



## Media Release

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### Corporate bond issuance hit record high of RM124.9 billion in 2017

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The latest edition of RAM Ratings' *Bond Market Monthly* highlights that gross issuance of corporate bonds hit a record high of RM124.9 billion in 2017, surpassing our expectation of RM105 billion-RM115 billion. The last time gross issuance reached such a lofty level was in 2012, clocking in at RM121.1 billion. The robust issuance in 2017 was supported by both sub-segments of the corporate bond market, i.e. quasi-government and private, which posted double-digit y-o-y growth rates of 46.1% and 45.6%, respectively. "The bond market will remain robust this year, with RM90 billion-RM100 billion of gross corporate bond issuance expected. This will again likely be driven by a healthy pipeline of issuances from the financial institutions and infrastructure & utilities sectors, which have traditionally issued the lion's share of the market's corporate bonds," observes RAM's Head of Research, Kristina Fong.

Last year, total issuance of MGS and GII came in at RM113.9 billion – surpassing our projection of RM100 billion-RM110 billion. Taking into account the Government's deficit financing needs and the RM62.8 billion of MGS and GII set to mature this year, we expect gross issuance of long-term government debt securities to sum up to RM100 billion-RM110 billion in 2018.

Overall, foreign holdings of Malaysian bonds posted a net outflow of RM8.0 billion in 2017, as opposed to a net inflow of RM825 million in 2016. The bulk of the outflow occurred in the first quarter, following Bank Negara Malaysia's (BNM) curbing of offshore ringgit trading in November 2016; foreign investors had subsequently wound down their positions in the Malaysian bond market by RM37.4 billion. Although the trend reversed in 2Q 2017, after the announcement of BNM's liberalisation initiatives on currency and interest-rate hedging mechanisms onshore, the cumulative inflow of RM29.4 billion in the last 3 quarters could not compensate the excessive knee-jerk reaction at the start of the year.

Moving forward, the Malaysian bond market is anticipated to experience pressure from the outflow of foreign investors this year, stemming from external global developments such as the relative pace and timing of future monetary policy tightening by the US Federal Reserve. That said, the brighter outlook for the ringgit – which has so far maintained its uptrend against the greenback in January, having appreciated more than 3% since end-December 2017 – may offer some support to foreign investments. Moreover, the market remains vulnerable to geopolitical risk – a major driver of market uncertainties in 2018.

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