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## Steady outlook for corporate bonds after RM133b issuance in 2019

by DASHVEENJIT KAUR

**CORPORATE** bond issuance in Malaysia, which jumped 26% year-on-year (YoY) to RM132.8 billion in 2019, largely on Putrajaya's cash injection into Lembaga Tabung Haji (TH), should remain steady this year, supported by the financial services sector and ongoing infrastructure financing needs.

RAM Rating Services Bhd (RAM Ratings) said the total 2019 issuance outperformed the previous high of RM124.9 billion in 2017 and exceeded its projection of between RM110 billion and RM120 billion. Gross corporate bond issuance stood at RM105.4 billion in 2018.

The increase last year was mainly attributable to the private sector, boosted by a one-off RM27.6 billion issuance by Urusharta Jamaah Sdn Bhd, its head of research Kristina Fong said.

"Discounting the extraordinary issue from Urusharta Jamaah, private sector issuance summed up to RM75.5 billion in 2019 — higher than the last five years'

average of RM64.4 billion.

"The robust private sector overshadowed the quieter quasi-government segment, the issuance value of which diminished to RM29.8 billion versus RM39.2 billion in 2018," she said in a statement yesterday.

Urusharta Jamaah, a fully-held unit of the Ministry of Finance, had injected RM19.9 billion into ailing TH via two tranches of sukuk payable to TH.

In return, non-performing assets worth RM9.63 billion held by TH were transferred to Urusharta Jamaah. The transaction was part of TH's rescue and restructuring plan.

In the government segment, Malaysian government securities (MGS)/government investment issues (GII) issuance stood at RM115.7 billion, in line with the credit rating agency's forecast of RM110 billion to RM120 billion.

Foreign participation in the domestic bond market heightened considerably last year, with net foreign inflow amounting to RM199 billion — the largest inflow since



Corporate bond issuance in Malaysia jumped 26% YoY to RM133b in 2019 largely on Putrajaya's cash injection into TH

Pic by Rosoff Ghazali

2012, according to the credit rating firm.

It said the overarching theme last year was the sharp dovish turn by global central banks, especially the US Federal Reserve, which ignited

a focused hunt for yields by investors.

While worldwide uncertainties had somewhat suppressed foreign buying activity and the threat of Malaysia's exclusion from the FTSE

Russell World Government Bond Index triggered a marked outflow last April and May, overall demand remained positive, the firm added.

"Looking ahead, we envisage gross corporate bond issuance to clock in at RM100 billion to RM110 billion in 2020, based on the pipeline of existing and potential funding.

"Given relatively accommodative interest rates, the momentum of corporate bond financing is anticipated to remain steady this year, anchored by the financial services sector and ongoing infrastructure financing needs," Fong said.

Meanwhile, issuance of MGS/GII is projected to stand at between RM115 billion and RM125 billion this year.

This takes into account the government's deficit financing requirements and the refinancing of debts maturing next year.

RAM Ratings also expects foreign interest to ease given the pause in the US rate-cut cycle, along with the potential for a 25 basis points cut in the Overnight Policy Rate by end-2020.