

QUARTERLY REPORT

2Q 2018 (Apr18-June18)
July 2018



2Q2018 – Well Received New Government

The demand for short term Malaysia Government Security (MGS) increase compared to its longer term as reflected in the drop in yield of 16bps of the 3Y MGS as opposed to an increase of 2bps in the 10Y MGS from May to June'18. This is a reflection of the market uncertainty in the change in government that happened during the last election on 9 May 2018.

The market saw a jolt in 10-year MGS yield to as high as 4.27% after the election result. However, a smooth transition in power by newly elected Prime Minister Tun Dr Mahathir contain the volatility and currently the market normalizing at 4.20% as at end of June 2018.

GLOBAL MARKET

Overview

Federal Reserve increase the fed fund rate by 25 bp to 2% in June meeting. However, the market already anticipate the increase and the UST 10 year only rise 2 bp as at end June compared to end May 2018 yield.

MY Government Bond

Overview

MOF announce to follow its fiscal deficit to GDP target of 2.8% have help contain sentiment in the market as 10Y MGS yield normalizing around 4.20% despite the sell out in the longer-term bond as investor looking out for more certainty in the new government.

MY Corporate Bond & Sukuk

Overview

Corporate bond and sukuk in the AAA spectrum show improvement in June after more flexible policy roll out by the MOF.

1H18 issuance kept in pace with last year at RM55.0 bill compare to 1H17 at RM54.8 bill

Dec-17	Mar-18		Apr-18	MTM	May-18	MTM	June-18	MTM	QTQ	YTD
Close (%)	Close (%)	UST	Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
1.98	2.39	3 YEAR	2.62	0.23	2.54	-0.08	2.63	0.09	0.24	0.65
2.20	2.56	5 YEAR	2.79	0.23	2.68	-0.11	2.73	0.05	0.17	0.53
2.33	2.68	7 YEAR	2.91	0.23	2.78	-0.13	2.81	0.03	0.13	0.48
2.40	2.74	10 YEAR	2.95	0.21	2.83	-0.12	2.85	0.02	0.11	0.45

Dec-17	Mar-18		Apr-18	MTM	May-18	MTM	June-18	MTM	QTQ	YTD
Close (%)	Close (%)	MGS	Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.32	3.45	3 YEAR	3.65	0.20	3.79	0.14	3.63	-0.16	0.18	0.31
3.53	3.54	5 YEAR	3.77	0.23	3.84	0.07	3.85	0.01	0.31	0.32
3.88	3.83	7 YEAR	3.96	0.13	4.02	0.06	4.06	0.04	0.23	0.18
3.91	3.94	10 YEAR	4.13	0.19	4.18	0.05	4.20	0.02	0.26	0.29

Dec-17	Mar-18		Apr-18	MTM	May-18	MTM	June-18	MTM	QTQ	YTD
Close (%)	Close (%)	GII	Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.43	3.61	3 YEAR	3.79	0.18	3.76	-0.03	3.60	-0.16	-0.01	0.17
3.79	3.82	5 YEAR	3.85	0.03	4.03	0.18	4.00	-0.03	0.18	0.21
4.10	4.00	7 YEAR	4.13	0.13	4.17	0.04	4.18	0.01	0.18	0.08
4.19	4.15	10 YEAR	4.30	0.15	4.31	0.01	4.31	0.00	0.16	0.12

Dec-17	Mar-18		Apr-18	MTM	May-18	MTM	June-18	MTM	QTQ	YTD
Close (%)	Close (%)	BOND AAA	Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.28	4.33	3 YEAR	4.42	0.09	4.48	0.06	4.46	-0.02	0.13	0.18
4.49	4.51	5 YEAR	4.59	0.08	4.64	0.05	4.64	0.00	0.13	0.15
4.60	4.64	7 YEAR	4.72	0.08	4.77	0.05	4.75	-0.02	0.11	0.15
4.76	4.82	10 YEAR	4.88	0.06	4.93	0.05	4.89	-0.04	0.07	0.13

Dec-17	Mar-18		Apr-18	MTM	May-18	MTM	June-18	MTM	QTQ	YTD
Close (%)	Close (%)	SUKUK AAA	Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.22	4.26	3 YEAR	4.35	0.09	4.41	0.06	4.39	-0.02	0.13	0.17
4.43	4.44	5 YEAR	4.52	0.08	4.57	0.05	4.57	0.00	0.13	0.14
4.54	4.57	7 YEAR	4.65	0.08	4.70	0.05	4.68	-0.02	0.11	0.14
4.70	4.75	10 YEAR	4.81	0.06	4.86	0.05	4.82	-0.04	0.07	0.12

Sources: US Treasury, BNM, BPAM & BIX Malaysia

BOND & SUKUK RESEARCH

Strategy & Research Department
feedback@bixmalaysia.com

GOVERNMENT BOND AUCTION

Overview

Total Government bond matured during the quarter is RM7.5 billion while new and reopening auction issued at RM30 billion. The take up during the quarter is decent with the average btc at 2.3401 with the highest for 7 year GII 08/25 at 3.397 btc and lowest 5 year MGS 04/23 at 1.563 btc.

2Q18 AUCTION

No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		Low	Average	High
1	GII 08/37	20-year	Re-opening	13-Apr-18	2,500	27,500	2.118	4.79%	4.80%	4.83%
2	MGS 04/23	5-year	New Issue	20-Apr-18	4,000	31,500	1.563	3.73%	3.76%	3.78%
3	GII 10/28	10.5-year	New Issue	30-Apr-18	4,000	35,500	2.696	4.34%	4.37%	4.39%
4	MGS 11/33	15.5-year	New Issue	7-May-18	3,000	38,500	2.722	4.62%	4.64%	4.65%
5	GII 08/25	7-year	Re-opening	14-May-18	3,000	41,500	3.397	4.18%	4.20%	4.22%
6	MGS 06/28	10-year	Re-opening	24-May-18	3,500	45,000	1.851	4.18%	4.20%	4.22%
7	GII 11/23	5.5-year	New Issue	31-May-18	4,000	49,000	1.989	4.07%	4.09%	4.11%
8	MGS 06/38	20-year	New Issue	8-Jun-18	2,500	51,500	1.942	4.87%	4.89%	4.91%
9	GII 06/33	15-year	Re-opening	29-Jun-18	3,500	55,000	2.783	4.77%	4.78%	4.79%

Source BNM, BIX Malaysia

For 3Q2018, there will be 2 GII maturing for August amounting to of RM17 billion and 1 MGS maturing amounting to RM11.86 billion in September. There will be 6 auction of MGS and 9 GII for next quarter.

UPCOMING ISSUANCE

No	Stock	Tenure	Type	Tender	Issuance	Amt Issued	Bid/Cover	Yield		
		Year		Date	(RM mil)	YTD		Low	Average	High
1	MGS 07/48	30-year	New Issue	July						
2	GII 10/28	10-year	Re-opening	July						
3	MGS 03/25	7-year	Re-opening	July						
4	GII 08/37	20-year	Re-opening	August						
5	MGS 11/33	15-year	Re-opening	August						
6	GII 11/23	5-year	Re-opening	August						
7	GII 05/47	30-year	Re-opening	September						
8	MGS 06/28	10-year	Re-opening	September						
9	GII 03/22	3.5-year	New Issue	September						
10	MGS 06/38	20-year	Re-opening	October						
11	GII 10/28	10-year	Re-opening	October						
12	GII 08/25	7-year	Re-opening	November						
13	MGS 04/23	5-year	Re-opening	November						
14	GII 08/37	20-year	Re-opening	December						
15	GII 03/22	3-year	Re-opening	December						

Source BNM, BIX Malaysia

CORPORATE BOND & SUKUK

Overview

Malaysia Corporate bond and Sukuk 2Q18 issuance lower by 14% at RM25.4 billion compared with 1Q18 issuance at RM29.6 billion and down by 37% compared to 4Q17 issuance at RM40 billion. The lower momentum in issuance was due to BNM MPC hiked OPR by 25bps in 1Q18.

Issuance 2Q2018

Rating	Apr (RM bill)	May (RM bill)	June (RM bill)
GG	4.35	2.50	2.10
AAA	2.20	0.47	0.25
AA	3.11	0.12	2.27
A	1.10	-	0.39
NR	1.67	3.78	1.09
	12.43	6.87	6.10
Total Issuance			25.40

Source BNM, BIX Malaysia

Rating Outlook

There is no rating movement for the 2Q2018



Source MARC, RAM and BIX Malaysia

Disclaimer

This report has been prepared and issued by Bond and Sukuk Information Platform Sdn Bhd (“the Company”). The information provided in this report is of a general nature and has been prepared for information purposes only. It is not intended to constitute research or as advice for any investor. The information in this report is not and should not be construed or considered as an offer, recommendation or solicitation for investments. Investors are advised to make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situation and particular needs and should seek appropriate personalised financial advice from a qualified professional to suit individual circumstances and risk profile.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. While every effort is made to ensure the information is up-to-date and correct, the Company does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information contained in this report and accordingly, neither the Company nor any of its affiliates nor its related persons shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.