

Cagamas entry boosts lagging dollar market.

Mortgage provider said to ask banks to pitch for combined Shariah-compliant and non-Islamic programme

ASIA'S dollar sukuk market looks set for a boost from the entry of Cagamas Bhd, Malaysia's biggest corporate debt issuer.

The state-owned mortgage provider asked banks to pitch for a combined Shariah-compliant and non-Islamic programme, three people familiar with the deal said.

Top-rated Cagamas has is-

sued RM265.6 billion of securities in Malaysia since its inception in 1986 and accounts for 22% of AAA debt outstanding, according to the company's annual report citing data from the end of 2012.

Cagamas would become only the fourth Asian company to tap the dollar Islamic bond market after Malaysia's Sime Darby Bhd, Petrolin Nasional Bhd (Petronas) and Japan's Nomura Holdings Inc. Sime Darby ended a two-year drought in issuance in January, when it got orders for 11 times the US\$800 million (RM2.42 billion) raised. The Persian Gulf currently dominates US currency sukuk offerings, with

sales totalling US\$6.7 billion this year.

"Cagamas's plan to sell dollar bonds would add more colour to the Malaysian dollar yield curve," Ray Choy, regional head of fixed-income research in Kuala Lumpur at RHB Research Institute Sdn Bhd, a unit of RHB Capital Bhd, said in an interview on May 22. "It will improve market liquidity."

The company will use the proceeds to buy loans and debt from Malaysian financial institutions, assets that could back its bond offerings, said the people who asked not to be named as the information is private.

"They won't have an issue

selling dollar debt," Fariza Taib, a fixed-income manager overseeing RM1 billion at Kuala Lumpur-based Asian Islamic Investment Management Bhd, said in a May 21 interview. "Cagamas is looked at in the likes of Khazanah Nasional Bhd, the sovereign wealth fund."

Sime Darby sold five- and 10-year Shariah-compliant notes, while Petronas's debt matures in August 2014. Nomura's securities have already expired. The government only has three dollar sovereign notes outstanding, which are all Islamic, and come due in 2015, 2016 and 2021. — Bloomberg