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Media Release

Corporate bond issuance expected to exceed RAM Ratings' forecast this year

The latest edition of RAM Ratings' *Bond Market Monthly* reports that corporate bonds maintained their robust momentum in October, with a gross issuance value of RM14.8 billion (September: RM18.1 billion), bringing the YTD total to RM99.1 billion. This exceeds the lower end of RAM's initially projected RM95 billion-RM105 billion of gross corporate bond issuance for 2017. The uptrend is attributable to larger-than-expected issuance by the quasi-government sector and issues under existing programmes.

Given the above and taking into account the issuance pipeline for the next 2 months, we expect gross corporate issuance in 2017 to exceed our full-year forecast and come in at RM105 billion-RM115 billion. Meanwhile, YTD issuance of MGS and GII amounted to RM93.5 billion as at end-October 2017, in line with our full-year projection of RM100 billion-RM110 billion.

A large chunk of the corporate issues in October originated from the private sector (RM10.3 billion), with more than half fuelled by the infrastructure & utilities sector. A number of new issuers from the private sector also tapped the bond market for the first time in October, including Southern Power Generation Sdn Bhd, QSR Stores Sdn Bhd, Quantum Solar Park (Semenanjung) Sdn Bhd, Danajamin Nasional Berhad and Johor Port Berhad. In addition, several new quasi-government issuers, i.e. PR1MA Corporation Malaysia and MKD Kencana Sdn Bhd, made their bond market debut.

On the other hand, foreign holdings of Malaysian bonds declined 1.4% m-o-m, with a net outflow of RM2.8 billion in October. The outflow is mostly attributable to reduced holdings of MGS by foreigners amid a substantial amount (RM12.2 billion) of maturing papers. YTD, foreign holdings of Malaysian bonds recorded a net outflow of RM18.3 billion. Although we note that sentiment has generally improved from a year ago, the flow of foreign capital into Malaysia appears to have slowed in October – in line with other emerging markets – especially following the robust net inflow in September.

On the international front, short-term US Treasury yields rose towards month-end on speculation ahead of President Trump's announcement on the nomination of Jerome Powell as the next US Federal Reserve (Fed) chairman and the unveiling of tax reform legislation. This may have caused the ringgit to weaken slightly in October; the USD/RM exchange rate depreciated 0.5% on average between September and October. Although the ringgit has strengthened somewhat in November, it remains

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vulnerable to external developments such as the anticipated Fed rate hike in December, which may see the greenback gaining strength, thus posing some risk of capital outflows from emerging markets.

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