

MALAYSIAN RATING CORPORATION BERHAD
(1040011)

FEBRUARY 2019

Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	JAN-19	FEB-19	M-O-M CHANGE
OVERNIGHT POLICY RATE (%)	3.25	3.25	0 bp
3-YEAR BENCHMARK MGS (%)	3.60	3.56	-4 bps
10-YEAR BENCHMARK MGS (%)	4.07	3.89	-18 bps
3-YEAR IRS (%)	3.67	3.69	2 bps
10-YEAR IRS (%)	4.05	4.06	1 bp
RINGGIT 3-YEAR AAA (%)	4.21	4.16	-5 bps
RINGGIT 3-YEAR AA (%)	4.50	4.46	-4 bps
RINGGIT 3-YEAR A (%)	5.85	5.77	-8 bps
2-YEAR US TREASURY (%)	2.46	2.51	5 bps
10-YEAR US TREASURY (%)	2.63	2.72	9 bps
MYR/USD	4.10	4.07	0.7%
US DOLLAR INDEX	95.6	96.2	0.6%
BRENT CRUDE (USD/BARREL)	61.9	66.0	6.7%
GOLD SPOT (USD/OUNCE)	1,321.20	1,313.31	-0.6%
KLCI Index	1,683.53	1,707.73	1.4%
S&P 500 Index	2,704.10	2,784.49	3.0%

Source: Bloomberg, MARC Fixed Income Research



Fixed Income Research led by:

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

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In February, trade tensions between the US and China seemed to improve with US President Donald Trump delaying the implementation of a tariff rate hike on Chinese goods. The delay in tariff hike was the clearest sign thus far of a breakthrough that the two economic giants have sought since calling a 90-day trade war truce at the end of last year.

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In February, the Fed's more dovish-than-expected monetary policy stance spurred demand for emerging market assets including local govvnies. Furthermore, speculations on a positive outcome from the US-China trade talks also helped rally local govvnies. At end- February 2019, the benchmark Malaysian Government Securities (MGS) yield curve flattened as longer-dated yields fell more sharply than shorter-dated yields. By end-February, the 10y MGS shed as much as 18 basis points (bps) m-o-m to 3.89%.

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The local unit continued to strengthen against the US dollar in February, supported by stronger global crude oil prices. It also strengthened against other major currencies except for the pound sterling.

Global Markets

A quick review

In February, US-China trade tensions seemed to improve with Trump delaying a tariff hike on Chinese goods

In February, trade tensions between the US and China seemed to improve with US President Donald Trump delaying the implementation of a tariff rate hike on Chinese goods. The delay was the clearest sign thus far of a breakthrough that the two economic giants have sought since calling a 90-day trade war truce at the end of last year. US economic data releases in February indicated that the US economy is still vibrant with the 4Q2018 gross domestic product (GDP), consumer price index (CPI) and employment data growing at a steady level. These data releases and positive developments in the US-China trade negotiations have improved market sentiment during the month.

In the euro zone, economic data generally remained weaker. Meanwhile, little progress was made in negotiating Brexit

In the euro zone, however, economic data generally remained weaker. Germany's 4Q2018 GDP showed 0% growth after a decline in 3Q2018. Its composite Purchasing Managers' Index (PMI), a gauge of economic health for the manufacturing and service sectors, declined during the month to the lowest reading since mid-2013. Weak sentiment was also present in the UK where little progress was made in negotiating a Brexit deal. The next parliamentary votes are expected to be in mid-March with the current deadline for the UK to leave the European Union (EU) set for March 29.

The FOMC members have reiterated their patient approach on policy. 10y/2y UST yields widened slightly to 20 bps from 17 bps

The Federal Open Market Committee (FOMC) January meeting minutes were released in February. According to the minutes, the Fed reiterated its patient approach on policy. The FOMC members also suggested that keeping the Fed Funds Rate (FFR) at the current range of 2.25%-2.50% "posed a few risks at this point". As a result, the market no longer expects a rate increase in 2019. As at end-February, the yield curve has moved slightly away from the possible inversion with the spread between the 10y and 2y US Treasury (UST) yields widening to 20 bps from 17 bps previously.

Exhibit 1: Summary of US rates

US rates (%)	Jan-19	Feb-19	M-o-m change
Federal Funds Rate (Upper Bound)	2.50	2.50	0 bp
2-year UST	2.46	2.51	5 bps
5-year UST	2.44	2.51	7 bps
10-year UST	2.63	2.72	9 bps
30-year UST	3.00	3.08	8 bp

Source: Bloomberg, MARC Fixed Income Research

Exhibit 2: Summary of euro rates

Euro rates (%)	Jan-19	Feb-19	M-o-m change
European Central Bank Deposit Facility Rate	-0.40	-0.40	0 bp
2-year Bund	-0.56	-0.52	4 bps
5-year Bund	-0.32	-0.28	4 bps
10-year Bund	0.15	0.18	3 bps
30-year Bund	0.75	0.81	6 bps

Source: Bloomberg, MARC Fixed Income Research

Exhibit 3: Summary of UK rates

UK rates (%)	Jan-19	Feb-19	M-o-m change
Bank of England Official Bank Rate	0.75	0.75	0 bp
2-year Gilt	0.76	0.83	7 bps
5-year Gilt	0.87	1.02	15 bps
10-year Gilt	1.22	1.30	8 bps
30-year Gilt	1.72	1.82	10 bps

Source: Bloomberg, MARC Fixed Income Research

Exhibit 4: Summary of Japan rates

Japan rates (%)	Jan-19	Feb-19	M-o-m change
Bank of Japan Short-term Interest Rate	-0.10	-0.10	0 bp
2-year JGB	-0.16	-0.15	1 bp
5-year JGB	-0.16	-0.16	0 bp
10-year JGB	0.01	-0.02	-3 bps
30-year JGB	0.65	0.61	-4 bp

Source: Bloomberg, MARC Fixed Income Research

Malaysian Government Bond Market

Primary market review

Lower net issuance of MGS/GII papers attributed to sharp fall in gross issuance of GII papers

Total outstanding MGS and Government Investment Issues (GII) came in higher in February at RM733.5 billion (January 2019: RM726.0 billion). Meanwhile, net issuance of MGS/GII papers fell significantly due to a sharp drop of RM3.0 billion in gross issuance of GII papers (January 2019: RM9.0 billion). Gross issuance for MGS/GII in February amounted to RM8.0 billion (January 2019: RM13.0 billion). YTD, gross issuance of MGS/GII papers grew by 6.6% y-o-y to RM21.0 billion (2018YTD: RM19.7 billion) with the GII-to-MGS ratio coming in at 57:43 (2018YTD: 41:59).

Public auctions for local govvnies were well received in February

In February, there were two public offerings – the new issuance of RM4.0 billion 10.5y MGS and the reopening of RM2.0 billion 15y GII. Additional issuances worth RM2.0 billion were raised through private placements. The government received total bids of RM18.0 billion for these issues compared with January's RM30 billion for three issues. Both the 10.5y MGS and 15y GII papers received overwhelming support from investors, registering bid-to-cover (BTC) ratios of 2.5x and 3.9x. Demand for the 10.5y MGS paper was supported by the renewed strength in the ringgit while the 15y GII paper was supported by the benign inflation outlook for Malaysia as January 2019 CPI data showed the country's economy entering into deflation for the first time since 2009.

Exhibit 5: Summary of Malaysian government securities statistics (RM billion)

	Gross issuance			Redemption			Net issuance			Total outstanding		
	MGS	GII	Total	MGS	GII	Total	MGS	GII	Total	MGS	GII	Total
Jan-19	4.0	9.0	13.0	-	-	-	4.0	9.0	13.0	384.3	341.7	726.0
Feb-19	5.0	3.0	8.0	-	0.5	0.5	5.0	2.5	7.5	389.3	344.2	733.5
2019 YTD	9.0	12.0	21.0	-	0.5	0.5	9.0	11.5	20.5			

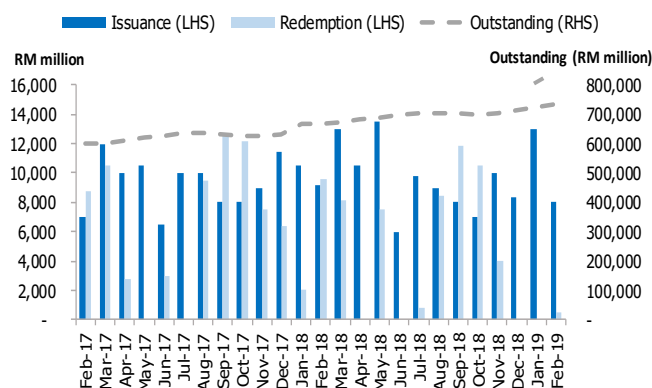
Source: BNM Bond Info Hub, MARC Fixed Income Research

Exhibit 6: Malaysian government securities auction results in February 2019

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
10.5-year new issue of MGS (Mat on 08/29)	10.5	15-Feb-19	4,000	2.54	3.885
15-year reopening of MGII 06/33 4.724%	7.5	28-Feb-19	2,000	3.91	4.370

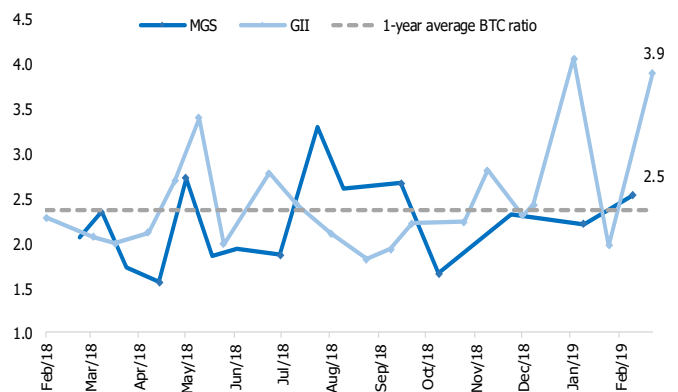
Source: BNM Fast, MARC Fixed Income Research

Exhibit 7: Total outstanding MGS/GII papers was higher in December amid no redemption being recorded



Source: BNM Bond Info Hub, MARC Fixed Income Research

Exhibit 8: BTC ratios of MGS and GII papers for the past one year



Source: BNM Fast, MARC Fixed Income Research

Secondary market review

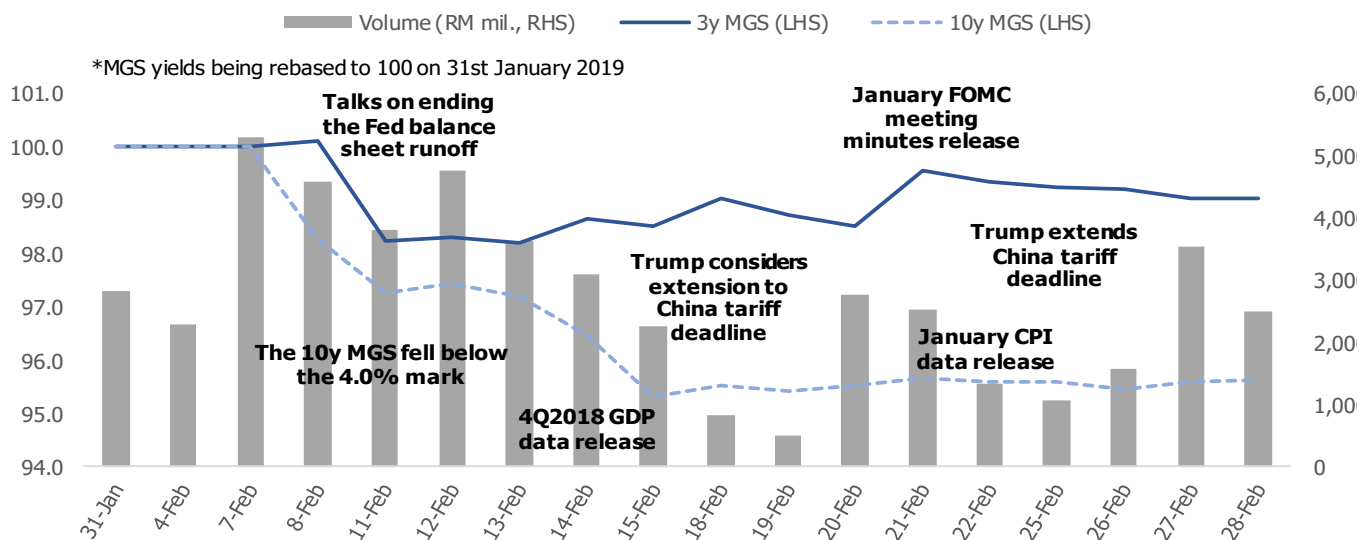
Local govvnies rallied in February amid dovish Fed, hopes of a US-China trade deal, firmer ringgit, stronger crude oil prices, and upbeat 4Q2018 GDP growth

In February, the Fed's more dovish-than-expected monetary policy stance spurred demand for emerging market assets including local govvnies. Yields on local govvnies fell as the Fed reiterated its desire to pause its rate hike path and end its balance sheet runoff. Furthermore, speculations on a positive outcome from the US-China trade talks helped rally local govvnies. The rally in local govvnies was also aided by the firmer ringgit, higher crude oil prices and stronger-than-expected 4Q2018 GDP growth which, in turn, helped to reignite foreign buying interest. However, the January CPI data release, that showed Malaysian consumer prices had fallen for the first time since 2009, had little to no impact on yields.

The benchmark MGS yield curve flattened with the 10y note falling below 4.00% for the first time since April 2018

At end-February 2019, the benchmark MGS yield curve flattened as longer-dated yields fell more sharply than shorter-dated yields. The 20y/3y and 10y/3y MGS spreads narrowed to 93 bps and 33 bps compared with 97 bps and 47 bps in the previous month. The 10y MGS, an indicator of Malaysia's economic health, fell below 4.00% for the first time in February 2019 since April 2018. Yield on the 10y MGS began to dip during the second week of the month following the dovish statement released by the Fed and the stronger-than-expected 4Q2018 GDP growth. By end-February, the 10y MGS shed as much as 18 bps to 3.89% (January 2019: 4.07%).

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



Source: Bloomberg, BPAM, MARC Fixed Income Research

Exhibit 10: MGS benchmark yields

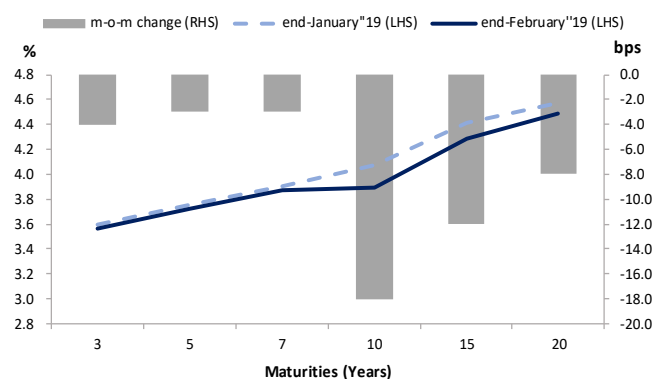
MGS yields (%)	Jan-19	Feb-19	M-o-m change
3-year MGS	3.60	3.60	-4 bps
5-year MGS	3.75	3.72	-3 bps
7-year MGS	3.90	3.87	-3 bps
10-year MGS	4.07	3.89	-18 bps
15-year MGS	4.41	4.29	-12 bps

Source: Bloomberg, MARC Fixed Income Research

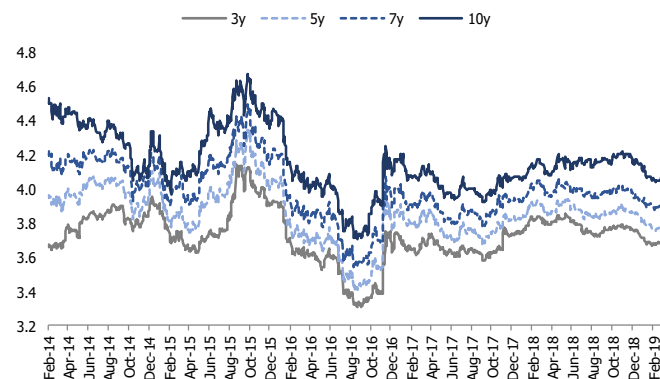
Exhibit 11: OPR and Interest Rate Swap (IRS) rates

Rates (%)	Jan-19	Feb-19	M-o-m change
Overnight Policy Rate	3.25	3.25	0 bp
1-year IRS	3.65	3.66	1 bp
3-year IRS	3.67	3.69	2 bps
5-year IRS	3.77	3.78	1 bp
10-year IRS	4.05	4.06	1 bp

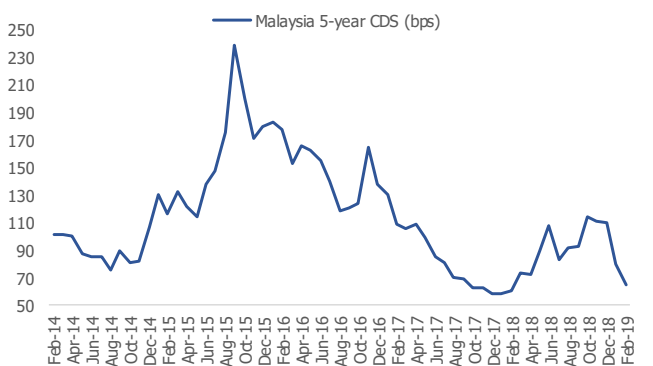
Source: Bloomberg, MARC Fixed Income Research

Exhibit 12: MGS yield curves


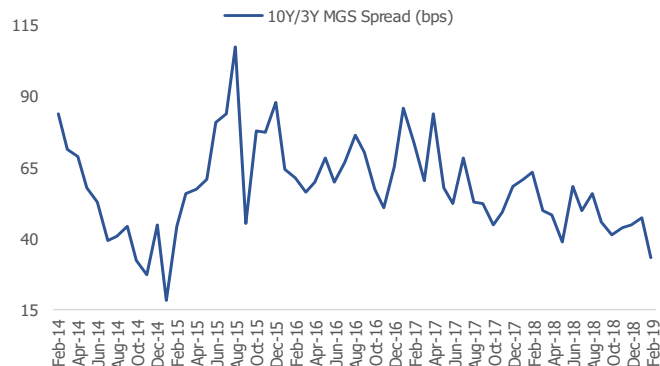
Source: Bloomberg, MARC Fixed Income Research

Exhibit 13: MYR IRS curves


Source: Bloomberg, MARC Fixed Income Research

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


Source: Bloomberg, MARC Fixed Income Research

Exhibit 15: 10Y/3Y MGS spread


Source: Bloomberg, MARC Fixed Income Research

Exhibit 16: Top five local govies trades for February 2019

Security	Traded amount (RM mil)	Issue tenure (Years)	Last traded yield (%)
GII MURABAHAH 2/2018 4.369% 31.10.2028	5,074	10	4.08%
MGS 4/2014 3.654% 31.10.2019	3,906	5	3.37%
GII MURABAHAH 1/2018 4.128% 15.08.2025	3,635	8	3.97%
GII MURABAHAH 3/2018 4.094% 30.11.2023	3,497	5	3.82%
MGS 5/2013 3.733% 15.06.2028	3,262	15	3.97%

Source: BPAM, MARC Fixed Income 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
Jan-19	2,101	1,108	6,493	5,362	5,531	7,881	6,695	9,095	6,773
Feb-19	1,842	2,033	6,266	4,105	4,260	5,523	5,852	9,249	7,133
M-o-m change	-259	924	-227	-1,256	-1,271	-2,358	-844	154	360

Source: BPAM, MARC Fixed Income Research

Malaysian Corporate Bond Primary Market

Local corporate bond issuance was higher in February, mainly attributed to the increase of issuances in the unrated government-guaranteed (GG) segment

Total gross corporate bond issuance increased in February to RM9.1 billion (January: RM5.9 billion), mainly attributed to the increase in issuances of unrated government-guaranteed (GG) bonds, which came in at RM4.0 billion from zero in January. The jump in this segment led to an increase in the total gross corporate bond issuance despite the fact that all other corporate bond segments registered decreases during the month. The top issuer in February was Pengurusan Air SPV Bhd, which issued seven tranches of rated corporate bonds and two tranches of unrated GG Islamic Medium-Term Notes (IMTN) amounting to RM3.5 billion to restructure the ownership and funding responsibility of water assets in Peninsular Malaysia and Labuan.

On a YTD basis, total gross issuance of corporate bonds was lower by 8.6% y-o-y at RM15.1 billion (2018YTD: RM16.5 billion). The primary market was dominated by issuers from the financial services, infrastructure & utilities and diversified holdings sectors which accounted for 85.3% of overall gross issuances. The three top issuers YTD in 2019 were Maybank Bhd (RM3.7 billion), Pengurusan Air SPV Bhd (RM3.5 billion) and DanaInfra Nasional Bhd (RM3.0 billion).

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

Year	Unrated corporate bonds	Unrated government-guaranteed	Total unrated	Rated corporate bonds	Cagamas	Total rated	Total corporate bonds
Jan-19	1.5	-	1.5	4.3	0.1	4.4	5.9
Feb-19	0.9	4.0	4.9	4.3	-	4.3	9.1
M-o-m change	-0.6	4.0	3.4	-0.1	-0.1	-0.2	3.2

Source: BPAM, MARC Fixed Income Research

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

Year	Unrated corporate bonds	Unrated government-guaranteed	Total unrated	Rated corporate bonds	Cagamas	Total rated	Total corporate bonds
2013	12.3	13.6	25.9	52.4	7.9	60.3	86.2
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
2019 YTD	2.4	4.0	6.4	8.6	0.1	8.7	15.1

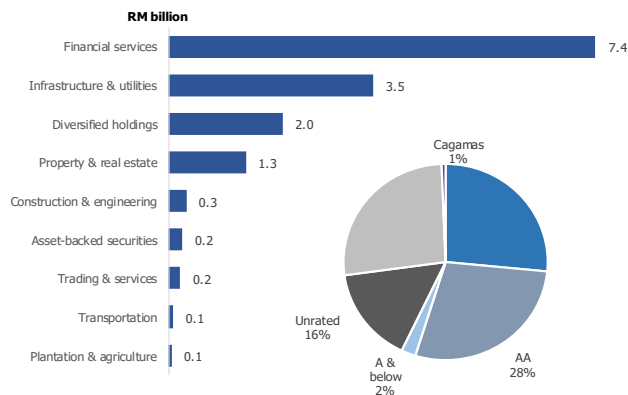
Source: BPAM, MARC Fixed Income Research

Note: Numbers may not necessarily add up to total due to rounding.

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

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)	Coupon (%)
Pengurusan Air SPV Berhad	Infrastructures & utilities	AAA rated / GG	Islamic	9	3.5	3 - 10	4.12 - 4.54
DanaInfra Nasional Berhad	Financial services	GG	Islamic	6	3.0	7 - 30	4.15 - 5.06
Danum Capital Berhad	Diversified holdings	AAA rated	Islamic	2	1.5	7 - 15	4.30 - 4.68

Source: BPAM, MARC Fixed Income Research

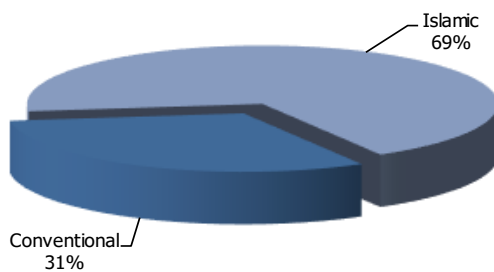
Exhibit 21: Corporate bond issuance composition by sector and ratings in February 2019


Source: BPAM, MARC Fixed Income Research

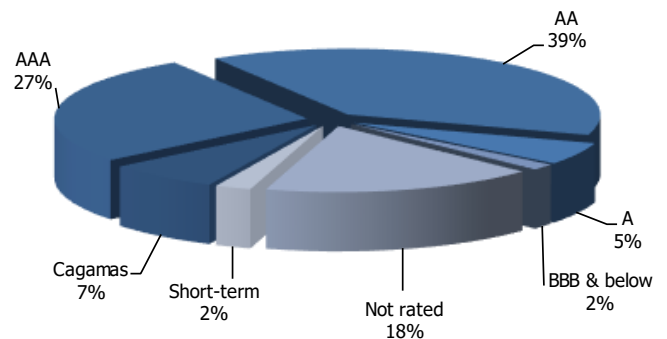
Exhibit 22: Outstanding size of Cagamas and corporate bonds as of February 2019 (RM billion)

Asset class	Conventional	Islamic	Total
Cagamas	19.6	14.7	34.3
Corporate Bonds	138.0	303.0	441.0
Corporate	54.9	221.9	276.8
Corporate guaranteed	20.0	48.0	68.0
Financial	56.4	29.1	85.5
ABS	6.7	4.0	10.7

Source: BPAM, MARC Fixed Income Research

Exhibit 23: Corporate bonds outstanding: Conventional & Islamic


Source: BPAM, MARC Fixed Income Research

Exhibit 24: Corporate bonds outstanding: Distribution by rating band


Source: BPAM, MARC Fixed Income Research

Exhibit 25: AAA corporate benchmark yields

AAA (%)	Jan-19	Feb-19	M-o-m change
3-year	4.21	4.16	-5 bps
5-year	4.37	4.34	-3 bps
7-year	4.52	4.48	-4 bps
10-year	4.68	4.63	-5 bps

Source: Bloomberg, MARC Fixed Income Research

Exhibit 26: AA/AA2 corporate benchmark yields

AA/AA2 (%)	Jan-19	Feb-19	M-o-m change
3-year	4.50	4.46	-4 bps
5-year	4.67	4.63	-4 bps
7-year	4.85	4.79	-6 bps
10-year	5.04	4.98	-6 bps

Source: Bloomberg, MARC Fixed Income Research

Exhibit 27: A/A2 corporate benchmark yields

A/A2 (%)	Jan-19	Feb-19	M-o-m change
3-year	5.88	5.80	-8 bps
5-year	6.34	6.22	-12 bps
7-year	6.85	6.71	-14 bps
10-year	7.56	7.40	-16 bps

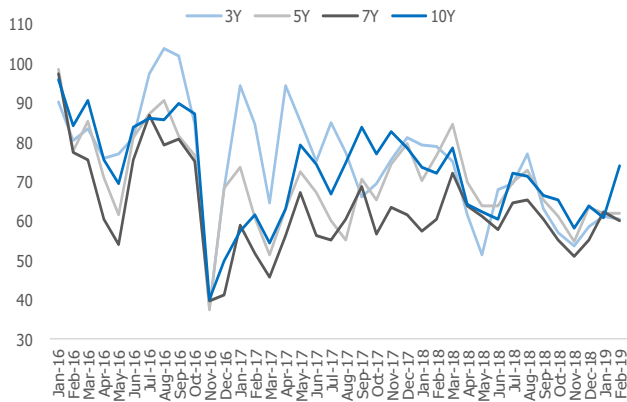
Source: Bloomberg, MARC Fixed Income Research

Exhibit 28: AAA, AA/A2, A/A2 blended credit spreads

AAA, AA/A2 & A/A2 (%)	Jan-19	Feb-19	M-o-m change
3-year	145	143	-2 bps
5-year	159	155	-4 bps
7-year	176	169	-7 bps
10-year	200	208	-8 bps

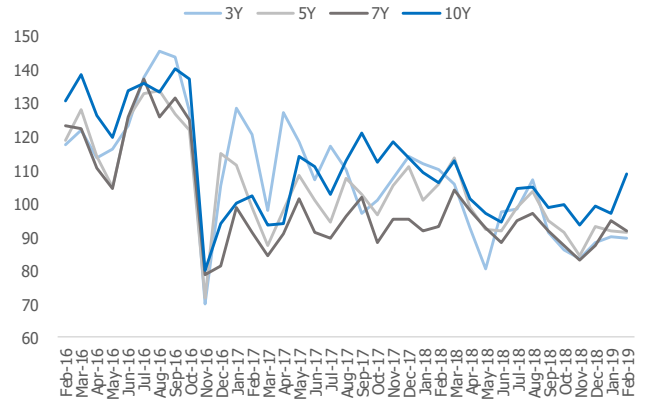
Source: Bloomberg, MARC Fixed Income Research

Exhibit 29: AAA corporate bonds yield spread (bps)



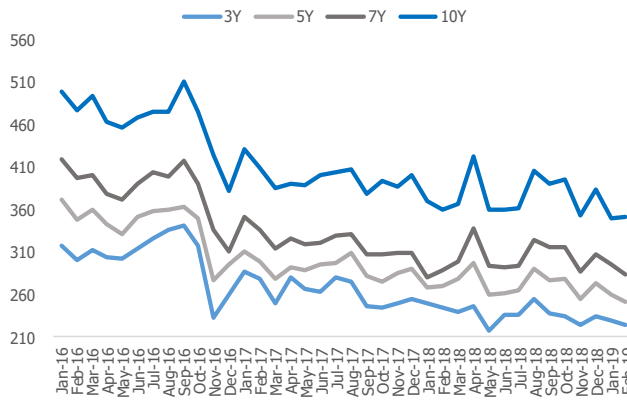
Source: Bloomberg, MARC Fixed Income Research

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



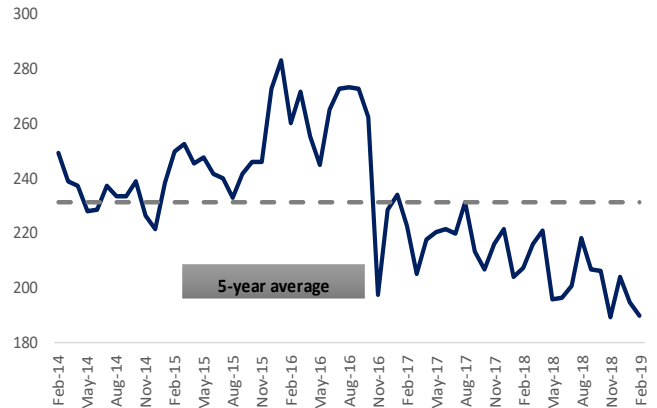
Source: Bloomberg, MARC Fixed Income Research

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



Source: Bloomberg, MARC Fixed Income Research

Exhibit 32: 5Y blended credit spread (bps)



Source: Bloomberg, MARC Fixed Income Research

Exhibit 33: Secondary market volume (RM billion)

Asset class	Jan-19	Feb-19	M-o-m change
MGS/GII	88.9	77.2	-11.7
Cagamas	0.8	0.9	0.1
FI corporate	3.2	0.6	-2.6
Non-FI corporate	7.0	5.9	-1.1

Source: BPAM, MARC Fixed Income Research

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

Rating band	Jan-19	Feb-19	M-o-m change
AAA	2.2	1.9	-0.3
AA	4.2	3.4	-0.8
A	0.3	0.3	-0.1
BBB and below	-	-	-
Short-term	0.2	0.3	0.1

Source: BPAM, MARC Fixed Income Research

MARC Rating Activities

MARC assigned one initial rating, affirmed 10 issue ratings and withdrew one issue rating

In February, MARC assigned final ratings of MARC-1_{IS}/AA-_{IS} to Sunway Treasury Sukuk Sdn Bhd's (STSSB) RM10.0 billion Sukuk Programme with a stable outlook. MARC affirmed a total of 10 issue ratings from eight different issuers. The rating outlook on both ANIH Berhad's RM2.5 billion Senior Sukuk Musharakah and Cerah Sama Sdn Bhd's RM420.0 million Sukuk programmes was revised to stable from negative. Meanwhile, the rating outlook on the other affirmed issues were unchanged. MARC also withdrew its D_{IS} rating on Alam Maritim Resources Berhad's RM500.0 million Sukuk Ijarah Medium-Term Notes (MTN) programme at the request of the issuer following the completion of the restructuring exercise of the MTN.

There were no rating migration activities in February, and neither were there any new issues placed under MARCWatch. However, QSP Semenanjung's RM1.0 billion Green Sukuk Rating remained under MARCWatch Negative as at end-February.

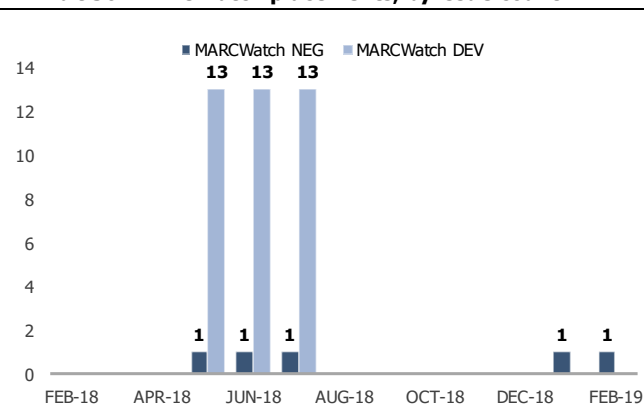
Exhibit 35: List of rating actions in February 2019

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	Trading/Services	Sunway Treasury Sukuk Sdn Bhd	22-Feb-19	INITIAL	STA	AA-	AA-	MARC-1	MARC-1	10,000	cg
Islamic	Corporate Debt	Property	UEM Sunrise Bhd	21-Feb-19	AFFIRMED	STA	AA-	AA-	MARC-1	MARC-1	2,000	
Islamic	Corporate Debt	Property	UEM Sunrise Bhd	21-Feb-19	AFFIRMED	STA	AA-	AA-	MARC-1	MARC-1	2,000	
Islamic	Corporate Debt	Infrastructure & Utilities	Cerah Sama Sdn Bhd	21-Feb-19	AFFIRMED	STA	AA-	AA-			420	
Islamic	Project Finance	Infrastructure & Utilities	Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd	19-Feb-19	AFFIRMED	NEG	AA-	AA-			2,300	
Conventional	Project Finance	Infrastructure & Utilities	Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd	19-Feb-19	AFFIRMED	NEG	A-	A-			180	
Islamic	Corporate Debt	Infrastructure & Utilities	Petronas Dagangan Bhd	19-Feb-19	AFFIRMED	STA	AAA	AAA	MARC-1	MARC-1	2,000	
Islamic	Corporate Debt	Trading/Services	MISC Bhd	15-Feb-19	AFFIRMED	STA	AAA	AAA			2,500	
Islamic	Corporate Debt	Infrastructure & Utilities	Alam Maritim Resources Bhd	12-Feb-19	WITHDRAWN		D	D			500	
Islamic	Project Finance	Infrastructure & Utilities	TNB Western Energy Berhad	11-Feb-19	AFFIRMED	STA	AAA	AAA			4,000	
Islamic	Corporate Debt	Property	Fortune Premiere Sdn Bhd	8-Feb-19	AFFIRMED	STA	AA	AA			3,000	
Islamic	Project Finance	Infrastructure & Utilities	ANIH Bhd	7-Feb-19	AFFIRMED	STA	AA	AA			2,500	

Source: MARC Fixed Income Research

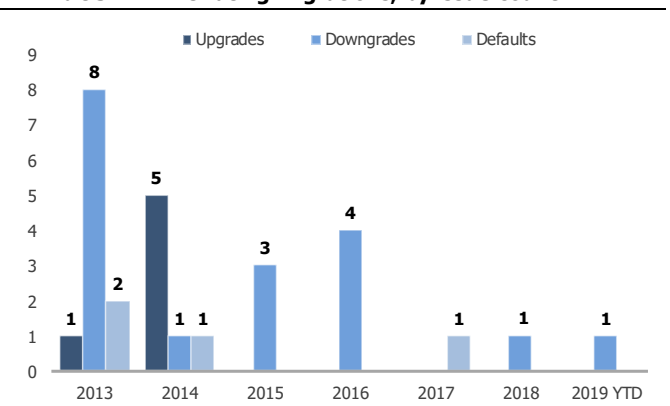
*cg – corporate guarantee

Exhibit 36: MARCWatch placements, by issue count



Source: MARC Fixed Income Research

Exhibit 37: MARC rating migrations, by issue count



Source: MARC Fixed Income Research

Foreign Holdings of Local Bonds

Foreign investors turned net buyers of local bonds for the first time in four months in February

In February, foreign holdings of local bonds increased for the first time in four months to register a net inflow of RM4.5 billion (January 2019: -RM2.4 billion) to RM187.0 billion (January 2019: RM182.5 billion). As a result, foreign ownership of local bonds rose to 13.0% of total outstanding (January 2019: 12.8%). The improvement was largely due to the more dovish stance of the Fed as well as the deflation reported for January 2019. The ringgit's rise also contributed to the appeal of local bonds to foreign investors.

Surge in foreign ownership of MGS and GII papers contributed to the bulk of foreign inflows into local bonds

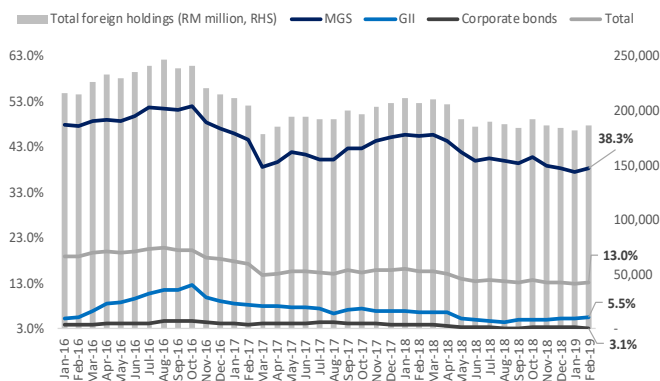
A bulk of the foreign inflows was attributable to the rise in foreign holdings of both MGS and GII papers but these were partially offset by the decline in foreign holdings in treasury bills and corporate bonds. By end-February, foreign holdings of MGS and GII surged by RM4.9 billion and RM0.8 billion to RM149.3 billion and RM17.4 billion (January 2019: MGS, RM144.4 billion; GII, RM16.6 billion). Foreign ownership of both MGS and GII stood at 38.3% and 5.5% of their total outstanding amounts in February (January 2019: MGS, 37.6%; GII, 5.3%).

Exhibit 38: Summary of foreign holdings in local bonds

	Foreign holdings (RM mil)		Composition (%)		Foreign flows (RM mil)	
	Jan-19	Feb-19	Jan-19	Feb-19	Jan-19	Feb-19
MGS	144,413	149,271	37.6	38.3	-1,739	4,857
GII	16,553	17,402	5.3	5.5	661	848
Treasury bills	2,665	1,872	38.1	31.2	-1,068	-793
BNM notes	5,000	5,000	29.4	29.1	-	-
Corporate bonds	13,844	13,478	3.2	3.1	-204	-366
Total	182,475	187,022	12.8	13.0	-2,350	4,547

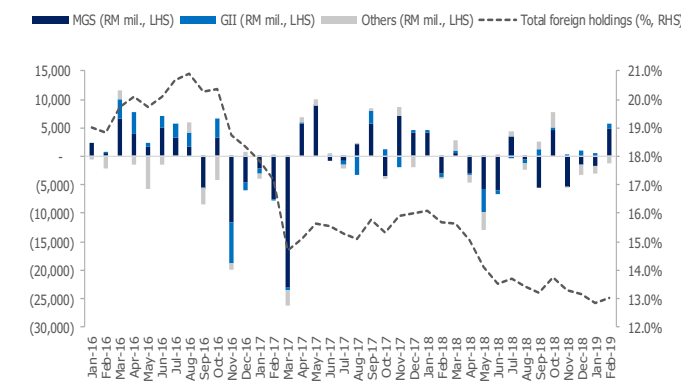
Source: BNM, MARC Fixed Income Research

Exhibit 39: Foreign holdings of ringgit bonds as percentage of total outstanding



Source: BNM, BPAM, MARC Fixed Income Research

Exhibit 40: Monthly foreign flows and total foreign holdings of local bonds



Source: BNM, BPAM, MARC Fixed Income Research

Ringgit

Against the US dollar

The ringgit continued its upward trend against the US dollar to end at its strongest level since July 2018. It rose 295 pips at end-February 2019 to settle at 4.0658 compared with 4.0953 at the end of last month. Throughout the month, the local unit was supported by firmer global crude oil prices.

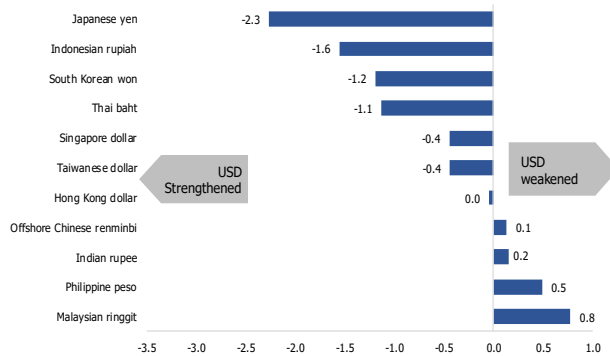
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Against other major currencies

The ringgit was firmer against most other major currencies except for the pound sterling

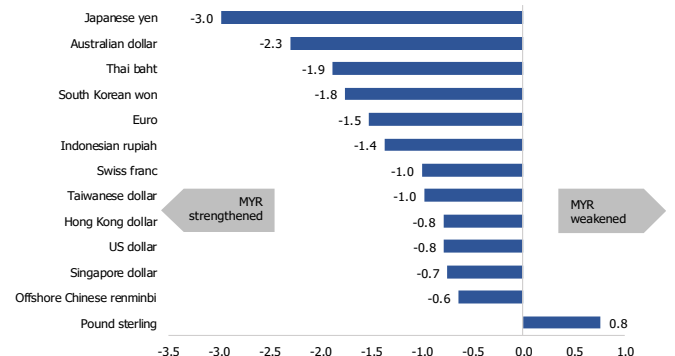
The ringgit ended the month mostly stronger against other major currencies. It was stronger against the Japanese yen (RM3.6501 per JPY100), the Euro (RM4.6313) and the Singapore dollar (RM3.0169) but weaker against the pound sterling (RM5.4128).

Exhibit 41: Asian currencies against USD (% m-o-m)



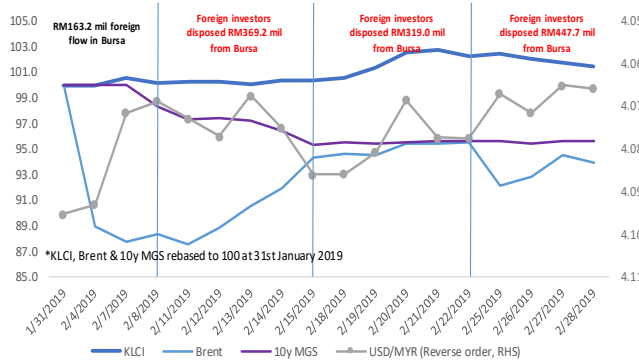
Source: Bloomberg, MARC Fixed Income Research

Exhibit 42: Major currencies against MYR (% m-o-m)



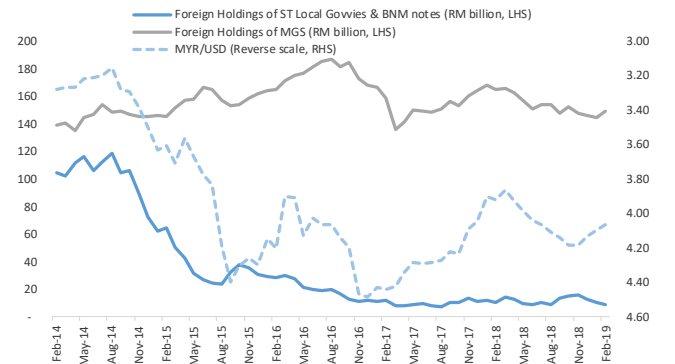
Source: Bloomberg, MARC Fixed Income Research

Exhibit 43: Daily performance of the ringgit versus FBM KLCI, BRENT crude and 10y MGS



Source: Bloomberg, MIDF, MARC Fixed Income Research

Exhibit 44: Monthly performance of the ringgit versus foreign holdings of short-term local govies & BNM notes and MGS



Source: Bloomberg, BNM, MARC Fixed Income Research

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MALAYSIAN RATING CORPORATION BERHAD (Company No.: 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 E-mail: marc@marc.com.my
Website: www.marc.com.my