

# QUARTERLY REPORT

2Q22 ( April 2022 – June 2022)



## 2Q2022- Malaysian government bonds dominated by global inflation and rates hike

Local bond negative sentiment remains in 2Q22 influence by global inflation and rates hike. Global yields spiked and bond returns plunged in 2Q22 as central bank tightening led by the US Fed are switching to a higher gear. The Fed hiked the Fed funds rate by 50bps and 75bps in May and June 2022 FOMC meeting. Malaysia raises its OPR by 25bps in May 2022.

### GLOBAL MARKET

#### Overview

3-year yield for the US Treasury rose to 202 bps q-o-q while the yield on the benchmark 10-year Treasury note rose 146 bps q-o-q. This is at the back of 50 bps and 75 bps raised of Fed rate in May and June 2022.

Dec-20	Dec-21	UST	Apr-22	MTM	May-22	MTM	Jun-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
0.17	0.97	3 YEAR	2.86	1.89	2.71	-0.15	2.99	0.28	2.02	2.82
0.36	1.26	5 YEAR	2.92	1.66	2.81	-0.11	3.01	0.20	1.75	2.65
0.65	1.44	7 YEAR	2.94	1.50	2.87	-0.07	3.04	0.17	1.60	2.39
0.93	1.52	10 YEAR	2.89	1.37	2.85	-0.04	2.98	0.13	1.46	2.05

Dec-20	Dec-21	MGS	Apr-22	MTM	May-22	MTM	Jun-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.88	2.81	3 YEAR	3.49	0.68	3.46	-0.03	3.51	0.05	0.70	1.63
2.10	3.16	5 YEAR	3.89	0.73	3.74	-0.15	3.96	0.22	0.80	1.86
2.39	3.39	7 YEAR	4.43	1.04	4.04	-0.39	4.21	0.17	0.82	1.82
2.65	3.60	10 YEAR	4.38	0.78	4.17	-0.21	4.26	0.09	0.66	1.61

### MY Government Bond

#### Overview

The MGS yield increased q-o-q, where the 3-year was up by 70 bps and the 10-year rose by 66 bps. As for GII performance, the q-o-q increase across the curve by 67 bps for 3-year and 91 bps for 5-year. Bank Negara also raise its OPR by 25 bps to 2.00% in May 2022.

Dec-20	Dec-21	GII	Apr-22	MTM	May-22	MTM	Jun-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
1.92	2.90	3 YEAR	3.48	0.58	3.51	0.03	3.57	0.06	0.67	1.65
2.26	3.21	5 YEAR	4.05	0.84	3.79	-0.26	4.12	0.33	0.91	1.86
2.51	3.43	7 YEAR	4.35	0.92	4.01	-0.34	4.33	0.32	0.90	1.82
2.81	3.62	10 YEAR	4.41	0.79	4.19	-0.22	4.26	0.07	0.64	1.45

Dec-20	Dec-21	BOND AAA	Apr-22	MTM	May-22	MTM	Jun-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	3.25	3 YEAR	3.90	0.65	4.00	0.10	4.04	0.04	0.79	1.59
2.70	3.60	5 YEAR	4.30	0.70	4.32	0.02	4.42	0.10	0.82	1.72
2.95	3.94	7 YEAR	4.69	0.75	4.61	-0.08	4.69	0.08	0.75	1.74
3.26	4.10	10 YEAR	4.80	0.70	4.77	-0.03	4.84	0.07	0.74	1.58

### MY Corporate Bond & Sukuk

#### Overview

The corporate bond yields show fluctuations (q-o-q) throughout the first quarter of 2022. The yields rose 79 bps for 3-year and 74 bps for 10-year.

Dec-20	Dec-21	SUKUK AAA	Apr-22	MTM	May-22	MTM	Jun-22	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
2.45	3.25	3 YEAR	3.90	0.65	4.00	0.10	4.04	0.04	0.79	1.59
2.70	3.60	5 YEAR	4.30	0.70	4.32	0.02	4.42	0.10	0.82	1.72
2.95	3.94	7 YEAR	4.69	0.75	4.61	-0.08	4.69	0.08	0.75	1.74
3.26	4.10	10 YEAR	4.80	0.70	4.77	-0.03	4.84	0.07	0.74	1.58

### BOND & SUKUK RESEARCH

Any feedback please email:

[feedback@bixmalaysia.com](mailto:feedback@bixmalaysia.com)

# GOVERNMENT BOND AUCTION

## Overview

The government bond auction for 2Q22 garnered an average BTC of 2.509x, an increase from the previous quarter (1Q22: 1.918x). A reopening of MGII 10/25 received the highest BTC at 3.632x. The new/reopening issuances for MGS/GII stood at RM 47.0 billion (1Q22: RM 40.5 billion).

As of June 2022, the outstanding amount of MGS/GII was at RM997.69 billion (1Q22: RM 926.34). Bond activities were still led and supported mostly by local institutions with foreign institutions seen nibbling on mainly the shorter-tenured off-the-runs and benchmark 5Y, 10Y bonds.

### 2Q22 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	New Issue	Apr	4,500	45,000	2.503	4.165	4.193	4.203
2	MGS 10/42	20	New Issue	Apr	5,000	50,000	1.918	4.653	4.696	4.730
3	MGII 07/36	15	Reopening	Apr	5,000	55,000	1.879	4.750	4.826	4.869
4	MGS 04/29	7	New Issue	Apr	5,000	60,000	2.196	4.470	4.504	4.520
5	MGII 05/52	30	New Issue	May	3,000	63,000	2.570	5.255	5.357	5.400
6	MGS 07/32	10	Reopening	May	4,500	67,500	2.598	4.243	4.294	4.310
7	MGII 10/25	3	Reopening	May	5,000	72,500	3.632	3.511	3.539	3.550
8	MGS 04/37	15	Reopening	Jun	5,500	78,000	2.211	4.565	4.599	4.618
9	MGII 09/27	5	Reopening	Jun	4,500	82,500	3.133	4.135	4.155	4.167
10	MGS 06/50	30	Reopening	Jun	5,000	87,500	2.459	4.930	4.959	4.974

Source BNM, BIX Malaysia

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

### UPCOMING ISSUANCE 3Q22

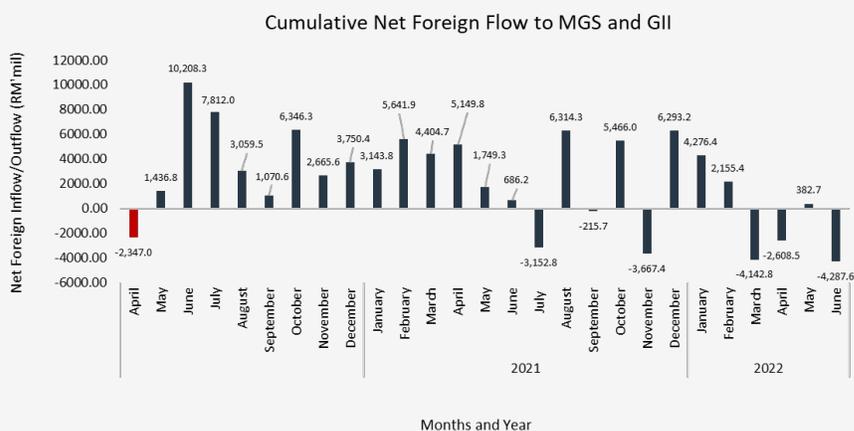
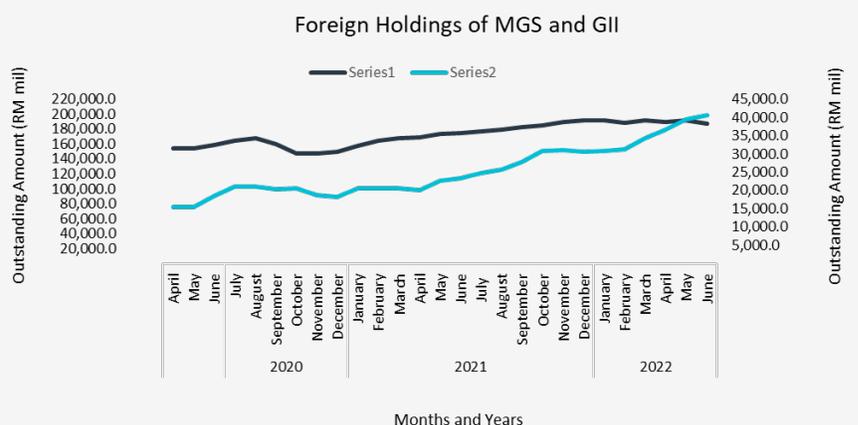
No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued YTD	Bid/Cover	Yield		
		Year		Date				Low	Average	High
1	MGII 10/32	10	Reopening	Jul	6,000	93,500	3.105	4.09	4.117	4.129
2	MGS 10/42	20	Reopening	Jul	5,000	98,500	2.656	4.59	4.598	4.607
3	MGII 07/29	7	Reopening	Jul						
4	MGS 11/27	5	Reopening	Aug						
5	MGII 09/41	20	Reopening	Aug						
6	MGS 04/37	15	Reopening	Aug						
7	MGII 10/25	3	Reopening	Sep						
8	MGS 04/29	7	Reopening	Sep						
9	MGII 03/38	15	New Issue	Sep						

Source BNM, BIX Malaysia

# FOREIGN HOLDINGS OF MGS AND GII

## Overview

The foreign net flow to MGS and GII in 2Q22 amounted to -RM2.61 billion, RM0.38 billion and -RM4.29 billion respectively in April, May and June as foreign investors turn net seller. As of June 2022, the total foreign holdings of MGS and GII stood at RM229.73 billion (March 2022: RM 236.25 billion), -2.8% decrease from the previous quarter.



# CORPORATE BOND & SUKUK

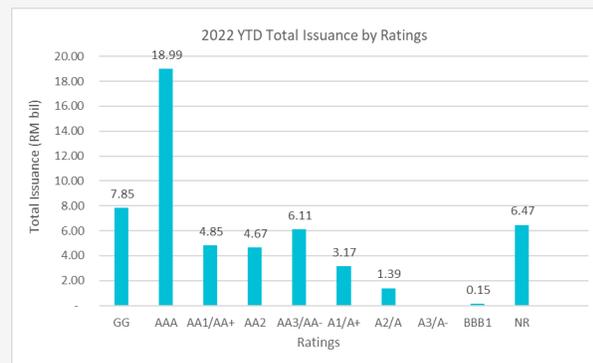
## Overview

RM 32.79 billion corporate bonds and sukuk were issued in 2Q21 (1Q22: RM 20.85 billion), 57% increase from last quarter. The AAA rated bonds and sukuk were the most issued with RM 15.07 billion issuances. AA3/AA- bond is the second most issued with RM 4.32 billion issuances.

For this quarter, the largest corporate issuance was Public Bank Berhad, PUBLIC SUB-NOTES 3.93% 07.4.2032 Tranche 8 of RM 2.00 billion.

## Issuance 2Q22

Month/Rating	Apr 22 (RM bil)	May 22 (RM bil)	June 22 (RM bil)	Total (RM bil)
GG	2.50		1.00	3.50
AAA	3.30	1.03	10.75	15.07
AA1/AA+	2.14	0.38	0.08	2.60
AA2/AA	1.20	1.50		2.70
AA3/AA-	2.15	0.81	1.36	4.32
A1/A+	1.20			1.20
A2/A	0.26			0.26
A3/A-				
BBB1			0.15	0.15
NR	1.24	0.35	1.41	3.00
Total	13.99	4.06	14.74	32.79
Total Issuance				32.79



Source BNM, BIX Malaysia

## Rating Outlook

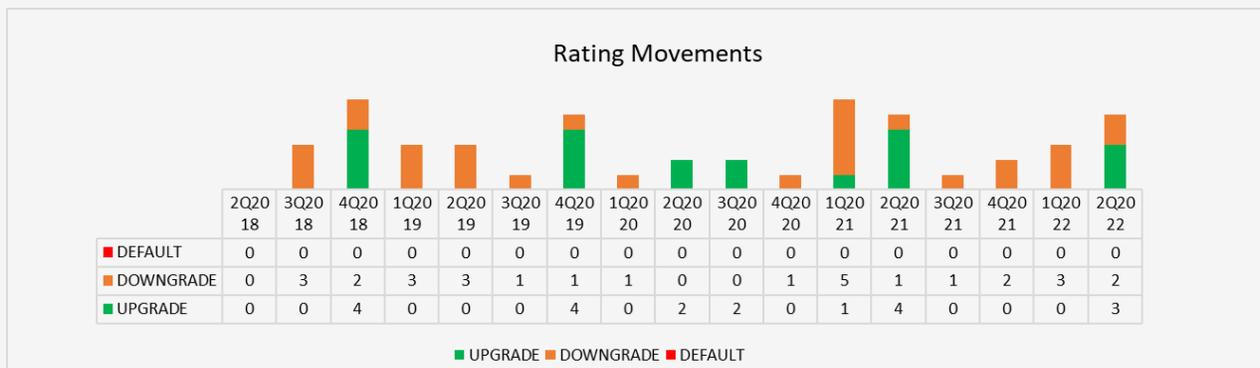
In 2Q22, there is no defaulted. However, there are three upgraded bonds/sukuk and two downgraded bonds/sukuk in this quarter.

### **Upgrade**

1. Bank Muamalat Malaysia Berhad
2. TSH Sukuk Murabahah Sdn Bhd
3. Zamarad Assets Berhad

### **Downgrade**

1. Senai-Desaru Expressway Berhad
2. Serba Dinamik Holdings Berhad



Sources: MARC, RAM and BIX Malaysia

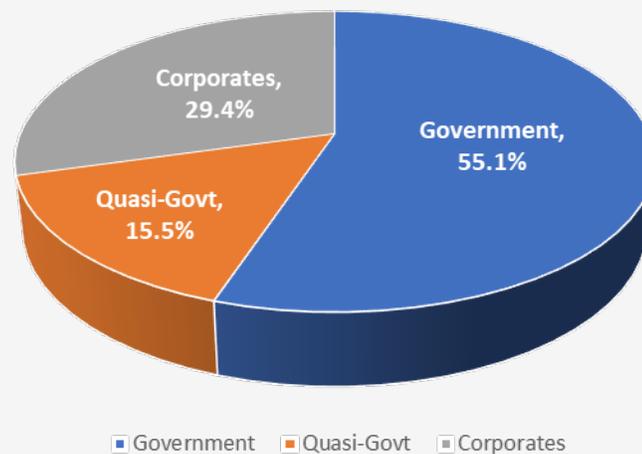
# BOND STATISTICS

## Overview

### Outstanding Amount by Bond Classes

As of June 2022, the outstanding amount of the Malaysian bond market was at RM1.81 trillion. (March 2022: RM1.77 trillion). Breakdown by bond classes, the outstanding amount for government issuances stood at RM997.69 billion. The corporate and quasi-government outstanding amounts were at RM532.46 billion and RM279.88 billion, respectively.

Outstanding Amount by Class

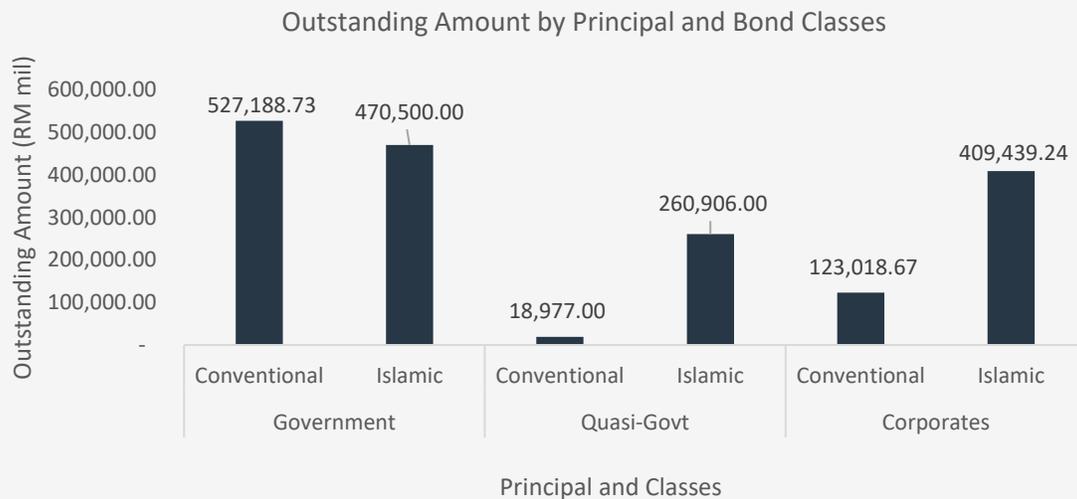


# BOND STATISTICS

## Overview

### Outstanding Amount by Principal and Bond Classes

The outstanding amount of the Government conventional bond was at RM527.19 billion and the Government Islamic Bond (Sukuk) at RM470.50 billion, as of June 2022. The conventional Quasi-govt outstanding amount stood at RM18.98 billion whereas its Islamic counterpart stood at RM260.91 billion. For corporate issuance, the conventional bond outstanding amount was at RM123.02 billion and its Islamic sukuk was at RM409.44 billion.



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