

09 FEB 2000

CHASE-SOVEREIGN BONDS

RIPE TIME FOR MSIA TO ISSUE SOVEREIGN BONDS

KUALA LUMPUR, Feb 9 (Bernama) -- The time is very right for Malaysia to issue another series of sovereign bonds given the current positive fundamentals and a tremendous scarcity of Asian bonds, said Chase Manhattan Bank (Chase)'s head for Asia's Debt Capital Market International Fixed Income, Bob Fernandez.

The last time Malaysia issued its sovereign bonds was in May last year, when the government raised a 10-year US\$1 billion (RM3.8 billion) bond. The bonds were oversubscribed by 300 percent.

The issue was half of the US\$2 billion planned earlier as the government cut the amount due to uncertain market conditions and the bonds' widened spreads over the US 10-year Treasury bills at that time.

Speaking at a press conference prior to a meeting with government and corporate leaders today, Fernandez expected the market to be able to absorb Malaysia's sovereign bonds throughout the year.

Chase is leading a group of investors from the United States, Europe and Asia Pacific on a fact-finding trip to Indonesia, Malaysia and the Philippines. Together, these investors manage US\$1 trillion (RM3.8 trillion) worth of funds.

Fernandez said that there is a huge appetite for Asian bonds now, considering only US\$14 billion in bonds were issued last year, an amount which covered about two weeks of bonds issued in the United States domestic market.

Meanwhile, Chase's head of Asia Fixed Income Research, Greg Batey said that Malaysia's sovereign and corporate bonds had performed spectacularly well last year and caught the eye of a lot of fixed income investors.

The Malaysian component of Chase Asia Bond Index (CABI) returned 33.76 percent, Telekom Malaysia returned 51.50 percent and Malaysian utility bonds returned 46.21 percent.

"That is spectacular performance for bonds, especially considering that in 1999, US Treasury fell into negative territory. Malaysian bonds did better than even the US Dow Jones stock index, which last year returned less than 17 percent," said Batey.

CABI is a fixed income benchmark comprising bond returns and statistics for Asian markets on a daily and monthly basis.

The index, he said covered sovereign bonds and the most liquid corporate bonds. Last year, Malaysia ranked second and third among the most liquid corporate bonds.

Malaysia is also the largest issuer of bonds after South Korea, accounting for over 15 percent of the market capitalisation, he added.

With Malaysian sovereign bond yield trading neck to neck with Korea, he said this has placed Malaysia in league with the most successful recovering economies hurt by the Asian crisis.

Describing Malaysia's economic recovery as remarkable, Batey said that Chase has projected a Gross Domestic Product (GDP) growth of 6.0 percent for the country this year and 6.7 percent for next year.

Joyce Chang, Chase's Global Head of International Fixed Income Research said the bank is forecasting a continued supportive global environment for Asia's recovery this year with a balance growth in the global economy.

This included a 3.5 percent increase in the US economy and a modest 1.7 percent growth in Japan's economy.

To a question, Batey said Chase sees foreign investors giving greater

attention (to Malaysia) and this was reflected by the upsurge in the local stock market and the narrowing spread of Malaysian bonds.

Chang added that foreign investors are returning to Malaysia with the economic recovery and political stability being reaffirmed after last year's general election which saw Prime Minister Datuk Seri Dr Mahathir Mohamad-led coalition party securing over two-thirds majority.

The foreign funds are also flowing back on rising positive perception over Malaysia's selective exchange control measures, she added. -- BERNAMA

AD FR