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Pricing agency sees low interest environment as a boost

BOND Pricing Agency Malaysia (BPA) believes the low interest environment will make it conducive for more bond issuance next year.

According to chief operating officer Meor Amri Meor Ayob, investors will continue to “flee to quality” as the global economy faces relative downside risks next year.

Bonds, especially government-related ones, would be seen as safe investments, he told a press conference in conjunction with the launch of BPA’s bond index series yesterday.

Head of market development Mohd Shaharul Zain said new issuance next year would be led by Malaysian Government Securities (MGS) as the Government needed to pump-prime the economy and fund its larger budget deficit next year.

“There will also be infrastructure projects that are due for refinance next year so we will see some new issuance in that area,” he said.

The demand for Islamic bonds was also positive in current times, as they were asset-backed, he said.

Nonetheless, the credit rating of the debt papers was also an important factor for consideration for investors.

“There will be a drop in issuance of lower credit rating bonds,” he said, adding that the higher the quality of issuance, the more likely the take-up.

Year to date, there have been 2,751 bonds issued in the market, with a combined outstanding value of RM583.3bil.

Shaharul said the participation of foreign investors in the local bond market was limited as they were mainly in MGS and short-term treasury bonds.

BPA provides bond information and pricing services on the Malaysian fixed income market. Its latest bond index series will provide guidance to market participants in benchmarking, tracking and managing risks of their investment portfolios.

Meor Amri said BPA's bond index series differed from the rest in the country as it allowed permutations of 120 indices. Other ringgit bond indices include RAM quant shop, iBoxx ABF and HSBC Asian Local Bond Index.