

Malaysia starts selling US\$750m 10-Year Bonds

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MALAYSIA started selling US\$750 million (US\$1 = RM3.80) of bonds, bankers involved in the sale said, to raise money it needs to boost slowing economic growth.

The bonds are being marketed to yield about 235 basis points more than US Treasuries of similar maturity, the bankers said.

That's a yield of about 25 basis points more than existing Malaysian bonds maturing in 2009. The Government could sell up to US\$1 billion of bonds, depending on demand.

Malaysia said yesterday morning it hired J.P. Morgan Chase & Co and Salomon Smith Barney Inc to sell the bonds, money needed to fund the country's RM3 billion economic stimulus package, targeted at reviving slowing exports.

The Government plans to provide money for the construction of two ports, a power plant and other projects as part of a RM28.8 billion programme of construction projects this year.

We don't think that we can respond to a downturn purely by reducing interest rates," Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"We have to think of other ways and means to prop up the economy."

Malaysia's US\$1.5 billion of 10-year bonds, which pay interest of 8.75 per cent and mature in 2009, recently yielded about 210 basis points more than US Treasuries of similar maturity.

That's a higher yield than last week when these bonds yielded 185 basis points, as investors sold the old bonds in expectations of being offered a higher yield on the new bonds, traders said.

"The country's new bonds will be rated BBB by Standard & Poor's and Baa2 by Moody's Investors Service Inc," the Government said. — Bloomberg