Strong interest in Malaysian bonds in October

Foreign demand stayed sturdy in October, with the domestic bond market charting its sixth consecutive month of net foreign inflows, which totalled RM8.0 bil. This was a vast improvement from marginal net inflows of RM500 mil in the preceding month as uncertainties over the FTSE Russell watchlist decision kept most investors on the sidelines. MGS/GII issuance in October continued to be robust at RM14.5 bil with healthy BTCs of close to 2 times or more. The Asian region will remain attractive in coming months amid economic recovery prospects, especially in trade performance. Moreover, expectations of what a Biden win in the US could mean for many export-oriented Asian economies buoyed the optimism.

In Malaysia, the pipeline of MGS/GII next year will continue to be boosted by the funding needs for Budget 2021. As such, we expect government bonds to remain elevated, possibly at the higher end of our projected RM155 bil-RM165 bil next year.

Meanwhile, corporate bonds issuance in October surged to RM16.2 bil, bringing the YTD amount to RM79.4 bil. Given the low cost of funding and as issuers look to lock in their financing by year end, we are well within sight of achieving the higher end of our projected range of RM80 bil-RM95 bil for the year. Taking into account the prospects of economic recovery, low interest rates as well as the continuation of big-ticket infrastructure projects, we have revised our earlier gross corporate bond issuance to RM100 bil-RM110bil in 2021.

Analytical contact
Woon Khai Jhek, CFA
(603) 3385 2512
khaijhek@ram.com.my

Media contact
Padthma Subbiah
(603) 3385 2577
padthma@ram.com.my
Date of release: 24 November 2020

About RAM Rating Services Berhad (RAM Ratings)

Established in 1990, RAM Ratings is a leading credit rating agency registered under the Securities Commission’s Guidelines on Registration of Credit Rating Agencies, 2011. In addition to the provision of credit ratings for corporate bonds and sukuk and their issuers, RAM Ratings also provides research and publications on Islamic finance, fixed income and macro-economic and industry analysis as well as data analytics relating to credit risk, counterparty assessments and other related domains.

Disclaimer

ALL INFORMATION IS PROVIDED “AS IS” WITHOUT WARRANTY OF ANY KIND. Although every reasonable care has been taken to ensure the accuracy, completeness and objectivity of the information contained in this Media Release, RAM Ratings makes no representation or warranty, whether express or implied, as to its accuracy, completeness and objectivity and accept no responsibility or liability relating to any losses or damages howsoever suffered by any person arising from any reliance on the views expressed or information in this Media Release. RAM Ratings assumes no obligation to update any information or statement contained herein, save for any information required to be disclosed by law.

Published by RAM Rating Services Berhad
© Copyright 2020 by RAM Rating Services Berhad
All rights reserved. This material may not be published, reproduced, broadcast, rewritten or redistributed without prior permission.