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Tap international bond market soon, says NEAC

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MALAYSIA should tap the international bond market in the next one or two months or even sooner, National Economic Action Council (NEAC) member Dr Zainal Aznam Yusof said yesterday.

"The (bond) issue should be soon as many individual investment bankers and analysts say it is a good time to issue the bonds ... personally, it should be in the next one or two months or sooner," he said in Kuala Lumpur at the sidelines of a workshop on "Openness, Macroeconomic Crises, and Poverty" in preparation of the World Development Report.

Zainal, who is the Institute of Strategic and International Studies (Isis) deputy director-general, said Malaysia should use the bond issue as a vehicle to tell "the Malaysian story of its heterodox approach in dealing with the crisis".

Meanwhile, analysts contacted by Business Times concur with Zainal.

Kompleks Metrowangsa chief executive officer Dr Ghazali Atan said "now is the time" for Malaysia to issue sovereign bonds as it will be able to get a "decent yield spread".

Spreads for Petronas bonds, he said, are now at "sensible levels" at 280 basis points over US Treasury bonds. At its worst, the spread was 1,000 basis points above US Treasury bonds.

Rating Agency Malaysia executive director Suresh Menon said with the exchange rate works in Malaysia's favour, "if Malaysia makes the sovereign bond issue now, and the ringgit later appreciates, then we will end up paying less ringgit".

Zainal also said the Government is at the stage of identifying the lead manager for its bond issue.

The Government is still discussing details such as the amount, tenure and timing of the issue.

Zainal also said the amount of bonds to be issued through the international bond market remains as announced by Prime Minister Datuk Seri Dr Mahathir Mohamad last month.

Dr Mahathir had said that the Government will go on a roadshow to tap funds from international markets to raise about RM8 billion to help finance the additional development allocation for the remaining period of the Seventh Malaysia Plan (1996-2000).

Zainal, however, declined to name the investment banks which have submitted proposals to manage the bond issue.

Last month, Second Finance Minister Datuk Mustapa Mohamed said the Government had received four to five "solid proposals" from investment banks. It is understood that these banks include JP Morgan, Credit Suisse First Boston, Salomon Smith Barney and Goldman Sachs.

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