



Media Release

Increased issuance amid continued foreign fund outflows

The latest edition of the *Bond Market Monthly* shows that in contrast to the increased rationalisation of foreign-held Malaysian bonds amounting to RM26.2 billion in March, robust above-trend gross issuance by both the government and corporate sectors lifted the y-o-y issuance value by a respective 33.3% and 48.8% in 1Q 2017. Gross issuance of government debt papers summed up to RM14.5 billion while the corporate sector reported RM21.1 billion for the month – making up 76.5% of corporate bonds issued in 1Q 2017. The private sector was the main contributor of this robust issuance, with close to 61% of the issuance value for the quarter, unlike February when issuance was dominated by the quasi-government sector. We note that approximately 57% of the corporate issuance in March took place before the US Federal Reserve's (the Fed) rate hike on the 15th. Expectations of future rate hikes will influence the pace of issuance activity as companies attempt to lock in better rates ahead of further tightening.

Increased rationalisation of foreign-held Malaysian bonds due to the Fed's tightening cycle had aggravated the outflow of foreign funds in March, marking a record monthly net outflow of RM26.2 billion. As at end-March 2017, foreign holdings of Malaysian bonds summed up to RM178.2 billion, with the proportion of foreign-held government bonds shrinking to 24.5% of the total outstanding, compared to 34.7% last October (just before the US presidential election). Given the continuation of the Fed's hiking cycle, tightening global liquidity is expected to exert further negative pressure on the direction of foreign fund flows.

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