

## Foreign holdings of local bonds at RM175.9 bil as of May: MARC



KUALA LUMPUR: Foreign holdings of local bonds dropped by RM4.2 billion in May to RM175.9 billion, the lowest level since December 2011, said Malaysian Rating Corp Bhd (MARC).

Total foreign ownership declined to 11.9 per cent of total outstanding as outflows increased following a weaker ringgit, falling crude oil prices and slower gross domestic product growth (GDP) in the first quarter.

The rating firm said expectations of a prolonged US-China trade war had also caused foreign investors to shrug off local bonds.

In its monthly bond market and rating snapshot, MARC said total net foreign outflows from Malaysian Government Securities (MGS) and Government Investment Issues (GII) outstanding had fallen to 35.8 per cent and 4.5 per cent, respectively. Both combined stood at RM4.3 billion in May.

Meanwhile, Malaysia recorded a net foreign outflow of RM8.9 billion in the first five months this year.

The largest foreign outflow came from Malaysian treasury bills totalling RM2.9 billion, with MGS coming in at a close second with RM2.8 billion.

MARC said Malaysia hds also faced two consecutive years of net foreign outflows totalling RM30.8 billion.

Cumulatively since 2005, foreign holdings of local bonds have been on a downtrend since July 2014 amounting to RM147.2 billion in May 2019.

Negative external developments including the oil price collapse and US-China trade war had been eroding the appetite of foreign investors for local bonds, it added.

Total outstanding MGS and GII in May climbed to RM754.4 billion due to higher gross issuance of GII papers worth RM8.0 billion, comprising 66.7 per cent of total gross issuance in May.

Gross issuance of MGS papers declined in May by RM3.0 billion to RM4.0 billion (April 2019: RM7.0 billion).

Year-to-date, gross issuance for both MGS/GII papers grew by 4.1 per cent year-on-year to RM59.0 billion.