

More demand for high-yield bonds, sukuk since OPR cut — Cagamas

BY SUPRIYA SURENDRAN

KUALA LUMPUR: There has been more demand for high-yielding bonds and sukuk since Bank Negara Malaysia cut the overnight policy rate (OPR) from 3.25% to 3% in July, said Cagamas Bhd president and chief executive officer Chung Chee Leong.

He shared this in a statement announcing Cagamas's issuance of a one-year RM410 million bond/sukuk comprising RM180 million conventional medium-term notes (CMTN) and RM230 million Islamic medium-term notes (IMTN).

Proceeds from the issuance will be used by Cagamas to fund its purchase of mortgage loans and Islamic home financing from the financial system.

"Despite strong headwinds over the past week, coupled with the weakening of the ringgit, the issuance was competitively priced at 10 basis points below the three-month Kuala Lumpur Interbank Offer Rate.

"The issuance represents a continuous growing interest in corporate bonds, particularly among international inves-

tors seeking yield pickup over sovereign issuance," said Chung.

He added that strong secondary market liquidity of Cagamas bonds and sukuk, which has surpassed the RM10.5 billion mark and continues to be the highest traded corporate bond/sukuk in the local market for the year, contributed to the success of the latest issuance.

"Foreign holdings of our local currency bonds has also increased from 0.6% in June 2015 to 5.7% in June 2016, indicating a growth of over 5% in foreign holdings," said Chung.

He also shared that the new issuance will bring Cagamas' aggregate issuance for the year to RM4.2 billion.

The CMTN and IMTN, which will be redeemed at their full nominal value on maturity, are unsecured obligations of Cagamas, which is also known as the National Mortgage Corp of Malaysia.

The notes rank *pari passu* among themselves and with all other existing unsecured obligations of the company, and will be listed and tradeable under the scripless securities trading system.