

## MARC: Foreign holdings of M'sian bonds fell by RM4.2b in May, lowest since Dec 2011

Surin Murugiah / [theedgemarkets.com](http://theedgemarkets.com)  
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KUALA LUMPUR (June 13): Foreign holdings of Malaysian bonds dropped by RM4.2 billion in May to its lowest level since December 2011, according to Malaysian Rating Corp Bhd (MARC).

In its Monthly Bond Market & Rating Snapshot for May 2019, the rating agency said total foreign ownership declined to 11.9% of total outstanding as outflows increased following a weaker ringgit, falling crude oil prices and slower gross domestic product (GDP) growth in the first quarter of 2019 (1Q19).

Expectations of a prolonged US-China trade war also caused foreign investors to shrug off local bonds.

MARC said that in May, foreign holdings of Malaysian Government Securities (MGS) and Government Investment Issues (GII) also dropped to 35.8% and 4.5%, respectively, of total outstanding while treasury bills saw net foreign outflows of RM10 million.

On the flip side, there was a minor increase in foreign purchases of corporate bonds (RM900 million), said the rating agency.

Notwithstanding this, MARC said foreign sell-off in May was mitigated by increased buying interest by local investors.

It said yields along the short end to the belly of the curve were down by one to 10 basis points (bps) while yields further up the curve were down by five bps.

The 10-year MGS was down by one bp to 3.78%.

MARC said demand was mainly driven by the cut in the overnight policy rate (OPR), Bank Negara Malaysia's (BNM) measures to boost both the bond and foreign exchange markets, and steady April Consumer Price Index (CPI) growth.

"Meanwhile, the primary market for MGS and GII also received heavy support from local investors.

"All tendered issues were oversubscribed with heavy bidding interest slanted towards the GII papers, with both the 30.5-year and 15.5-year GII registering bid-to-cover (BTC) ratios of 3.3x and 3.4x. However, the 10-year MGS only recorded a BTC ratio of 1.8x," it said.