

QUARTERLY REPORT

1Q23 (January – March 2023)



1Q2023 – Malaysia’s bond market has demonstrated resilience despite increased market volatility

Despite the heightened market volatility, the domestic bond market remained resilient, and non-resident flows turned positive from November’22. Domestic institutional investors remained active in the government bond market, supporting market liquidity amid volatile non-resident flows. Market liquidity remained healthy, with sustained demand for government bonds in the primary market and stable liquidity conditions in the secondary market.

GLOBAL MARKET

Overview

The 3Y UST yield was down by 41 basis points (bps) quarter-on-quarter (QoQ). The 10Y UST also fell by 40 bps QoQ. Investors swarmed into U.S government bonds after the collapse of Silicon Valley Bank and subsequent government backstop of the banking system.

MY Government Bonds

Overview

Overall, the MGS yields decreased QoQ, where the 3Y and 10Y declined by 29 bps and 16 bps, respectively. In tandem, the overall GII yields also decreased across the curve QoQ, where the 3Y dropped by 46 bps while the 10Y dropped by 17 bps. The primary factors that drove the bonds movement were safe-haven bids arising from fears of contagion from the US bank rout which overwhelmed prior month’s hawkish rhetoric by Fed officials.

MY Corporate Bonds & Sukuk

Overview

The corporate bond yields decreased QoQ throughout the first quarter of 2023. The yields fell by 20 bps and 22 bps for 3-year and for 10-year, respectively.

Dec-21	Dec-22	UST	Jan-23	MTM	Feb-23	MTM	Mar-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.97	4.22	3 YEAR	3.90	-0.32	4.51	0.61	3.81	-0.70	-0.41	2.84
1.26	3.99	5 YEAR	3.63	-0.36	4.18	0.55	3.60	-0.58	-0.39	2.34
1.44	3.96	7 YEAR	3.59	-0.37	4.07	0.48	3.55	-0.52	-0.41	2.11
1.52	3.88	10 YEAR	3.52	-0.36	3.92	0.40	3.48	-0.44	-0.40	1.96

Dec-21	Dec-22	MGS	Jan-23	MTM	Feb-23	MTM	Mar-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.81	3.67	3 YEAR	3.39	-0.28	3.52	0.13	3.38	-0.14	-0.29	0.57
3.16	3.84	5 YEAR	3.55	-0.29	3.67	0.12	3.55	-0.12	-0.29	0.39
3.39	4.03	7 YEAR	3.69	-0.34	3.79	0.10	3.74	-0.05	-0.29	0.35
3.60	4.07	10 YEAR	3.80	-0.27	3.91	0.11	3.91	0.00	-0.16	0.31

Dec-21	Dec-22	GII	Jan-23	MTM	Feb-23	MTM	Mar-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.90	3.76	3 YEAR	3.46	-0.30	3.47	0.01	3.30	-0.17	-0.46	0.40
3.21	3.86	5 YEAR	3.59	-0.27	3.62	0.03	3.60	-0.02	-0.26	0.39
3.43	4.04	7 YEAR	3.85	-0.19	3.85	0.00	3.87	0.02	-0.17	0.44
3.62	4.13	10 YEAR	3.95	-0.18	4.00	0.05	3.96	-0.04	-0.17	0.34

Dec-21	Dec-22	BOND AAA	Jan-23	MTM	Feb-23	MTM	Mar-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.25	4.20	3 YEAR	3.96	-0.24	4.04	0.08	4.00	-0.04	-0.20	0.75
3.60	4.36	5 YEAR	4.15	-0.21	4.17	0.02	4.12	-0.05	-0.24	0.52
3.94	4.50	7 YEAR	4.27	-0.23	4.29	0.02	4.25	-0.04	-0.25	0.31
4.10	4.64	10 YEAR	4.44	-0.20	4.43	-0.01	4.42	-0.01	-0.22	0.32

Dec-21	Dec-22	SUKUK AAA	Jan-23	MTM	Feb-23	MTM	Mar-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.25	4.20	3 YEAR	3.96	-0.24	4.04	0.08	4.00	-0.04	-0.20	0.75
3.60	4.36	5 YEAR	4.15	-0.21	4.17	0.02	4.12	-0.05	-0.24	0.52
3.94	4.50	7 YEAR	4.27	-0.23	4.29	0.02	4.25	-0.04	-0.25	0.31
4.10	4.64	10 YEAR	4.44	-0.20	4.43	-0.01	4.42	-0.01	-0.22	0.32

BOND & SUKUK RESEARCH

Any feedback please email:
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GOVERNMENT BOND AUCTION

Overview

The government bond auction for 1Q23 garnered an average bid-to-cover (BTC) of 2.234x, a slight increase from the previous quarter (4Q22: 2.097x). Reopening of MGII 07/28 received the highest BTC at 3.395x. The new/reopening issuances for MGS/GII stood at RM 40.5 billion (4Q22: RM32.0 billion).

As of March 2023, the outstanding amount of MGS/GII stood at RM1,040.56 billion (4Q22: RM979.48). The strong secondary market flows seen among local institutions that include pension funds, inter-bank participants, local GLICs, Lifers and asset management companies, plus offshore parties.

1Q23 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGII 10/32	10	Reopening	Jan	4,500	4,500	2.093	4.109	4.135	4.147
2	MGS 6/38	15	Reopening	Jan	3,000	10,000	2.825	4.110	4.151	4.160
3	MGII 07/28	5	New Issue	Jan	5,000	15,000	3.395	3.580	3.599	3.610
4	MGS 04/30	7	Reopening	Feb	5,000	20,000	2.460	3.610	3.656	3.660
5	MGII 08/43	20	New Issue	Feb	2,500	25,000	2.662	4.257	4.291	4.308
6	MGS 07/26	3	Reopening	Feb	5,500	30,500	1.691	3.438	3.458	3.472
7	MGII 03/38	15	Reopening	Feb	3,000	36,000	1.986	4.160	4.177	4.188
8	MGS 07/32	10	Reopening	Mar	4,500	40,500	1.670	4.035	4.066	4.089
9	MGII 09/30	7	Reopening	Mar	5,000	45,500	1.586	3.760	3.792	3.814
10	MGS 03/53	30	New Issue	Mar	2,500	50,500	1.970	4.370	4.457	4.489

Sources: BNM and BIX Malaysia

For the upcoming 2Q23, there will be three (3) reopenings and one (1) new issuance of MGS. For GII, there will be five (5) reopenings, totalling nine (9) new issuances and

UPCOMING ISSUANCE 2Q23

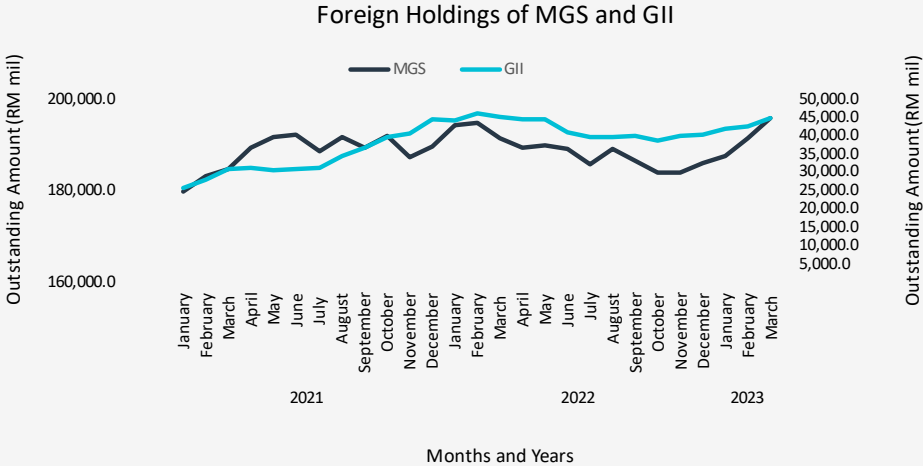
No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGII 10/32	10	Reopening	Apr	4,500	55,000	2.367	3.922	3.936	3.948
2	MGS 04/28	5	New Issue	Apr	5,000	60,000	2.434	3.500	3.519	3.528
3	MGII 05/52	30	Reopening	Apr	2,500	65,000	2.153	4.270	4.294	4.308
4	MGS 04/30	7	Reopening	May						
5	MGII 08/43	20	Reopening	May						
6	MGS 06/38	15	Reopening	May						
7	MGII 09/26	3	Reopening	Jun						
8	MGS 10/42	20	Reopening	Jun						
9	MGII 07/28	5	Reopening	Jun						

Sources: BNM and BIX Malaysia

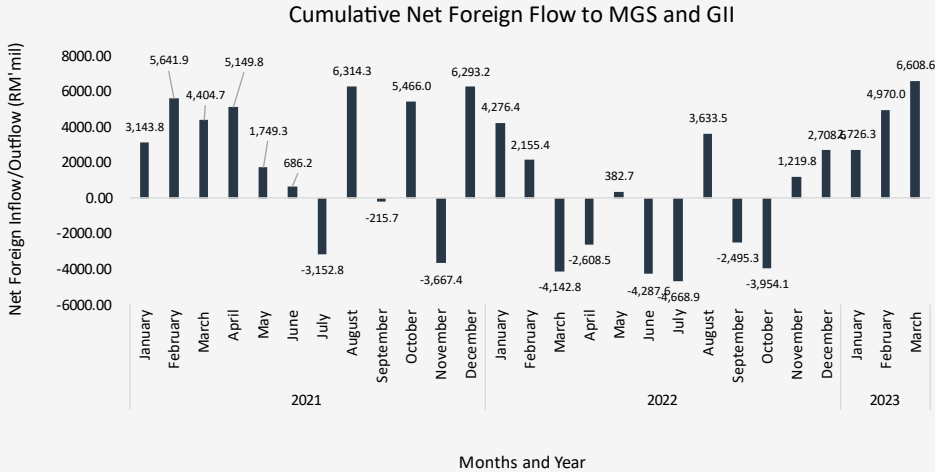
FOREIGN HOLDINGS OF MGS AND GII

Overview

The foreign net inflow to MGS and GII in 1Q23 amounted to RM2.73 billion, RM4.97 billion and RM6.61 billion in January, February and March respectively, as foreign investors turned net buyer. As of March 2023, the total foreign holdings of MGS and GII stood at RM240.48 billion, a 6.32% increase from the previous quarter (December 2022: RM226.18 billion).



Source: BNM



Source: BNM

CORPORATE BOND & SUKUK

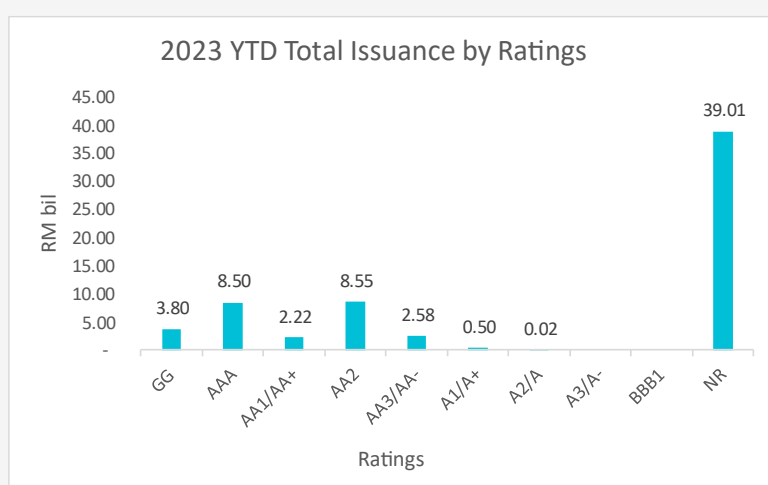
Overview

The total issuances of corporate bonds and sukuk were RM65.17 billion in 1Q23, a 26.0% increase from the previous quarter (4Q22: RM52.16 billion). The unrated bonds and sukuk were the most issued at RM39.01 billion issuances, followed by AA2/AA bonds at RM8.55 billion issuances.

For 1Q23, the largest corporate issuance was issued by Malaysia Rail Link Sdn. Bhd, namely the MRL ICP 181D 10.08.2023 valued at RM1.05 billion.

Issuance 1Q23

Month/Rating	Jan 23 (RM bil)	Feb 23 (RM bil)	Mar 23 (RM bil)	Total (RM bil)
GG	1.50	2.30	-	3.80
AAA	1.30	3.12	4.08	8.50
AA1/AA+	-	0.50	1.72	2.22
AA2/AA	2.57	2.40	3.58	8.55
AA3/AA-	0.64	0.56	1.38	2.58
A1/A+	-	-	0.50	0.50
A2/A	-	-	0.02	0.02
A3/A-	-	-	-	-
BBB1	-	-	-	-
NR	11.41	14.19	13.40	39.01
Total	17.42	23.07	24.68	65.17
Total Issuance				65.17



Sources: BNM and BIX

Rating Outlook

There were zero (0) default and two (2) upgrades recorded in 1Q23. However, there were two (2) downgraded bonds/sukuk in this quarter.

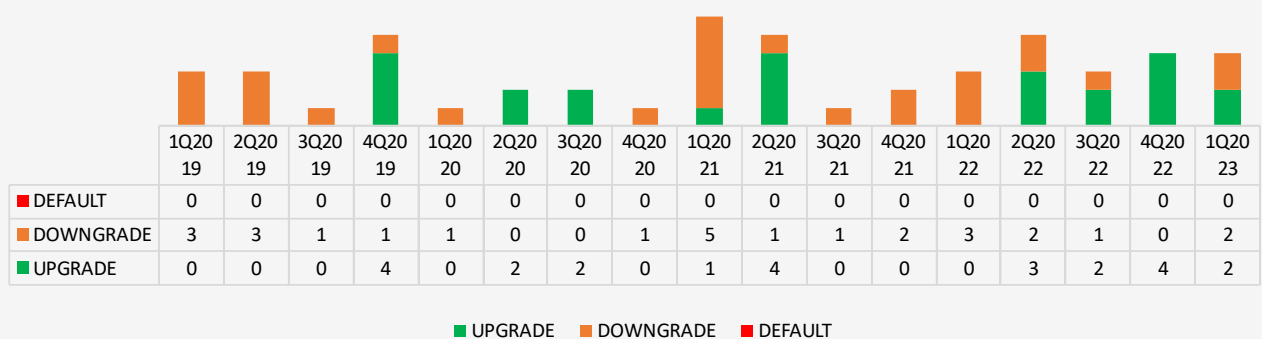
↑ Upgrade

1. Pelabuhan Tanjung Pelepas Sdn Bhd
2. Besraya (M) Sdn Bhd

↓ Downgrade

1. Pacific & Orient Insurance Co. Berhad
2. Menara ABS Berhad

Rating Movements



Sources: MARC, RAM and BIX Malaysia

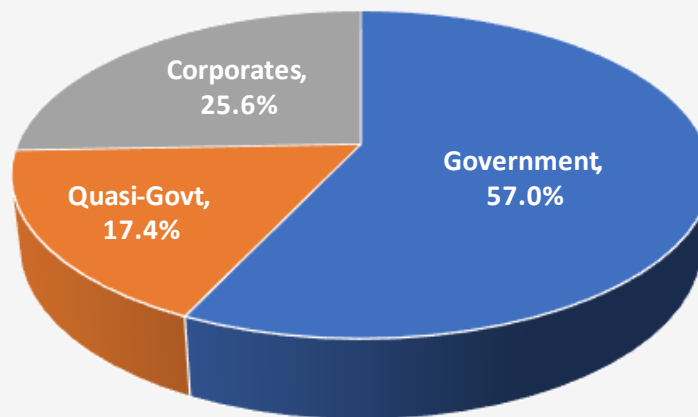
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of March 2023, the outstanding amount of the Malaysian bond market stood at RM1.92 trillion, increased by 2.67% compared to the end of 4Q22 (December 2022: RM1.87 trillion). The largest outstanding bonds were government issuances which consist of 57.0% of total issuances at RM1,092.96 billion, followed by corporate issuances of 25.6% at RM492.62 billion, and Quasi-government of 17.4% at RM333.13 billion.

Outstanding Amount by Class



■ Government ■ Quasi-Govt ■ Corporates

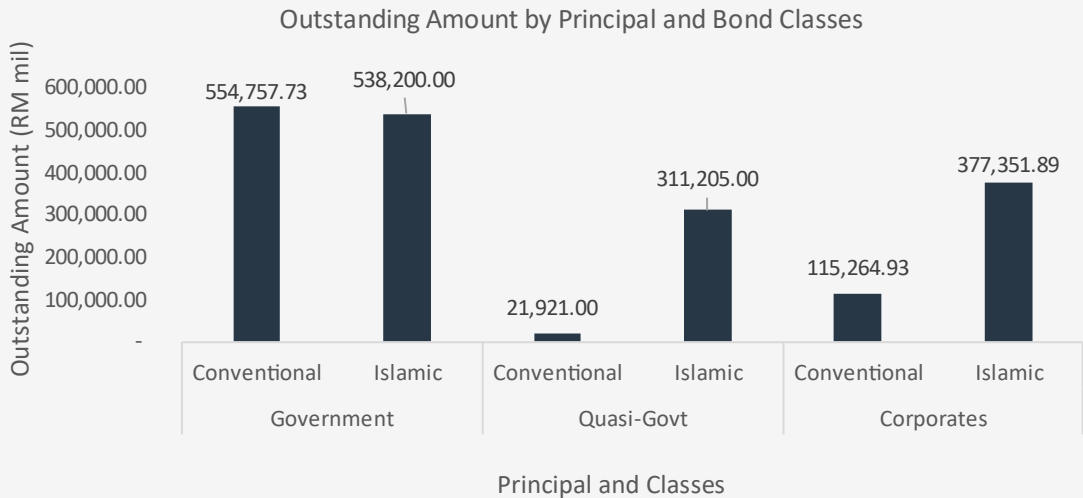
Sources: BNM and BIX Malaysia

BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of March 2023, the outstanding amount of Government conventional bond and Government Islamic Bond (Sukuk) stood at RM554.76 billion and RM538.20 billion, respectively. The conventional Quasi-govt outstanding amount stood at RM21.92 billion, only a fraction compared to its Islamic counterpart that stood at RM311.21 billion. For corporate issuances, the conventional bond outstanding amounted to RM115.26 billion while the corporate Sukuk was recorded higher at RM377.35 billion.



Sources: BNM and BIX Malaysia

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