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# Corporate bond financing to remain steady

## RAM sees issuance at RM100bil to RM110bil this year

**PETALING JAYA:** RAM Ratings expects gross corporate bond issuance to be between RM100bil and RM110bil this year, based on the pipeline of existing and potential funding.

Head of research Kristina Fong said due to the relatively accommodative interest rates, the momentum of corporate bond financing was anticipated to remain steady this year, anchored by the financial services sector and ongoing infrastructure financing needs.

On the other hand, she said, the issuance of Malaysian Government Securities/Government Investment Issue (MGS/GII) is projected to amount to RM115bil to RM125bil this year.

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

"RAM also expects foreign interest to ease somewhat, given the pause in the US' rate-cut cycle, along with the possible potential for a 25-basis-point (bps) cut in the overnight policy rate by end-2020," Fong said.

Malaysia's gross corporate bond issuance hit a record RM132.8bil in 2019 compared with RM105.4bil in 2018, largely boosted by an issuance by Urusharta Jamaah Sdn Bhd.

In its Bond Market Monthly Report issued yesterday, the rating agency said the 2019 issuance exceeded the previous high of RM124.9bil in 2017, exceeding its own projection of RM110bil to RM120bil.

"Much of the increase is attributable to the robust private sector, albeit largely boosted by a one-off RM27.6bil issuance by Urusharta Jamaah," it said.

Urusharta Jamaah is a unit of the Finance Ministry which undertook the rescue and restructuring of Lembaga Tabung Haji.

Fong said that discounting the extraordinary issue from Urusharta Jamaah, private sector issuance stood at RM75.5bil in 2019, which was higher than the last five years' average of RM64.4bil.

"The robust private sector overshadowed the quieter quasi-government segment, the issuance value of which diminished to RM29.8bil (2018: RM39.2bil)," she said.

In the government segment, MGS/GII issuance came up to RM115.7bil, in line with RAM's forecast of RM110bil to RM120bil.

"Notably, foreign participation in the Malaysian bond market heightened considerably last year, with an impressive net foreign inflow of RM19.9bil – the largest inflow since 2012."

Fong said the overarching theme last year was the sharp dovish turn by global central banks, especially by 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 global index had triggered a marked outflow last April and May, overall demand remained positive," she said.

> ***"Foreign participation in the Malaysian bond market heightened considerably last year."***
>
> *Kristina Fong*