



Media Release

US rate hike fears impacted foreign demand for MGS and GII in August

The deterioration in sentiment last month contributed to a significant foreign selloff of MGS and GII (RM5.9 bil). The hawkish tone of the US Federal Reserve (Fed) Chair at the annual Jackson Hole symposium from 24-26 August reignited concerns that interest rates may stay higher and for longer than expected. This saw a steep repricing of interest rate futures tied to the Fed policy rate, with the odds of a rate hike spiking to circa 62% and 58% for the November and December Federal Open Market Committee meeting on 28 August (1 August: 33% and 29%). Nevertheless, much uncertainties remain on the horizon, making such bets fluid at best.

The outflow was partially offset by foreign net inflows into MTB and MITB (RM637.3 mil) and corporate bonds (RM211.9 bil), which moderated the overall foreign fund outflow (RM5.0 bil) in August. The bond selloff saw the benchmark 10-year MGS and UST yields respectively rising 1.1 bps and 12.0 bps m-o-m to 3.85% and 4.09% as of end-August. The ringgit depreciated to 4.64 against the US dollar (end-July: 4.54). As at 18 September, the 10-year MGS yield stood at 3.91% while the USD/RM exchange rate was 4.69.

Analytical contact

Woon Khai Jhek, CFA
(603) 3385 2512
khaijhek@ram.com.my

Media contact

Sakinah Arifin
(603) 3385 2500
sakinah@ram.com.my

Date of release: 19 September 2023

About RAM Rating Services Berhad (RAM Ratings)

Established in 1990, RAM Ratings is a leading credit rating agency registered under the Securities Commission's Guidelines on Credit Rating Agencies. In addition to the provision of credit ratings for corporate bonds and sukuk and their issuers, RAM Ratings also provides research and publications on Islamic finance, fixed income and macro-economic and industry analysis as well as data analytics relating to credit risk, counterparty assessments and other related domains.

Disclaimer

RAM Rating Services Berhad
(763588-T)

Level 8, Mercu 2
KL Eco City
No. 3, Jalan Bangsar
59200 Kuala Lumpur
Malaysia

T + 603 3385 2488
F + 603 3385 2582
E ramratings@ram.com.my
www.ram.com.my

ALL INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND. Although every reasonable care has been taken to ensure the accuracy, completeness and objectivity of the information contained in this Media Release, RAM Ratings makes no representation or warranty, whether express or implied, as to its accuracy, completeness and objectivity and accept no responsibility or liability relating to any losses or damages howsoever suffered by any person arising from any reliance on the views expressed or information in this Media Release. RAM Ratings assumes no obligation to update any information or statement contained herein, save for any information required to be disclosed by law.

Published by RAM Rating Services Berhad

© Copyright 2023 by RAM Rating Services Berhad

All rights reserved. This material may not be published, reproduced, broadcast, rewritten or redistributed without prior permission.