

# More bond issues face negative rating

## Downgrades to outstrip upgrades by a greater proportion, say ratings firms

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**PETALING JAYA:** The number of corporate bond issues facing potential negative rating actions will be higher this year given the global economic downturn, with the pace of downgrades outstripping upgrades by a greater proportion, according to ratings firms.

RAM Ratings Services Bhd chief executive officer Liza Mohd Noor said the negative trend first took root in the second half of 2008 and accelerated in the fourth quarter.

"We have placed 18 issues (involving 12 corporations/institutions) on Rating Watch, with negative outlook (RW\_Neg) between January and July this year.

"Of the 18, three issues from two issuers had defaulted, while five issues were taken off the list and had their ratings reaffirmed," she told *StarBizWeek* in an e-mail reply.

As at end-July, nine issues remained on RAM Ratings' RW\_Neg list and they are undergoing credit reviews.

A Rating Watch is an indicator to alert investors to possible changes in the existing long and short term ratings assigned by RAM Ratings.

A Rating Watch with a "negative" outlook reflects the possibility of the rating being lowered.

Liza noted that RAM Ratings downgraded 12 issues in the first half of the year while upgrading two issues.

"So far, downgrades have outpaced upgrades by six to one in the first half of the year. In comparison, downgrades to upgrades were 1.2 to 1 in 2008 and 0.6 to one in 2007," she said.

In 2008, 23 issues (involving 16 corporations/institutions) were on RAM Ratings' RW\_Neg list, of which two issues later defaulted, six issues subsequently downgraded, while six other issues were taken off the list and had their ratings reaffirmed.

As at end-December 2008, five issues remained on RAM Ratings' RW\_Neg list.

Malaysian Rating Corp Bhd's number of issues placed on MARCWatch Negative had also increased this year with a total of 16 issues put on MARCWatch Negative in the first half of the year versus 10 issues in the corresponding period of 2008.

MARC vice-president of fixed income research Wan Murezani Wan Mohamad said eight issues from the corporate (short-term and long-term ratings) and structured finance universes had defaulted, involving six issuers as at July.

All of them were placed on MARCWatch Negative or carried a negative outlook prior to their default.

The MARCWatch Negative indicates that there is a current downward rating momentum.

"Credit quality cycles are closely correlated with the health of the economy; hence bias in rating migrations is currently on the downside, as reflected by the rising number of issues placed on negative watch," Wan Murezani said.

He expects concerns on credit quality to persist but should be contained among lower rated issuers at this juncture as was seen in the first half of the year when A and below-rated papers contributed to almost 90% of downgrades announced in the corporate universe.

## Petronas bonds make debut

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**KUALA LUMPUR:** Petrolia Nasional Bhd's (Petronas) US\$1.5bil sukuk and US\$3bil conventional bonds made their debut on Bursa Malaysia and Labuan International Financial Exchange (LFX) respectively yesterday.

Both securities have a tenure of five years and 10 years respectively.

Petronas' sukuk is structured based on the globally accepted syariah principle of Ijarah (leasing).

Cagamas MBS, meanwhile, listed all the outstanding sukuk and bonds issued under its five residential mortgage-backed securitisation transactions, amounting to RM4bil of sukuk and RM6bil of bonds on Bursa yesterday.

Both sukuk and bonds have tenures of between three and 20 years.

Cagamas' sukuk is based on the accepted syariah principle of Musharakah (profit and loss

sharing).

In a statement yesterday, Bursa said the double listings of sukuk and conventional bonds by Petronas and Cagamas were the first to be listed on the exchange under the "exempt regime basis", which is one of the new listing requirements that took effect on Aug 3.

The "exempt regime basis" allows the listing of sukuk and debt securities on the exchange by both listed and non-listed issuers but these instruments would not be quoted or traded.

Listed sukuk and bonds are meant to offer institutions or high net worth investors an alternative investment product with enhanced transparency.

"The listing of the sukuk on the exchange further strengthens our position as a hub for Islamic finance globally," said Bursa chief executive officer Datuk Yusli Mohamed Yusoff.

Malaysia is the world's largest sukuk issuer, with more than 60% of outstanding global sukuk.

## Asean FTA a reality on Jan 1

**BANGKOK:** Malaysia, Brunei, Indonesia, the Philippines, Singapore and Thailand will be a complete Free Trade Area (FTA) by Jan 1, but several issues related to non-tariff barriers are hampering full implementation.

The Asean Economic Ministers meeting here expressed satisfaction with the progress in the

implementation of the tariff reduction programme under the Common Effective Preferential Tariff Scheme which began in 1993.

The ministers agreed that from Jan 1, import duties for Asean members would no longer be a barrier to intra-Asean trade. - Bernama



Datuk Ricky Wong (left) and Ng Beng Lye (right) exchanging documents following the agreement. With them is Asia Media chairman Tan Sri Mohd Najib Abdul Aziz

## Star ads to run on RapidKL buses

**PETALING JAYA:** Advertisements promoting Star Group's products such as StarJobs, The Star Online, Red FM, Galaxie magazine, etc will run on all RapidKL buses following an agreement between Star Publications (M) Bhd and Asia Media Sdn Bhd.

Asia Media operates the largest transit-TV network in Malaysia. Its exclusive network partners, which include RapidKL, Konsortium Bas Eksespres Semenanjung and Plusliner, collectively operate 3,000 of Asia Media's transit-TVs.

In return, Star will feature Asia Media products on its various platforms which include traditional print mediums like newspaper and magazines, as well as new media platforms like mobile (SMS news alerts and mobile news), Star Online, radio and online radio.

The joint collaboration between the two media powerhouses, announced on Thursday at Studio V in 1-Utama shopping centre, is the first of its kind in Malaysia.

"Our collaborative effort will help advertisers reach the 'unreachable' by extending across multiple media platforms in a fragmented market," said chief executive officer of Asia Media Sdn Bhd Datuk Ricky Wong.

While both Wong and Star executive director Ng Beng Lye pointed out the benefits to be reaped by both companies through this collaboration, they were quick to stress its benefits to the public.

"Ultimately, this is a win-win situation where even the advertisers and consumers will gain," added Ng.

The contract was inked on July 27 and will last for one year.

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