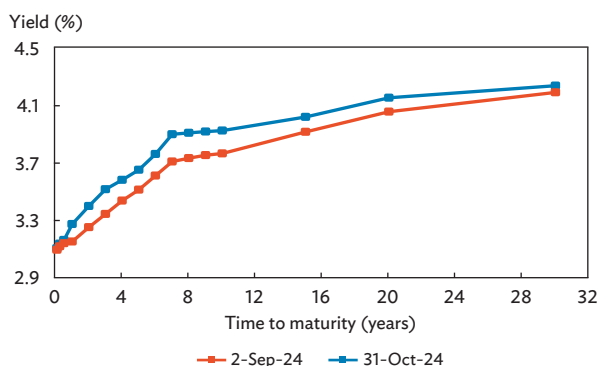


Malaysia

Yield Movements

Local currency (LCY) government bond yields in Malaysia increased for all tenors between 2 September and 31 October. The LCY government bond yield curve of Malaysia shifted upward during the review period, increasing an average of 12 basis points across all maturities on expectations that Bank Negara Malaysia would hold its policy rate steady for the rest of the year (**Figure 1**). During its meeting on 5 September, as expected, Bank Negara Malaysia left the overnight policy rate unchanged at 3.0% in alignment with current and expected levels of inflation and economic growth.

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

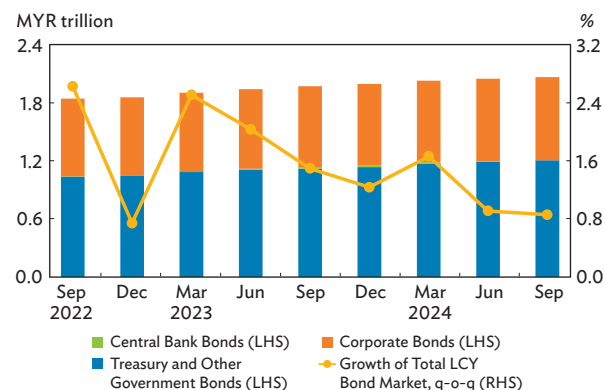


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

The LCY bond market of Malaysia expanded 0.9% quarter-on-quarter (q-o-q) to reach a size of MYR2.1 trillion at the end of September, with growth in both the corporate and government bond segments. Malaysia's corporate bond segment grew 0.6% q-o-q in the third quarter (Q3) of 2024 due to increased issuance (**Figure 2**). Malaysia's government bond market rose 1.2% q-o-q in Q3 2024, despite a

Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia



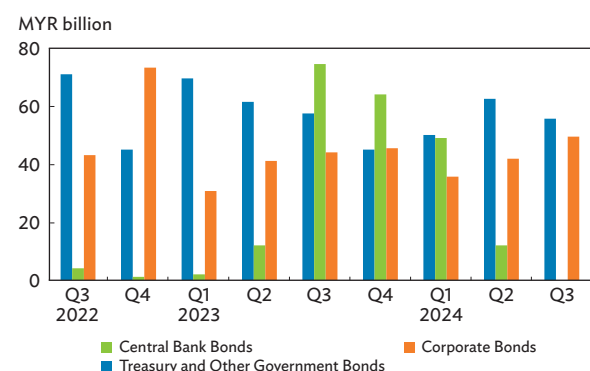
LCY = local currency, LHS = left-hand side, MYR = Malaysian ringgit, q-o-q = quarter-on-quarter, RHS = right-hand side.

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

contraction in issuance, on a lower volume of maturities during the quarter. At the end of September, there were no outstanding central bank bills due to the absence of issuance during the quarter. A majority (63.6%) of the LCY bond market comprised *sukuk* (Islamic bonds) at the end of September.

Malaysia's total LCY bond issuance fell 9.6% q-o-q to MYR105.2 billion in Q3 2024 due to reduced issuance of Treasury bills and the absence of any issuance by the central bank. Total government bond issuance decreased 10.9% q-o-q in Q3 2024 as the 4.4% q-o-q increase in the issuance of Malaysian Government Securities and Government Investment Issues was outweighed by the 69.2% q-o-q contraction in the issuance of Treasury bills. The contraction in issuance of central bank bills that started in the fourth quarter of 2023 culminated in zero issuance in Q3 2024 as liquidity factors normalized (**Figure 3**). On the other hand, corporate bond issuance increased 18.2% q-o-q in Q3 2024 following growth of 17.1% q-o-q in the previous quarter. CIMB Islamic Malaysia issued the largest amount of LCY bonds in Q3 2024 with *sukuk* medium-term notes and *sukuk* issuances totaling MYR4.2 billion.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia



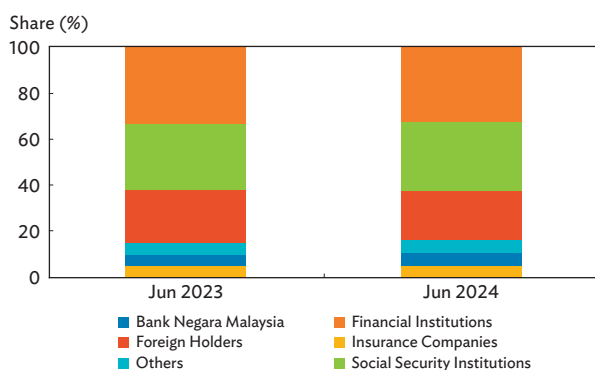
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Investor Profile

At the end of June, almost 80% of Malaysia’s LCY government bonds were held by domestic investors.

The largest holdings shares were those of financial institutions and social security institutions at 32.6% and 29.7%, respectively (Figure 4). At the end of June, foreign holdings in Malaysia’s government bond market fell to 21.4% from 23.1% a year earlier. Among all emerging East Asian LCY bond markets, Malaysia has the largest share of foreign ownership.¹⁷

Figure 4: Local Currency Government Bonds Investor Profile

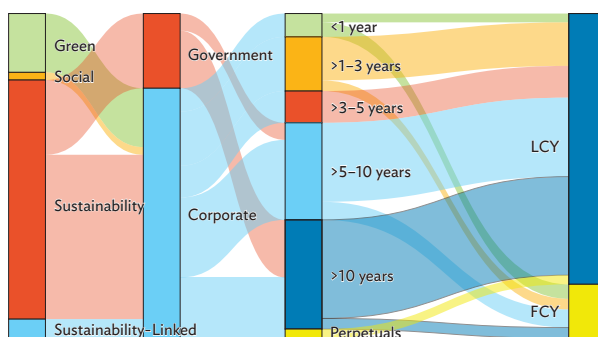


Note: “Others” include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
 Source: Bank Negara Malaysia.

Sustainable Bond Market

At the end of September, Malaysia’s sustainable bond market was dominated by long-term corporate bonds. Malaysia’s sustainable bond market totaled USD15.2 billion at the end of September, reflecting 7.0% q-o-q growth in Q3 2024, with a majority of bonds denominated in Malaysian ringgit (83.4%). Of total sustainable bonds outstanding, 73.6% comprised sustainability bonds, followed by green bonds at 18.1% (Figure 5). Corporate bonds accounted for 77.0% of outstanding sustainable bonds at the end of September, with over 56.3% of corporate issuances carrying tenors of more than 5 years. While all outstanding sustainable bonds issued by the government carried maturities of more than 5 years, the public sector only comprised 23.0% of total sustainable bonds outstanding. At the end of September, the size-weighted average tenor in Malaysia’s sustainable bond market was 8.7 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Malaysia at the End of September 2024



FCY = foreign currency, LCY = local currency.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.

¹⁷ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.