



# Cagamas Berhad

National Mortgage Corporation of Malaysia

Corporate Bond Market in Malaysia : Issuer Perspective





Section 1: Local Currency Bond Market Overview

Section 2: Challenges Faced and Strategies in Place-Issuers Perspective

Section 3: Strategic Initiatives to Promote Secondary Market Liquidity



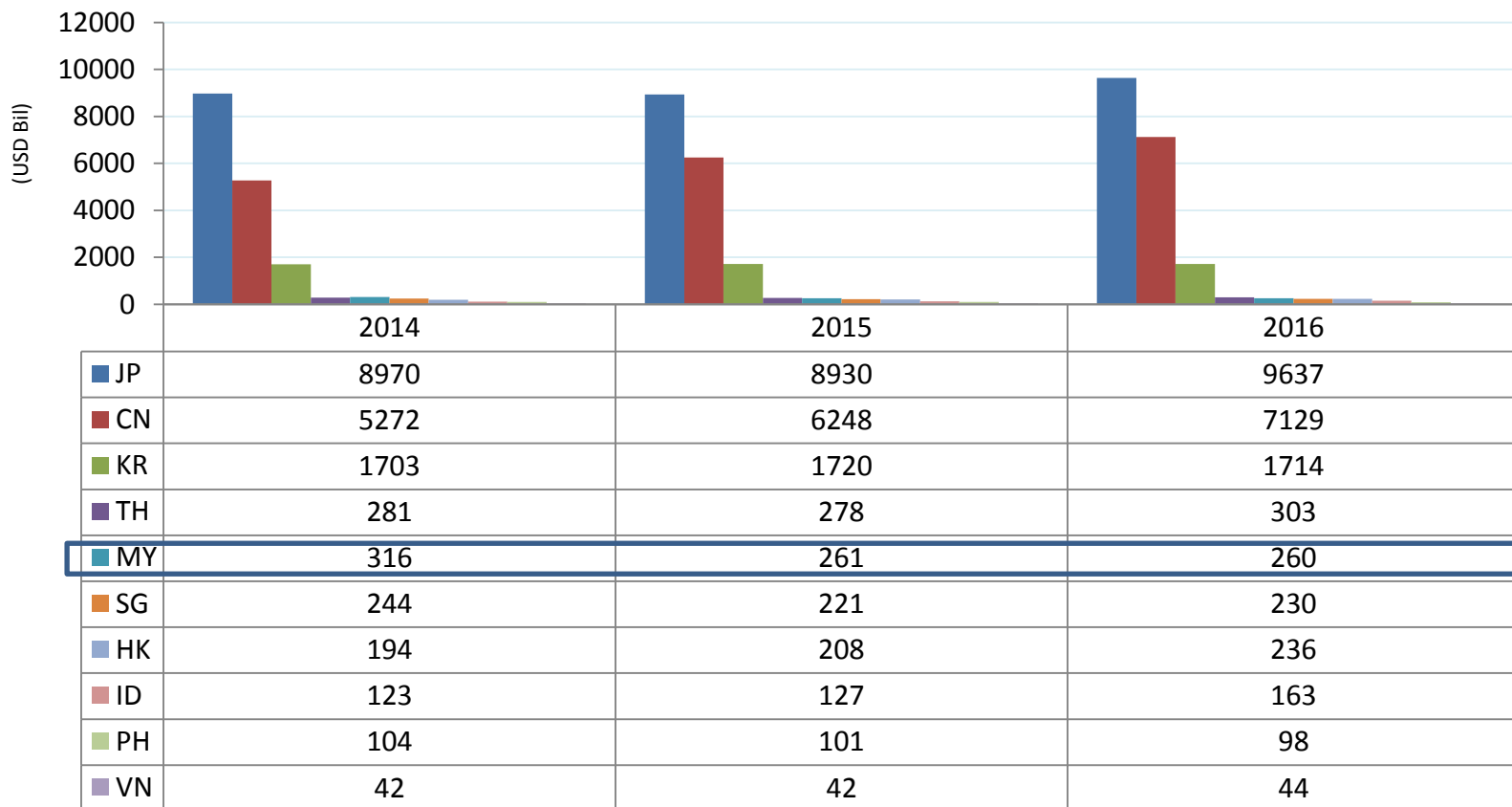


# ***SECTION 1***

## **Local Currency Bond Market Overview**



# Asian Local Currency Bond Market Overview

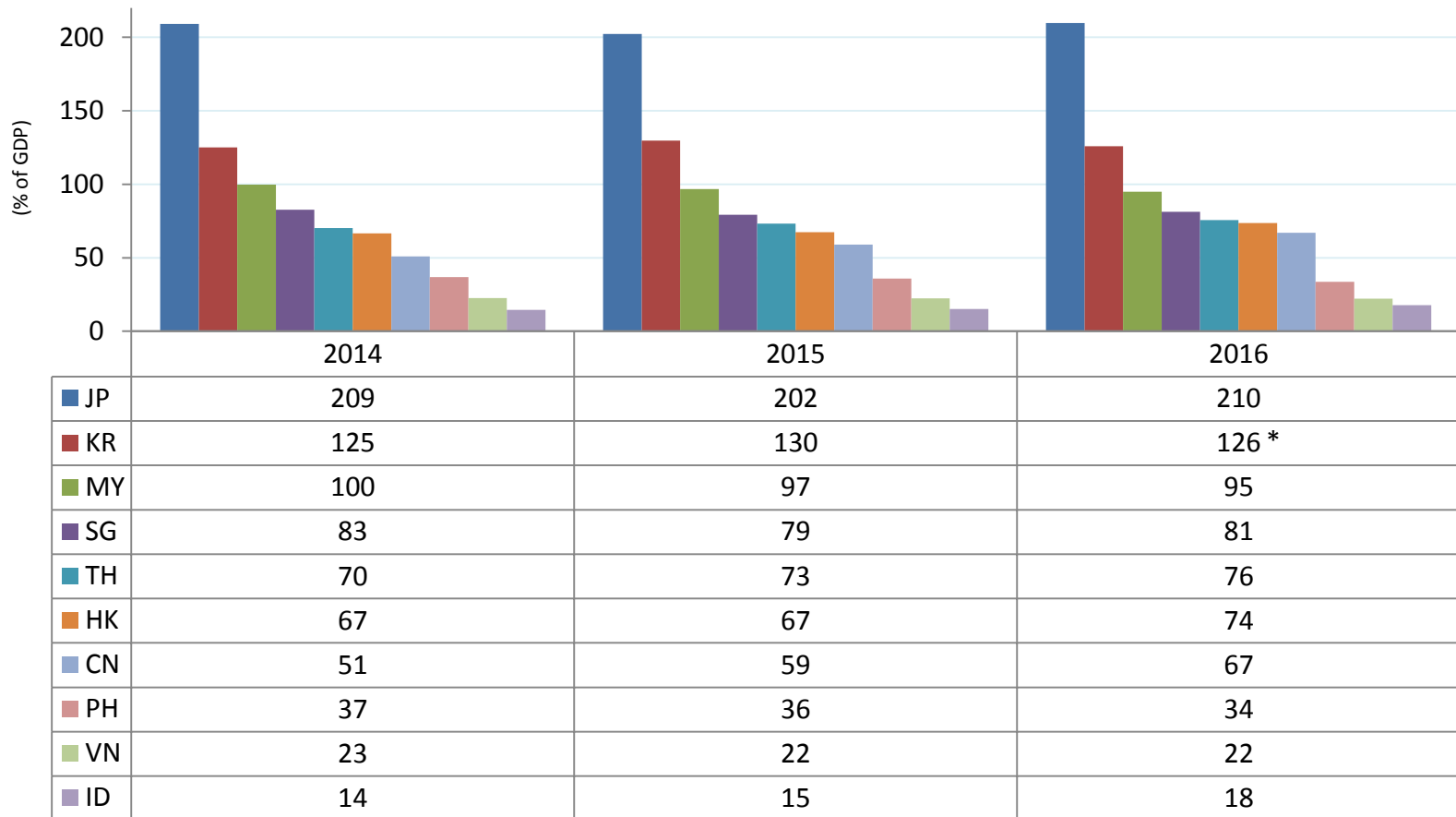


Source: Asian bond online website

*In 2016 Malaysia was ranked 5<sup>th</sup> within the ASIAN region recording a sizeable bond market of USD 260 billion maintaining its position within the region from 2015*



# Asian Local Currency Bond Market Overview (cont'd)



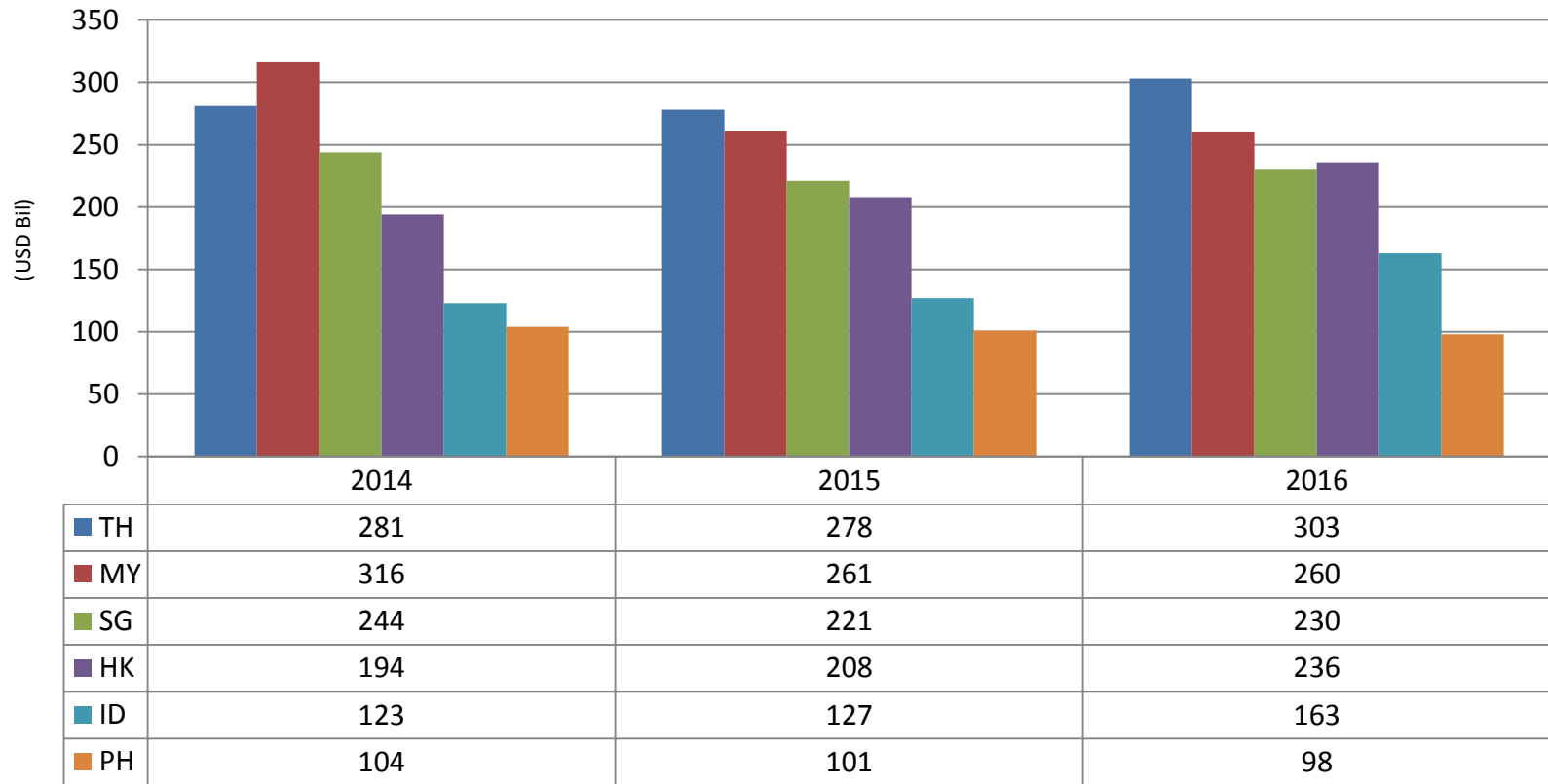
Source: Asian bond online website

\* - indicative

*In terms of bond market size in % of GDP, Malaysia recorded 95% in 2016, a lower figure comparative to previous years of 100% in 2014 and 97% in 2015*



# Regional Local Currency Bond Market Overview (cont'd)

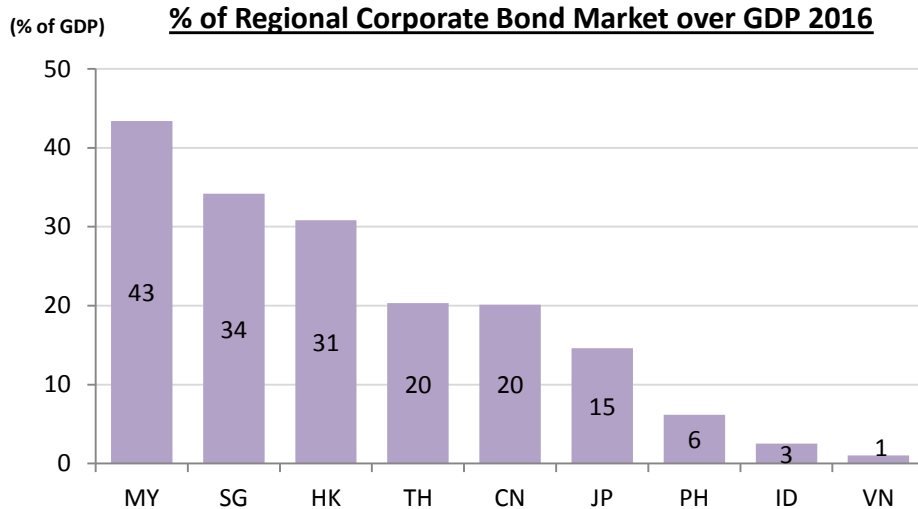


Source: Asian bond online website

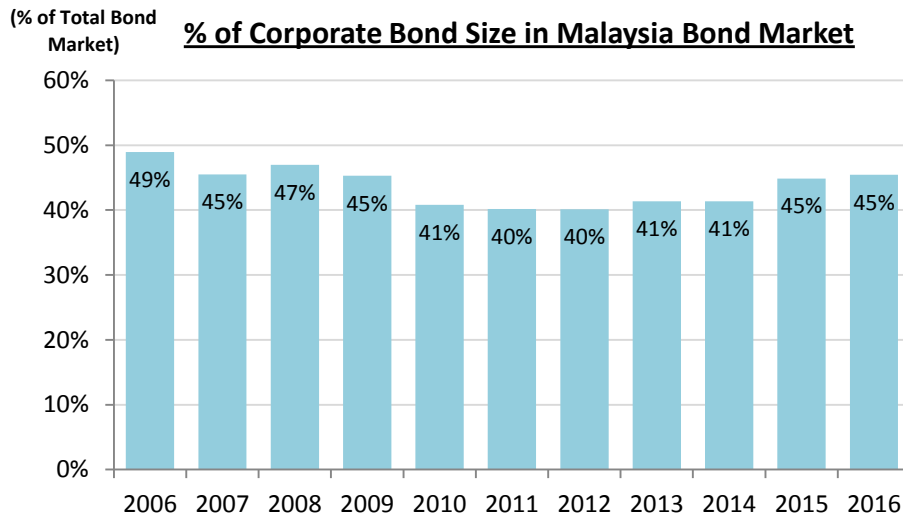
*In 2014 Malaysia lead the regional region recording a sizeable bond market of USD 316 billion in 2015 and 2016 Malaysia managed to achieve the position of being the second largest bond market within the region after Thailand*



# Growth of Malaysia Corporate Bond and Sukuk



- ✓ Malaysian corporate bond market recorded the highest in outstanding size of RM534 billion or 43% of GDP within the region and is expected to grow further with estimated new issuances of circa MYR80 billion<sup>1</sup> in 2017

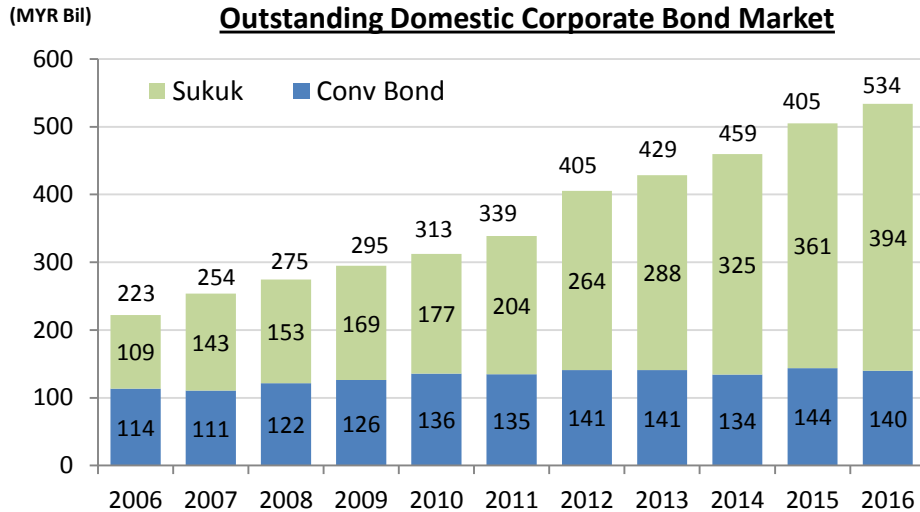


- ✓ As indicated, the size of the corporate bond market in Malaysia has been trending upwards evidenced by an increase in size from 40% in 2011 to 45% of the total bond market in 2016.

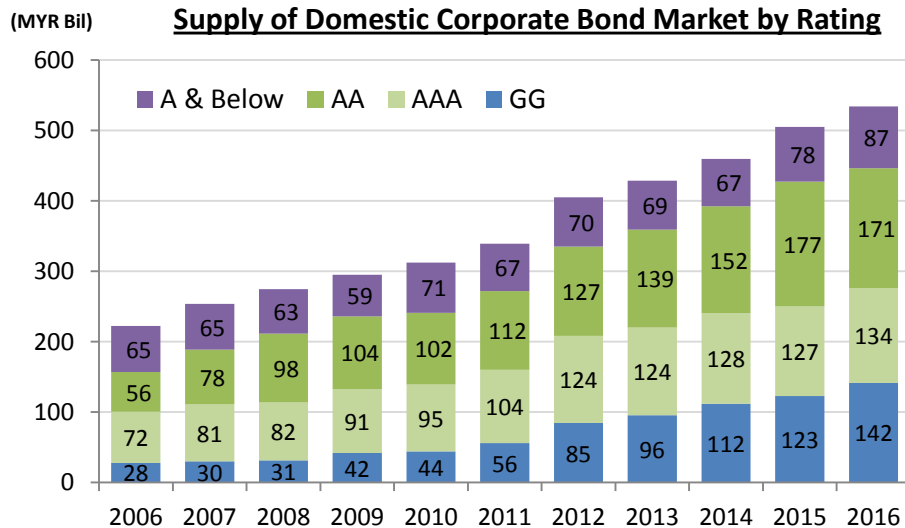
<sup>1</sup> Corporate bond issuances is based on estimate by RAM Holdings Bhd



# Supply and Outstanding Malaysia Corporate Bond and Sukuk



- ✓ As shown, size of the domestic corporate bond market has more than doubled in the last 10 years
- ✓ While growth of conventional bonds has remained consistent in the last 10 years, the growth of sukuk has almost quadrupled within the same period indicating an increase in acceptance and demand for local currency sukuk.

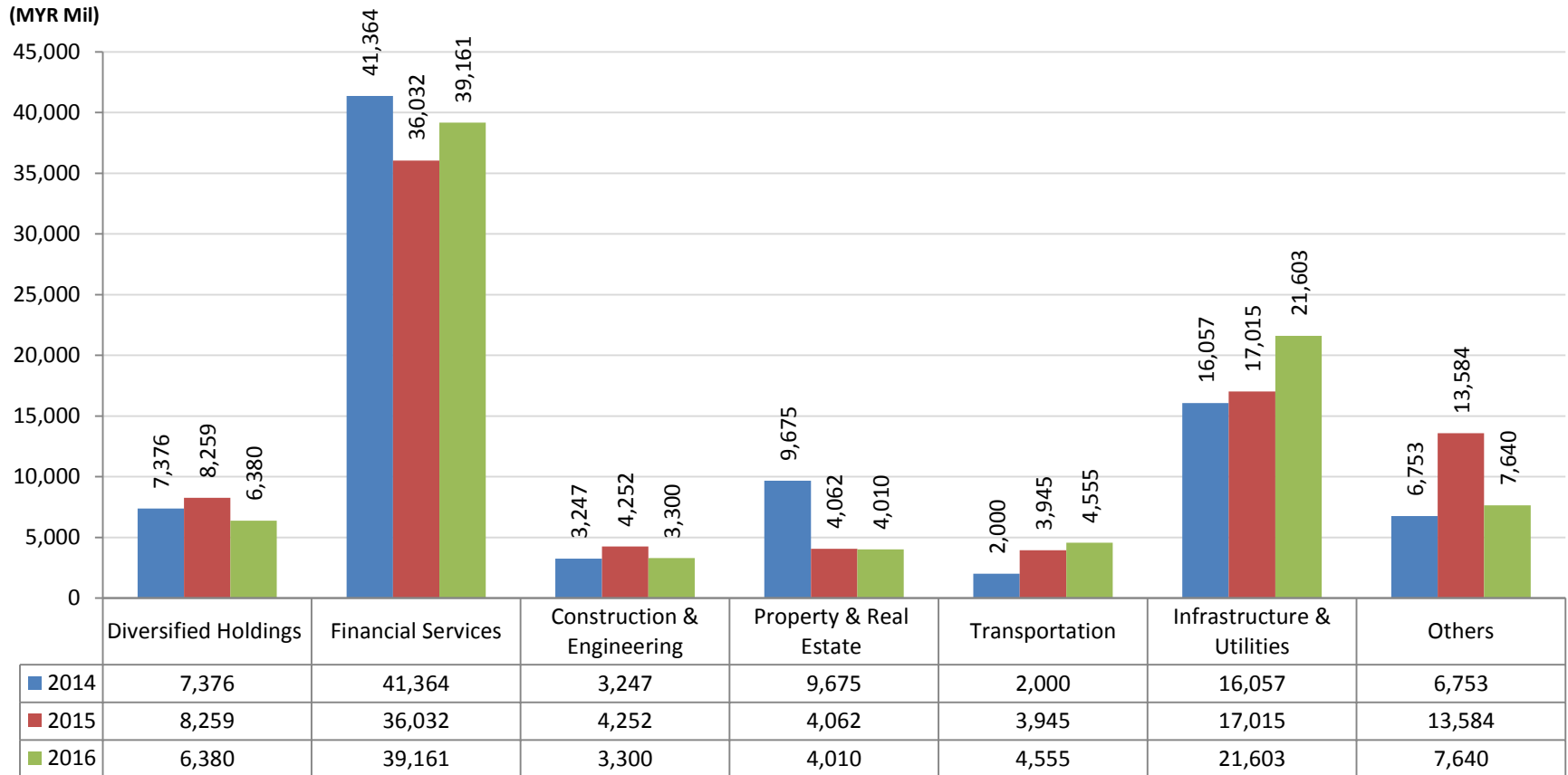


- ✓ The local currency corporate bond market has more than doubled in the last 10 years
- ✓ Government Guaranteed bonds/sukuk has grown over 4 times in the last 10 years in line with the growth of domestic infrastructure and developmental project





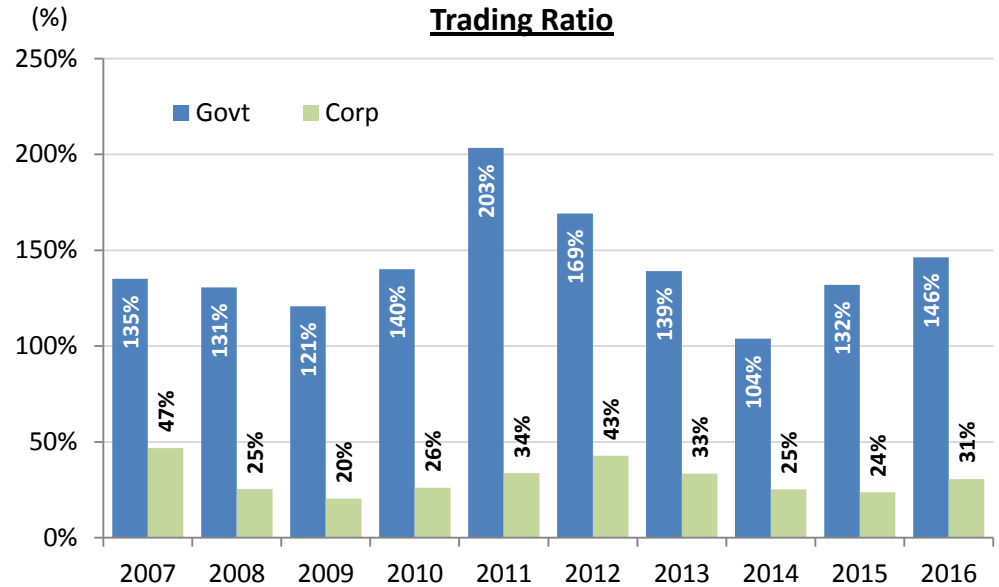
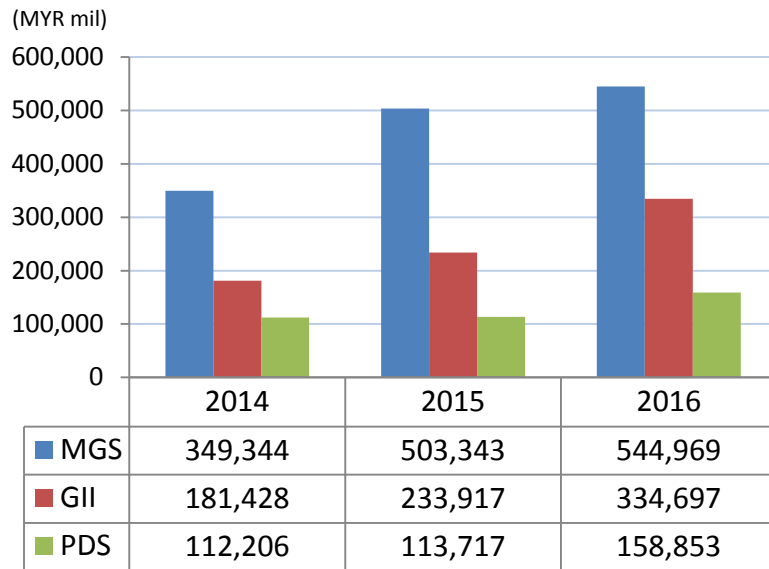
# Corporate Bonds and Sukuk Issuance by Sector



*As viewed above, the issuance of corporate bonds/sukuk is concentrated in the Financial Services Sector however there is a growing increase in the Infrastructure and Utilities sector as well as the Transportation sector*



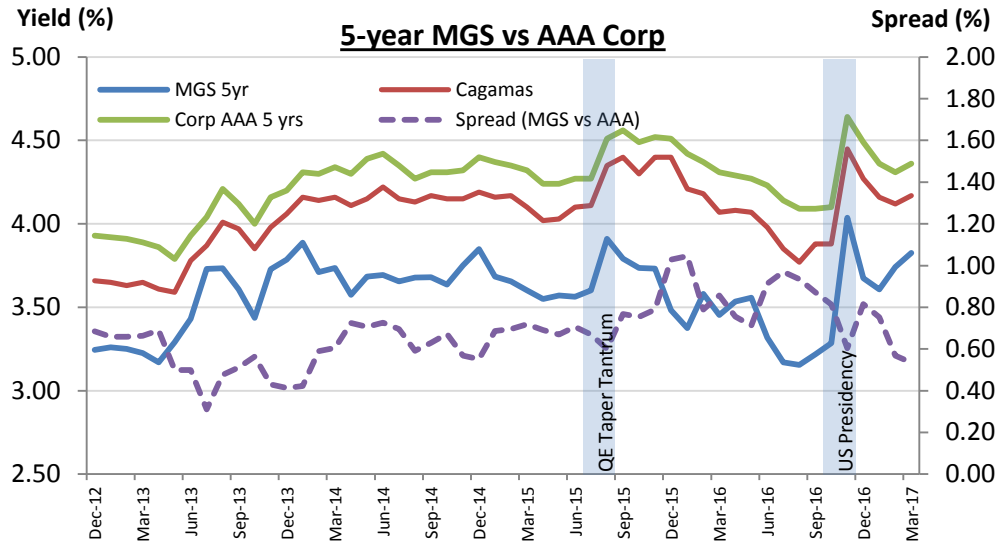
# Malaysia Bond Market Secondary Trading Liquidity



- ✓ *The secondary trading activity has seen a significant increase in the MGII and Corporate Bond/Sukuk Space with MGII seeing an increase of RM100 bil and PDS RM45 bil respectively in 2016 vs 2015*
- ✓ *The secondary turnover against the outstanding amount for government securities spiked by 42% from 2014 to 2016 where the corporate bonds saw an increase of 6% within the same timeline.*

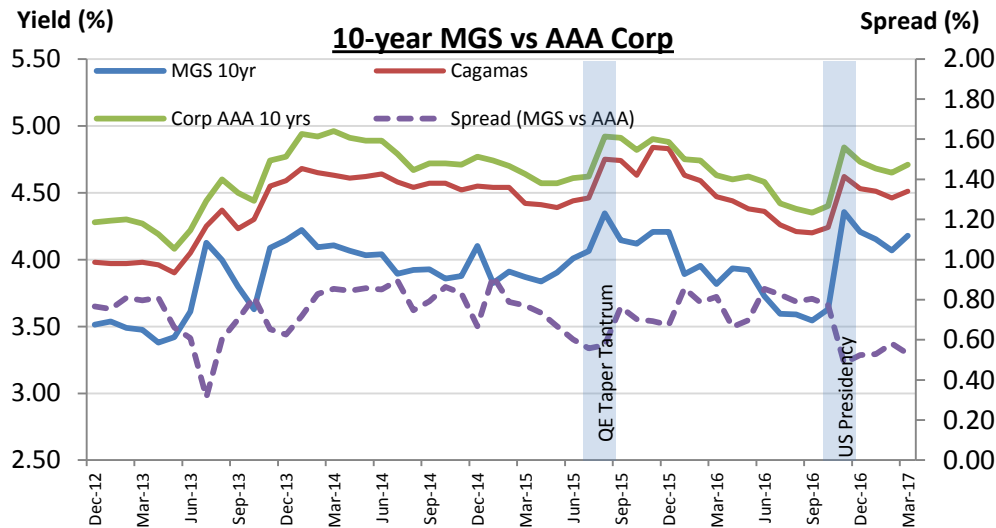


# Yield comparison – Spread MGS vs AAA Corporate Bonds

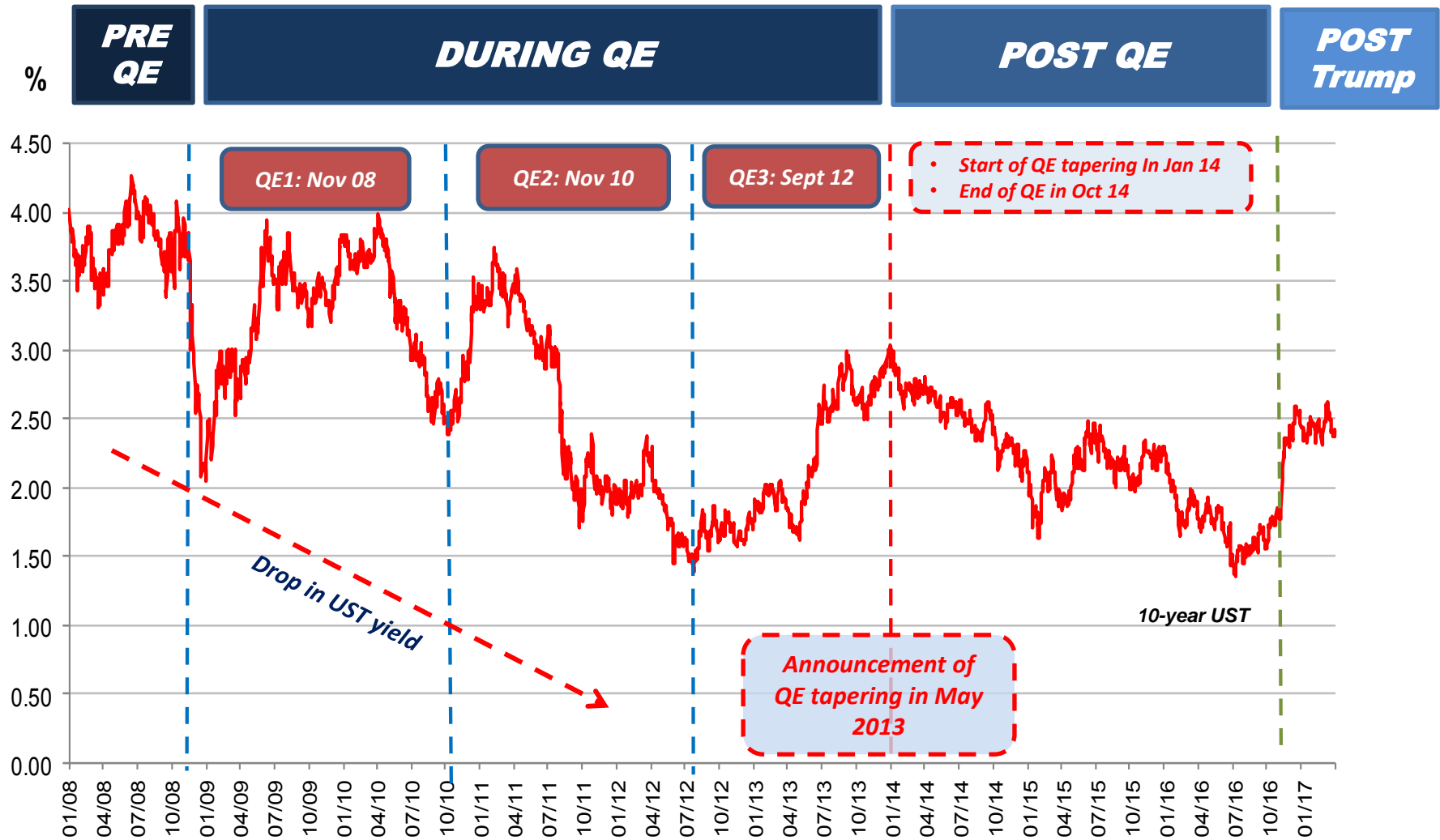


✓ As viewed, there is constant volatility in the spread of MGS against AAA corporate bond curve

✓ During the Taper Tantrum and post US Presidency election, the spreads of the 5-year and 10-year MGS against the AAA curve narrowed significantly indicating a spike in the local government bond yields however depicting a stable movement in the corporate yield curves



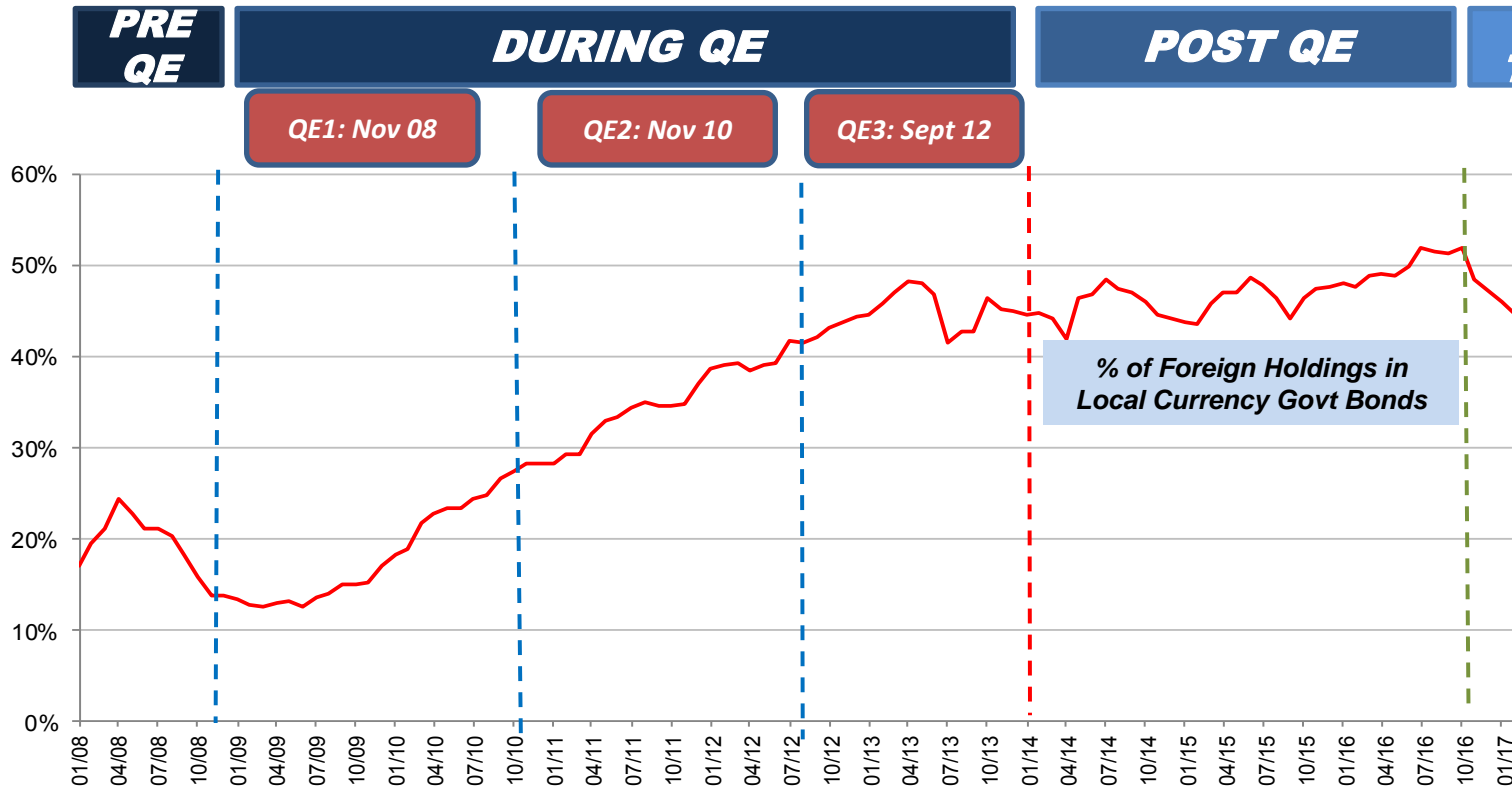
# Phases of Quantitative Easing (QE) and US Presidential Elections



# Impact of QE and US Presidential Elections on Bond Market



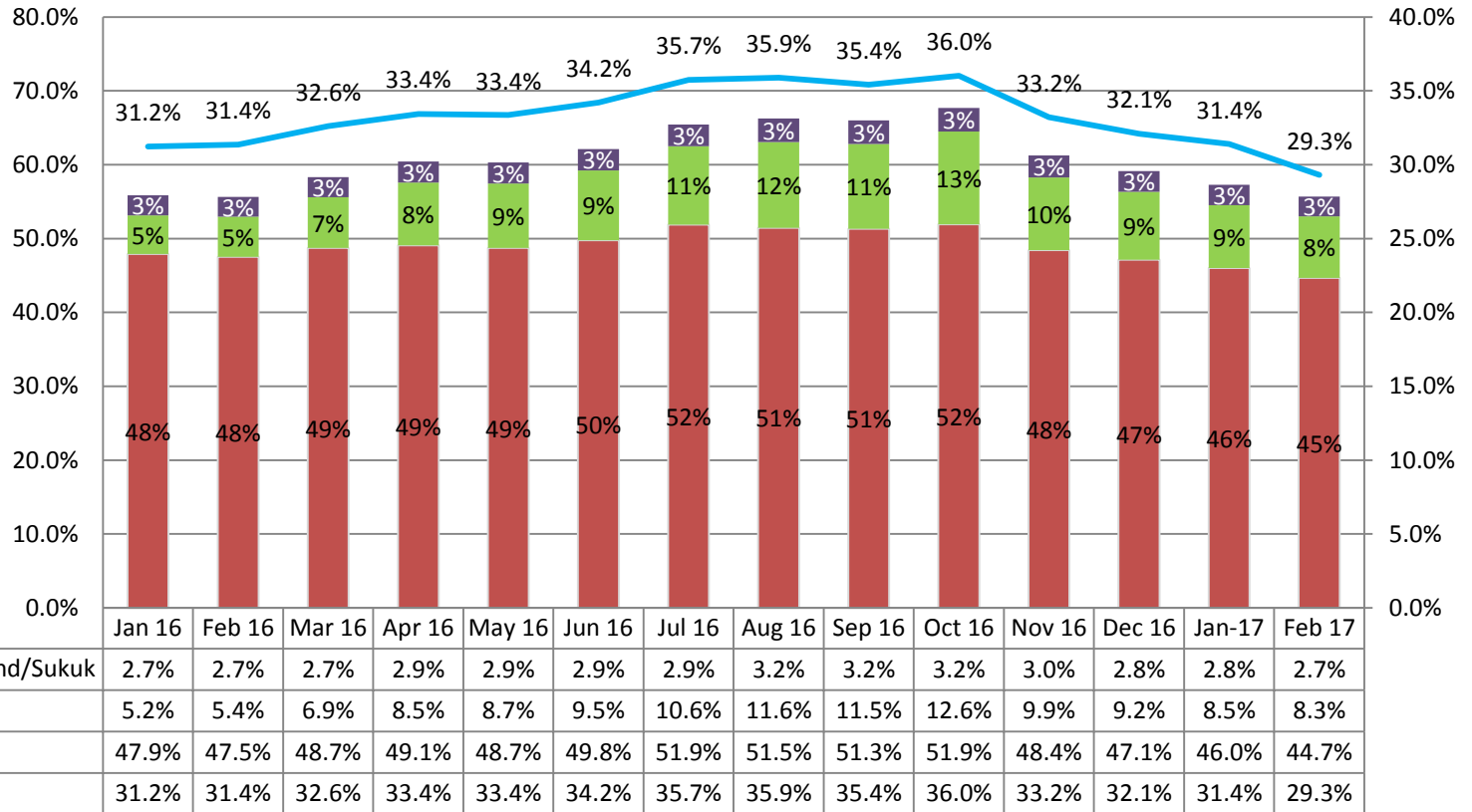
➤ *Mobilisation of funds between developed nations and developing nations*



*Foreign holdings in Local Currency Government Bonds increased at the start of QE since its announcement in November 2008. The reverse scenario is seen post the US presidential elections evidencing a clear mobilization of foreign funds and the search for higher yield across different regions.*



# Foreign Holdings in Malaysian Bond Market



✓ *There was a sharp decline post the 2016 US Presidential Elections in foreign holdings for MGS by 7.2% from October 2016 to February 2017 as well as a decline in foreign holdings for MGII by 4.3% within the same period*





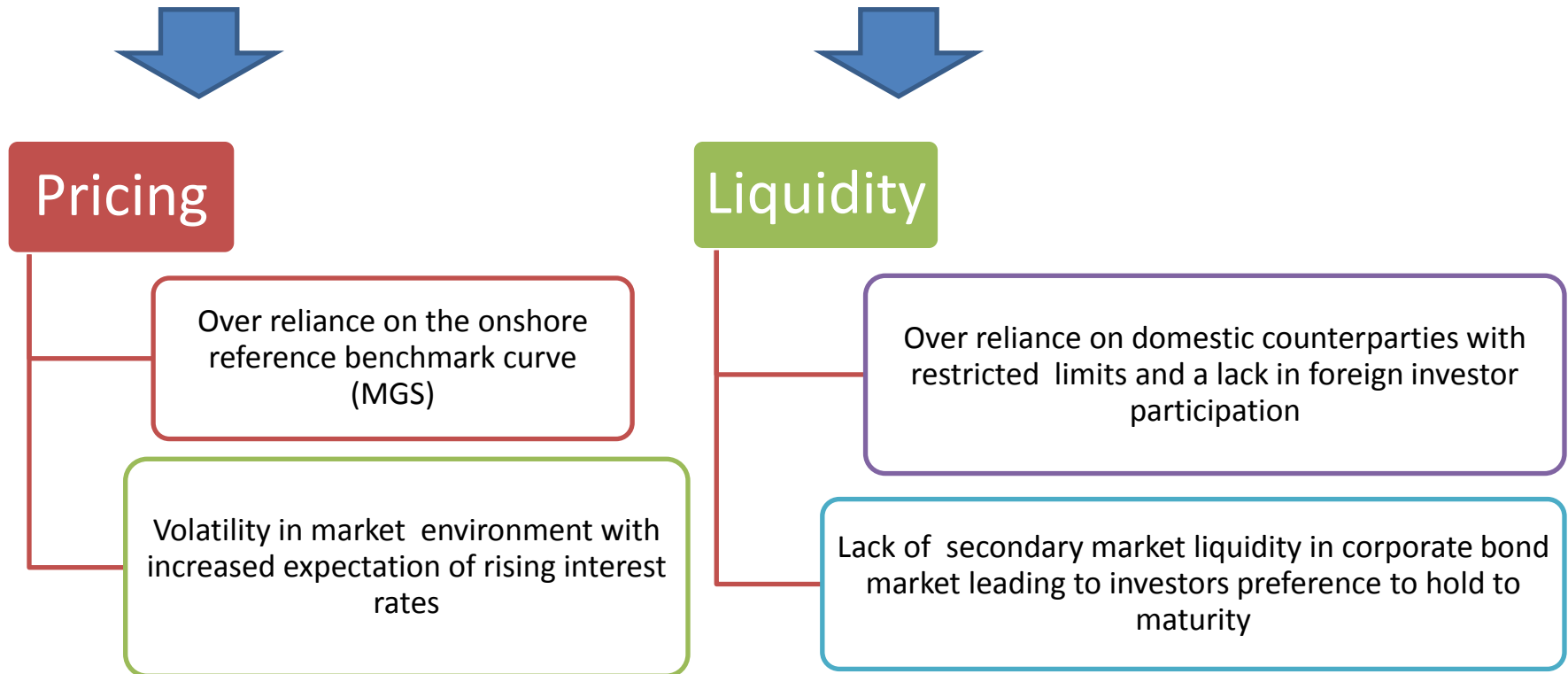
## ***SECTION 2***

### **Challenges Faced and Strategies in Place – Issuers Perspective**





## Challenges



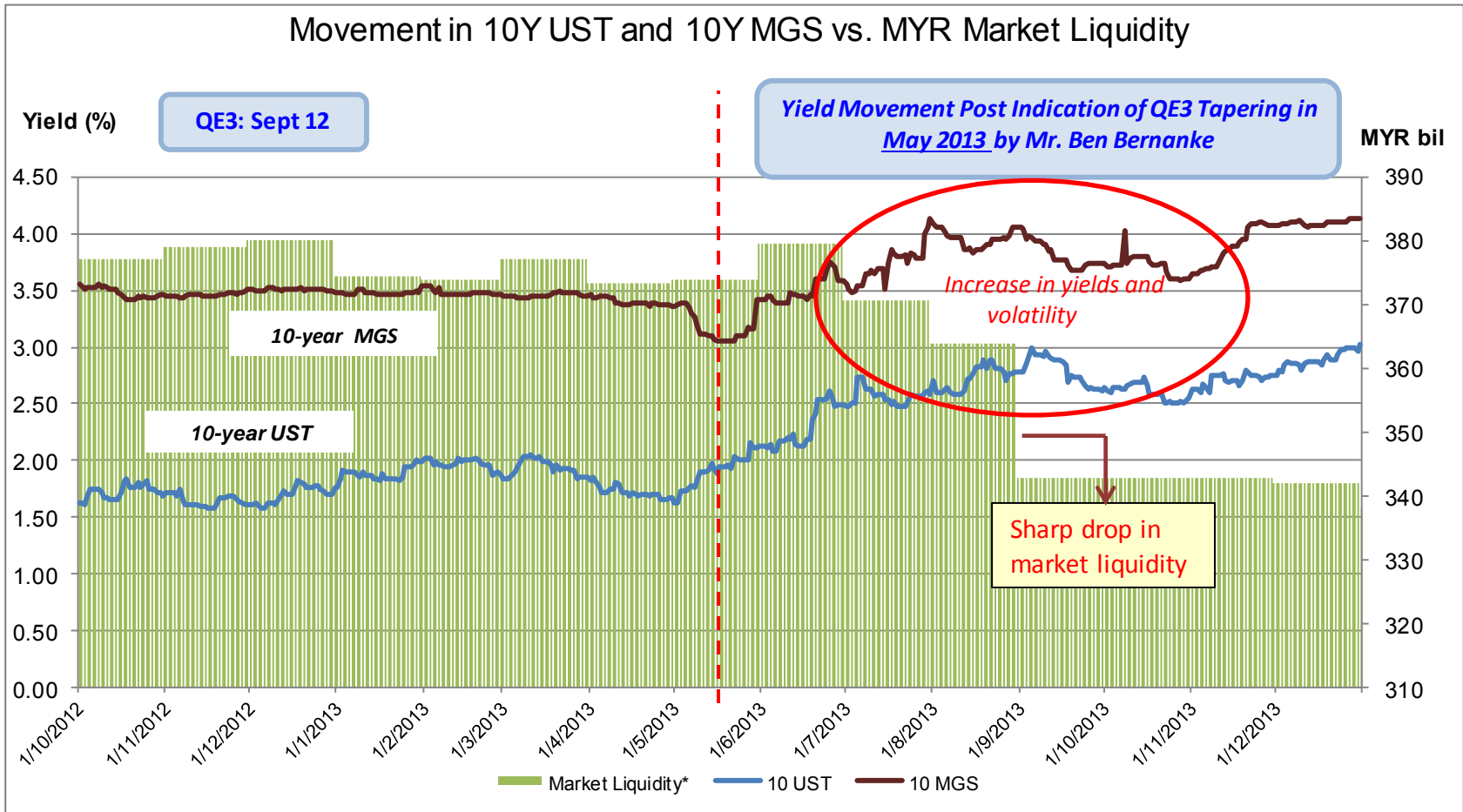




- Embarked into foreign currency issuance via establishment of EMTN Program to obtain cheaper cost of funding and further diversify the Company's investor base
- Enhancement of liquidity in local currency market by increasing secondary trading activities in the corporate bonds and sukuk market
- Promotion of efficient and robust price discovery platform for local currency market through introduction of Cagamas Bloomberg Pricing Page.
- Increase diversification of local currency market liquidity pool by attracting foreign participants evidenced by increment in foreign holdings of Cagamas MYR papers
- Contribution towards continuous innovation in structures increasing market depth and breadth



# Distressed market condition in 2013 - Impact on QE3 Tapering



- **Increased volatilities** across financial markets caused by concerns over reversal fund flows and possible end to low interest rate environment
- **Higher liquidity premium** demand from investors to buffer for volatility

\* Outstanding Liquidity placed with Central Bank





## Objectives:

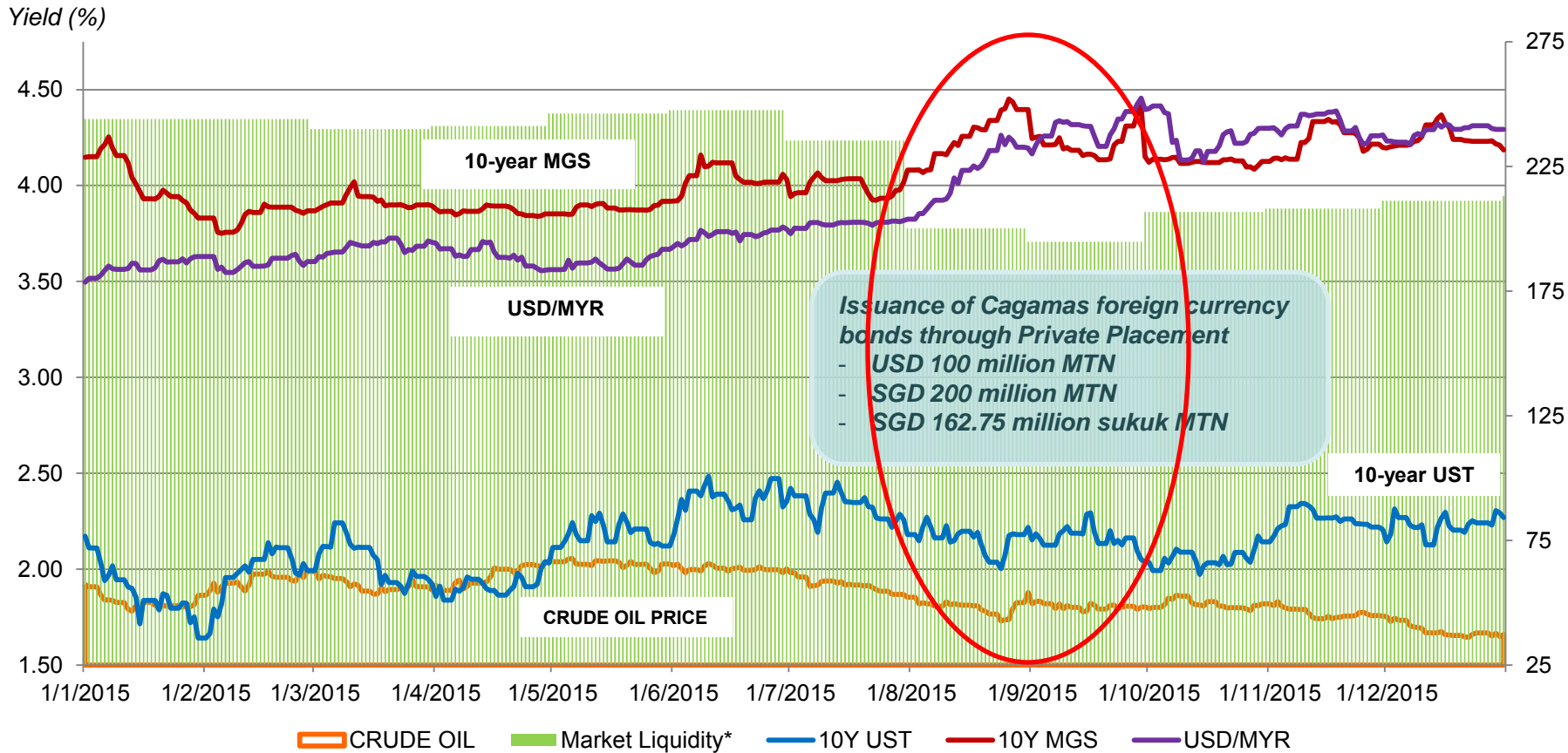
- *Diversify funding sources*
- *Widening the Company's investors base and network*
- *Achieve competitively priced funding from international liquidity pool*
- *Funding of potential purchase of non MYR assets*
- *Developmental role in deepening and broadening the Malaysian and international debt capital market*
- *Reduce over reliance on single benchmark for pricing*
- *Reduce overcrowding effect in domestic market*
- *Attract foreign liquidity pool into local currency bonds*

## Programme Features:

	Multicurrency Medium Term Note Programme	
Type	Conventional	Islamic
Programme Size	USD 2.5 billion	USD 2.5 billion
Tenor	Perpetual	
Rating	A3 by Moody's Investors Service, Inc.	
Issue format	Regulation S	
Governing laws	English Law	



# 2015 – Another STORM, Less Impact



- Continued volatility in crude oil prices especially in the second half of 2015 has adversely impacted the local currency against the USD
- Weakening of MYR caused sell-off in Malaysian Government Securities– evidenced in the spike of the 10 year MGS yield

\* Outstanding Liquidity placed with Central Bank



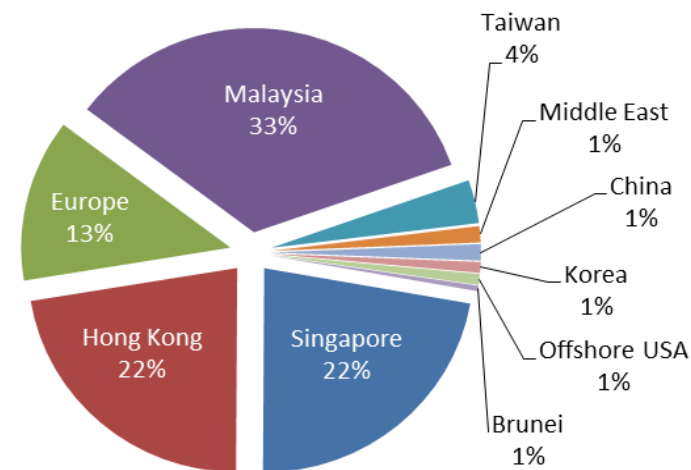
# Cagamas' Foreign Currency Issuances



## Cagamas' Foreign Currency Issuance

Year	Issue Date	Issuance	Tenure (year)
2014	22 Sep 2014	CNH 1.5bln	3
	5 Nov 2014	HKD 1.0bln	3.5
	10 Dec 2014	USD 500mln	5
2015	24 Jun 2015	USD 100mln	3
	30 Jul 2015	SGD 100mln	3
	25 Sept 2015	SGD 162.75mln	1
	27 Nov 2015	SGD 100mln	2
2016	3 Mar 2016	SGD130.75mln	1
	10 Mar 2016	SGD150mln	1
	13 Sept 2016	USD130mln	1
2017	13 Mar 2017	SGD 50mln	1

## By Country/Region \*



\*based on no. of investors as at end Dec 2016

## Investor's Profile based on Outstanding Debt Securities

	2013	2014	2015	2016
Banking Institutions	35%	33%	32%	34%
Provident/Pension Funds	32%	28%	27%	26%
Insurance Companies	18%	16%	16%	12%
Non-Resident	1%	10%	15%	20%
Others*	14%	13%	10%	8%

\* Others – Local Corporations, Government-Linked Companies and Trust Funds





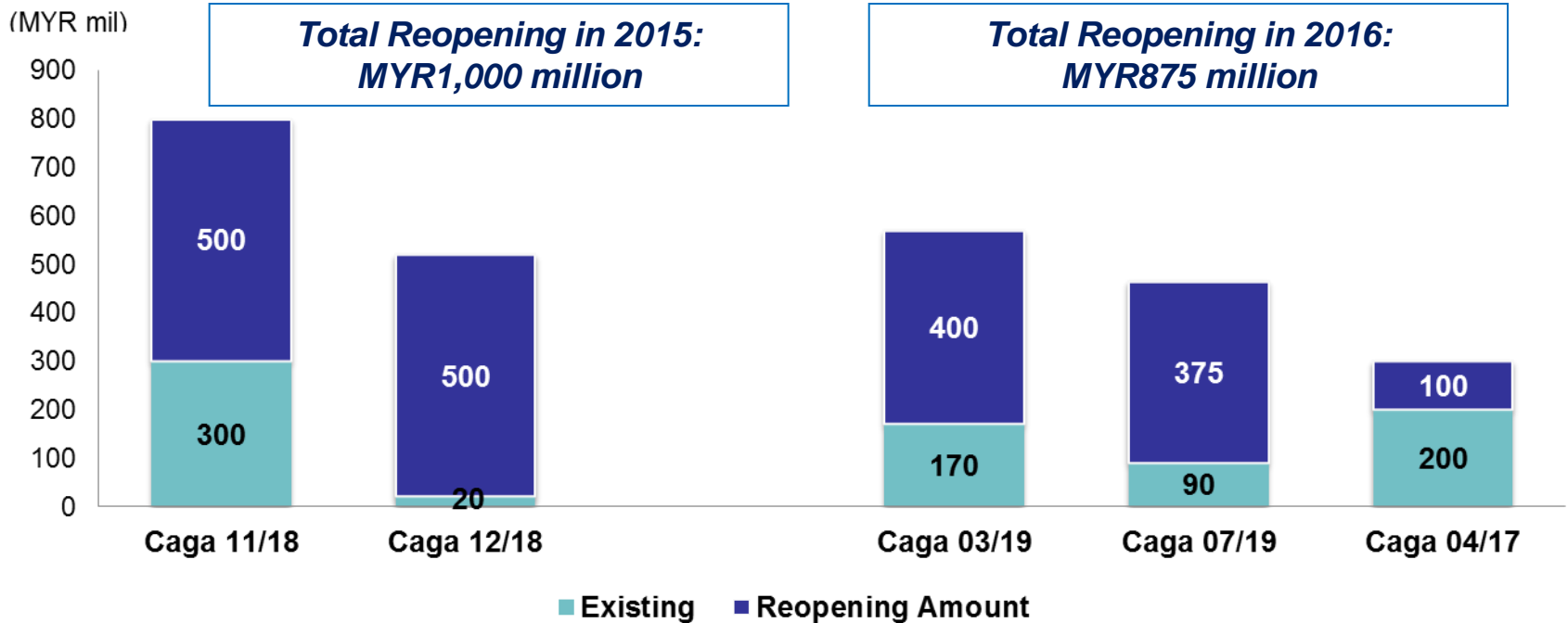
## ***SECTION 3***

# **Strategic Initiatives in Promotion of Secondary Market Liquidity**





*Enlarged existing tranche size of outstanding bond would encourage trading activity of the reopened stock and promote secondary market liquidity for the paper*



- Since 2015, Cagamas has successfully reopened MYR1,875 million of Cagamas MYR debt securities.
- The reopening initiatives are more in demand amongst investors to promote healthier secondary liquidity.
- Enlarged issue size that meet the minimum size pre-requisite for inclusion into influential local currency bond index increases weightage of Cagamas bonds in the indices, thus promoting greater visibility of Cagamas debt securities particularly among international investors.



# Inclusion in Benchmark Indices



*Cagamas debt securities continue to be included in widely followed global indices*

No.	INDICES	MYR	HKD	RMB	USD
1	Markit iBoxx ALBI Index	✓			
2	BofA Merrill Lynch Diversified Local Emerging Markets Non-Sovereign Index (LOCL)	✓		✓	
2	BofA Merrill Lynch Broad Local Emerging Markets Non-Sovereign Index (LCCB)	✓	✓	✓	
3	BofA Merrill Lynch Diversified Broad Local Emerging Markets Non-Sovereign Index (LCCD)	✓		✓	
4	S&P Pan Asia Bond Index	✓			
5	S&P Malaysia Bond Index	✓			
6	Markit iBoxx ALBI Index		✓	✓	
7	S&P Hong Kong Quasi and Foreign Government Bond Index		✓		
8	Barclays Capital Offshore Renminbi (CNH) Bond Index			✓	
9	FTSE-BOCHK Offshore RMB Bond Index Series			✓	
10	FTSE-BOCHK Offshore RMB Investment Grade Bond Index			✓	
11	Citi Dim Sum (Offshore CNY) Bond Index			✓	
12	Barclays Global Aggregate Index				✓
13	J.P Morgan Asia Credit Index (JACI)				✓
14	Citi World Broad Investment-Grade (WorldBIG) Index				✓
15	Citi Asian Broad Bond Index (ABBI)				✓
16	Markit iBoxx Asian USD Dollar Bond Index				✓
17	BofA Merrill Lynch US Emerging Markets Liquid Corporate Plus Index (EMCL)				✓





# Cagamas Pricing Page in Bloomberg




Ticker on Bloomberg: **"CAGA"**

**<Menu> to Return**

97) Settings ▾ 98) Output ▾ ) Show in Launch Page 1/2 Cagamas Berhad

Conventional Islamic (Sukuk)

**Cagamas**  Medium Term Notes-Conventional 66) MSG Contributor 10:52:05  
Zoom 100%

Cagamas Berhad -> Cagamas Berhad -> Local Currency- Fixed/Floating MTN -> Conventional (GDC0 34288 1)

Stock Name	ISIN Code	Coupon	Maturity	Bid Yield -Indicativ	Ask Yield -Indicativ	Bid Size-mln Indicativ	Ask Size-mln Indicativ	Time
1) CAGA 3.95 03/20/18	MYBUG1500217	3.95	03/20/18		3.600		30M	09:31
2) CAGA 3.9 11/16/18	MYBUI1301091	3.90	11/16/18		3.650		30M	09:31
3) CAGA 4.1 11/18/20	MYBUK1301089	4.10	11/18/20	3.980	3.880	20M	40M	09:31
4) CAGA 3.91 10/31/22	MYBUN1200616	3.91	10/31/22	4.200		10M		09:31
5) CAGA 4.65 11/25/22	MYBUK1501092	4.65	11/25/22	4.200		10M		09:31
6) CAGA 3.9 12/02/22	MYBUN1200855	3.90	12/02/22	4.200		10M		09:31
7) CAGA 4.3 11/17/23	MYBUN1301075	4.30	11/17/23		4.180		10M	09:31
8) CAGA 5.52 07/17/24	MYBUS0900645	5.52	07/17/24		4.200		20M	09:31
9) CAGA 6 $\frac{3}{4}$ 10/10/28	MYBUX0800886	6.25	10/10/28		4.530		5M	09:31
10) CAGA 4 $\frac{3}{4}$ 11/17/28	MYBUS1301058	4.75	11/17/28		4.550		5M	09:31
11) CAGA 5 $\frac{3}{4}$ 07/17/29	MYBUX0900652	5.75	07/17/29		4.580		5M	09:31
12) CAGA 5 $\frac{1}{2}$ 11/26/29	MYBUX0901171	5.50	11/26/29		4.580		5M	09:31
13) CAGA 4.55 11/18/25	MYBUP1301062	4.55	11/18/25		4.200		100M	09:31

<b>Contact</b>	<b>Disclaimer</b>
Sarah {IB>15711668<GO>} Mandeep {IB>16414368<GO>} Ismadi {IB>3325172<GO>}	The information herein is not an offer or solicitation for the purchase or sale of any security. Cagamas Berhad does not accept any liability whatsoever for any loss incurred in connection with the provision of this information to you.

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# Cagamas Pricing Page in Thomson Reuters



## Ticker on Reuters: "CAGA"

← → 🔍 CAGAMAS BERHAD - Pricing Page | Local Currency - Fixed/Floating MTN | ISLAMIC (SUKUK) | CAGAMAS BERHAD
🔄 ☰

**Cagamas Berhad**  
 Level 32, The Gardens North Tower,  
 Mid Valley City, Lingkaran Syed Putra,  
 59200 Kuala Lumpur, Malaysia  
 Tel : +603-22989000  
 Website : www.cagamas.com.my

PLEASE CONTACT THE FOLLOWING :-

Name	Email	Messenger
Sarah	sitisarah@cagamas.com.my	Message me
Mandeep	mandeep@cagamas.com.my	Message Me
Ismadi	ismadi@cagamas.com.my	Message me

**LOCAL CURRENCY - FIXED/FLOATING MTN - ISLAMIC (SUKUK)**

Stock Name	ISIN Code	Coupon	Maturity	Bid Yield-Indicative	Ask Yield-Indicative	Bid Size-MIL Indicative	Ask Size-MIL Indicative	Time	Date
CAGA 3.70 280317	MYBVI1201430	3.700 %	28-Mar-2017		3.25		50M	16:26	22-Nov-2016
CAGA 4.01 070717	MYBVG1401745	4.010 %	07-Jul-2017		3.30		50M	16:26	22-Nov-2016
CAGA 3.95 261018	MYBVI1302618	3.950 %	26-Oct-2018		3.58		10M	16:26	22-Nov-2016
CAGA 3.90 161118	MYBUI1301091	3.900 %	16-Nov-2018		3.60		15M	16:26	22-Nov-2016
CAGA 4.05 201218	MYBVI1303483	4.050 %	20-Dec-2018		3.60		10M	16:26	22-Nov-2016
CAGA 5.28 170719	MYBVN0907474	5.280 %	17-Jul-2019		3.63		10M	16:26	22-Nov-2016

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**REALTIME NEWS**

- Cagamas Berhad  
18-Oct-2016 14:06:31 BNMM
- CAGAMAS ISSUES RM580 MLN 3-YEAR CMTN  
18-Oct-2016 00:03:46 BER
- CAGAMAS TERBITKAN NOTA JANGKA SEDERHANA KONVENSIONAL TIGA TAHUN BERNILAI RM580 JUTA  
18-Oct-2016 00:03:44 BER
- Cagamas taps foreign demand  
15-Oct-2016 08:00:21 IFR
- UPDATE: Cagamas prices M\$580m 3yr bond at 3.75%

**FX**

	BID	ASK	TIME
MYR	4.4120	4.4200	17:18
GBP	1.2484	1.2485	17:24
EUR	1.0642	1.0643	17:24
AUD	0.7397	0.7407	17:24
CHF	1.0089	1.0093	17:24
SGD	1.4217	1.4219	17:24
CNY	6.8838	6.8870	17:09
SAR	3.7505	3.7507	16:40

**FX - AGAINST MYR**

	BID	ASK	TIME
MYR	4.4120	4.4200	17:1
GBPMYR	5.5079	5.5184	17:2
EURMYR	4.6953	4.7042	17:2
AUDMYR=R	3.2653	3.2730	17:2
CHFMYR=R	4.3713	4.3810	17:2
SGDMYR=R	3.1027	3.1092	17:2
CNYMYR=R	0.64063	0.64209	17:1
SARMYR=R	117.6314	117.8510	17:1

**Credit Curves**

Series	1Y	3Y	5Y	7Y	9Y
AAA	~3.8	~3.9	~4.0	~4.1	~4.2
CMBS	~4.0	~4.1	~4.2	~4.3	~4.4
GG	~4.2	~4.3	~4.4	~4.5	~4.6
Cagamas	~4.4	~4.5	~4.6	~4.7	~4.8
MGS	~4.6	~4.7	~4.8	~4.9	~5.0



# Top 5 Corporate Bond and Sukuk Secondary Trading Performance 2016 & 2017



## 2017

Ranking	Issuer	Rating	Traded Amount (MYR 'mil)
<b>1</b>	<b>Cagamas Berhad</b>	<b>AAA</b>	<b>2,945</b>
2	Prasarana Malaysia Berhad	GG and AAA	2,666
3	Pengurusan Air SPV Berhad	GG and AAA	1,587
4	DanaInfra Nasional Berhad	GG	1,486
5	Public Bank Berhad	AAA and AA	1,456

## 2016

Ranking	Issuer	Rating	Traded Amount (MYR 'mil)
<b>1</b>	<b>Cagamas Berhad</b>	<b>AAA</b>	<b>17,071</b>
2	DanaInfra Nasional Berhad	GG	8,429
3	Prasarana Malaysia Berhad	GG and AAA	8,360
4	Pengurusan Air SPV Berhad	GG and AAA	7,642
5	Projek Lebuhraya Usahasama Berhad	GG and AAA	6,995

Source: Bursa Malaysia Electronic Trading Platform





## Results of initiatives :

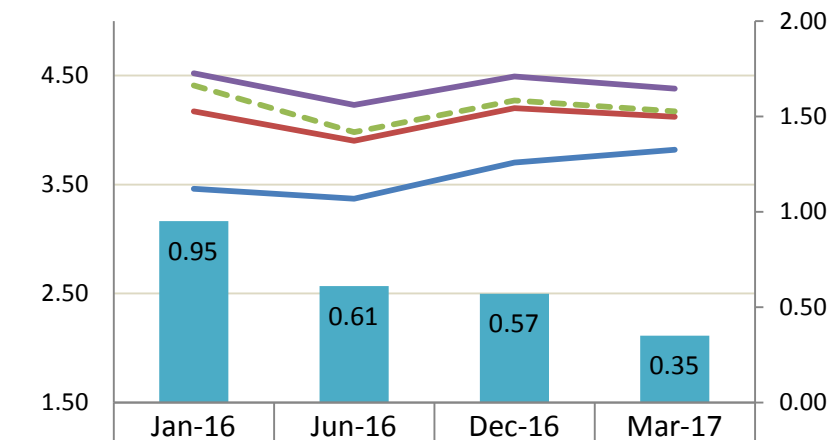
- Attained the highest traded corporate bond and sukuk in the local market recording MYR 17.071 billion in the secondary market for 2016, second only to government securities representing a year-on-year increase of 222% or over 3.2 times
- Increase in market share of secondary trading volume for corporate bonds and sukuk (from 3.6% in Jan 2016 to 7.8% as at Jan 2017)
- Increase in diversification of investor's base and liquidity pool – evidenced by a surge in foreign holdings of the Company's local currency debt securities from 0.6% in sept 2015 to 7.6% in Sept 2016



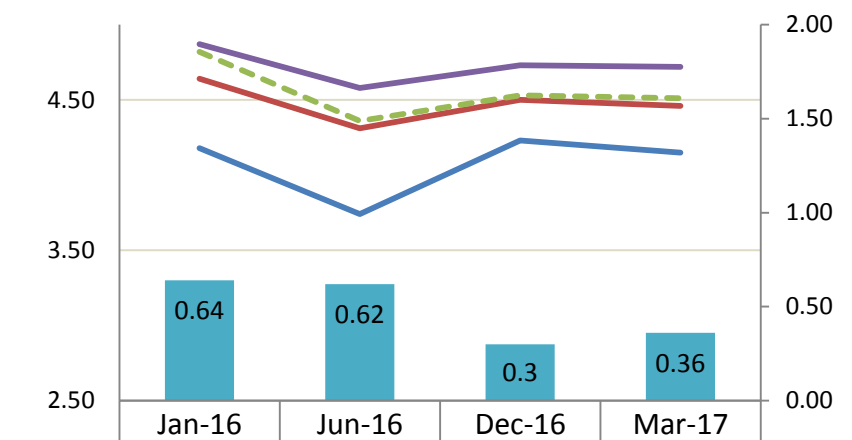
# Yield Compression for Cagamas Debt Securities



**5-year Curve** (yield %) (spread %)



**10-year Curve** (yield %) (spread %)



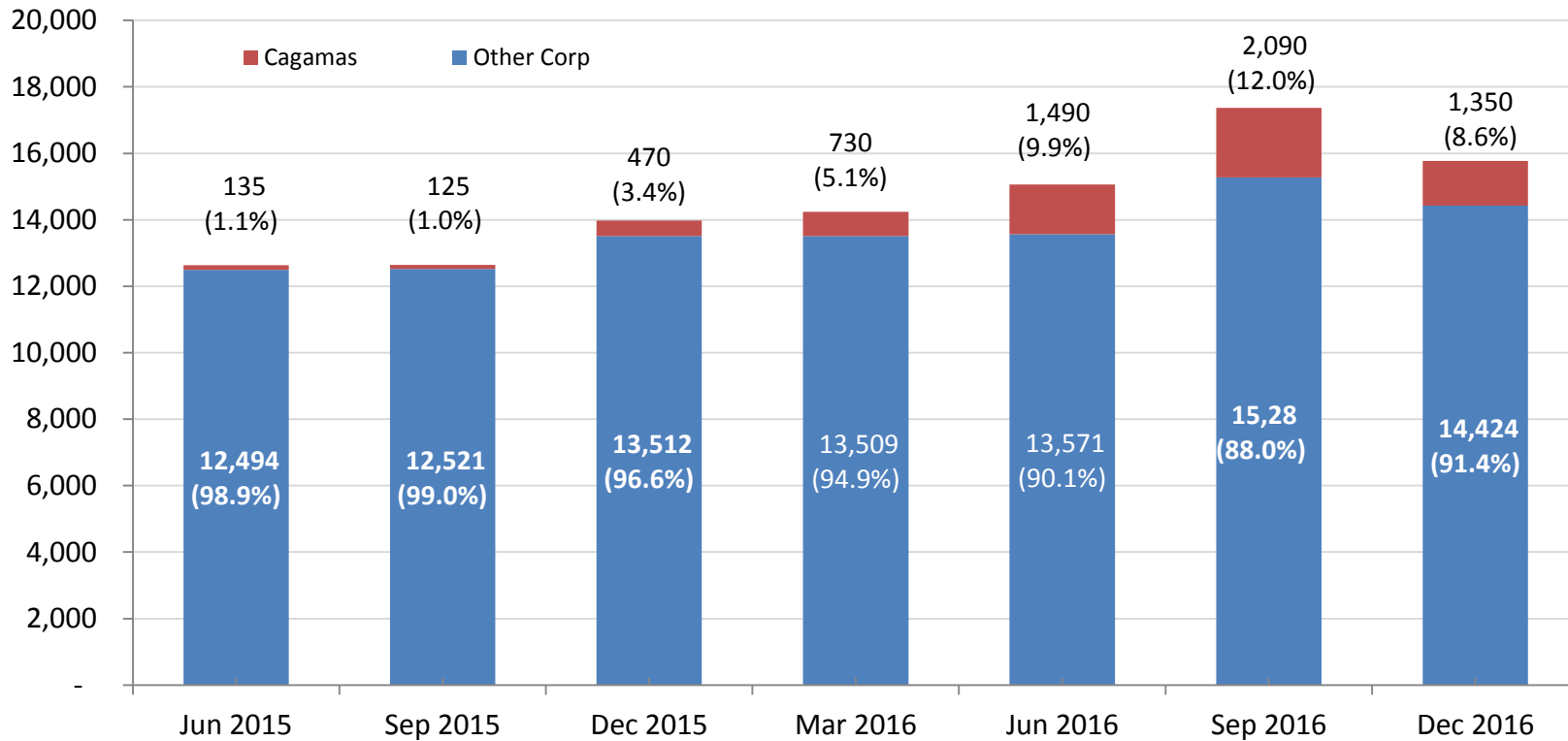
	Jan-16	Jun-16	Dec-16	Mar-17
MGS vs Caga (spread)	0.95	0.61	0.57	0.35
MGS	3.46	3.37	3.7	3.82
GG	4.17	3.9	4.2	4.12
Caga	4.41	3.98	4.27	4.17
AAA	4.52	4.23	4.49	4.38

	Jan-16	Jun-16	Dec-16	Mar-17
MGS vs Caga (spread)	0.64	0.62	0.3	0.36
MGS	4.18	3.74	4.23	4.15
GG	4.64	4.31	4.5	4.46
Caga	4.82	4.36	4.53	4.51
AAA	4.87	4.58	4.73	4.72

- ✓ As a result of a strong secondary market evidenced a reduction in liquidity premium represented by spread of the Company's 5-year and 10-year papers against GG narrowed and widened against the similar AAA rated curve
- ✓ Besides the laggard movement in the corporate bond/sukuk market, continued interest in the Company's debt securities has resulted in the compression of spread against MGS from Jan 2016 to Mar 2017 by 60 bps for the 5-year and almost 30 bps for the 10 year



# Foreign Holding of Cagamas Bond & Sukuk amongst the PDS Market



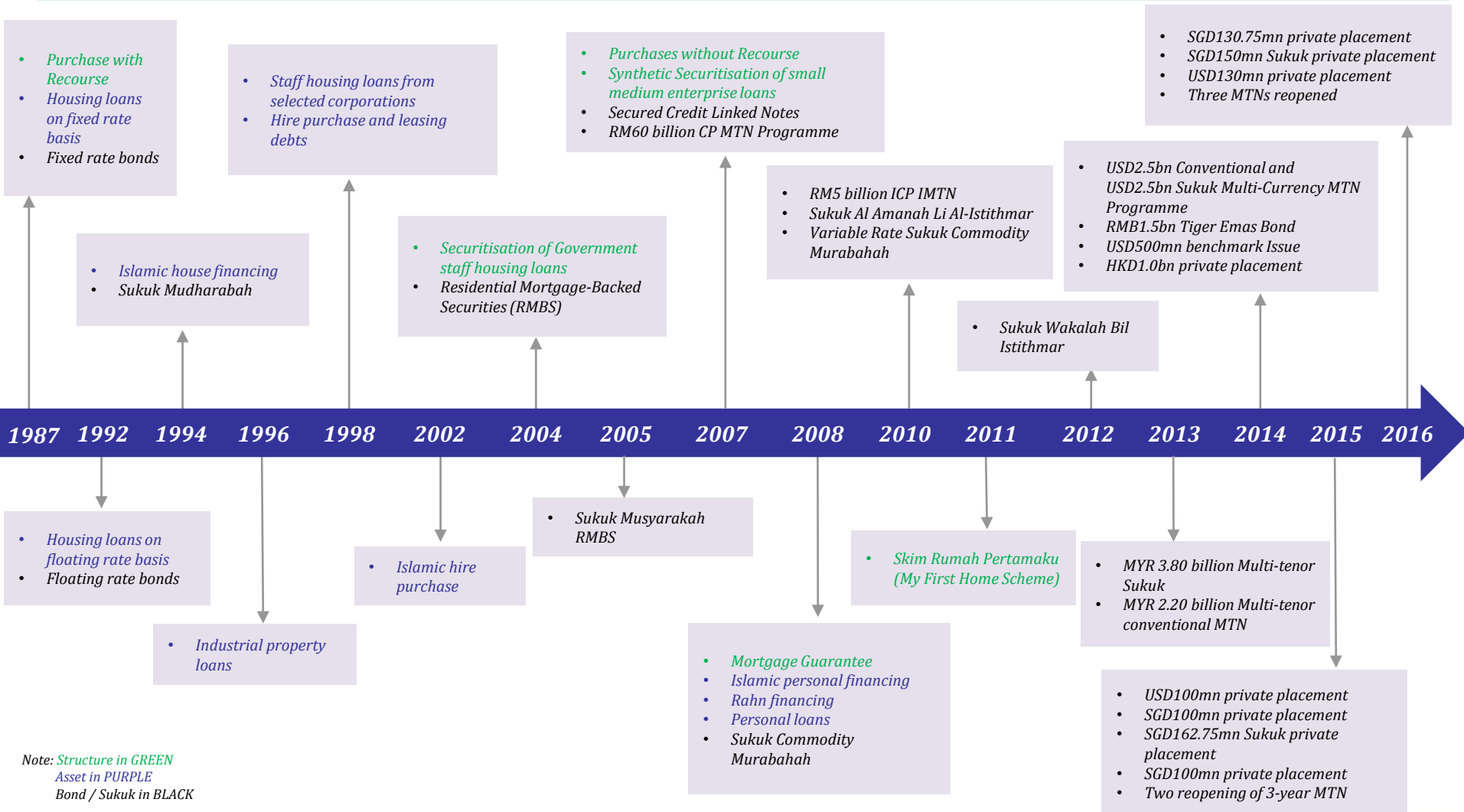
✓ Increased liquidity for the Company's local currency papers has attracted participation from foreign investors as evidenced in the chart above. Cagamas recorded a foreign holdings market share of 1.1% or RM 135 million as of June 2015 and surged to 12% in September 2016 or equivalent RM 2.1 billion of the corporate bond/sukuk market. The foreign holdings of the Company's securities dipped slightly at the end of 2016 post Trump's victory in the presidential election



# Establishing New Products for Market Development in a Prudent Manner



## Cagamas has strong expertise with 29 years of successful operations



Note: Structure in GREEN  
Asset in PURPLE  
Bond / Sukuk in BLACK





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*The End*

**Cagamas Berhad (157931-A)**

Level 32, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

Malaysia

Tel: +603 - 2262 1800

Fax: +603 - 2282 9125

[www.cagamas.com.my](http://www.cagamas.com.my)

