

QUARTERLY REPORT

1Q20 (January 2020 – March 2020)



1Q2020 – Risk-Off Mode Amid COVID-19 Pandemic

The unprecedented COVID-19 pandemic has caused a gloomy economic outlook and risk-off sentiment in the financial market. There was a selling pressure on MGS and GII as foreign investors flocked to US Treasuries on safe-haven bids. In the 1Q20, Bank Negara Malaysia (BNM) has cut OPR by 50 bps to 2.25% - 2.75% level.

GLOBAL MARKET

Overview

Demand for US Treasuries surged with yields across the curve declined 122 bps – 133 bps q-o-q. In 1Q20, the Fed has cut down rate by 150 bps to 0%-0.25% level.

MY Government Bond

Overview

The MGS and GII yields increased 22 bps – 59 bps in March as foreign selling heightened with RM 12.4 billion outflows cumulatively. On q-o-q basis, yields decreased 7 bps – 23 bps on the short and medium tenure of the curve. On the longer tenure, yields rose 1 bps – 5 bps.

MY Corporate Bond & Sukuk

Overview

AAA-rated corporate bond and sukuk also received selling pressure with yields rose 3 bps – 20 bps q-o-q on medium and longer tenure of the curve.

Dec-18	Dec-19	UST	Jan-20	MTM	Feb-20	MTM	Mar-20	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
2.46	1.62	3 YEAR	1.30	-0.32	0.85	-0.45	0.29	-0.56	-1.33	-2.17
2.51	1.69	5 YEAR	1.32	-0.37	0.89	-0.43	0.37	-0.52	-1.32	-2.14
2.59	1.83	7 YEAR	1.42	-0.41	1.03	-0.39	0.55	-0.48	-1.28	-2.04
2.69	1.92	10 YEAR	1.51	-0.41	1.13	-0.38	0.70	-0.43	-1.22	-1.99

Dec-18	Dec-19	MGS	Jan-20	MTM	Feb-20	MTM	Mar-20	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.62	2.98	3 YEAR	2.86	-0.12	2.61	-0.25	2.75	0.14	-0.23	-0.87
3.76	3.15	5 YEAR	2.95	-0.20	2.63	-0.32	3.07	0.44	-0.08	-0.69
3.99	3.30	7 YEAR	3.09	-0.21	2.75	-0.34	3.23	0.48	-0.07	-0.76
4.07	3.30	10 YEAR	3.13	-0.17	2.82	-0.31	3.35	0.53	0.05	-0.72

Dec-18	Dec-19	GII	Jan-20	MTM	Feb-20	MTM	Mar-20	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.68	3.06	3 YEAR	2.91	-0.15	2.68	-0.23	2.90	0.22	-0.16	-0.78
3.83	3.19	5 YEAR	3.01	-0.18	2.68	-0.33	3.00	0.32	-0.19	-0.83
4.07	3.30	7 YEAR	3.11	-0.19	2.76	-0.35	3.31	0.55	0.01	-0.76
4.24	3.42	10 YEAR	3.20	-0.22	2.86	-0.34	3.45	0.59	0.03	-0.79

Dec-18	Dec-19	BOND AAA	Jan-20	MTM	Feb-20	MTM	Mar-20	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.27	3.55	3 YEAR	3.39	-0.16	3.04	-0.35	3.43	0.39	-0.12	-0.84
4.40	3.67	5 YEAR	3.45	-0.22	3.10	-0.35	3.63	0.53	-0.04	-0.77
4.52	3.76	7 YEAR	3.52	-0.24	3.16	-0.36	3.83	0.67	0.07	-0.69
4.64	3.89	10 YEAR	3.60	-0.29	3.23	-0.37	4.01	0.78	0.12	-0.63

Dec-18	Dec-19	SUKUK AAA	Jan-20	MTM	Feb-20	MTM	Mar-20	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.20	3.48	3 YEAR	3.32	-0.16	3.04	-0.28	3.43	0.39	-0.04	-0.77
4.33	3.60	5 YEAR	3.38	-0.22	3.10	-0.28	3.63	0.53	0.03	-0.70
4.45	3.69	7 YEAR	3.45	-0.24	3.16	-0.29	3.83	0.67	0.15	-0.62
4.57	3.82	10 YEAR	3.53	-0.29	3.23	-0.30	4.01	0.78	0.20	-0.56

Sources: US Treasury, BNM, BPAM & BIX Malaysia

BOND & SUKUK RESEARCH

Any feedback please email:
feedback@bixmalaysia.com



GOVERNMENT BOND AUCTION

Overview

The demand for MGS/GII in 1Q20 is higher than the previous quarter with an average 2.460x BTC (4Q19: 2.058x BTC). The reopening 15Y GII 11/34 auctioned in January, received the highest BTC at 3.396x. While the 10Y MGS 08/29, auctioned in February recorded 2.036x BTC, the lowest BTC for this quarter. The total outstanding of MGS and GII as of March 2020 stood at RM 760.73 billion (December 2019: RM 732.93 billion)

1Q20 AUCTION

No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		Low	Average	High
1	MGS 05/27	7	Reopening	January	3,500	3,500	2.498	3.259	3.281	3.288
2	GII 11/34	15	Reopening	January	2,500	6,000	3.396	3.500	3.507	3.513
3	MGS 03/23	3	Reopening	January	3,000	9,000	2.183	2.837	2.858	2.875
4	GII 11/49	30	Reopening	February	2,500	11,500	2.328	3.747	3.780	3.792
5	MGS 08/29	10	Reopening	February	4,000	15,500	2.036	2.860	2.888	2.898
6	GII 10/24	5	Reopening	February	4,000	19,500	2.776	2.817	2.845	2.852
7	MGS 07/34	15	Reopening	March	3,500	23,000	2.247	3.008	3.027	3.036
8	GII 09/39	20	Reopening	March	2,800	25,800	2.182	3.295	3.344	3.373
9	MGS 09/25	5	Reopening	March	4,000	29,800	2.080	3.372	3.450	3.494
10	GII 09/27	7	New Issue	March	3,500	33,300	2.874	3.391	3.422	3.454

Source BNM, BIX Malaysia

There will be four MGS issuances (three reopening and one new issue) and four GII issuances (three reopening and one new issue) in 2Q20. Six GIIs will mature in 2Q20.

UPCOMING ISSUANCE 2Q20

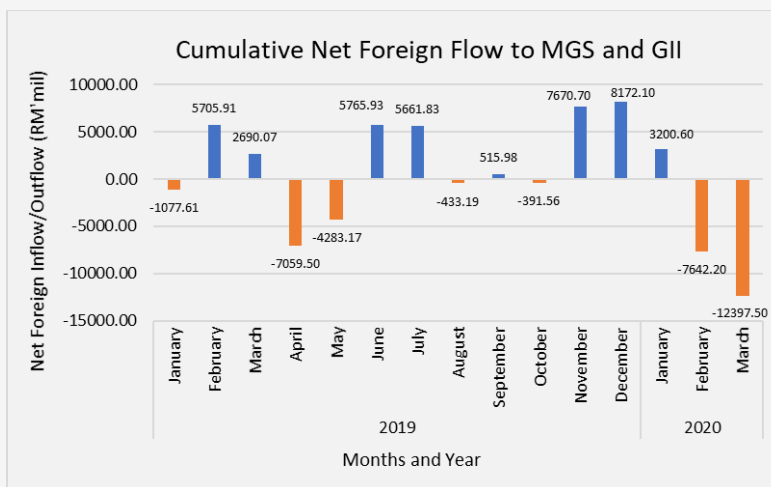
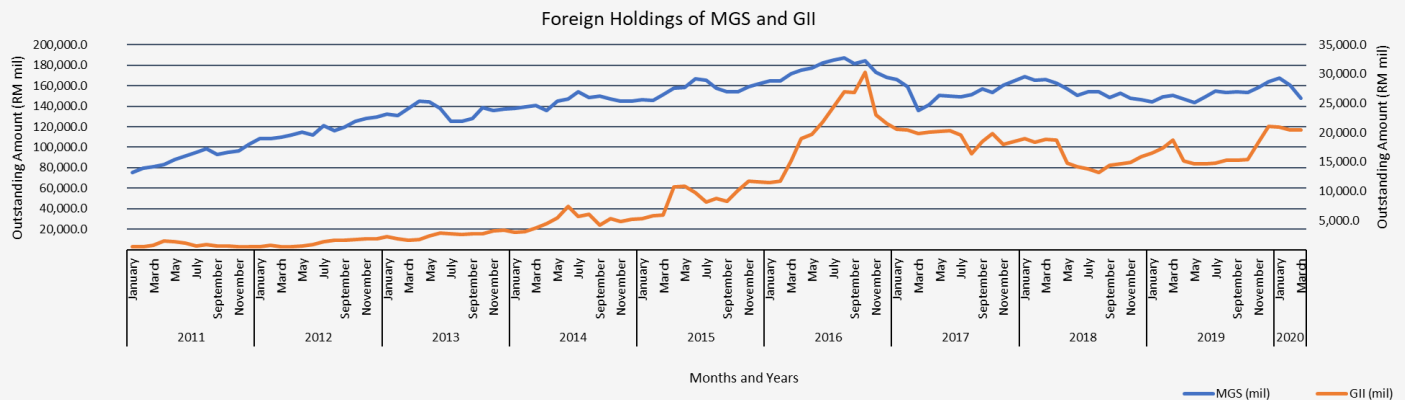
No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		Low	Average	High
1	MGS 05/40	20	Reopening	April						
2	GII 10/30	10	New Issue	April						
3	MGS 05/27	7	Reopening	April						
4	GII 11/34	15	Reopening	May						
5	MGS 08/29	10	Reopening	May						
6	GII 05/23	3	Reopening	June						
7	MGS 06/50	30	New Issue	June						
8	GII 09/39	20	Reopening	June						

Source BNM, BPAM, BIX Malaysia

FOREIGN HOLDINGS OF MGS AND GII

Overview

Foreign holding of MGS and GII declined 9.1% q-o-q to the total amount of RM 168.1 billion as of March 2020 (December 2019: RM 185.0 billion). There were net foreign outflows for two consecutive months in February and March with the total outflows RM 7.6 billion and RM 12.4 billion, respectively. MGS accounted for most of the net outflows with RM 16.2 billion q-o-q, whereas GII had RM 0.6 billion net outflows q-o-q.



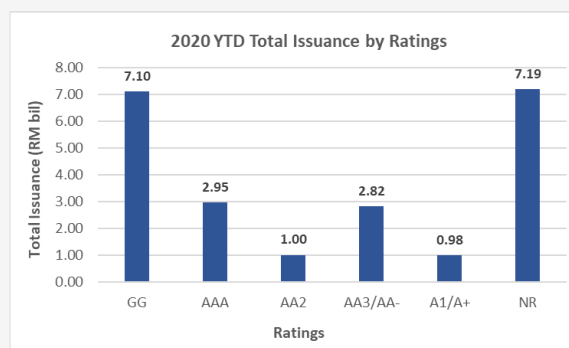
CORPORATE BOND & SUKUK

Overview

For the 1Q20, the corporate segment has issued RM 22.04 billion worth of bonds/sukuk (4Q19: RM 26.29 billion). By ratings (excluding government-guaranteed and non-rated), AAA-rated bond was the most issued with the total amount of RM 2.95 billion. The second most issued was AA3-rated bonds with the issuance amount of RM 2.82 billion. [Khazanah Nasional Berhad](#) was the biggest issuer with RM 2.90 billion non-rated bond.

Issuance 1Q2020

Month/Rating	January 20 (RM bil)	February 20 (RM bil)	March 20 (RM bil)
GG		5.75	1.35
AAA	0.20	2.10	0.65
AA1/AA+			
AA2			1.00
AA3/AA-	0.10	2.17	0.55
A1/A+	0.18		0.80
NR	3.59	0.71	2.89
Total	4.07	10.73	7.24
Total Issuance	22.04		



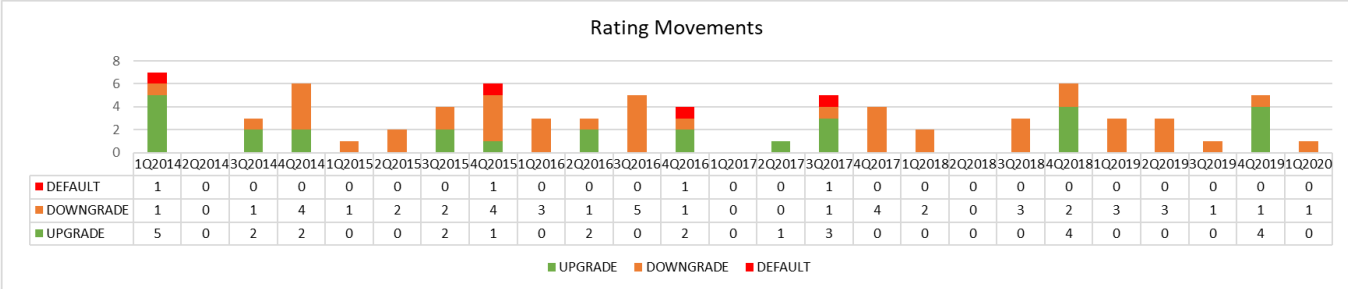
Source BNM, BIX Malaysia

Rating Outlook

There are 0 upgraded and 1 downgraded bonds/sukuk in 1Q20.

Downgrade

1. [Cendana Sejati Sdn Bhd](#)



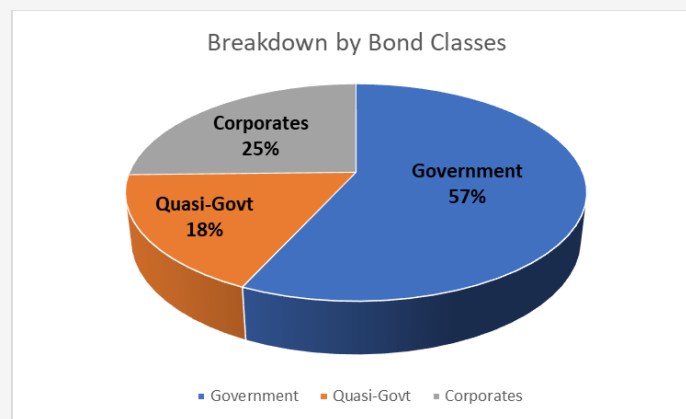
Sources: MARC, RAM and BIX Malaysia

BOND STATISTICS

Overview

Outstanding Amount by Bond Classes

As of March 2020, the outstanding amount of Malaysian bonds is at RM1.38 trillion, with government bonds dominated by 57% of the outstanding amount. Corporate bond made up 25%, while Quasi-government made up 18% of the total of the outstanding amount.

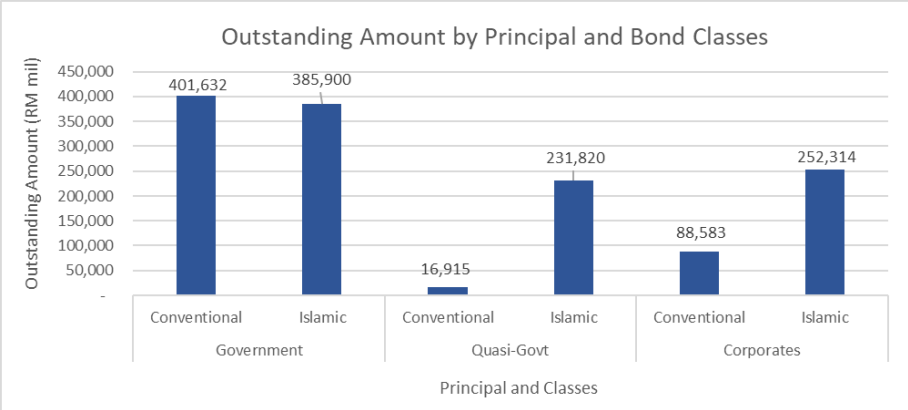


BOND STATISTICS

Overview

Outstanding Amount by Principal and Bond Classes

As of March 2020, Government conventional bond has higher outstanding amount at RM 401.63 billion compared to Government Islamic bond (Sukuk) with RM 385.90 billion outstanding amount. Islamic bonds (Sukuk) dominates Quasi-Govt and Corporates classes with an outstanding amount of RM 231.82 billion and RM 252.31 billion, respectively.

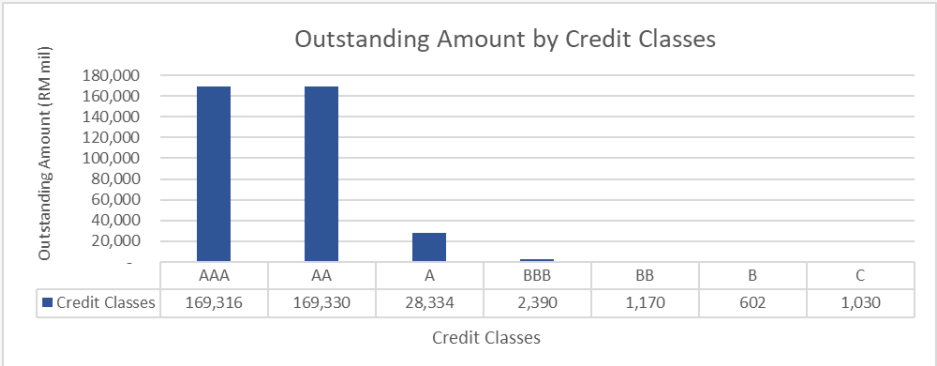


BOND STATISTICS

Overview

Outstanding Amount by Credit Classes

As of March 2020, AA-rated bond had the highest outstanding amount at RM 169.33 billion, followed by AAA-rated bond with RM 169.32 billion outstanding amount. For non-investment grade bonds, the outstanding amount of BB-rated bond and below was cumulatively at RM 2.8 billion.



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