

# QUARTERLY REPORT

1Q22 ( January 2022 – March 2022)



1Q2022- Malaysian government bonds and sukuk remained robust despite the heightened expectations of an interest rate hike.

Foreign investors remained net buyers in the Malaysian bond market this quarter amid the rising inflationary pressure from the Russia-Ukraine War and even more FED rate hike. Bank Negara Malaysia (BNM) is expected to adjust the monetary policy settings, increasing OPR.

## GLOBAL MARKET

### Overview

3-year yield for the US Treasury rose to 148 bps q-o-q while the yield on the benchmark 10-year Treasury note rose 80 bps q-o-q. Investors might fret over concerns of rising inflation and tighter monetary policy.

## MY Government Bond

### Overview

The MGS yield increased q-o-q, where the 3-year was up by 38 bps and the 10-year rose by 25 bps. As for GII performance, the q-o-q increase across the curve by 5 bps for 3-year and 38 bps for 5-year. Bank Negara is expected to raise the overnight policy rate by the second half of 2022.

## MY Corporate Bond & Sukuk

### Overview

The corporate bond yields show fluctuations (q-o-q) throughout the first quarter of 2022. The yields rose 13 bps for 3-year and 26 bps for 10-year.

Dec-20	Dec-21	UST	Jan-22	MTM	Feb-22	MTM	Mar-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.17	0.97	3 YEAR	1.39	0.42	1.62	0.23	2.45	0.83	1.48	2.28
0.36	1.26	5 YEAR	1.63	0.37	1.71	0.08	2.42	0.71	1.16	2.06
0.65	1.44	7 YEAR	1.76	0.32	1.81	0.05	2.40	0.59	0.96	1.75
0.93	1.52	10 YEAR	1.81	0.29	1.83	0.02	2.32	0.49	0.80	1.39

Dec-20	Dec-21	MGS	Jan-22	MTM	Feb-22	MTM	Mar-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.88	2.81	3 YEAR	2.81	0.00	2.71	-0.10	3.19	0.48	0.38	1.31
2.10	3.16	5 YEAR	3.26	0.10	3.29	0.03	3.40	0.11	0.24	1.30
2.39	3.39	7 YEAR	3.52	0.13	3.59	0.07	3.76	0.17	0.37	1.37
2.65	3.60	10 YEAR	3.68	0.08	3.67	-0.01	3.85	0.18	0.25	1.20

Dec-20	Dec-21	GII	Jan-22	MTM	Feb-22	MTM	Mar-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.92	2.90	3 YEAR	2.90	0.00	2.81	-0.09	2.95	0.14	0.05	1.03
2.26	3.21	5 YEAR	3.27	0.06	3.43	0.16	3.49	0.06	0.28	1.23
2.51	3.43	7 YEAR	3.55	0.12	3.62	0.07	3.81	0.19	0.38	1.30
2.81	3.62	10 YEAR	3.70	0.08	3.73	0.03	3.92	0.19	0.30	1.11

Dec-20	Dec-21	BOND AAA	Jan-22	MTM	Feb-22	MTM	Mar-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	3.25	3 YEAR	3.31	0.06	3.25	-0.06	3.38	0.13	0.13	0.93
2.70	3.60	5 YEAR	3.67	0.07	3.70	0.03	3.90	0.20	0.30	1.20
2.95	3.94	7 YEAR	3.99	0.05	3.94	-0.05	4.12	0.18	0.18	1.17
3.26	4.10	10 YEAR	4.19	0.09	4.17	-0.02	4.36	0.19	0.26	1.10

Dec-20	Dec-21	SUKUK AAA	Jan-22	MTM	Feb-22	MTM	Mar-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	3.25	3 YEAR	3.31	0.06	3.25	-0.06	3.38	0.13	0.13	0.93
2.70	3.60	5 YEAR	3.67	0.07	3.70	0.03	3.90	0.20	0.30	1.20
2.95	3.94	7 YEAR	3.99	0.05	3.94	-0.05	4.12	0.18	0.18	1.17
3.26	4.10	10 YEAR	4.19	0.09	4.17	-0.02	4.36	0.19	0.26	1.10

## BOND & SUKUK RESEARCH

Any feedback please email:  
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# GOVERNMENT BOND AUCTION

## Overview

The government bond auction for 1Q22 garnered an average BTC of 1.918x, a slight decrease from the previous quarter (4Q21: 1.994x). A reopening of GII 07/36 received the highest BTC at 2.574x. The new/reopening issuances for MGS/GII stood at RM 40.5 billion (4Q21: RM 40.86 billion).

As of March 2022, the outstanding amount of MGS/GII was at RM926.34 billion (4Q21: RM 903.32). The demand for MGS and GII for quarter 1 was still strong as risk-off sentiment amid the possible OPR hike by BNM.

### 1Q22 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGS 11/26	5	Reopening	Jan	5,000	132,500	2.329	3.23%	3.27%	3.29%
2	MGS 7/32	10	Reopening	Jan	4,500	137,000	2.044	2.62%	3.58%	3.60%
3	GII 07/36	15	Reopening	Jan	3,000	140,000	2.574	4.15%	4.16%	4.18%
4	GII 09/27	5	Reopening	Feb	5,000	145,000	1.733	3.47%	3.50%	3.51%
5	MGS 06/50	30	Reopening	Feb	2,500	147,500	2.423	4.49%	4.51%	4.52%
6	GII 10/28	7	Reopening	Feb	4,500	152,000	1.75	3.59%	3.61%	3.63%
7	MGS 04/37	15	Reopening	Mar	3,000	155,000	1.986	4.05%	4.06%	4.08%
8	MGII 09/41	20	Reopening	Mar	2,500	157,500	1.884	4.38%	4.40%	4.43%
9	MGS 03/25	3	Reopening	Mar	5,500	163,000	1.666	3.21%	3.24%	3.26%

Source BNM, BIX Malaysia

There will be ten reopening MGS and GII auctions in 2Q22.

### UPCOMING ISSUANCE 2Q22

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGII 10/32	10	New issue	Apr						
2	MGS 10/42	20	New issue	Apr						
3	MGII 07/36	15	Reopening	Apr						
4	MGS 04/29	7	New issue	Apr						
5	MGII 05/52	30	New issue	May						
6	MGS 07/32	10	Reopening	May						
7	MGII 10/25	3	Reopening	May						
8	MGS 04/37	15	Reopening	Jun						
9	MGII 09/27	5	Reopening	Jun						
10	MGS 06/50	30	Reopening	Jun						

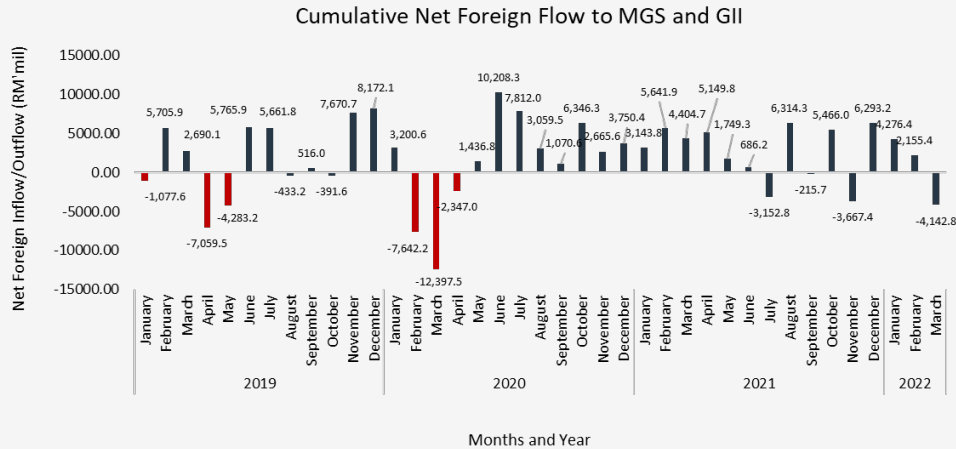
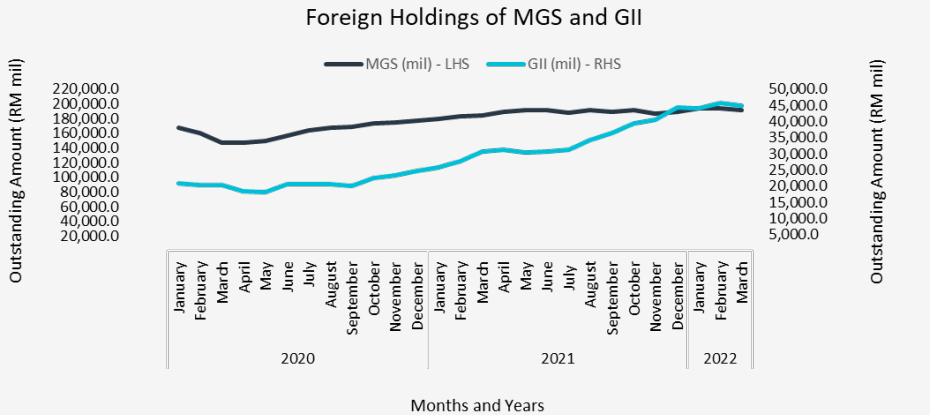
Source BNM, BIX Malaysia

# FOREIGN HOLDINGS OF MGS AND GII

## Overview

The foreign inflow to MGS and GII tapered off in 1Q22 with net inflow amounted to RM4.28 billion, RM2.15 billion and -RM4.14 billion respectively in January, February, and March, despite foreign investors remain net buyers. As of March 2022, the total foreign holdings of MGS and GII stood at RM236.25 billion (December 2021: RM 233.96 billion), 1% increase from the previous quarter.

In the near term, foreign investors could overweight on Malaysian bonds to seek cover as it seems to be offering the best profile to ride out the Russian-Ukraine war and the possibility of FED rate hike.



# CORPORATE BOND & SUKUK

## Overview

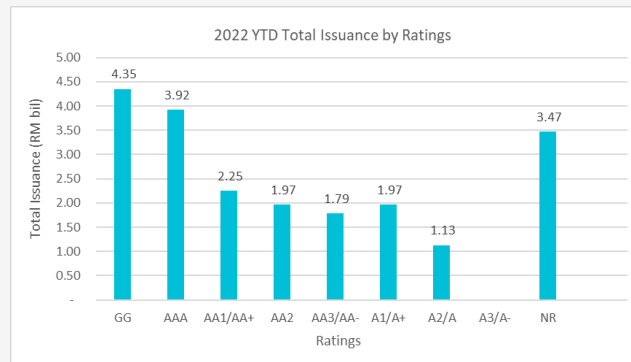
RM 20.85 billion corporate bonds and sukuk were issued in 1Q21 (4Q21: RM 49.13 billion), 58% decrease from last quarter. The government guaranteed rated bonds and sukuk were the most issued with RM 4.35 billion issuances. Non-rated bond is the second most issued with RM 3.92 billion issuances.

By ratings (excluding government-guaranteed and non-rated), AAA-rated bonds were the most issued with RM 3.92 billion issuance (4Q21: RM 9.13 billion). The second big issuance was AA1/AA+-rated with RM 2.25 billion issuance (4Q21: RM 8.13 billion)

For this quarter, the largest corporate issuance is Kuala Lumpur Kepong Berhad, [KLK IMTN 4.170% 16.03.2022](#) of RM 1.5 billion.

## Issuance 1Q22

Month/Rating	Jan 22 (RM bil)	Feb 22 (RM bil)	Mar 22 (RM bil)	Total (RM bil)
GG	0.60		3.75	4.35
AAA	1.13	1.40	1.39	3.92
AA1/AA+	0.20	0.50	1.55	2.25
AA2/AA	0.50	0.32	1.15	1.97
AA3/AA-	0.20	0.23	1.36	1.79
A1/A+	0.50	0.32	1.15	1.97
A2/A	1.13			1.13
A3/A-				
NR	1.01	0.58	1.88	3.47
Total	5.27	3.35	12.23	20.85
Total Issuance				20.85



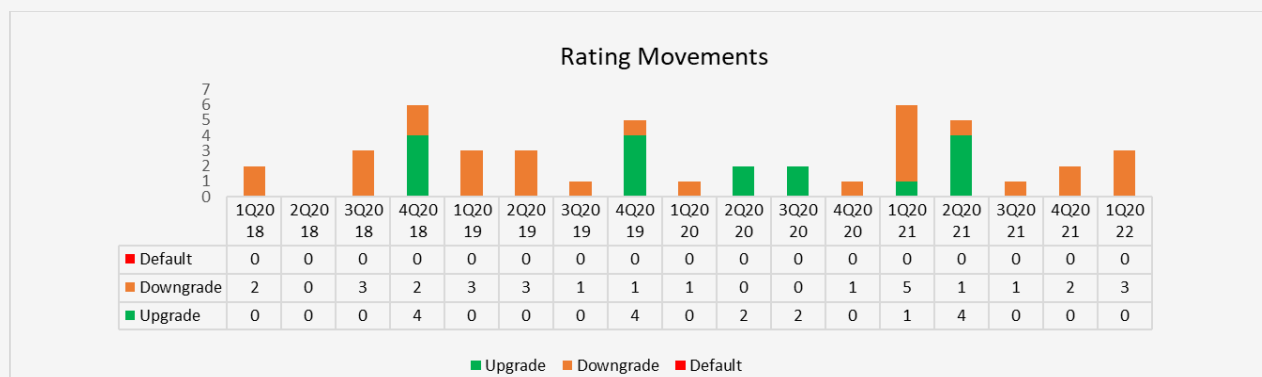
Source BNM, BIX Malaysia

## Rating Outlook

In 1Q22, there is no defaulted or upgraded bonds/sukuk. However, there are three downgraded bonds/sukuk in this quarter.

### Downgrade

1. Menara ABS Berhad
2. Alpha Circle Sdn. Bhd
3. Maju Expressway II Sdn Bhd. (MEX II)



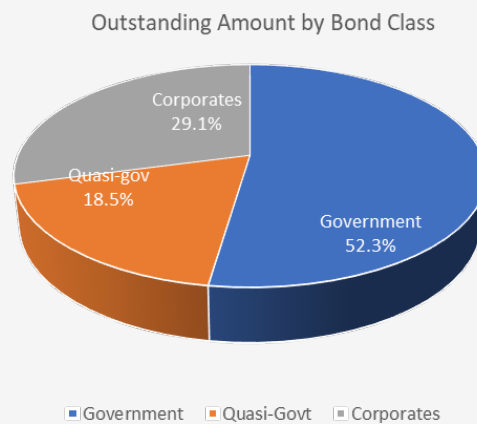
Sources: MARC, RAM and BIX Malaysia

# BOND STATISTICS

## Overview

### Outstanding Amount by Bond Classes

As of March 2022, the outstanding amount of the Malaysian bond market was at RM 1.77 trillion. ( December 2021: RM 1.74 trillion). Breakdown by bond classes, the outstanding amount for government issuances stood at RM 926.34 billion. The corporate and quasi-government outstanding amounts were at RM 515.58 billion and RM 327.54 billion, respectively.

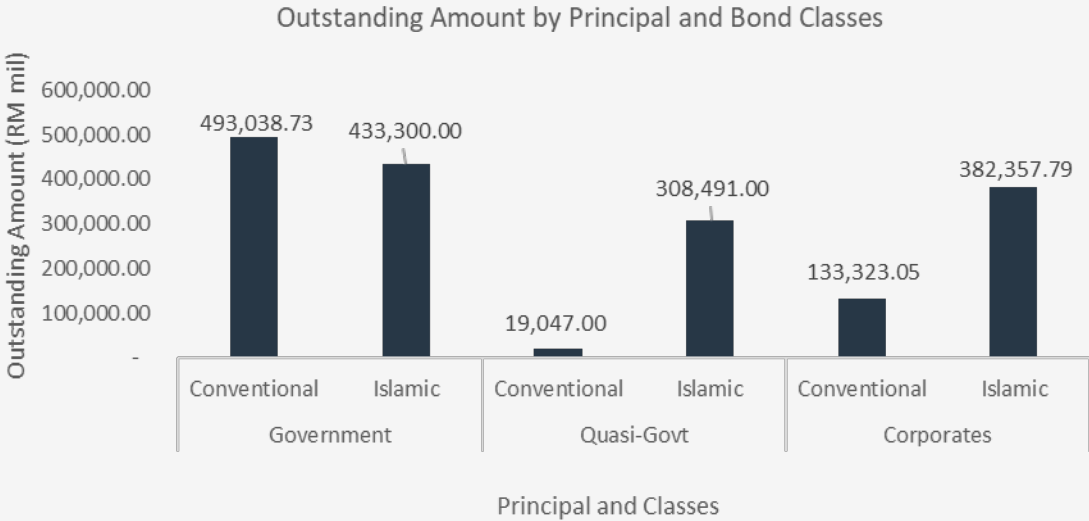


# BOND STATISTICS

## Overview

### Outstanding Amount by Principal and Bond Classes

The outstanding amount of the Government conventional bond was at RM 493.04 billion and the Government Islamic Bond (Sukuk) at RM 433.3 billion, as of March 2022. The conventional Quasi-govt outstanding amount stood at RM 19.05 billion whereas its Islamic counterpart stood at RM 308.49 billion. For corporate issuance, the conventional bond outstanding amount was at RM 133.32 billion and its Islamic sukuk was at RM 382.36 billion.



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