

Fixed Income Research

KDN PP 16084/10/2012 (030859)

Monthly Bond Market & Rating Snapshot: October 2019



MALAYSIAN RATING CORPORATION BERHAD

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Vol.: FI/014/2019

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13 November 2019

Please read the disclaimer on the last page of this report

OCTOBER 2019

Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	SEP-19	OCT-19	M-O-M CHANGE
OVERNIGHT POLICY RATE (%)	3.00	3.00	0 bp
3-YEAR BENCHMARK MGS (%)	3.122	3.151	2.9 bp
10-YEAR BENCHMARK MGS (%)	3.316	3.412	9.6 bp
3-YEAR IRS (%)	3.265	3.290	2.5 bps
10-YEAR IRS (%)	3.370	3.450	8 bps
RINGGIT 3-YEAR AAA (%)	3.499	3.540	4.1 bps
RINGGIT 3-YEAR AA (%)	3.799	3.740	-5.9 bps
RINGGIT 3-YEAR A (%)	4.961	4.987	2.6 bps
2-YEAR US TREASURY (%)	1.622	1.524	-9.8 bps
10-YEAR US TREASURY (%)	1.665	1.691	2.6 bps
MYR/USD	4.1877	4.1782	0.2%
US DOLLAR INDEX	99.4	97.4	-2.0%
BRENT CRUDE (USD/BARREL)	60.8	60.2	-0.9%
GOLD SPOT (USD/OUNCE)	1,472.38	1,512.93	2.8%
KLCI Index	1,583.91	1,597.98	0.9%
S&P 500 Index	2,976.74	3,037.56	2.0%

Sources: Bloomberg, MARC Fixed Income Research



Global Markets

3

The US Federal Reserve (Fed) reduced interest rates for the third time this year and hinted at a pause in its easing cycle. The European Central Bank (ECB) maintained its key interest rates at historic lows and will resume its asset purchase program next month. Meanwhile, the UK will be holding a general election in December 2019 as it seeks to resolve the Brexit deadlock. In China, the economy slowed to its lowest level in nearly three decades amid trade tensions, poor global economic growth and high off-balance sheet borrowings.

Malaysian Government Bond Market

4

Total outstanding local govies declined in October amid a large volume of matured Malaysian Government Securities (MGS). Demand for local govies at public auctions has also suffered as the average bid-to-cover (BTC) ratio declined. In the secondary market, MGS yields surged, with its yield curve steepening amid numerous external headwinds, especially long-running issues of the US-China trade war and Brexit.

Malaysian Corporate Bond Primary Market

7

MARC Rating Activities

10

Foreign Holdings of Local Bonds

11

Foreign investors turned net sellers of local bonds in October as global trade and political pressures mount. Most of the selling pressure was concentrated on MGS and Malaysian Treasury Bills (MTB). YTD, cumulative flows into local bonds for the first ten months remained positive, performing better than post-2016 levels.

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Global Markets

A quick review

Fed recued rates for the third time

In October, the Fed reduced the Fed Funds Rate (FFR) by 25bps to 1.50%–1.75%. The reduction was characterised as a “mid-cycle adjustment” amid muted inflation pressure and concerns about the economic outlook. However, the central bank had hinted at a pause in its easing cycle. According to the dot plot, it was not a unanimous decision as two Federal Open Market Committee (FOMC) members were against lowering rates. During the month, yields along the 10y30y curve increased by 3bps to 7bps. The 10y US Treasury (UST) yield rose to 1.69% (Sep: 1.67%).

ECB maintains accommodative stance

In Europe, the ECB maintained interest rates on main refinancing operations, marginal lending and deposit facility at 0.00%, 0.25%, and -0.50%. The central bank will resume the asset purchase program in November at a monthly pace of EUR20 billion. The interest rates are expected to remain at their present levels or lower until inflationary growth consistently approaches 2.0%. Across the curve, German Bund yields rose between 11bps to 18bps and remained in negative territory, except the 30y yield which rebounded to 0.11% in October (Sep: -0.07%).

UK to hold general election in December

In the UK, according to the Confederation of British Industry (CBI), business optimism dipped further for the seventh consecutive quarter amid Brexit uncertainty. Export prospects and capital spending on property, plant and equipment have deteriorated. The Brexit deadline was extended from October 31, 2019 to January 31, 2020 after the parliament failed to agree to a Brexit deal. Meanwhile, a general election will be held on December 12, 2019 to resolve the Brexit deadlock. Over the month, the 10y gilt yield rose 14bps to 0.63% (Sep: 0.49%) while other tenures were up by 13bps to 16bps.

China faces domestic and global headwinds

China’s real GDP grew at its weakest pace in almost three decades at 6.0% y-o-y in 3Q2019. The slowdown was due to the US-China trade tensions, poor global demand and high off-balance sheet borrowings undertaken by local governments. It was reported that “hidden debt” accumulated by local government financing vehicles (LGFV) could range between CNY30-40 trillion. The Chinese government has launched measures to reduce excess borrowing and risky debt. Nevertheless, in the meantime, China’s LGFVs are expected to experience debt serviceability pressure as the economy slows due to domestic and global headwinds.

Exhibit 1: Summary of US rates

US rates (%)	Sep-19	Oct-19	M-o-m change
FFR (Upper Bound)	2.00	1.75	-25 bps
2y UST	1.622	1.524	-9.8 bps
5y UST	1.544	1.520	-2.5 bps
10y UST	1.665	1.691	2.6 bps
30y UST	2.111	2.179	6.9 bps

Sources: Bloomberg, MARC Research

Exhibit 2: Summary of euro rates

Euro rates (%)	Sep-19	Oct-19	M-o-m change
ECB Deposit Facility Rate	-0.50	-0.50	0 bp
2y Bund	-0.766	-0.660	10.6 bps
5y Bund	-0.773	-0.626	14.7 bps
10y Bund	-0.571	-0.407	16.4 bps
30y Bund	-0.068	0.109	17.7 bps

Sources: Bloomberg, MARC Research

Exhibit 3: Summary of UK rates

UK rates (%)	Sep-19	Oct-19	M-o-m change
BOE Official Bank Rate	0.75	0.75	0 bp
2y Gilt	0.369	0.503	13.4 bps
5y Gilt	0.285	0.437	15.2 bps
10y Gilt	0.488	0.629	14.1 bps
30y Gilt	0.974	1.135	16.1 bps

Sources: Bloomberg, MARC Research

Exhibit 4: Summary of Japan rates

Japan rates (%)	Sep-19	Oct-19	M-o-m change
BOJ Short-term Interest Rate	-0.100	-0.100	0 bp
2y JGB	-0.315	-0.230	8.5 bps
5y JGB	-0.355	-0.263	9.2 bps
10y JGB	-0.213	-0.133	8.0 bps
30y JGB	0.371	0.398	1.8 bp

Sources: Bloomberg, MARC Research

Malaysian Government Bond Market

Primary market review

Total outstanding MGS/GII fell in October amid high volume of matured MGS papers

In October, total outstanding MGS/Government Investment Issues (GII) came up to RM763.2 billion (Sep: RM766.0 billion), lower by RM2.8 billion m-o-m (Sep: -RM2.5 billion) due to a high volume of maturing MGS papers worth RM11.8 billion. Meanwhile, overall gross issuance of MGS/GII in October strengthened to RM9.0 billion (Sep: RM5.5 billion) as gross issuance of MGS papers accelerated. MGS dominated gross issuance activity at RM6.5 billion while GII amounted to RM2.5 billion. YTD, gross issuance of MGS/GII is valued at RM102.0 billion (2018YTD: RM96.5 billion), on track to meet MARC's projections of RM110.0 billion to RM120.0 billion for 2019.

Demand for MGS/GII at public auctions fell in October

The primary market for MGS/GII papers continued to underperform in October as the BTC ratio for public auctions conducted averaged 2.0x (Sep: 2.2x). However, total bids received by the government rose to RM15.3 billion (Sep: RM10.2 billion) due to large issuance size of RM8.5 billion (Sep: RM5.0 billion) with an additional RM0.5 billion from a private placement. Both the 10y and 5y MGS issues garnered weaker BTC ratios of 1.2x and 1.4x compared with similar issues last year (2.7x and 2.3x). Meanwhile, the 20y GII garnered a BTC ratio of 3.3x, weaker than a similar auction conducted in June (4.3x).

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
Sep-19	3.0	2.5	5.5	-	8.0	8.0	3.0	-5.5	-2.5	410.9	355.1	766.0
Oct-19	6.5	2.5	9.0	11.8	-	11.8	-5.3	2.5	-2.8	405.6	357.6	763.2
2019YTD	51.5	50.5	102.0	26.3	25.6	51.9	25.2	24.9	50.1			

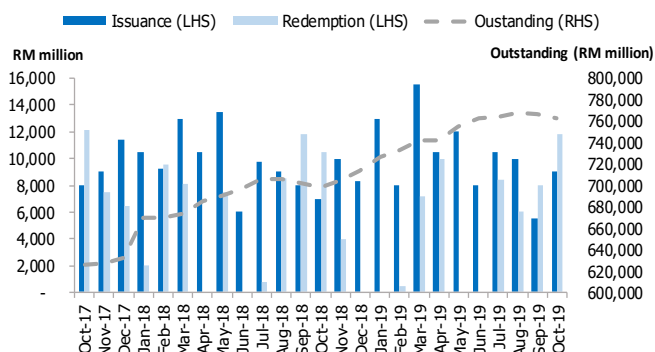
Sources: BNM Bond Info Hub, MARC Research

Exhibit 6: MGS auction results in October 2019

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
10y Reopening of MGS (Mat on 08/29)	10	8-Oct-19	3,000	1.23	3.407
20y Reopening of MGII (Mat on 09/39)	20	15-Oct-19	2,000	3.32	3.838
5y Reopening pf MGS (Mat on 06/24)	5	31-Oct-19	3,500	1.43	3.364

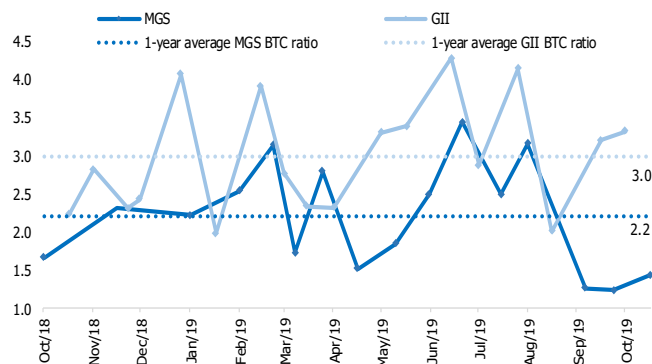
Sources: BNM Fast, MARC Research

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

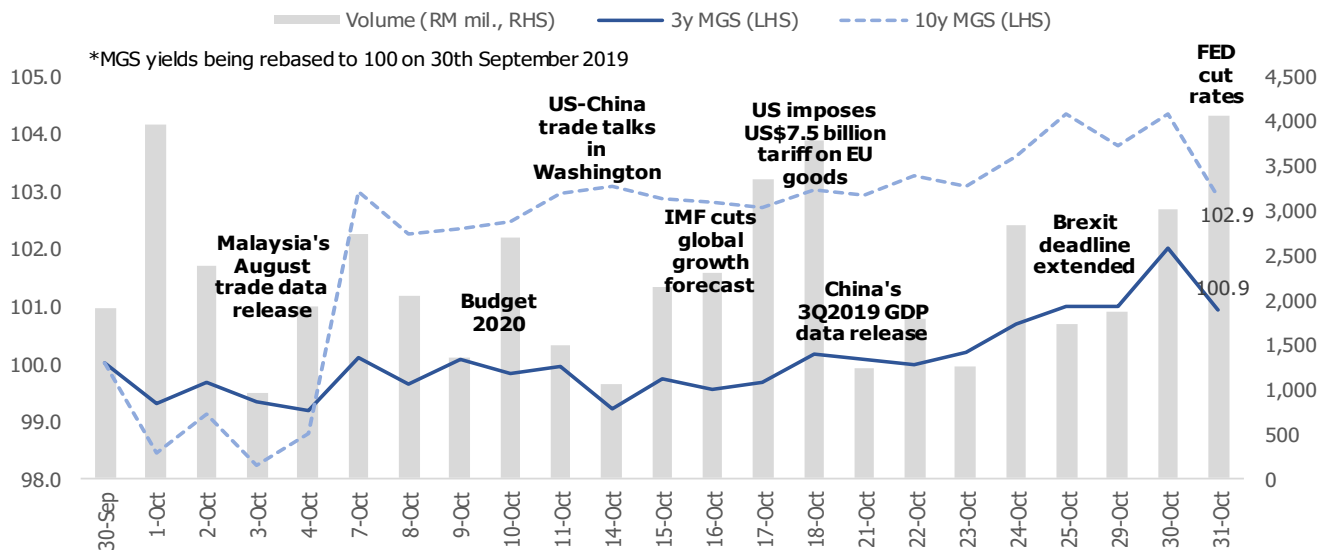
The MGS market continued to suffer losses in October amid headlines of negative external developments

In October, the MGS market was affected by negative external developments. Long-running issues of the US-China trade tensions, Brexit and geopolitical tensions in Hong Kong led to investors shying away from MGS. Losses were then exacerbated by the reduction in global growth forecast by International Monetary Fund's (IMF), the US' move to impose a record USD7.5 billion tariffs on EU goods, and China's weak 3Q2019 economic performance. On the local front, MGS was pressured by weaker-than-expected August trade data as well as the perception that Bank Negara Malaysia (BNM) will stay put on rates in the near term. However, on the final day of the month, MGS yields started to ease following the latest reduction in the Federal Funds Rate (FFR) that led to minor carry trade activities.

At end-October, the MGS yield curve steepened with notable losses witnessed at the long-end

Losses were led by the back-end of the curve with yields along the 15y20y curve surging by 14bps to 29 bps, steepening the yield curve. Both the 10y/3y and 20y/3y MGS spreads widened to 26bps and 77bps (Sep: 20bps and 51bps). Meanwhile, yields at the shorter-end edged higher by 3bps to 9bps. The benchmark yield on the 10y MGS settled about 9bps higher at 3.41% (Sep: 3.32%). Turnover came in slightly higher at RM49.9 billion (Sep: RM48.8 billion).

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



Sources: Bloomberg, BPAM, MARC Fixed Research

Exhibit 10: MGS benchmark yields

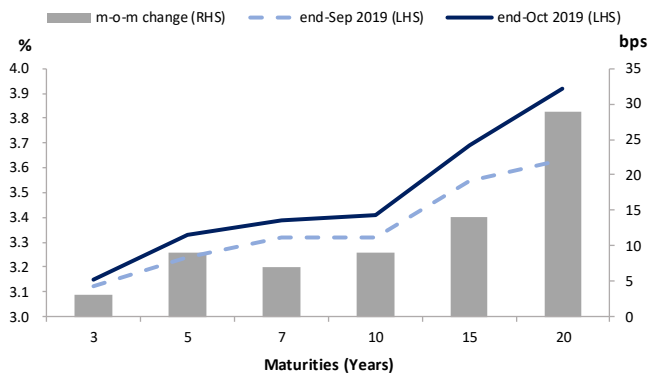
MGS yields (%)	Sep-19	Oct-19	M-o-m change
3y MGS	3.122	3.151	2.9 bps
5y MGS	3.244	3.327	8.3 bps
7y MGS	3.322	3.392	7.0 bps
10y MGS	3.316	3.412	9.6 bps
15y MGS	3.550	3.694	14.4 bps

Sources: Bloomberg, MARC Fixed Research

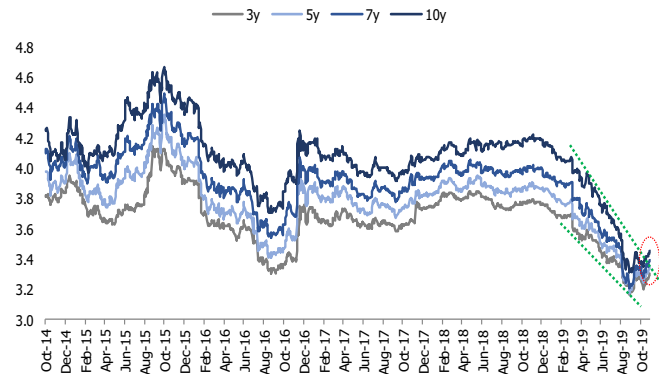
Exhibit 11: Overnight Policy Rate (OPR) and Interest Rate Swap (IRS) rates

Rates (%)	Sep-19	Oct-19	M-o-m change
OPR	3.00	3.00	0 bp
1y IRS	3.265	3.290	2.5 bps
3y IRS	3.265	3.290	2.5 bps
5y IRS	3.305	3.340	3.5 bps
10y IRS	3.370	3.450	8.0 bps

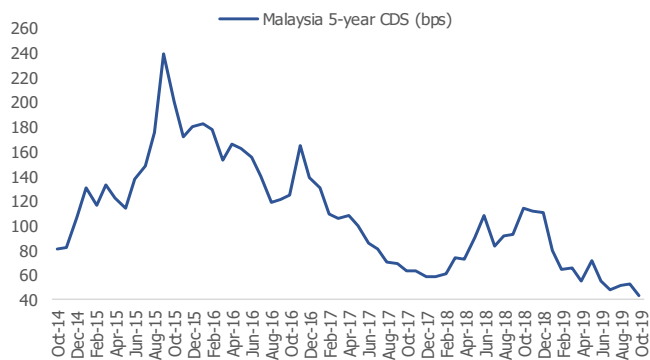
Sources: Bloomberg, MARC Fixed Research

Exhibit 12: MGS yield curves


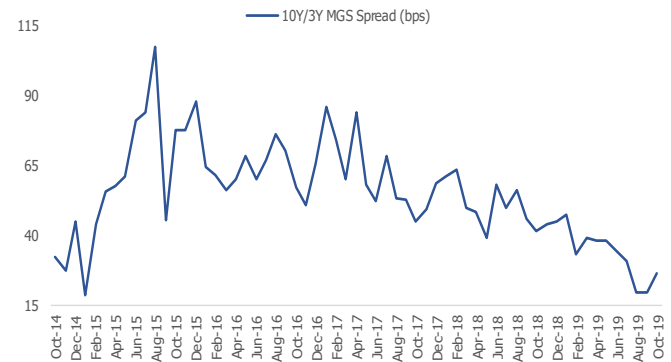
Sources: Bloomberg, MARC Research

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 October 2019

Security	Traded amount (RM mil)	Remaining tenure	Last traded yield (%)
MGS 2/2019 3.885% 15.08.2029	5,164	9.9 years	3.412%
MGS 6/2012 3.492% 31.03.2020	4,760	0.4 year	3.006%
MGS 3/2015 3.659% 15.10.2020	4,677	0.9 year	3.064%
MGS 2/2009 4.378% 29.11.2019	4,547	0.1 year	3.023%
MGS 1/2019 3.906% 15.07.2026	3,875	6.7 years	3.392%

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
Sep-19	7,531	3,004	7,056	2,442	5,409	4,730	5,868	5,629	5,190
Oct-19	6,539	4,760	5,366	3,808	4,232	6,188	5,238	8,375	5,337
M-o-m change	-992	1,756	-1,690	1,365	-1,177	1,458	-629	2,746	147

Sources: BPAM, MARC Research

Malaysian Corporate Bond Primary Market

Long-term corporate bond issuance activities declined in October after experiencing a surge in September

Long-term corporate bond issuance continued to decline in October, amounting to RM5.9 billion (Sep: RM14.9 billion). The decline was largely attributed to the lack of quasi-government bond issuances after experiencing a sudden surge in the previous month. The sharp fall in rated corporate bond issuance during the month also contributed to the decline. Rated corporate bonds declined by RM3.4 billion m-o-m to RM4.3 billion (Sep: RM7.7 billion). Meanwhile, unrated corporate bonds also fell modestly to RM1.1 billion (Sep: RM1.7 billion).

YTD, issuance activities were led by the financial sector

YTD, long-term corporate bond issuance came up to RM111.4 billion (2018YTD: RM89.3 billion), higher than the full year amount recorded last year. Long-term corporate bond issuance in 2019YTD was largely driven by the financial services sector. The financial services sector makes up about RM71.6 billion or 64.3% of total issuances. The sector was led by Urusharta Jamaah Sdn Bhd (RM27.6 billion), DanaInfra Nasional Bhd (RM9.3 billion) and Maybank Bhd (RM6.6 billion).

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

Year	Unrated corporate	Quasi-government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
Sep-19	1.7	5.5	7.2	7.7	-	7.7	14.9
Oct-19	1.1	-	1.1	4.3	0.6	4.9	5.9
M-o-m change	-0.7	-5.5	-6.2	-3.4	0.6	-2.8	-9.0

Sources: BPAM, MARC Research

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

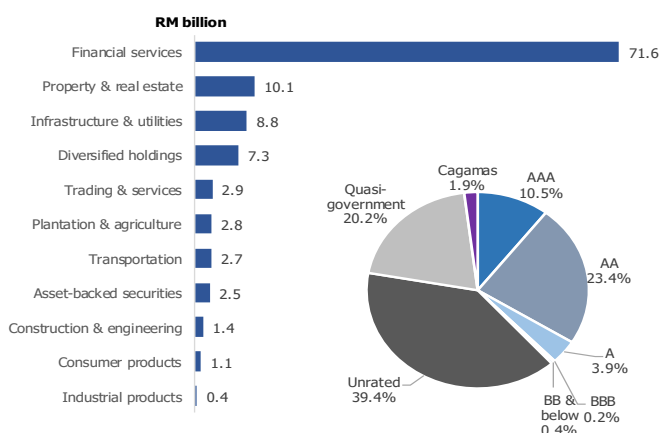
Year	Unrated corporate	Quasi Government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
2014	8.0	21.9	29.9	52.7	3.3	55.9	85.9
2015	14.0	15.6	29.6	51.5	3.8	55.3	85.0
2016	13.2	28.1	41.3	39.3	4.1	43.4	84.8
2017	20.7	37.6	58.3	55.8	8.7	64.6	122.9
2018	13.9	28.7	42.6	52.4	9.0	61.3	103.9
Jan-Oct 2018	11.6	23.2	34.8	47.4	7.1	54.5	89.3
Jan-Oct 2019	43.9	22.5	66.4	42.8	2.2	45.0	111.4

Sources: BPAM, MARC Research

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

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)	Coupon (%)
Pengurusan Air SPV Berhad	Infrastructures & utilities	AAA rated	Islamic	4	1.6	5 - 15	3.60 - 4.00
Press Metal Aluminium Holdings Berhad	Diversified holdings	AA rated	Islamic	3	1.0	5 - 10	4.10 - 4.30

Sources: BPAM, MARC Research

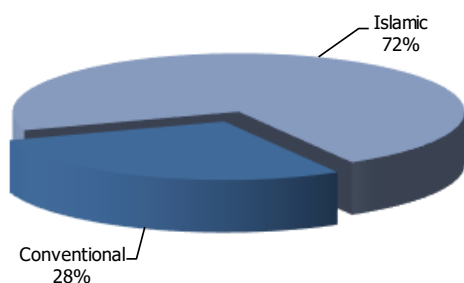
Exhibit 21: Corporate bond issuance composition by sector and ratings in October 2019


Sources: BPAM, MARC Research

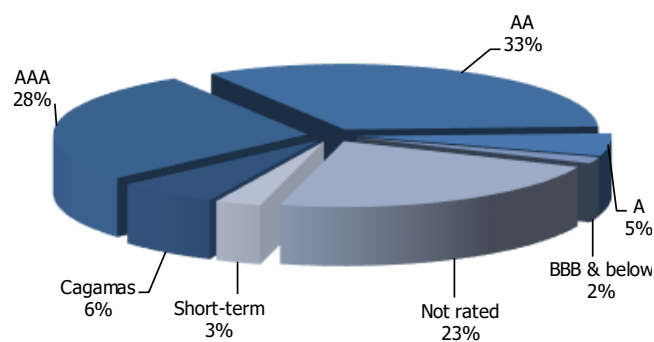
Exhibit 22: Outstanding size of Cagamas and corporate bonds as of October 2019 (RM billion)

Asset class	Conventional	Islamic	Total
Cagamas	18.2	14.5	32.6
Corporate Bonds	132.9	339.0	471.9
Corporate	56.4	254.6	311.1
Corporate guaranteed	21.1	49.7	70.7
Financial	47.8	30.7	78.4
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 (%)	Sep-19	Oct-19	M-o-m change
3-year	3.499	3.540	4.1 bps
5-year	3.610	3.707	9.7 bps
7-year	3.721	3.817	9.6 bps
10-year	3.853	3.957	10.4 bps

Sources: Bloomberg, MARC Research

Exhibit 26: AA corporate benchmark yields

AA (%)	Sep-19	Oct-19	M-o-m change
3-year	3.806	3.751	-5.5 bps
5-year	3.951	3.948	-0.3 bp
7-year	4.077	4.073	-0.3 bp
10-year	4.232	4.217	-1.5 bps

Sources: Bloomberg, MARC Research

Exhibit 27: A corporate benchmark yields

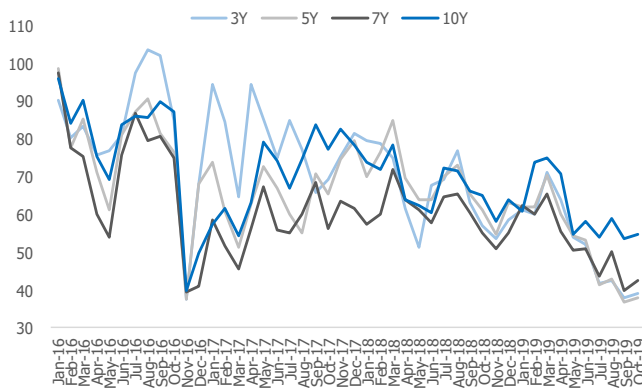
A (%)	Sep-19	Oct-19	M-o-m change
3-year	4.946	4.960	1.4 bp
5-year	5.296	5.365	6.9 bps
7-year	5.622	5.720	9.8 bps
10-year	6.064	6.251	18.7 bps

Sources: Bloomberg, MARC Research

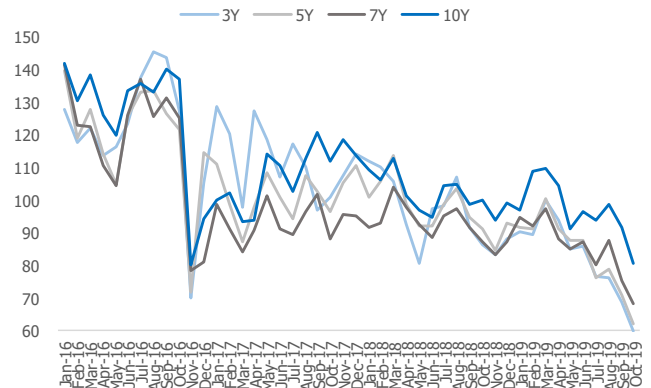
Exhibit 28: AAA, AA & A blended credit spreads

AAA, AA & A (%)	Sep-19	Oct-19	M-o-m change
3-year	113	109	-4 bps
5-year	123	119	-4 bps
7-year	137	135	-2 bps
10-year	165	164	-1 bp

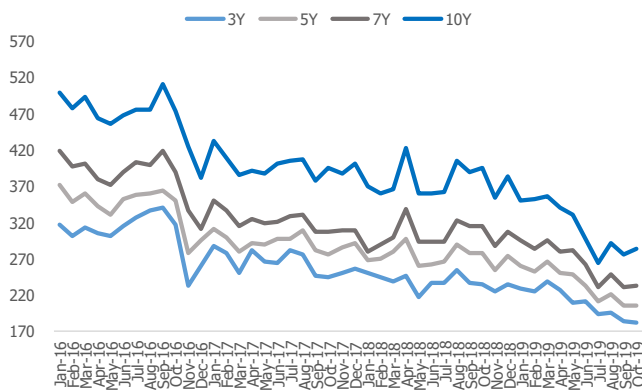
Sources: Bloomberg, MARC Research

Exhibit 29: AAA corporate bonds yield spread (bps)


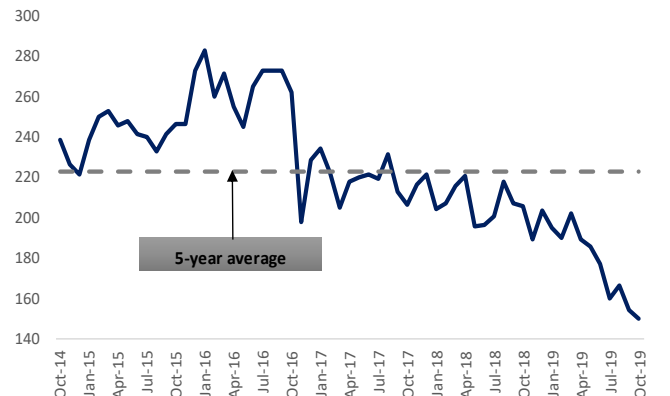
Sources: Bloomberg, MARC Research

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	Sep-19	Oct-19	M-o-m change
MGS/GII	66.3	72.4	6.2
Cagamas	0.2	0.1	-0.1
FI corporate	0.9	0.8	-0.2
Non-FI corporate	7.1	4.9	-2.2

Sources: BPAM, MARC Research

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

Rating band	Sep-19	Oct-19	M-o-m change
AAA	1.6	1.0	-0.6
AA	4.7	3.1	-1.5
A	0.3	0.4	0.1
BBB and below	-	-	-
Short-term	0.3	0.1	-0.1

Sources: BPAM, MARC Research

MARC Rating Activities

MARC affirmed seven issue ratings and revised one issue rating outlook in October

In October, MARC affirmed a total of seven issue ratings from five different issuers. The rating outlook on Central Impression Sdn Bhd's (CISB) 11y Fixed Rate Serial Bonds of RM120.0 million was revised to negative from stable. The revised outlook reflects CISB's reduced cash buffer mainly due to an unexpected tax liability arising from underpayments in prior years. The rating outlook on other affirmed issues remained stable.

MARC downgraded MEX II's RM1.3 billion Sukuk Murabahah Programme and RM150.0 million Junior Bonds Issuance from AA-_{IS} and A- to A_{IS} and BBB. The downgrades reflect the lack of project progress, the lengthier delay and MEX II's consequent debt-servicing metrics that are no longer consistent with the previous ratings. MARC maintained MEX II's rating outlook at negative amid concerns of additional construction delays that could result in a greater erosion in MEX II's financial metrics.

MARC downgraded its ratings on MEX II Sdn Bhd's RM1.3 billion Sukuk Murabahah Programme and RM150.0 million Junior Bonds Issuance from AA-_{IS} and A- to A_{IS} and BBB. The downgrades reflect the lack of project progress, the lengthier delay and MEX II's consequent debt-servicing metrics that are no longer consistent with the previous ratings. MARC maintained MEX II's rating outlook at negative amid concerns of additional construction delays that could result in a greater erosion in MEX II's financial metrics.

Downgrades for 2019YTD totalled eight, highest since 2012

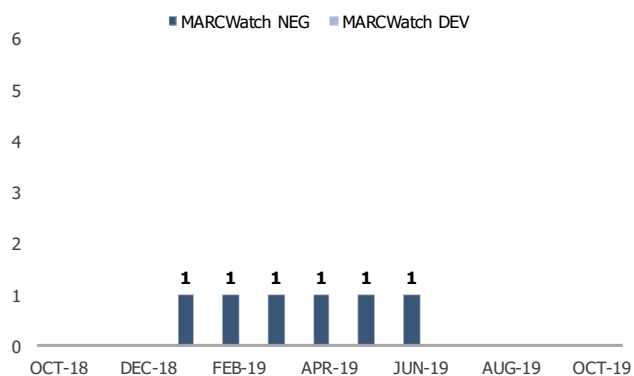
YTD, the number of downgrades totalled eight, the same as 2013 and the highest since 2012 (22). Meanwhile, there have been no upgrades or defaults in 2019 so far. There were also no new issues placed under MARCWatch in October.

Exhibit 35: List of rating actions in October 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		
Conventional	Project Finance	Property	Central Impression Sdn Bhd	31-Oct-19	AFFIRMED	NEG	AA-	AA-			120	
Islamic	Corporate Debt	Industrial Products	Serba Dinamik Holdings Bhd	31-Oct-19	AFFIRMED	STA	AA-	AA-			1,000	
Islamic	Corporate Debt	Industrial Products	Serba Dinamik Holdings Bhd	31-Oct-19	AFFIRMED	STA			MARC-1	MARC-1	500	
Islamic	Corporate Debt	Infrastructure & Utilities	TNB Northern Energy Bhd	21-Oct-19	AFFIRMED	STA	AAA	AAA			1,625	
Conventional	Structured Finance	Property	Kinabalu Capital Sdn Bhd	18-Oct-19	AFFIRMED	STA	AAA	AAA			220	
Conventional	Structured Finance	Property	Kinabalu Capital Sdn Bhd	18-Oct-19	AFFIRMED	STA			MARC-1	MARC-1	280	
Islamic	Project Finance	Infrastructure & Utilities	MEX II Sdn Bhd	18-Oct-19	DOWNGRADED	NEG	AA-	A			1,300	
Conventional	Project Finance	Infrastructure & Utilities	MEX II Sdn Bhd	18-Oct-19	DOWNGRADED	NEG	A-	BBB			150	
Islamic	Corporate Debt	Infrastructure & Utilities	Gas Malaysia Sdn Bhd	4-Oct-19	AFFIRMED	STA	AAA	AAA	MARC-1	MARC-1	700	

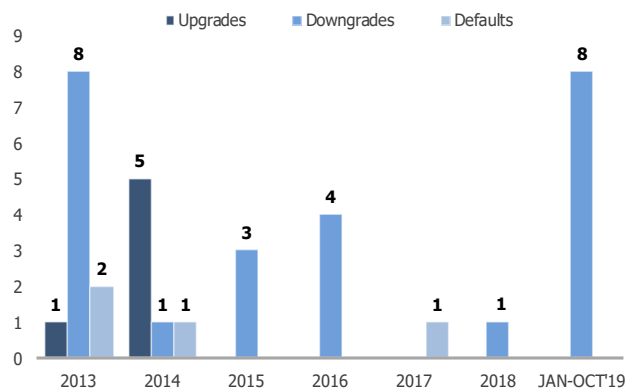
Source: MARC Research

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 investors turned net sellers of local bonds in October

In October, foreign investors turned net sellers of local bonds, shedding RM0.5 billion (Sep: +RM0.9 billion) of their holdings. Total foreign holdings of local bonds amounted to RM188.6 billion (Sep: RM189.1 billion). Nevertheless, the foreign outflow recorded in October was miniscule as foreign ownership of total outstanding remained relatively the same as last month at 12.6%. Foreign demand for local bonds was mainly impacted by constant upheavals in global trade and politics.

Foreign selling pressure mostly concentrated on MGS and MTBs

The decline in foreign holdings of MGS contributed to most of the outflow followed by MTBs. Total foreign holdings of MGS fell by RM0.4 billion to RM153.7 billion (Sep: RM154.2 billion). However, the total foreign share of total outstanding MGS rose to 37.9% (Sep: 37.5%) amid a large redemption value that occurred during the month. In the MTB space, foreign investors shed their holdings by RM0.3 billion to RM2.3 billion (Sep: RM2.6 billion) with their share of total outstanding standing at 26.6% (Sep: 27.2%). Meanwhile, other securities netted foreign inflows with the exception of BNM notes.

Jan-Oct '19 cumulative foreign flows into local bonds remained positive

YTD, cumulative net foreign flows into local bonds for the first ten months has remained positive at RM3.8 billion (2018 YTD: -RM14.4 billion), performing better than post-2016 levels. By instrument, cumulative foreign flows into MGS stood at RM7.6 billion (2018YTD: -RM11.5 billion) while GII, MTBs and corporate bonds continued to be in negative territory. Meanwhile, BNM notes recorded no changes in foreign flows as its foreign holdings' level remained stable at RM5.0 billion since October 2018.

Exhibit 38: Summary of foreign holdings in local bonds

Category	Foreign holdings (RM mil)		Composition (%)		Foreign flows (RM mil)	
	Sep-19	Oct-19	Sep-19	Oct-19	Sep-19	Oct-19
MGS	154,201	153,754	37.5	37.9	462	-446
GII	15,330	15,385	4.7	4.7	54	55
MTB	2,587	2,264	27.2	26.6	281	-322
BNM notes	5,000	5,000	49.0	53.2	-	-
Corporate bonds	12,003	12,176	1.7	1.7	111	173
Total	189,120	188,579	12.6	12.6	908	-541

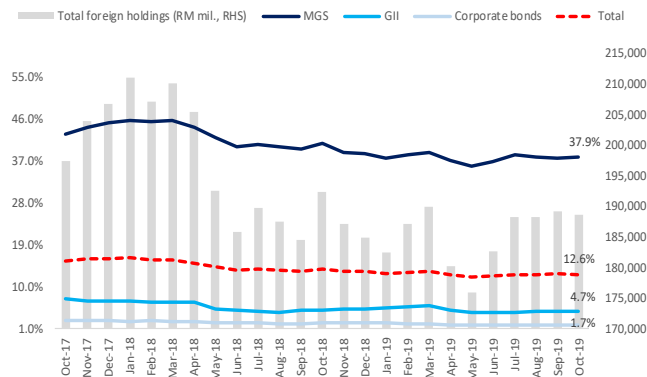
Sources: BNM, MARC Research

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

Year	MGS	GII	MTB	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-Oct 2018	-11,453	-3,829	1,722	-	650	-1,509	-14,419
Jan-Oct 2019	7,602	-508	-1,468	-	-	-1,872	3,754

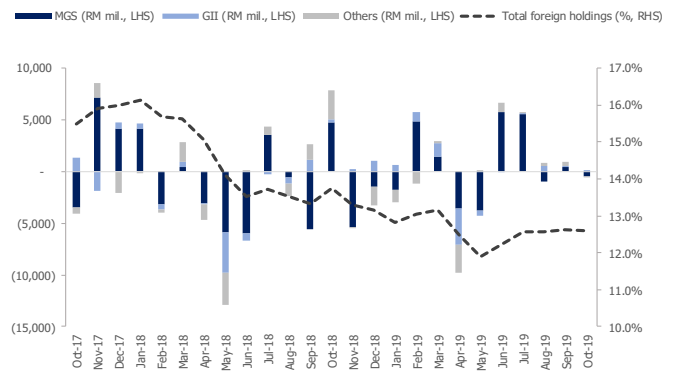
Sources: BNM, MARC Research

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



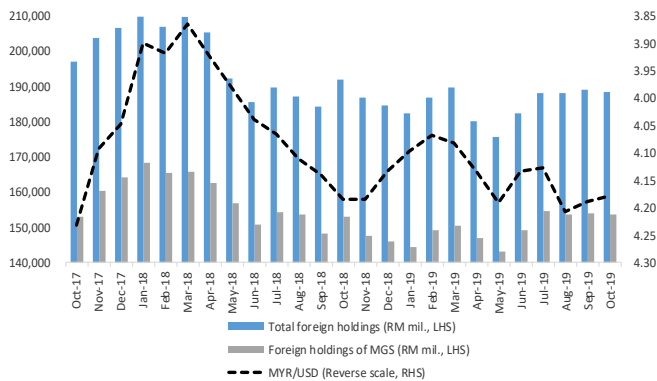
Sources: BNM, BPAM, MARC Research

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



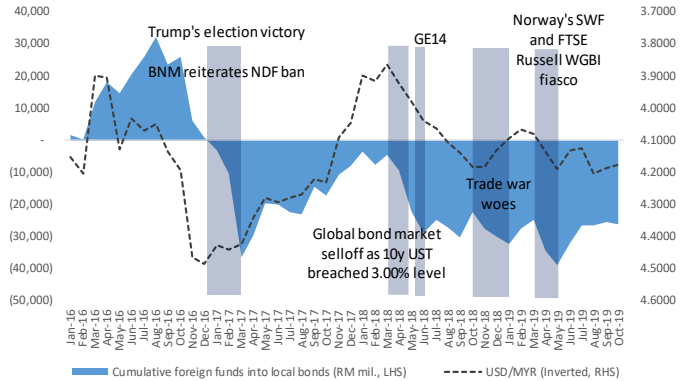
Sources: BNM, BPAM, MARC Research

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



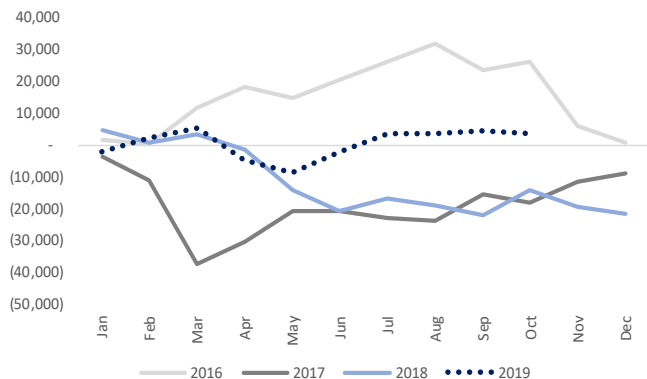
Sources: BNM, Bloomberg, MARC Research

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



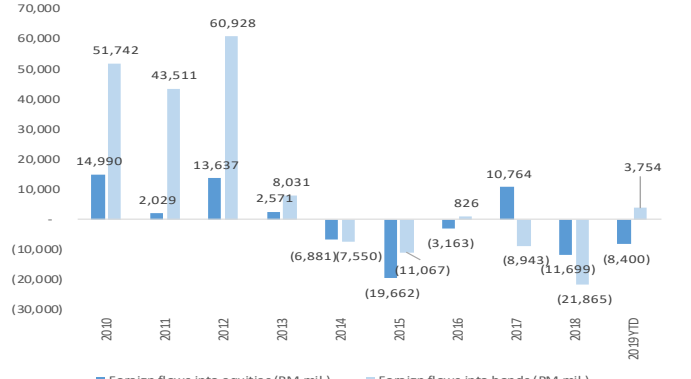
Sources: BNM, Bloomberg, MARC Research

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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Published and Printed by:

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