

Markets awaits naming of Bank Negara chief, who has big shoes to fill,
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Only four days before the tenure of Malaysia's highly-respected central bank governor ends, there's no clarity on who will replace her - and the successor's job may become tougher if financial difficulties deepen at a state-owned fund.

Prime Minister Najib Abdul Razak has not named a successor to Bank Negara Malaysia (BNM) governor Zeti Akhtar Aziz, whose 16-year tenure ends on Saturday, April 30.

Investors and analysts praise Zeti for pursuing sound policies and giving BNM big credibility. This has been particularly important as a crisis last year began to engulf 1Malaysia Development Berhad (1MDB) and Najib, who chairs its advisory board.

Today, 1MDB said it did not pay a US\$50.3 million coupon on a US\$1.75 billion bond, following a stand-off with Abu Dhabi sovereign fund IPIC, triggering cross-defaults on some of its other bonds.

Standard & Poor's said it did not see an impact on Malaysia's sovereign ratings for now, as it expects the government to make good on 1MDB's obligations.

Today's default announcement hurt the ringgit, which fell to a more than one-week low. It was down as much as 1.1 percent, to 3.9495 to the dollar.

In 2015, the ringgit was Asia's worst-performing currency, shedding nearly 19 percent against the dollar amid tumbling energy prices and Malaysia's political woes. This year, it's the strong currency, gaining about 9 percent.

Continuity sought

In a new governor, market players want policy continuity and the kind of firm hand that Zeti has provided.

“We are looking for a candidate who can continue in Dr Zeti’s footsteps,” said Vaninder Singh, a Singapore-based economist with the Royal Bank of Scotland.

For some analysts, the preferred candidate is Zeti’s deputy governor Muhammad Ibrahim. Other candidates are believed to be Treasury secretary-general Mohd Irwan Serigar Abdullah and Minister in the Prime Minister’s Department Abdul Wahid Omar, and Awang Adek Hussin, Malaysia’s ambassador to the United States.

“The guidance from the government is that they would appoint someone who is market friendly,” said Gan Eng Peng, head of equity strategies and advisory at Affin Hwang Capital, a Malaysian asset management firm.

Ang Kok Heng, chief investment officer for Phillip Capital Management, said markets “are anxious to know who the person is and what the (management) style will be like.”

BNM said in March it was pursuing administrative action against 1MDB. Last year, it urged criminal prosecution against the fund, which was rejected by the government’s attorney-general.

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