

1MDB's dollar bonds slump as probes hurt sentiment

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1MDB US dollar bonds fell to a record as a plunge in the ringgit pushes up financing costs for the debt-ridden state investment company under investigation in the US.

The US\$3 billion (RM13.2 billion) of outstanding 4.4 percent notes maturing in 2023 were paying 75 cents on the US dollar as at 2.19pm in Kuala Lumpur, a drop of 4.7 percent from last week, data compiled by Bloomberg showed.

Reports that the US Federal Bureau of Investigation (FBI) is probing 1MDB over alleged money laundering, and the US Justice Department is looking into property purchases associated with Prime Minister Najib Abdul Razak's stepson, are helping spur the ringgit's worst weekly slide in more than 17 years.

1MDB came under the spotlight in 2014 after amassing RM42 billion of debt in five years, drawing criticism from lawmakers concerned about its ability to repay and urging for the resignation of Najib, who chairs the company's advisory board.

An investigation by the Malaysian Anti-Corruption Commission, launched after a Wall Street Journal (WSJ) report, revealed about US\$700 million that found its way into the prime minister's bank accounts was from political donations and not related to 1MDB. "The bonds have been affected by growing concerns over 1MDB's higher financing costs given its substantial borrowings in the US dollar, hence we expect more pressure on its debt servicing for the bonds," said Fakrizzaki Ghazali, a credit strategist at RHB Research Institute Sdn Bhd in Kuala Lumpur.

The FBI is probing allegations of money-laundering related to 1MDB, WSJ reported in the past week, citing people familiar with the matter.

The US Justice Department has begun an investigation into US properties purchased by shell companies belonging to Najib's stepson and the funds that appeared in the premier's accounts, The New York Times reported.

The yield on 1MDB's US dollar notes rose 81 basis points this week to 9.15 percent, the highest since the debt was sold in March 2013. The securities pay interest twice yearly, in March and September, according to the prospectus.

1MDB Energy Ltd, a unit of the parent company, sold US\$1.75 billion of 2022 US currency bonds in 2012. The 5.99 percent notes were paying 107 cents on the US dollar yesterday to yield 4.72 percent, up three basis points from last week, data compiled by Bloomberg showed.

Of 1MDB's total borrowings of US\$8.13 billion, about 68 percent are denominated in the US

dollar, according to data compiled by Bloomberg.

- Bloomberg

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