Media Release

**Foreign appetite for Malaysian bonds returned in June**

After a tepid last two months, foreign buyers returned to the Malaysian bond market in June, mopping up RM11.6 bil in domestic bond securities, resulting in the biggest monthly net foreign inflow since March 2016. The return of foreign interest reflects declining risk aversion towards emerging markets due to stabilising oil prices and a resumption in economic activities as lockdowns ease in this region. Increased global liquidity amid central banks’ quantitative easing measures may have also encouraged more foreign inflows.

Yields, however, remained elevated in the first half of June reflecting supply risks arising from the sharp uptick of Malaysia’s projected fiscal deficit after the latest round of additional stimulus programmes that will be funded domestically. Concern over the implications of a greater supply of government issues this year pushed the 10-year MGS yield up to a peak of 3.12% on 9 June (end-May: 2.87%). Investors may also have demanded a risk premium due to the IMF’s bleaker global growth projection and the revision of S&P Global Ratings’ outlook on Malaysia’s sovereign rating, from stable to negative in June.

Yields began to gradually retreat towards the second half of June, as the possibility of another OPR cut at the monetary policy committee (MPC) meeting on 7 July loomed. As the 25 bps cut materialised, lowering OPR to a record low of 1.75%, bond yields nosedived across the maturity spectrum in early July. This saw the benchmark 10-year MGS yield falling 20.8 bps between end-June and 16 July. The prospect of further monetary loosening is envisaged to keep a lid on yields in the near term. Looking ahead, RAM expects another 25 bps cut with the OPR possibly ending the year at 1.50%.

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

**Media contact**
Padthma Subbiah
(603) 3385 2577
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 Registration of Credit Rating Agencies, 2011. 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

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 2020 by RAM Rating Services Berhad
All rights reserved. This material may not be published, reproduced, broadcast, rewritten or redistributed without prior permission.