



MALAYSIAN RATING CORPORATION BERHAD
(199501035601)

SEPTEMBER 2019 Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	AUG-19	SEP-19	M-O-M CHANGE
OVERNIGHT POLICY RATE (%)	3.00	3.00	0 bp
3-YEAR BENCHMARK MGS (%)	3.124	3.122	-0.2 bp
10-YEAR BENCHMARK MGS (%)	3.316	3.316	0 bp
3-YEAR IRS (%)	3.183	3.265	8.2 bps
10-YEAR IRS (%)	3.325	3.370	4.5 bps
RINGGIT 3-YEAR AAA (%)	3.548	3.499	-4.9 bps
RINGGIT 3-YEAR AA (%)	3.878	3.799	-7.9 bps
RINGGIT 3-YEAR A (%)	5.109	4.961	-14.8 bps
2-YEAR US TREASURY (%)	1.504	1.622	11.8 bps
10-YEAR US TREASURY (%)	1.496	1.665	16.9 bps
MYR/USD	4.2055	4.1877	0.4%
US DOLLAR INDEX	98.9	99.4	0.5%
BRENT CRUDE (USD/BARREL)	60.4	60.8	0.6%
GOLD SPOT (USD/OUNCE)	1,520.30	1,472.38	-3.2%
KLCI Index	1,612.14	1,583.91	-1.8%
S&P 500 Index	2,926.46	2,976.74	1.7%

Sources: Bloomberg, MARC Fixed Income Research

Global Markets

2

The US Federal Reserve (Fed) cut interest rates by 25 bps in September due to weak global developments and muted inflation. In Europe and the UK, central banks held their key interest rates steady. The European Central Bank (ECB) revised down its gross domestic product (GDP) and inflation forecasts for the year. Meanwhile, in the UK, the 10y gilt yield was up slightly but remained in the negative region. In China, credit growth rebounded by 10.7% although the central bank said it is not looking to add any massive monetary stimulus.

Malaysian Government Bond Market

3

The primary market for govies underperformed in September, hampered by the Fed's downward revision of its dot plot. Secondary market performance also turned weaker, halting its four-month continuous rally since May. However, yields on Malaysian Government Securities (MGS) remained low compared to July levels. MGS were mainly weakened by nervous sentiment ahead of FTSE Russell's review announcement.

Malaysian Corporate Bond Primary Market

6

MARC Rating Activities

9

Foreign Holdings of Local Bonds

10

In September, foreign holdings for local bonds rose, supported by FTSE Russell's decision to retain Malaysian bonds in its World Government Bond Index (WGBI). By instrument, MGS contributed most of the inflows, about 51%. YTD, cumulative flows into local bonds for the first nine months performed better than in the same period the prior year.



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Global Markets

A quick review

Fed cut interest rates

In September, the Fed cut the Fed funds rate (FFR) by 25 bps to 1.75%–2.00% due to “implications of global developments on economic outlook and muted inflation pressures”. According to the dot plot, it was not a unanimous decision as three Federal Open Market Committee (FOMC) members dissented. Meanwhile, the Fed’s inflation expectations for the 1-year and 5-year outlook rose slightly to 2.8% and 2.4%. This was in line with the marginal improvement in consumer sentiment driven by better income trends. During the month, US Treasury (UST) yields increased mildly across the curve between 12 bps to 18 bps while the 10y/2y yield spread widened to 5 bps (Aug: -1 bp).

ECB and BOE maintained key interest rates

In Europe, the ECB maintained the main refinancing operations rate but reduced the deposit interest rate by 10 bps to -0.5%. The central bank also approved a new round of bond purchases at a monthly pace of EUR20 billion effective November this year. Meanwhile, GDP and inflation forecasts for 2019 were trimmed to 1.1% and 1.2%. Bund yields remained in negative territory but rose across the curve between 9 bps to 16 bps. In the UK, Bank of England (BOE) held the interest rate steady at 0.75% due to an increased likelihood of a no-deal Brexit. After growing by 0.5% in 1Q2019, the economy was flat in the second quarter as Brexit weighed on business sentiment and weaker global growth impacted trade performance. Over the month, the 10y gilt yield rose 2 bps to 0.50% while other tenures were down by 1 bp to 5 bps.

China’s credit growth rebounded

In China, credit growth rebounded by 10.7% y-o-y to CNY2.0 trillion in August, compared to the previous month’s CNY1.0 trillion. The increased liquidity suggested that policy efforts to channel funds to companies may be gaining further traction. However, People’s Bank of China (PBOC) said that the economy is in “no rush” to add massive monetary stimulus and that financial risks are contained. Nevertheless, the economy continues to be hit by trade tensions with the US. The official purchasing managers’ index (PMI) for the manufacturing sector remained in contraction mode for the fifth straight month, at 49.8 in September, mainly due to a fall in exports.

Exhibit 1: Summary of US rates

US rates (%)	Aug-19	Sep-19	M-o-m change
FFR (Upper Bound)	2.25	2.00	-25 bps
2y UST	1.504	1.622	11.8 bps
5y UST	1.387	1.544	15.8 bps
10y UST	1.496	1.665	16.9 bps
30y UST	1.963	2.111	14.8 bps

Sources: Bloomberg, MARC Research

Exhibit 2: UST chart

Euro rates (%)	Aug-19	Sep-19	M-o-m change
ECB Deposit Facility Rate	-0.40	-0.50	-10 bps
2y Bund	-0.927	-0.766	16.1 bps
5y Bund	-0.923	-0.773	15 bps
10y Bund	-0.700	-0.571	12.9 bps
30y Bund	-0.177	-0.068	10.9 bps

Sources: Bloomberg, MARC Research

Exhibit 3: Summary of UK rates/ gilt chart

UK rates (%)	Aug-19	Sep-19	M-o-m change
BOE Official Bank Rate	0.75	0.75	0 bp
2y Gilt	0.401	0.369	-3.2 bps
5y Gilt	0.333	0.285	-4.8 bps
10y Gilt	0.479	0.488	0.9 bp
30y Gilt	1.017	0.974	-4.3 bps

Sources: Bloomberg, MARC Research

Exhibit 4: Summary of Japan rates/Yuan chart

Japan rates (%)	Aug-19	Sep-19	M-o-m change
BOJ Short-term Interest Rate	-0.10	-0.10	0 bp
2y JGB	-0.296	-0.315	-1.9 bp
5y JGB	-0.345	-0.355	-1 bp
10y JGB	-0.269	-0.213	5.6 bps
30y JGB	0.156	0.371	21.5 bps

Sources: Bloomberg, MARC Research

Malaysian Government Bond Market

Primary market review

Higher volume of matured papers pushed overall outstanding MGS/GII lower in September

Total outstanding MGS/Government Investment Issue (GII) papers fell in September to RM766.0 billion (August: RM768.5 billion). The drop was due to a higher volume of matured papers amounting to RM6.0 billion (August: RM4.0 billion), pushing net issuance into negative territory for the month. Gross issuance also fell during the month, totalling RM5.5 billion (August: RM10.0 billion) with GII contributing to most of the decline. YTD, overall gross issuance of MGS/GII grew by 3.9% y-o-y to RM93.0 billion (2018YTD: RM89.5 billion). GII papers continued to dominate issuances, with the GII-to-MGS ratio at 52:48 (2018YTD: 51:49).

Primary market for MGS/GII papers underperformed as the average BTC fell to 2.2x (Aug: 3.1x)

In September, the primary market for MGS/GII papers underperformed as the average bid-to-cover (BTC) ratio fell to 2.2x (August: 3.1x). The government received total bids of RM10.2 billion for the RM5.0 billion raised at public auctions while an additional RM0.5 billion was raised through private placement. The 7y MGS garnered a weak BTC ratio of 1.3x compared to another similar issue in April of 1.5x and is the lowest for such issue. Demand was hampered by the downward revision in the Fed's dot plot. In contrast, the 15y GII auction at end-September garnered a strong BTC ratio of 3.2x following FTSE Russell's decision to maintain Malaysian bonds' weightage in its WGBI.

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
Aug-19	4.0	6.0	10.0	-	6.0	6.0	4.0	-	4.0	407.9	360.6	768.5
Sep-19	3.0	2.5	5.5	-	8.0	8.0	3.0	-5.5	-2.5	410.9	355.1	766.0
2019YTD	45.0	48.0	93.0	14.5	25.6	40.1	30.5	22.4	52.9			

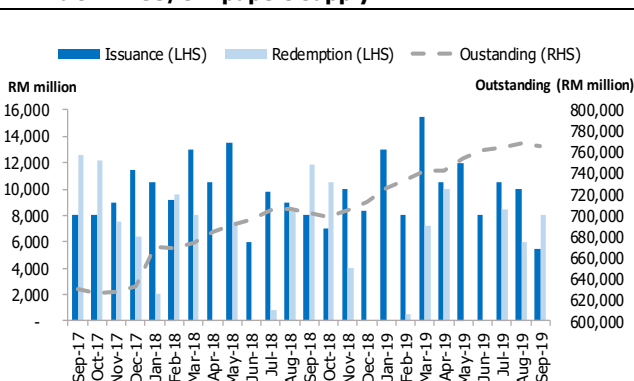
Sources: BNM Bond Info Hub, MARC Research

Exhibit 6: MGS auction results in September 2019

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
7y Reopening of MGS (Mat on 07/26)	7	20-Sep-19	3,000	1.26	3.392
15y Reopening of MGII (Mat on 11/34)	15	30-Sep-19	2,000	3.20	3.632

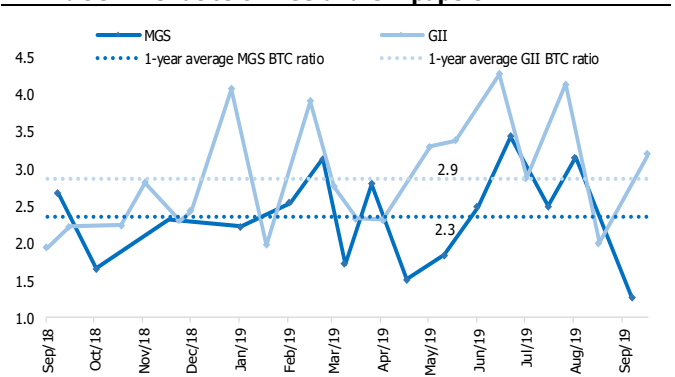
Sources: BNM Fast, MARC Research

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

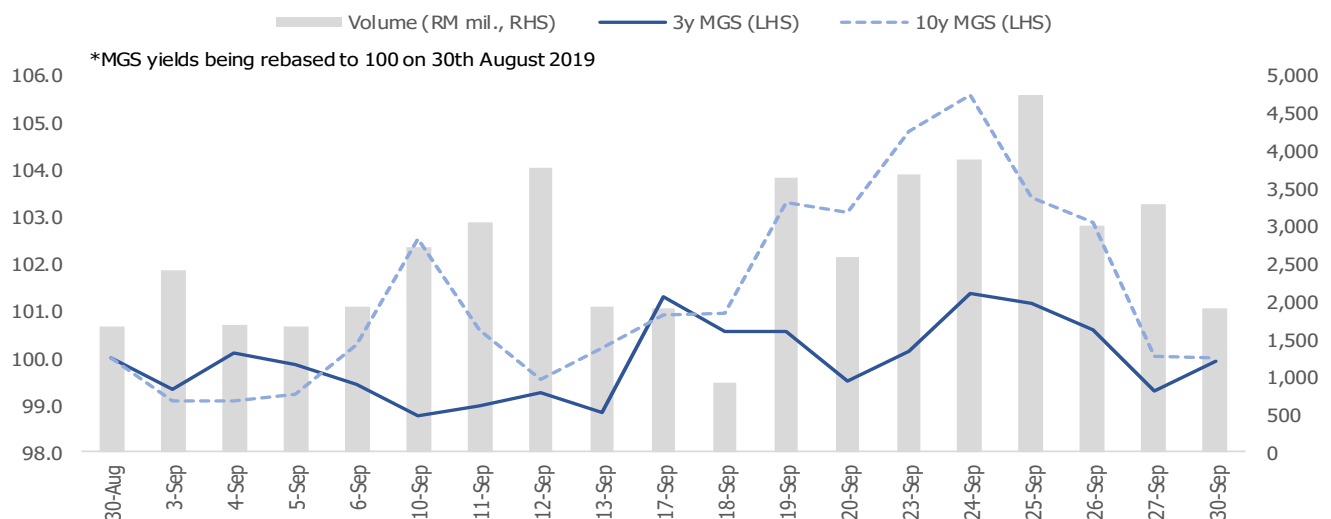
Four months of continuous rally in the MGS market halted in September but yields remained low compared to July levels

The MGS market weakened in September, but yields remained on the low side when compared to pre-July 2019 levels. MGS were hit by: 1) nervous sentiment ahead of FTSE Russell's announcement regarding its review of Malaysia's market accessibility level in the WGBI; 2) the Fed's less dovish outlook on rates when it revised its dot plot downwards; and 3) Malaysia's reduced weightage in JPMorgan Chase & Co's (JPM) Government Bond Index-Emerging Markets (GBI-EM) Global Diversified index. Going into the final week, bargain-hunting activities ensued as investors looked to increase their MGS holdings, as their prices have fallen in the previous weeks. MGS yields subsequently fell amid heightened expectations of an overnight policy rate (OPR) cut in November following Bank Negara Malaysia's (BNM) dovish tone at its latest Monetary Policy Committee (MPC) meeting. Investors also cheered on news of the retention of Malaysian bonds in FTSE Russell's WGBI.

The MGS sell-off mostly occurred along the belly and the long end, steepening the yield curve

By end-September, the MGS yield curve bear steepened with the 20y/3y spread widening to 51 bps (August: 43 bps). Overall benchmark MGS yields along the belly and the long end of the curve rose by 0 bp to 8 bps. Benchmark yield on the 10y MGS remained relatively unchanged compared to the prior month at 3.32%. Meanwhile, trade volume fell to RM48.8 billion (August: RM63.9 billion) with most of the sell-off occurring at the belly of the yield curve.

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



Sources: Bloomberg, BPAM, MARC Fixed Research

Exhibit 10: MGS benchmark yields

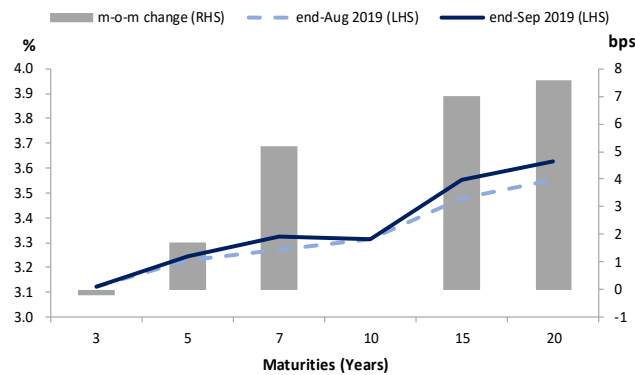
MGS yields (%)	Aug-19	Sep-19	M-o-m change
3y MGS	3.124	3.122	-0.2 bp
5y MGS	3.227	3.244	1.7 bp
7y MGS	3.270	3.322	5.2 bps
10y MGS	3.316	3.316	0 bp
20y MGS	3.552	3.628	7.6 bps

Sources: Bloomberg, MARC Fixed Research

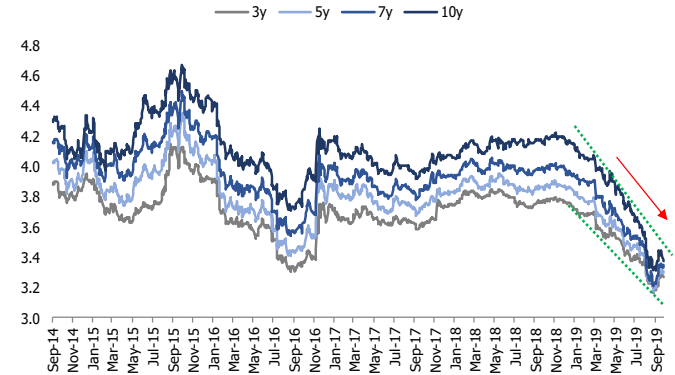
Exhibit 11: OPR and IRS rates

Rates (%)	Aug-19	Sep-19	M-o-m change
OPR	3.00	3.00	0 bp
1y IRS	3.185	3.265	8 bps
3y IRS	3.183	3.265	8.2 bps
5y IRS	3.215	3.305	9 bps
10y IRS	3.325	3.370	4.5 bps

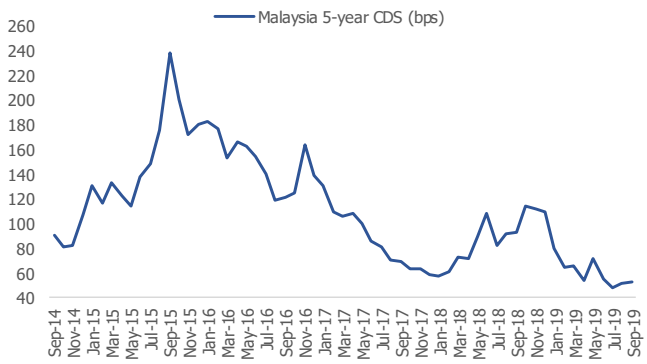
Sources: Bloomberg, MARC Fixed Research

Exhibit 12: MGS yield curves


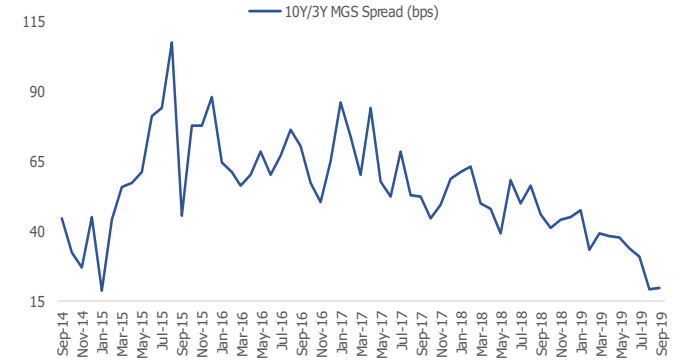
Sources: Bloomberg, MARC Research

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 September 2019

Security	Traded amount (RM mil)	Remaining tenure	Last traded yield (%)
MGS 3/2015 3.659% 15.10.2020	5,907	1 year	3.133%
MGS 1/2019 3.906% 15.07.2026	4,743	7 years	3.321%
MGS 4/2014 3.654% 31.10.2019	4,106	3 months	3.060%
MGS 1/2017 3.882% 10.03.2022	3,626	2.4 years	3.121%
MGS 2/2009 4.378% 29.11.2019	3,490	0.1 year	3.057%

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
Aug-19	6,330	-	3,089	5,496	9,529	8,732	9,194	6,735	14,818
Sep-19	7,596	3,008	7,366	2,454	5,868	4,812	6,071	6,054	5,535
M-o-m change	1,266	3,008	4,277	-3,042	-3,661	-3,920	-3,122	-681	-9,283

Sources: BPAM, MARC Research

Malaysian Corporate Bond Primary Market

Long-term corporate bond issuances accelerated in September amid tightening credit spreads

Gross issuance of long-term corporate bonds came in higher in September at RM14.9 billion (August: RM4.6 billion). This was largely due to a surge in quasi government and rated corporate bonds, which rose m-o-m to RM5.5 billion (August: RM0.9 billion) and RM7.7 billion (August: RM1.2 billion). Unrated corporate bonds also rose modestly, amounting to RM1.7 billion (August: RM1.3 billion). Meanwhile, there were no long-term Cagamas bonds issued during the month. Long-term corporate bond issuances accelerated in September amid tightening credit spreads and the lower yield environment since May, despite the moderate pick-up in MGS yields in September.

Gross issuance of long-term corporate bonds for 2019 to be between RM120.0 billion and RM130.0 billion

YTD, long-term corporate bond issuances amounted to RM105.5 billion (2018YTD: RM75.7 billion). Among the top issuers for 2019YTD include Urusharta Jamaah Sdn Bhd (RM27.6 billion), DanaInfra Nasional Bhd (RM9.3 billion), Malayan Banking Bhd (RM6.5 billion), Lembaga Pembiayaan Perumahan Sektor Awam (RM6.0 billion) and Pengurusan Air SPV Bhd (RM4.6 billion). Meanwhile, we raised our full year projection of gross issuance of long-term corporate bonds for 2019 to be between RM120.0 billion and RM130.0 billion.

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

Year	Unrated corporate	Quasi-government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
Aug-19	1.3	0.9	2.2	1.2	1.2	2.5	4.6
Sep-19	1.7	5.5	7.2	7.7	-	7.7	14.9
M-o-m change	0.4	4.7	5.1	6.5	-1.2	5.2	10.3

Sources: BPAM, MARC Research

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

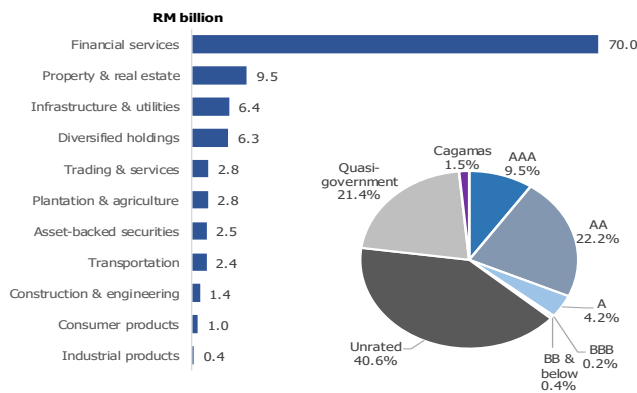
Year	Unrated corporate	Quasi Government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
2014	8.0	21.9	29.9	52.7	3.3	55.9	85.9
2015	14.0	15.6	29.6	51.5	3.8	55.3	85.0
2016	13.2	28.1	41.3	39.3	4.1	43.4	84.8
2017	20.7	37.6	58.3	55.8	8.7	64.6	122.9
2018	13.9	28.7	42.6	52.4	9.0	61.3	103.9
Jan-Sep 2018	10.4	20.2	30.6	39.6	5.6	45.1	75.7
Jan-Sep 2019	42.9	22.5	65.4	38.5	1.6	40.1	105.5

Sources: BPAM, MARC Research

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

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)	Coupon (%)
Lembaga Pembiayaan Perumahan Sektor Awam	Financial services	Quasi Gov	Islamic	3	3.0	21 - 29	3.69 - 3.86
Malayan Banking Berhad	Financial services	AA rated	Islamic	2	2.8	98	4.08 - 4.13
DanaInfra Nasional Berhad	Financial services	Quasi Gov	Islamic	6	2.5	7 - 30	3.34 - 3.90
Kuala Lumpur Kepong Berhad	Plantation & agriculture	AA rated	Islamic	2	2.0	10 - 15	3.75 - 3.95
Ara Bintang Berhad	Asset-backed securities	Unrated	Conventional	2	1.1	7	0 - 5.50%

Sources: BPAM, MARC Research

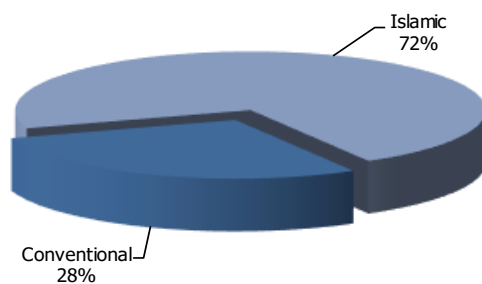
Exhibit 21: Corporate bond issuance composition by sector and ratings in September 2019


Sources: BPAM, MARC Research

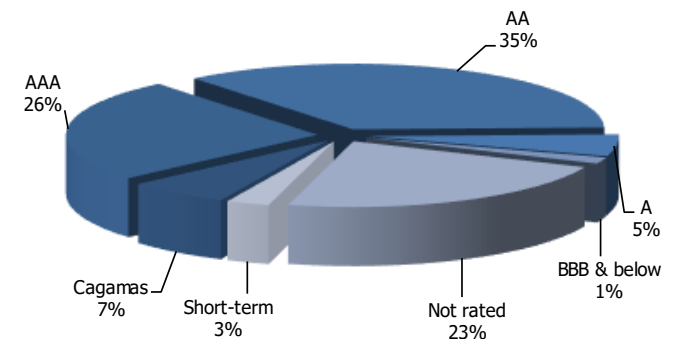
Exhibit 22: Outstanding size of Cagamas and corporate bonds as of September 2019 (RM billion)

Asset class	Conventional	Islamic	Total
Cagamas	19.1	14.0	33.1
Corporate Bonds	132.6	335.9	468.5
Corporate	55.7	251.4	307.1
Corporate guaranteed	21.7	49.8	71.5
Financial	47.5	30.7	78.2
ABS	7.6	4.0	11.6

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 (%)	Aug-19	Sep-19	M-o-m change
3-year	3.548	3.499	-4.9 bps
5-year	3.654	3.610	-4.4 bps
7-year	3.770	3.721	-4.9 bps
10-year	3.904	3.853	-5.1 bps

Sources: Bloomberg, MARC Research

Exhibit 26: AA corporate benchmark yields

AA (%)	Aug-19	Sep-19	M-o-m change
3-year	3.884	3.806	-7.8 bps
5-year	4.014	3.951	-6.3 bps
7-year	4.147	4.077	-7 bps
10-year	4.302	4.232	-7.1 bps

Sources: Bloomberg, MARC Research

Exhibit 27: A corporate benchmark yields

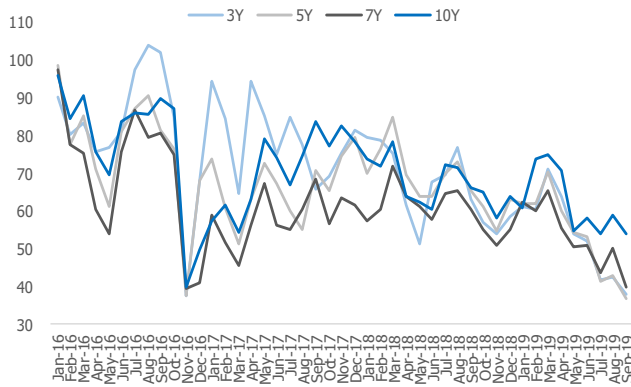
A (%)	Aug-19	Sep-19	M-o-m change
3-year	5.063	4.946	-11.7 bps
5-year	5.419	5.296	-12.3 bps
7-year	5.751	5.622	-12.9 bps
10-year	6.224	6.064	-16 bps

Sources: Bloomberg, MARC Research

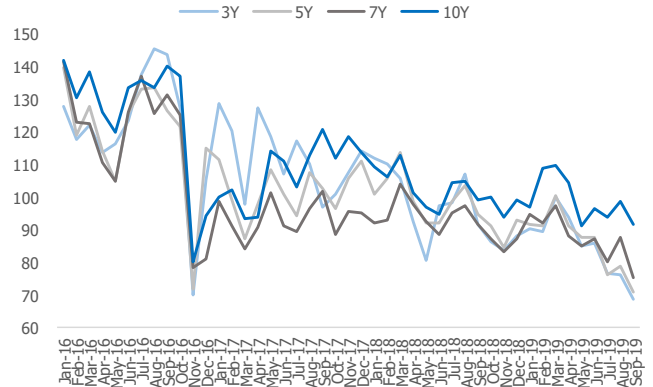
Exhibit 28: AAA, AA & A blended credit spreads

AAA, AA & A (%)	Aug-19	Sep-19	M-o-m change
3-year	122	113	-9 bps
5-year	134	123	-11 bps
7-year	151	137	-14 bps
10-year	175	165	-10 bps

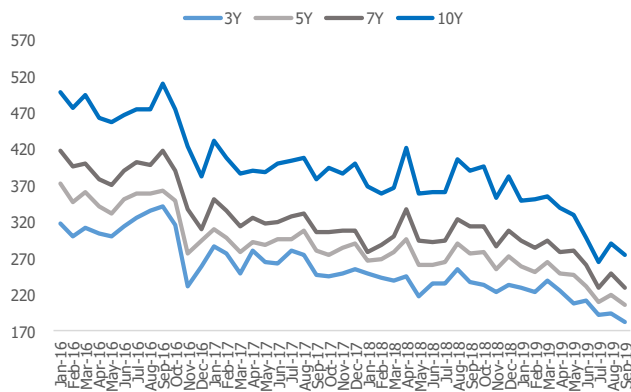
Sources: Bloomberg, MARC Research

Exhibit 29: AAA corporate bonds yield spread (bps)


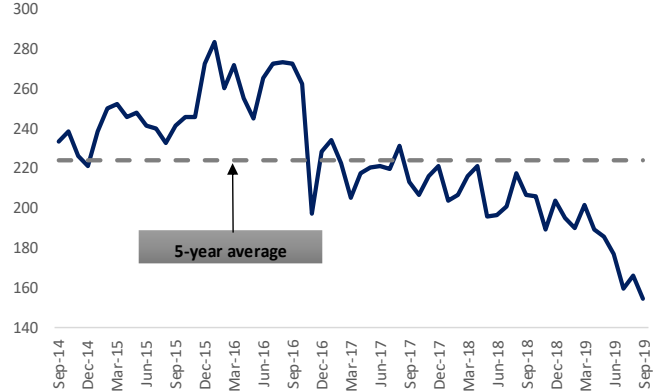
Sources: Bloomberg, MARC Research

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	Aug-19	Sep-19	M-o-m change
MGS/GII	102.3	66.3	-36.1
Cagamas	1.3	0.2	-1.1
FI corporate	1.0	0.9	-0.1
Non-FI corporate	8.2	7.1	-1.0

Sources: BPAM, MARC Research

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

Rating band	Aug-19	Sep-19	M-o-m change
AAA	3.0	1.6	-1.4
AA	4.2	4.7	0.5
A	0.4	0.3	-0.1
BBB and below	-	-	-
Short-term	0.2	0.3	0.1

Sources: BPAM, MARC Research

MARC Rating Activities

MARC assigned one initial rating and one preliminary rating in September

In September, MARC assigned a final rating of A with a stable outlook to WCT Holding's proposed Perpetual Sukuk Musharakah Programme of up to RM1.0 billion. MARC also assigned a preliminary rating of AA-_{IS} to AZRB Capital Sdn Bhd's proposed issuance of up to RM535.0 million Islamic Medium-Term Notes (IMTN) with a stable outlook. Meanwhile, MARC withdrew its rating of AAA on Cagamas MBS Bhd's RM260.0 million Tranche 5 under the RM2.4 billion asset-backed fixed rate serial bonds (CMBS 2007-2) upon full redemption.

MARC affirmed five issue ratings, two financial strength ratings and one sovereign rating

In the same month, MARC affirmed a total of five issue ratings under four issuers with their rating outlook unchanged. Financial strength ratings of International General Insurance Co Ltd and KAF Investment Bank Bhd were affirmed at AAA and AA-/MARC-1 with a stable outlook. MARC also affirmed South Korea's foreign currency sovereign rating of AAA with a stable outlook.

MARC downgraded Titijaya's RM150.0 million ICP Programme

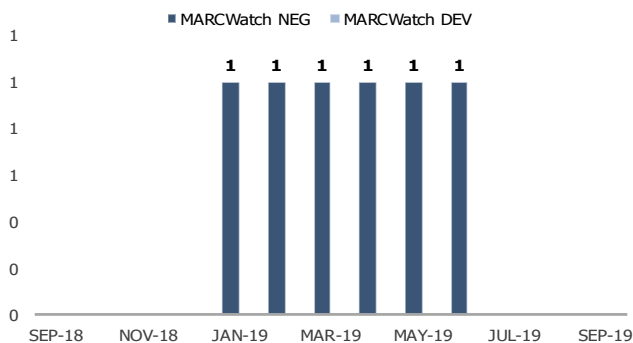
MARC lowered Titijaya Land Bhd's (Titijaya) RM150.0 million Islamic Commercial Papers (ICP) Programme to MARC-2_{IS} from MARC-1_{IS}. The downgrade reflects the increased concerns on Titijaya's business and credit profile arising from the prevailing weak property market. Meanwhile, there were no new issues placed under MARCWatch in September.

Exhibit 35: List of rating actions in September 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	Project Finance	Infrastructure & Utilities	Kimanis Power Sdn Bhd	27-Sep-19	AFFIRMED	STA	AA-	AA-	-	-	1,160	-
Unspecified	Financial Strength	Insurance Company	International General Insurance Company Limited	27-Sep-19	AFFIRMED	STA	AA+	AA+	-	-	-	-
Unspecified	Sovereign Credit Strength Rating	Country	South Korea	26-Sep-19	AFFIRMED	STA	AAA	AAA	-	-	-	-
Islamic	Project Finance	Infrastructure & Utilities	Gas District Cooling (Putrajaya) Sdn Bhd	25-Sep-19	AFFIRMED	STA	AAA	AAA	-	-	300	-
Islamic	Corporate Debt	Property	Titijaya Land Bhd	24-Sep-19	DOWNGRADED	-	-	-	MARC-1	MARC-2	150	-
Islamic	Corporate Debt	Construction	WCT Holdings Berhad	20-Sep-19	INITIAL	STA	A	A	-	-	1,000	-
Islamic	Project Finance	Infrastructure & Utilities	AZRB Capital Sdn Bhd	20-Sep-19	PRELIMINARY	STA	AA-	AA-	-	-	535	-
Conventional	Structured Finance	Residential Mortgages	Cagamas MBS Bhd	6-Sep-19	WITHDRAWN	STA	AAA	AAA	-	-	260	-
Islamic	Corporate Debt	Finance	Cagamas Bhd	5-Sep-19	AFFIRMED	STA	AAA	AAA	-	-	40,000	-
Islamic	Corporate Debt	Finance	Cagamas Bhd	5-Sep-19	AFFIRMED	STA	-	-	MARC-1	MARC-1	20,000	-
Islamic	Corporate Debt	Trading/Services	Bina Darulaman Bhd	5-Sep-19	AFFIRMED	-	-	-	MARC-2	MARC-2	100	-
Unspecified	Financial Strength	Finance	KAF Investment Bank Bhd	3-Sep-19	AFFIRMED	STA	AA-	AA-	MARC-1	MARC-1	-	-

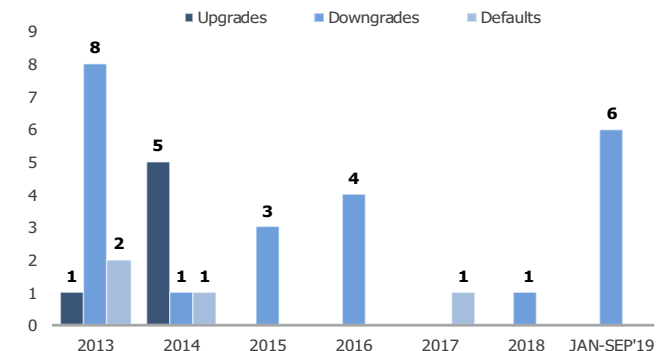
Source: MARC Research

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

Foreign holdings of local bonds increased amid FTSE Russell's decision to retain Malaysia

In September, foreign investors raised their local bond holdings by RM0.9 billion to RM189.1 billion (August: RM188.2 billion). Foreign demand for local bonds was supported by FTSE Russell's decision to retain Malaysian bonds in its WGBI. However, the proportion of foreign holdings of local bonds remained around 12.6% as total outstanding local bonds fell due to the large volume of matured GII papers.

MGS contributed 51% of total foreign inflows into local bonds

MGS accounted for most of the foreign inflows in September followed by Malaysian Islamic Treasury Bills (MITB). Total foreign holdings of MGS rose to RM154.2 billion (August: RM153.7 billion) while foreign share of the total outstanding fell slightly to 37.5% (August: 37.7%) as gross issuance slowed. In the MITB space, foreign holdings rose to RM0.8 billion (August 2019: RM0.5 billion) with foreign share of total outstanding at 25.1% (August 2019: 20.4%).

Cumulative flows in 2019 continued to rise, supported by renewed demand in MGS

YTD, cumulative flows into local bonds for the first nine months surged to RM4.3 billion (2018YTD: -RM22.2 billion) compared with RM3.4 billion registered in the first eight months in the same year. By instrument, cumulative foreign flows into MGS stood at RM8.0 billion (2018YTD: -RM16.2 billion) while cumulative foreign flows into other instrument types remained negative.

Exhibit 38: Summary of foreign holdings in local bonds

Category	Foreign holdings (RM mil)		Composition (%)		Foreign flows (RM mil)	
	Aug-19	Sep-19	Aug-19	Sep-19	Aug-19	Sep-19
MGS	153,738	154,201	37.7	37.5	-964	462
GII	15,276	15,330	4.6	4.7	531	54
Treasury bills	2,306	2,587	30.7	27.2	325	281
BNM notes	5,000	5,000	41.3	49.0	-	-
Corporate bonds	11,892	12,003	1.7	1.7	19	111
Total	188,212	189,120	12.6	12.6	-89	908

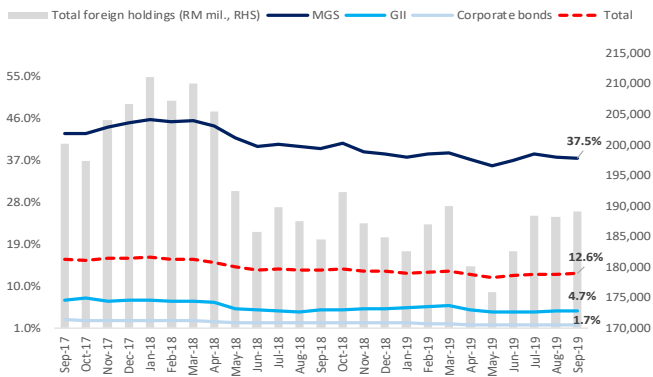
Sources: BNM, MARC Research

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-Sep 2018	-16,164	-4,108	1,312	-	-350	-2,923	-22,232
Jan-Sep 2019	8,049	-562	-1,146	-	-	-2,045	4,295

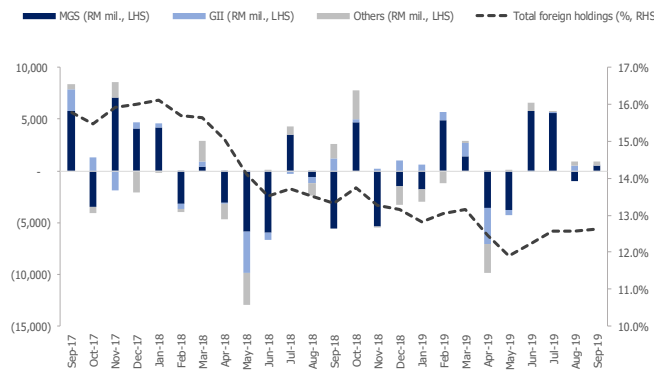
Sources: BNM, MARC Research

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



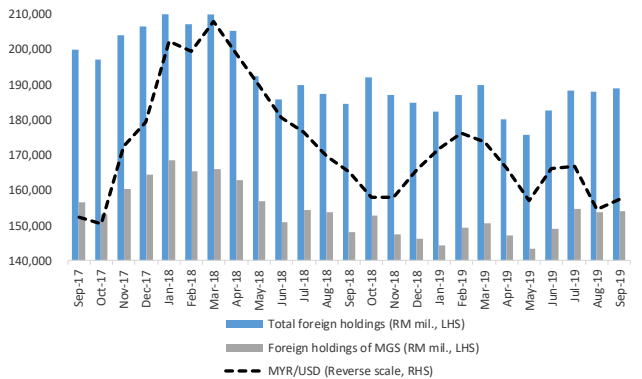
Sources: BNM, BPAM, MARC Research

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



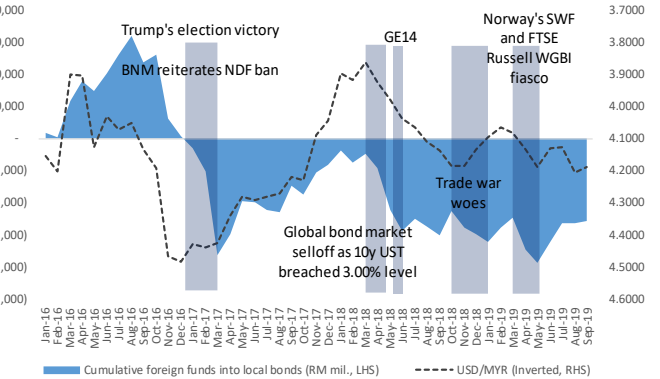
Sources: BNM, BPAM, MARC Research

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



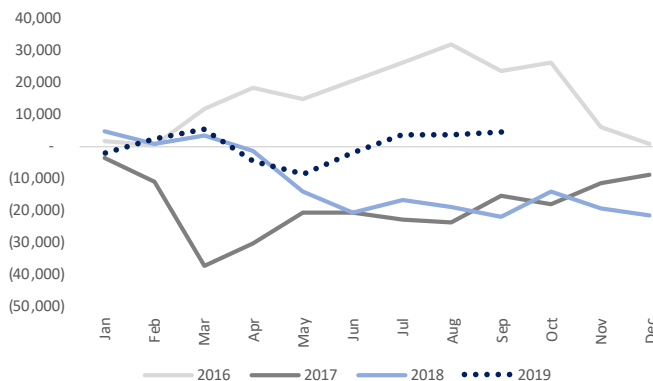
Sources: BNM, Bloomberg, MARC Research

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



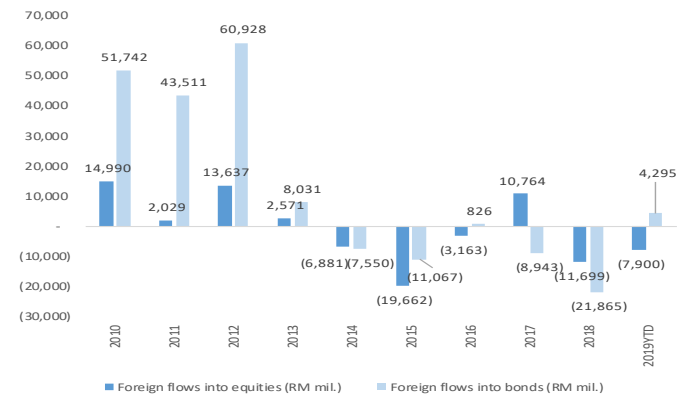
Sources: BNM, Bloomberg, MARC Research

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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