



## Media Release

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### **RAM Ratings: Bond outflows stabilising although uncertainties remain**

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After an eventful month for global public policy in January, risk sentiment is now at a high. From the Trump administration's eagerness to follow through on several new foreign policies to the rise of nationalism in Europe, uncertainty is still the flavour of the month and is likely to remain so in the foreseeable future.

That said, the pace of foreign investment outflow slowed to 1.8% in January, compared to a 2.4% net outflow in December 2016. Foreign holdings of MGS still made up a significant 46.0% of total holdings (December 2016: 47.1%). In addition, fundamental demand for long-term investment appeared intact.

As a result of the moderating pace of foreign funds outflow, yields normalised, with a downward YTM shift in all asset classes. BNM's decision to hold the OPR at 3.00% in January was consistent with our view that current volatility, growth and inflation expectations should contribute to the OPR staying put for now. We expect the rate to remain unchanged through the rest of the year, barring any significant deceleration in the current and expected momentum of economic growth, projected by RAM at 4.5% for 2017. Inflation came in below our expectations at 2.1% in 2016. Nonetheless, we expect the general improvement in global crude oil prices to lift inflation this year, accounting for the bulk of the projected upward momentum in price levels. For 2017, inflation is envisaged to clock in at 3.0%.

Gross issuance of government securities summed up to RM14 billion in January (December 2016: RM2 billion). The strong issuance coincided with the Government's increased financing requirements this year. On the other hand, gross issuance of corporate papers paled, with a total issuance value of only RM1.6 billion.

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