

# QUARTERLY REPORT

3Q23 (July - Sept 2023)



## 3Q2023 - Malaysia remained volatile as markets continue to price in the endgame of tightening cycle by global central banker.

In the third quarter of this year, the yield curve for Malaysian bonds remained volatile as markets continue to price in the endgame of tightening cycle by global central banker, amid renewed risks to the inflation outlook and ongoing geopolitical tensions. A slower-than-anticipated economic recovery in China alongside a prolonged period of restrictive monetary policy across developed markets, in particular, suggest a more challenging global growth prospects for 2H23 and beyond, implying more cautious risk sentiment ahead.

### GLOBAL MARKET

#### Overview

3-year yield for the US Treasury rose by 31 bps q-o-q. The yield on the benchmark 10-year Treasury notes has also risen by 78 bps q-o-q. The high-yield, short-term bonds kept afloat during the third quarter, while the rest of the fixed-income market took a hit from the Fed's higher-for-longer stance on interest rates.

### MY Government Bond

#### Overview

The MGS yield rose q-o-q, where the 3-year was up by 5 bps and the 10-year increased by 12 bps. GII performance also rose, the q-o-q increase across by 12 bps for both the 3-year and 10-year. This is due to the economic conditions, global trends, inflation rates, geopolitical factors, and upcoming regulatory reforms that may impact capital markets.

### MY Corporate Bond & Sukuk

#### Overview

The corporate bond yields were mixed (q-o-q) throughout the third quarter of 2023. The yields up by 1 bps for 3-year and remained unchanged as previous quarter for 10-year. The advanced and emerging economies' mixed stances on monetary policy could lead to capital flow fluctuations and increased volatility in bond markets.

Dec-22	Jun-23	UST	Jul-23	MTM	Aug-23	MTM	Sep-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.22	4.49	3 YEAR	4.51	0.02	4.54	0.03	4.80	0.26	0.31	0.58
3.99	4.13	5 YEAR	4.18	0.05	4.23	0.05	4.60	0.37	0.47	0.61
3.96	3.97	7 YEAR	4.08	0.11	4.19	0.11	4.61	0.42	0.64	0.65
3.88	3.81	10 YEAR	3.97	0.16	4.09	0.12	4.59	0.50	0.78	0.71

Dec-22	Jun-23	MGS	Jul-23	MTM	Aug-23	MTM	Sep-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.67	3.50	3 YEAR	3.49	-0.01	3.45	-0.04	3.55	0.10	0.05	-0.12
3.84	3.60	5 YEAR	3.60	0.00	3.59	-0.01	3.68	0.09	0.08	-0.16
4.03	3.73	7 YEAR	3.76	0.03	3.74	-0.02	3.89	0.15	0.16	-0.14
4.07	3.85	10 YEAR	3.84	-0.01	3.84	0.00	3.97	0.13	0.12	-0.10

Dec-22	Jun-23	GII	Jul-23	MTM	Aug-23	MTM	Sep-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
3.76	3.48	3 YEAR	3.48	0.00	3.46	-0.02	3.60	0.14	0.12	-0.16
3.86	3.70	5 YEAR	3.65	-0.05	3.62	-0.03	3.79	0.17	0.09	-0.07
4.04	3.81	7 YEAR	3.80	-0.01	3.79	-0.01	3.93	0.14	0.12	-0.11
4.13	3.88	10 YEAR	3.86	-0.02	3.88	0.02	4.00	0.12	0.12	-0.13

Dec-22	Jun-23	BOND AAA	Jul-23	MTM	Aug-23	MTM	Sep-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.20	3.95	3 YEAR	3.87	-0.08	3.86	-0.01	3.96	0.10	0.01	-0.24
4.36	4.08	5 YEAR	4.03	-0.05	3.99	-0.04	4.09	0.10	0.01	-0.27
4.50	4.18	7 YEAR	4.12	-0.06	4.09	-0.03	4.21	0.12	0.03	-0.29
4.64	4.30	10 YEAR	4.22	-0.08	4.21	-0.01	4.30	0.09	0.00	-0.34

Dec-22	Jun-23	SUKUK AAA	Jul-23	MTM	Aug-23	MTM	Sep-23	MTM	QTQ	YTD
Close(%)	Close(%)		Close(%)	(BP)	Close(%)	(BP)	Close(%)	(BP)	(BP)	(BP)
4.20	3.95	3 YEAR	3.87	-0.08	3.86	-0.01	3.96	0.10	0.01	-0.24
4.36	4.08	5 YEAR	4.03	-0.05	3.99	-0.04	4.09	0.10	0.01	-0.27
4.50	4.18	7 YEAR	4.12	-0.06	4.09	-0.03	4.21	0.12	0.03	-0.29
4.64	4.30	10 YEAR	4.22	-0.08	4.21	-0.01	4.30	0.09	0.00	-0.34

## BOND & SUKUK RESEARCH

Any feedback please email:  
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# GOVERNMENT BOND AUCTION

## Overview

The government bond auction for 3Q23 garnered an average BTC of 2.125x, an increase from the previous quarter (2Q23: 2.059x). A reopening of MGS 11/33 received the highest BTC at 2.641x. The new/reopening issuances for MGS/GII stood at RM42.0 billion (2Q23: RM36.0 billion).

As of September 2023, the outstanding amount of MGS/GII was at RM1,091.66 billion (2Q23: RM1,063.66 billion). This is due to the government's deficit financing requirement and the refinancing of debts maturing this year.

In total, there were zero (0) new issuance and ten (10) reopening of MGS and GII auctions

### 3Q23 AUCTION

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	5,000	106,000	2.295	3.760	3.788	3.798
3	MGS 07/26	3	Reopening	Jul	4,500	110,500	1.908	3.455	3.483	3.498
4	MGII 05/52	30	Reopening	Aug	3,000	115,500	2.557	4.318	4.362	4.378
5	MGS 04/28	5	Reopening	Aug	5,000	120,500	1.718	3.630	3.647	3.662
6	MGII 08/43	20	Reopening	Aug	3,000	125,500	1.992	4.240	4.285	4.301
7	MGS 06/38	15	Reopening	Aug	3,000	129,500	2.118	4.030	4.049	4.062
8	MGII 09/26	3	Reopening	Sep	4,500	134,000	2.167	3.528	3.539	3.546
9	MGS 03/53	30	Reopening	Sep	3,500	139,000	1.897	4.415	4.454	4.475
10	MGII 07/28	5	Reopening	Sep	5,000	144,000	1.954	3.795	3.808	3.820

Sources: BNM and BIX Malaysia

For the upcoming 4Q23, there will be four (4) reopening of MGS. For GII there will be four (4) reopening, totalling to eight (8) reopening.

### UPCOMING ISSUANCE 4Q23

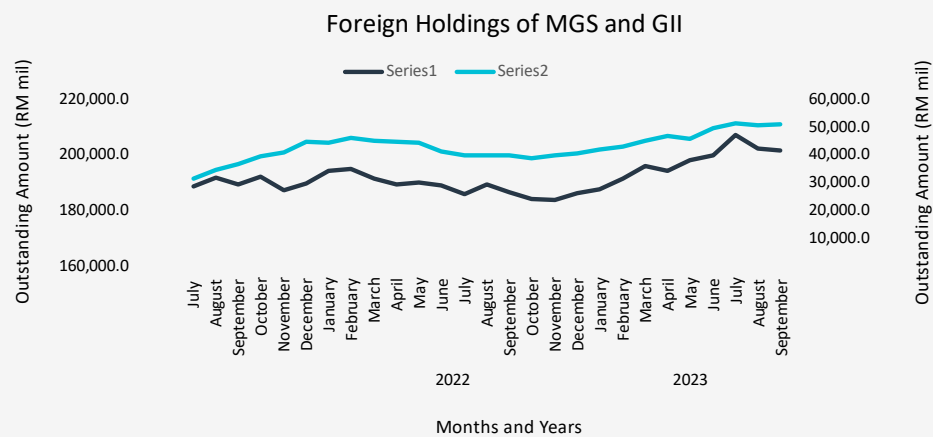
No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		Low	Average	High
1	MGS 10/42	20	Reopening	Oct						
2	MGII 08/33	10	Reopening	Oct						
3	MGS 04/30	7	Reopening	Oct						
4	MGII 05/52	30	Reopening	Nov						
5	MGS 04/28	5	Reopening	Nov						
6	MGII 09/30	7	Reopening	Nov						
7	GII 09/26	3	Reopening	Dec						
8	MGS 11/33	10	Reopening	Dec						

Sources: BNM and BIX Malaysia

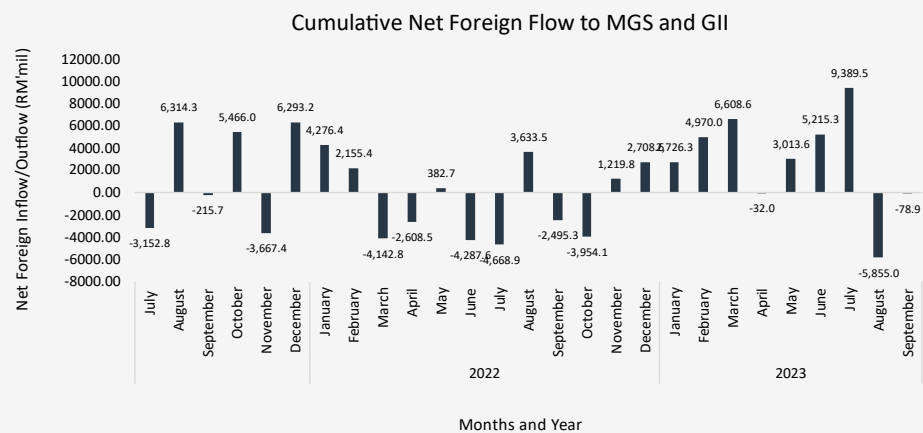
# FOREIGN HOLDINGS OF MGS AND GII

## Overview

The foreign net flow to MGS and GII in 3Q23 amounted to RM9.39 billion, -RM5.85 billion and -RM0.08 billion respectively in July, August and September as foreign investors turn net buyer. As of September 2023, the total foreign holdings of MGS and GII stood at RM252.13 billion (June 2023: RM248.68 billion), 1.39% increase from the previous quarter.



Source: BNM



Source: BNM

# CORPORATE BOND & SUKUK

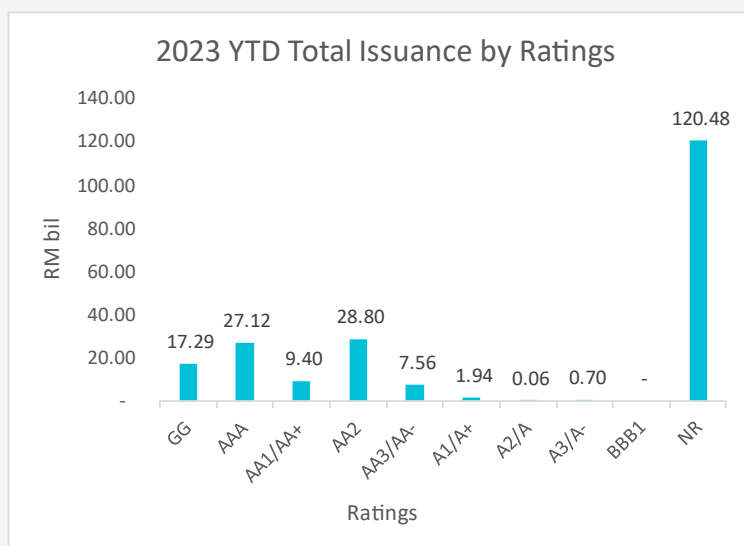
## Overview

RM78.45 billion corporate bonds and sukuk were issued in 3Q23 (2Q23: RM69.72 billion), 12.52% increase from the previous quarter. The not rated bonds and sukuk were the most issued with RM45.08 billion issuances, followed by AA2/AA bonds at RM11.18 billion issuances.

For 3Q23, the largest corporate issuances were issued by SARAWAK ENERGY BERHAD, SEB IMTN 4.270% 04.07.2033 (Tranche 21) of RM2.00 billion.

## Issuance 3Q23

Month/Rating	July 23 (RM bil)	Aug 23 (RM bil)	Sept 23 (RM bil)	Total (RM bil)
GG	5.50	1.70	-	7.20
AAA	6.91	2.34	0.80	10.05
AA1/AA+	-	2.10	0.71	2.81
AA2/AA	2.94	3.54	4.70	11.18
AA3/AA-	0.40	0.78	0.73	1.91
A1/A+	-	-	-	-
A2/A	-	0.02	-	0.02
A3/A-	-	0.20	-	0.20
BBB1	-	-	-	-
NR	12.23	11.21	21.64	45.08
<b>Total</b>	<b>27.98</b>	<b>21.89</b>	<b>28.58</b>	<b>78.45</b>
<b>Total Issuance</b>				<b>78.45</b>



Sources: BNM and BIX

## Rating Outlook

There was zero (0) default and five (5) upgrades recorded in 3Q23. However, there are two (2) downgraded bonds/sukuk in this quarter.

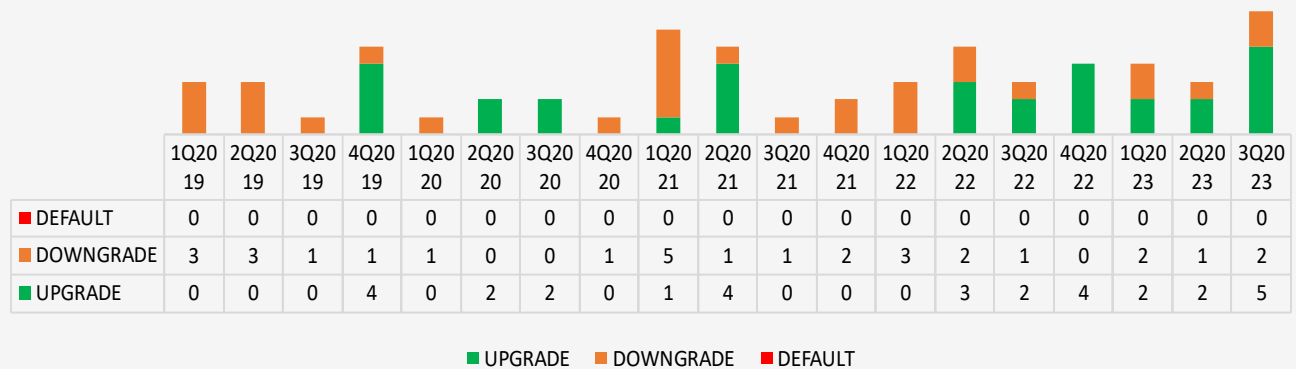
### ↑ Upgrade

1. MBSB Bank Berhad
2. Segi Astana Sdn Bhd
3. Celcom Networks Sdn Bhd
4. Cenergi SEA Berhad
5. UEM Group Berhad

### ↓ Downgrade

1. Country Garden Real Estate Sdn Bhd
2. TG Excellence Berhad

## Rating Movements



Sources: MARC, RAM and BIX Malaysia

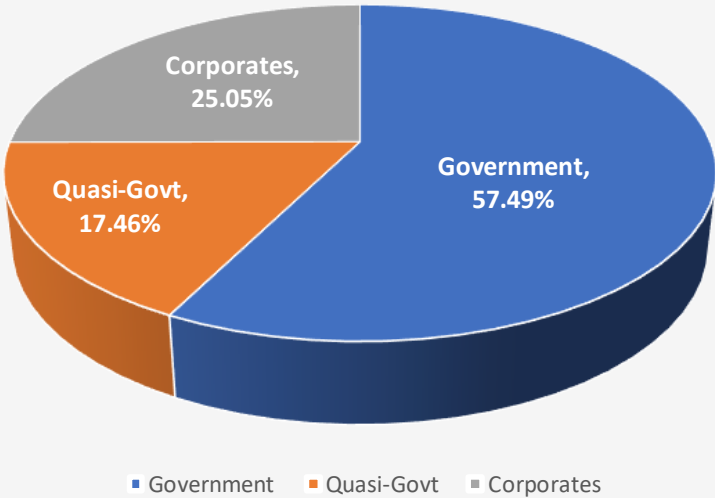
# BOND STATISTICS

## Overview

### Outstanding Amount by Bond Classes

As of September 2023, the outstanding amount of the Malaysian bond market stood at RM1.99 trillion, increased by 1.53% compared to the end of 2Q23 (June 2023: RM1.96 trillion). The largest outstanding bonds were from government issuances which consist of 57.49% of total issuances at RM1,142.16 billion, followed by corporate issuances of 25.05% at RM497.63 billion, and Quasi-government of 17.46% at RM346.88 billion.

Outstanding Amount by Class



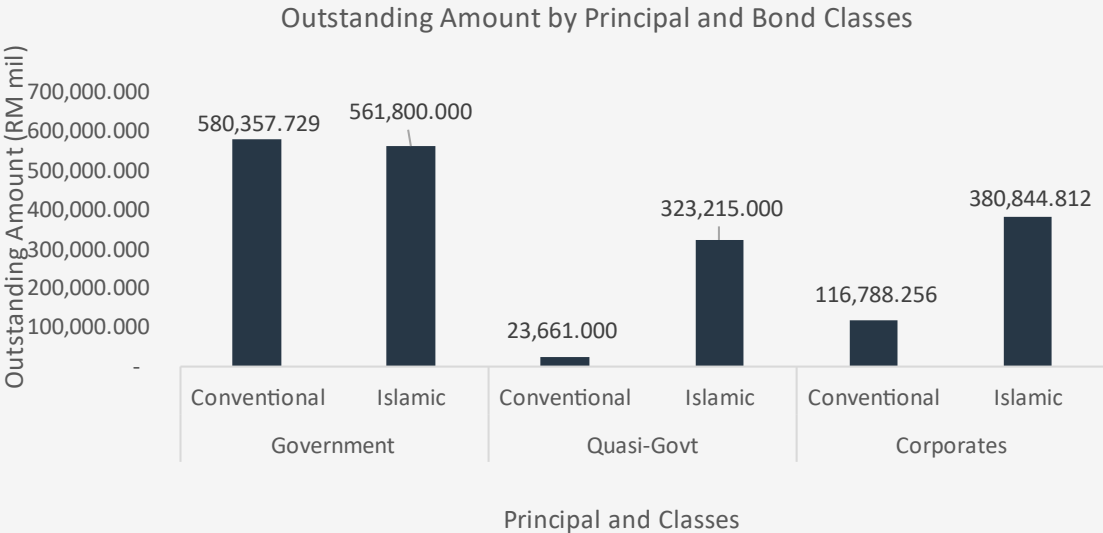
Sources: BNM and BIX Malaysia

# BOND STATISTICS

## Overview

### Outstanding Amount by Principal and Bond Classes

As of September 2023, the outstanding amount of the Government conventional bond and the Government Islamic Bond (Sukuk) stood at RM580.36 billion and RM561.80 billion, respectively. The conventional Quasi-govt outstanding amount stood at RM23.66 billion compared to its Islamic counterpart that stood at RM323.22 billion. For corporate issuances, the conventional bond outstanding amounted RM116.79 billion while the corporate Sukuk was recorded higher at RM380.84 billion.



Sources: BNM and BIX Malaysia

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