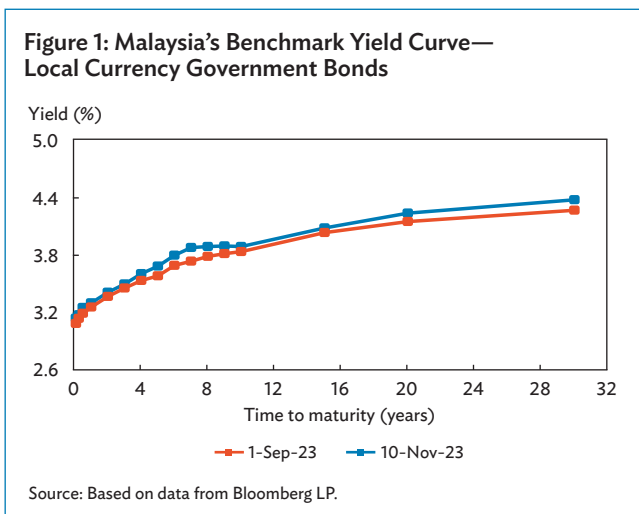


Malaysia

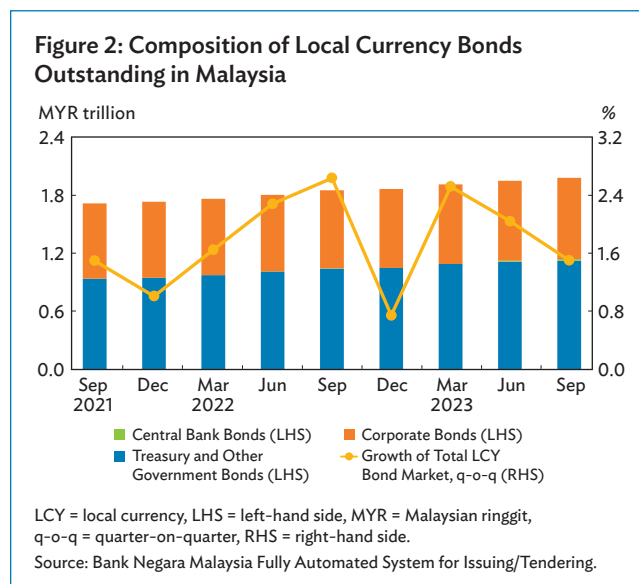
Yield Movements

Malaysia’s local currency (LCY) government bond yields increased between 1 September and 10 November (Figure 1). The yield curve of Malaysia shifted upward, broadly mirroring the movement in United States Treasury yields during the review period. At its 2 November meeting, Bank Negara Malaysia kept its overnight policy rate steady at 3.00%. Investors remained cautious as the United States Federal Reserve indicated that it would keep interest rates elevated longer than previously forecast.



Local Currency Bond Market Size and Issuance

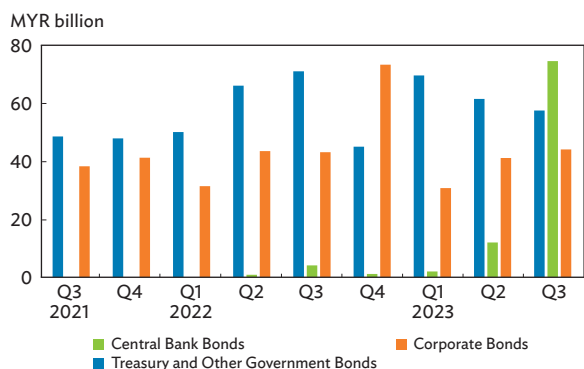
The size of Malaysia’s LCY bond market increased in the third quarter (Q3) of 2023. LCY bonds outstanding grew 1.5% quarter-on-quarter (q-o-q), reaching MYR1,982.6 billion at the end of September (Figure 2). All LCY bond types expanded in Q3 2023—led by Bank Negara Malaysia bills, which grew 29.2% q-o-q—as the stock of fixed-income securities increased and corporate bonds grew 1.7% q-o-q on higher supply. Government-owned finance company Danalnfra Nasional remained the top corporate bond issuer at the end of September 2023, with a total of MYR82.2 billion of outstanding corporate bonds.



LCY bonds issued in Malaysia expanded during the review period. Issuance of LCY bonds grew 53.7% q-o-q, supported by increased issuance of central bank bills and corporate bonds (Figure 3). The level of issuance of Malaysian Government Securities (conventional bonds) and Government Investment Issues (*sukuk*, or Islamic bonds) was the same compared with the previous quarter. Cagamas remained the top issuer with a total of MYR5.8 billion in new issuance in Q3 2023.

Outstanding LCY *sukuk* increased to MYR1.3 trillion at the end of September on quarterly growth of 1.0%. *Sukuk* comprised 63.8% of Malaysia’s LCY bonds outstanding at the end of Q3 2023, with Treasury and corporate *sukuk* driving the expansion of the Islamic bond market.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia

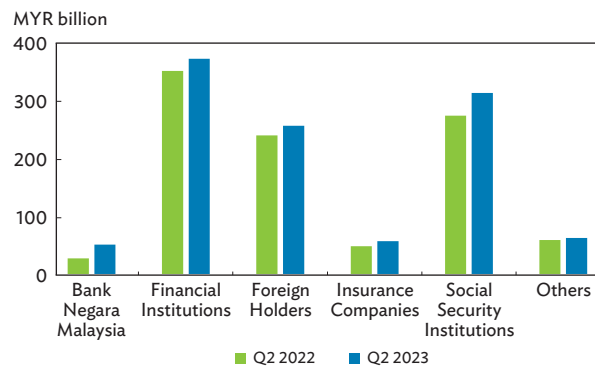


MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Investor Profile

Domestic investors held 76.9% of total LCY government bonds at the end of the second quarter of 2023, up slightly from the 76.0% holdings in the same period in the previous year. (Figure 4). Financial institutions had the largest share among investors, holding 33.5% of total LCY government bonds, which was less than the 35.2% share in the same period last year. The share of social security institutions, insurance companies, and Bank Negara Malaysia increased during the review period. On the other hand, foreign investors’ share declined due to the hawkish stance of the Federal Reserve, which in September signaled that it would keep interest rates elevated for an extended period.

Figure 4: Local Currency Government Bonds Investor Profile



Q2 = second quarter.
 Note: “Others” include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
 Source: Bank Negara Malaysia.