



## Media Release

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### **Foreign bond investors likely to be more influenced by flight to safety factors in May after index-linked sell-off in April**

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Prompted by the surprise announcement by FTSE Russell that it had put Malaysia on its watchlist for potential removal from the Index, foreign net outflows summed up to a staggering RM9.8 bil in April. The effect on the market, however, was relatively short-lived, with benchmark yields and corporate spreads normalising shortly after the initial knee-jerk sell-off in the days following the news. That said, USD/RM levels have not seen the same 'snap-back' characteristic, given ongoing geopolitical concerns which have dampened the overall USD/RM performance of late.

In view of FTSE Russell's ongoing engagement with industry players and regulatory authorities as well as Bank Negara Malaysia's new measures to enhance onshore market liquidity and accessibility, announced on 16 May, the same pronounced volatility experienced in April is unlikely. "Instead, we expect investor behaviour in May to be driven largely by 'flight to safety' dynamics, owing to prevailing global uncertainties over the US-China trade war and potential oil market disruptions from wider Iran sanctions and rising US-Gulf tensions," notes RAM Ratings' Head of Research, Kristina Fong.

Despite global market uncertainties and increasing growth concerns this year, corporate bond issuance has been very healthy so far. As at April 2019, gross corporate bond issuance had reached RM37.5 bil, mainly constituting sizeable issuances by both the private and quasi-government sectors. Much of the upside has stemmed from bulky quasi-government issues by entities such as Perbadanan Tabung Pendidikan Tinggi Nasional, Danainfra and Prasarana Malaysia Berhad, as well as large issuances by financial institutions and property-related entities such as IJM Land Berhad and Sunway Berhad. Taking into account the better than expected issuance momentum at the start of the year, coupled with the anticipated steady pipeline of issuances for the remainder of the year, we have revised our expectations for gross corporate issuance for 2019 to between RM90 bil and RM100 bil from a lower range of RM70 bil-RM 80 bil previously.

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