



Media Release

Foreign sell-off eased markedly in April as panic selling abated

Foreign holdings of Malaysian bonds contracted RM2.0 bil in April, in contrast to the RM12.3 bil of the preceding month. This is attributable to the abatement of investors' panic in the preceding two months, which had been led by asset-management firms. The raft of global and domestic liquidity-boosting measures in April appear to have managed to assuage investors' fears while stabilising market sentiment. That said, April still represented the third consecutive month of outflows, as foreign investors' appetite for emerging market assets remained constrained by heightened global uncertainties amid the COVID-19 pandemic.

Foreign investors' less downbeat sentiment has also alleviated the upward pressure on yields. This, along with the pricing in of a potential 50 bps cut in the overnight policy rate (OPR) in early May, had led to a broad-based decline in yields of government and corporate bonds in April. The lowering of the Statutory Reserve Requirement (SRR) while allowing principal dealers to recognise up to RM1 bil of MGS and MGII as part of their SRR compliance may also have supported domestic demand for fixed-income securities, in turn lowering yields. The yield of the benchmark 10-year MGS plunged 51.3 bps to 2.90% as at end-April, reversing the 56.9 bps surge of a month earlier.

Looking ahead, bond yields still face downside pressure as recent measures broadening the usage of MGS/GII to meet SRR requirements should support demand for government bonds. Expectations of further OPR cuts in 2H 2020 should also keep domestic bond yields in check.

Analytical contact

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

Media contact

Padthma Subbiah
(603) 3385 2577
padthma@ram.com.my

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