



Media Release

RAM Ratings: Liquidity tightening and risk aversion took centre stage in September

The Malaysian bond market experienced a second consecutive month of foreign capital outflow in September, to the tune of RM3.0 billion – exceeding the RM2.4 billion of the preceding month. On the whole, external factors remained the key driver of this trend, with the US Fed lifting the Fed Funds Rate (FFR) by 25 bps to a range of 2.00% to 2.25% – the third hike this year. Other than that, the protracted trade dispute between the US and China continues to accentuate global risk aversion and a flight to safety, with September recording a new slew of retaliatory tariffs by both sides.

On the domestic front, Bank Negara Malaysia held the Overnight Policy Rate steady at 3.25%, as anticipated. “The balance of growth and outflow pressures has placed the central bank between a rock and a hard place, as staying put remains the most optimal policy response,” notes RAM’s Head of Research, Kristina Fong. We expect this stance to be maintained in the foreseeable future as uncertainties still cloud domestic and external growth prospects amid continued global liquidity tightening and geopolitical concerns. Both domestic and foreign investors will be watching for announcements following the tabling of the 11th Malaysia Plan review and Budget 2019 (on 18 October and 2 November, respectively) for more concrete fiscal guidance on Malaysia’s debt and the fiscal deficit trajectory. Domestic macroeconomic strengths are therefore not expected to entice any significant foreign capital inflows until more clarity emerges.

Analytical contact

Kristina Fong
(603) 7628 1011
kristina@ram.com.my

Media contact

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

Date of release: 16 October 2018

The credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment on the security's market price or its suitability for a particular investor, nor does it involve any audit by RAM Ratings. The credit rating also does not reflect the legality and enforceability of financial obligations.

RAM Ratings receives compensation for its rating services, normally paid by the issuers of such securities or the rated entity, and sometimes third parties participating in marketing the securities, insurers, guarantors, other obligors, underwriters, etc. The receipt of this compensation has no influence on RAM Ratings' credit opinions or other analytical processes. In all instances, RAM Ratings is committed to preserving the objectivity, integrity and independence of its ratings. Rating fees are communicated to clients prior to the issuance of rating opinions. While RAM Ratings reserves the right to disseminate the ratings, it receives no payment for doing so, except for subscriptions to its publications.

Similarly, the disclaimers above also apply to RAM Ratings' credit-related analyses and commentaries, where relevant.

Published by RAM Rating Services Berhad
© Copyright 2018 by RAM Rating Services Berhad