

Cagamas boosts sukuk sales with biggest issue of 2013

THE biggest offering of sukuk in Malaysia this year puts sales on course for the best month since November as issuers take advantage of extended US stimulus.

Cagamas Bhd, the state-owned mortgage provider, will issue RM3.8 billion of Shariah-compliant debt in maturities of one to 20 years on Oct 28, according to two people with knowledge of the deal who asked not to be named as the information is private.

A planned RM1.3 billion sale by DanaInfra Nasional Sdn Bhd will drive offerings to RM5.8 billion in October, the most since RM7 billion in November 2012, according to data compiled by *Bloomberg*.

Yields on Malaysia's 10-year government Islamic bonds fell 19 basis points from the year's high reached on Sept 2 on speculation Prime Minister Datuk Seri Mohd Najib Razak will reveal measures to cut the fiscal deficit in his Budget 2014 and avoid a credit-rating downgrade.

Issuance may pick up as a delay in the Federal Reserve's (Fed) tapering provides some certainty on borrowing costs for the next six months, according to Asian Finance Bank Bhd.

"Now that market conditions have stabilised somewhat, we saw a lot more names looking to tap the market in the past two weeks," Elsie Tham, a senior fund manager at Kuala Lumpur-based Manulife Asset Management Sdn Bhd said in an interview on Monday. "Many are considering longer-dated paper to meet



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There's enough liquidity in the domestic market to absorb the sukuk supply, says Asian Finance Bank's Mohamed Azahari

demand from insurers and pension funds and before borrowing costs start to rise again."

Corporate sales of sukuk in Malaysia should also get a boost after the US avoided a default by raising the debt limit and brought an end to the government shutdown, according to Asian Finance Bank.

Bank Kerjasama Rakyat Malaysia Bhd, a state-owned finance institution, set up a programme to sell as much as RM9 billion of Islamic bonds, according to an Oct 18 emailed statement from RAM Rating Services Bhd, the smaller of the nation's two assessors.

Putrajaya Holdings Bhd, which is developing a new financial district outside Kuala Lumpur, is seeking to raise RM370 million to fund construction of a 31-storey office tower.

Cagamas, the biggest issuer of sukuk in Malaysia, will sell 20-year Shariah-compliant

debt at a yield of 5%. That's lower than the 5.5% it paid for similar-maturity notes in November 2009.

"There's enough liquidity in the domestic market to absorb the sukuk supply," Datuk Mohamed Azahari Kamil, CEO at Asian Finance Bank in Kuala Lumpur, said in an Oct 17 interview. "With concerns allayed over the US default, quality issuers will capitalise on the opportunity."

The government's 10-year Islamic bonds yielded 3.94%, down from the 2013 high of 4.13% in September. That's still up from 3.61% at the end of last year, a Bank Negara Malaysia index shows.

Khazanah Nasional Bhd, the sovereign wealth fund, sold S\$600 million (RM1.53 billion) of five-year sukuk exchangeable into IHH Healthcare Bhd shares at a negative yield of 0.25% last week, according to a company statement. Export-Import Bank of Malaysia Bhd, the nation's trade finance company, started marketing in Asia, Europe and the Middle East earlier this month as part of a US\$1 billion (RM3.17 billion) Islamic bond programme.

"We believe that more issuers would take the opportunity to lock in long-term rates given the opportunity now," Jesse Liew, head of global sukuk at BNP Paribas Investment Partners Malaysia, said in an interview in Kuala Lumpur on Monday. "This is because the future interest-rate direction remains uncertain given the possibility of the Fed's tapering." — *Bloomberg*