

QUARTERLY REPORT

3Q22 (July - September 2022)



3Q2022 - Volatility in the bond market is expected to heighten with risks emanating from an ultra-aggressive US Fed tightening

In line with rising yields in the global bond markets, Malaysian Government Securities (MGS) yields rose – 3-year, 5-year and 10-year MGS yields to close at 3.77%, 4.04% and 4.41% for the quarter ending September 2022. Understandably, the quantum of increase in yields were much less than that of USTs as rate hike expectations in Malaysia is less aggressive.

GLOBAL MARKET

Overview

3-year yield for the US Treasury rose 126 bps q-o-q while the yield on the benchmark 10-year Treasury note rose 85 bps q-o-q. This is at the back of 75 bps raised of Fed rate in September 2022 and due to continued inflationary concerns.

MY Government Bond

Overview

The MGS yield increased q-o-q, where the 3-year was up by 26 bps and the 10-year rose by 15 bps. As for GII performance, the q-o-q increase across the curve by 23 bps for 3-year and 16 bps for 10-year. Malaysia bond movements are still dominated by foreign-led transactions.

MY Corporate Bond & Sukuk

Overview

The corporate bond yields show fluctuations (q-o-q) throughout the first quarter of 2022. The yields rose 29 bps for 3-year and 7 bps for 10-year.

Dec-21	Jun-22	UST	Jul-22	MTM	Aug-22	MTM	Sep-22	MTM	QTK	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.97	2.99	3 YEAR	2.83	-0.16	3.46	0.63	4.25	0.79	1.26	3.28
1.26	3.01	5 YEAR	2.70	-0.31	3.30	0.60	4.06	0.76	1.05	2.80
1.44	3.04	7 YEAR	2.70	-0.34	3.25	0.55	3.97	0.72	0.93	2.53
1.52	2.98	10 YEAR	2.67	-0.31	3.15	0.48	3.83	0.68	0.85	2.31

Dec-21	Jun-22	MGS	Jul-22	MTM	Aug-22	MTM	Sep-22	MTM	QTK	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.81	3.51	3 YEAR	3.50	-0.01	3.34	-0.16	3.77	0.43	0.26	0.96
3.16	3.96	5 YEAR	3.71	-0.25	3.72	0.01	4.04	0.32	0.08	0.88
3.39	4.21	7 YEAR	3.84	-0.37	3.88	0.04	4.22	0.34	0.01	0.83
3.60	4.26	10 YEAR	3.88	-0.38	3.98	0.10	4.41	0.43	0.15	0.81

Dec-21	Jun-22	GII	Jul-22	MTM	Aug-22	MTM	Sep-22	MTM	QTK	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.90	3.57	3 YEAR	3.48	-0.09	3.43	-0.05	3.80	0.37	0.23	0.90
3.21	4.12	5 YEAR	3.76	-0.36	3.80	0.04	4.04	0.24	-0.08	0.83
3.43	4.33	7 YEAR	3.87	-0.46	3.94	0.07	4.42	0.48	0.09	0.99
3.62	4.26	10 YEAR	3.98	-0.28	4.00	0.02	4.42	0.42	0.16	0.80

Dec-21	Jun-22	BOND AAA	Jul-22	MTM	Aug-22	MTM	Sep-22	MTM	QTK	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.25	4.04	3 YEAR	3.99	-0.05	4.00	0.01	4.33	0.33	0.29	1.08
3.60	4.42	5 YEAR	4.23	-0.19	4.23	0.00	4.53	0.30	0.11	0.93
3.94	4.69	7 YEAR	4.41	-0.28	4.40	-0.01	4.77	0.37	0.08	0.83
4.10	4.84	10 YEAR	4.51	-0.33	4.50	-0.01	4.91	0.41	0.07	0.81

Dec-21	Jun-22	SUKUK AAA	Jul-22	MTM	Aug-22	MTM	Sep-22	MTM	QTK	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.25	4.04	3 YEAR	3.99	-0.05	4.00	0.01	4.33	0.33	0.29	1.08
3.60	4.42	5 YEAR	4.23	-0.19	4.23	0.00	4.53	0.30	0.11	0.93
3.94	4.69	7 YEAR	4.41	-0.28	4.40	-0.01	4.77	0.37	0.08	0.83
4.10	4.84	10 YEAR	4.51	-0.33	4.50	-0.01	4.91	0.41	0.07	0.81

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

The government bond auction for 3Q22 garnered an average BTC of 2.342x, a slightly decrease from the previous quarter (2Q22: 2.509x). A reopening of MGII 10/32 received the highest BTC at 3.105x. The new/reopening issuances for MGS/GII stood at RM 35.5 billion (2Q22: RM47.0 billion).

As of September 2022, the outstanding amount of MGS/GII was at RM979.48 billion (2Q22: RM962.34). Strong secondary market activities were still led and supported mostly by local institutions that included pension funds, interbank participants, and local GLICs.

In total, there were eight (8) reopening and one (1) new issuance of MGS and GII auctions in 3Q22.

3Q22 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGII 10/32	10	Reopening	Jul	3,500	93,500	3.105	4.090	4.117	4.129
2	MGS 10/42	20	Reopening	Jul	2,500	98,500	2.656	4.585	4.598	4.607
3	MGII 07/29	7	Reopening	Jul	4,500	103,000	2.403	3.900	3.917	3.927
4	MGS 11/27	5	Reopening	Aug	5,000	108,000	2.044	3.770	3.798	3.808
5	MGII 09/41	20	Reopening	Aug	3,000	113,500	2.742	4.383	4.410	4.435
6	MGS 04/37	15	Reopening	Aug	2,500	118,500	2.244	4.210	4.249	4.272
7	MGII 10/25	3	Reopening	Sep	5,000	123,500	1.836	3.450	3.474	3.483
8	MGS 04/29	7	Reopening	Sep	5,000	128,500	1.662	4.190	4.232	4.275
9	MGII 03/38	15	New Issue	Sep	4,500	133,000	2.383	4.600	4.662	4.690

Sources: BNM and BIX Malaysia

For the upcoming Q422, there will be four (4) reopening of MGS and four (4) reopening of GII, totalling to eight (8) reopening.

UPCOMING ISSUANCE 4Q22

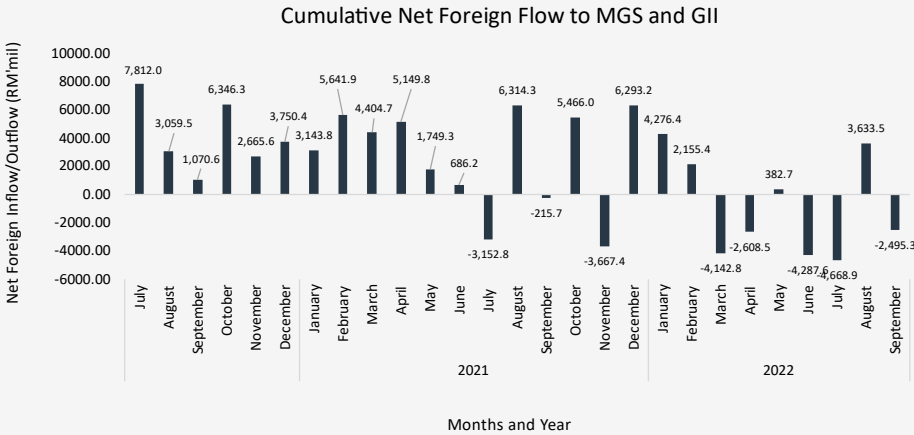
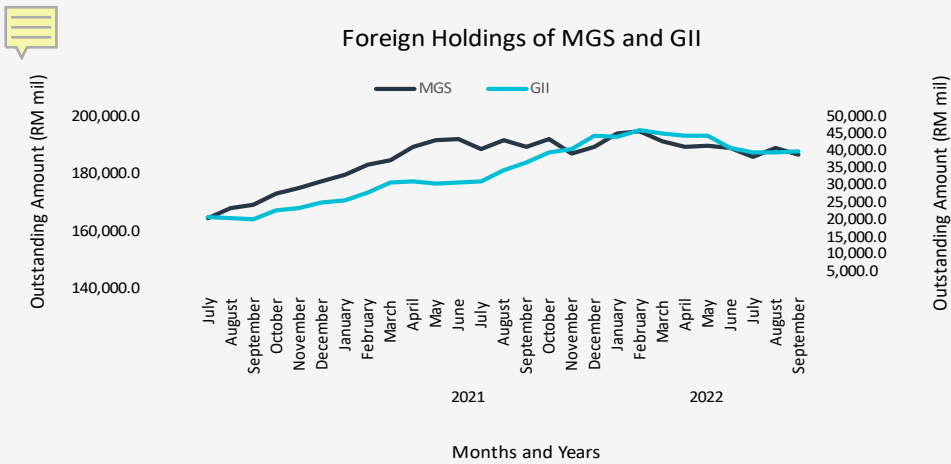
No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 03/25	3	Reopening	Oct	5,000	138,000	1.920	3.800	3.823	3.837
2	MGII 10/32	10	Reopening	Oct	3,500	144,000	1.739	4.48	4.506	4.533
3	MGS 10/42	20	Reopening	Oct						
4	MGII 07/29	7	Reopening	Nov						
5	MGS 11/27	5	Reopening	Nov						
6	MGII 05/52	30	Reopening	Nov						
7	MGS 07/32	10	Reopening	Dec						
8	MGII 10/25	3	Reopening	Dec						

Sources: BNM and BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

Overview

The foreign net flow to MGS and GII in 3Q22 amounted to -RM4.67 billion, RM3.63 billion and -RM2.50 billion respectively in July, August and September as foreign investors turn net seller. As of September 2022, the total foreign holdings of MGS and GII stood at RM226.20 billion (June 2022: RM229.73 billion), -1.5% decrease from the previous quarter.



Source: BNM

CORPORATE BOND & SUKUK

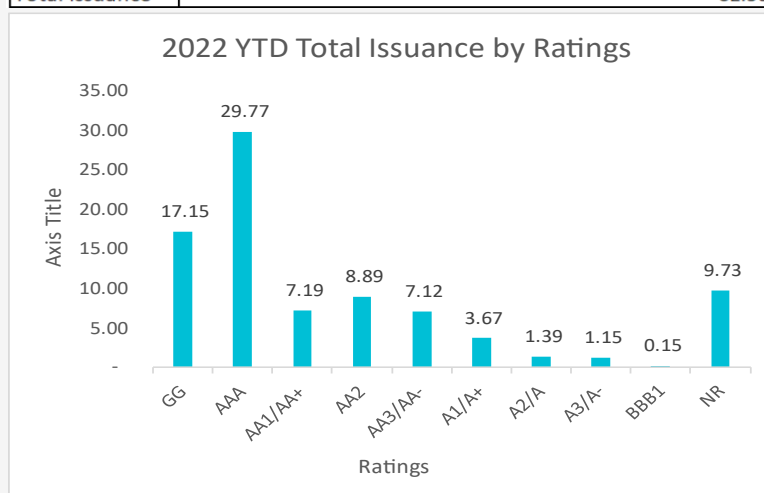
Overview

RM32.56 billion corporate bonds and sukuk were issued in 3Q21 (2Q22: RM32.79 billion), 0.01% decrease from the previous quarter. The AAA rated bonds and sukuk were the most issued with RM10.78 billion issuances, followed by GG bonds at RM9.30 billion issuances.

For 3Q22, the largest corporate issuances were issued by CIMB Bank Berhad and CIMB Group Holdings Berhad - **CIMBBANK 4.400% 08.09.2032-T2 Sukuk Wakalah S2 T1** of RM1.50 billion; and CIMB 4.400% 08.09.2032-T2 Sukuk Wakalah S2 T1 of RM1.50 billion, respectively.

Issuance 3Q22

Month/Rating	Jul 22 (RM bil)	Aug 22 (RM bil)	Sep 22 (RM bil)	Total (RM bil)
GG	0.50	8.30	0.50	9.30
AAA	6.30	2.22	2.26	10.78
AA1/AA+	0.50	0.20	1.64	2.34
AA2/AA	0.17	0.05	4.00	4.22
AA3/AA-	0.10	0.43	0.48	1.01
A1/A+	0.50	-	-	0.50
A2/A	-	-	-	-
A3/A-	0.30	0.85	-	1.15
BBB1	-	-	-	-
NR	0.64	1.14	1.48	3.26
Total	9.01	13.19	10.36	32.56
Total Issuance				32.56



Rating Outlook

There was no default recorded in 3Q22. However, there are two (2) upgraded bonds/sukuk and one (1) downgraded bonds/sukuk in this quarter.

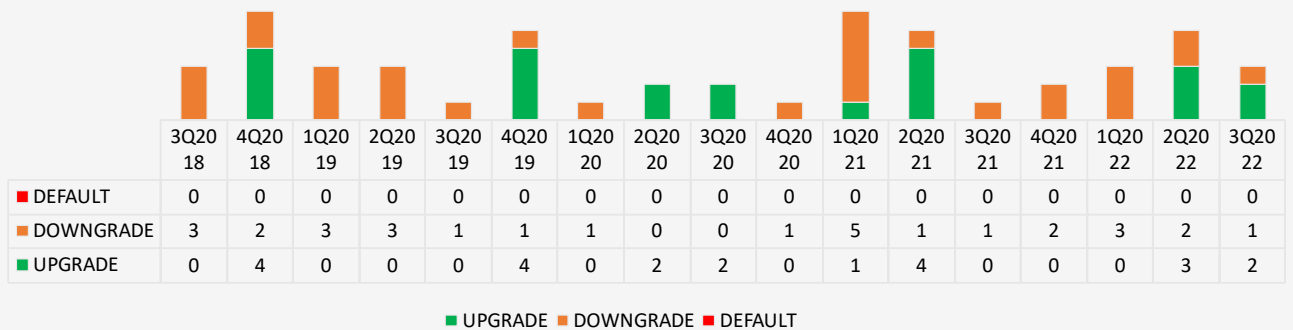
↑ Upgrade

1. RHB Bank Berhad
2. MBSB Bank Berhad

↓ Downgrade

1. Menara ABS Berhad

Rating Movements



Sources: MARC, RAM and BIX Malaysia

BOND STATISTICS

Overview

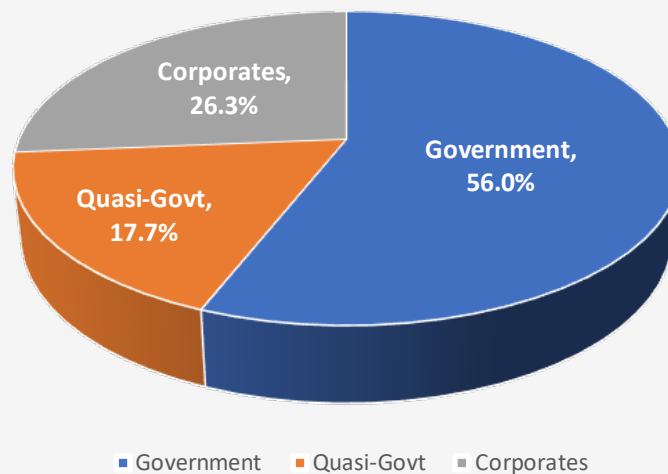
Outstanding Amount by Bond Classes

As of September 2022, the outstanding amount of the Malaysian bond market stood at RM1.86 trillion, increased by 2.76% compared to the end of 2Q22 (June 2022: RM1.81 trillion). The largest outstanding bonds were from government issuances which consist of 56.0% of total issuances at RM1,039.63 billion, followed by corporate issuances of 26.3% at RM489.26 billion, and Quasi-government of 17.7% at RM328.27 billion.



Sources: BNM and BIX Malaysia

Outstanding Amount by Class

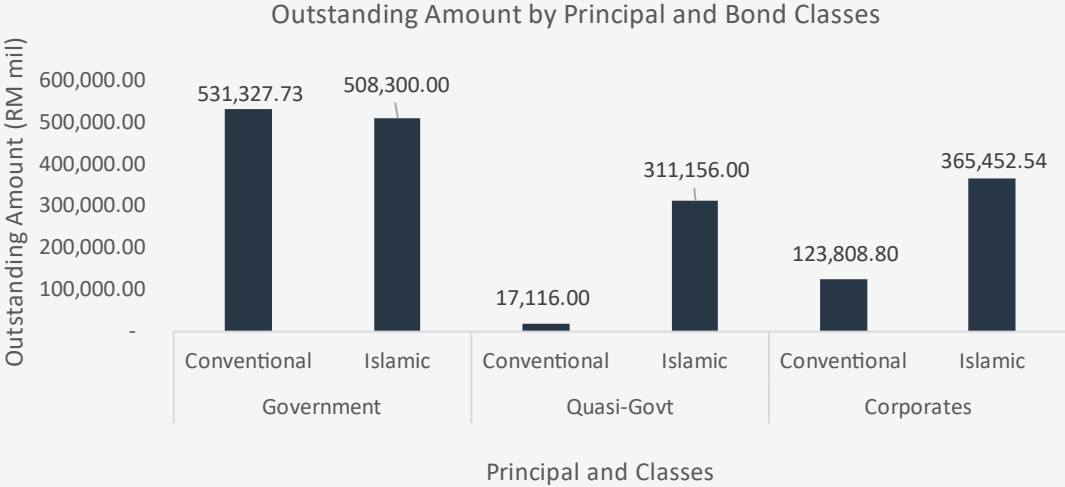


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of September 2022, the outstanding amount of the Government conventional bond and the Government Islamic Bond (Sukuk) stood at RM531.33 billion and RM508.30 billion, respectively. The conventional Quasi-govt outstanding amount stood at RM17.12 billion, only a fraction compared to its Islamic counterpart that stood at RM311.16 billion. For corporate issuances, the conventional bond outstanding amounted RM123.81 billion while the corporate Sukuk was recorded higher at RM365.45 billion.



Sources: BNM and BIX Malaysia

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