

QUARTERLY REPORT

4Q19 (October 2019 – December 2019)



4Q2019 – MGS/GII Received the Highest Foreign Inflow

MGS/GII received RM 8.12 billion net inflow in November, the highest since November 2017, and for the year 2019. Overall for 4Q19, MGS/GII yields ended 2bps – 14bps lower than 3Q19. The trade war tension between the US and China has dissipated with phase 1 trade deal progress, which pushed US Treasuries yield higher throughout the quarter.

GLOBAL MARKET

Overview

US Treasuries declined QoQ on trade war optimism as the US and China made progress in phase 1 of the trade deal. At the end of 2019, the Fed decided to maintain rates at 1.50% – 1.75% level after 25 bps cut in October from 1.75% – 2.00% level.

MY Government Bond

Overview

MGS and GII were bullish QoQ across the curve, except for 10Y GII. Yields fell between 2bps – 14 bps for MGS, and 2bps – 7bps for GII. Overnight Policy Rate (OPR) is maintained at 3.00% level in the November MPC meeting, the last one for 2019.

MY Corporate Bond & Sukuk

Overview

Yields for corporate bond and sukuk in AAA-spectrum rallied between 3bps – 10 bps. Issuance for 4Q19 slightly lower at RM 26.29 billion.

Dec-18	Sep-19	UST	Oct-19	MTM	Nov-19	MTM	Dec-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
2.46	1.56	3 YEAR	1.52	-0.04	1.61	0.09	1.62	0.01	0.06	-0.84
2.51	1.55	5 YEAR	1.51	-0.04	1.62	0.11	1.69	0.07	0.14	-0.82
2.59	1.62	7 YEAR	1.60	-0.02	1.73	0.13	1.83	0.10	0.21	-0.76
2.69	1.68	10 YEAR	1.69	0.01	1.78	0.09	1.92	0.14	0.24	-0.77

Dec-18	Sep-19	MGS	Oct-19	MTM	Nov-19	MTM	Dec-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.62	3.12	3 YEAR	3.15	0.03	3.05	-0.10	2.98	-0.07	-0.14	-0.64
3.76	3.24	5 YEAR	3.33	0.09	3.18	-0.15	3.15	-0.03	-0.09	-0.61
3.99	3.32	7 YEAR	3.39	0.07	3.32	-0.07	3.30	-0.02	-0.02	-0.69
4.07	3.32	10 YEAR	3.41	0.09	3.42	0.01	3.30	-0.12	-0.02	-0.77

Dec-18	Sep-19	GII	Oct-19	MTM	Nov-19	MTM	Dec-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.68	3.12	3 YEAR	3.12	0.00	3.13	0.01	3.06	-0.07	-0.06	-0.62
3.83	3.21	5 YEAR	3.34	0.13	3.24	-0.10	3.19	-0.05	-0.02	-0.64
4.07	3.37	7 YEAR	3.35	-0.02	3.38	0.03	3.30	-0.08	-0.07	-0.77
4.24	3.40	10 YEAR	3.47	0.07	3.50	0.03	3.42	-0.08	0.02	-0.82

Dec-18	Sep-19	BOND AAA	Oct-19	MTM	Nov-19	MTM	Dec-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.27	3.52	3 YEAR	3.55	0.03	3.56	0.01	3.55	-0.01	0.03	-0.72
4.40	3.62	5 YEAR	3.69	0.07	3.68	-0.01	3.67	-0.01	0.05	-0.73
4.52	3.71	7 YEAR	3.78	0.07	3.78	0.00	3.76	-0.02	0.05	-0.76
4.64	3.79	10 YEAR	3.89	0.1	3.92	0.03	3.89	-0.03	0.10	-0.75

Dec-18	Sep-19	SUKUK AAA	Oct-19	MTM	Nov-19	MTM	Dec-19	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.20	3.45	3 YEAR	3.48	0.02	3.49	0.01	3.48	-0.01	0.025	-0.725
4.33	3.55	5 YEAR	3.62	0.07	3.61	-0.01	3.60	-0.01	0.045	-0.735
4.45	3.64	7 YEAR	3.71	0.06	3.71	0.00	3.69	-0.02	0.045	-0.765
4.57	3.72	10 YEAR	3.82	0.09	3.84	0.02	3.82	-0.02	0.095	-0.755

Sources: US Treasury, BNM, BPAM & BIX Malaysia

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

The demand for MGS/GII in 4Q19 is softer with an average 2.058x BTC, lower than the average BTC in the previous quarter (3Q19: 2.812x BTC). The reopening 10Y MGS 08/29 auctioned in October, received the lowest BTC of 1.233x. While the reopening 20Y GII 09/39 also auctioned in October received the highest BTC of 3.320x. The total outstanding of MGS and GII as of December 2019 stood at RM 732.93 billion.

4Q19 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 08/29	10	Reopening	October	3,000	77,500	1.233	3.33	3.41	3.48
2	GII 09/39	20	Reopening	October	2,000	79,500	3.320	3.81	3.84	3.85
3	MGS 06/24	5	Reopening	October	3,500	83,000	1.433	3.33	3.36	3.41
4	GII 05/23	3.5	New Issue	November	4,000	87,000	2.380	3.14	3.15	3.16
5	MGS 05/40	20.5	New Issue	November	2,200	89,200	2.508	3.74	3.76	3.77
6	GII 07/29	10	Reopening	November	3,500	92,700	1.923	3.48	3.50	3.52
7	MGS 07/34	15	Reopening	December	3,000	95,700	1.610	3.66	3.68	3.71

Source BNM, BIX Malaysia

For 1Q20 MGS/GII issuance, there will be five reopening MGS auctions, four reopening GII auctions, and one new issue GII auction. One MGS will reach maturity date in March, [MGS 6/2012 3.492% 31.03.2020](#).

UPCOMING ISSUANCE 1Q20

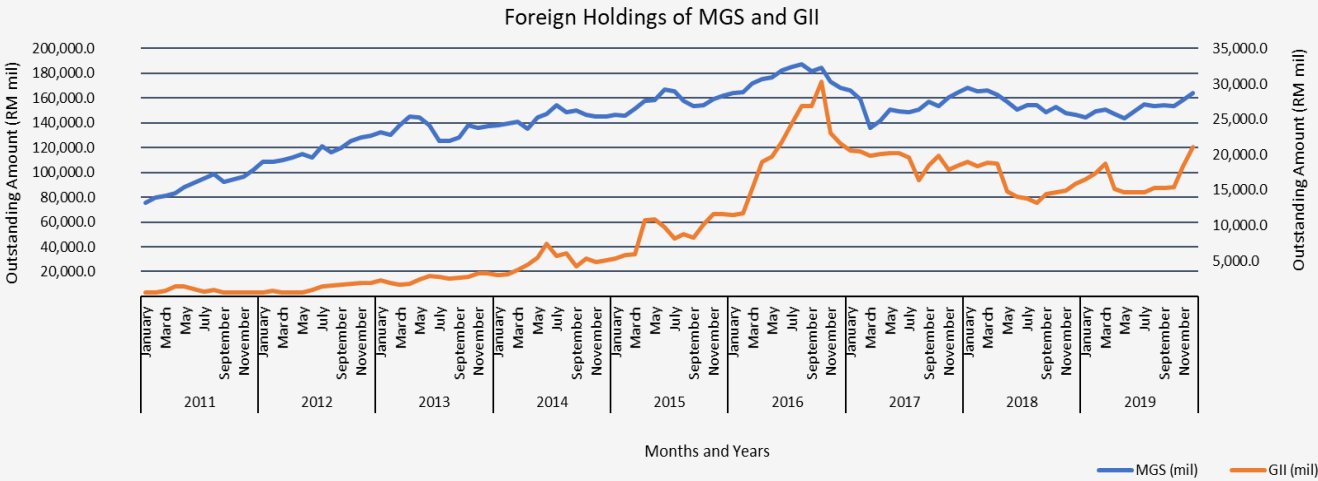
No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 05/27	7	Reopening	January						
2	GII 11/34	15	Reopening	January						
3	MGS 03/23	3	Reopening	January						
4	GII 11/49	30	Reopening	February						
5	MGS 08/29	10	Reopening	February						
6	GII 10/24	5	Reopening	February						
7	MGS 07/34	15	Reopening	March						
8	GII 09/39	20	Reopening	March						
9	MGS 09/25	5	Reopening	March						
10	GII 09/27	7.5	New Issue	March						

Source BNM, BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

Overview

Foreign holding of MGS and GII increased 9.1% q-o-q to the total amount of RM 185.0 billion as of December 2019. The total amount for the previous quarter, as of September 2019, was RM 169.5 billion. Foreign holding of MGS and GII for 4Q19 started with the net outflow of RM 391.6 million in October. In November, the foreign inflow of MGS and GII started to pick up jumping to RM 176.8 billion of total foreign holdings from RM 169.1 billion in October. The foreign interest for MGS and GII might be supported by investors seeking a better yield amid a low interest-rate environment.



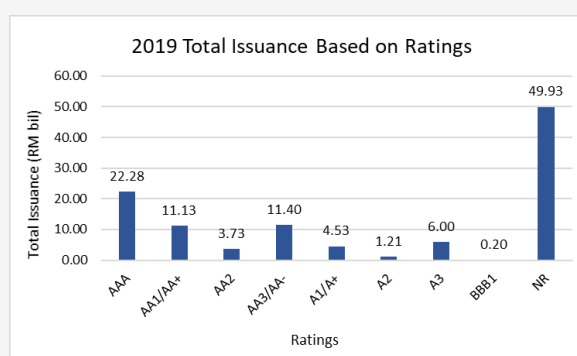
CORPORATE BOND & SUKUK

Overview

Malaysian Corporate Bond and Sukuk issuance in 4Q19 reached RM 26.29 billion, slightly lower than the issuance amount in the previous quarter (3Q19: RM 26.47 billion). By ratings (excluding government guaranteed), AAA-rated bond is the most issued in 2019 with the total amount of RM 22.28 billion. The second most issued in 2019 is AA3-rated bonds with the issuance amount of RM 11.40 billion.

Issuance 4Q2019

Month/Rating	October (RM bil)	November (RM bil)	December (RM bil)
GG		2.80	
AAA	2.25	2.06	2.17
AA1/AA+	0.85		0.65
AA2	0.25	1.60	0.16
AA3/AA-	1.55	0.78	1.85
A1/A+			1.50
A3			1.30
NR	1.06	1.16	4.30
Total	5.96	8.40	11.93
Total Issuance (RM bil)	26.29		



Source BNM, BIX Malaysia

Rating Outlook

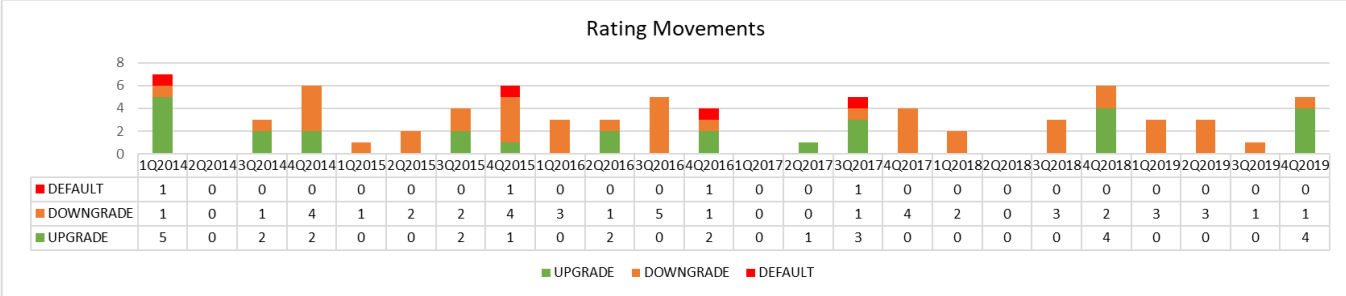
There are 4 upgraded and 1 downgraded issuers during 4Q19.

Upgrade

1. [Sarawak Energy Berhad](#)
2. [Sarawak Power Generation Sdn Bhd](#)
3. [Mukah Power Generation Sdn Bhd](#)
4. [Premium Commerce Berhad](#)

Downgrade

1. [MEX II SDN BHD](#)



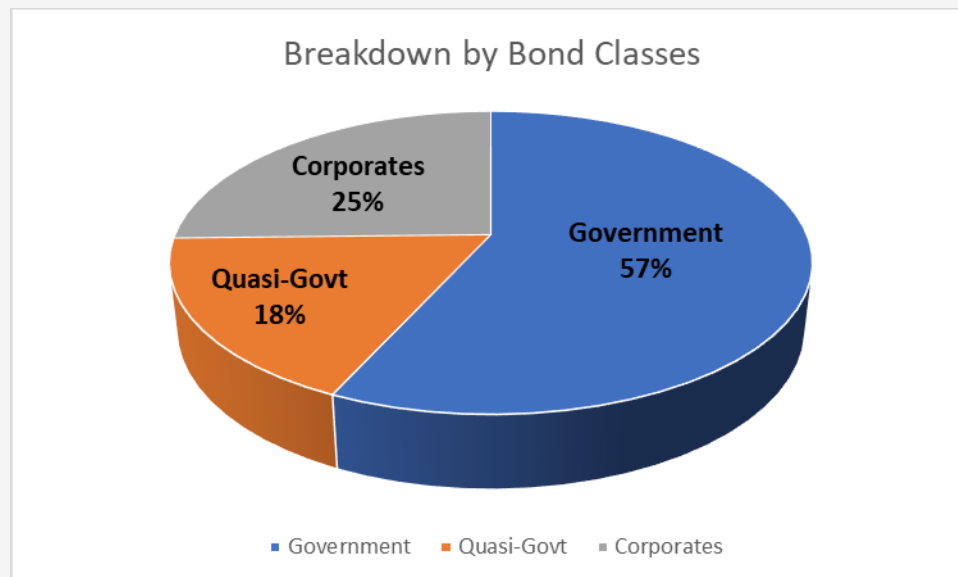
Sources: MARC, RAM and BIX Malaysia

BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of December 2019, the outstanding amount of Malaysian bonds is at RM1.34 trillion, with government bonds dominated by 57% of the outstanding amount. Corporate bond made up 25%, while Quasi-government made up 18% of the total of the outstanding amount.

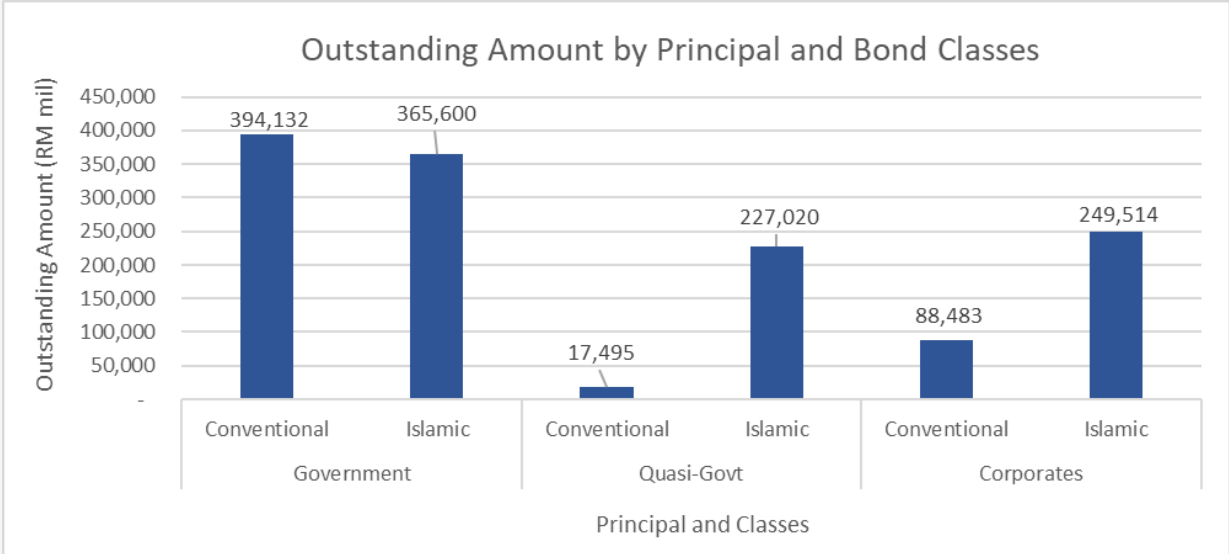


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of December 2019, the government has issued more conventional bonds than Islamic bonds. The outstanding amount of conventional bonds issued by the government is at RM 394.1 billion and Islamic bonds at RM 365.6 billion. Islamic bonds dominated the outstanding amount in Corporates and quasi-government segments.

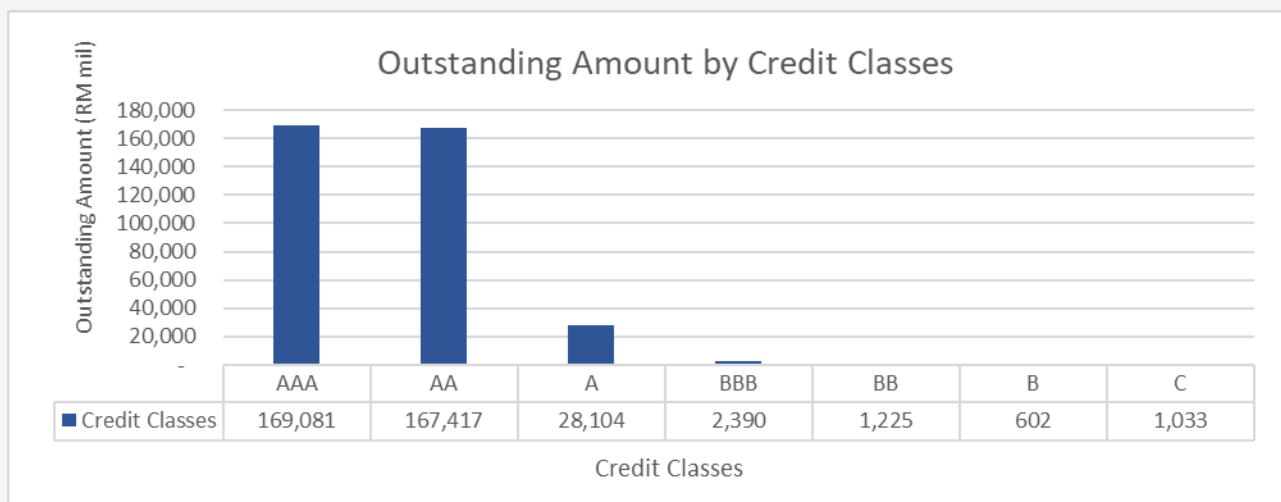


BOND STATISTICS

Overview

Outstanding Amount by Credit Classes

As of December 2019, investment-grade bonds have more issuance with AAA rating top the list at RM169.1 billion, followed by AA rating at RM167.4 billion.



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