

Cagamas' US\$2.5b MTN gets Moody's backing

SINGAPORE: Moody's Investors Service said Cagamas Bhd's plan for a US\$2.5 billion (RM7.98 billion) medium term note (MTN) programme is credit positive as it will allow the national mortgage corporation to tap a larger pool of investors.

It said Cagamas (A3 positive, baa1 stable) may soon be issuing foreign currency debt.

"The MTN programme will allow Cagamas to tap a larger pool of investors, in particular, investors preferring foreign-currency denominated debt," said Shaoyong Beh, a Moody's associate analyst, in a recently released report.

Cagamas' standalone credit metrics, the rating agency added, are generally strong, as highlighted by its baa1 baseline credit assessment.

"Cagamas' asset quality is significantly stronger than the average for Malaysian banks."

Cagamas purchases mortgage portfolios from various counterparties, for example domestic financial institutions, thereby providing liquidity for their long-term assets.

The majority of its portfolio consists of housing assets extended mainly to public-sector employees.

The credit risks associated with these assets are mitigated by the greater employment stability of most public-sector jobs, and the automatic deduction of debt repayments from borrowers' monthly salaries.

In case of market shocks, Moody's expects that Cagamas will receive the necessary support from the government, due to its policy role and partial ownership by Bank Negara Malaysia.