

## Monthly Bond Market & Rating Snapshot:

# JANUARY 2020 (SUMMARY)



MALAYSIAN RATING CORPORATION BERHAD  
199501035601 (364803-V)

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### Global Markets

The US and China signed the phase one trade deal in mid-January 2020. The deal already witnessed complete rollback of tariffs that were scheduled to take effect in December 2019 and a partial rollback of those that were effected in September last year. In Europe, economic sentiment continued to rise amid waning trade uncertainty. In the UK, the manufacturing Purchasing Managers' Index expanded for the first time in eight months after the general election broke the Brexit deadlock. Meanwhile, in China, the economy grew by 6.1% y-o-y in 2019, the slowest pace since 1990 but within the government's target. During the month, investors were rattled by the newly discovered coronavirus that emerged from the city of Wuhan, in Hubei province.

### Malaysian Government Bond Market

Total combined outstanding of Malaysian Government Securities (MGS)/Government Investment Issues in January rose RM10.0 billion to RM769.7 billion amid higher gross issuance activity. Meanwhile, bidding interest for the three government offerings at auction was vibrant as all issues garnered bid-to-cover ratios of above 2.0x. In the secondary market, January drove MGS yields to their new multi-year lows following Bank Negara Malaysia's (BNM) latest overnight policy rate (OPR) cut and the worsening Coronavirus Disease 2019 (COVID-19) outbreak that triggered a global bond rally. By end-January, yield on the 3y MGS had breached the 3.00% key level for the first time since September 2016 to 2.88%. Meanwhile, yield on the 10y MGS eased 17bps to 3.15% (December: 3.32%).

### Malaysian Corporate Bond Market

Gross issuance activity of long-term corporate bonds has fallen in January, shedding RM8.2 billion m-o-m to RM4.1 billion. A significant decline was recorded across all corporate bond segments and there were no long-term quasi-government and Cagamas corporate bonds issued in January. Meanwhile, corporate bonds continued to be well supported in the secondary market in January as yields across the AAA, AA and A-rated spectrum fell by 13bps to 32bps. Trading activities in the secondary market also improved to RM14.4 billion (December: RM11.1 billion).

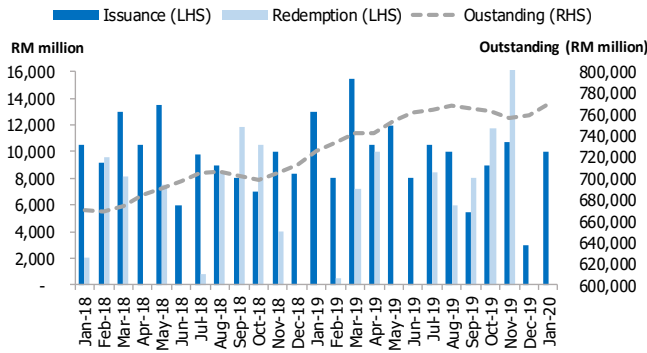
### MARC Rating Activities

In January, MARC assigned a preliminary rating of AA-*IS*/Stable to TG Excellence Berhad's proposed RM3.0 billion Perpetual Sukuk Wakalah Programme. In the same month, MARC affirmed a total of nine issue ratings under six different issuers and revised the outlook on five of the issue ratings from negative to stable. MARC also affirmed the financial institution ratings of Bank Muamalat Malaysia Berhad and Kenanga Investment Bank Berhad. Meanwhile, MARC has placed Projek Lebuhraya Usahasama Berhad's (PLUS) rating on MARCWatch Developing on January 24, 2020. The rating action has been triggered by the government announcement on PLUS with the aim to reduce the toll burden on road users and relieve the government of compensation pressures.

### Foreign Holdings of Local Bonds

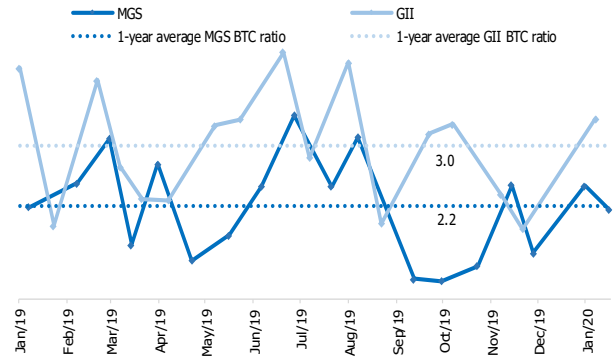
Foreign investors continued to be net buyers of local bonds for the third consecutive month in January albeit at a slower pace. Local bonds posted net foreign inflows of RM3.6 billion (December: RM8.1 billion). Foreign demand was largely supported by the OPR reduction by BNM in January. However, the worsening COVID-19 outbreak drove some of the foreign funds away from local bonds towards safe-haven govies in developed markets. MGS accounted for most of the net foreign inflows in January followed by Malaysian Treasury Bills and Malaysian Islamic Treasury Bills.

**Exhibit 1: MGS/GII papers supply**



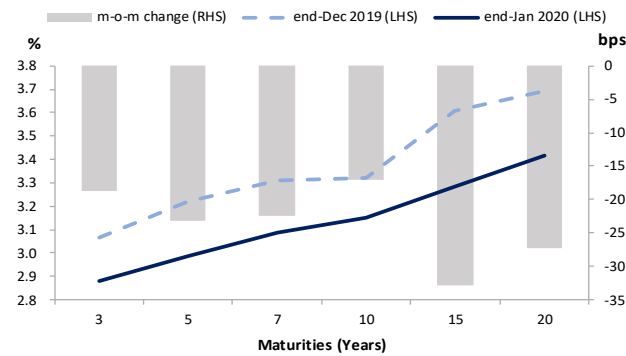
Sources: BNM Bond Info Hub, MARC Research

**Exhibit 2: BTC ratios of MGS and GII papers**



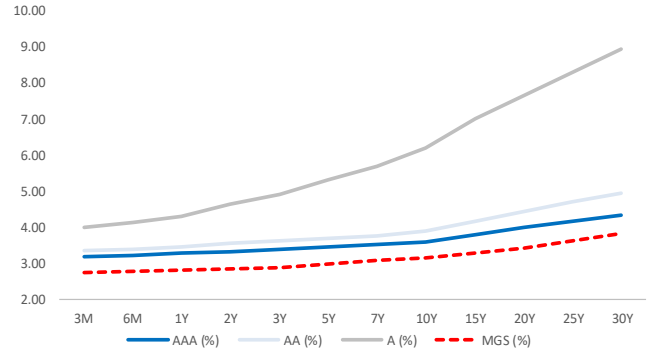
Sources: BNM Fast, MARC Research

**Exhibit 3: MGS yield curves**



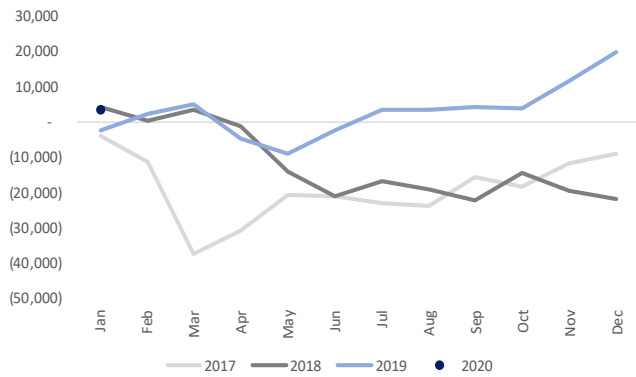
Sources: Bond Pricing Agency Malaysia (BPAM), MARC Research

**Exhibit 4: Corporate bonds yield curves**



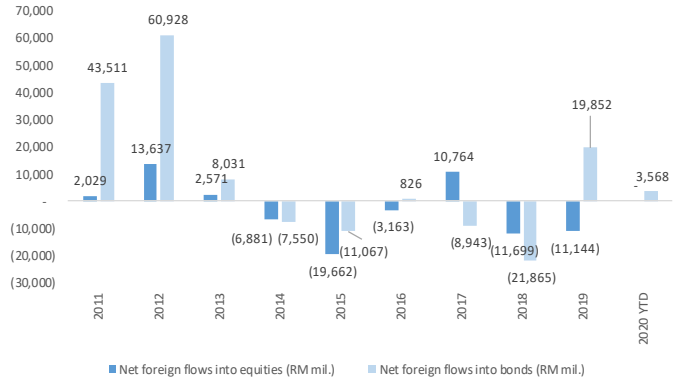
Sources: BPAM, MARC Research

**Exhibit 5: Cumulative net foreign flows in local bonds (Yearly comparison)**



Sources: BNM, MARC Research

**Exhibit 6: Cumulative net foreign flows into Malaysian bond and equity markets**



Sources: BNM, MARC Research

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