

MALAYSIAN RATING CORPORATION BERHAD  
(1040011)

# MARCH 2019

## Monthly Bond Market & Rating Snapshot

FINANCIAL VARIABLE	FEB-19	MAR-19	M-O-M CHANGE
<b>OVERNIGHT POLICY RATE (%)</b>	3.25	3.25	0 bp
<b>3-YEAR BENCHMARK MGS (%)</b>	3.56	3.38	-18 bps
<b>10-YEAR BENCHMARK MGS (%)</b>	3.89	3.77	-12 bps
<b>3-YEAR IRS (%)</b>	3.69	3.54	-15 bps
<b>10-YEAR IRS (%)</b>	4.06	3.92	-14 bps
<b>RINGGIT 3-YEAR AAA (%)</b>	4.16	4.09	-7 bps
<b>RINGGIT 3-YEAR AA (%)</b>	4.46	4.38	-8 bps
<b>RINGGIT 3-YEAR A (%)</b>	5.77	5.73	-4 bps
<b>2-YEAR US TREASURY (%)</b>	2.51	2.26	-25 bps
<b>10-YEAR US TREASURY (%)</b>	2.72	2.41	-31 bps
<b>MYR/USD</b>	4.07	4.08	-0.4%
<b>US DOLLAR INDEX</b>	96.2	97.3	1.2%
<b>BRENT CRUDE (USD/BARREL)</b>	66.0	68.4	3.6%
<b>GOLD SPOT (USD/OUNCE)</b>	1,313.31	1,292.30	-1.6%
<b>KLCI Index</b>	1,707.73	1,643.63	-3.8%
<b>S&amp;P 500 Index</b>	2,784.49	2,834.40	1.8%

Source: Bloomberg, MARC Fixed Income Research



Fixed Income Research led by:

**Nor Zahidi Alias**  
Chief Economist  
+603 2717 2936  
[zahidi@marc.com.my](mailto:zahidi@marc.com.my)

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In the US, the Federal Reserve (Fed) expects inflation to overshoot its 2% target as it has been below the target for most of the last decade. In the euro zone, the manufacturing Purchasing Managers' Index (PMI) deteriorated to a six-year low of 47.5 in March. In China, the government is projecting a slower gross domestic product (GDP) growth pace of between 6.0% and 6.5% in 2019 after growth moderated to 6.6% in 2018, the slowest in 28 years.

### Malaysian Government Bond Market 3

Local govies continued to rally in March with yields falling sharply across the curve in tandem with interest rate swap (IRS) rates. The secondary market's upbeat performance was mainly supported by expectations of lower interest rates in the near term given Bank Negara Malaysia's (BNM) dovish remarks. By end-March, the benchmark Malaysian Government Securities (MGS) yield curve had shifted lower with yields across the curve having fallen by between 12 to 21 basis points (bps).

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The ringgit ended March lower by 0.4% m-o-m against the US dollar, thus reversing two months of strengthening momentum. Notwithstanding this, it ended the month higher against other major currencies except for the Japanese yen.

## Global Markets

### A quick review

*The US Fed has indicated that it expects inflation to overshoot its 2% target*

The US Fed expects inflation to overshoot its 2% target over an unspecified timeframe as inflation has been below the target for most of the last decade. The core personal consumption expenditure (PCE) index – its main inflation benchmark – rose 1.8% in January, after hitting its target of 2.0% in December 2018. Meanwhile, the US Treasury (UST) yield curve inverted in March when the US three-month government bond yield, which averaged 2.43%, surpassed the 10-year yield of 2.40%. As at end-March, the longer end of the yield curve was lower with the 10y and 30y yields down by 31 bps and 27 bps. Meanwhile, the 2y10y UST yield spread narrowed to 15 bps from 20 bps previously.

*In the euro zone, the manufacturing PMI deteriorated to a six-year low of 47.5 in March*

In the euro zone, the March PMI for manufacturing fell to a six-year low of 47.5, driven primarily by weakness in the intermediate and investment goods sectors. The PMIs of the major economies — Germany, Italy and France — also contracted following slower new orders. The European Union (EU) recorded a trade deficit of EUR24.9 billion in January, following a surplus of EUR0.8 billion in December 2018. The union bloc's trade surplus with the US increased to EUR11.5 billion but its trade deficit with China widened to EUR21.4 billion. Meanwhile, UK Prime Minister Theresa May has requested from the EU for an extension of the Brexit deadline from the current April 12, 2019 to June 30, 2019.

*China expects its 2019 GDP growth to slow to between 6.0% and 6.5%*

In China, the government is projecting a slower growth pace of between 6.0% and 6.5% in 2019 after the economy grew 6.6% in 2018, the slowest pace in 28 years. The government has agreed to cut taxes and fees worth RMB2 trillion to counter the economic slowdown. It will slash value-added tax for transportation, construction, manufacturing, and other sectors. US-China trade tensions have taken a toll on China's trade performance. In February, its trade surplus with the US, its largest export market, narrowed significantly to USD14.7 billion from USD27.3 billion in January.

**Exhibit 1: Summary of US rates**

US rates (%)	Feb-19	Mar-19	M-o-m change
Federal Funds Rate (Upper Bound)	2.50	2.50	0 bp
2-year UST	2.51	2.26	-25 bps
5-year UST	2.51	2.23	-28 bps
10-year UST	2.72	2.41	-31 bps
30-year UST	3.08	2.81	-27 bp

Source: Bloomberg, MARC Fixed Income Research

**Exhibit 2: Summary of euro rates**

Euro rates (%)	Feb-19	Mar-19	M-o-m change
European Central Bank Deposit Facility Rate	-0.40	-0.40	0 bp
2-year Bund	-0.52	-0.60	-8 bps
5-year Bund	-0.28	-0.45	-17 bps
10-year Bund	0.18	-0.07	-25 bps
30-year Bund	0.81	0.57	-24 bps

Source: Bloomberg, MARC Fixed Income Research

**Exhibit 3: Summary of UK rates**

UK rates (%)	Feb-19	Mar-19	M-o-m change
Bank of England Official Bank Rate	0.75	0.75	0 bp
2-year Gilt	0.83	0.64	-19 bps
5-year Gilt	1.02	0.76	-26 bps
10-year Gilt	1.30	1.00	-30 bps
30-year Gilt	1.82	1.55	-27 bps

Source: Bloomberg, MARC Fixed Income Research

**Exhibit 4: Summary of Japan rates**

Japan rates (%)	Feb-19	Mar-19	M-o-m change
Bank of Japan Short-term Interest Rate	-0.10	-0.10	0 bp
2-year JGB	-0.15	-0.17	-2 bp
5-year JGB	-0.16	-0.20	-4 bp
10-year JGB	-0.02	-0.08	-6 bps
30-year JGB	0.61	0.51	-10 bp

Source: Bloomberg, MARC Fixed Income Research

# Malaysian Government Bond Market

## Primary market review

*Total outstanding MGS/GII surged in March due mainly to higher gross issuance of GII*

In March, the combined total outstanding MGS and Government Investment Issues (GII) surged to RM741.9 billion (February 2019: RM733.5 billion). The increase was mainly attributed to the higher gross issuance of GII papers (March: RM8.5 billion; February: RM3.0 billion), which offset the large volume of matured MGS papers (March: RM7.2 billion; February 2019: zero). For 1Q 2019 overall, gross issuance of MGS/GII grew by 11.6% y-o-y to RM36.5 billion (1Q 2018: RM32.7 billion) with GII papers dominating. The GII-to-MGS ratio had come in at 56:44, compared with 43:57 in 1Q 2018.

*Bulk of bidding interest in MGS/GII in public auctions supported by BNM's dovish stance and downward revision of growth forecast*

Demand for government bonds was healthy in March. All tendered issues were oversubscribed with total bids amounting to RM29.0 billion (February 2019: RM18.0 billion). Both the 3y MGS and 20.5y GII recorded strong bid-to-cover (BTC) ratios of 3.1x and 2.8x, which beat the one-year average of 2.4x for all MGS/GII public auctions. Support came from the dovish tilt in BNM's Monetary Policy Committee (MPC) meeting in March as well as the upbeat February 2019 foreign holdings data. Meanwhile, both the 30y MGS and 7y GII recorded decent BTC ratios of 1.7x and 2.3x though demand for the former was slightly weaker because of its large size and relatively long duration. In the case of the 7y GII, bidding interest was high because of benign inflation and slower growth outlook.

**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
Feb-19	5.0	3.0	8.0	-	0.5	0.5	5.0	2.5	7.5	389.3	344.2	733.5
Mar-19	7.0	8.5	15.5	7.2	-	7.2	-0.2	8.5	8.3	389.2	352.7	741.9
1Q 2019	16.0	20.5	36.5	7.2	0.5	7.7	8.8	20.0	28.8			

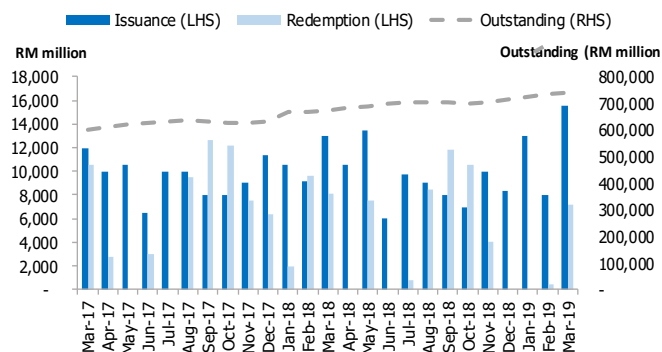
Source: BNM Bond Info Hub, MARC Fixed Income Research

**Exhibit 6: MGS auction results in March 2019**

Issues	Tenure (years)	Issue date	Amount (RM mil)	BTC (x)	Average yield (%)
3-yr Reopening of MGS 03/22 3.882%	3	8-Mar-19	3,000	3.13	3.483
20.5-yr New Issue of MGII (Mat on 09/39)	20.5	15-Mar-19	2,500	2.76	4.467
30-yr Reopening of MGS 07/48 4.291%	30	22-Mar-19	2,000	1.72	4.591
7-yr New Issue of MGII (Mat on 03/26)	7	29-Mar-19	4,000	2.33	3.726

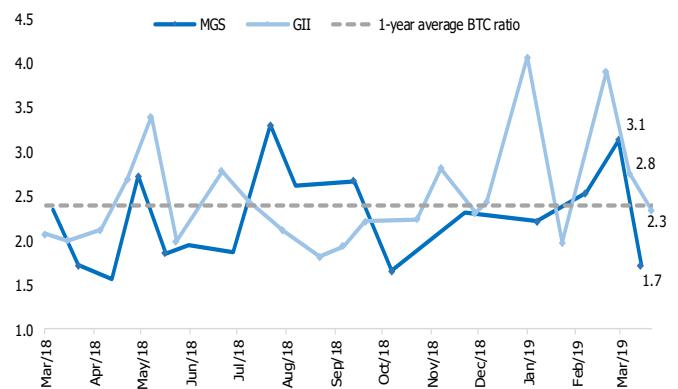
Source: BNM Fast, MARC Fixed Income Research

**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

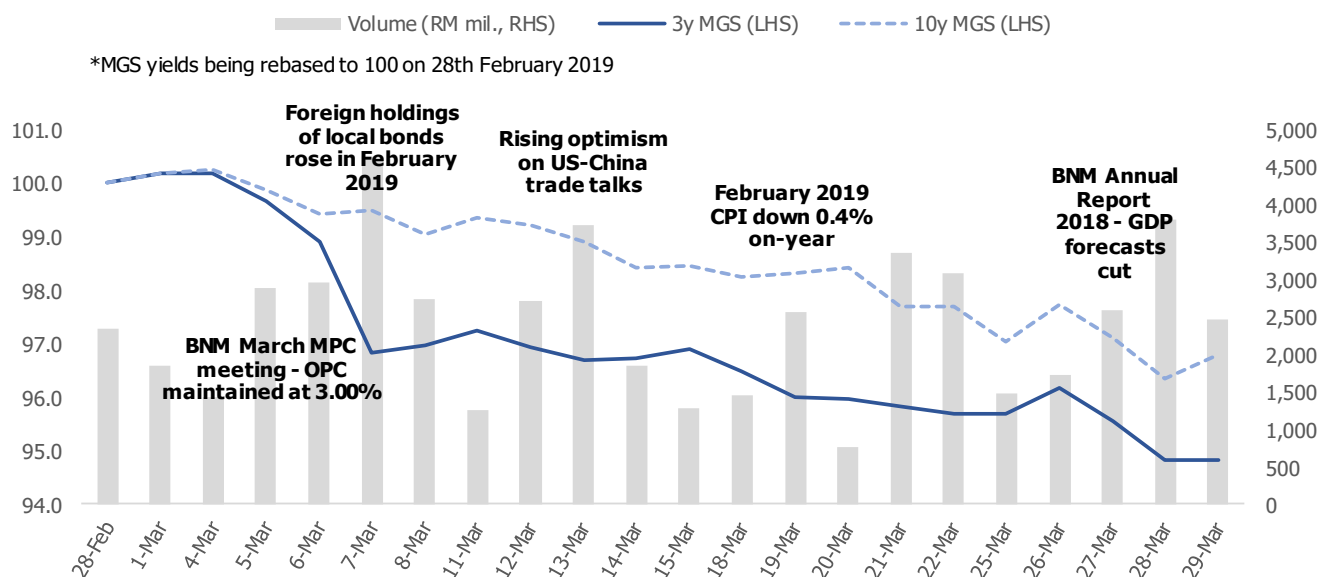
*Yields on local govvies fell sharply in March on the BNM's and Fed's dovish stance*

Local govvies continued to rally in March with yields across the curve falling sharply in tandem with IRS rates. The secondary market's upbeat performance was mainly supported by expectation of lower interest rates in the future given BNM's dovish stance. Monthly trading volume in March had ballooned to RM102.3 billion (February 2019: RM77.9 billion) with heavy trading interest seen along the belly till the long-end of the curve. BNM had in March revised downwards its 2019 macroeconomic forecasts. It expects inflation to be muted in 2019 though it kept the Overnight Policy Rate (OPR) unchanged at 3.00%. Meanwhile, the Fed's more dovish-than-expected stance in March also boosted demand for local govvies. It indicated that it would abandon projections for any Federal Funds Rate (FFR) hikes for 2019 and halt its balance sheet runoff by September this year.

*The benchmark MGS yield curve ended March lower, slightly flatter*

The benchmark MGS yield curve was lower at end-March with yields across the curve down by between 12 bps and 21 bps. The yield curve was slightly flatter given the narrowing of the 20y/3y MGS spread to 90 bps (February 2019: 93 bps). The 10y MGS ended March lower by 12 bps m-o-m at 3.77% (February 2019: 3.89%). Its yield fell sharply after the release by BNM of its February ringgit bonds foreign holdings data, which showed a jump, the first in four months.

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



Source: Bloomberg, BPAM, MARC Fixed Income Research

**Exhibit 10: MGS benchmark yields**

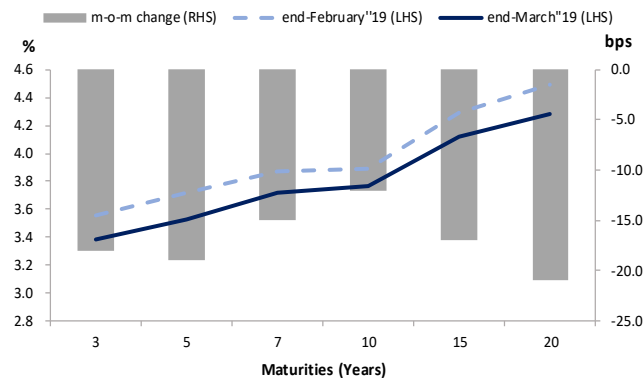
MGS yields (%)	Feb-19	Mar-19	M-o-m change
3-year MGS	3.56	3.38	-18 bps
5-year MGS	3.72	3.53	-19 bps
7-year MGS	3.87	3.72	-15 bps
10-year MGS	3.89	3.77	-12 bps
15-year MGS	4.29	4.12	-17 bps

Source: Bloomberg, MARC Fixed Income Research

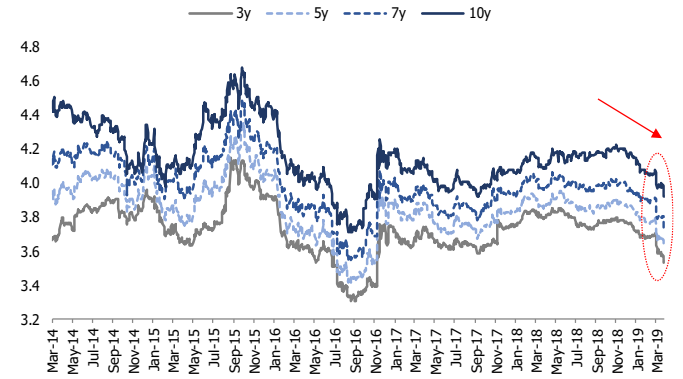
**Exhibit 11: OPR and IRS rates**

Rates (%)	Feb-19	Mar-19	M-o-m change
Overnight Policy Rate	3.25	3.25	0 bp
1-year IRS	3.66	3.54	-12 bps
3-year IRS	3.69	3.54	-15 bps
5-year IRS	3.78	3.62	-16 bps
10-year IRS	4.06	3.92	-14 bps

Source: Bloomberg, MARC Fixed Income Research

**Exhibit 12: MGS yield curves**


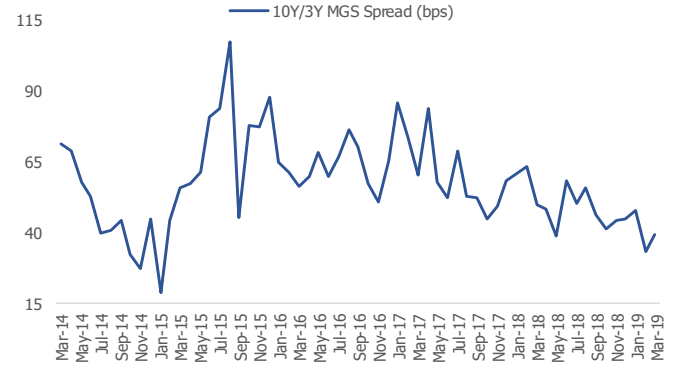
Source: Bloomberg, MARC Fixed Income Research

**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 March 2019**

Security	Traded amount (RM mil)	Issue tenure (Years)	Last traded yield (%)
GII MURABAHAH 3/2018 4.094% 30.11.2023	6,237	5	3.60%
GII MURABAHAH 2/2018 4.369% 31.10.2028	5,574	10	3.88%
MGS 2/2018 3.757% 20.04.2023	4,186	5	3.53%
MGS 2/2009 4.378% 29.11.2019	3,987	10	3.35%
GII MURABAHAH 1/2019 4.130% 09.07.2029	3,957	10	3.81%

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
Feb-19	1,842	2,033	6,266	4,085	4,121	5,523	5,849	9,249	7,132
Mar-19	668	775	10,435	1,192	5,837	7,400	5,673	8,395	10,261
M-o-m change	-1,174	-1,257	4,170	-2,894	1,716	1,877	-176	-854	3,129

Source: BPAM, MARC Fixed Income Research

## Malaysian Corporate Bond Primary Market

Corporate bond issuances rose m-o-m amid issuance surge from both the unrated corporate and GG bond segments

For the fourth consecutive month, corporate bond issuances rose in March, coming in higher at RM11.3 billion (February 2019: RM9.1 billion). The increase in issuance activities was mainly attributed to issuances in both the unrated corporate and government-guaranteed (GG) bond segments, which rose m-o-m to RM2.7 billion (February 2019: RM0.9 billion) and RM5.1 billion (February 2019: RM4.0 billion). The top issuer was Perbadanan Tabung Pendidikan Tinggi Nasional (PTPN) with its three tranches of Islamic Medium-Term Notes (IMTN) that amounted to RM3.0 billion. Meanwhile, other corporate bond segments also registered increases except for rated corporate bonds.

Overall, corporate bond issuances in 1Q 2019 fell y-o-y on lower issuances in the rated corporate and Cagamas bond segments

For 1Q 2019 overall, however, corporate bond issuances came in lower by 3.3% y-o-y at RM26.4 billion (1Q 2018: RM29.6 billion). This was largely due to the sharp fall in issuances in both the rated corporate and Cagamas bond segments. Among the top issuers in 1Q 2019 were Maybank Bhd (RM3.7 billion), Pengurusan Air SPV Bhd (RM3.5 billion), DanaInfra Nasional Bhd (RM3.0 billion), PTPTN (RM3.0 billion), and Prasarana Malaysia Bhd (RM1.5 billion).

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

Year	Unrated corporate bonds	Unrated government-guaranteed	Total unrated	Rated corporate bonds	Cagamas	Total rated	Total corporate bonds
Feb-19	0.9	4.0	4.9	4.3	-	4.3	9.1
Mar-19	2.7	5.1	7.8	3.4	0.2	3.5	11.3
M-o-m change	1.8	1.1	2.9	-0.9	0.2	-0.7	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
1Q 2019	5.0	9.1	14.1	12.0	0.2	12.2	26.4

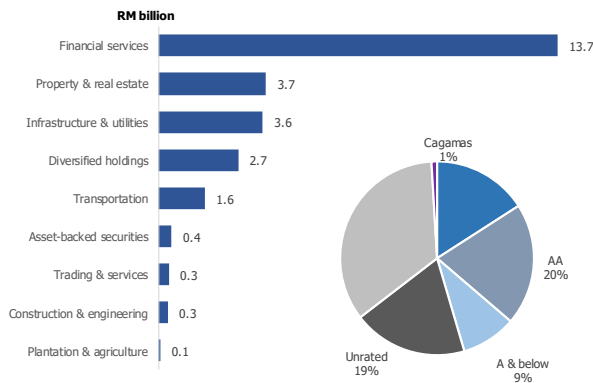
Source: BPAM, MARC Fixed Income Research

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

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

Issuer	Industry	Category	Principle	No. of issues	Amount (RM bil)	Tenure (years)	Coupon (%)
PTPTN	Financial services	GG	Islamic	3	3.0	10 - 20	4.27 - 4.80
Prasarana Malaysia Berhad	Financial services	GG	Islamic	3	1.5	10 - 15	4.20 - 4.53

Source: BPAM, MARC Fixed Income Research

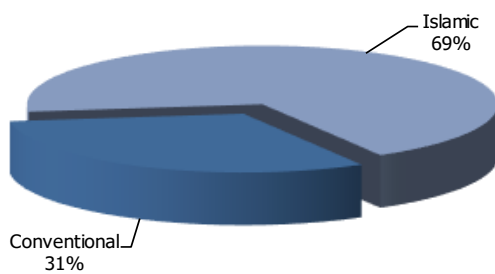
**Exhibit 21: Corporate bond issuance composition by sector and ratings in March 2019**


Source: BPAM, MARC Fixed Income Research

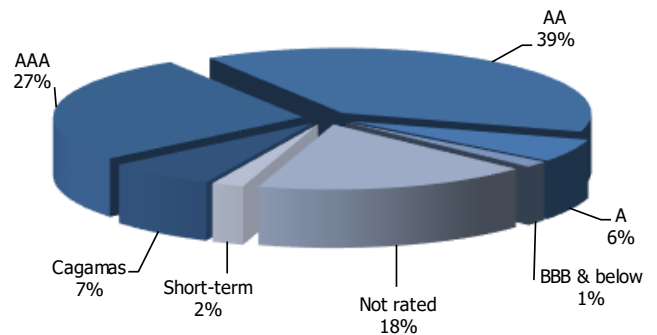
**Exhibit 22: Outstanding size of Cagamas and corporate bonds as of March 2019 (RM billion)**

Asset class	Conventional	Islamic	Total
Cagamas	19.5	14.1	33.7
Corporate Bonds	138.8	303.3	442.1
Corporate	55.3	220.2	275.5
Corporate guaranteed	20.7	49.3	70.0
Financial	56.2	29.5	85.7
ABS	6.6	4.3	10.9

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 (%)	Feb-19	Mar-19	M-o-m change
3-year	4.16	4.09	-7 bps
5-year	4.34	4.23	-11 bps
7-year	4.48	4.37	-11 bps
10-year	4.63	4.52	-11 bps

Source: Bloomberg, MARC Fixed Income Research

**Exhibit 26: AA/AA2 corporate benchmark yields**

AA/AA2 (%)	Feb-19	Mar-19	M-o-m change
3-year	4.46	4.38	-8 bps
5-year	4.63	4.54	-9 bps
7-year	4.79	4.69	-10 bps
10-year	4.98	4.86	-12 bps

Source: Bloomberg, MARC Fixed Income Research

**Exhibit 27: A/A2 corporate benchmark yields**

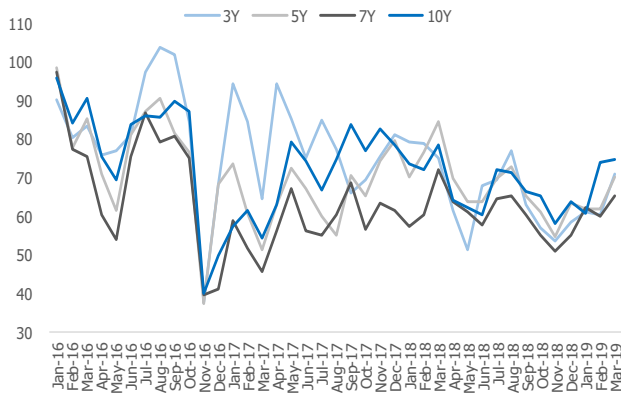
A/A2 (%)	Feb-19	Mar-19	M-o-m change
3-year	5.80	5.76	-4 bps
5-year	6.22	6.18	-4 bps
7-year	6.71	6.66	-5 bps
10-year	7.40	7.32	-8 bps

Source: Bloomberg, MARC Fixed Income Research

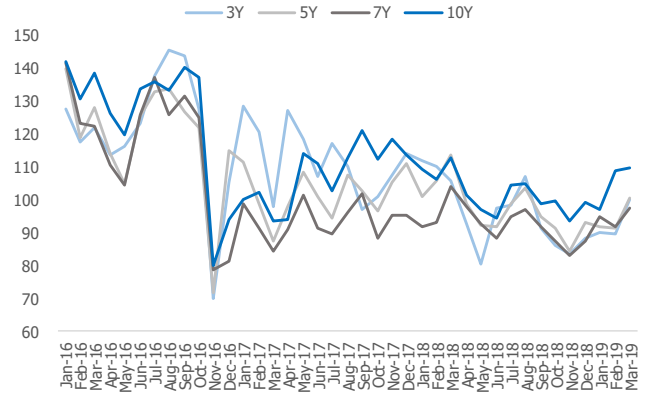
**Exhibit 28: AAA, AA/A2, A/A2 blended credit spreads**

AAA, AA/A2 & A/A2 (%)	Feb-19	Mar-19	M-o-m change
3-year	143	155	12 bps
5-year	155	167	12 bps
7-year	169	177	8 bps
10-year	208	210	2 bps

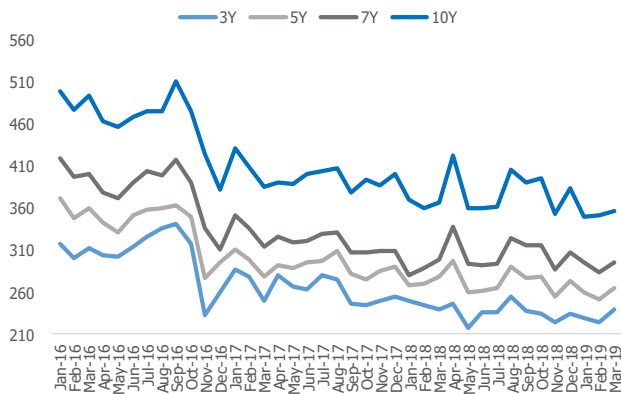
Source: Bloomberg, MARC Fixed Income Research

**Exhibit 29: AAA corporate bonds yield spread (bps)**


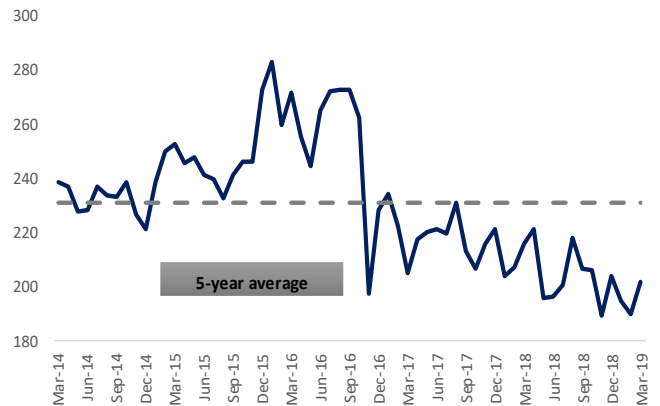
Source: Bloomberg, MARC Fixed Income Research

**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	Feb-19	Mar-19	M-o-m change
MGS/GII	77.2	100.8	23.6
Cagamas	0.9	0.1	-0.7
FI corporate	0.6	1.7	1.0
Non-FI corporate	5.9	8.3	2.4

Source: BPAM, MARC Fixed Income Research

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

Rating band	Feb-19	Mar-19	M-o-m change
AAA	1.9	2.6	0.7
AA	3.4	4.6	1.2
A	0.3	0.6	0.3
BBB and below	-	-	-
Short-term	0.3	0.4	0.1

Source: BPAM, MARC Fixed Income Research



## MARC Rating Activities

MARC affirmed seven issue ratings, withdrew one, and downgraded one

In March, MARC affirmed a total of seven issue ratings from six different issuers. Issues from Sistem Penyuraian Trafik KL Barat Sdn Bhd's (SPRINT), Inverfin Sdn Bhd and Projek Lebuhraya Usahasama Bhd had their rating outlook revised while other issues were unchanged. MARC also withdrew, at the request of the issuer, its AAA<sub>(cg)</sub> rating on TRIplc Ventures Sdn Bhd's (TVSB) RM240.0 million Senior Medium-Term Notes (MTN) Programme.

As for migration activity, MARC lowered to AA- its AA rating on Murud Capital Sdn Bhd's Senior Commercial Papers (CP)/MTN programme of up to RM290.0 million. The downgrade reflects the reduced headroom in the loan-to-value band in line with the decline in Murud Capital's net operating income (NOI) on lower occupancy at Platinum Sentral, the collateral property.

There were no new issues placed under MARCWatch in March. QSP Semenanjung's RM1.0 billion Green Sukuk Rating remained under MARCWatch Negative as at end-March.

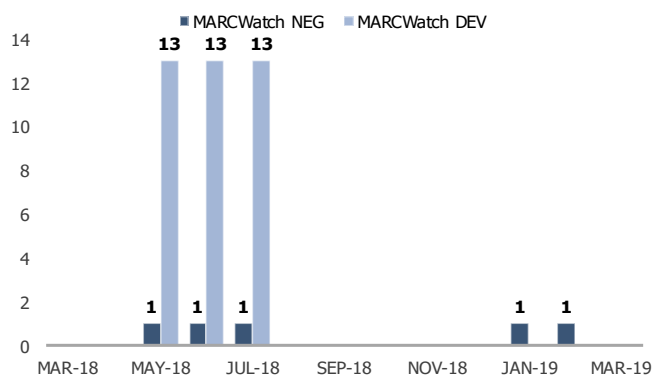
**Exhibit 35: List of rating actions in March 2019**

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	Project Finance	Infrastructure & Utilities	Sistem Penyuraian Trafik KL Barat Sdn Bhd	27-Mar-19	AFFIRMED	DEV	A+	A+			510	
Conventional	Structured Finance	Property	Inverfin Sdn Bhd	27-Mar-19	AFFIRMED	NEG	AAA	AAA			185	
Islamic	Corporate Debt	Infrastructure & Utilities	Malaysia Marine and Heavy Engineering Holdings Berhad	27-Mar-19	AFFIRMED	STA	AA-	AA-			1,000	
Conventional	Structured Finance	Property	Murud Capital Sdn Bhd	27-Mar-19	DOWNGRADED	NEG	AA	AA-	MARC-1	MARC-1	290	
Islamic	Project Finance	Infrastructure & Utilities	Projek Lebuhraya Usahasama Berhad	25-Mar-19	AFFIRMED	STA	AAA	AAA			23,350	
Islamic	Project Finance	Trading/Services	Alpha Circle Sdn Bhd	20-Mar-19	AFFIRMED	NEG	AA-	AA-			540	
Islamic	Project Finance	Trading/Services	Alpha Circle Sdn Bhd	20-Mar-19	AFFIRMED	NEG	A	A			55	
Conventional	Structured Finance	Construction	TRIplc Ventures Sdn Bhd	14-Mar-19	WITHDRAWN	STA	AAA	AAA			240	fg
Islamic	Project Finance	Infrastructure & Utilities	Jimah East Power Sdn Bhd	6-Mar-19	AFFIRMED	STA	AA-	AA-			10,000	

Source: MARC Fixed Income Research

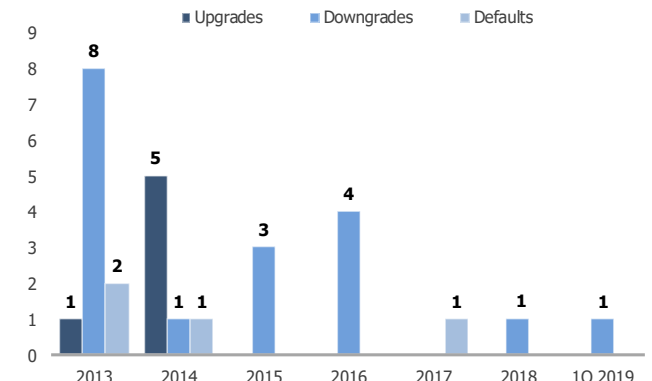
\*cg – corporate guarantee

**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

The local bond market recorded foreign net inflows for the second consecutive month in March

Buying interest mostly concentrated on MGS and GII papers

Foreign investors continued to snap up local bonds in March albeit at a slower pace. Foreign holdings rose RM2.9 billion (February 2019: +RM4.5 billion) to RM190.0 billion (February 2019: RM187.0 billion), supported by the dovish stance of both the Fed and BNM. BNM's benign inflation outlook, together with positive developments in the US-China trade talks, also spurred foreign investors' appetite for local govies. Foreign buying interest was, however, capped by the fall in the ringgit and crude oil prices. As of end-March, foreign ownership of local bonds stood at 13.1% (February 2019: 13.0%) of total outstanding.

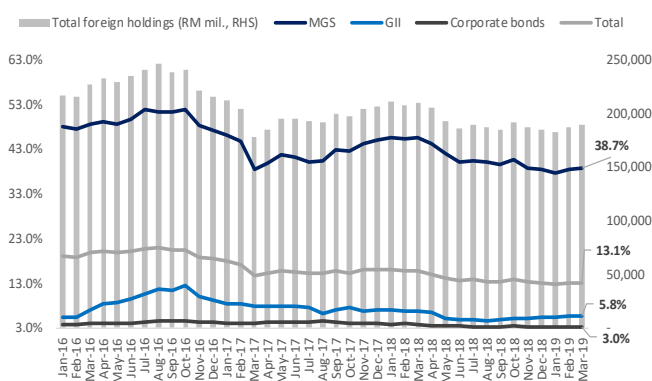
MGS and GII, the main drivers of foreign inflows in March, saw inflows of RM1.4 billion and RM1.3 billion (February 2019: MGS, RM4.9 billion; GII, RM0.8 billion). As of end-March, foreign holdings of MGS and GII stood at RM150.7 billion and RM18.7 billion (January 2019: MGS, RM144.4 billion; GII, RM16.6 billion). Foreign investors' holdings of MGS in March were the highest since August 2018. Meanwhile, foreign ownership of MGS and GII stood at 38.7% and 5.8% of the respective total outstanding amounts in March (February 2019: MGS, 38.3%; GII, 5.5%). For 1Q 2019 overall, the local bond market recorded total net foreign inflows of RM5.1 billion (1Q 2018: RM3.4 billion; 4Q 2018: RM0.4 billion).

**Exhibit 38: Summary of foreign holdings in local bonds**

	Foreign holdings (RM mil)		Composition (%)		Foreign flows (RM mil)	
	Feb-19	Mar-19	Feb-19	Mar-19	Feb-19	Mar-19
MGS	149,271	150,659	38.3	38.7	4,857	1,389
GII	17,402	18,703	5.5	5.8	848	1,301
Treasury bills	1,872	2,132	31.2	32.8	-793	260
BNM notes	5,000	5,000	29.1	28.9	-	-
Corporate bonds	13,478	13,470	3.1	3.0	-366	-8
<b>Total</b>	<b>187,022</b>	<b>189,965</b>	<b>13.0</b>	<b>13.1</b>	<b>4,547</b>	<b>2,942</b>

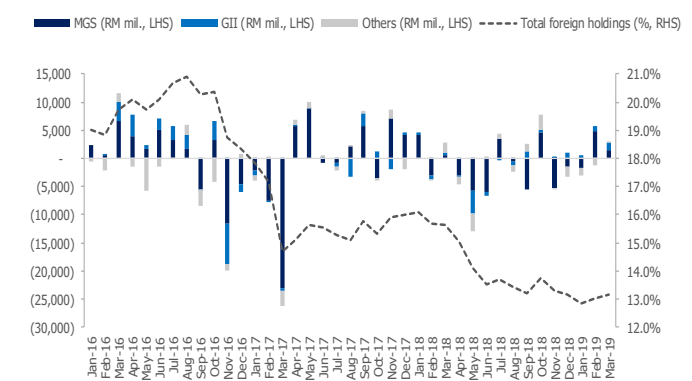
Source: BNM, MARC Fixed Income Research

**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 ended March lower against the US dollar

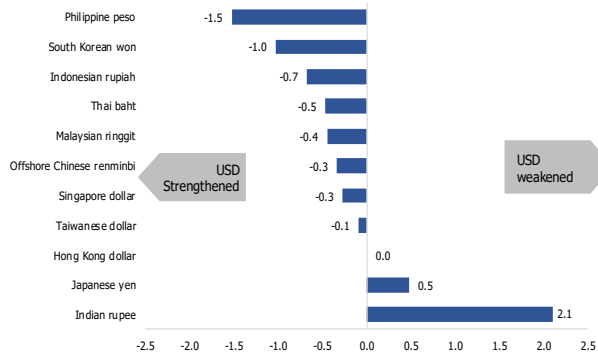
The ringgit reversed its previous two months' uptrend against the US dollar to end March lower by 162 pips at 4.0820 compared with 4.0658 previously. Throughout the month, the local unit was pressured by volatile crude and palm oil prices as well as global uncertainties that include the US-China trade tensions, which had kept investors on the side lines.

## Against other major currencies

It was firmer against most other major currencies except for the Japanese yen

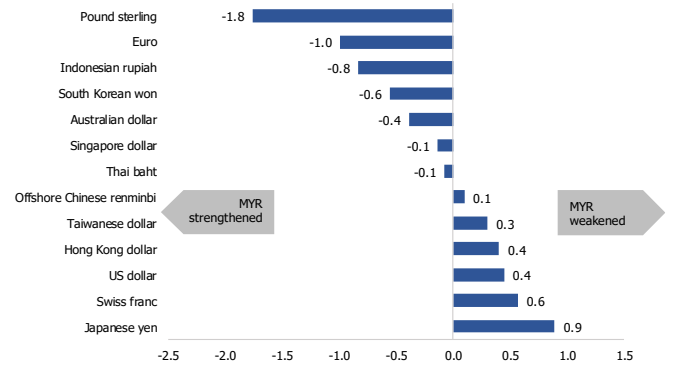
The ringgit ended the month mostly higher against other major currencies. It was stronger against the pound sterling (RM5.3177), the Euro (RM4.5855) and the Singapore dollar (RM3.0129) but weaker against the Japanese yen (RM3.6827 per JPY100).

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



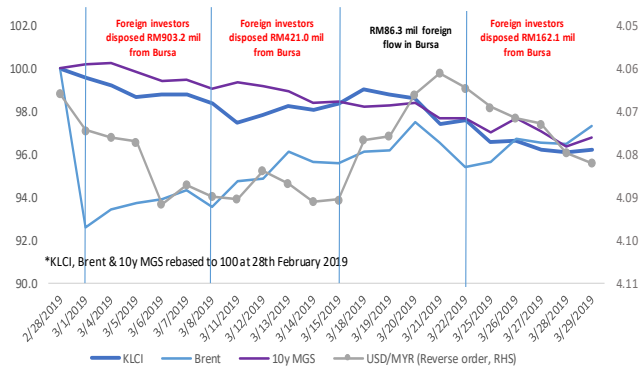
Source: Bloomberg, MARC Fixed Income Research

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



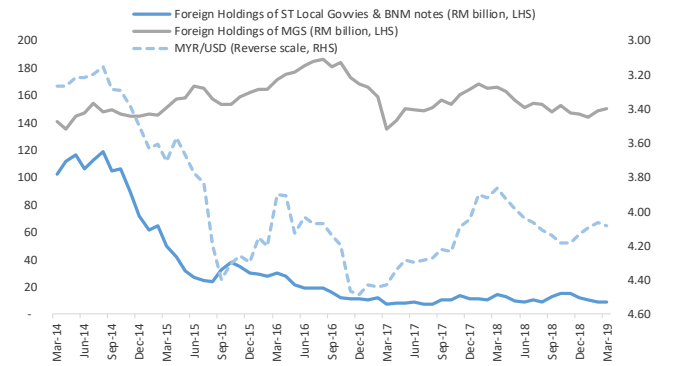
Source: Bloomberg, MARC Fixed Income Research

**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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19-07, 19<sup>th</sup> 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](mailto:marc@marc.com.my)  
Website: [www.marc.com.my](http://www.marc.com.my)