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Media Release

Corporate bond issuance rebounded to RM8.7 billion in August

Corporate bond issuance rebounded in August, following the low of RM2.8 billion the preceding month. A total of RM8.7 billion of corporate bonds was issued in August, which brought the YTD issuance value to RM66.3 billion – a 10.3% y-o-y increase. There was a good mix of bonds from various sectors, with the largest issues from financial services and infrastructure & utilities – the 2 primary drivers of the Malaysian bond market. The largest issuer of the month, Tenaga Nasional Berhad (TNB), issued RM2.0 billion under its RM5.0 billion IMTN *Sukuk Wakalah* Programme. The proceeds from this issuance - rated AAA/Stable by RAM - will be utilised to fund TNB's capital expenditure, investments and working capital. Meanwhile, more than half of the amount issued by the financial services sector is attributable to Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN), with RM1.8 billion under its RM8.0 billion government-guaranteed IMTN *Sukuk Murabahah* Programme.

The conducive environment for bond financing in August includes declining MGS and corporate yields across almost the entire maturity spectrum and bond classes, driven by reignited foreign interest in higher-yielding assets in emerging markets. For the month, MGS and corporate bonds posted respective foreign inflows of RM2.1 billion and RM563 million. That said, overall foreign holdings ebbed 0.4% m-o-m (or RM745 million), due to a sizeable quantum of maturing Government Investment Issues (GII).

Moving forward, the risk of further outflow of foreign holdings may heighten amid rather lumpy maturities of government bonds over the next 3 months, with a cumulative value of RM33.8 billion. Moreover, the US Federal Reserve's recent announcement that its balance-sheet normalisation would start in October and its commitment to maintaining the rising cycle for the federal funds rate are also expected to dampen the pace of incoming foreign investment funds. While these will pose some concern, we believe the extent of market volatility will be curtailed given the current profile of foreign investors. About 55% of the foreign investors of Malaysian government bonds are of the "sticky" type, comprising central banks, governments, pension funds and insurance companies, which are less reactive to sentiment changes than portfolio investors and more responsive to longer-term fundamentals.

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