

QUARTERLY REPORT

2Q23 (April – June 2023)



2Q2023 – Domestic bond market shows volatility as investors seek higher yields in emerging market bonds

In the second quarter of this year, the yield curve for Malaysian bonds experienced a flattening trend, reflecting the country's favorable position within emerging markets. This was driven by the United States' indication of an imminent pause in its forceful monetary policy tightening. Throughout Q2 2023, there was a consistent foreign demand for domestic bonds as investors sought attractive yields in emerging market bonds, further bolstered by market prices following the conclusion of Federal Reserve hikes.

GLOBAL MARKET

Overview

3-year yield for the US Treasury rose by 68 bps q-o-q. The yield on the benchmark 10-year Treasury notes has also risen by 33 bps q-o-q. The US bond market revealed a complex landscape, as there was a growing anticipation that the Federal Reserve would continue raising interest rates and maintaining them at elevated levels for an extended period.

MY Government Bond

Overview

The MGS yield was mixed in q-o-q, where the 3-year was up by 12 bps and the 10-year declined by 6 bps. GII performance was also mixed, the q-o-q increase across by 18 bps for 3-year and decrease by 8 bps for 10-year. The predominant driving force behind the recent market dynamics has been the volatility observed in the rates market. The notable observation is that investors swiftly transitioned from a hawkish stance to a dovish one regarding their expectations for US monetary policy.

MY Corporate Bond & Sukuk

Overview

The corporate bond yields decrease (q-o-q) throughout the second quarter of 2023. The yields down 5 bps for 3-year and 12 bps for 10-year.

Dec-22	Mar-23	UST	Apr-23	MTM	May-23	MTM	Jun-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.22	3.81	3 YEAR	3.75	-0.06	4.04	0.29	4.49	0.45	0.68	0.27
3.99	3.60	5 YEAR	3.51	-0.09	3.74	0.23	4.13	0.39	0.53	0.14
3.96	3.55	7 YEAR	3.49	-0.06	3.69	0.20	3.97	0.28	0.42	0.01
3.88	3.48	10 YEAR	3.44	-0.04	3.64	0.20	3.81	0.17	0.33	-0.07

Dec-22	Mar-23	MGS	Apr-23	MTM	May-23	MTM	Jun-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.67	3.38	3 YEAR	3.31	-0.07	3.40	0.09	3.50	0.10	0.12	-0.17
3.84	3.55	5 YEAR	3.43	-0.12	3.47	0.04	3.60	0.13	0.05	-0.24
4.03	3.74	7 YEAR	3.64	-0.10	3.61	-0.03	3.73	0.12	-0.01	-0.30
4.07	3.91	10 YEAR	3.73	-0.18	3.70	-0.03	3.85	0.15	-0.06	-0.22

Dec-22	Mar-23	GII	Apr-23	MTM	May-23	MTM	Jun-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.76	3.30	3 YEAR	3.20	-0.10	3.30	0.10	3.48	0.18	0.18	-0.28
3.86	3.60	5 YEAR	3.49	-0.11	3.52	0.03	3.70	0.18	0.10	-0.16
4.04	3.87	7 YEAR	3.72	-0.15	3.69	-0.03	3.81	0.12	-0.06	-0.23
4.13	3.96	10 YEAR	3.81	-0.15	3.79	-0.02	3.88	0.09	-0.08	-0.25

Dec-22	Mar-23	BOND AAA	Apr-23	MTM	May-23	MTM	Jun-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.20	4.00	3 YEAR	3.95	-0.05	3.91	-0.04	3.95	0.04	-0.05	-0.25
4.36	4.12	5 YEAR	4.08	-0.04	4.02	-0.06	4.08	0.06	-0.04	-0.28
4.50	4.25	7 YEAR	4.17	-0.08	4.13	-0.04	4.18	0.05	-0.07	-0.32
4.64	4.42	10 YEAR	4.31	-0.11	4.27	-0.04	4.30	0.03	-0.12	-0.34

Dec-22	Mar-23	SUKUK AAA	Apr-23	MTM	May-23	MTM	Jun-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.20	4.00	3 YEAR	3.95	-0.05	3.91	-0.04	3.95	0.04	-0.05	-0.25
4.36	4.12	5 YEAR	4.08	-0.04	4.02	-0.06	4.08	0.06	-0.04	-0.28
4.50	4.25	7 YEAR	4.17	-0.08	4.13	-0.04	4.18	0.05	-0.07	-0.32
4.64	4.42	10 YEAR	4.31	-0.11	4.27	-0.04	4.30	0.03	-0.12	-0.34

BOND & SUKUK RESEARCH

Any feedback please email:

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GOVERNMENT BOND AUCTION

Overview

The government bond auction for 2Q23 garnered an average BTC of 2.059x, a slightly decrease from the previous quarter (1Q23: 2.234x). A new issued of MGS 04/28 received the highest BTC at 2.434x. The new/reopening issuances for MGS/GII stood at RM36.0 billion (1Q23: RM40.5 billion).

As of June 2023, the outstanding amount of MGS/GII was at RM1,063.66 billion (1Q23: RM1,040.56 billion). The strong secondary market flows seen among both local institutions that included pension funds, inter-bank participants, local GLIC's, Lifers and asset management companies, plus offshore parties.

In total, there were one (1) new issuance and eight (8) reopening of MGS and GII auctions in 2Q23.

2Q23 AUCTION

No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		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	5,000	70,000	2.183	3.590	3.604	3.615
5	MGII 08/43	20	Reopening	May	3,000	75,500	1.747	4.155	4.182	4.207
6	MGS 06/38	15	Reopening	May	3,000	80,000	2.201	3.990	4.023	4.033
7	MGII 09/26	3	Reopening	Jun	4,500	84,500	1.759	3.420	3.435	3.447
8	MGS 10/42	20	Reopening	Jun	3,000	90,000	1.877	4.168	4.195	4.208
9	MGII 07/28	5	Reopening	Jun	5,500	95,500	1.813	3.657	3.677	3.691

Sources: BNM and BIX Malaysia

For the upcoming 3Q23, there will be five (5) reopening of MGS. For GII there will be five (5) reopening, totalling to ten (10) reopening.

UPCOMING ISSUANCE 3Q23

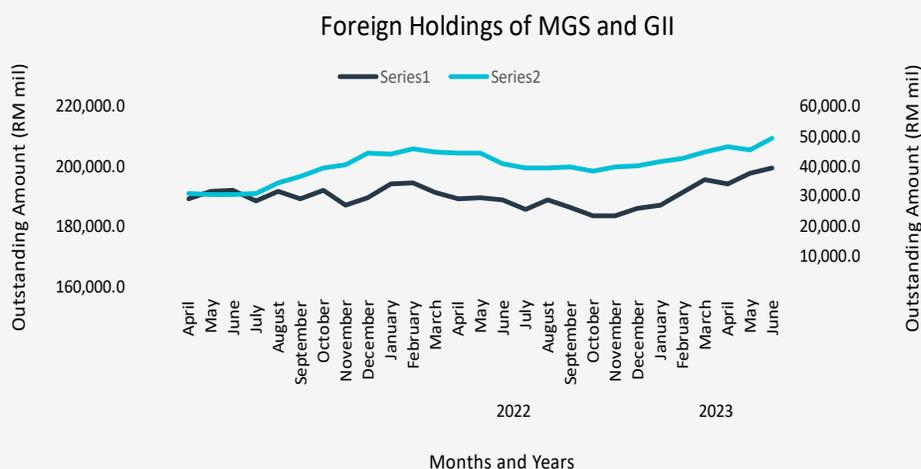
No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		Low	Average	High
1	MGS 11/33	10	Reopening	Jul	5,500	101,000	2.641	3.830	3.860	3.868
2	MGII 07/30	7	Reopening	Jul						
3	MGS 07/26	3	Reopening	Jul						
4	MGII 05/52	30	Reopening	Aug						
5	MGS 04/28	5	Reopening	Aug						
6	MGII 08/43	20	Reopening	Aug						
7	MGS 06/38	15	Reopening	Aug						
8	MGII 09/26	3	Reopening	Sep						
9	MGS 03/53	30	Reopening	Sep						
10	MGII 07/28	5	Reopening	Sep						

Sources: BNM and BIX Malaysia

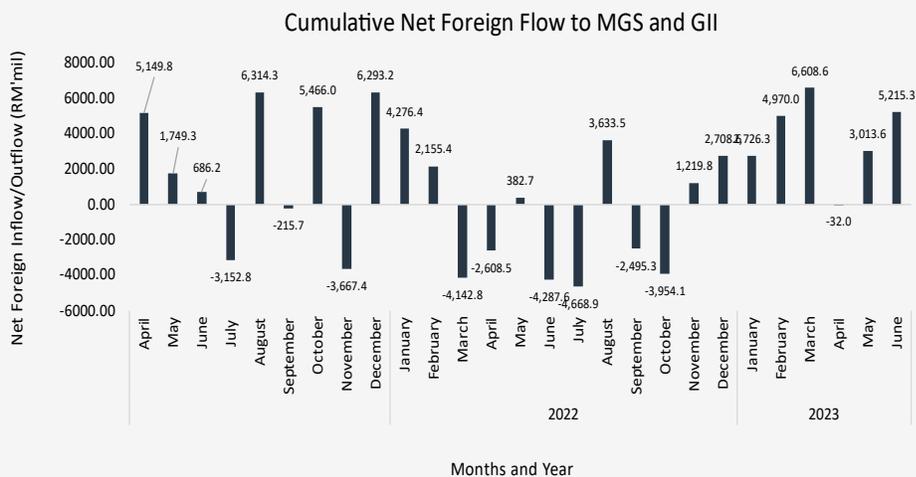
FOREIGN HOLDINGS OF MGS AND GII

Overview

The foreign net flow to MGS and GII in 2Q23 amounted to –RM0.32 billion, RM3.01 billion and RM5.21 billion respectively in April, May and June as foreign investors turn net buyer. As of June 2023, the total foreign holdings of MGS and GII stood at RM248.68 billion (March 2023: RM240.48 billion), 3.41% increase from the previous quarter.



Source: BNM



Source: BNM

CORPORATE BOND & SUKUK

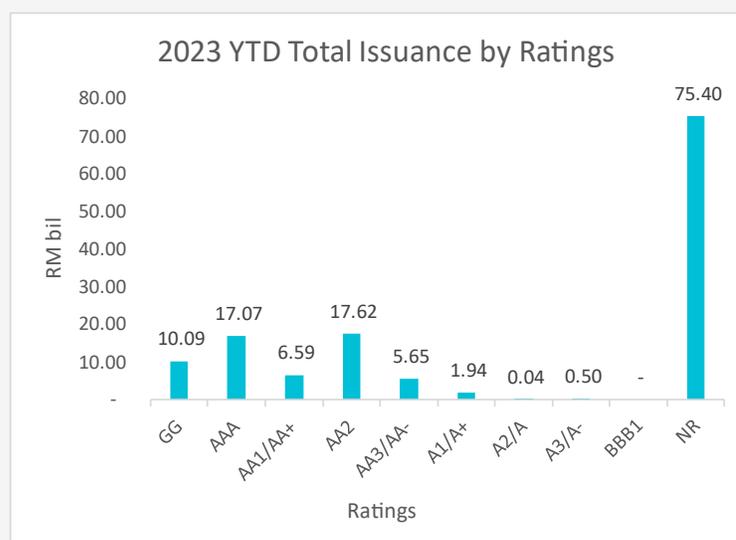
Overview

RM69.72 billion corporate bonds and sukuk were issued in 2Q23 (1Q23: RM65.17 billion), 6.98% increase from the previous quarter. The not rated bonds and sukuk were the most issued with RM36.39 billion issuances, followed by AA2/AA bonds at RM9.07 billion issuances.

For 2Q23, the largest corporate issuances were issued by RHB BANK BERHAD, RHBANK IMTN 25.05.2026 of RM1.50 billion.

Issuance 2Q23

Month/Rating	Apr 22 (RM bil)	May 22 (RM bil)	June 22 (RM bil)	Total (RM bil)
GG	-	-	6.29	6.29
AAA	2.28	4.88	1.41	8.57
AA1/AA+	1.20	2.15	1.02	4.37
AA2/AA	1.83	3.02	4.22	9.07
AA3/AA-	0.48	0.33	2.26	3.07
A1/A+	0.29	-	1.15	1.44
A2/A	-	0.02	-	0.02
A3/A-	-	-	0.50	0.50
BBB1	-	-	-	-
NR	15.40	7.20	13.79	36.39
Total	21.48	17.60	30.64	69.72
Total Issuance				69.72



Sources: BNM and BIX

Rating Outlook

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

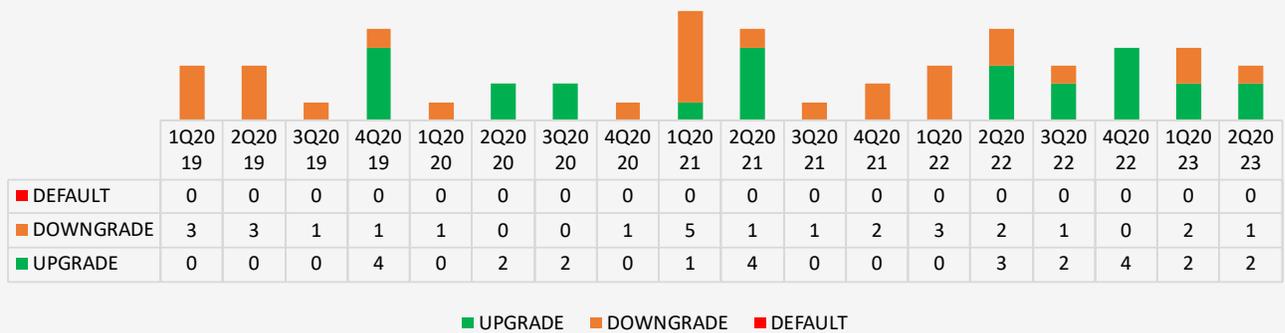
↑ Upgrade

1. Salvare Assets Bhd
2. UniTapah Sdn Bhd

↓ Downgrade

1. Tropicana Corporation Berhad

Rating Movements



Sources: MARC, RAM and BIX Malaysia

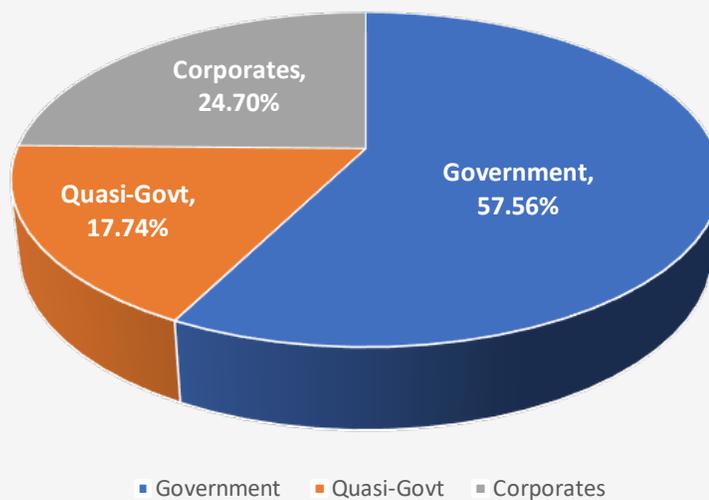
BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of June 2023, the outstanding amount of the Malaysian bond market stood at RM1.96 trillion, increased by 2.08% compared to the end of 1Q23 (March 2023: RM1.92 trillion). The largest outstanding bonds were from government issuances which consist of 57.56% of total issuances at RM1,126.66 billion, followed by corporate issuances of 24.70% at RM483.50 billion, and Quasi-government of 17.74% at RM347.27 billion.

Outstanding Amount by Class



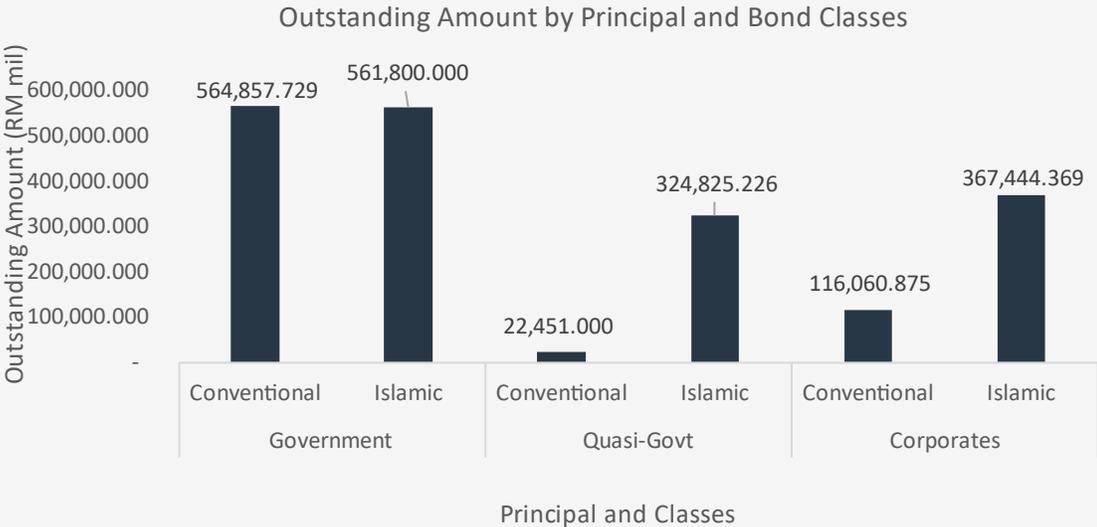
Sources: BNM and BIX Malaysia

BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of June 2023, the outstanding amount of the Government conventional bond and the Government Islamic Bond (Sukuk) stood at RM564.86 billion and RM561.80 billion, respectively. The conventional Quasi-govt outstanding amount stood at RM22.45 billion compared to its Islamic counterpart that stood at RM324.82 billion. For corporate issuances, the conventional bond outstanding amounted RM116.06 billion while the corporate Sukuk was recorded higher at RM367.44 billion.



Sources: BNM and BIX Malaysia

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