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Strong HK turnout for US\$2bn bond roadshow: HSBC

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HSBC Markets, one of the seven co-managers for Malaysia's US\$2 billion (US\$1 = RM3.80) sovereign bond issue, said the first day of the country's roadshow in Hong Kong received "very strong turnout followed by healthy question-and-answer session".

Speaking from the US perspective, Mr Robert Smalley, head of research HSBC Securities Inc New York, said US investors are basically looking forward to listening to the roadshow and they are keen to hear the progress Malaysia has made thus far.

"This is because US investors are generally price sensitive and as such, are keen to look at the fundamentals," he told reporters at a press conference yesterday.

Malaysia started a 10-day roadshow on Monday for its US\$2 billion sovereign bond issue, the lead manager of which is Salomon Smith Barney. Prime Minister Datuk Seri Dr Mahathir Mohamad said Japan and Singapore have expressed interest to subscribe to the bond issue.

On what are the immediate concerns of investors that HSBC needs to address in promoting Malaysian sovereign bonds, Woods replied that the roadshow will emphasise Malaysia's positive credit strength.

"Malaysia's credit is taking a turn for the better. The market is already relatively comfortable with the country's economic story ... it will be an easy story to tell," he said, adding that probably, the only risk or worry left to be addressed is related to politics, which will be resolved following the general elections.

Another positive expectation according to Woods, is that the country's sovereign credit rating will likely be upgraded to BBB from BBB minus by the main international rating agencies after the fresh mandate from the country's general elections.

Last July, the Malaysian Government had to abandon a planned roadshow to several countries to raise funds for economic programmes following the move by several rating agencies which slashed its sovereign rating to just above junk bond status.

Currently, Malaysia's sovereign rating is accorded investment grade status of triple B minus by Standard & Poor's, Moody's Investors Service (Baa3), Duff & Phelps Credit Rating Co and Fitch IBCA.

All of these agencies, with the exception of Fitch, have upgraded Malaysia's credit outlook from negative to stable.

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