800	1.423	2.995	3.032	3.080
7	MGS 05/27	7	Reopening	Sep	3,500	94,300	1.538	2.254	2.291	2.340
8	GII 11/49	30	Reopening	Sep	3,000	97,300	1.358	3.985	4.178	4.351
9	MGS 09/25	5	Reopening	Sep	5,000	102,300	2.803	2.360	2.389	2.405

Source BNM, BIX Malaysia

There will be three MGS issuances and four GII issuances in 4Q20. One [PROFIT-BASED GII 6/2010 30.11.2020](#) with RM 3.0 billion outstanding amount will mature in November 2020.

UPCOMING ISSUANCE 4Q20

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	GII 05/23	3	Reopening	Oct						
2	MGS 04/31	10	New Issue	Oct						
3	GII 03/26	5	Reopening	Oct						
4	MGS 06/50	30	Reopening	Nov						
5	GII 09/27	7	Reopening	Nov						
6	MGS 07/34	15	Reopening	Nov						
7	GII 10/30	10	Reopening	Dec						

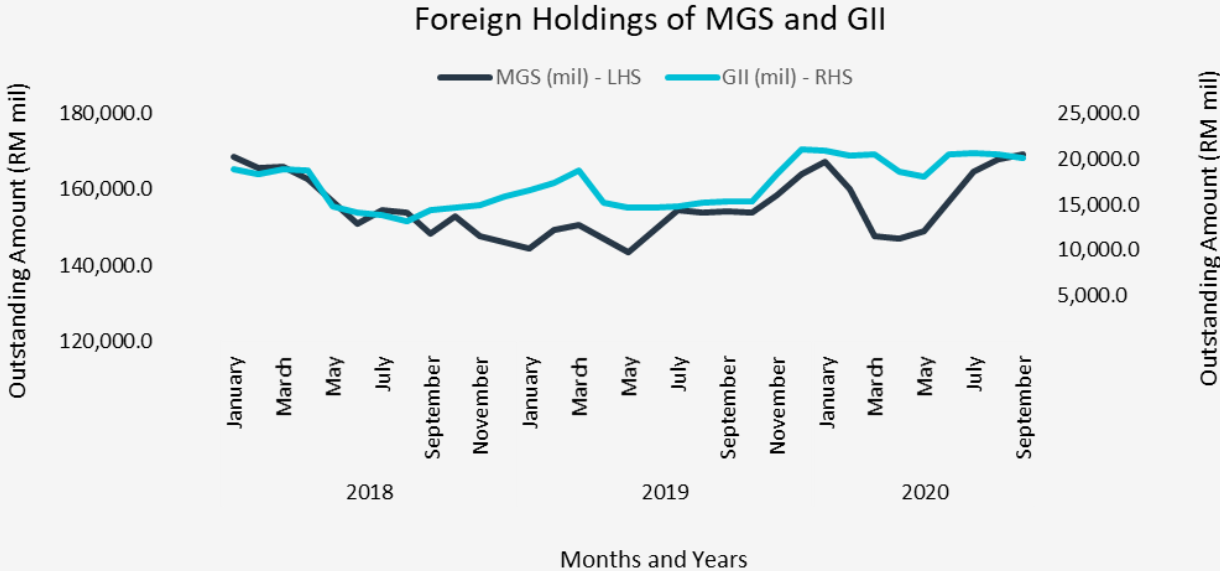
Source BNM, BPAM, BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

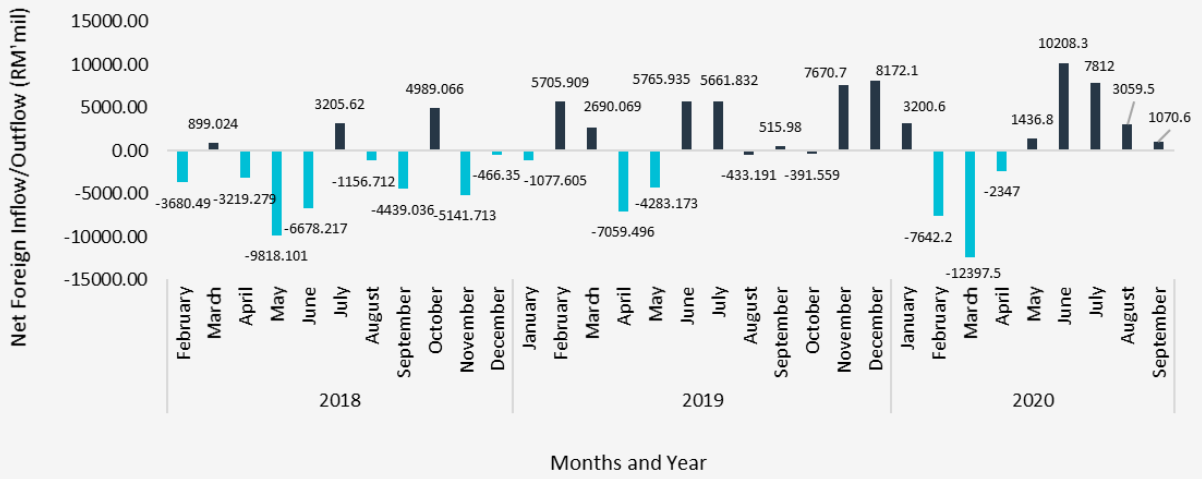
Overview

MGS/GII experienced consistent net inflow from foreign investors during the quarter. There were RM 7.8 billion, RM 3.1 billion and RM 1.1 billion net inflow respectively in July, August, and September. By the end of 3Q20, foreign holdings of MGS/GII stood at RM 189.38 billion (June 2020: RM 177.44 billion), a 6.7% increase from the previous quarter.

In the midst of a low-interest rate environment, investors are hunting for higher yields. Malaysia is among the highest real yield at 3.15% as of October 2020.



Cumulative Net Foreign Flow to MGS and GII



CORPORATE BOND & SUKUK

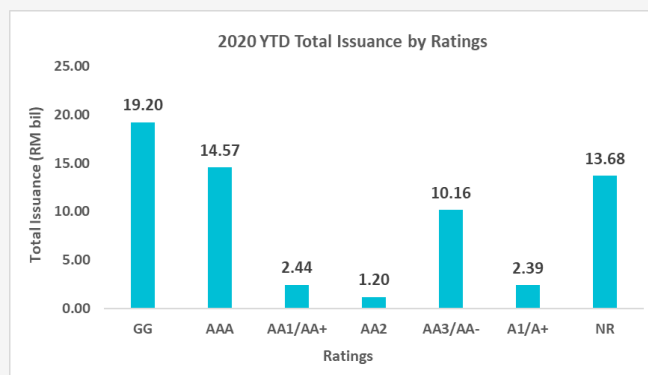
Overview

For the 3Q20, the corporate segment issued RM 24.66 billion bond and sukuk, a 45% increase from the previous quarter (2Q20: RM 16.94 billion). The year-to-date total corporate issuance is amounted RM 63.64 billion. Issuance from corporate bond is expected to increase in a low-interest rate environment.

By ratings (excluding government-guaranteed and non-rated), AAA-rated bond is the most issued with the total amount of RM 14.57 billion. The second most issued is AA3-rated bonds with the issuance amount of RM 10.16 billion. The biggest issuance is [TENAGA IMTN 3.550% 10.08.2040](#) by [Tenaga Nasional Berhad](#) with the amount of RM 1.50 billion.

Issuance 3Q2020

Month/Rating	July 20 (RM bil)	August 20 (RM bil)	September 20 (RM bil)
GG	4.50		4.80
AAA	0.10	3.40	1.70
AA1/AA+	0.50	0.75	0.24
AA2/AA	0.17		0.03
AA3/AA-	0.84	3.20	0.35
A1/A+	0.12		0.50
NR	0.86	1.20	1.40
Total	7.09	8.55	9.02
Total Issuance			24.66



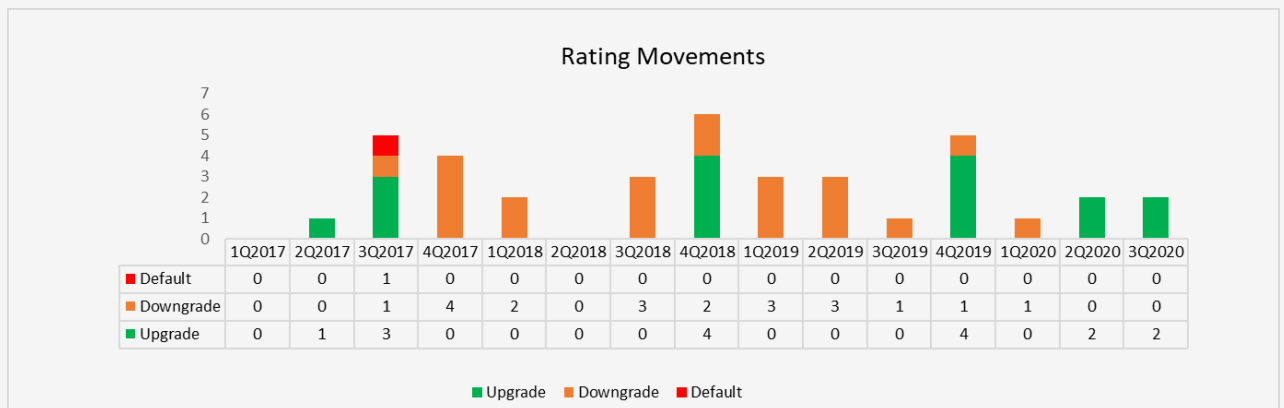
Source BNM, BIX Malaysia

Rating Outlook

There are 2 upgraded and 0 downgraded bonds/sukuk in 3Q20.

Upgrade

1. [WIDAD CAPITAL SDN BHD](#)
2. [PREMIER AUTO ASSETS BERHAD](#)



Sources: MARC, RAM and BIX Malaysia

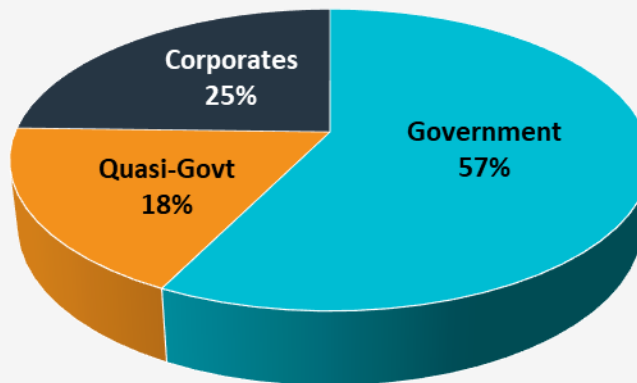
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of September 2020, the outstanding amount of Malaysian bonds is at RM 1.44 trillion, 3.6% increase from the previous quarter (June 2020: RM 1.39 trillion), with government bonds dominate by 57% of the outstanding amount. Corporate bond made up 25%, while Quasi-government made up 18% of the total outstanding amount.

Breakdown by Bond Classes



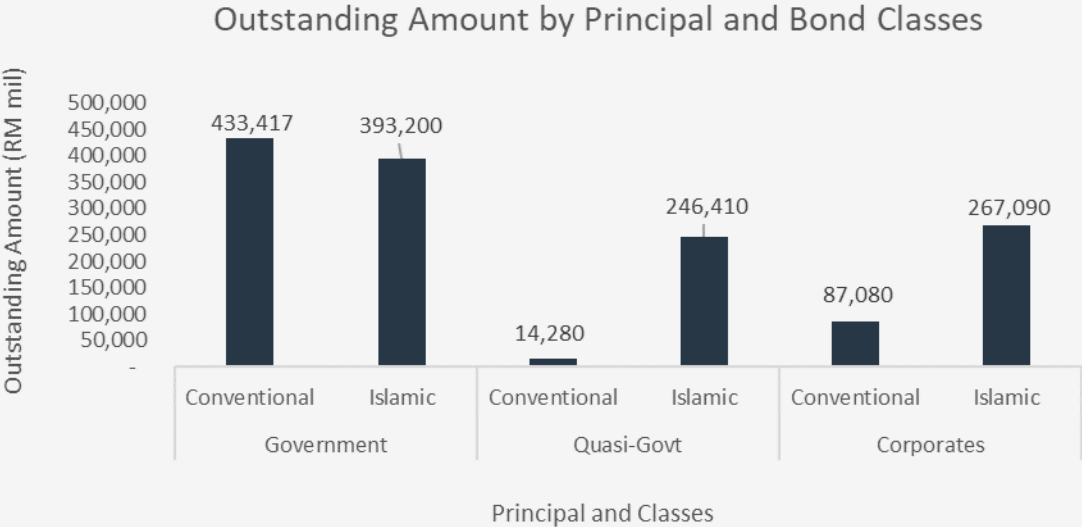
■ Government ■ Quasi-Govt ■ Corporates

BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of September 2020, the outstanding amount of the Government conventional bond was at RM 433.42 billion (2Q20: RM 420.63 billion) and the Government Islamic bond (Sukuk) at RM 393.20 billion (2Q20: RM 378.90 billion). The conventional Quasi-Govt have lower outstanding amount of RM 14.28 billion than in previous quarter (2Q20: RM 17.62 billion) indicating more redemption than issuance in 3Q20 for this segment.

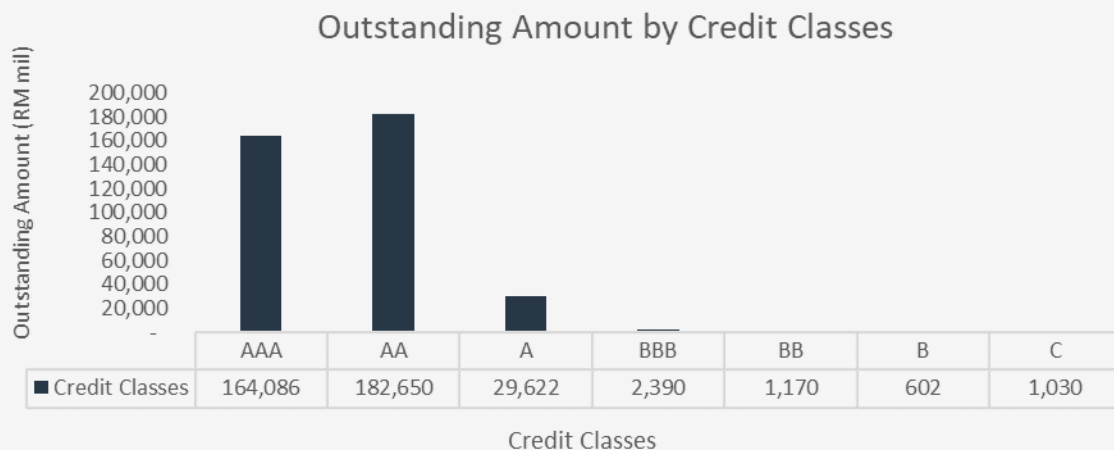


BOND STATISTICS

Overview

Outstanding Amount by Credit Classes

As of September 2020, AA-rated bonds had the highest outstanding amount at RM 182.65 billion (June 2020: RM 164.74billion). This AA-rated surpassed the outstanding amount of AAA-rated bond who was the highest in 2Q20. AAA-rated bond in 3Q20 outstanding amount was RM 164.09 billion (2Q20: 173.45 billion). For non-investment grade bonds, the cumulative outstanding amount of BB-rated bonds and below was static at RM 2.8 billion (June 2020: RM2.8 billion).



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