



Media Release

Exodus of foreign investors in March amid escalating COVID-19 outbreak

Foreign selling of Malaysian bonds accelerated to RM12.3 bil in March 2020 - the highest level since May 2018. This overshadowed the RM8.1 bil outflow in February amid mounting recession fears triggered by the COVID-19 pandemic. The equity market experienced a similar sell-off, as RM5.5 bil flowed out - the biggest since May 2018.

Even as central banks continued slashing rates and easing monetary policies, flight to safe-haven assets prevailed; domestic bond yields spiked up across the board in March. Despite Bank Negara Malaysia's 25 bps cut for the OPR on 3 March, the benchmark 10-year MGS yield jumped 56.9 bps to 3.41% at month-end - the biggest increase since November 2016 (+72.9 bps).

That said, panic selling appeared to have abated somewhat by early April, as domestic yields showed signs of flattening. This could be in response to the massive liquidity-boosting initiatives by the US Federal Reserve and the European Central Bank, along with the prospect of further OPR cuts in the coming months.

Given the expected economic contraction and potential delays in projects as well as reduced capital expenditure by companies, demand for financing may well ebb this year. We have revised our projected corporate bond issuance for 2020 to RM80 bil-RM95 bil, from the initial RM100 bil-RM110 bil. On the other hand, we expect government financing requirements to increase, driven by the need to fund the country's wider fiscal deficit arising from the Government's various stimulus packages. RAM expects MGS/GII issuance to rise to RM135 bil-RM145 bil this year, from our previous forecast of RM115 bil-RM125 bil.

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