

QUARTERLY REPORT

2Q20 (April 2020 – June 2020)



2Q2020 – Dovish Policy Continue Amidst COVID-19

Low-interest rate environment is likely to persist throughout the year as central banks are expected to maintain their dovish policies to support the economy being impacted by COVID-19. Bank Negara Malaysia has cut the Overnight Policy Rate (OPR) twice this year to the current level 1.75% - 2.25%.

GLOBAL MARKET

Overview

US Treasury yield curve declined with 3y and 10y down by 11 bps and 4 bps q-o-q, respectively. Federal Funds Rate was last cut by 100 bps to 0.00%- 0.25% level in March. The rate is expected to remain throughout the year.

MY Government Bond

Overview

MGS and GII yield had a steep decline by 47 bps – 61 bps q-o-q across the benchmark curve. In May, the Overnight Policy Rate (OPR) was cut by 50 bps to 1.75% - 2.25% level.

MY Corporate Bond & Sukuk

Overview

AAA-rated corporate bond and sukuk yield also declined between 52 bps – 61 bps q-o-q.

| Dec-18 | Mar-20 | UST | Apr-20 | MTM | May-20 | MTM | Jun-20 | MTM | QTQ | YTD |
|-----------|----------|---------|----------|-------|----------|-------|----------|-------|-------|-------|
| Close (%) | Close(%) | | Close(%) | (BP) | Close(%) | (BP) | Close(%) | (BP) | (BP) | (BP) |
| 2.46 | 0.29 | 3 YEAR | 0.24 | -0.05 | 0.19 | -0.05 | 0.18 | -0.01 | -0.11 | -2.28 |
| 2.51 | 0.37 | 5 YEAR | 0.36 | -0.01 | 0.30 | -0.06 | 0.29 | -0.01 | -0.08 | -2.22 |
| 2.59 | 0.55 | 7 YEAR | 0.53 | -0.02 | 0.50 | -0.03 | 0.49 | -0.01 | -0.06 | -2.1 |
| 2.69 | 0.70 | 10 YEAR | 0.64 | -0.06 | 0.65 | 0.01 | 0.66 | 0.01 | -0.04 | -2.03 |

| Dec-18 | Mar-20 | MGS | Apr-20 | MTM | May-20 | MTM | Jun-20 | MTM | QTQ | YTD |
|-----------|----------|---------|----------|-------|----------|-------|----------|-------|-------|-------|
| Close (%) | Close(%) | | Close(%) | (BP) | Close(%) | (BP) | Close(%) | (BP) | (BP) | (BP) |
| 3.62 | 2.75 | 3 YEAR | 2.40 | -0.35 | 2.27 | -0.13 | 2.24 | -0.03 | -0.51 | -1.38 |
| 3.76 | 3.07 | 5 YEAR | 2.51 | -0.56 | 2.47 | -0.04 | 2.46 | -0.01 | -0.61 | -1.3 |
| 3.99 | 3.23 | 7 YEAR | 2.67 | -0.56 | 2.62 | -0.05 | 2.66 | 0.04 | -0.57 | -1.33 |
| 4.07 | 3.35 | 10 YEAR | 2.89 | -0.46 | 2.80 | -0.09 | 2.86 | 0.06 | -0.49 | -1.21 |

| Dec-18 | Mar-20 | GII | Apr-20 | MTM | May-20 | MTM | Jun-20 | MTM | QTQ | YTD |
|-----------|----------|---------|----------|-------|----------|-------|----------|------|-------|-------|
| Close (%) | Close(%) | | Close(%) | (BP) | Close(%) | (BP) | Close(%) | (BP) | (BP) | (BP) |
| 3.68 | 2.90 | 3 YEAR | 2.47 | -0.43 | 2.31 | -0.16 | 2.31 | 0.00 | -0.59 | -1.37 |
| 3.83 | 3.00 | 5 YEAR | 2.58 | -0.42 | 2.47 | -0.11 | 2.53 | 0.06 | -0.47 | -1.3 |
| 4.07 | 3.31 | 7 YEAR | 2.64 | -0.67 | 2.70 | 0.06 | 2.74 | 0.04 | -0.57 | -1.33 |
| 4.24 | 3.45 | 10 YEAR | 2.84 | -0.61 | 2.70 | -0.14 | 2.87 | 0.17 | -0.58 | -1.37 |

| Dec-18 | Mar-20 | BOND AAA | Apr-20 | MTM | May-20 | MTM | Jun-20 | MTM | QTQ | YTD |
|-----------|----------|----------|----------|-------|----------|-------|----------|------|-------|-------|
| Close (%) | Close(%) | | Close(%) | (BP) | Close(%) | (BP) | Close(%) | (BP) | (BP) | (BP) |
| 4.27 | 3.43 | 3 YEAR | 3.01 | -0.42 | 2.87 | -0.14 | 2.91 | 0.04 | -0.52 | -1.36 |
| 4.40 | 3.63 | 5 YEAR | 3.11 | -0.52 | 3.02 | -0.09 | 3.07 | 0.05 | -0.56 | -1.33 |
| 4.52 | 3.83 | 7 YEAR | 3.24 | -0.59 | 3.17 | -0.07 | 3.22 | 0.05 | -0.61 | -1.3 |
| 4.64 | 4.01 | 10 YEAR | 3.41 | -0.6 | 3.34 | -0.07 | 3.41 | 0.07 | -0.60 | -1.23 |

| Dec-18 | Mar-20 | SUKUK AAA | Apr-20 | MTM | May-20 | MTM | Jun-20 | MTM | QTQ | YTD |
|-----------|----------|-----------|----------|-------|----------|-------|----------|------|-------|-------|
| Close (%) | Close(%) | | Close(%) | (BP) | Close(%) | (BP) | Close(%) | (BP) | (BP) | (BP) |
| 4.20 | 3.43 | 3 YEAR | 3.01 | -0.42 | 2.87 | -0.14 | 2.91 | 0.04 | -0.52 | -1.29 |
| 4.33 | 3.63 | 5 YEAR | 3.11 | -0.52 | 3.02 | -0.09 | 3.07 | 0.05 | -0.56 | -1.26 |
| 4.45 | 3.83 | 7 YEAR | 3.24 | -0.59 | 3.17 | -0.07 | 3.22 | 0.05 | -0.61 | -1.23 |
| 4.57 | 4.01 | 10 YEAR | 3.41 | -0.60 | 3.34 | -0.07 | 3.41 | 0.07 | -0.60 | -1.16 |

Sources: US Treasury, BNM, BPAM & BIX Malaysia

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

Demand for MGS/GII weakens in 2Q20 with average BTC at 2.245x compared to the previous quarter (1Q20: 2.460x BTC). The new issue GII 10/30 auctioned in April recorded the highest BTC at 3.12x. The reopening MGS 08/29 auctioned in May has the lowest BTC at 1.73x. RM 30.5 billion of MGS and GII were issued in the 2Q20. As of June 2020, the total outstanding amount stood at RM 772.73 billion (March 2020: RM 760.73 billion).

2Q20 AUCTION

| No | Stock | Tenure | Type | Tender | Issuance | Amt Issued | Bid/Cover | Yield | | |
|----|-----------|--------|-----------|--------|----------|------------|-----------|-------|---------|-------|
| | | Year | | Date | (RM mil) | YTD | | Low | Average | High |
| 1 | MGS 05/40 | 20 | Reopening | April | 3,500 | 36,800 | 1.973 | 3.828 | 3.855 | 3.888 |
| 2 | GII 10/30 | 10 | New Issue | April | 4,000 | 40,800 | 3.118 | 3.439 | 3.465 | 3.479 |
| 3 | MGS 05/27 | 7 | Reopening | April | 4,000 | 44,800 | 2.239 | 2.668 | 2.679 | 2.689 |
| 4 | GII 11/34 | 15 | Reopening | May | 3,500 | 48,300 | 2.171 | 3.210 | 3.235 | 3.269 |
| 5 | MGS 08/29 | 10 | Reopening | May | 4,500 | 52,800 | 1.732 | 2.777 | 2.799 | 2.820 |
| 6 | GII 05/23 | 3 | Reopening | June | 4,500 | 57,300 | 2.502 | 2.285 | 2.306 | 2.318 |
| 7 | MGS 06/50 | 30 | New Issue | June | 3,000 | 60,300 | 2.167 | 4.013 | 4.065 | 4.098 |
| 8 | GII 09/39 | 20 | Reopening | June | 3,500 | 63,800 | 2.055 | 3.707 | 3.761 | 3.797 |

Source BNM, BIX Malaysia

There will be five reopening MGS issuances and four reopening GII issuances in 3Q20. Two MGSs and one GII will reach maturity in August and October 2020.

UPCOMING ISSUANCE 3Q20

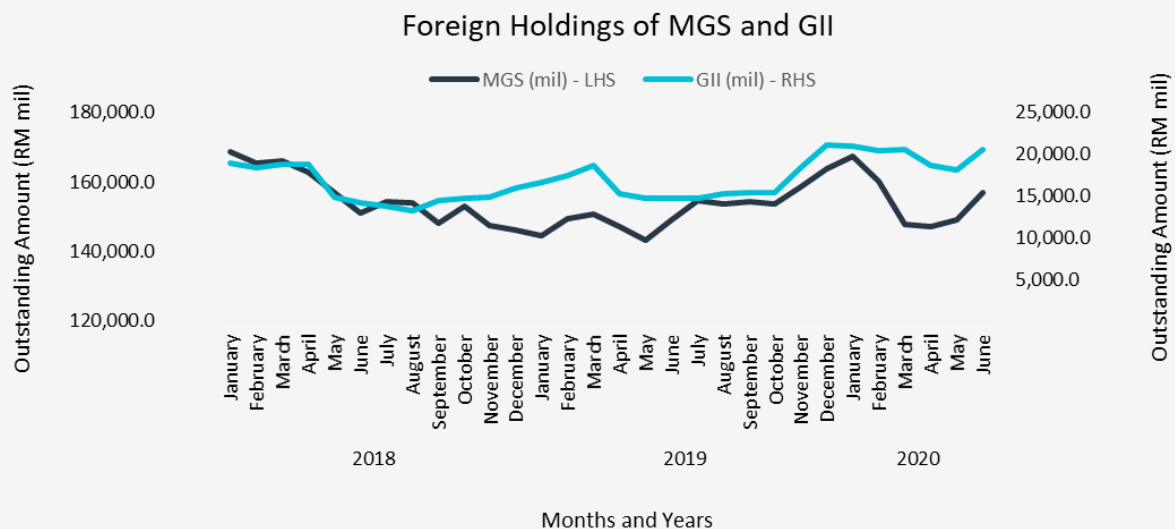
| No | Stock | Tenure | Type | Tender | Issuance | Amt Issued | Bid/Cover | Yield | | |
|----|-----------|--------|-----------|--------|----------|------------|-----------|-------|---------|------|
| | | Year | | Date | (RM mil) | YTD | | Low | Average | High |
| 1 | MGS 03/23 | 3 | Reopening | July | | | | | | |
| 2 | GII 10/30 | 10 | Reopening | July | | | | | | |
| 3 | MGS 07/34 | 15 | Reopening | July | | | | | | |
| 4 | GII 09/27 | 7 | Reopening | Aug | | | | | | |
| 5 | MGS 05/40 | 20 | Reopening | Aug | | | | | | |
| 6 | GII 11/34 | 15 | Reopening | Aug | | | | | | |
| 7 | MGS 05/27 | 7 | Reopening | Sep | | | | | | |
| 8 | GII 11/49 | 30 | Reopening | Sep | | | | | | |
| 9 | MGS 09/25 | 5 | Reopening | Sep | | | | | | |

Source BNM, BPAM, BIX Malaysia

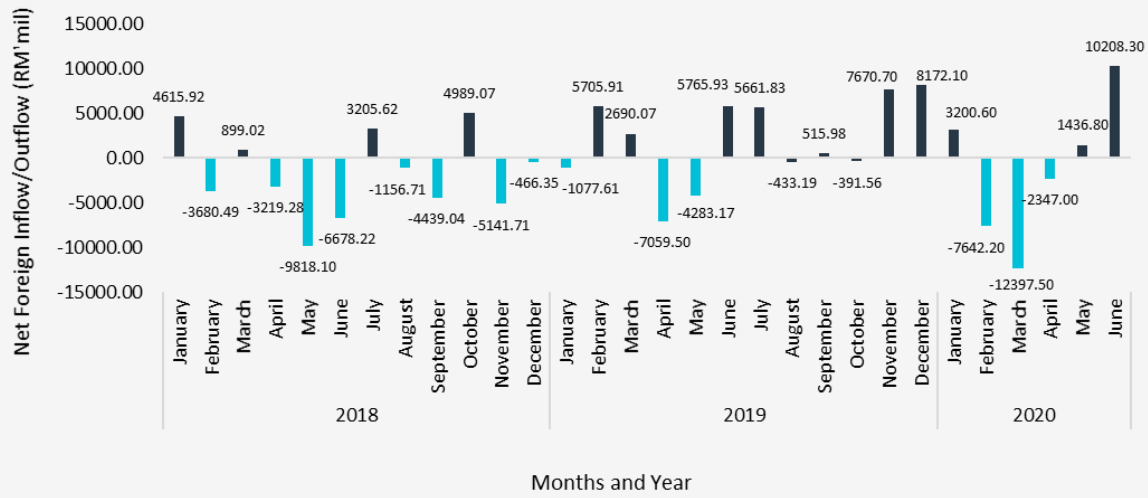
FOREIGN HOLDINGS OF MGS AND GII

Overview

Foreign holdings of MGS and GII bounced after the previous declined with the total foreign holdings at RM 177.44 billion as of June 2020 (March 20: RM 168.14 billion.) The net inflow started to pick up on June 20, with RM 10.21 billion net inflow from the previous month (May 20: RM 1.44 billion net inflow). MGS accounted for the most net inflow with RM 7.81 billion, whereas GII with RM 2.40 billion net inflow.



Cumulative Net Foreign Flow to MGS and GII



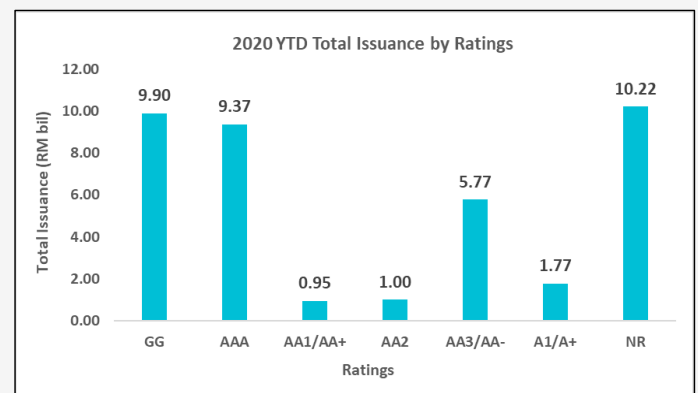
CORPORATE BOND & SUKUK

Overview

For the 2Q20, the corporate segment issued RM 16.94 billion worth of bonds and sukuk, about a 24% decline from the previous quarter (1Q20: RM 22.04 billion). By ratings (excluding government-guaranteed and non-rated), AAA-rated bond was the most issued with the total amount of RM 6.42 billion (1Q20: RM 2.95 billion). The second most issued was AA3-rated bonds with the issuance amount of RM 2.95 billion (1Q20: RM 2.82 billion). [Sarawak Energy Berhad](#) was the biggest issuer with issuance amount RM 1.25 billion AAA-rated sukuk. As of June 2020, the year-to-date total issuance of corporate bond and sukuk amounted RM 38.98 billion.

Issuance 2Q2020

| Month/Rating | April 20 (RM bil) | May 20 (RM bil) | June 20 (RM bil) |
|----------------|----------------------|--------------------|---------------------|
| GG | | 2.80 | |
| AAA | 1.00 | 2.15 | 3.27 |
| AA1/AA+ | 0.60 | | 0.35 |
| AA2 | | | |
| AA3/AA- | 0.13 | 0.87 | 1.95 |
| A1/A+ | | 0.20 | 0.59 |
| NR | 1.41 | 1.16 | 0.46 |
| Total | 3.14 | 7.18 | 6.62 |
| Total Issuance | | | 16.94 |



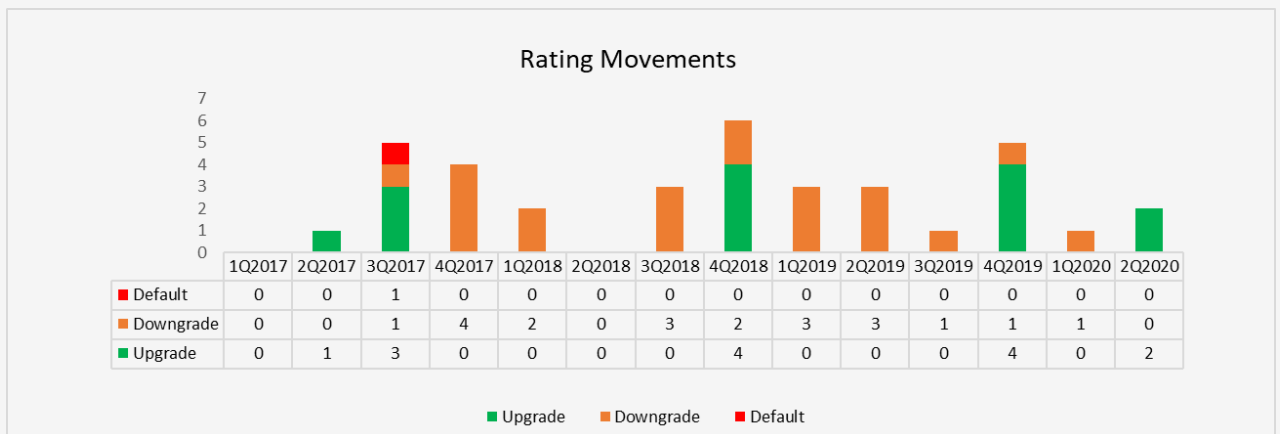
Source BNM, BIX Malaysia

Rating Outlook

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

Upgrade

1. [TIME DOTCOM BERHAD](#)
2. [MBSB BANK BERHAD TRANCHE 1 STRUCTURED COVERED SUKUK](#)



Sources: MARC, RAM and BIX Malaysia

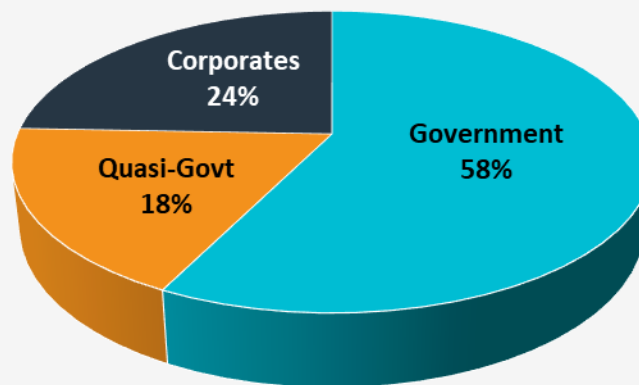
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of June 2020, the outstanding amount of Malaysian bonds is at RM1.39 trillion (March 2020: RM 1.38 trillion), with government bonds dominate by 58% of the outstanding amount. Corporate bond made up 24%, while Quasi-government made up 18% of the total outstanding amount.

Breakdown by Bond Classes



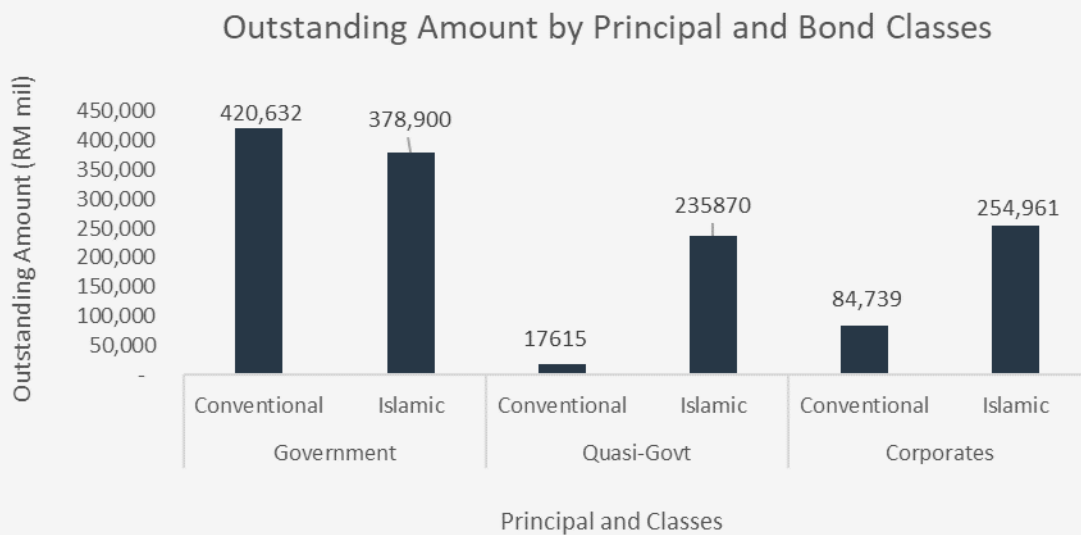
■ Government ■ Quasi-Govt ■ Corporates

BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of June 2020, the Government conventional bond has a higher outstanding amount at RM 420.63 billion compared to the Government Islamic bond (Sukuk) with an outstanding amount of RM 378.90 billion. Islamic bonds (Sukuk) dominates Quasi-Govt and Corporates classes with an outstanding amount of RM 235.87 billion and RM 254.96 billion, respectively.

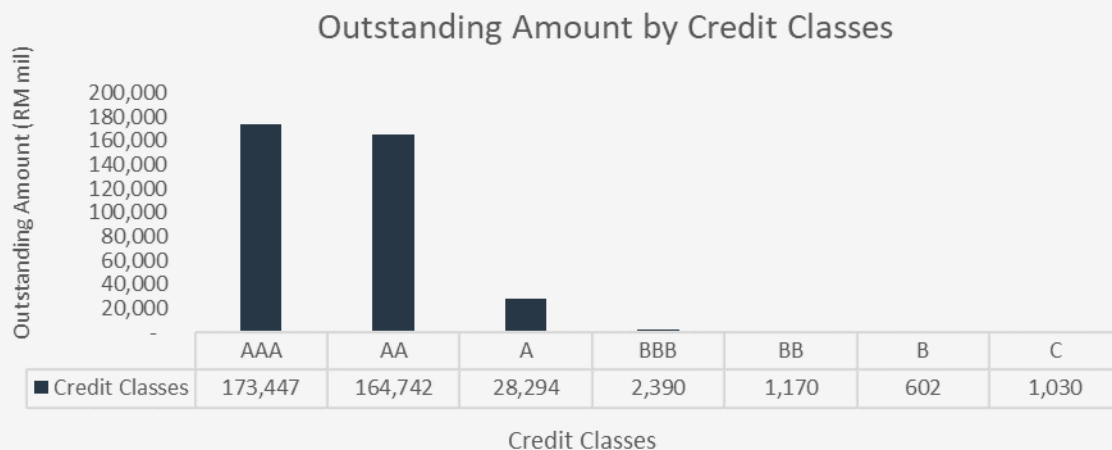


BOND STATISTICS

Overview

Outstanding Amount by Credit Classes

As of June 2020, AAA-rated bonds had the highest outstanding amount at RM 173.45 billion (March 2020: RM 169.32 billion), followed by AA-rate bonds with RM 164.74 billion (March 2020: RM 169.33 billion) outstanding amount. For non-investment grade bonds, the outstanding amount of BB-rated bonds and below was cumulatively at RM 2.8 billion (March 2020: RM2.8 billion).



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