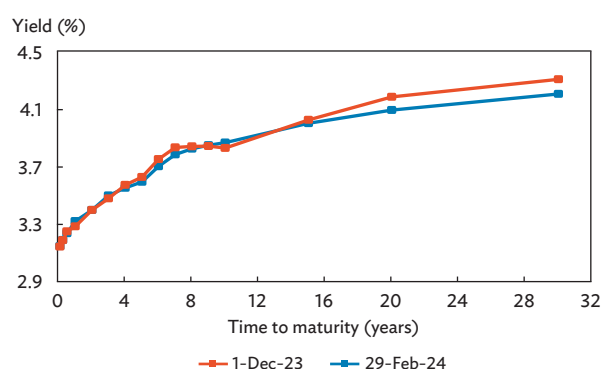


# Malaysia

## Yield Movements

Between 1 December 2023 and 29 February 2024, movements in the local currency (LCY) government bond yields of Malaysia were mixed as the timing of monetary policy easing by the United States Federal Reserve remained uncertain (Figure 1). Yields for most tenors declined an average of 4 basis points while those that increased jumped an average of 2 basis points. On 24 January, Bank Negara Malaysia decided to keep the overnight policy rate unchanged at 3.00%.

**Figure 1: Malaysia's Benchmark Yield Curve—Local Currency Government Bonds**

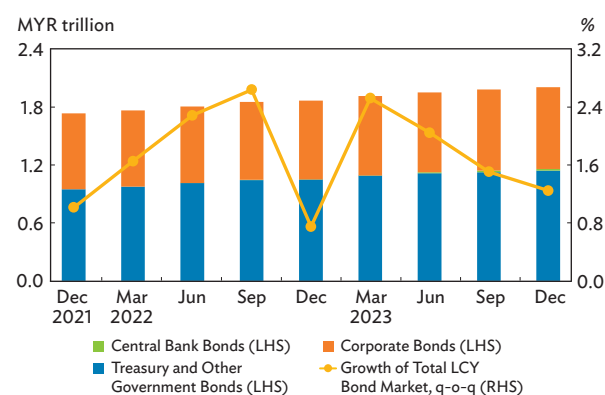


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

The LCY bond market of Malaysia grew in the fourth quarter (Q4) of 2023 as all bond segments recorded quarter-on-quarter (q-o-q) expansions. Outstanding LCY bonds increased 1.2% q-o-q to a value of MYR2.0 trillion at the end of 2023 (Figure 2). Bank Negara Malaysia bills led the growth among all LCY bond types, jumping 11.0% q-o-q as few of these securities matured during the review period. LCY corporate bonds outstanding also showed an uptick of 0.8% q-o-q due to increased issuance during the quarter. By the end of 2023, Malaysia's LCY bonds outstanding comprised 63.8% *sukuk*, with central bank and corporate *sukuk* leading the growth of the Islamic bond market. Growth in LCY *sukuk* marginally increased 0.4% q-o-q to MYR1.3 trillion. At the end of 2023, DanaInfra Nasional, a finance company owned by the government, had the most outstanding LCY corporate bonds at MYR82.8 billion.

**Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia**

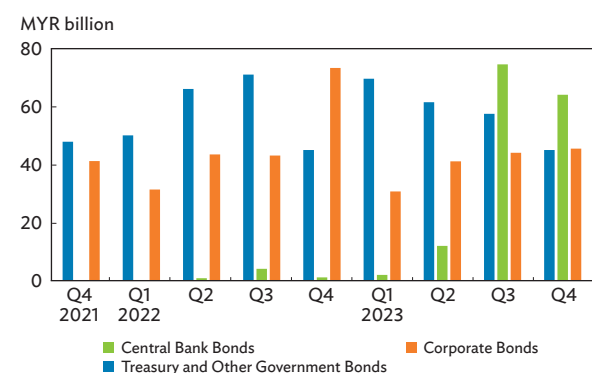


LCY = local currency, LHS = left-hand side, MYR = Malaysian ringgit, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

**Issuance of LCY bonds in Malaysia declined during the review period due to reduced issuance of government securities.** LCY bond sales dropped 12.2% q-o-q as fewer Treasury and other government bonds, and central bank bills, were issued during the quarter (**Figure 3**). The issuance of Malaysian Government Securities (conventional bonds) and Government Investment Issues, which are *sukuk* (Islamic bonds), likewise contracted in Q4 2023. LCY corporate bonds, on the other hand, increased 3.2% q-o-q. Cagamas, the mortgage corporation of Malaysia, continued to dominate all LCY corporate bond issuers in Q4 2023 with issuances totaling MYR8.1 billion.

**Figure 3: Composition of Local Currency Bond Issuance in Malaysia**



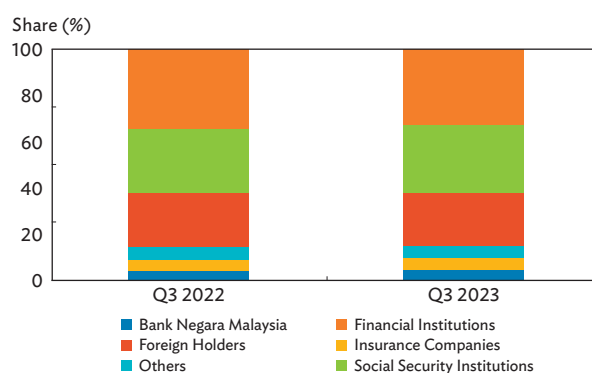
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

## Investor Profile

**At the end of the third quarter of 2023, domestic investors held almost 80% of LCY government bonds outstanding (Figure 4).** The largest holdings share belonged to financial institutions with 32.6% of total LCY government bonds. This was, however, lower than the 34.6% share they collectively held at the end of the third quarter of 2022. Increases in holdings shares were recorded for social security institutions, insurance companies, and Bank Negara Malaysia during the review period, while the share of foreign investors decreased.

**Figure 4: Local Currency Government Bonds Investor Profile**



MYR = Malaysian ringgit, Q3 = third quarter.

Note: "Others" include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.

Source: Bank Negara Malaysia.