

# QUARTERLY REPORT

4Q 2018 (Oct18-Dec18)  
January 2019



## 4Q2018 – Gov Bond performance as expected

Malaysia Government Security (MGS) and Government Islamic Instrument (GII) yields for 2018 was disappointing especially for the shorter tenure (3-5 year) as expected from US trade war and increasing Fed Fund Rate.

However, local market shows improvement throughout the year as newly elected government continue to show clearer direction with the release of 11MP mid term review and Budget 2019.

### GLOBAL MARKET

#### Overview

2018 is an eventful year for US market due to series of prominent event from the interest rate hike to the recent government shut down. However, US Treasury 10 years ended the quarter strong at 2.69% and expected to show support at 3.00%.

#### MY Government Bond Overview

Local govies was volatile during the quarter starting weak in Oct and ending better by the end of the year probably due to low liquidity towards the year end holidays.

#### MY Corporate Bond & Sukuk Overview

Corporate bond and sukuk in the AAA spectrum strengthen during the quarter and throughout the year as government bond continue to disappoint.

4Q18 issuances reached RM28.9b up by about 39% from 3Q 2018's RM20.8b

Dec-17	Sep-18	UST	Oct-18	MTM	Nov-18	MTM	Dec-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
1.98	2.88	3 YEAR	2.93	0.05	2.83	-0.10	2.46	-0.37	-0.42	0.48
2.20	2.94	5 YEAR	2.98	0.04	2.84	-0.14	2.51	-0.33	-0.43	0.31
2.33	3.01	7 YEAR	3.07	0.06	2.92	-0.15	2.59	-0.33	-0.42	0.26
2.40	3.05	10 YEAR	3.15	0.10	3.01	-0.14	2.69	-0.32	-0.36	0.29

Dec-17	Sep-18	MGS	Oct-18	MTM	Nov-18	MTM	Dec-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.32	3.59	3 YEAR	3.66	0.07	3.70	0.04	3.62	-0.08	0.03	0.30
3.53	3.82	5 YEAR	3.85	0.03	3.92	0.07	3.84	-0.08	0.02	0.31
3.88	3.99	7 YEAR	4.04	0.05	4.07	0.03	4.01	-0.06	0.02	0.13
3.91	4.09	10 YEAR	4.12	0.03	4.16	0.04	4.10	-0.06	0.01	0.19

Dec-17	Sep-18	GII	Oct-18	MTM	Nov-18	MTM	Dec-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
3.43	3.64	3 YEAR	3.69	0.05	3.74	0.05	3.67	-0.07	0.03	0.24
3.79	3.86	5 YEAR	3.90	0.04	3.93	0.03	3.85	-0.08	-0.01	0.06
4.10	4.03	7 YEAR	4.13	0.10	4.18	0.05	4.10	-0.08	0.07	0.00
4.19	4.15	10 YEAR	4.25	0.10	4.23	-0.02	4.25	0.02	0.10	0.06

Dec-17	Sep-18	BOND AAA	Oct-18	MTM	Nov-18	MTM	Dec-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.28	4.33	3 YEAR	4.31	-0.02	4.32	0.01	4.27	-0.05	-0.06	-0.01
4.49	4.45	5 YEAR	4.46	0.01	4.46	0.00	4.40	-0.06	-0.05	-0.09
4.60	4.56	7 YEAR	4.59	0.03	4.58	-0.01	4.52	-0.06	-0.04	-0.08
4.76	4.68	10 YEAR	4.70	0.02	4.69	-0.01	4.64	-0.05	-0.04	-0.12

Dec-17	Sep-18	SUKUK AAA	Oct-18	MTM	Nov-18	MTM	Dec-18	MTM	QTQ	YTD
Close (%)	Close (%)		Close (%)	(BP)	Close (%)	(BP)	Close (%)	(BP)	(BP)	(BP)
4.22	4.26	3 YEAR	4.27	0.01	4.25	-0.02	4.20	-0.05	-0.06	-0.02
4.43	4.38	5 YEAR	4.41	0.03	4.39	-0.02	4.33	-0.06	-0.05	-0.10
4.54	4.49	7 YEAR	4.54	0.05	4.51	-0.03	4.45	-0.06	-0.04	-0.09
4.70	4.61	10 YEAR	4.66	0.05	4.62	-0.04	4.57	-0.05	-0.04	-0.13

Sources: US Treasury, BNM, BPAM & BIX Malaysia

## BOND & SUKUK RESEARCH

Any feedback please email:  
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# GOVERNMENT BOND AUCTION

## Overview

Total Government new and reopening auction issued at RM18.8 billion during the quarter. The take up during the quarter is decent with the average BTC at 2.29x with the highest for 7-year GII 08/25 at 2.81x BTC and lowest demand for 20-year MGS 06/38 at 1.66x BTC. The year 2018 BTC averaging at 2.29x compared to 2.20x in 2017

### 4Q18 AUCTION

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued	Bid/Cover	Yield		
		Year		Date		YTD		Low	Average	High
1	MGS 06/38	20-year	Re-opening	15-Oct-18	3,000	84,000	1.657	4.73%	4.76%	4.79%
2	GII 10/28	10-year	Re-opening	30-Oct-18	4,000	88,000	2.235	4.29%	4.31%	4.32%
3	GII 08/25	7-year	Re-opening	14-Nov-18	3,000	91,000	2.814	4.20%	4.21%	4.22%
4	MGS 04/23	5-year	Re-opening	29-Nov-18	3,500	94,500	2.316	3.86%	3.87%	3.88%
5	GII 08/37	20-year	Re-opening	6-Dec-18	2,000	96,500	2.307	4.77%	4.79%	4.80%
6	GII 03/22	3-year	Re-opening	13-Dec-18	3,300	99,800	2.426	3.77%	3.78%	3.78%

Source BNM, BIX Malaysia

For 1Q2019, there will be 3 MGS maturing for March amounting to of RM7.18 billion. There will be 4 auction of MGS and 5 GII for next quarter.

### UPCOMING ISSUANCE 1Q2019

No	Stock	Tenure	Type	Tender	Issuance (RM mil)	Amt Issued	Bid/Cover	Yield		
		Year		Date		YTD		Low	Average	High
1	GII 7/29	10.5-year	New Issue	January						
2	MGS 7/26	7.5-year	New Issue	January						
3	GII 11/23	5-year	Re-opening	January						
4	MGS 8/29	10.5-year	New Issue	February						
5	GII 6/33	15-year	Re-opening	February						
6	MGS 3/22	3-year	Re-opening	March						
7	GII 9/39	20.5-year	New Issue	March						
8	MGS 7/48	30-year	Re-opening	March						
9	GII 3/26	7-year	New Issue	March						

Source BNM, BIX Malaysia

# CORPORATE BOND & SUKUK

## Overview

Malaysia Corporate bond and Sukuk issuance for 4Q18 is higher by 39% at RM29.0 billion compared with 3Q18 issuance at RM20.8 billion and 38% lower compared to 4Q17 issuance at RM40 billion. Higher issuance towards the 4 quarter as the yield stabilize after a volatile middle of the year from the changes in government.

### Issuance 1Q2018

Rating	Oct (RM bill)	Nov (RM bill)	Dec (RM bill)
GG	3.00	3.69	2.24
AAA	2.96	0.08	2.21
AA	3.55	3.11	0.51
A	3.10	1.12	-
NR	1.17	1.25	0.97
Sub Total	13.78	9.25	5.93
Total Issuance			28.96

Source BNM, BIX Malaysia

### Rating Outlook

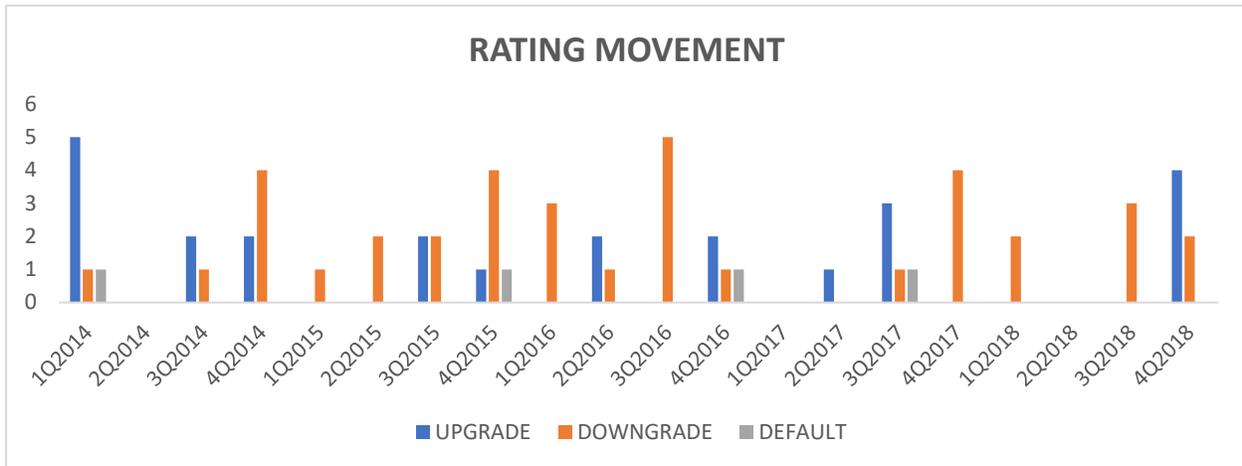
There are 1 upgraded and 2 downgraded issuer during 4Q 2018.

#### Upgrade

- AMMB Holdings Bhd
- Bank of China (Malaysia) Bhd
- Al-Dzahab Assets Bhd
- Premium Commerce Bhd 2016 - A Class B Notes

#### Downgrade

- Jati Cakerawala Sdn Bhd
- Bright Focus Bhd



Sources: MARC, RAM and BIX Malaysia

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