

18/05/1999

PM: Many countries keen on US\$2bn bond (HL)

JAPAN, one of the stops the Malaysian Government will make on its roadshow to promote the country's US\$2 billion (US\$1 = RM3.80) sovereign bonds, is among countries that have expressed interest in subscribing to the bond issue.

Singapore has also made known its interest to subscribe to the bonds, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

"Many countries have expressed interest in subscribing to our sovereign bonds. Japan has expressed interest. Singapore has also expressed interest. Everyone is welcome to subscribe," he told reporters in Sungai Besi, Selangor after opening the International Association of Ports and Harbours '99 trade exhibition.

The Prime Minister was asked to comment on the statement by Singapore Finance Minister Richard Hu, who said that the republic is considering subscribing to the Malaysian sovereign bond issue.

The Government announced last week that it will send teams to the US, Europe and Asia to promote the US\$2 billion sovereign bonds. Second Finance Minister Datuk Mustapa Mohamed and Bank Negara Deputy Governor Datuk Dr Zeti Akhtar Aziz left yesterday for the roadshow, which covers Hong Kong, Tokyo, Milan, Frankfurt, Boston and New York.

First Finance Minister Tun Daim Zainuddin will lead another team this week to promote the bonds.

The Government last issued sovereign bonds in 1990. Last July, it had to abandon a planned roadshow to several countries to raise funds for economic recovery programmes after several rating agencies slashed Malaysia's sovereign ratings to a notch above junk bond status on the eve of the roadshow. Malaysia's sovereign rating has now been accorded investment grade status of triple B minus by Standard & Poor's, Moody's Investors Service (Baa3), Duff & Phelps Credit Rating Co, and European rating agency Fitch IBCA.

Most analysts are optimistic about the bond issue amid signs of recovery in Malaysia's recession-hit economy.

In one of its latest reports, AFP quoted Mr Charles Wheeler, senior capital market analyst at Standard and Poor's MMS International in Singapore, as saying that the Malaysian sovereign bonds "will get good reception".

Malaysia's selective currency exchange rate controls, imposed last September to protect the economy from external forces is not expected to deter investors given the signs of recovery in the economy.

The S&P MMS International analyst also said Malaysia's sovereign bond issue offers "better spread than elsewhere".

The Government's financial adviser Salomon Smith Barney, which is also the lead manager for the issue, registered with the US Securities and Exchange Commission in Washington on May 11 on the Malaysian Government's decision to issue the bonds.

The Finance Ministry said it would initially issue US\$2 billion global bond and had filed with the US Securities and Exchange Commission to issue a total of up to US\$3 billion in sovereign bonds.

Seven investment bankers will co-manage the bond issue.

The Malaysian Government's first sovereign bond was the Bulldog bonds valued at STG75 million (RM1 = STG01.6) in 1985. The bonds' interest rate was fixed at 10.75 per cent and due in July 2009.

This was followed by a 30 billion yen Samurai bond in 1989, which has a much lower interest rate of 2.70 per cent and is due in June 2001. In 1990, the Government issued a US\$200 million Yankee bond with interest rate of 9.85 per cent and due in September 2000. Major corporations like Petroliam Nasional Bhd, Malayan Banking Bhd, Tenaga Nasional Bhd and Telekom Malaysia Bhd have also issued their own bonds.

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