

# QUARTERLY REPORT

3Q 2018 (July18-Sept18)  
October 2018



## 3Q2018 – Positive domestic condition

Malaysia Government Security (MGS) and Government Islamic Instrument (GII) yields shows improvement over the quarter with respect to the 7 to 10 years tenure, which can be attributed to greater clarity by the new elected government on new implementation of cost saving and recovery measures.

Even though the bond market is supported by favorable domestic conditions, there will be in a period of cautious trading ahead of the Malaysian Budget announcement on 2 November 2018.

### GLOBAL MARKET

#### Overview

Bond investor saw a turbulent 3Q 2018 despite a strong US economy and resilience job data. However, the ongoing Fed's balance sheet reduction may exert upward pressure on bond yields together with additional issuances of \$1.5 trillion tax reduction package coupled with \$300b of additional stimulus and anticipation of a Fed hike in Sept.

### MY Government Bond

#### Overview

Sell down of the US bond market lead to partial reversal of EM risk appetite which paved the way for rallies in regional bond markets including Malaysia with the 10y MGS down to 4.07% month-end and an improvement of 13 basis point compared to last quarter.

### MY Corporate Bond & Sukuk

#### Overview

Corporate bond and sukuk in the AAA spectrum strengthen during the quarter on the 5 to 10-year tenure.

3Q18 issuances reached RM20.8b as at end 3Q 2018 down slightly by about 18% from 2Q 2018's RM25.4b

Dec-17	Jun-18	UST	Jul-18	MTM	Aug-18	MTM	Sep-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	BP	Close (%)	BP	Close (%)	BP	BP	BP
1.98	2.63	3	2.77	0.14	2.7	-0.07	2.88	0.18	0.25	0.9
2.2	2.73	5	2.85	0.12	2.74	-0.11	2.94	0.2	0.21	0.74
2.33	2.81	7	2.92	0.11	2.81	-0.11	3.01	0.2	0.2	0.68
2.4	2.85	10	2.96	0.11	2.86	-0.1	3.05	0.19	0.2	0.65

Dec-17	Jun-18	MGS	Jul-18	MTM	Aug-18	MTM	Sep-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	BP	Close (%)	BP	Close (%)	BP	BP	BP
3.32	3.63	3	3.57	-0.06	3.48	-0.09	3.61	0.13	-0.02	0.29
3.53	3.85	5	3.75	-0.1	3.7	-0.05	3.75	0.05	-0.1	0.22
3.88	4.06	7	3.97	-0.09	3.93	-0.04	3.95	0.02	-0.11	0.07
3.91	4.2	10	4.07	-0.13	4.04	-0.03	4.07	0.03	-0.13	0.16

Dec-17	Jun-18	GII	Jul-18	MTM	Aug-18	MTM	Sep-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	BP	Close (%)	BP	Close (%)	BP	BP	BP
3.43	3.6	3	3.55	-0.05	3.51	-0.04	3.7	0.19	0.1	0.27
3.79	4	5	3.86	-0.14	3.82	-0.04	3.86	0.04	-0.14	0.07
4.1	4.18	7	4.05	-0.13	4.01	-0.04	4.02	0.01	-0.16	-0.08
4.19	4.31	10	4.19	-0.12	4.14	-0.05	4.14	0	-0.17	-0.05

Dec-17	Jun-18	BOND AAA	Jul-18	MTM	Aug-18	MTM	Sep-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	BP	Close (%)	BP	Close (%)	BP	BP	BP
4.28	4.46	3	4.4	-0.06	4.32	-0.08	4.33	0.01	-0.13	0.05
4.49	4.64	5	4.54	-0.1	4.45	-0.09	4.45	0	-0.19	-0.04
4.6	4.75	7	4.66	-0.09	4.56	-0.1	4.56	0	-0.19	-0.04
4.76	4.89	10	4.8	-0.09	4.69	-0.11	4.68	-0.01	-0.21	-0.08

Dec-17	Jun-18	SUKUK AAA	Jul-18	MTM	Aug-18	MTM	Sep-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	BP	Close (%)	BP	Close (%)	BP	BP	BP
4.22	4.39	3	4.33	-0.06	4.25	-0.08	4.25	0	-0.14	0.03
4.43	4.57	5	4.47	-0.1	4.38	-0.09	4.38	0	-0.19	-0.05
4.54	4.68	7	4.59	-0.09	4.49	-0.1	4.49	0	-0.19	-0.05
4.7	4.82	10	4.73	-0.09	4.62	-0.11	4.61	-0.01	-0.21	-0.09

Sources: US Treasury, BNM, BPAM & BIX Malaysia

## BOND & SUKUK RESEARCH

Any feedback please email:  
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# GOVERNMENT BOND AUCTION

## Overview

Total Government bond matured during the quarter is RM16.36 billion while new and reopening auction issued at RM26 billion. The take up during the quarter is decent with the average BTC at 2.33 with the highest for 7-year MGS 03/25 at 3.302 BTC and lowest demand for 5 year GII 11/23 at 1.817 BTC.

### 2Q18 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued	Bid/Cover	Yield		
		Year		Date		YTD		Low	Average	High
1	MGS 07/48	30-year	New issue	5-Jul-18	2,000	57,000	1.871	4.89%	4.92%	4.95%
2	GII 10/28	10-year	Re-opening	13-Jul-18	4,000	61,000	2.439	4.22%	4.24%	4.25%
3	MGS 03/25	7-year	Re-opening	27-Jul-18	3,000	64,000	3.302	3.97%	3.98%	3.99%
4	GII 08/37	20-year	Re-opening	6-Aug-18	2,500	66,500	2.108	4.75%	4.77%	4.78%
5	MGS 11/33	15-year	Re-opening	14-Aug-18	3,000	69,000	2.612	4.48%	4.50%	4.51%
6	GII 11/23	5-year	Re-opening	29-Aug-18	3,500	73,000	1.817	3.80%	3.82%	3.83%
7	GII 05/47	30-year	Re-opening	13-Sep-18	2,000	75,000	1.935	4.93%	4.97%	4.99%
8	MGS 06/28	10-year	Re-opening	20-Sep-18	3,000	78,000	2.67	4.08%	4.10%	4.10%
9	GII 03/22	3.5-year	New issue	27-Sep-18	3,000	81,000	2.217	3.72%	3.73%	3.75%

Source BNM, BIX Malaysia

For 4Q2018, there will be 2 GII maturing for October and November amounting to of RM7.5 billion. There will be 2 auction of MGS and 4 GII for next quarter.

### UPCOMING ISSUANCE

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued	Bid/Cover	Yield		
		Year		Date		YTD		Low	Average	High
1	MGS 06/38	20-year	Re-opening	October						
2	GII 10/28	10-year	Re-opening	October						
3	GII 08/25	7-year	Re-opening	November						
4	MGS 04/23	5-year	Re-opening	November						
5	GII 08/37	20-year	Re-opening	December						
6	GII 03/22	3-year	Re-opening	December						

Source BNM, BIX Malaysia

# CORPORATE BOND & SUKUK

## Overview

Malaysia Corporate bond and Sukuk issuance for 3Q18 is lower by 18% at RM20.8 billion compared with 2Q18 issuance at RM25.4 billion and 48% lower compared to 4Q17 issuance at RM40 billion. Lower issuance in the 3<sup>rd</sup> quarter may be due to issuer waiting for more certainty from new government during the early part of the quarter as issuance start to pick up in August and September.

### Issuance 1Q2018

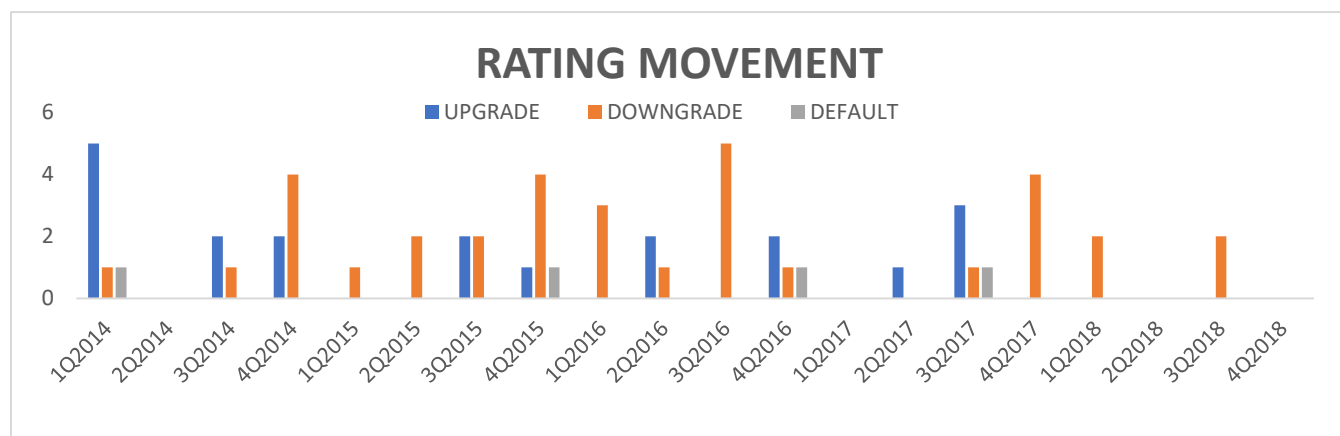
Rating	July (RM bill)	Aug (RM bill)	Sep (RM bill)
GG	-	1.4	1.0
AAA	3.1	3.3	0.6
AA	0.8	1.7	4.9
A	0.5	-	-
NR	1.4	1.2	0.9
	5.9	7.6	7.3
<b>Total Issuance</b>			<b>20.8</b>

Source BNM, BIX Malaysia

### Rating Outlook

There are 3 issuer rating downgraded during 3Q 2018.

1. Talam Transform Berhad
2. Kuveyt Turk Katilim Bankasi AS



Sources: MARC, RAM and BIX Malaysia

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