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Mahathir-Bonds

OVERWHELMING RESPONSE TO BOND ISSUE REFLECTS INVESTOR CONFIDENCE

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KUALA LUMPUR, May 27 (Bernama) -- The overwhelming response to Malaysia's 10-year Global Bond issue of US\$1 billion demonstrates the increased level of investor confidence in the Malaysian economy, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

"People have accepted that our economy has turned around. They are confident about the future of Malaysia and this is why they (investors) are willing to put money in the country."

"There is a great deal of interest in the bonds based on the 300 percent oversubscription," he told Bernama in an interview after calling on King Mswati III of Swaziland.

However, Dr Mahathir said that Malaysia was "only making a US\$1 billion bond issue instead of US\$2 billion as US interest rates have risen, and as a result, spreads have also widened."

"We were expecting the spread to be at (the level) when we launched (the road show) but now all the economies of developing countries are affected by the interest rates rise and the widening spread, so much so the spread has also increased for those who have already issued their bonds," he said.

"Even the spread for the Petronas bonds have also increased," the Prime Minister said.

"All this is because of the problems in Latin America, particularly the economies of Argentina, Brazil and Mexico which are not doing well, it has affected the whole market."

"So we have to pay higher interest of 8.75 percent," he said.

Asked on when the next issuance would be made, the Prime Minister said it would depend on the market.

"We will look at the market. If the interest rates are steady and improve, then we can go for another US\$1 billion," he said.

On the feedback from foreign investors during the roadshow, he said they were very positive.

"In fact, the roadshow was very successful, lots of people turned up and they were keen to buy the bonds and we have no difficulty over that," he said.

Asked on what the money would be used for, he said it would be used for "a lot of things, nothing specific, mainly for the economic recovery."

"Of course we have sufficient funds in the system but it is necessary for us to establish our rating in the bond market," he said.

Asked what he would now say to credit rating agencies which downgraded Malaysia last June when it was about to go on a roadshow to issue bonds.

He said: "It's quite obvious people are ignoring the rating agencies, because they have been wrong many times. People cannot rely upon them anymore, so people ignore them."

"Their ratings come not so much from them making a proper evaluation but they try to act, perhaps, based on their personal agenda."

"That means they have lost credibility (but) we have gained credibility."

On the reluctance to include Malaysia on the Morgan Stanley Capital International (MSCI) index, he said it did not matter.

"The main thing is whether the stock market is doing well, whether it is quoted or not does not matter, people are investing, lots of foreign funds are coming in now."

"When we announced the exit tax and changes in conditions to the selective capital controls, we thought the money would flow out, so far nobody has taken out the money, instead lots of money came in."

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