

MALAYSIAN RATING CORPORATION BERHAD
(944933) (K)

JULY 2019

Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	JUN-19	JUL-19	M-O-M CHANGE
OVERNIGHT POLICY RATE (%)	3.00	3.00	0 bp
3-YEAR BENCHMARK MGS (%)	3.29	3.27	-2 bps
10-YEAR BENCHMARK MGS (%)	3.63	3.57	-6 bps
3-YEAR IRS (%)	3.40	3.36	-4 bps
10-YEAR IRS (%)	3.69	3.57	-12 bps
RINGGIT 3-YEAR AAA (%)	3.81	3.68	-13 bps
RINGGIT 3-YEAR AA (%)	4.14	4.02	-12 bps
RINGGIT 3-YEAR A (%)	5.40	5.29	-11 bps
2-YEAR US TREASURY (%)	1.75	1.87	12 bps
10-YEAR US TREASURY (%)	2.01	2.01	0 bp
MYR/USD	4.1320	4.1265	0.1%
US DOLLAR INDEX	96.1	98.5	2.5%
BRENT CRUDE (USD/BARREL)	66.6	65.2	-2.1%
GOLD SPOT (USD/OUNCE)	1,409.45	1,413.90	0.3%
KLCI Index	1,672.13	1,634.87	-2.2%
S&P 500 Index	2,941.76	2,980.38	1.3%

Sources: Bloomberg, MARC Fixed Income Research

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Global Markets

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The US Federal Reserve (Fed) cut the federal funds rate (FFR) by 25 basis points (bps) to support a slowing economic growth. The European Central Bank (ECB), by contrast, maintained their key rates but hinted at possible rate cuts and monetary easing. In the UK, new Prime Minister Boris Johnson vowed to deliver Brexit on October 31, 2019, resulting in a sharp weakening of the pound sterling. In China, trade surplus widened amid higher exports to ASEAN, South Korea and Japan.

Malaysian Government Bond Market

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In July, demand for government bonds at public auctions remained robust. Demand for the papers was supported by lower global rates and a benign inflation outlook. Meanwhile, Malaysian Government Securities (MGS) outperformed in the secondary market with both the 3y and 10y yields reaching multi-year lows. MGS yields fell as expectations that the Fed would start its easing cycle have been brewing during the month.

Malaysian Corporate Bond Primary Market

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MARC Rating Activities

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Foreign Holdings of Local Bonds

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Foreign holdings of local bonds rose for the second straight month in July. Foreign investors continued their yield hunting activities, picking up local bonds amid dovish sentiment. YTD, cumulative flows into local bonds turned positive at RM3.5 billion after recording negative flows in 1H2019.

Global Markets

A quick review

The Fed cut the FFR by 25 bps in July, the first cut since the GFC

In July, the Fed cut the FFR by 25 bps to a target range of 2.00%–2.25%. It was the first cut since the Global Financial Crisis (GFC) after the Fed signalled its readiness to provide more support to bolster a slowing economic growth. The central bank also ended its balance sheet reduction. As a result, the 10y US treasury (UST) yield settled at 2.014% at end-July, eight bps lower from mid-July. In contrast, the 2y UST yield, which is more sensitive to interest rate changes, rose 12 bps to 1.87% from 1.75% in June.

Bund yields fell on dovish ECB while yields on UK gilts fell on rising Brexit fears

In Europe, the ECB kept interest rates unchanged but suggested that a rate cut could be on the horizon. The ECB said that additional easing measures could be necessary to stimulate the economy and it was considering new net asset purchases. As at end-July, all bund yields continued to descend further in sub-zero territory, except 25y and 30y yields. In the UK, Boris Johnson was elected as the new prime minister and promised to deliver Brexit on October 31, 2019. Increasing anxiety over a possible no-deal Brexit caused the pound sterling to come under pressure. The currency weakened to 0.823 against the USD, 4.4% down compared to end-June.

China trade surplus surges in June

In China, trade surplus was larger-than-expected and posted a six-month high of USD51.0 billion in June. The first full month of higher US tariffs on Chinese goods resulted in a 7.8% drop of exports to the US. On the other hand, outbound shipments to ASEAN (12.8%), South Korea (2.9%) and Japan (2.4%) increased. In July, China launched a series of measures to open up its financial markets including allowing international rating agencies to rate local bonds and facilitating investments by foreign institutional investors in the local bond market.

Exhibit 1: Summary of US rates

US rates (%)	Jun-19	Jul-19	M-o-m change
FFR (Upper Bound)	2.50	2.25	-25 bps
2y UST	1.92	1.75	-17 bps
5y UST	1.75	1.87	12 bps
10y UST	1.77	1.83	6 bps
30y UST	2.01	2.01	0 bp

Sources: Bloomberg, MARC Research

Exhibit 2: Summary of euro rates

Euro rates (%)	Jun-19	Jul-19	M-o-m change
ECB Deposit Facility Rate	-0.40	-0.40	0 bp
2y Bund	-0.66	-0.75	-9 bps
5y Bund	-0.75	-0.78	-3 bps
10y Bund	-0.66	-0.72	-6 bps
30y Bund	-0.33	-0.44	-11 bps

Sources: Bloomberg, MARC Research

Exhibit 3: Summary of UK rates

UK rates (%)	Jun-19	Jul-19	M-o-m change
BOE Official Bank Rate	0.75	0.75	0 bp
2y Gilt	0.60	0.62	2 bps
5y Gilt	0.62	0.44	-18 bps
10y Gilt	0.63	0.38	-25 bps
30y Gilt	0.83	0.61	-22 bps

Sources: Bloomberg, MARC Research

Exhibit 4: Summary of Japan rates

Japan rates (%)	Jun-19	Jul-19	M-o-m change
BOJ Short-term Interest Rate	-0.10	-0.10	0 bp
2y JGB	-0.17	-0.22	-5 bps
5y JGB	-0.22	-0.20	2 bps
10y JGB	-0.26	-0.24	2 bps
30y JGB	-0.16	-0.15	1 bp

Sources: Bloomberg, MARC Research

Malaysian Government Bond Market

Primary market review

Total outstanding MGS/GII slowed in July amid high volume of matured papers

Total outstanding MGS/Government Investment Issue (GII) securities grew at a much slower pace in July to amount to RM764.5 billion (June: RM762.4 billion). The total rose by RM2.1 billion m-o-m compared with an RM8.0 billion m-o-m increase in the prior month. The slower increase was due to the large volume of papers maturing in July. Meanwhile, gross issuance strengthened to RM10.5 billion (June: RM8.0 billion) with heavy issuance from MGS. YTD, gross issuance of MGS/GII papers amounted to RM77.5 billion (2018YTD: RM72.5 billion) with GII taking the lead.

Demand for MGS/GII in July auctions was robust

Demand for MGS/GII securities was robust in public auctions conducted in July. Bid-to-cover (BTC) ratios garnered by the tendered MGS/GII securities were above their one-year averages of 2.4x and 2.7x. The government received total bids of RM25.6 billion (June: RM18.5 billion) and private placements worth RM2.0 billion (June: RM2.0 billion). The outlook of lower global rates and benign inflation supported demand for these papers. Demand for the 15y and 30y MGS papers was also supported by heightened interest in long-tenured papers as investors were keen to maximise their returns in an environment of falling rates.

Exhibit 5: Summary of Malaysian government bonds (RM billion)

	Gross issuance			Redemption			Net issuance			Total outstanding		
	MGS	GII	Total	MGS	GII	Total	MGS	GII	Total	MGS	GII	Total
Jun-19	4.0	4.0	8.0	-	-	-	4.0	4.0	8.0	404.2	358.2	762.4
Jul-19	7.0	3.5	10.5	7.3	1.1	8.4	-0.3	2.4	2.1	403.9	360.6	764.5
2019YTD	38.0	39.5	77.5	14.5	11.6	26.1	23.5	27.9	51.4			

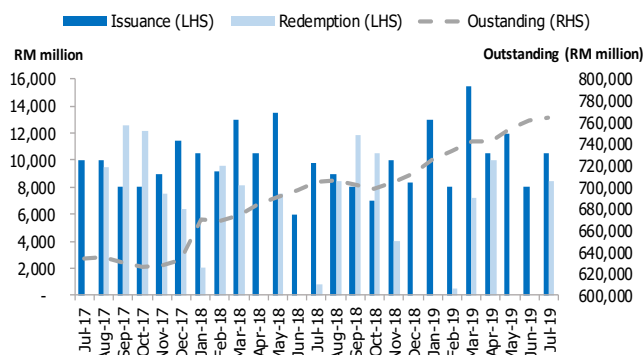
Sources: BNM Bond Info Hub, MARC Research

Exhibit 6: MGS auction results in July 2019

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
15-yr New Issue of MGS (Mat on 07/34)	15	5-Jul-19	3,500	3.44	3.828
7-yr Reopening of MGII (Mat on 03/26)	7	15-Jul-19	3,000	2.87	3.582
30-yr Reopening of MGS 07/48 4.921%	30	29-Jul-19	2,000	2.49	4.181

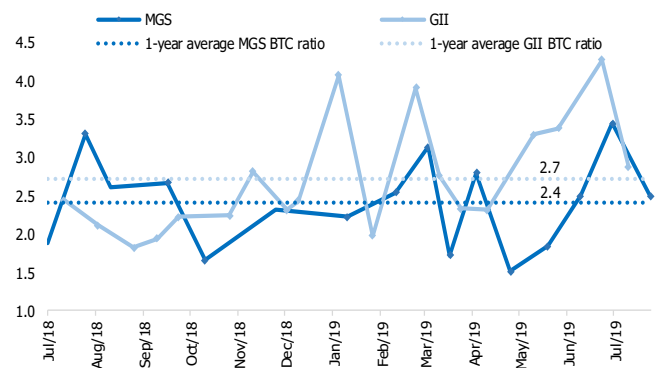
Sources: BNM Fast, MARC Research

Exhibit 7: MGS/GII papers supply



Sources: BNM Bond Info Hub, MARC Research

Exhibit 8: BTC ratios of MGS and GII papers



Sources: BNM Fast, MARC Research

Secondary market review

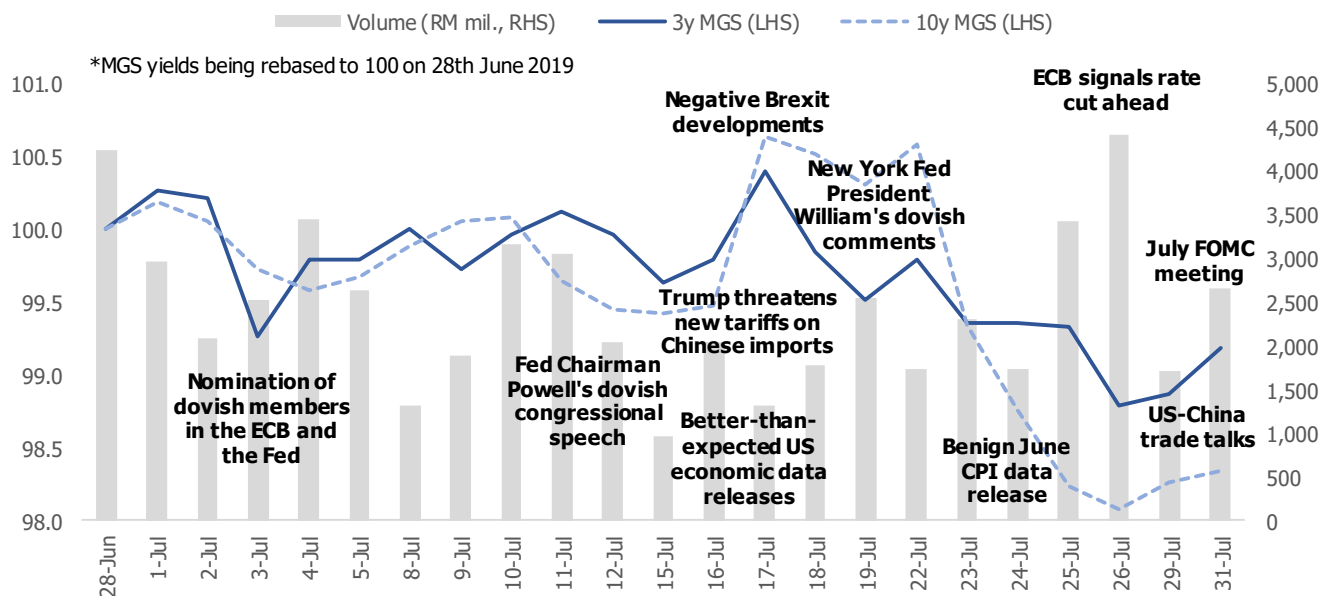
Dovish outlook of rates supported MGS yields in July

MGS yields fell to their multi-year lows by end-July with the curve continued to be bull flattened

Yields on MGS continued to fall in July ahead of the less-than-expected FFR cut of 25 bps occurring at the conclusion of the July Federal Open Market Committee (FOMC) meeting. MGS yields fell as expectations of the Fed starting its easing cycle have been brewing during the month. Coupled with a benign June Consumer Price Index (CPI), continued dovish rhetoric from other central banks and lower global yield environment during the period, the carry trade theme for MGS by foreign investors continued. Gains on MGS were also supported by rising US-China trade deal hopes ahead of the trade talks scheduled on the final trading day of July.

By end-July, the MGS yield curve flattened even further with both the 20y/3y and 10y/3y spreads contracting to 70 bps (June: 77 bps) and 30 bps (June: 34 bps). MGS yields were broadly lower across the curve by two bps to 11 bps except for the 5y note which rose by one bp. Both the 3y and 10y yields fell to their multi-year lows at 3.27% (June: 3.29%), the lowest since August 2017 and 3.57% (June: 3.63%), the lowest since October 2016. Meanwhile, the monthly trade momentum was slightly lower in July at RM51.8 billion (June: RM54.2 billion).

Exhibit 9: Daily performance of three- and 10-year MGS yields throughout July 2019



Sources: Bloomberg, BPAM, MARC Fixed Research

Exhibit 10: MGS benchmark yields

MGS yields (%)	Jun-19	Jul-19	M-o-m change
3y MGS	3.29	3.27	-2 bps
5y MGS	3.42	3.43	1 bp
7y MGS	3.57	3.55	-2 bps
10y MGS	3.63	3.57	-6 bps
20y MGS	4.06	3.97	-9 bps

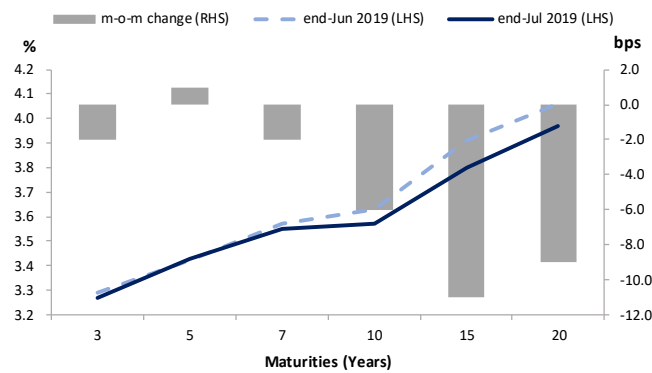
Sources: Bloomberg, MARC Fixed Research

Exhibit 11: OPR and IRS rates

Rates (%)	Jun-19	Jul-19	M-o-m change
OPR	3.00	3.00	0 bp
1y IRS	3.38	3.36	-2 bps
3y IRS	3.40	3.36	-4 bps
5y IRS	3.48	3.41	-7 bps
10y IRS	3.69	3.57	-12 bps

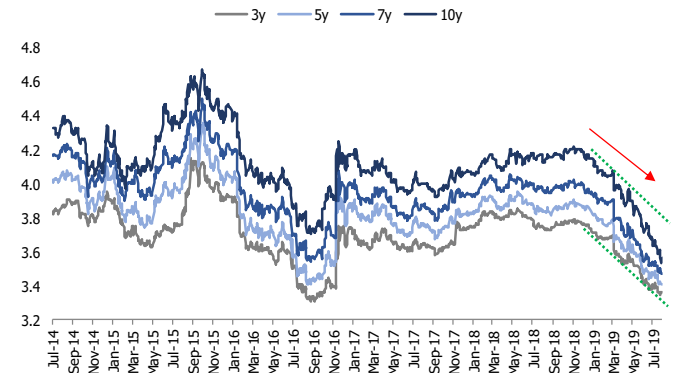
Sources: Bloomberg, MARC Fixed Research

Exhibit 12: MGS yield curves



Sources: Bloomberg, MARC Research

Exhibit 13: MYR IRS curves



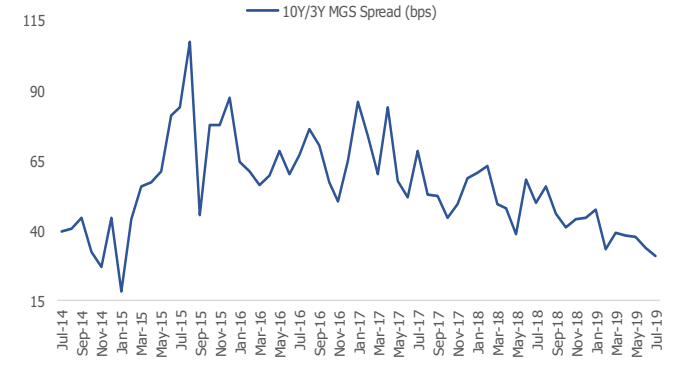
Sources: Bloomberg, MARC Research

Exhibit 14: Malaysia's 5Y Credit Default Swap (CDS) curve



Sources: Bloomberg, MARC Research

Exhibit 15: 10Y/3Y MGS spread



Sources: Bloomberg, MARC Research

Exhibit 16: Top five local govies trades for July 2019

Security	Traded amount (RM mil)	Remaining tenure	Last traded yield (%)
MGS 4/2014 3.654% 31.10.2019	6,483	4 months	3.04%
MGS 2/2019 3.885% 15.08.2029	3,619	10 years	3.57%
GII MURABAHAH 2/2019 4.467% 15.09.2039	2,996	20 years	4.02%
MGS 6/2012 3.492% 31.03.2020	2,881	1 year	3.13%
MGS 5/2018 4.921% 06.07.2048	2,878	29 years	4.18%

Sources: BPAM, MARC Research

Exhibit 17: Summary of MGS trading volume (RM million) based on maturity profile

	< 3M	3M-6M	6M-1Y	1Y-2Y	2Y-3Y	3Y-5Y	5Y-7Y	7Y-10Y	> 10Y
Jun-19	370	8,340	2,581	2,757	7,021	6,512	6,024	5,915	14,688
Jul-19	7,315	1,334	4,102	4,719	4,997	6,425	4,688	4,028	14,188
M-o-m change	6,946	-7,006	1,521	1,961	-2,024	-87	-1,336	-1,886	-499

Sources: BPAM, MARC Research

Malaysian Corporate Bond Primary Market

Long-term corporate bond issuances continued to decline in July

July's long-term corporate bond issuances declined for the second consecutive month to RM7.5 billion (June: RM8.7 billion). The decline was attributed to the slowdown in rated corporate bond issuances which came up to RM4.7 billion (June: RM6.6 billion). Meanwhile, there were no issuances from quasi-government issuers for the third straight month in July. The largest issuer in July was Public Bank Bhd with its issuance of RM1.5 billion from its RM10.0 billion Subordinated Medium-Term Notes (MTN) Programme for working capital, general banking and other corporate purposes.

2019YTD issuances higher than 2014, 2015 and 2016 levels

YTD, long-term corporate bond issuances came up to RM85.9 billion (2018YTD: RM60.9 billion), higher than the total issuances recorded in 2014, 2015 and 2016. A large chunk of these issuances came from Urusharta Jamaah Sdn Bhd's (Urusharta) RM27.6 billion unrated sukuk which drove up issuances within the unrated corporate bonds segment. Meanwhile, other segments continued to register a decline. Among the top issuers YTD were Urusharta (RM27.6 billion), DanaInfra Nasional Bhd (RM6.8 billion) and Pengurusan Air SPV Bhd (RM4.6 billion).

Exhibit 18: Summary of corporate bond issuance in July 2019 (RM billion)

Year	Unrated corporate	Quasi-government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
Jun-19	2.1	-	2.1	6.6	-	6.6	8.7
Jul-19	2.7	-	2.7	4.7	0.1	4.8	7.5
M-o-m change	0.6	-	0.6	-1.8	0.1	-1.7	-1.2

Sources: BPAM, MARC Research

Exhibit 19: Historical trend of bond issuance by category (RM billion)

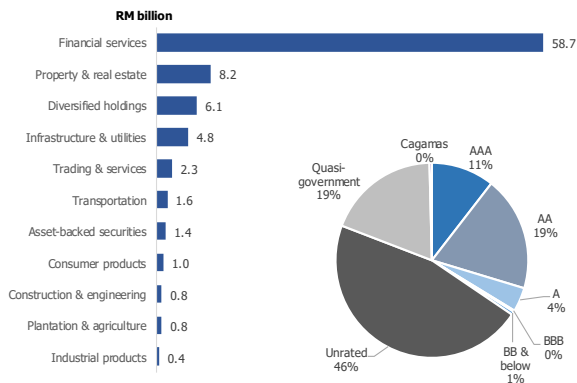
Year	Unrated corporate	Quasi Government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
2014	8.0	21.9	29.9	52.7	3.3	55.9	85.9
2015	14.0	15.6	29.6	51.5	3.8	55.3	85.0
2016	13.2	28.1	41.3	39.3	4.1	43.4	84.8
2017	20.7	37.6	58.3	55.8	8.7	64.6	122.9
2018	13.9	28.7	42.6	52.4	9.0	61.3	103.9
Jan-Jul 2018	8.2	17.6	25.8	30.2	4.9	35.1	60.9
Jan-Jul 2019	39.8	16.2	56.0	29.6	0.3	29.9	85.9

Sources: BPAM, MARC Research

Exhibit 20: Top corporate bond issuers in July 2019 (issue size RM1.0 billion and above)

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)	Coupon (%)
Public Bank Bhd	Financial services	AA rated	Conventional	1	1.5	10	3.90
Padiberas Nasional Bhd	Consumer products	Unrated	Islamic	1	1.0	3	6.06

Sources: BPAM, MARC Research

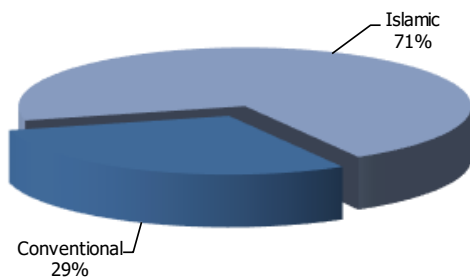
Exhibit 21: Corporate bond issuance composition by sector and ratings in July 2019


Sources: BPAM, MARC Research

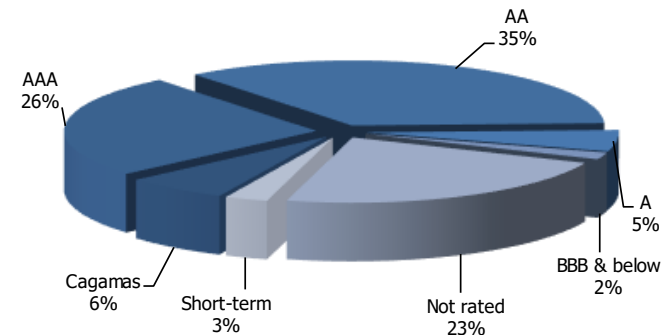
Exhibit 22: Outstanding size of Cagamas and corporate bonds as of July 2019 (RM billion)

Asset class	Conventional	Islamic	Total
Cagamas	19.3	13.6	32.9
Corporate Bonds	138.6	336.6	475.2
Corporate	57.6	255.7	313.3
Corporate guaranteed	21.0	49.5	70.5
Financial	52.1	27.4	79.5
ABS	7.9	4.1	11.9

Sources: BPAM, MARC Research

Exhibit 23: Corporate bonds outstanding: Conventional & Islamic


Sources: BPAM, MARC Research

Exhibit 24: Corporate bonds outstanding: Distribution by rating band


Sources: BPAM, MARC Research

Exhibit 25: AAA corporate benchmark yields

AAA (%)	Jun-19	Jul-19	M-o-m change
3-year	3.81	3.68	-13 bps
5-year	3.95	3.84	-11 bps
7-year	4.08	3.98	-10 bps
10-year	4.21	4.11	-10 bps

Sources: Bloomberg, MARC Research

Exhibit 26: AA corporate benchmark yields

AA (%)	Jun-19	Jul-19	M-o-m change
3-year	4.15	4.03	-12 bps
5-year	4.29	4.19	-10 bps
7-year	4.44	4.35	-9 bps
10-year	4.60	4.51	-9 bps

Sources: Bloomberg, MARC Research

Exhibit 27: A corporate benchmark yields

A (%)	Jun-19	Jul-19	M-o-m change
3-year	5.40	5.19	-21 bps
5-year	5.73	5.52	-21 bps
7-year	6.17	5.84	-33 bps
10-year	6.61	6.21	-40 bps

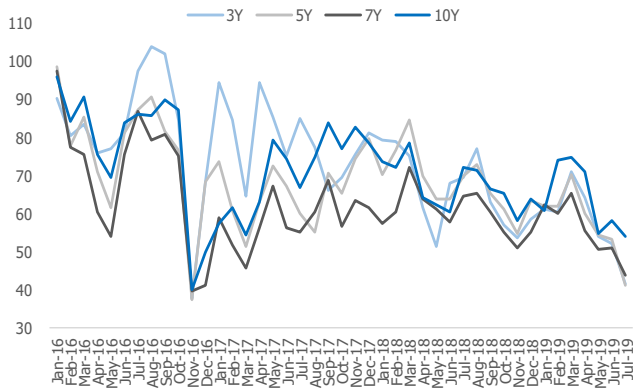
Sources: Bloomberg, MARC Research

Exhibit 28: AAA, AA & A blended credit spreads

AAA, AA & A (%)	Jun-19	Jul-19	M-o-m change
3-year	135	121	-14 bp
5-year	144	129	-15 bps
7-year	156	139	-17 bps
10-year	177	161	-16 bps

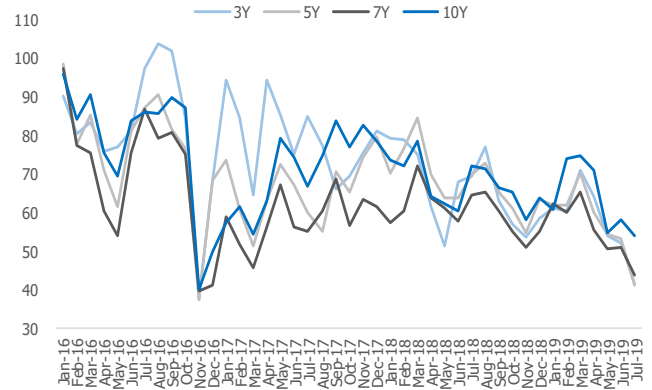
Sources: Bloomberg, MARC Research

Exhibit 29: AAA corporate bonds yield spread (bps)



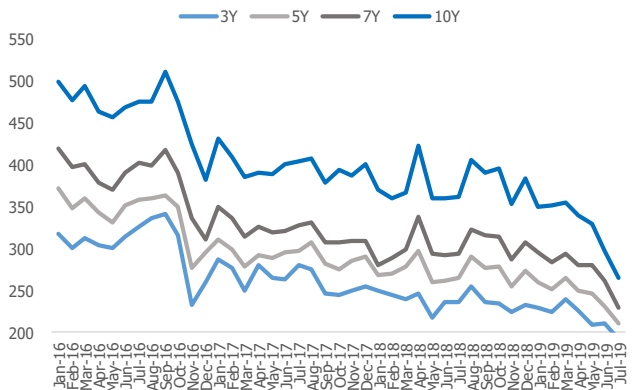
Sources: Bloomberg, MARC Research

Exhibit 30: AA/AA2 corporate bonds yield spread (bps)



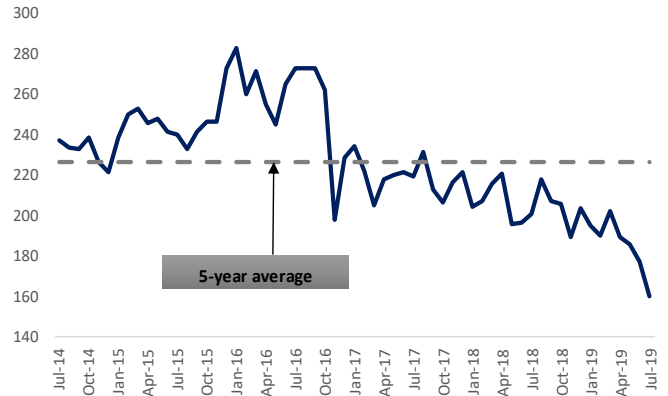
Sources: Bloomberg, MARC Research

Exhibit 31: A/A2 corporate bonds yield spread (bps)



Sources: Bloomberg, MARC Research

Exhibit 32: 5y blended credit spread (bps)



Sources: Bloomberg, MARC Research

Exhibit 33: Secondary market volume (RM billion)

Asset class	Jun-19	Jul-19	M-o-m change
MGS/GII	83.1	79.3	-3.8
Cagamas	0.4	0.1	-0.3
FI corporate	0.7	1.0	0.3
Non-FI corporate	6.8	6.4	-0.4

Sources: BPAM, MARC Research

Exhibit 34: Non-FI corporate traded by rating band (RM billion)

Rating band	Jun-19	Jul-19	M-o-m change
AAA	2.7	2.4	-0.3
AA	3.6	3.3	-0.3
A	0.4	0.5	0.1
BBB and below	-	-	-
Short-term	0.1	0.2	0.1

Sources: BPAM, MARC Research

MARC Rating Activities

MARC assigned one initial rating and withdrew one issue rating in July

In July, MARC assigned a rating of AA-_{IS} to Konsortium KAJV Sdn Bhd's (KAJV) RM1.0 billion Sukuk Wakalah Programme with a stable outlook. The assigned rating reflects the credit strength of the Terengganu state government to meet the unconditional and irrevocable payment obligations on the Facility Payment Certificates (FPC) issued for work done for the Kuala Terengganu Utara (KTU) water supply project. Meanwhile, MARC withdrew its rating of AA- on Sports Toto Malaysia Sdn Bhd's (Sports Toto) RM800.0 million 10-year MTN Programme amid early cancellation.

In July, MARC affirmed 10 issue ratings, two FI ratings and one counterparty credit rating with their rating outlook mostly unchanged

MARC affirmed a total of 10 issue ratings from eight different issuers. The rating outlook on Senai-Desaru Expressway Bhd's (SDEB) RM1.89 Islamic MTN Programme was revised to stable from negative reflecting MARC's expectation that SDEB's traffic performance and its ability to maintain a liquidity buffer would be in line with the projections. Meanwhile, the rating outlook on other affirmed issues were unchanged. MARC also reaffirmed its financial institution (FI) ratings of AAA/MARC-1 and AAA on Islamic Development Bank (IsDB) and Danajamin Nasional Bhd (Danajamin). Danajamin's counterparty credit rating of AAA/MARC-1 was also affirmed.

MARC removed QSP Semenanjung Green SRI Sukuk rating from MARCWatch

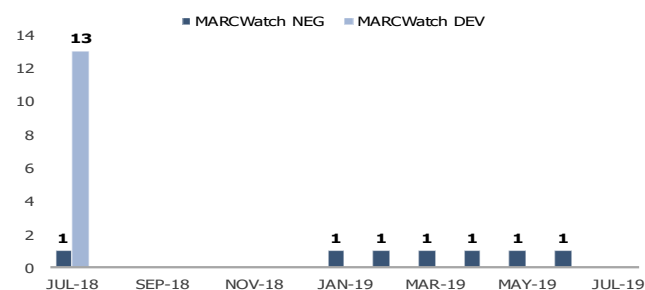
In the same month, there were no rating migration activities, and neither were there any new issues placed under MARCWatch. MARC removed its MARCWatch Negative on Quantum Solar Park (Semenanjung) Sdn Bhd's (QSP Semenanjung) RM1.0 billion Green SRI Sukuk rating on July 23, 2019. The rating action follows the confirmation from Suruhanjaya Tenaga vide letter dated July 15, 2019 that QSP Semenanjung's solar power plant in Merchang has achieved Commercial Operation Date (COD) on May 31, 2019, prior to the June 30, 2019 walkaway event date.

Exhibit 35: List of rating actions in July 2019

Principle	Category	Main sector	Issuer	Date announced	Rating action	Rating outlook	Long-term rating		Short-term rating		Issue size (RM mil)	Credit enhancement
							Before	After	Before	After		
Islamic	Corporate Debt	Finance	Danajamin Nasional Bhd	31-Jul-19	AFFIRMED	STA	AAA	AAA			2,000	
Islamic	Corporate Debt	Finance	Danajamin Nasional Bhd	31-Jul-19	AFFIRMED	STA	AA+	AA+			2,000	
Unspecified	Financial Strength	Finance	Danajamin Nasional Bhd	31-Jul-19	AFFIRMED	STA	AAA	AAA			0	
Unspecified	Counterparty Credit Rating	Finance	Danajamin Nasional Bhd	31-Jul-19	AFFIRMED	STA	AAA	AAA	MARC-1	MARC-1	0	
Islamic	Project Finance	Infrastructure & Utilities	Grand Sepadu (NK) Sdn Bhd	31-Jul-19	AFFIRMED	NEG	AA-	AA-			210	
Islamic	Corporate Debt	Finance	Islamic Development Bank	29-Jul-19	AFFIRMED	STA	AAA	AAA			400	
Unspecified	Financial Strength	Finance	Islamic Development Bank	29-Jul-19	AFFIRMED	STA	AAA	AAA	MARC-1	MARC-1	0	
Islamic	Project Finance	Infrastructure & Utilities	Quantum Solar Park (Semenanjung) Sdn Bhd	23-Jul-19	AFFIRMED	STA	A+	A+			1,000	
Islamic	Project Finance	Infrastructure & Utilities	Senai-Desaru Expressway Berhad	23-Jul-19	AFFIRMED	STA	BBB-	BBB-			1,890	
Islamic	Structured Finance	Infrastructure & Utilities	Konsortium KAJV Sdn Bhd	16-Jul-19	INITIAL	STA	AA-	AA-			1,000	
Islamic	Project Finance	Infrastructure & Utilities	Kapar Energy Ventures Sdn Bhd	16-Jul-19	AFFIRMED	STA	AA+	AA+			2,000	
Conventional	Corporate Debt	Trading/Services	Sports Toto Malaysia Bhd	11-Jul-19	WITHDRAWN	STA	AA-	AA-			800	
Islamic	Project Finance	Infrastructure & Utilities	MEX II Sdn Bhd	4-Jul-19	AFFIRMED	NEG	AA-	AA-			1,300	
Conventional	Project Finance	Infrastructure & Utilities	MEX II Sdn Bhd	4-Jul-19	AFFIRMED	NEG	A-	A-			150	
Islamic	Corporate Debt	Infrastructure & Utilities	Westports Malaysia Sdn Bhd	1-Jul-19	AFFIRMED	STA	AA+	AA+			2,000	

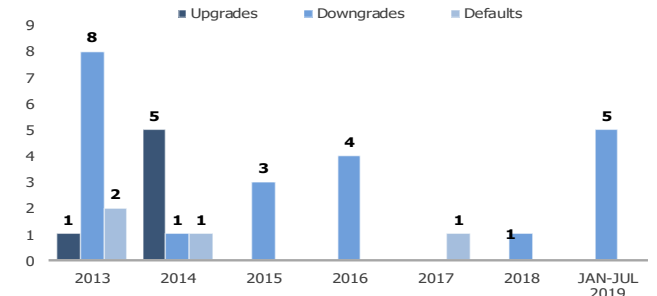
Source: MARC Research

Exhibit 36: MARCWatch placements, by issue count



Source: MARC Research

Exhibit 37: MARC rating migrations, by issue count



Source: MARC Research

Foreign Holdings of Local Bonds

Dovish sentiment drove foreign demand for local bonds

Foreign holdings of local bonds rose for the second straight month in July. Foreign investors continued their yield hunting activities, picking up local bonds amid dovish sentiment. In July, foreign holdings of local bonds rose by RM5.8 billion to RM188.3 billion (June: RM182.6 billion). The increase was mostly driven by MGS which rose by RM5.6 billion to RM154.7 billion (June: RM149.1 billion) with the foreign share of total outstanding standing at 38.3% (June: 36.9%). Meanwhile, other instruments recorded minor increases in foreign holdings except for corporate bonds fell in July.

Cumulative flows for the first seven months in 2019 higher than 2017 and 2018 levels

YTD, cumulative flows into local bonds turned positive at RM3.5 billion after recording net outflows of RM2.2 billion in 1H2019. Foreign appetite for local bonds had picked up its pace since June. The annual cumulative flows for the first seven months in 2019 was better than these levels seen in 2017YTD (-RM23.2 billion) and 2018YTD (-RM16.9 billion). Foreign investors continued to favour MGS, recording total inflows of RM8.6 billion in 2019YTD while other instruments recorded declines in foreign holdings.

Exhibit 38: Summary of foreign holdings in local bonds

Category	Foreign holdings (RM mil)		Composition (%)		Foreign flows (RM mil)	
	Jun-19	Jul-19	Jun-19	Jul-19	Jun-19	Jul-19
MGS	149,127	154,702	36.9	38.3	5,776	5,575
GII	14,659	14,746	4.4	4.4	-10	87
Treasury bills	1,813	1,981	24.2	26.4	931	168
BNM notes	5,000	5,000	54.3	46.7	-	-
Corporate bonds	11,977	11,872	2.5	2.5	-64	-105
Total	182,576	188,301	12.2	12.6	6,633	5,725

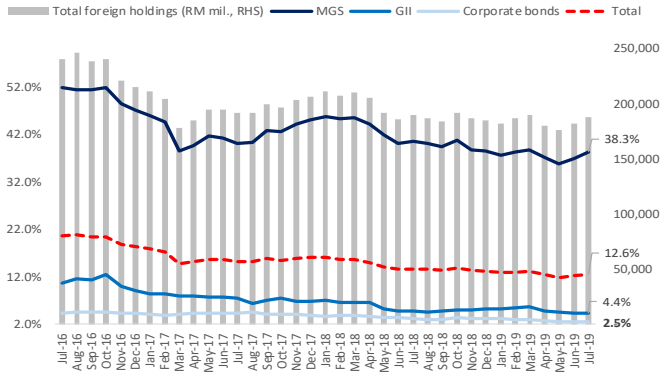
Sources: BNM, MARC Research

Exhibit 39: Historical trend of foreign flows in local bonds (RM million)

Year	MGS	GII	Treasury bills	Sukuk Perumahan Kerajaan (SPK)	BNM notes	Corporate bonds	Total
2014	8,207	1,857	-966	610	-16,728	-530	-7,550
2015	16,834	6,480	3,029	-605	-36,878	73	-11,067
2016	6,334	9,899	-1,559	-5	-15,636	1,792	826
2017	-4,041	-3,032	1,555	-	-3,724	300	-8,943
2018	-18,287	-2,603	401	-	650	-2,026	-21,865
Jan-Jul 2018	-9,994	-4,681	-663	-	650	-2,186	-16,875
Jan-Jul 2019	8,550	-1,147	-1,752	-	-	-2,176	3,476

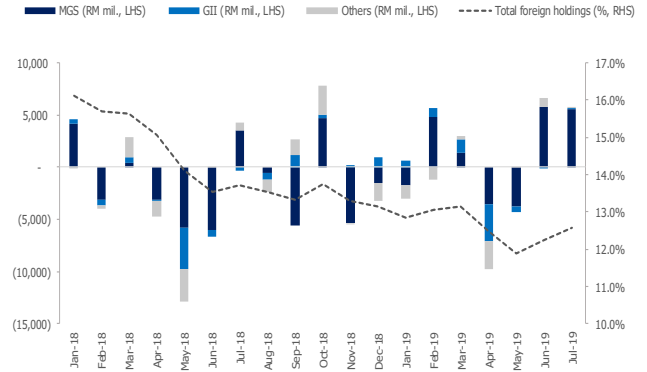
Sources: BNM, MARC Research

Exhibit 40: Foreign holdings of ringgit bonds as percentage of total outstanding



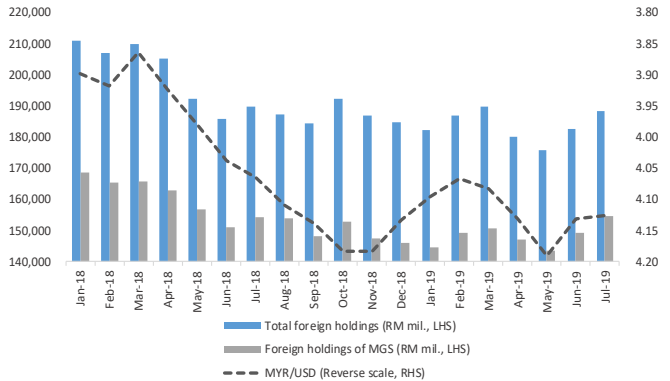
Sources: BNM, BPAM, MARC Research

Exhibit 41: Monthly foreign flows and total foreign holdings of local bonds



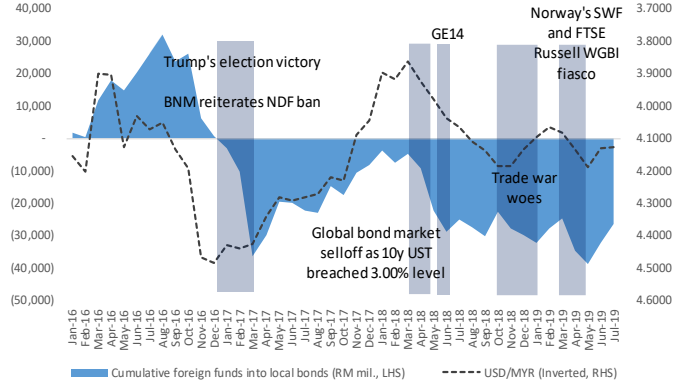
Sources: BNM, BPAM, MARC Research

Exhibit 42: Monthly performance of the ringgit versus total foreign holdings of local bonds and MGS



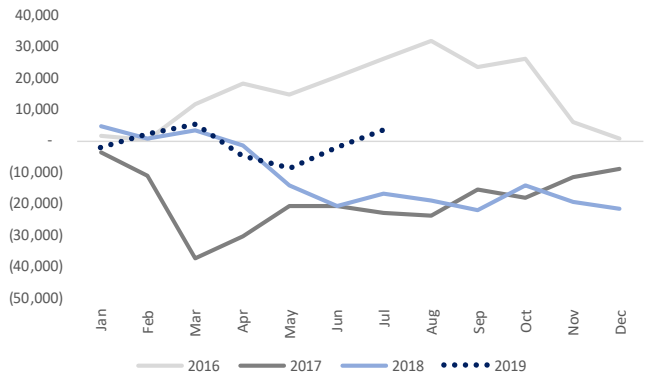
Sources: BNM, Bloomberg, MARC Research

Exhibit 43: Cumulative foreign flows into local bonds since January 2016



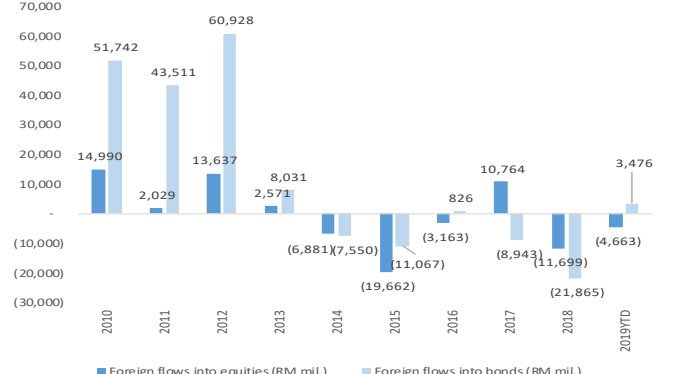
Sources: BNM, Bloomberg, MARC Research

Exhibit 44: Yearly cumulative foreign flows in local bonds performance comparison



Sources: BNM, Bloomberg, MARC Research

Exhibit 45: Total yearly foreign flows for both Malaysian bond and equity markets



Sources: BNM, Bloomberg, MARC Research

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