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Media Release

Foreign bond outflows continued in June, but declined markedly

Foreign bond holdings continued their expected downtrend in June, resulting in a RM6.7 billion net outflow, albeit markedly lower than the RM12.9 billion of the preceding month. As at end-June, foreign holdings stood at RM185.8 billion, a 3.5% m-o-m decline. “Although the market appears less jittery now than immediately after the 14th General Election (GE14) in May, market participants still have to contend with tightening global liquidity and heightened trade tensions, which threaten trade and growth prospects,” notes Kristina Fong, RAM’s Head of Research. Most recently, the global markets have become even more volatile amid mounting uncertainty over the possibility of a “clean” BREXIT as political tensions escalate in the UK.

Back on the home front, tendered government bonds attracted better take-up rates, as evidenced by solid bid-to-cover ratios amid strong support from local investors. In 1H 2018, the supply of MGS and GII came up to a robust RM62.7 billion. RAM maintains its projection of RM100 billion-RM110 billion of gross issuance for 2018, supported by the Government’s commitment to maintaining a budget deficit of 2.8% of GDP for the year.

In June, corporate bond issuance moderated to RM6.8 billion, lower than the preceding five months’ average of RM9.8 billion. In 1H 2018, corporate bond issuance edged up 1.6% y-o-y to RM55.7 billion. We expect the pace to moderate through the rest of the year, in particular for infrastructure-related and quasi-government entities as the Government takes stock of its contingent liabilities. That said, RAM maintains its gross corporate bond issuance projection of RM90 billion-RM100 billion for 2018, on account of the front-loading of issuances before GE14 and a potentially slower pace in the second half of the year.

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