



Media Release

Bumper year for corporate bond issuance in 2019; momentum to remain steady in 2020

Malaysia's gross corporate bond issuance hit a record RM132.8 bil in 2019 (2018: RM105.4 bil), outperforming the previous high of RM124.9 bil in 2017 and exceeding RAM's projection of RM110 bil-RM120 bil. Much of the increase is attributable to the robust private sector, albeit largely boosted by a one-off RM27.6 bil issuance by Urusharta Jamaah Sdn Bhd (UJSB).

"Discounting the extraordinary issue from UJSB, private sector issuance summed up to RM75.5 bil in 2019 - higher than the last five years' average of RM64.4 bil. The robust private sector overshadowed the quieter quasi-government segment, the issuance value of which diminished to RM29.8 bil (2018: RM39.2 bil)," notes Kristina Fong, RAM's head of research. In the government segment, MGS/GII issuance came up to RM115.7 bil, in line with RAM's forecast of RM110 bil-RM120 bil.

Notably, foreign participation in the Malaysian bond market heightened considerably last year, with an impressive net foreign inflow of RM19.9 bil - the largest inflow since 2012. The overarching theme last year was the sharp dovish turn by global central banks, especially by the US Federal Reserve, which ignited a focused hunt for yields by investors. While worldwide uncertainties had somewhat suppressed foreign buying activity and the threat of Malaysia's exclusion from the FTSE-Russell global index had triggered a marked outflow last April and May, overall demand remained positive.

Looking ahead, we envisage gross corporate bond issuance to clock in at RM100 bil-RM110 bil in 2020, based on the pipeline of existing and potential funding. Given relatively accommodative interest rates, the momentum of corporate bond financing is anticipated to remain steady this year, anchored by the financial services sector and ongoing infrastructure financing needs. On the other hand, MGS/GII issuance is projected to amount to RM115 bil-RM125 bil in 2020. This takes into account the Government's deficit financing requirements and the refinancing of debts maturing next year. RAM also expects foreign interest to ease somewhat given the pause in the US's rate-cut cycle, along with the possible potential for a 25 bps cut in the OPR by end-2020.

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