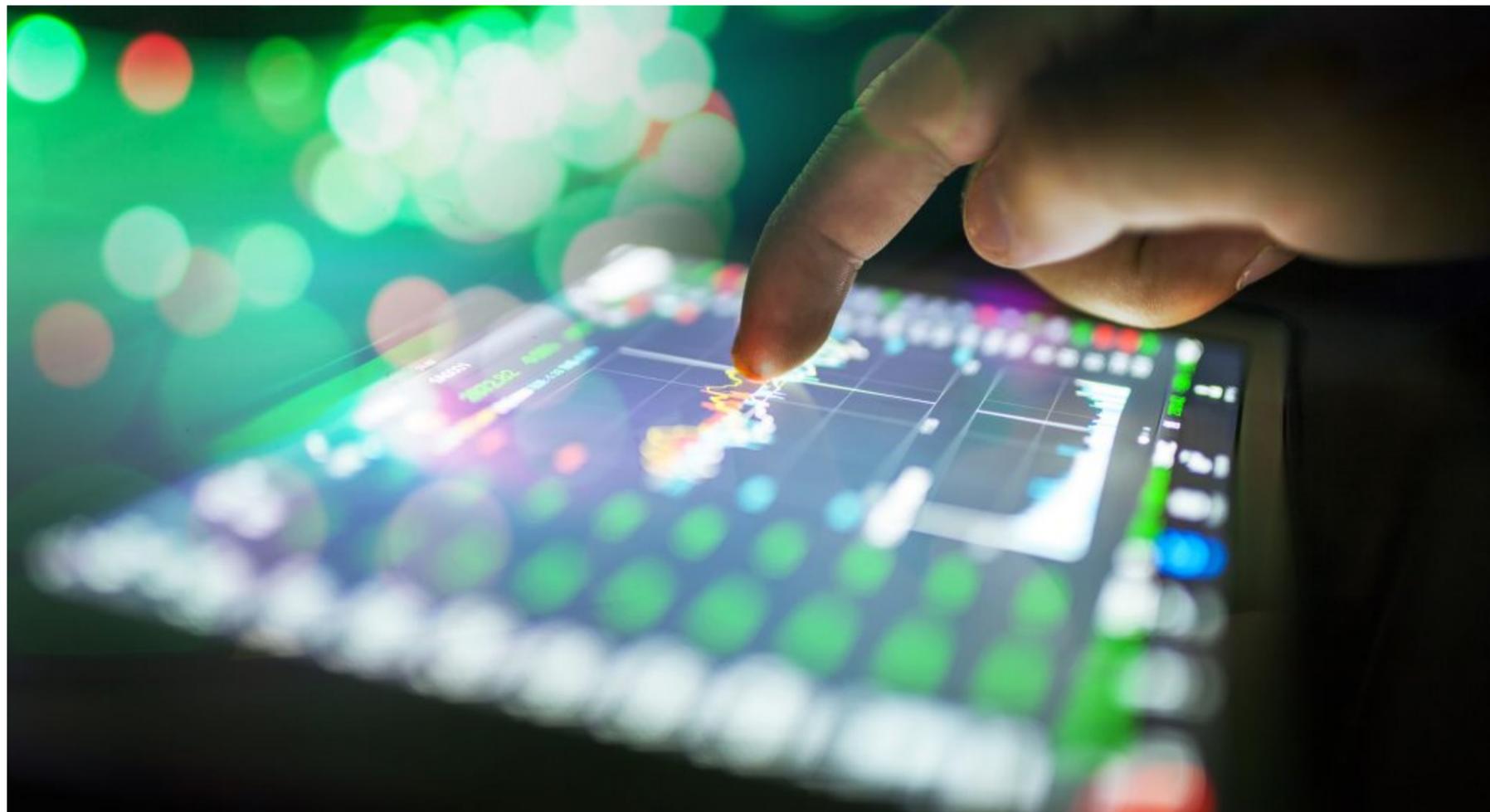
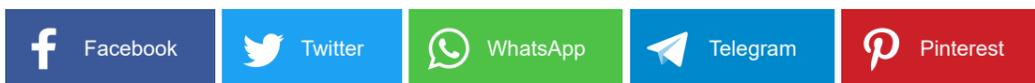


# BPAM: Malaysia's bond market looks choppy



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by **AUFA MARDHIAH** / pic by **TMR FILE**

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The Bond Pricing Agency Malaysia (BPAM) market and economy expert Kevin Teh said the US Federal Reserve's possible 25-basis-point interest-rate hike in March could give some clarity to the bond market despite interest rate carry risk to bond market.



"Any deviations from the base case will induce more volatility. Balance sheet reduction will start after the rate hike," said Teh.

He added that Bank Negara Malaysia's cautious approach to deal with the increased sovereign debt supply in addition to foreign outflows could also play into the bond market's volatility.

"Last year, bond market performance was undermined by the surge in domestic Covid-19 cases, coupled with heightened inflation expectation caused by supply chain disruptions. Since the beginning of this year, the market has become extremely choppy due to the concern over inflation that may spur central banks around the world to take more drastic measures to contain it," said Teh.



He added that on the Malaysian front, any decision by the central bank in regards to interest rate hike will be hinged on the upcoming Consumer Price Index (CPI) figure.

"The current CPI is 3.2%, any significant increase from now on will spur the central bank to take more drastic measures (if CPI is inching closer to 4%, Bank Negara Malaysia may have to raise interest rate twice this year)" said Teh in during BPAM's Almanac 2021 Book Launch yesterday.

BPAM CEO Meor Amri meor Ayob said in the latest editions of the Almanac, BPAM have enhanced the report to include information on unrated bonds and sukuk, as well as environmental, social and governance (ESG)-related data sets and hopes that the Almanac will remain the go-to publication for all manner of things related to the Malaysian fixed income market.



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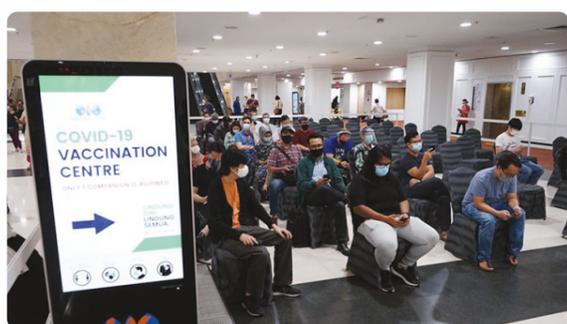
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