

QUARTERLY REPORT

1Q21 (January 2021 – March 2021)



1Q2021 – SELLING PRESSURE IN THE BOND MARKET

The first quarter of 2021 started with a bloodbath in the markets. Bond yields in US Treasuries, Malaysia govvnies and corporates substantially increase, indicating a major decline in prices across tenures. A reflation happened in the US with the progress of vaccination and positive economic data. There is also a pressure in the supply side of government bonds as larger issuance is expected for this year to support various stimulus to combat the COVID-19 impacts.

GLOBAL MARKET

Overview

US Treasuries yields spiked by 18 – 81 bps q-o-q. A \$1.9 trillion stimulus package by the US government raised concern on inflation.

MY Government Bond

Overview

MGS/GII tracked US Treasuries performance with increased in yields by 22-69 bps q-o-q. MGS was more impacted by the decline. In March meeting, BNM decided to keep the OPR at 1.75%.

MY Corporate Bond & Sukuk

Overview

The corporate bond yields substantially increased 50 – 90 bps q-o-q. Corporate issuance declined compared to previous quarter with RM 20.39 billion (4Q20: RM 43.69 billion)

Dec-20	Dec-20	UST	Jan-21	MTM	Feb-21	MTM	Mar-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.17	0.17	3 YEAR	0.19	0.02	0.30	0.11	0.35	0.05	0.18	0.18
0.36	0.36	5 YEAR	0.45	0.09	0.75	0.30	0.92	0.17	0.56	0.56
0.65	0.65	7 YEAR	0.79	0.14	1.15	0.36	1.40	0.25	0.75	0.75
0.93	0.93	10 YEAR	1.11	0.18	1.44	0.33	1.74	0.30	0.81	0.81

Dec-20	Dec-20	MGS	Jan-21	MTM	Feb-21	MTM	Mar-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.88	1.88	3 YEAR	1.84	-0.04	1.98	0.14	2.13	0.15	0.25	0.25
2.10	2.10	5 YEAR	2.05	-0.05	2.32	0.27	2.66	0.34	0.56	0.56
2.39	2.39	7 YEAR	2.46	0.07	2.85	0.39	3.08	0.23	0.69	0.69
2.65	2.65	10 YEAR	2.70	0.05	3.08	0.38	3.24	0.16	0.59	0.59

Dec-20	Dec-20	GII	Jan-21	MTM	Feb-21	MTM	Mar-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.92	1.92	3 YEAR	1.88	-0.04	2.03	0.15	2.14	0.11	0.22	0.22
2.26	2.26	5 YEAR	2.20	-0.06	2.62	0.42	2.73	0.11	0.47	0.47
2.51	2.51	7 YEAR	2.48	-0.03	2.93	0.45	2.96	0.03	0.45	0.45
2.81	2.81	10 YEAR	2.76	-0.05	3.22	0.46	3.35	0.13	0.54	0.54

Dec-20	Dec-20	BOND AAA	Jan-21	MTM	Feb-21	MTM	Mar-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	2.45	3 YEAR	2.43	-0.02	2.47	0.04	2.95	0.48	0.50	0.50
2.70	2.70	5 YEAR	2.68	-0.02	2.85	0.17	3.39	0.54	0.69	0.69
2.95	2.95	7 YEAR	2.92	-0.03	3.16	0.24	3.78	0.62	0.83	0.83
3.26	3.26	10 YEAR	3.29	0.03	3.60	0.31	4.16	0.56	0.90	0.90

Dec-20	Dec-20	SUKUK AAA	Jan-21	MTM	Feb-21	MTM	Mar-21	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	2.45	3 YEAR	2.43	-0.02	2.47	0.04	2.95	0.48	0.50	0.50
2.70	2.70	5 YEAR	2.68	-0.02	2.85	0.17	3.39	0.54	0.69	0.69
2.95	2.95	7 YEAR	2.92	-0.03	3.16	0.24	3.78	0.62	0.83	0.83
3.26	3.26	10 YEAR	3.29	0.03	3.60	0.31	4.16	0.56	0.90	0.90

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

A robust demand for MGS/GII auction at bid-to-cover ratio (BTC) of 2.161x (4Q20: 2.113x). A new issue 15Y GII 07/36 garnered the highest BTC at 2.917x. The new/reopening issuances for MGS/GII stood at RM 40.50 billion (4Q20: RM 29.50 billion). As of March 2021, the outstanding amount for MGS/GII was at RM 838.52 billion (4Q20: RM 811.02 billion).

In January, Moody's affirmed the Malaysian government's local and foreign currency long-term issuer and local currency senior unsecured debt ratings at A3, and kept its outlook at stable.

1Q21 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	Jan	3,500	3,500	2.026	2.406	2.449	2.463
2	GII 07/36	15	New Issue	Jan	3,000	8,000	2.917	3.385	3.447	3.475
3	MGS 04/31	10	Reopening	Jan	4,000	12,000	1.992	2.684	2.714	2.730
4	GII 03/26	5	Reopening	Feb	4,500	16,500	2.067	2.230	2.252	2.260
5	MGS 05/40	20	Reopening	Feb	2,000	20,500	2.224	3.901	3.969	4.010
6	GII 09/27	7	Reopening	Feb	3,500	24,000	2.196	2.792	2.806	2.824
7	MGS 06/50	30	Reopening	Mar	2,000	28,000	2.023	4.443	4.486	4.549
8	GII 10/30	10	Reopening	Mar	4,000	32,000	1.799	3.500	3.561	3.589
9	MGS 09/25	5	Reopening	Mar	4,500	36,500	1.789	2.751	2.764	2.783
10	GII 09/41	20	New Issue	Mar	2,000	40,500	2.575	4.390	4.417	4.435

Source BNM, BIX Malaysia

There will be nine reopening MGS and GII auction in 2Q21.

UPCOMING ISSUANCE 2Q21

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						
2	GII 07/36	15	Reopening	Apr						
3	MGS 06/24	3	Reopening	Apr						
4	GII 11/49	30	Reopening	May						
5	MGS 05/35	15	Reopening	May						
6	GII 03/26	5	Reopening	May						
7	MGS 04/31	10	Reopening	Jun						
8	GII 10/24	3	Reopening	Jun						
9	MGS 05/40	20	Reopening	Jun						

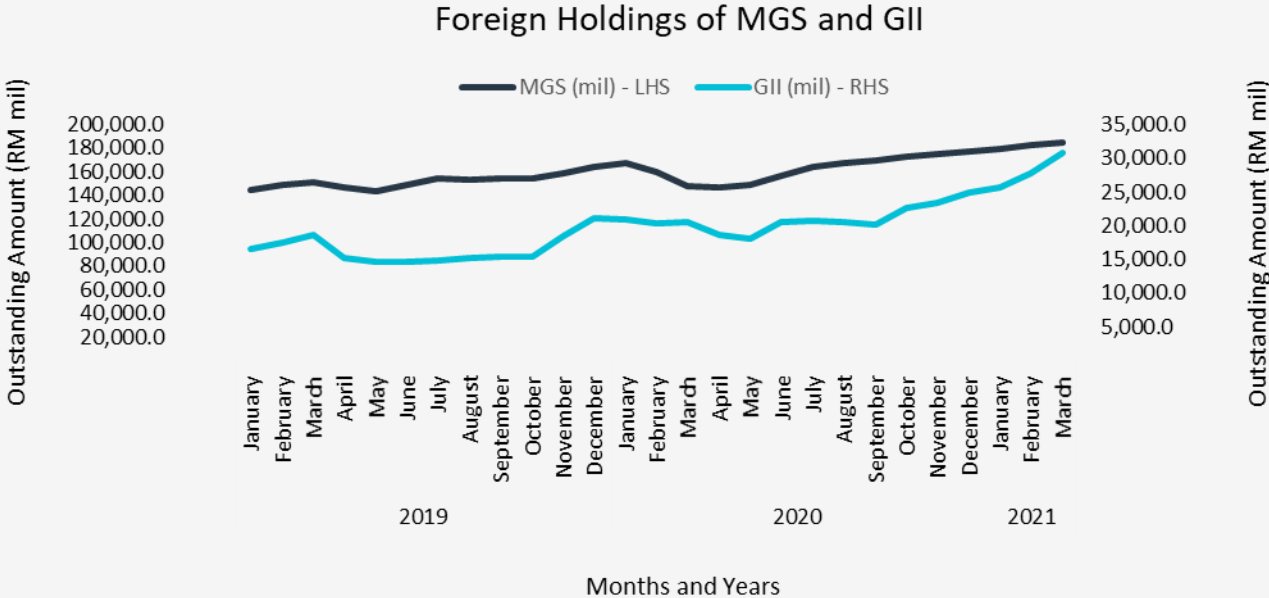
Source BNM, BPAM, BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

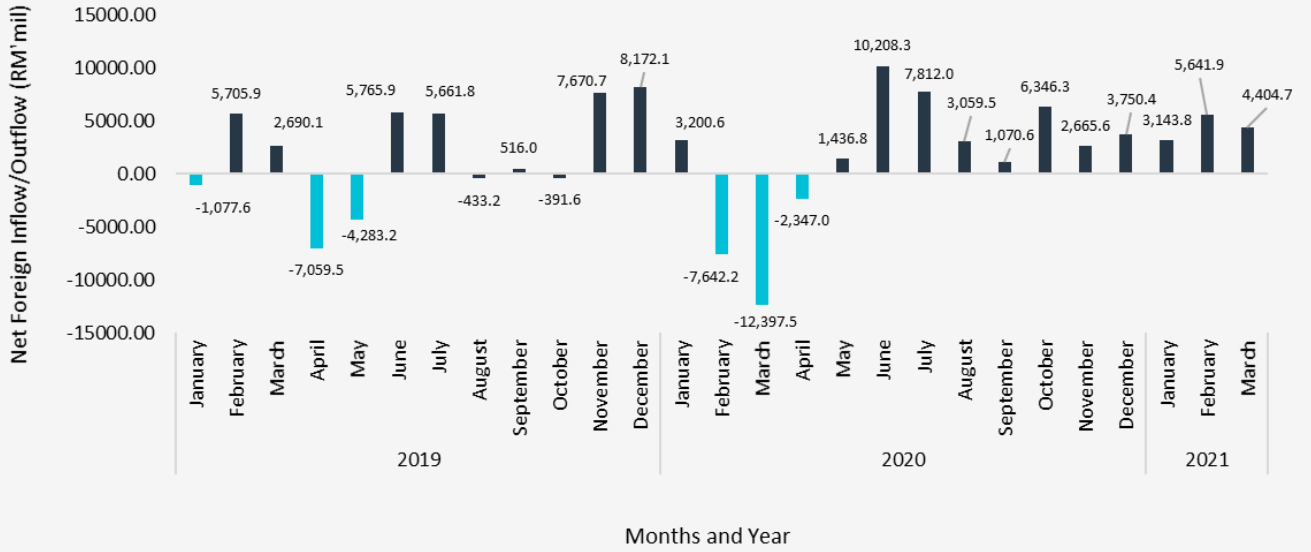
Overview

For 1Q21, total foreign inflow to MGS and GII amounted RM 13.19 billion cumulatively. As of March 2021, total foreign holdings of MGS and GII stood at RM 215.34 billion (December 2020: RM 202.20 billion), a 17% increase from the previous quarter.

In March review, FTSE Russell announced to remove Malaysia from the FTSE Russell Watch List for potential exclusion and retain Malaysia in the World Government Bond Index (WBI).



Cumulative Net Foreign Flow to MGS and GII



CORPORATE BOND & SUKUK

Overview

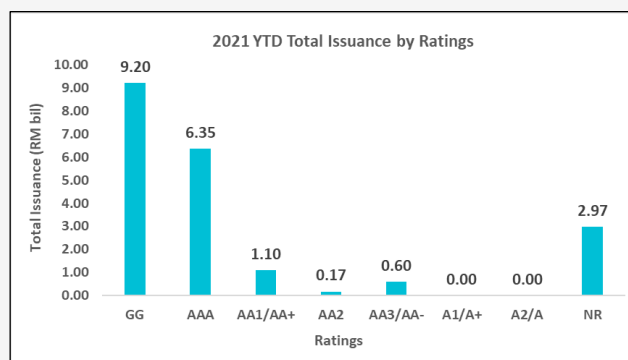
A RM 20.39 billion corporate bonds were issued in 1Q21 (4Q20: RM 43.69 billion). For 1Q21, the biggest issuance amount was driven by government-guaranteed.

By ratings (excluding government-guaranteed and non-rated), AAA-rated bonds were the most issued with RM 6.35 billion issuance (4Q20: RM 12.36 billion). The second big issuance was AA1/AA+-rated with RM 1.10 billion issuance (4Q20: RM 2.50 billion)

The largest corporate bond issuance in 1Q21 was issued by Danga Capital Berhad, a [DANGA IMTN 2.960% 25.01.2028 - Tranche 11](#) of RM 1.50 billion.

Issuance 1Q2021

Month/Rating	January 21 (RM bil)	February 21 (RM bil)	March 21 (RM bil)
GG		2.20	7.00
AAA	2.11	1.20	3.04
AA1/AA+		1.00	0.10
AA2/AA		0.05	0.12
AA3/AA-		0.40	0.20
A1/A+			
A2/A			
NR	0.40	0.60	1.97
Total	2.51	5.45	12.43
Total Issuance			20.39



Source BNM, BIX Malaysia

Rating Outlook

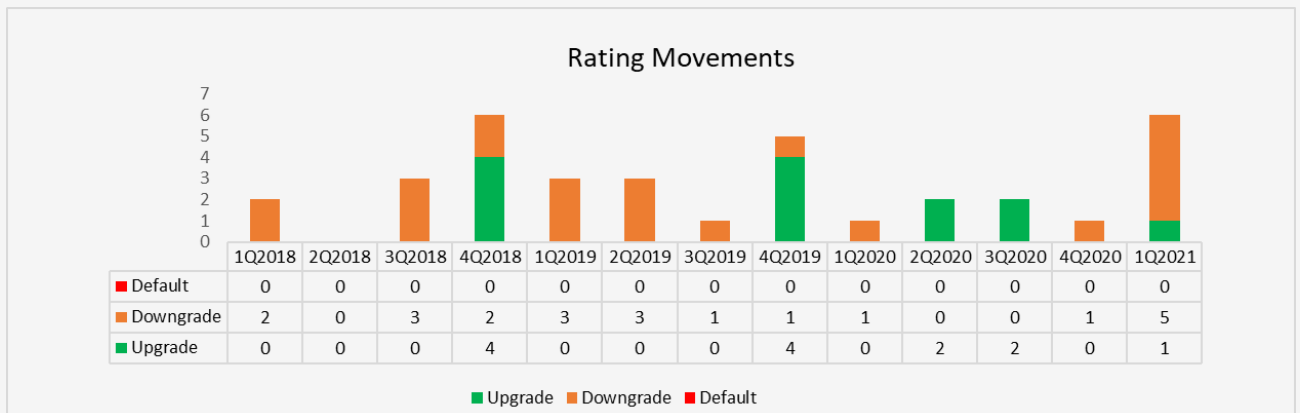
One upgraded and five downgraded bonds/sukuk in 1Q21.

Upgrade

1. [Quantum Solar Park \(Semenanjung\) Sdn Bhd](#) (MARC)

Downgrade

1. [MEX I Capital Berhad](#) (RAM Ratings)
2. [AMMB Holdings Berhad](#) (RAM Ratings)
3. [Cendana Sejati Sdn Bhd](#) (RAM Ratings)
4. [MEX II Sdn Bhd](#) (RAM Ratings)
5. [Alpha Circle Sdn Bhd](#) (MARC)



Sources: MARC, RAM and BIX Malaysia

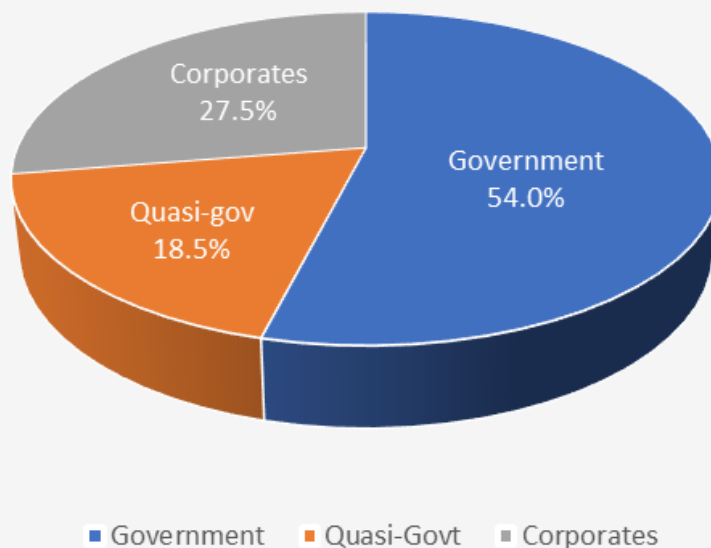
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of March 2021, the outstanding amount of Malaysian bond market was at RM 1.60 trillion. (December 2020: RM 1.56 trillion). Breakdown by bond classes, the outstanding amount for government issuances stood at RM 862.62 billion. The corporates and quasi-government outstanding amounts were at RM 295.89 billion and RM 440.01 billion, respectively.

Outstanding Amount by Bond Class

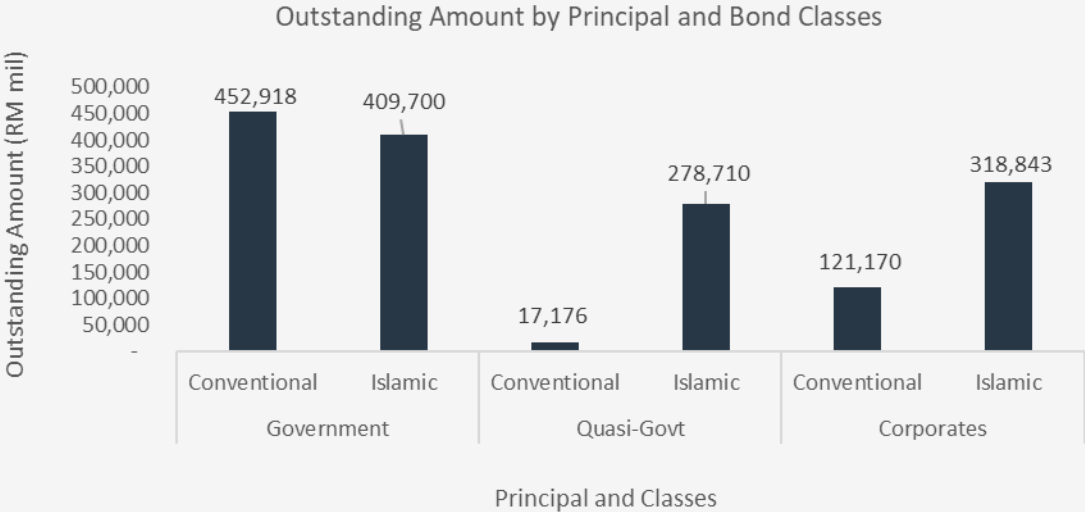


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of March 2021, the outstanding amount of the Government conventional bond was at RM 452.92 billion and the Government Islamic bond (Sukuk) at RM 409.70 billion. The conventional Quasi-Govt outstanding amount stood at RM 17.18 billion whereas its Islamic counterpart stood at RM 278.71 billion. For corporates issuance, the conventional bond outstanding amount was at RM 121.17 billion and its Islamic sukuk was at RM 318.84 billion.



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