

# Domestic bond market picking up

## Demand for primary bond issuances improving

By ELAINE ANG  
elaine@thestar.com.my

**PETALING JAYA:** The local bond market is showing signs of improvement in the second half fuelled by increased liquidity in the market, positive economic outlook and lower-than-expected supply in the first half.

AmInvestment Bank director and head of debt capital markets Seohan Soo said the demand for primary bond issuances was picking up.

"We expect bond market activities to be on the uptrend, especially in the last quarter of the year. However, our expectations for bond issuances will still be less than the earlier projected RM55bil due to a slow first half year," he told *StarBiz*.

The bond market had been lacklustre in the first half as it lagged signs of an improving economy and an apparent return of confidence in the global capital market.

Bond Pricing Agency Malaysia chief executive officer Meor Amri Meor Ayob said the recent hype in the market was the issuances guaranteed by Danajamin with a total amount issued of RM210mil by companies such as Syarikat Kapasi Sdn Bhd, BerjayaCity Sdn Bhd and LBS Bina Sdn Bhd.

"The Danajamin guarantee allows these companies to enter the bond market for funding options, providing them with credit enhancement which they do not usually have access to in the bond market," he said.

The other primary issuance that attracted market interest was the inaugural RM1bil Cagamas Sukuk ALLm structure.

The Sukuk ALLm is a 15-month effort by Cagamas Bhd and Al Rajhi

Primary bond market		
	Jan - Aug 2009	Jan - Aug 2010
Issuance*	RM37.08bil	RM25.14bil
<small>* New bond issuances, including those from existing facilities.</small>		
Secondary bond market		
	Jan - Aug 2009	Jan - Aug 2010
Trade volume	RM555.803bil	RM678.85bil

Source: Bond Pricing Agency Malaysia STARGRAPHICS © 2010



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Bank Malaysia Bhd, which strives to overcome various contentious Islamic principles in order to enhance its marketability in the Gulf Cooperation Council region.



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The sukuk attracted about 43% foreign investors in its book-building process with a subscription rate of 2.7 times at 3.48% for the three-year bonds.

Malaysian Rating Corp Bhd (MARC) head of fixed income research Wan Murezani Wan Mohamad also expects bond issuances to pick up in the second half based on deals in the pipeline and upcoming Danajamin-guaranteed issues.

"We foresee RM2bil to RM3bil more of such programmes to be issued into the market this year," he said.

Additionally, Murezani said, the notable improvement in corporate balance sheets following the rebound in the economy and business confidence, coupled with improving macroeconomic numbers, could result in companies expanding their businesses, translating to financing needs.

MARC expects corporate bond issuances to be in the range of RM35bil to RM45bil this year.

On the secondary bond market, AmInvestment Bank's Soo foresees the market to continue to be active driven by foreign buying of government bonds, the country's strong economic fundamentals and further liberalisation of foreign exchange rules.

According to Soo, about 24% of total outstanding Malaysian Government Securities and government investment issues of about RM336bil were currently held by foreign investors.

Murezani said corporate bonds traded in the secondary market picked up in the first seven months of 2010 with a daily average turnover of RM288mil versus RM199mil in the corresponding period of 2009, an increase of almost 45%.

"Nonetheless, the trades year-to-date were centred on the higher grade bonds (AA and above)," he said.