

QUARTERLY REPORT

4Q20 (October 2020 – December 2020)



4Q2020 – ROBUST PERFORMANCE FOR GOVVIES

The Covid-19 pandemic has triggered a shift to safe-haven asset like fixed-income. A declined in YTD yields for US Treasuries, MGS and GII showed a strong demand throughout the year. The Malaysian Government, MGS and GII also received a consistent net inflow from foreign investors for 8 months straight beginning May 2020. The demand also supported by dovish policy of the central banks to mitigate the economic impact of COVID-19. Bank Negara Malaysia (BNM) cumulatively deducted 125 bps of Overnight Policy Rate (OPR) in 2020.

GLOBAL MARKET

Overview

US Treasuries declined in 4Q20. Yields were up by 1 bps-24 bps across the curve. A potential economic stimulus and US presidential election were the main attention in 4Q20.

MY Government Bond

Overview

Yields for MGS decreased q-o-q with steeper curve. The short end down by 11 bps and long end only declined to 2 bps. GII yields on the other hand surge 5 bps – 18 bps for mid to long tenure, save for 3Y.

MY Corporate Bond & Sukuk

Overview

Corporate AAA-segment declined for 5Y, 7Y an 10Y by 4 bps-13 bps. A slight increased for 3Y by 3 bps. Corporate issuance double in 4Q20 from the previous quarter with RM 43.69 billion issuances.

Dec-18	Sep-20	UST	Oct-20	MTM	Nov-20	MTM	Dec-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.46	0.16	3 YEAR	0.19	0.03	0.19	0.00	0.17	-0.02	0.01	-2.29
2.51	0.28	5 YEAR	0.38	0.10	0.36	-0.02	0.36	0.00	0.08	-2.15
2.59	0.47	7 YEAR	0.64	0.17	0.62	-0.02	0.65	0.03	0.18	-1.94
2.69	0.69	10 YEAR	0.88	0.19	0.84	-0.04	0.93	0.09	0.24	-1.76

Dec-18	Sep-20	MGS	Oct-20	MTM	Nov-20	MTM	Dec-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.62	1.99	3 YEAR	1.75	-0.24	1.91	0.16	1.88	-0.03	-0.11	-1.74
3.76	2.24	5 YEAR	2.00	-0.24	2.20	0.20	2.10	-0.10	-0.14	-1.66
3.99	2.43	7 YEAR	2.34	-0.09	2.57	0.23	2.39	-0.18	-0.04	-1.60
4.07	2.67	10 YEAR	2.62	-0.05	2.75	0.13	2.65	-0.10	-0.02	-1.42

Dec-18	Sep-20	GII	Oct-20	MTM	Nov-20	MTM	Dec-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.68	2.04	3 YEAR	1.79	-0.25	1.98	0.19	1.92	-0.06	-0.12	-1.76
3.83	2.21	5 YEAR	2.17	-0.04	2.38	0.21	2.26	-0.12	0.05	-1.57
4.07	2.35	7 YEAR	2.37	0.02	2.70	0.33	2.51	-0.19	0.16	-1.56
4.24	2.63	10 YEAR	2.59	-0.04	2.79	0.20	2.81	0.02	0.18	-1.43

Dec-18	Sep-20	BOND AAA	Oct-20	MTM	Nov-20	MTM	Dec-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.27	2.48	3 YEAR	2.40	-0.08	2.48	0.08	2.45	-0.03	-0.03	-1.82
4.40	2.66	5 YEAR	2.62	-0.04	2.70	0.08	2.70	0.00	0.04	-1.7
4.52	2.83	7 YEAR	2.81	-0.02	2.96	0.15	2.95	-0.01	0.12	-1.57
4.64	3.13	10 YEAR	3.09	-0.04	3.29	0.20	3.26	-0.03	0.13	-1.38

Dec-18	Sep-20	SUKUK AAA	Oct-20	MTM	Nov-20	MTM	Dec-20	MTM	QTQ	YTD
Close (%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.20	2.48	3 YEAR	2.40	-0.08	2.48	0.08	2.45	-0.03	-0.03	-1.75
4.33	2.66	5 YEAR	2.62	-0.04	2.70	0.08	2.70	0.00	0.04	-1.63
4.45	2.83	7 YEAR	2.81	-0.02	2.96	0.15	2.95	-0.01	0.12	-1.5
4.57	3.13	10 YEAR	3.09	-0.04	3.29	0.20	3.26	-0.03	0.13	-1.31

BOND & SUKUK RESEARCH

Any feedback please email:

feedback@bixmalaysia.com

GOVERNMENT BOND AUCTION

Overview

The demand for MGS/GII improved from the previous quarter with the average BTC of 2.113x (3Q20: 1.983x). The reopening of GII 05/23 garnered the highest BTC with 3.093x. The gross issuance of MGS/GII in 4Q20 was RM 29.5 billion (3Q20: RM 44.6 billion) bringing the total gross issuance in 2020 to RM 151.92 billion (2019: RM 115.7 billion). As of December 2020, MGS and GII outstanding amount stood at RM 811.02 billion (September 2020: RM 796.23 billion).

4Q20 AUCTION

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	4,500	106,800	3.093	1.973	1.981	1.986
2	MGS 04/31	10	New Issue	Oct	5,000	111,800	1.994	2.600	2.632	2.652
3	GII 03/26	5	Reopening	Oct	5,000	116,800	1.996	2.191	2.204	2.213
4	MGS 06/50	30	Reopening	Nov	3,000	119,800	1.994	3.950	4.049	4.130
5	GII 09/27	7	Reopening	Nov	4,000	123,800	1.616	2.490	2.521	2.541
6	MGS 07/34	15	Reopening	Nov	3,000	126,800	1.481	3.348	3.432	3.500
7	GII 10/30	10	Reopening	Dec	4,000	130,800	2.619	2.950	2.986	3.008

Source BNM, BIX Malaysia

There will be five reopening MGS, two new issue GII and three opening GII auction in 1Q21.

UPCOMING ISSUANCE 1Q21

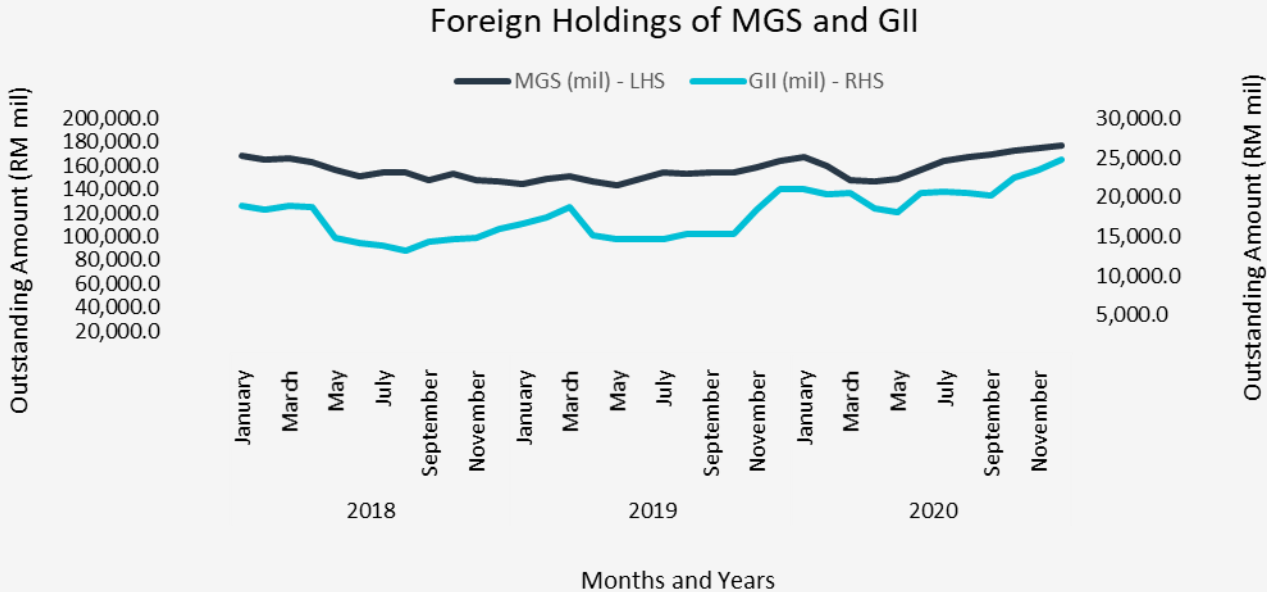
No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 06/28	7	Reopening	Jan						
2	GII 07/36	15	New Issue	Jan						
3	MGS 04/31	10	Reopening	Jan						
4	GII 03/26	5	Reopening	Feb						
5	MGS 05/40	20	Reopening	Feb						
6	GII 09/27	7	Reopening	Feb						
7	MGS 06/50	30	Reopening	Mar						
8	GII 10/30	10	Reopening	Mar						
9	MGS 09/25	5	Reopening	Mar						
10	GII 09/41	20	New Issue	Mar						

Source BNM, BPAM, BIX Malaysia

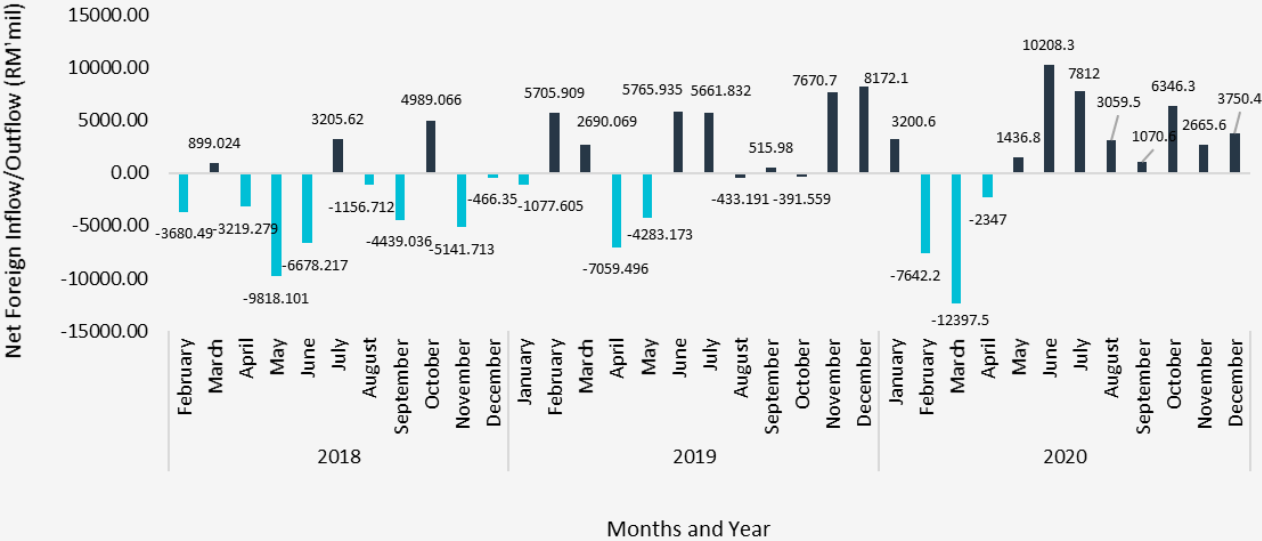
FOREIGN HOLDINGS OF MGS AND GII

Overview

The foreign investment net inflow to MGS and GII keeps its momentum from the previous quarter despite downgrade on Malaysia’s sovereign rating by Fitch Ratings. A RM 6.4 billion, RM 2.7 billion, RM 3.8 billion net foreign inflow respectively in October, November, and December. As of December 2020, foreign holdings of MGS/GII stood at RM 202.2 billion (September 2020: RM 189.38 billion), a 6.7% increase from the previous quarter.



Cumulative Net Foreign Flow to MGS and GII



CORPORATE BOND & SUKUK

Overview

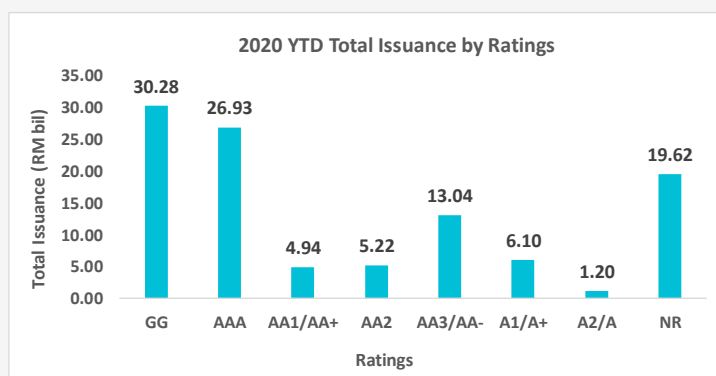
Corporate bonds doubled with RM 43.69 billion issuance in 4Q20 (3Q20: RM 24.66 billion). Nevertheless, the total corporate issuance for 2020 amounted RM 107.33 billion, a 19.8% decline from the total issuance in 2019. (2019: RM 133.86 billion).

By ratings (excluding government-guaranteed and non-rated), AAA-rated bonds dominated corporate bond space with RM 26.93 billion issued in 2020. (2019: RM 22.28 billion). This followed by AA3/AA- rated bonds with RM 13.04 billion worth of issuance this year (2019: RM 11.40 billion).

In 4Q20, the biggest corporate bond issuance is the [CIMB 3.150% 12.11.2030 - Tranche 6](#) with RM 2.50 billion issued by [CIMB GROUP HOLDINGS BERHAD](#).

Issuance 4Q2020

Month/Rating	October 20 (RM bil)	November 20 (RM bil)	December 20 (RM bil)
GG	4.50	6.35	0.23
AAA	6.30	2.13	3.93
AA1/AA+		2.45	0.05
AA2/AA	1.00	2.92	0.10
AA3/AA-	1.07	0.58	1.23
A1/A+	1.02	0.97	1.72
A2/A	1.20		
NR	3.33	1.37	1.24
Total	18.42	16.77	8.50
Total Issuance	43.69		



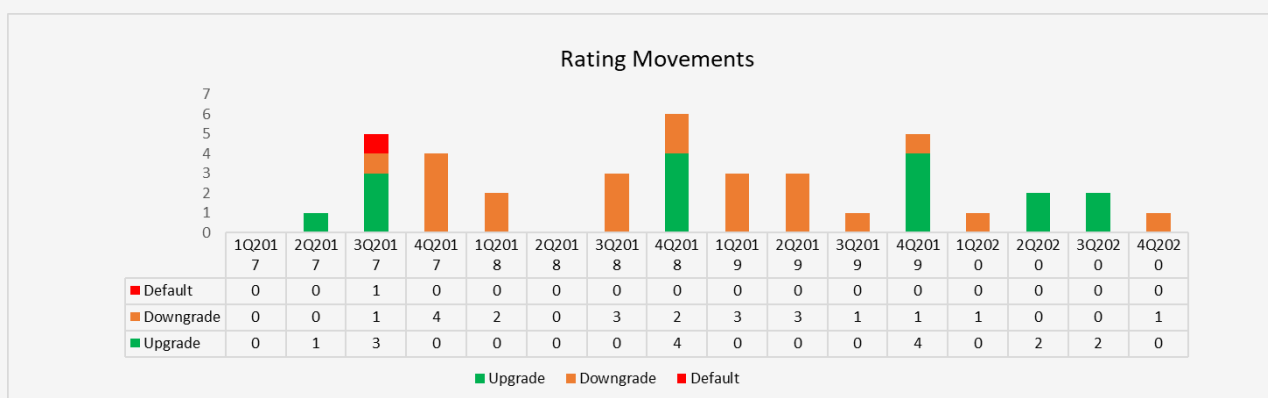
Source BNM, BIX Malaysia

Rating Outlook

Zero upgraded and one downgraded bonds/sukuk in 4Q20.

Downgrade

1. [MEX II Sdn Bhd](#)



Sources: MARC, RAM and BIX Malaysia

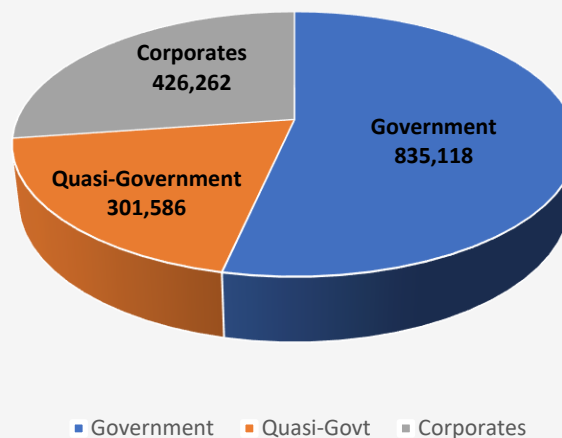
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of December 2020, the outstanding amount of Malaysian bonds was at RM 1.56 trillion. Breakdown by bond classes, the outstanding amount for government issuances stood at RM 835.12 billion. The corporates and quasi-government issuances were at RM 426.26 billion and RM 301.59 billion, respectively.

Outstanding Amount by Bond Classes (mil)

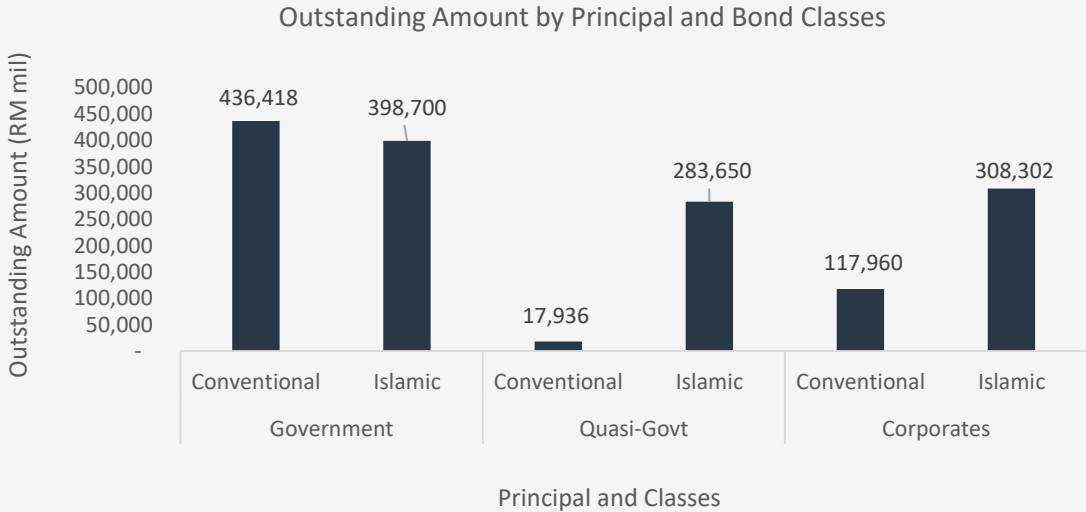


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of December 2020, the outstanding amount of the Government conventional bond was at RM 436.42 billion and the Government Islamic bond (Sukuk) at RM 398.70 billion. The conventional Quasi-Govt outstanding amount stood at RM 17.94 billion whereas its Islamic counterpart stood at RM 283.65 billion. For corporates issuance, the conventional bond outstanding amount was at RM 117.96 billion and its Islamic sukuk was at RM 308.30 billion.



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