

MALAYSIAN RATING CORPORATION BERHAD
(1990011)

APRIL 2019

Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	MAR-19	APR-19	M-O-M CHANGE
OVERNIGHT POLICY RATE (%)	3.25	3.25	0 bp
3-YEAR BENCHMARK MGS (%)	3.38	3.41	3 bps
10-YEAR BENCHMARK MGS (%)	3.77	3.79	2 bps
3-YEAR IRS (%)	3.54	3.56	2 bps
10-YEAR IRS (%)	3.92	3.90	-2 bps
RINGGIT 3-YEAR AAA (%)	4.09	4.05	-4 bps
RINGGIT 3-YEAR AA (%)	4.38	4.34	-4 bps
RINGGIT 3-YEAR A (%)	5.73	5.65	-8 bps
2-YEAR US TREASURY (%)	2.26	2.27	1 bp
10-YEAR US TREASURY (%)	2.41	2.50	9 bps
MYR/USD	4.08	4.13	-1.3%
US DOLLAR INDEX	97.3	97.5	0.2%
BRENT CRUDE (USD/BARREL)	68.4	72.8	6.4%
GOLD SPOT (USD/OUNCE)	1,292.30	1,283.55	-0.7%
KLCI Index	1,643.63	1,642.29	-0.1%
S&P 500 Index	2,834.40	2,945.83	3.9%

Sources: Bloomberg, MARC Fixed Income Research



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Global Markets

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In the US, the Federal Reserve (Fed) expects its "patient" approach to policy adjustment to be data-dependent and a modest raise to target range is possible should the economy grow above the long-term trend. In the euro zone, the European Central Bank (ECB) held interest rates steady after the International Monetary Fund (IMF) revised down the union bloc's growth forecast. In China, credit growth accelerated following the government's recent easing measures to counter an economic slowdown.

Malaysian Government Bond Market

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In April, Malaysian Government Securities (MGS) suffered severe losses following news that Malaysia might be dropped from Norway's sovereign wealth fund (SWF) and the FTSE World Government Bond Index's (WGBI) bond holdings. By end-April, overall benchmark MGS yields were higher m-o-m by three (basis points) bps to six bps causing the curve to shift upwards. The 10y MGS ended two bps at 3.79% (March 2019: 3.77%).

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The ringgit continued to fall against the US dollar in April. It fell by 527 pips against the greenback to RM4.1347. The local note suffered several knee-jerk reactions throughout the month, causing foreign investors to flee. It was also weaker against other major currencies.

Global Markets

A quick review

The US Fed's policy adjustment remains data-dependent

In its latest Monetary Policy meeting minutes, the US Fed expects to leave interest rates unchanged at 2.25% to 2.50% over the year. Its "patient" approach to policy adjustments would remain data-dependent and a modest raise to the target range is not unlikely should the economy grow above the long-run trend. Concurrently, the European Central Bank (ECB) also held interest rates steady after the IMF revised down the union bloc's growth forecast of 1.3% from the prior projection of 1.6%. As a result, US Treasury (UST) yields dipped mildly by an average of five bps across the curve as investors digest Fed minutes amid ECB's continued dovish stance.

In the euro zone, economic sentiment rebounds on expectation for the global economy to develop "less poorly"

The rally in the German bond yields that have stalled in the first week of April resumed after ECB maintained its interest rates. The 10-year bund yield retreated by three bps to -0.027%, its lowest level in almost two weeks while the two-year bund yield dropped slightly to a one-week low of 0.597%. During the month, the German ZEW Economic Sentiment Index rebounded after a prolonged weakness as investors were hopeful that the global economy will develop "less poorly" and the Brexit extension until the end of October 2019 will help to break the Brexit impasse. The decision came after the UK parliament failed to back one of the Brexit alternatives proposed by Prime Minister Theresa May. The alternatives were a no-deal Brexit, general election, second referendum, or a post-Brexit customs union with the European Union (EU).

China's credit growth accelerated following recent easing measures

In China, the trade balance widened to USD326.7 billion after the Lunar New Year from USD40.1 billion in the previous month following a jump of 14.2% in exports amid a trade progress with the US. Imports, however, slid for the fourth consecutive month by -7.6% y-o-y, suggesting a fragility in the domestic economy. Meanwhile, credit growth accelerated in April after a marked slowdown in March following the government's recent easing measures to counter a slowing economy. Total social financing, which includes unconventional lending such as trust loans and bond offerings, registered a net change of CNY2.8 trillion from CNY703.0 billion.

Exhibit 1: Summary of US rates

US rates (%)	Mar-19	Apr-19	M-o-m change
Federal Funds Rate (Upper Bound)	2.50	2.50	0 bp
2-year UST	2.26	2.27	1 bp
5-year UST	2.23	2.28	5 bps
10-year UST	2.41	2.50	9 bps
30-year UST	2.81	2.93	12 bps

Sources: Bloomberg, MARC Fixed Income Research

Exhibit 2: Summary of euro rates

Euro rates (%)	Mar-19	Apr-19	M-o-m change
European Central Bank Deposit Facility Rate	-0.40	-0.40	0 bp
2-year Bund	-0.60	-0.58	2 bps
5-year Bund	-0.45	-0.41	4 bps
10-year Bund	-0.07	0.01	8 bps
30-year Bund	0.57	0.66	9 bps

Sources: Bloomberg, MARC Fixed Income Research

Exhibit 3: Summary of UK rates

UK rates (%)	Mar-19	Apr-19	M-o-m change
Bank of England Official Bank Rate	0.75	0.75	0 bp
2-year Gilt	0.64	0.76	12 bps
5-year Gilt	0.76	0.91	15 bps
10-year Gilt	1.00	1.19	19 bps
30-year Gilt	1.55	1.69	14 bps

Sources: Bloomberg, MARC Fixed Income Research

Exhibit 4: Summary of Japan rates

Japan rates (%)	Mar-19	Apr-19	M-o-m change
Bank of Japan Short-term Interest Rate	-0.10	-0.10	0 bp
2-year JGB	-0.17	-0.15	2 bps
5-year JGB	-0.20	-0.16	4 bps
10-year JGB	-0.08	-0.04	4 bps
30-year JGB	0.51	0.57	6 bps

Sources: Bloomberg, MARC Fixed Income Research

Malaysian Government Bond Market

Primary market review

Outstanding MGS/GII grew at a slower pace in March amid a decline in net issuance

Total combined outstanding MGS and Government Investment Issues (GII) came up to RM742.4 billion in April (March 2019: RM741.9 billion), at a much slower pace of growth compared to the previous month. This was largely attributed to the significant decline in net issuance of MGS/GII papers at RM0.5 billion (March 2019: RM8.3 billion). Gross issuance of MGS/GII weakened to RM10.5 billion (March 2019: RM15.5 billion) while the volume of matured MGS/GII papers strengthened to RM10.0 billion (March 2019: 7.2 billion). YTD, the overall MGS/GII issuance value amounted to RM47 billion, 4.6% lower y-o-y (2018 YTD: RM42.1 billion) with the GII-to-MGS ratio at 51:49 (2018 YTD: 47:53).

All issues tendered in March were oversubscribed, with substantial interest towards the 15y MGS and 5.5y GII notes

In April, the government received total bids of RM19.6 billion (March 2019: RM29.0 billion) for its targeted RM10.5 billion of issuance. All tendered issues were oversubscribed with heavy bidding interest slanted towards both the 15y MGS and 5.5y GII notes which registered bid-to-cover (BTC) ratios of 2.8x and 2.3x. However, public auction of the 7y MGS note was poorly received, garnering a BTC ratio of just 1.5x amid cautious secondary bond market performance in the final week of the month.

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
Mar-19	7.0	8.5	15.5	7.2	-	7.2	-0.2	8.5	8.3	389.2	352.7	741.9
Apr-19	7.0	3.5	10.5	-	10.0	10.0	7.0	-6.5	0.5	396.2	346.2	742.4
2019 YTD	23.0	24.0	47.0	7.2	10.5	17.7	15.8	13.5	29.3			

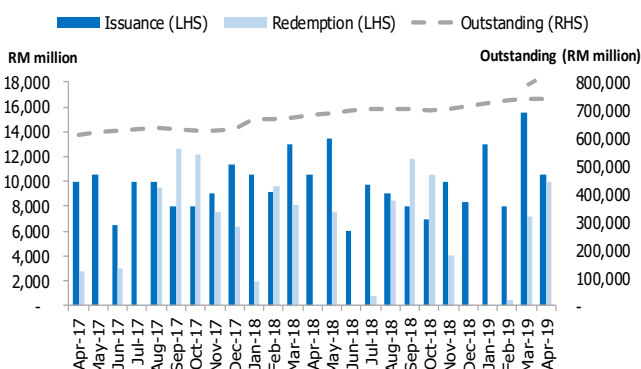
Sources: BNM Bond Info Hub, MARC Fixed Income Research

Exhibit 6: MGS auction results in April 2019

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
15-yr Reopening of MGS 11/33 4.642%	15	8-Apr-19	2,500	2.79	4.065
5.5-yr New Issue of MGII (Mat on 10/24)	5.5	15-Apr-19	3,500	2.31	3.655
7-yr Reopening of MGS (Mat on 07/26)	7	30-Apr-19	3,000	1.51	3.757

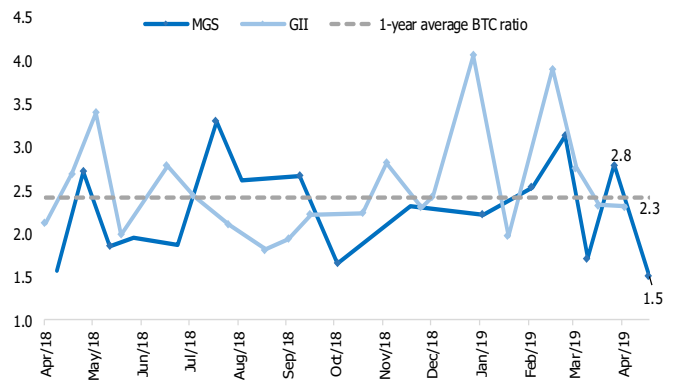
Sources: BNM Fast, MARC Fixed Income Research

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



Sources: BNM Bond Info Hub, MARC Fixed Income Research

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



Sources: BNM Fast, MARC Fixed Income Research

Secondary market review

Norway's SWF and FTSE Russell's announcement triggered knee-jerk selloffs in the MGS market

In April, MGS lost its lustre after recoding gains for four consecutive months since December 2018. MGS suffered losses following news that Malaysia might be dropped from Norway's SWF and the FTSE WGBI's bond holdings. Norway's US\$1 trillion SWF, the world's largest, is set to slash its emerging market (EM) bond holdings. Meanwhile, FTSE Russell had placed Malaysia on its watchlist to review Malaysian govvnies' participation in the WGBI. Losses were also compounded by global growth concerns following IMF's global outlook cut and one of the international credit rating agency's (IRCA) negative credit assessment of the Malaysian government's bailout of the Federal Land Development Authority (FELDA).

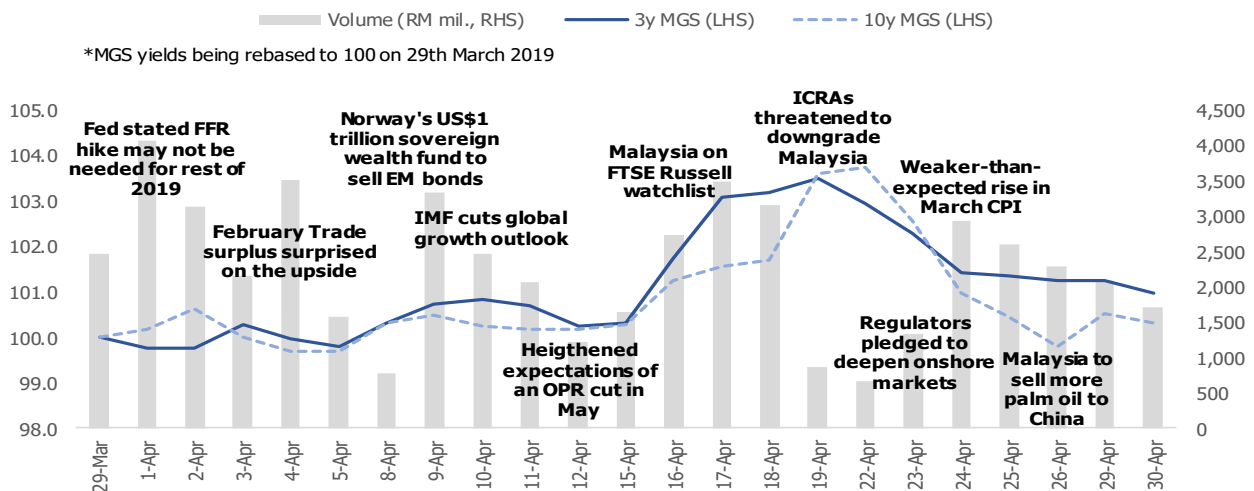
Some of the losses were mitigated by Malaysian regulators' reassurance of support

Nevertheless, selling pressure on MGS had eased during the final week of the month. Some of the losses were mitigated following pledges from Bank Negara Malaysia (BNM) and the Securities Commission (SC) to deepen Malaysia's onshore markets. The regulators also reassured and praised the resiliency of the local financial markets, putting a breather on MGS after suffering severe losses from the FTSE Russell fiasco. In the same period, MGS also gained support from the weaker-than-expected rise in the March CPI, heightening the prospects of an overnight policy rate (OPR) cut in May.

MGS yields were broadly higher by three bps to six bps with the 10y settling at 3.79%

By end-April, overall benchmark MGS yields were higher m-o-m by three bps to six bps causing the curve to shift upwards. The 10y MGS ended two bps at 3.79% (March 2019: 3.77%). The yield curve turned steeper as the 20y/3y MGS spread narrowed to 93 bps (March 2019: 90 bps). Meanwhile, trading momentum had fallen to RM50.6 billion compared with RM51.6 billion recorded in the previous month.

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



Sources: Bloomberg, BPAM, MARC Fixed Income Research

Exhibit 10: MGS benchmark yields

MGS yields (%)	Mar-19	Apr-19	M-o-m change
3-year MGS	3.38	3.41	3 bps
5-year MGS	3.53	3.59	6 bps
7-year MGS	3.72	3.77	5 bps
10-year MGS	3.77	3.79	2 bps
20-year MGS	4.28	4.34	6 bps

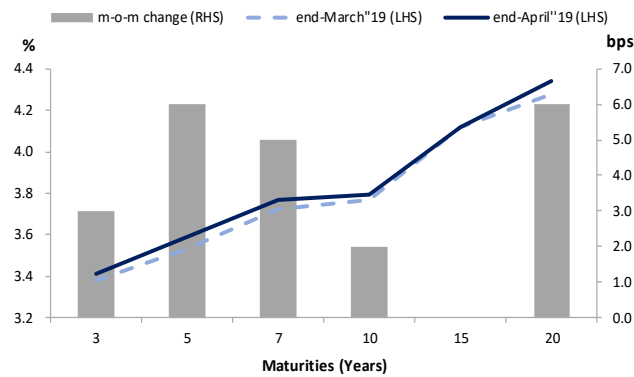
Sources: Bloomberg, MARC Fixed Income Research

Exhibit 11: OPR and IRS rates

Rates (%)	Mar-19	Apr-19	M-o-m change
Overnight Policy Rate	3.25	3.25	0 bp
1-year IRS	3.54	3.55	1 bp
3-year IRS	3.54	3.56	2 bps
5-year IRS	3.62	3.61	-1 bp
10-year IRS	3.92	3.90	-2 bps

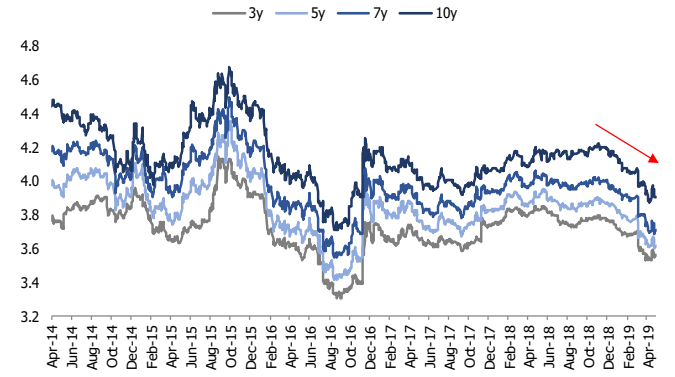
Sources: Bloomberg, MARC Fixed Income Research

Exhibit 12: MGS yield curves



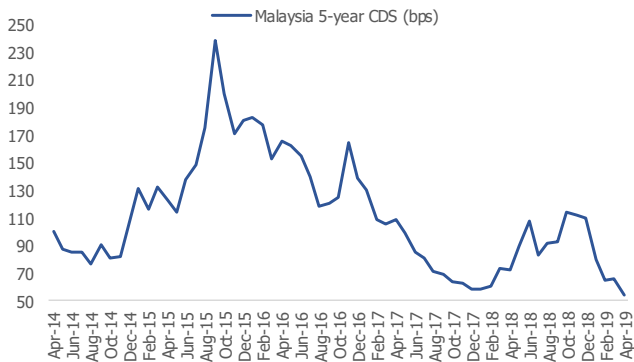
Sources: Bloomberg, MARC Fixed Income Research

Exhibit 13: MYR IRS curves



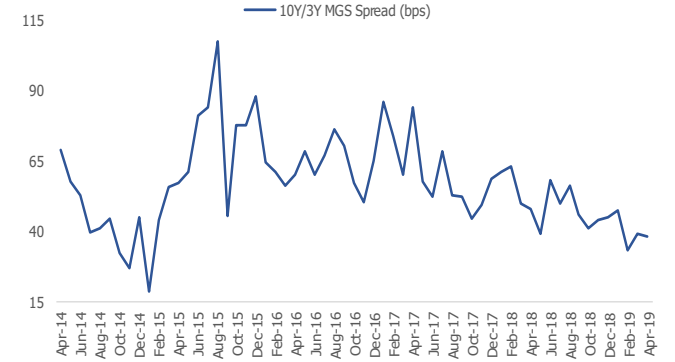
Sources: Bloomberg, MARC Fixed Income Research

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



Sources: Bloomberg, MARC Fixed Income Research

Exhibit 15: 10Y/3Y MGS spread



Sources: Bloomberg, MARC Fixed Income Research

Exhibit 16: Top five local govies trades for April 2019

Security	Traded amount (RM mil)	Issue tenure (Years)	Last traded yield (%)
GII MURABAHAH 2/2018 4.369% 31.10.2028	48,962	10	3.88%
GII MURABAHAH 3/2018 4.094% 30.11.2023	30,966	5	3.70%
MGS 2/2018 3.757% 20.04.2023	30,964	5	3.59%
MGS 4/2014 3.654% 31.10.2019	30,654	5	3.32%
MGS 2/2009 4.378% 29.11.2019	30,181	10	3.32%

Sources: 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
Mar-19	668	775	10,435	1,192	5,837	7,400	5,673	8,395	10,261
Apr-19	824	2,416	5,598	1,692	4,388	5,155	5,088	9,881	14,749
M-o-m change	156	1,640	-4,837	500	-1,449	-2,245	-585	1,486	4,489

Sources: BPAM, MARC Fixed Income Research

Malaysian Corporate Bond Primary Market

Corporate bond issuance fell in April, declines registered in most segments except quasi-government issuers

Corporate bond issuances came in slightly lower m-o-m in April at RM11.1 billion (March 2019: RM11.3 billion). The decline was underpinned by weaker volume from the unrated corporate bonds segment which fell by RM1.6 billion to RM1.1 billion (March 2019: RM2.7 billion). Rated corporate bonds (-RM0.4 billion) and Cagamas (-RM0.2 billion) segments also registered declines in the same period. However, quasi-government issuers recorded improved volume at RM7.1 billion (March 2019: RM5.1 billion). Among the largest issuers from the segment were DanaInfra Nasional Bhd (DanaInfra, RM3.8 billion) and Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA, RM3.0 billion).

YTD issuance activities of corporate bonds also recorded poorer performance

YTD issuance value of corporate bonds amounted to RM37.5 billion, significantly lower than the previous corresponding period (2018 YTD: RM42.1 billion). The bulk of the drop was contributed by the significant decline in volume for both the rated corporate bonds (RM-7.3 billion) and Cagamas (-RM3.2 billion) segments. The top three issuers YTD were DanaInfra (RM6.8 billion), Malayan Banking Bhd (Maybank, RM3.7 billion) and Pengurusan Air SPV Bhd (PASB, RM3.5 billion).

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

Year	Unrated corporate bonds	Quasi government	Total unrated	Rated corporate bonds	Cagamas	Total rated	Total corporate bonds
Mar-19	2.7	5.1	7.8	3.4	0.2	3.5	11.3
Apr-19	1.1	7.1	8.2	3.0	-	3.0	11.1
M-o-m change	-1.6	2.0	0.4	-0.4	-0.2	-0.6	-0.2

Sources: BPAM, MARC Fixed Income Research

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

Year	Unrated corporate bonds	Quasi Government	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	6.1	16.2	22.3	14.9	0.2	15.2	37.5

Sources: BPAM, MARC Fixed Income Research

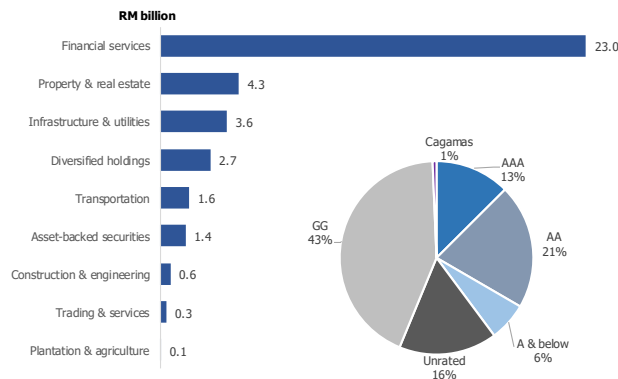
Note: Numbers may not necessarily add up to total due to rounding.

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

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)	Coupon (%)
DanaInfra Nasional Bhd	Financial services	Quasi Gov	Islamic	6	3.8	7 - 29	4.03 - 4.82
Lembaga Pembiayaan Perumahan Sektor Awam	Financial services	Quasi Gov	Islamic	6	3.0	5 - 30	3.87 - 4.80
Sabah Development Bank Bhd	Financial services	AA rated	Conventional	3	1.2	2 - 7	4.90 - 5.50
Maybank Islamic Bhd	Financial services	AA rated	Islamic	1	1.0	10	4.50

Sources: BPAM, MARC Fixed Income Research

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



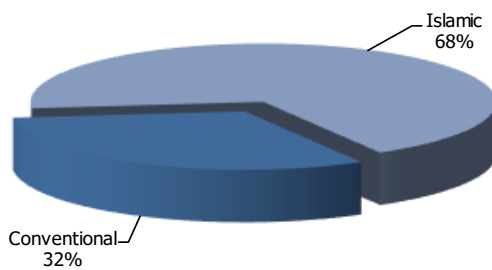
Sources: BPAM, MARC Fixed Income Research

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

Asset class	Conventional	Islamic	Total
Cagamas	19.5	14.1	33.7
Corporate Bonds	139.4	302.0	441.4
Corporate	55.7	219.9	275.6
Corporate guaranteed	20.7	48.9	69.5
Financial	56.3	29.0	85.3
ABS	6.6	4.3	10.9

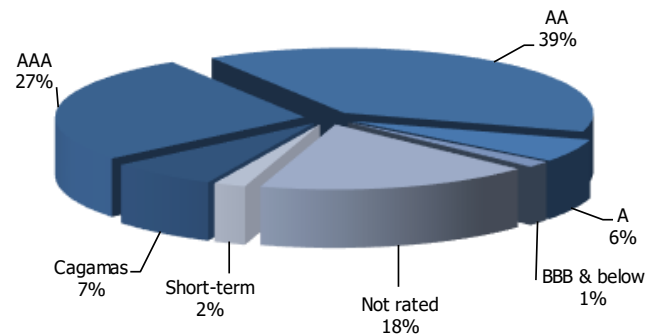
Sources: BPAM, MARC Fixed Income Research

Exhibit 23: Corporate bonds outstanding: Conventional & Islamic



Sources: BPAM, MARC Fixed Income Research

Exhibit 24: Corporate bonds outstanding: Distribution by rating band



Sources: BPAM, MARC Fixed Income Research

Exhibit 25: AAA corporate benchmark yields

AAA (%)	Mar-19	Apr-19	M-o-m change
3-year	4.09	4.05	-4 bps
5-year	4.23	4.19	-4 bps
7-year	4.37	4.33	-4 bps
10-year	4.52	4.50	-2 bps

Sources: Bloomberg, MARC Fixed Income Research

Exhibit 26: AA/AA2 corporate benchmark yields

AA/AA2 (%)	Mar-19	Apr-19	M-o-m change
3-year	4.38	4.35	-3 bps
5-year	4.54	4.50	-4 bps
7-year	4.69	4.66	-3 bps
10-year	4.86	4.83	-3 bps

Sources: Bloomberg, MARC Fixed Income Research

Exhibit 27: A/A2 corporate benchmark yields

A/A2 (%)	Mar-19	Apr-19	M-o-m change
3-year	5.76	5.67	-9 bps
5-year	6.18	6.09	-9 bps
7-year	6.66	6.57	-9 bps
10-year	7.32	7.18	-14 bps

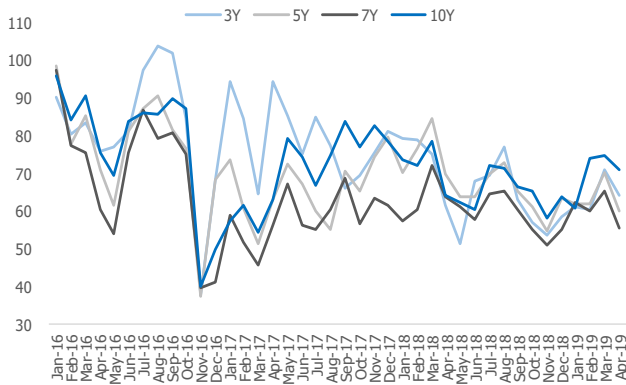
Sources: Bloomberg, MARC Fixed Income Research

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

AAA, AA/A2 & A/A2 (%)	Mar-19	Apr-19	M-o-m change
3-year	155	146	-9 bps
5-year	167	155	-12 bps
7-year	177	165	-12 bps
10-year	210	200	-10 bps

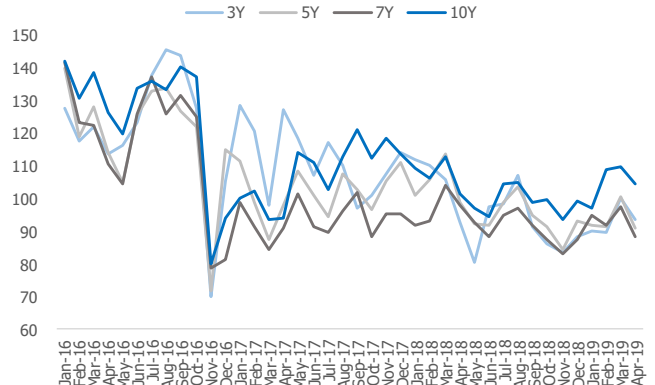
Sources: Bloomberg, MARC Fixed Income Research

Exhibit 29: AAA corporate bonds yield spread (bps)



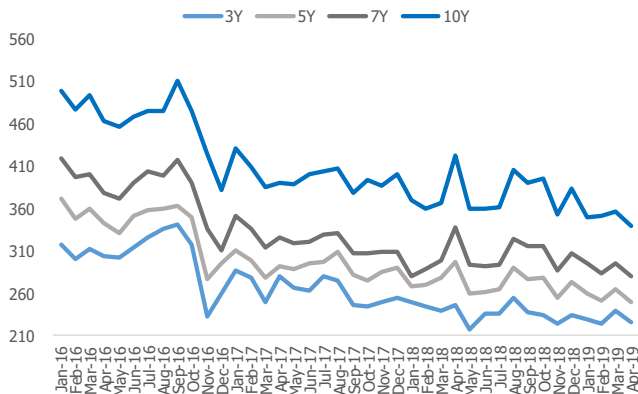
Sources: Bloomberg, MARC Fixed Income Research

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



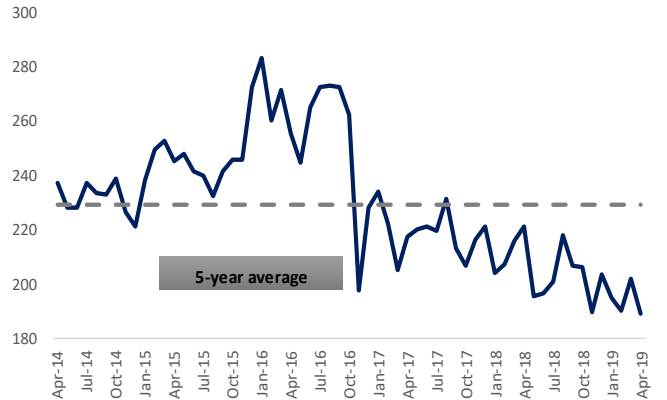
Sources: Bloomberg, MARC Fixed Income Research

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



Sources: Bloomberg, MARC Fixed Income Research

Exhibit 32: 5Y blended credit spread (bps)



Sources: Bloomberg, MARC Fixed Income Research

Exhibit 33: Secondary market volume (RM billion)

Asset class	Mar-19	Apr-19	M-o-m change
MGS/GII	100.8	86.2	-14.6
Cagamas	0.1	0.4	0.2
FI corporate	1.7	0.9	-0.8
Non-FI corporate	8.3	6.4	-1.9

Sources: BPAM, MARC Fixed Income Research

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

Rating band	Mar-19	Apr-19	M-o-m change
AAA	2.6	2.3	-0.3
AA	4.6	3.5	-1.1
A	0.6	0.3	-0.3
BBB and below	-	-	-
Short-term	0.4	0.1	-0.3

Sources: BPAM, MARC Fixed Income Research

MARC Rating Activities

MARC affirmed seven issue ratings, two IMRs, one FI rating, and one ICSR.

In April, MARC affirmed seven issue ratings under four issuers and the outlook on these issues remained stable. Meanwhile, MARC has affirmed its investment manager ratings (IMR) of IMR-2 on Kenanga Investors Bhd (KIB) and Kenanga Islamic Investors Bhd (KIIB). MARC has also affirmed its financial institution (FI) rating of AAA on The Export-Import Bank of Korea (KEXIM) as well as its intrinsic credit strength rating (ICSR) of BBB+_{ND}.

No rating migrations in April, QSP Semenanjung remains in MARCWatch Negative

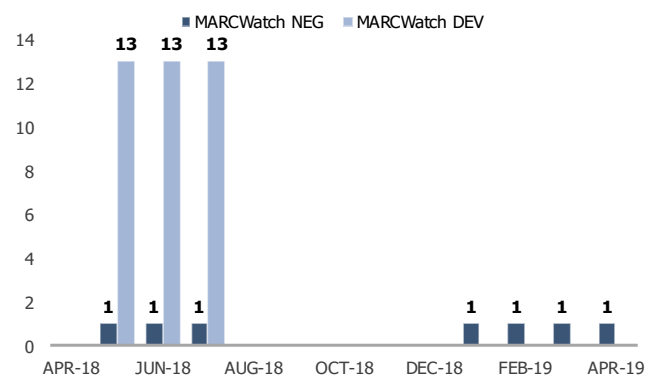
In the same month, MARC has extended its MARCWatch Negative on Quantum Solar Park (Semenanjung) Sdn Bhd's (QSP Semenanjung) RM1.0 billion Green Sukuk rating. The extension reflects the termination risk of QSP Semenanjung's power purchase agreements by Tenaga Nasional Berhad (TNB) arising from the failure to achieve commercial operation date (COD) by the extended walkaway event date granted by the Energy Commission (EC).

Exhibit 35: List of rating actions in April 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	Tenaga Nasional Bhd	12-Apr-19	AFFIRMED	STA	AAA	AAA			2,000	
Unspecified	Issuer Rating	Infrastructure & Utilities	Tenaga Nasional Bhd	12-Apr-19	AFFIRMED	STA	AAA	AAA			0	
Conventional	Structured Finance	Property	Kinabalu Capital Sdn Bhd	12-Apr-19	AFFIRMED	STA	AAA	AAA			130	
Conventional	Structured Finance	Property	Kinabalu Capital Sdn Bhd	12-Apr-19	AFFIRMED	STA	AA	AA			25	
Conventional	Structured Finance	Property	Kinabalu Capital Sdn Bhd	12-Apr-19	AFFIRMED	STA	A	A			15	
Conventional	Structured Finance	Property	Kinabalu Capital Sdn Bhd	12-Apr-19	AFFIRMED	STA			MARC-1	MARC-1	170	
Unspecified	Investment Manager Rating	Finance	Kenanga Investors Bhd	9-Apr-19	AFFIRMED		IMR-2	IMR-2			0	
Unspecified	Investment Manager Rating	Finance	Kenanga Islamic Investors Bhd	9-Apr-19	AFFIRMED		IMR-2	IMR-2			0	
Conventional	Corporate Debt	Finance	Export-Import Bank of Korea	9-Apr-19	AFFIRMED	STA	AAA	AAA			1,000	
Unspecified	Financial Strength	Finance	Export-Import Bank of Korea	9-Apr-19	AFFIRMED	STA	AAA	AAA			0	
Unspecified	Intrinsic Credit Strength Rating	Finance	Export-Import Bank of Korea	9-Apr-19	AFFIRMED	STA	BBB+	BBB+			0	
Islamic	Corporate Debt	Infrastructure & Utilities	Northport (Malaysia) Bhd	9-Apr-19	AFFIRMED	STA	AA-	AA-	MARC-1	MARC-1	1,500	

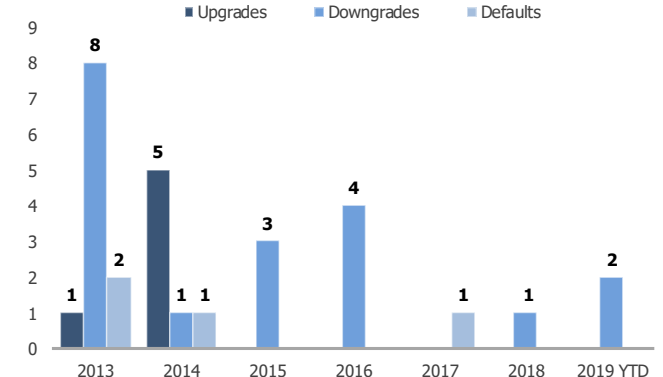
Source: MARC Fixed Income Research

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

The local bond market experienced net foreign outflows of RM9.0 billion in April, after recording net inflows of RM5.1 billion in 1Q2019

Outflows were mainly from MGS and GII, followed by corporate bonds and treasury bills

In April, foreign investors turned net sellers of local bonds after recoding two subsequent months of inflows since February. Foreign holdings of local bonds fell by RM9.8 billion (March 2019: +RM2.9 billion) to RM180.1 billion (March 2019: RM190.0 billion), the lowest level recorded since March 2017. Meanwhile, foreign ownership of local bonds fell to 12.5% (March 2019: 13.1%) of total outstanding. Foreign investors have been reducing their holdings after the announcements made by Norway's SWF and FTSE Russell's WGBI on their plans to remove Malaysian bonds from their respective indices. YTD, the local bond market recorded total net outflow of RM4.7 billion (Jan – Apr'18: -RM1.3 billion, 2018: -RM21.9 billion).

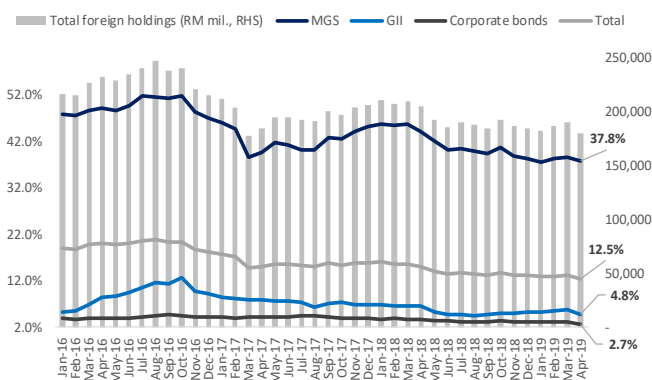
MGS and GII contributed most of the outflows followed by corporate bonds and treasury bills. MGS and GII recorded net outflows of RM7.1 billion (March 2019: +RM2.7 billion) in April with some of the outflows also contributed by the large volume of mature GII papers valued at RM10.0 billion. Both MGS and GII saw net outflows of RM3.5 billion each (March 2019; MGS: +RM1.4 billion, GII: +RM1.3 billion) with their respective foreign ownership of total outstanding coming in at 37.8% and 22.9% (March 2019; MGS: 38.7%, GII: 5.8%).

Exhibit 38: Summary of foreign holdings in local bonds

	Foreign holdings (RM mil)		Composition (%)		Foreign flows (RM mil)	
	Mar-19	Apr-19	Mar-19	Mar-19	Apr-19	Mar-19
MGS	150,660	147,115	38.7	150,660	147,115	38.7
GII	18,703	15,189	5.8	18,703	15,189	5.8
Treasury bills	2,132	895	32.8	2,132	895	32.8
BNM notes	5,000	5,000	28.9	5,000	5,000	28.9
Corporate bonds	13,470	11,947	3.0	13,470	11,947	3.0
Total	189,965	180,145	13.1	189,965	180,145	13.1

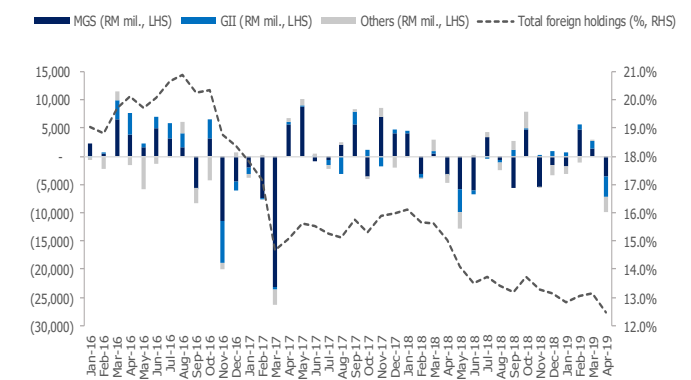
Sources: BNM, MARC Fixed Income Research

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



Sources: BNM, BPAM, MARC Fixed Income Research

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



Sources: BNM, BPAM, MARC Fixed Income Research

Ringgit

Against the US dollar

The ringgit continued to fall in April against the backdrop of exodus of foreign funds

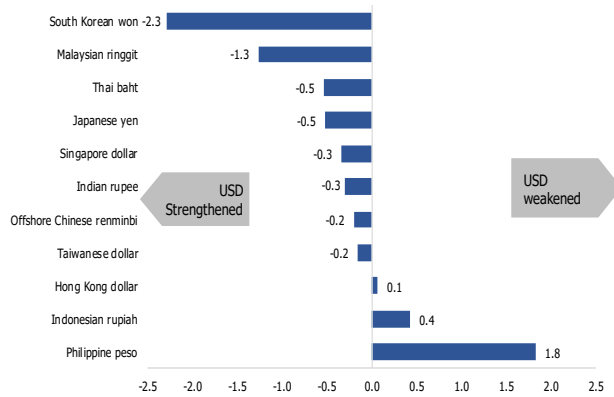
The ringgit continued to fall against the US dollar in April amid rising expectations that BNM would cut the OPR by 25 bps in May against the backdrop of a possible growth slowdown. The local note also suffered several knee-jerk reactions throughout the month. It was hit by several downbeat announcements causing an exodus of foreign funds in both local bond and equity markets; (1) Norway's SWF proposal to omit EM bonds from its fixed income benchmark, (2) possible exclusion of Malaysia in FTSE Russell's WGBI, 3) rising uncertainty on whether the government would intervene in curbing the ringgit's fall. By end-April, the ringgit depreciated against the greenback by 527 pips to settle at RM4.1347 (March 2019: RM4.0820).

Against other major currencies

It was also weaker against most other major currencies

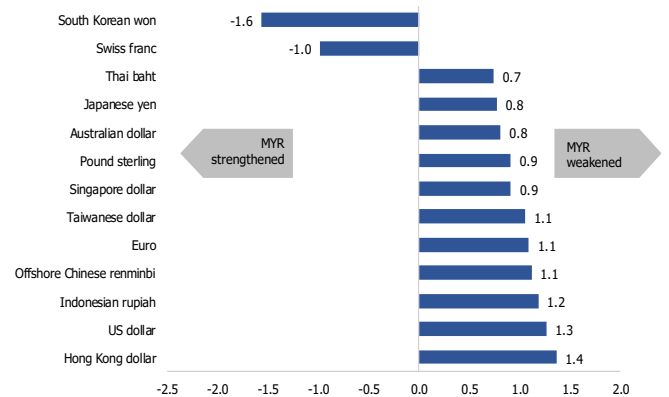
The ringgit was also weaker against a basket of other major currencies in April m-o-m. It fell against the Euro (RM4.6357), the Singapore dollar (RM3.0405), the pound sterling (RM5.3662), and the Japanese yen (RM3.7112 per JPY100).

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



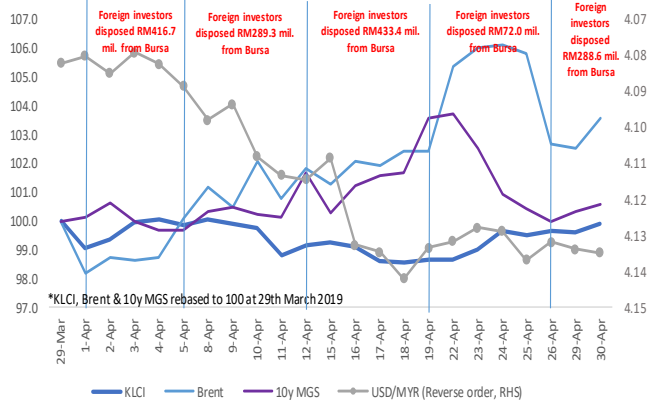
Sources: Bloomberg, MARC Fixed Income Research

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



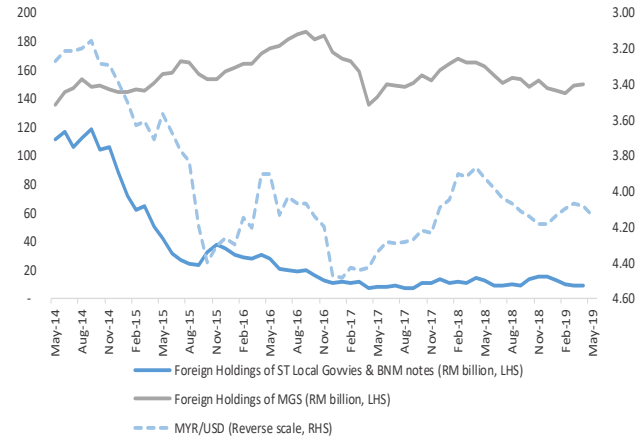
Sources: Bloomberg, MARC Fixed Income Research

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



Sources: 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



Sources: Bloomberg, BNM, MARC Fixed Income Research

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