

Cagamas raises RM550mil from bonds, sukuk

PETALING JAYA: Cagamas Bhd raised RM550mil from a RM500mil five-year Islamic medium-term notes (IMTNs) and RM50mil via a five-year conventional medium term notes (CMTNs).

The proceeds from the maiden issuances for 2023 will be used to fund the purchase of house financing and eligible assets from the domestic financial system, the national mortgage corporation stated yesterday.

President and chief executive officer Datuk Chung Chee Leong said the IMTNs were successfully concluded via a book-building exercise with a final book-to-cover ratio of 3.05 times which allowed the company to tighten the pricing by five basis points. The CMTNs were privately placed out.

The IMTNs attracted subscription from a diversified range of investors including financial institutions, pension funds, asset management institutions, insurance companies, and a sovereign body.

"We are pleased to have started the year with commendable issuances of RM550mil worth of bonds and sukuk, despite looming uncertainty on global interest rate direction and recession concerns this year," he stated

in the statement.

Since incorporation in 1986, Cagamas has cumulatively issued circa RM391.8bil worth of corporate bonds and sukuk. The company is the second largest issuer of debt instruments after the Malaysian government and the largest issuer of AAA corporate bonds and sukuk in the market.

Meanwhile, RAM Rating Services Bhd expects overall corporate bond issuance to reach RM120 to RM130bil in 2023, propelled by private refinancing initiatives, continued infrastructure financing needs and financial institutions' capital augmentation plans.

The local primary bond market activity remained robust in 2022 with total corporate bond issuance surging to RM153bil from RM114.3bil worth of issuance in 2021.

"The higher issuance last year was to a large extent fuelled by a major refinancing and fundraising exercise by Projek Lebuhraya Usahasama Bhd in December 2022, which contributed RM25.2bil or 16.5% of total corporate bond issuance," the credit rating agency noted.

The financial sector raised RM49.1bil while transportation and storage RM44bil from the

primary bond market, which together accounted for around 60.8% of overall supply.

Gross issuance of Malaysian Government Securities (MGS) and Government Investment Issues (GII) rose for the third consecutive year to RM171.5bil in 2022 (2021: RM163.9bil), the largest on record.

RAM Rating expects MGS and GII issuance to amount to RM170bil to RM180bil in 2023, taking into account the government's deficit financing requirement as well as the refinancing of debts maturing this year.

Foreign funds turned net sellers with an outflows of RM9.8bil in 2022, the first net foreign outflow since 2018. "Sell-off pressure appeared to wane towards the end of 2022 as the US Federal Reserve's (Fed) messaging became less hawkish, hinting at a slower pace of rate hikes moving ahead," RAM Rating noted.

MGS and GII registered a net foreign inflow for the second consecutive month in December 2022 (worth RM2.7bil). RAM Rating added with monetary policy setting expected to be progressively normalise as the Fed moves closer to the end of its tightening cycle, the Malaysian bond market should see more favourable fund flows in 2023.