

Malaysia to issue first Islamic bonds in eight years

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Prime Minister Najib Razak on Wednesday said Malaysia will issue its first Islamic dollar bonds, or sukuk, in eight years, with analysts suggesting it is aiming to raise up to a billion dollars.

"I believe ... Malaysia is now well positioned to make its second entry into the global sukuk markets," Razak said in a speech.

Barclays Capital, HSBC Holdings and Malaysia's CIMB will jointly lead the sale in Asia, the Middle East and in the US.

The government did not disclose the amount of money it hoped to raise but Steven Clayton, Barclays Capital managing director and country head Malaysia, told reporters will be bigger than the 600 million dollars raised in June 2002.

Other analysts and reports said Kuala Lumpur was looking to attract about one billion dollars from the debt sale to pay for development projects to generate growth.

Malaysia is the world's biggest market for Islamic bonds.

Islamic banking fuses principles of Islamic law and modern banking. Islamic funds are banned from investing in companies associated with tobacco, alcohol or gambling, considered taboo by Muslims.

Clayton said a roadshow will end on May 27 after meeting potential investors in Dubai, Abu Dhabi, Hong Kong and in New York.

"We will know the pricing next Thursday. Demand will be very good," he said.

Malaysia, Southeast Asia's third largest economy, grew 10.1 percent year-on-year in the first quarter, its highest jump in a decade, and is on track for six percent full-year growth.

Malaysia had a budget deficit of seven percent of gross domestic product last year and has vowed to reduce it to 5.6 percent this year by a rollback in fuel and food subsidies.

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