

Fixed Income Research

KDN PP 16084/10/2012 (030859)

Monthly Bond Market & Rating Snapshot: November 2019



MALAYSIAN RATING CORPORATION BERHAD

199501035601 (364803-V)

Vol.: FI/015/2019

Fixed Income Research led by:

Nor Zahidi Alias
Chief Economist
+603 2717 2936
zahidi@marc.com.my

www.marc.com.my

11 December 2019

Please read the disclaimer on the last page of this report

NOVEMBER 2019

Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	OCT-19	NOV-19	M-O-M CHANGE
OVERNIGHT POLICY RATE (%)	3.00	3.00	0 bp
3-YEAR BENCHMARK MGS (%)	3.151	3.049	-10.2 bps
10-YEAR BENCHMARK MGS (%)	3.412	3.423	1.1 bps
3-YEAR IRS (%)	3.290	3.245	-4.5 bps
10-YEAR IRS (%)	3.450	3.380	-7 bps
RINGGIT 3-YEAR AAA (%)	3.540	3.499	-4.1 bps
RINGGIT 3-YEAR AA (%)	3.740	3.776	3.6 bps
RINGGIT 3-YEAR A (%)	4.987	4.940	-4.7 bps
2-YEAR US TREASURY (%)	1.524	1.612	8.8 bps
10-YEAR US TREASURY (%)	1.691	1.776	8.5 bps
MYR/USD	4.1782	4.1778	0.01%
US DOLLAR INDEX	97.4	98.3	0.9%
BRENT CRUDE (USD/BARREL)	60.2	62.4	3.7%
GOLD SPOT (USD/OUNCE)	1,512.93	1,463.94	-3.2%
KLCI Index	1,597.98	1,561.74	-2.3%
S&P 500 Index	3,037.56	3,140.98	3.4%

Sources: Bloomberg, MARC Fixed Income Research



Global Markets

3

The US signed the Hong Kong (HK) bill to retain HK's special trade status. The move could likely derail the US-China talks as China accused the US of meddling in its internal affairs. In Europe, the new president of the European Central Bank (ECB) has called for more public investments by European governments. Meanwhile, in the UK, the Conservative Party vowed to "get Brexit done" while the Labour Party preferred to renegotiate with the European Union (EU) and hold another referendum. In China, the People's Bank of China (PBOC) entered a rate-cutting cycle to prop up a slowing economy.

Malaysian Government Bond Market

4

Net issuance of local govovies continued to fall in November as the volume of matured Malaysian Government Securities (MGS) rose. Demand for local govovies at auctions was slightly better due to a fall in interest rates. Secondary market performance of MGS also saw improvement, led by heightened expectations of another round of Overnight Policy Rate (OPR) cut in early 2020. However, gains were suppressed by ongoing uncertainties surrounding the US-China trade talks.

Malaysian Corporate Bond Primary Market

7

MARC Rating Activities

10

Foreign Holdings of Local Bonds

11

In November, the local bond market saw the largest monthly inflow of foreign funds since September 2017. Foreign demand for local bonds were supported by the decline in interest rates. MGS/Government Investment Issue (GII) contributed most of the inflow. As a result, cumulative net foreign inflows into local bonds YTD saw significant improvement.

Global Markets

A quick review

US passes HK rights bill

In November, the US signed the HK Human Rights and Democracy Act, which threatens HK's special trade relations with the US. China has strongly condemned the move and accused the US of meddling in its internal affairs. The move is feared to derail the US-China trade negotiations, which are due on December 15, 2019. During the month, yields rose across the curve between 3bps to 12bps. The 10y US Treasury (UST) yield was up by 8bps to 1.78% (October: 1.69%).

New ECB president calls for more public investments

In Europe, headline inflation unexpectedly picked up to a three-month high of 1.0% y-o-y in November as prices increased faster for services, non-energy industrial goods and food. Consumer inflation expectations, however, remained subdued as it decreased to a seven-month low. During the month, the new ECB president, Christine Lagarde has called for the European government to ramp up public investments and seize opportunities from the US-China trade war to strengthen the euro area's internal market. Across the curve, German bund yields rose about 4bps but remained in negative territory, except for the 25y and 30y yields.

UK economy weakens to a decade low

According to preliminary data, the UK economy expanded by 1.0% in 3Q2019, the weakest pace since 1Q2010. Sector-wise, services and construction moderated while manufacturing and mining declined. The Conservative Party led by Prime Minister Boris Johnson has promised to "get Brexit done" and reintroduce the Brexit bill to Parliament before Christmas. On the other hand, Jeremy Corbyn from the Labour Party preferred to renegotiate a new deal with the EU within three months after the December 2019 election and hold another referendum. Over the month, gilt yields ascended between 4bps to 8bps and the 10y gilt yield was registered at 0.70% (October: 0.63%).

PBOC cuts rates to prop up the economy

China's purchasing managers' index (PMI) for manufacturing and services jumped above the 50.0 threshold to 50.2 and 54.5 in November. The increases in output and new orders were underpinned by export sales, which fell at a softer pace. The PBOC cut the one-year medium-term lending facility (MLF) loans to financial institutions by 5bps to 3.25%. The central bank also lowered the seven-day reverse repurchase rate by 5bps to 2.5%. The PBOC is entering a rate-cutting cycle as it seeks to prop up China's slowing economy. The rate cuts led to the decline in China's government bond (CGB) yields which eased between 3bps to 13bps across the curve.

Exhibit 1: Summary of US rates

US rates (%)	Oct-19	Nov-19	M-o-m change
FFR (Upper Bound)	1.75	1.75	0 bp
2y UST	1.524	1.612	8.8 bps
5y UST	1.520	1.626	10.6 bps
10y UST	1.691	1.776	8.5 bps
30y UST	2.179	2.205	2.6 bps

Sources: Bloomberg, MARC Research

Exhibit 2: Summary of euro rates

Euro rates (%)	Oct-19	Nov-19	M-o-m change
ECB Deposit Facility Rate	-0.500	-0.500	0 bp
2y Bund	-0.660	-0.627	3.3 bps
5y Bund	-0.626	-0.582	4.4 bps
10y Bund	-0.407	-0.360	4.7 bps
30y Bund	0.109	0.148	3.9 bps

Sources: Bloomberg, MARC Research

Exhibit 3: Summary of UK rates

UK rates (%)	Oct-19	Nov-19	M-o-m change
BOE Official Bank Rate	0.750	0.750	0 bp
2y Gilt	0.503	0.544	4.1 bps
5y Gilt	0.437	0.513	7.6 bps
10y Gilt	0.629	0.697	6.8 bps
30y Gilt	1.135	1.209	7.4 bps

Sources: Bloomberg, MARC Research

Exhibit 4: Summary of Japan rates

China rates (%)	Oct-19	Nov-19	M-o-m change
PBOC 7d Reverse Repo Rate	2.550	2.500	-5 bps
2y CGB	2.740	2.677	-6.3 bps
5y CGB	3.073	2.974	-9.9 bps
10y CGB	3.282	3.175	-10.7 bps
30y CGB	3.902	3.770	-13.2 bps

Sources: Bloomberg, MARC Research

Malaysian Government Bond Market

Primary market review

In November, total outstanding MGS/GII papers fell significantly due to large volume of matured MGS

Total outstanding MGS/GII continued to decline in November, amounting to RM756.7 billion (October: RM763.2 billion). The decline was attributed to a significant amount of maturing MGS papers worth RM17.1 billion (October: RM11.8 billion) during the month. Meanwhile, gross issuance of MGS/GII was slightly higher at RM10.7 billion (October: RM9.0 billion) with GII dominating gross issuance at RM8.0 billion (October: RM2.5 billion) while MGS declined to RM2.7 billion (October: RM6.5 billion). This brought the GII-to-MGS ratio for the first 11 months of 2019 to 52:48, similar to the corresponding period last year.

Overall performance of MGS/GII at auctions was slightly better in November with an average BTC of 2.3x

Demand for MGS/GII at auctions improved over the course of the month. The average bid-to-cover (BTC) ratio came up to 2.3x (October: 2.0x) with the government receiving total bids of RM21.8 billion (October: RM15.4 billion) for their targeted issuance size of RM9.7 billion (October: RM8.5 billion). Meanwhile, an additional RM1.0 billion was raised through private placements. Both the 3.5y GII and 20.5 MGS commanded strong BTC ratios of 2.4x and 2.5x. Demand for both of these papers was supported by the decline in rates in both the Kuala Lumpur Interbank Offer Rates (KLIBOR) and Interest Rate Swap (IRS) markets during the period. However, demand for the 10y GII on the final week of November was below average with a BTC ratio of 1.9x. Demand was sapped by rising US-China trade tensions as Trump signed the bill that supports HK protestors.

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
Oct-19	6.5	2.5	9.0	11.8	-	11.8	-5.3	2.5	-2.8	405.6	357.6	763.2
Nov-19	2.7	8.0	10.7	17.1	-	17.1	-14.4	8.0	-6.4	391.1	365.6	756.7
2019YTD	54.2	58.5	112.7	43.4	25.6	69.0	10.8	32.9	43.7			

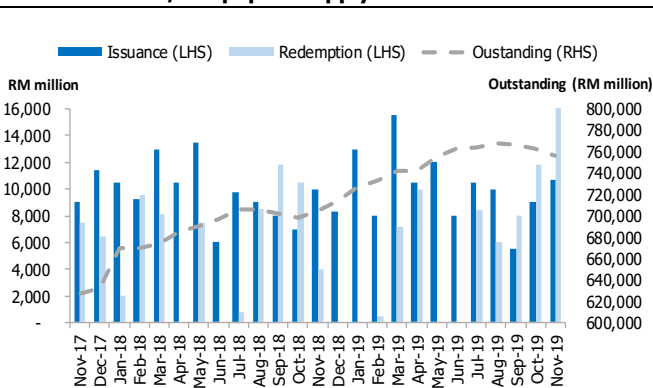
Sources: BNM Bond Info Hub, MARC Research

Exhibit 6: MGS auction results in November 2019

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
3.5y New Issue of MGII (Mat on 05/23)	3.5	15-Nov-19	4,000	2.38	3.151
20.5y New Issue of MGS (Mat on 05/40)	20.5	22-Nov-19	2,200	2.51	3.757
10y Reopening of MGII (Mat on 07/29)	10	29-Nov-19	3,500	1.92	3.502

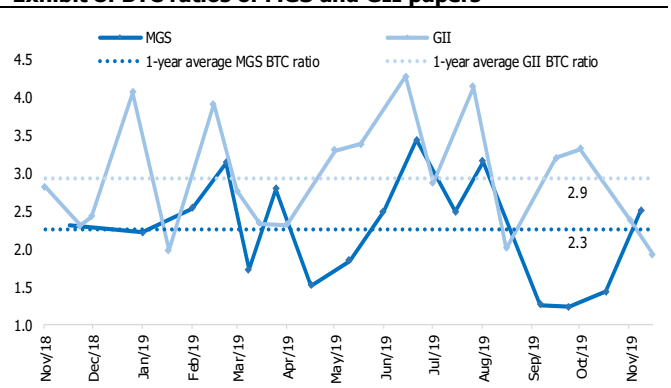
Sources: BNM Fast, MARC Research

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

MGS yields ended broadly lower in November as expectations of another round of OPR cut in early 2020 rose

However, gains were limited by lack of progress in US-China trade talks

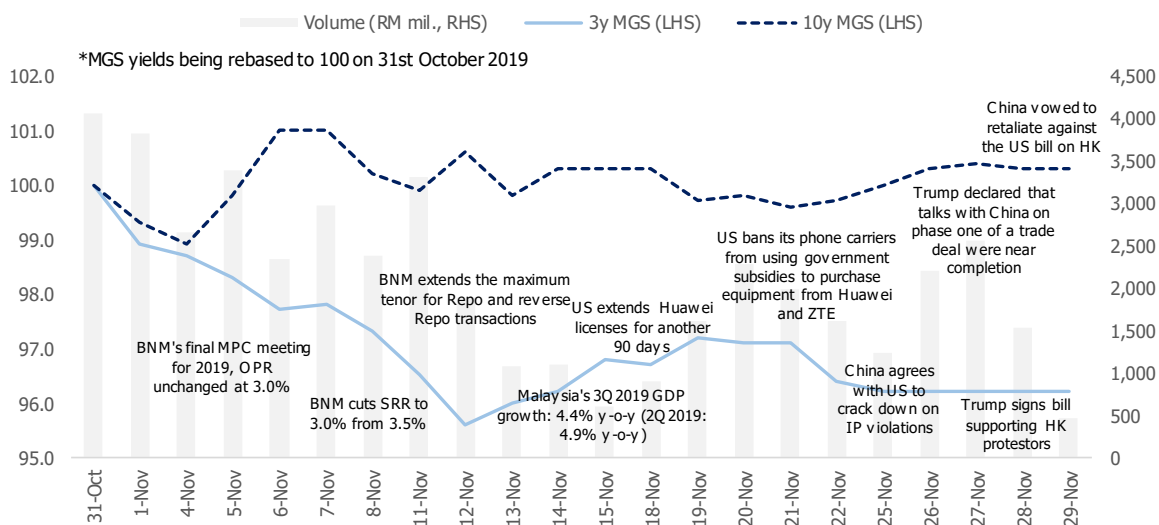
By end-November, the MGS yield curve had steepened as yields on shorter duration fell more sharply

Yields on MGS were sent broadly lower in November following Bank Negara Malaysia's (BNM) 50bps cut in the Statutory Reserve Requirement (SRR) ratio to 3.00% that heighten expectations of another OPR cut in early 2020. Investors also cheered on the tenor extension of Repo and reverse Repo transactions by BNM. The move by BNM is seen to deepen onshore bond markets. BNM also left the OPR unchanged at 3.00% at its final Monetary Policy Committee (MPC) meeting for 2019.

However, in the subsequent weeks, investors started taking profit. Gains in MGS were suppressed by persistent uncertainty surrounding the US-China trade talks. Heavy US economic data releases and rising US-China tensions with regard to HK during the final week also added to the nervous sentiment. There was little reaction towards Malaysia's softer 3Q2019 GDP growth as it was within the market's expectations.

In November, the MGS yield curve steepened, led by an aggressive decline in yields at the front-end of the curve with the 10y/3y spread widening to 37bps (October: 26bps). Benchmark MGS yields along the 3y7y curve were down by 7bps to 14bps while yields along the 15y30y curve were down by 2bps to 11bps. However, benchmark yield on the 10y MGS rose by 1bp to 3.42% (October: 3.41%). Trade volume for the month was slightly lower at RM41.9 billion (October: RM49.9 billion).

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



Sources: Bloomberg, BPAM, MARC Fixed Research

Exhibit 10: MGS benchmark yields

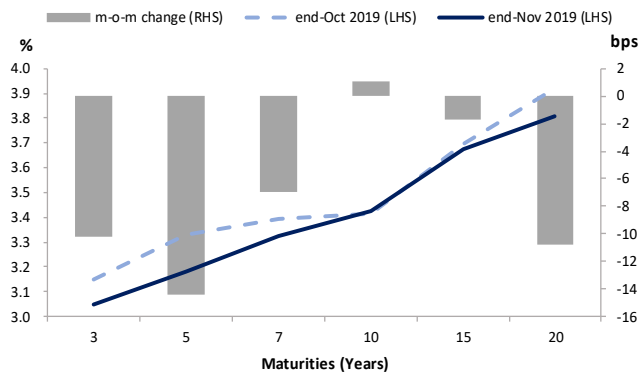
MGS yields (%)	Oct-19	Nov-19	M-o-m change
3y MGS	3.151	3.049	-10.2 bps
5y MGS	3.327	3.183	-14.4 bps
7y MGS	3.392	3.322	-7 bps
10y MGS	3.412	3.423	1.1 bps
20y MGS	3.917	3.809	-10.8 bps

Sources: Bloomberg, MARC Fixed Research

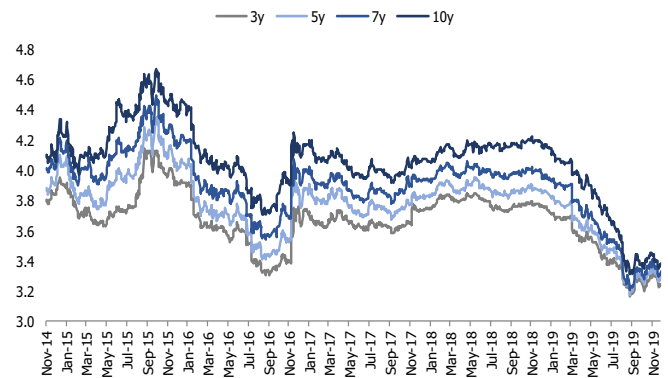
Exhibit 11: OPR and IRS rates

Rates (%)	Oct-19	Nov-19	M-o-m change
OPR	3.00	3.00	0 bp
1y IRS	3.290	3.255	-3.5 bps
3y IRS	3.290	3.245	-4.5 bps
5y IRS	3.340	3.295	-4.5 bps
10y IRS	3.450	3.380	-7 bps

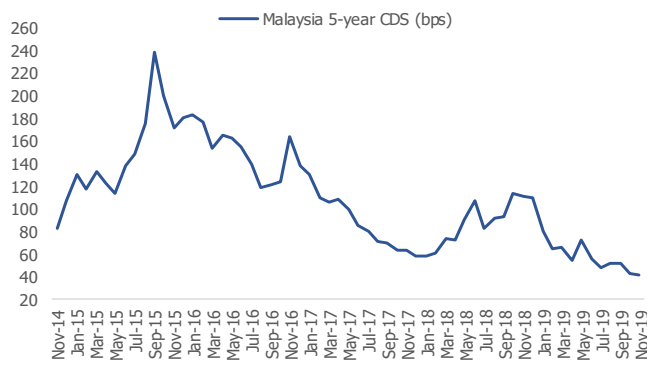
Sources: Bloomberg, MARC Fixed Research

Exhibit 12: MGS yield curves


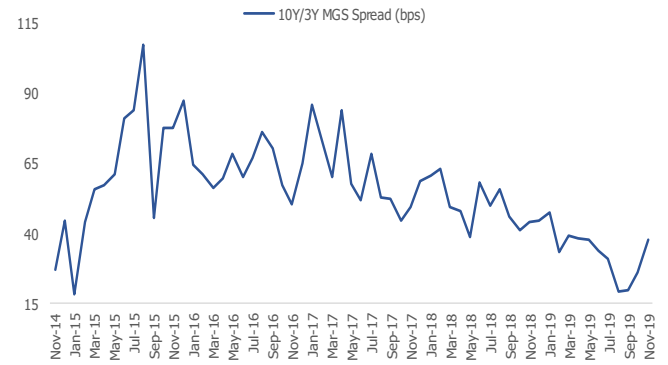
Sources: Bloomberg, MARC Research

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 November 2019

Security	Traded amount (RM mil)	Remaining tenure	Last traded yield (%)
MGS 6/2012 3.492% 31.03.2020	7,653	0.3 year	2.946%
MGS 3/2019 3.478% 14.06.2024	4,665	4.5 year	3.183%
MGS 2/2009 4.378% 29.11.2019	3,380	-	2.844%
GII MURABAHAH 4/2016 3.226% 15.04.2020	3,069	0.4 year	2.951%
MGS 2/2019 3.885% 15.08.2029	2,575	9.7 years	3.423%

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
Oct-19	6,584	4,760	5,366	3,808	4,232	6,188	5,238	8,375	5,337
Nov-19	3,380	7,653	2,496	4,937	2,998	8,184	4,596	4,467	3,170
M-o-m change	-3,204	2,893	-2,870	1,130	-1,234	1,996	-642	-3,909	-2,167

Sources: BPAM, MARC Research

Malaysian Corporate Bond Primary Market

In November, long-term corporate bond issuance grew due to large issuance size from DanaInfra

Long-term corporate bond issuance grew to RM8.4 billion (October: RM5.9 billion) in November due to a surge in quasi-government bond issuances. The segment was led by DanaInfra Nasional Bhd's (DanaInfra) six tranches of Islamic Medium-Term Notes (IMTN) amounting to RM2.8 billion. Meanwhile, gross issuances in other remaining segments were muted. Both the unrated corporate and Cagamas bonds fell to RM0.8 billion (October: RM1.1 billion) and RM0.5 billion (October: RM0.6 billion). Rated corporate bonds, however, remained the same at RM4.3 billion.

YTD, gross issuance of long-term corporate bonds remains strong in tandem with the fall in global yields

Corporate bond issuance remains strong in 2019 so far. In the first 11 months of the year, long-term corporate bond issuances rose to RM119.8 billion (2018YTD: RM98.1 billion), the highest YTD figure recorded in history. This is in line with MARC's projection of between RM120.0 billion and RM130.0 billion for the full year. Robust gross issuance activities in 2019YTD have been spurred on by tightening credit spreads and the lower yield environment, caused by the easing of global monetary policies.

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

Year	Unrated corporate	Quasi-government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
Oct-19	1.1	-	1.1	4.3	0.6	4.9	5.9
Nov-19	0.8	2.8	3.6	4.3	0.5	4.8	8.4
M-o-m change	-0.3	2.8	2.5	-	-0.1	-0.1	2.4

Sources: BPAM, MARC Research

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

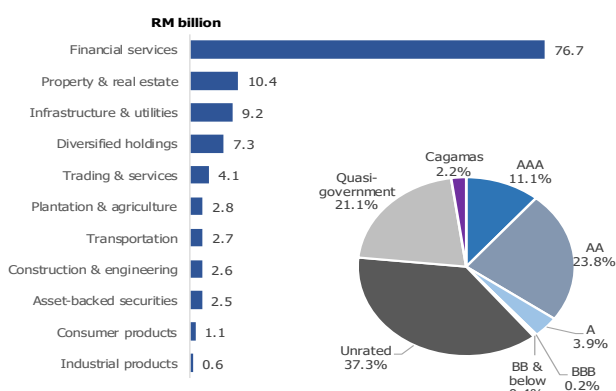
Year	Unrated corporate	Quasi - government	Total unrated	Rated corporate	Cagamas	Total rated	Total corporate bonds
2014	8.0	21.9	29.9	52.7	3.3	55.9	85.9
2015	14.0	15.6	29.6	51.5	3.8	55.3	85.0
2016	13.2	28.1	41.3	39.3	4.1	43.4	84.8
2017	20.7	37.6	58.3	55.8	8.7	64.6	122.9
2018	13.9	28.7	42.6	52.4	9.0	61.3	103.9
Jan-Nov 2018	12.8	26.7	39.5	51.5	7.1	58.6	98.1
Jan-Nov 2019	44.7	25.3	70.0	47.1	2.7	49.8	119.8

Sources: BPAM, MARC Research

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

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)
DanaInfra Nasional Berhad	Financial services	Quasi-government	Islamic	6	2.8	7 - 30
Genting RMTN Berhad	Trading & services	AAA rated	Conventional	2	1.0	10 - 15

Sources: BPAM, MARC Research

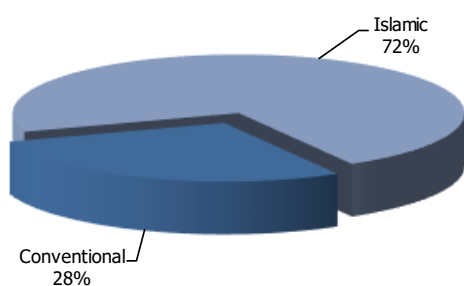
Exhibit 21: Corporate bond issuance composition by sector and ratings in November 2019


Sources: BPAM, MARC Research

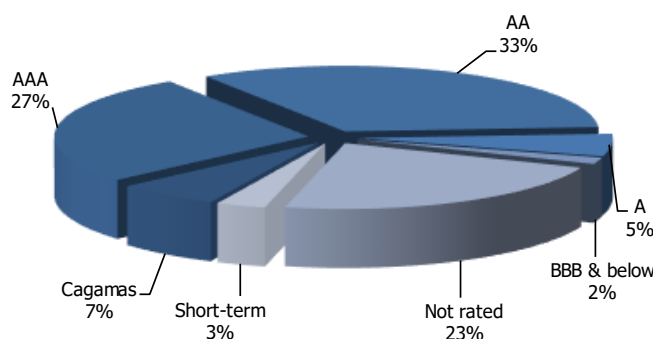
Exhibit 22: Outstanding size of Cagamas and corporate bonds as of November 2019 (RM billion)

Asset class	Conventional	Islamic	Total
Cagamas	18.2	14.8	33.0
Corporate Bonds	132.0	339.3	471.3
Corporate	56.7	254.8	311.5
Corporate guaranteed	20.7	49.7	70.4
Financial	47.0	30.6	77.6
ABS	7.6	4.1	11.7

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 (%)	Oct-19	Nov-19	M-o-m change
3-year	3.540	3.499	-4.1 bps
5-year	3.707	3.625	-8.2 bps
7-year	3.817	3.756	-6.1 bps
10-year	3.957	3.897	-6 bps

Sources: Bloomberg, MARC Research

Exhibit 26: AA corporate benchmark yields

AA (%)	Oct-19	Nov-19	M-o-m change
3-year	3.751	3.786	3.5 bps
5-year	3.948	3.948	0.1 bp
7-year	4.073	4.082	0.9 bp
10-year	4.217	4.243	2.6 bps

Sources: Bloomberg, MARC Research

Exhibit 27: A corporate benchmark yields

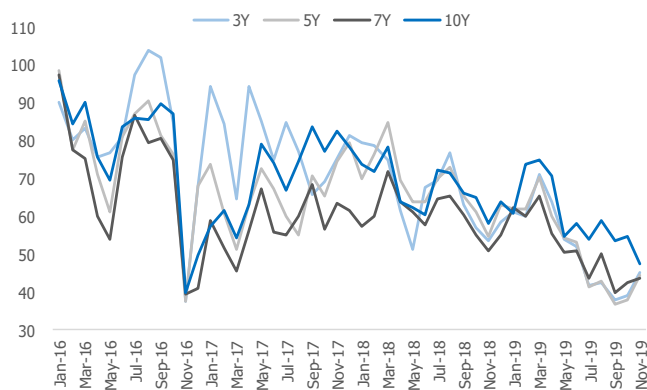
A (%)	Oct-19	Nov-19	M-o-m change
3-year	4.960	4.911	-4.9 bps
5-year	5.365	5.246	-11.9 bps
7-year	5.720	5.578	-14.2 bps
10-year	6.251	6.046	-20.6 bps

Sources: Bloomberg, MARC Research

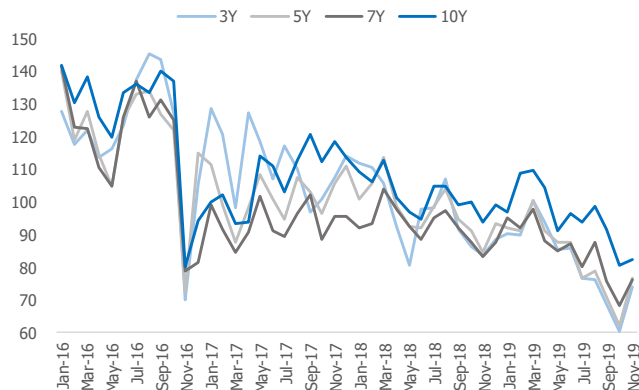
Exhibit 28: AAA, AA & A blended credit spreads

AAA, AA & A (%)	Oct-19	Nov-19	M-o-m change
3-year	109	118	9 bps
5-year	119	128	9 bps
7-year	135	135	-
10-year	164	154	-10 bps

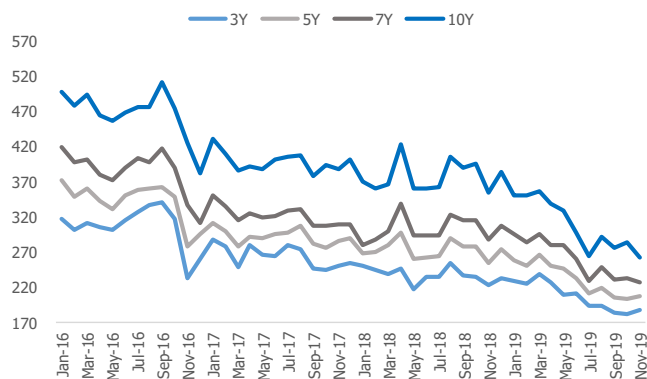
Sources: Bloomberg, MARC Research

Exhibit 29: AAA corporate bonds yield spread (bps)


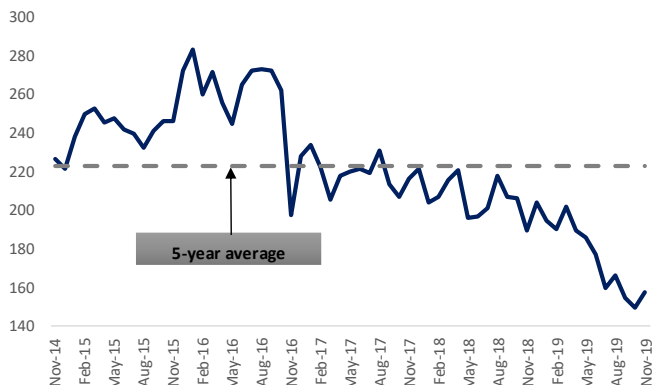
Sources: Bloomberg, MARC Research

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	Oct-19	Nov-19	M-o-m change
MGS/GII	72.5	69.4	-3.1
Cagamas	0.1	0.1	0.0
FI corporate	0.8	1.1	0.3
Non-FI corporate	4.8	5.8	1.0

Sources: BPAM, MARC Research

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

Rating band	Oct-19	Nov-19	M-o-m change
AAA	1.0	2.1	1.1
AA	3.1	2.8	-0.4
A	0.4	0.4	-
BBB and below	-	-	-
Short-term	0.1	0.4	0.3

Sources: BPAM, MARC Research

MARC Rating Activities

MARC assigned two preliminary ratings in November

In November, MARC assigned a preliminary rating of AA-*IS* to Penang Port Sdn Bhd's (PPSB) proposed IMTN Issuance Programme of up to RM1.0 billion with a stable outlook. The rating is driven by PPSB's strategic importance as the key trade gateway port in northern Malaysia and its established track record. Meanwhile, MARC also assigned a preliminary rating of A+*IS* to DRB-HICOM Bhd's proposed RM3.5 billion IMTN Programme with a positive rating outlook.

MARC also affirmed 13 issue ratings, four FI ratings and two corporate credit ratings

In the same month, MARC affirmed a total of 13 issue ratings under eight issuers. MARC also affirmed the financial institution (FI) ratings of CIMB Bank Bhd and CIMB Islamic Bank Bhd. The corporate credit ratings of their parent company, CIMB Group Holdings Bhd were also affirmed. The outlook of the affirmed ratings was largely unchanged except for DRB-HICOM Bhd's existing programmes. They were revised to positive from stable amid the company's improved consolidated credit profile.

There were no rating changes in MARC's universe in the same month

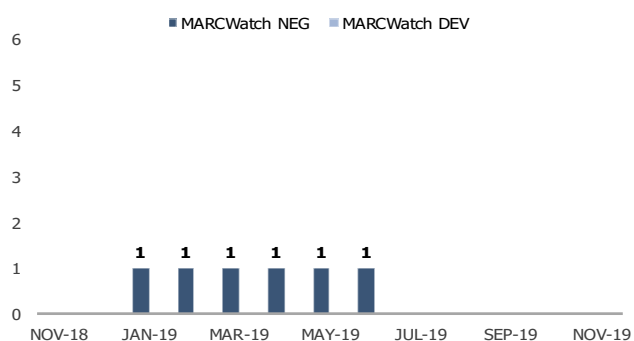
Meanwhile, there were no rating migration activities, and neither were there any new issues placed under MARCWatch in November.

Exhibit 35: List of credit rating actions in November 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	Infrastructure & Utilities	Penang Port Sdn Bhd	27-Nov-19	PRELIMINARY	STA	AA-	AA-			1,000	
Islamic	Project Finance	Infrastructure & Utilities	Lebuhraya Duke Fasa 3 Sdn Bhd	21-Nov-19	AFFIRMED	NEG	AA-	AA-			3,640	
Islamic	Project Finance	Property	Putrajaya Bina Sdn Bhd	21-Nov-19	AFFIRMED	STA	AAA	AAA			1,580	
Islamic	Project Finance	Infrastructure & Utilities	SAJ Capital Sdn Bhd	21-Nov-19	AFFIRMED	STA	AA-	AA-			650	
Unspecified	Corporate Credit Rating	Finance	CIMB Group Holdings Bhd	19-Nov-19	AFFIRMED	STA	AA+	AA+	MARC-1	MARC-1	0	
Conventional	Corporate Debt	Finance	CIMB Group Holdings Bhd	19-Nov-19	AFFIRMED	STA	AA	AA			10,000	
Islamic	Corporate Debt	Finance	CIMB Islamic Bank Bhd	19-Nov-19	AFFIRMED	STA	AA+	AA+			5,000	
Islamic	Corporate Debt	Finance	CIMB Islamic Bank Bhd	19-Nov-19	AFFIRMED	STA	AAA	AAA			10,000	
Unspecified	Financial Strength	Finance	CIMB Islamic Bank Bhd	19-Nov-19	AFFIRMED	STA	AAA	AAA	MARC-1	MARC-1	0	
Conventional	Corporate Debt	Finance	CIMB Bank Bhd	19-Nov-19	AFFIRMED	STA	AA+	AA+			5,000	
Conventional	Corporate Debt	Finance	CIMB Bank Bhd	19-Nov-19	AFFIRMED	STA	AA+	AA+			10,000	
Unspecified	Financial Strength	Finance	CIMB Bank Bhd	19-Nov-19	AFFIRMED	STA	AAA	AAA	MARC-1	MARC-1	0	
Islamic	Corporate Debt	Property	Putrajaya Holdings Sdn Bhd	12-Nov-19	AFFIRMED	STA	AAA	AAA			1,500	
Islamic	Corporate Debt	Property	Putrajaya Holdings Sdn Bhd	12-Nov-19	AFFIRMED	STA	AAA	AAA			3,000	
Islamic	Corporate Debt	Property	Putrajaya Holdings Sdn Bhd	12-Nov-19	AFFIRMED	STA	AAA	AAA			370	
Islamic	Corporate Debt	Trading/Services	DRB-Hicom Bhd	4-Nov-19	PRELIMINARY	POS	A+	A+			3,500	
Islamic	Corporate Debt	Trading/Services	DRB-Hicom Bhd	4-Nov-19	AFFIRMED	POS	A+	A+			1,800	
Islamic	Corporate Debt	Trading/Services	DRB-Hicom Bhd	4-Nov-19	AFFIRMED	POS	A-	A-			2,000	

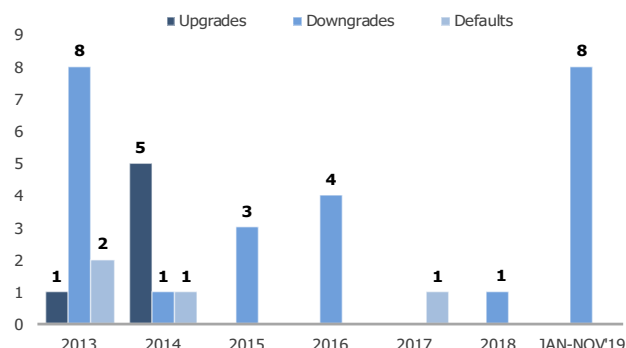
Source: MARC Research

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

The local bond market saw a surge of foreign inflows as local interest rates fell

MGS/GII papers contributed 95.6% of the total net foreign inflows

YTD, cumulative net foreign inflows into local bonds saw significant improvement

In November, the local bond market saw the largest monthly net inflow of foreign funds since September 2017. Foreign holdings of local bonds surged by RM8.0 billion (October: -RM0.5 billion) despite the large volume of matured MGS papers during the month. This brought the total foreign holdings of local bonds to RM196.6 billion (Oct.: RM188.6 billion), closer to the RM200.0 billion level last seen in April 2018. Demand for local bonds by foreign investors was largely supported by the drop in KLIBOR and IRS rates as they expected another 25bps cut in the OPR by early 2020.

MGS/GII papers were the most significant contributors, accounting for 95.6% of total net foreign inflows at RM7.7 billion (October: -RM0.4 billion). Total foreign holdings of MGS/GII amounted to RM176.8 billion (October: RM169.1 billion). Foreign ownership of total outstanding of MGS and GII also improved to 40.5% and 5.4% (Oct.: 37.9% and 4.7%). Meanwhile, foreign holdings of treasury bills were slightly lower while foreign holdings of corporate bonds saw improvement.

As a result, cumulative net foreign flows into local bonds for the first eleven months improved, coming in at RM11.8 billion (2018YTD: -RM19.6 billion), the highest since 2012. By instrument, foreign appetite for MGS and GII had picked up their pace while other instruments remained muted. However, ongoing US-China trade tensions and the possible exclusion of Malaysian Government bonds in the FTSE Russell World Government Bond Index (WGBI) in March 2020 threaten to diminish foreign demand in the near term.

Exhibit 38: Summary of foreign holdings in local bonds

Category	Foreign holdings (RM mil)		Composition (%)		Net foreign flows (RM mil)	
	Oct-19	Nov-19	Oct-19	Nov-19	Oct-19	Nov-19
MGS	153,754	158,421	37.9	40.5	-446	4,667
GII	15,385	18,389	4.7	5.4	55	3,004
MTB	2,264	2,176	26.6	27.2	-322	-88
BNM notes	5,000	5,000	53.2	49.0	-	-
Corporate bonds	12,176	12,614	1.7	1.8	173	438
Total	188,579	196,599	12.6	13.2	-541	8,020

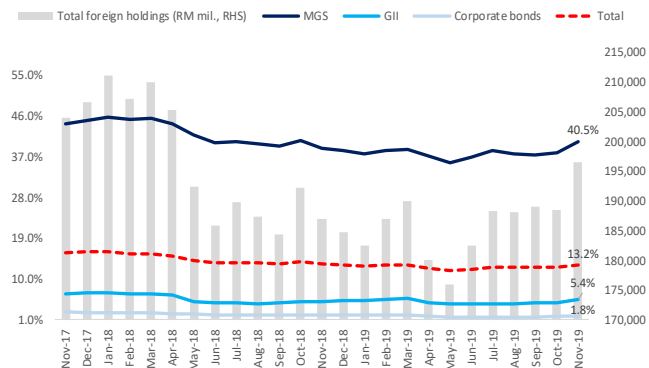
Sources: BNM, MARC Research

Exhibit 39: Cumulative net 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-Nov 2018	-16,819	-3,605	1,931	-	650	-1,785	-19,628
Jan-Nov 2019	12,269	2,496	-1,557	-	-	-1,434	11,774

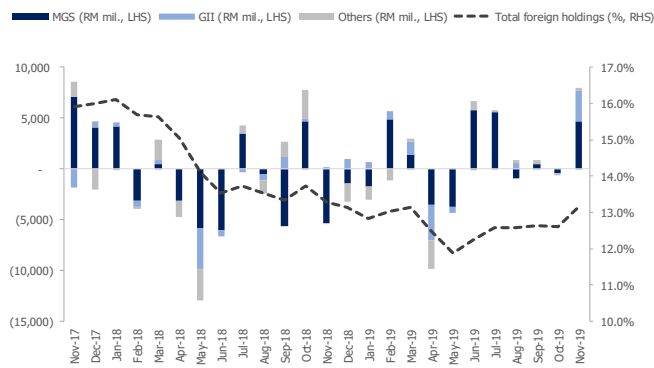
Sources: BNM, MARC Research

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



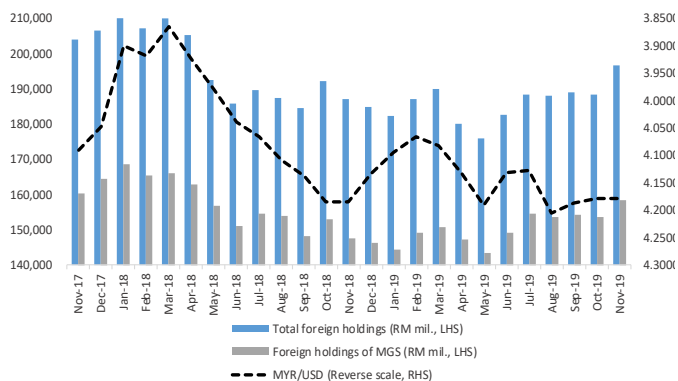
Sources: BNM, MARC Research

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



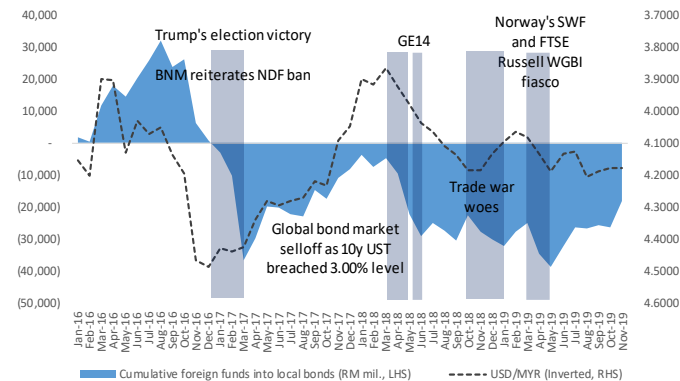
Sources: BNM, MARC Research

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



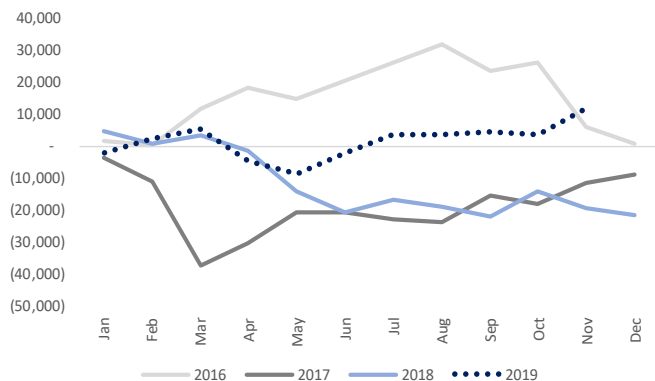
Sources: BNM, Bloomberg, MARC Research

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



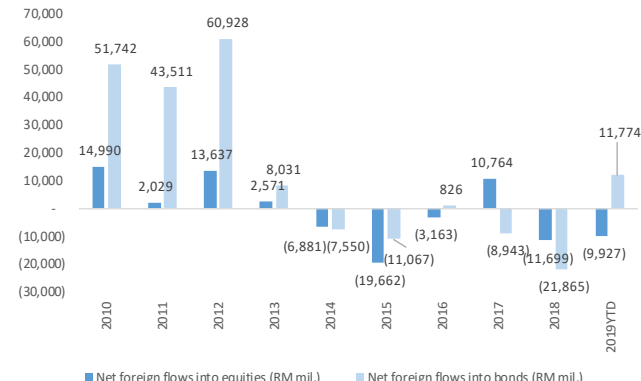
Sources: BNM, Bloomberg, MARC Research

Exhibit 44 Cumulative net foreign flows in local bonds (Yearly comparison)



Sources: BNM, MARC Research

Exhibit 45: Cumulative net foreign flows into Malaysian bond and equity markets



Sources: BNM, MARC Research

----- Disclaimer -----

Copyright © 2019 Malaysian Rating Corporation Berhad and any of its subsidiaries or affiliates ("MARC") have exclusive proprietary rights in the data or information provided herein. This document is the property of MARC and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without MARC's prior written consent.

Any opinion, analysis, observation, commentary and/or statement made by MARC are solely statements of opinion based on information obtained from issuers and/or other sources which MARC believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. MARC does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. NEITHER MARC NOR ITS AFFILIATES, SUBSIDIARIES AND EMPLOYEES, GIVE ANY EXPRESS OR IMPLIED WARRANTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY AS TO THE ACCURACY, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE OF ANY SUCH INFORMATION.

This document is not a recommendation to buy, sell or hold any security and/or investment. Any user of this document should not rely solely on the credit rating and analysis contained in this document to make an investment decision in as much as it does not address non-credit risks, the adequacy of market price, suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security concerned.

MARC and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by MARC or any information contained therein. Anyone using and/or relying on MARC's document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood and agrees to be bound by it.

© 2019 Malaysian Rating Corporation Berhad

Published and Printed by:

MALAYSIAN RATING CORPORATION BERHAD (Company No.: 199501035601 [364803-V])
19-07, 19th Floor, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 KUALA LUMPUR
Tel.: +603 2717 2900 Fax: +603 2717 2910 Email: marc@marc.com.my
Website: www.marc.com.my