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Media Release

Corporate bond issuance reaches RM29.6 billion in 1Q 2018 despite global uncertainties

The latest edition of RAM Ratings' *Bond Market Monthly* highlights corporate bond issuance almost doubling in March from the preceding month, rising to RM13.1 billion (February: RM6.9 billion). Notably, much of the upturn was attributed to the private sector (particularly banking entities), which added RM7.9 billion to gross issuance. This lifted the y-o-y issuance in 1Q 2018 by 7.3% to RM29.6 billion (1Q 2017: RM27.6 billion). Nonetheless, future issuance amounts could moderate as local bond yields are likely to face upward pressure in tandem with higher global yields.

Foreign holdings of Malaysian bonds recorded a net inflow of RM2.9 billion, the bulk of which (around 72.2% of total inflows) constituted shorter-term papers. With a large share of foreign bond flows so far this year attributed to holdings in short-term papers, global uncertainties and developments may lead to continued fluctuations in foreign bond holdings down the line. The net inflow of foreign bond holdings followed a very good month for Malaysia despite increased global market volatility amidst escalating trade tensions between the US and China. Bank Negara Malaysia's GDP growth projection of 5.5%-6.0% – higher than the consensus forecast and slightly above RAM's expectation of 5.2% – pointed towards continued domestic strength, coupled with moderating headline inflation numbers.

The resilience of the ringgit in March (monthly average of USD/RM3.90 compared to February's USD/RM3.91) also helped to attract investors. The ringgit continued to appreciate in April, strengthening to below RM3.88 against the USD in the first two weeks, as the dip in tech stocks and concerns over an increased likelihood of a US-China trade war grew, putting downward pressure on the USD. As the situation is still developing, capital markets and the USD in particular are expected to remain volatile as new information comes to the fore. On the local front, the 14th Malaysian general election, which will take place on 9 May, and the run-up to the polls are not expected to disrupt the bond market to a great extent, as demonstrated in the past.

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