



## Media Release

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### **Strong October inflows trumped by US election results**

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President-elect Trump's unexpected victory at the recent polls had triggered a global market sell-down that wiped out USD1 trillion from bond markets that same week. As a result, US Treasury yields hit an 11-month high on expectations that future Trump policies may ramp up inflationary pressures.

The Malaysian bond market's resurgence on the back of foreign investors' interest in October (following a net outflow in September) may be short-lived, given the unexpected results of the recent US presidential election. The rapid spike in yields of over 50 bp across the board indicates that investors' risk aversion has priced in this development. Despite the Fed's recent hawkish tone, uncertainties vis-a-vis the Trump presidency cast doubts on the timing of the continuation of the Fed's tightening cycle. We envisage the USD/RM exchange rate to stay volatile through the rest of this year, as the Trump cabinet line-up is announced. We expect a moderate reversal in foreign investment flows, elevated yields and a weaker ringgit as the year wraps up, albeit still to average within our projected USD/RM range of 4.00-4.25 for 2016.

Meanwhile, gross issuance of government papers strengthened to RM8.5 billion in October (September: RM6.5 billion). Outstanding government securities summed up to RM629.3 billion, after having declined to RM621.3 billion in September amid the maturity of a large volume of debt papers. The gross issuance value of RM86.0 billion in 10M 2016 is on track towards reaching RAM's projection of RM90 billion-RM100 billion for the year. BNM did not issue any debt securities in October.

Outstanding corporate bonds amounted to RM540.0 billion as at end-October. The month's issuance increased to RM8.3 billion (from RM6.3 billion in September), with improved volumes from both the private sector (almost double m-o-m) and quasi-government issuers (+12.7% m-o-m). This brought the YTD issuance value to RM74.7 billion, surpassing the RM54.9 billion of the previous corresponding period.

On a related note, the ASEAN corporate bond markets have also been expanding rapidly after the global financial crisis. ASEAN corporates have been increasingly turning to bonds for their funding needs, complementing the traditional method of

relying on the banking sector – the influence of which is also analysed in this month's *Bond Market Monthly*.

The *RAM Bond Market Monthly* is a snapshot of bond-market activities in Malaysia. Please click [here](#) for the full report.

**Analytical contact**

Umamah Amirah Ali  
(603) 7628 1119  
umamah@ram.com.my

**Media contact**

Padthma Subbiah  
(603) 7628 1162  
padthma@ram.com.my

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