

TABLE OF CONTENTS

		Page
ABSTRACT .. . . . .	.. . . . .	i
ACKNOWLEDGEMENTS .. . . . .	.. . . . .	ii
TABLE OF CONTENTS .. . . . .	.. . . . .	v
LIST OF TABLES .. . . . .	.. . . . .	viii
LIST OF FIGURES.. . . . .	.. . . . .	x
Chapter		
1	INTRODUCTION	
1.1	Definition of Bonds	1
1.2	Brief History of Malaysian Bond Market	3
1.3	Justification	10
1.4	Objectives..	12
1.5	Scope	12
1.6	Organization of Report	13
2	TYPES OF PRIVATE DEBT SECURITIES	
2.1	Introduction	15
2.2	Types of Private Debt Securities	16
2.2.1	Conventional Bonds	16
2.2.2	Convertible Bonds	17
2.2.3	Islamic Bonds	19
2.2.4	Cagamas Bonds	21
2.3	Bond Rating in Malaysia	23
2.3.1	Rating Agency Malaysia	25
2.4	Benefits of Bond Rating..	29
3	METHODOLOGY	
3.1	Sources of Data	31
3.2	Type of Data	31
3.3	Method of Analysis	32

3.3.1	Bond Returns	33
3.3.2	Common Stock Returns	36
3.3.3	Malaysian Government Securities Returns	37
3.3.4	Comparison	37

4 RESEARCH FINDINGS

4.1	Introduction	39
4.2	Returns on Malaysian Government Securities, Non Convertible Bonds, Convertible Bonds, All Bonds and Kuala Lumpur Stock Exchange Composite Index	40
4.3	Returns on Malaysian Government Securities, Non-Convertible Bonds and Kuala Lumpur Stock Exchange Composite Index	46
4.3.1	Investment Strategies Involving Stocks and Non-Convertible Bonds	50
4.4	Returns on Malaysian Government Securities, Convertible Bonds and Kuala Lumpur Stock Exchange Composite Index	53
4.4.1	Investment Strategies Involving Stocks and Convertible Bonds	57
4.5	Returns on Malaysian Government Securities, All-bonds and Kuala Lumpur Stock Exchange Composite Index	58
4.5.1	Investment Strategies Involving Convertible and Non-Convertible Bonds	62
4.6	Returns on Convertible and Non-Convertible Bonds	63

4.6.1	Investment Strategies Involving Convertible and Non-Convertible Bonds	65
5	PROBLEMS AND PROSPECTS OF THE MALAYSIAN BOND MARKET	
5.1	Introduction	72
5.2	Problems of the Bond Market	73
5.2.1	Legal, Regulatory and Administrative	73
5.2.2	Lack of Depth and Breadth to satisfy sophisticated bond Investors	76
5.2.3	Low Supply of debt securities	79
5.2.4	Lack of Benchmarks for Pricing Purposes	82
5.3	Prospect of the Bond Market	85
6	SUMMARY AND CONCLUSION	
6.1	Introduction	89
6.2	Overview of the study	89
6.3	Interpretation of Major Findings	91
6.3.1	Implication of Findings	93
6.4	Contributions of the study	94
6.5	Limitations of the study	95
BIBLIOGRAPHY .. .. .. ..	.. .. .. ..	99
APPENDIXES		
APPENDIX A: LISTED BONDS USED IN THE STUDY .. ..	.. .. ..	101
APPENDIX B: KUALA LUMPUR STOCK EXCHANGE OPENING LEVELS .. .. .. .. ..	.. .. .. .. ..	103
APPENDIX C: MALAYSIAN GOVERNMENT SECURITIES USED IN STUDY .. .. .. .. ..	.. .. .. .. ..	104

LIST OF TABLES

TABLE	Page
1.1 Funds Raised in the Capital Market - 1985 - 1994	10
4.1 Quarterly Returns on Malaysian Government Securities, Convertible Bonds, Non-Convertible Bonds, All-bonds and Kuala Lumpur Stock Exchange Composite Index	42
4.2 Quarterly Returns on Malaysian Government Securities, Non-Convertible Bonds and Kuala Lumpur Stock Exchange Composite Index	47
4.3 Summary of Malaysian Government Securities' Yields, Non-Convertible Bond Returns and Kuala Lumpur Stock Exchange Composite Index Return and theri Correlation..	51
4.4 Risk and Returns of Investing in Non-Convertible Bonds and Stocks	52
4.5 Quarterly Returns on Malaysian Government Securities, Convertible Bonds and Kuala Lumpur Stock Exchange Composite Index	54
4.6 Summary of Malaysian Government Securities' Yield Convertible Bond Returns and Kuala Lumpur Stock Exchange Composite Index Returns	57
4.7 Quarterly Returns on Malaysian Government Securities, All Bonds and Kuala Lumpur Stock Exchange Composite Index	59
4.8 Summary of Malaysian Government Securities' Yield, All-Bonds and Kuala Lumpur Stock Exchange Composite Index Returns	63

4.9	Risk and Returns of Investing in Bonds and Stocks	64
4.10	Quarterly Returns on Malaysian Government Securities Convertible and Non-Convertible Bonds	66
4.11	Summary of Returns on Malaysian Government Securities Convertible and Non-Convertible Bonds	69
4.12	Risk-Returns of Investing in Convertible and Non-Convertible Bonds	70
5.1	Institutions and their functions in Private Debt Securities Issues	74
5.2	Capital Structure of a Sample of KLSE listed Companies	80

LIST OF FIGURES

FIGURES	Page
4.1 Quarterly Returns on Malaysian Government Securities, Non-convertible Bonds, Convertible Bonds, All Bonds and Kuala Lumpur Stock Exchange Composite Index	45
4.2 Excess Abnormal Returns of Stocks and Non-convertible Bonds	48
4.3 Excess Returns of Stocks over Non- Convertible Bonds	50
4.4 Risk-Returns of Investing in Stocks and Bonds	53
4.5 Excess Abnormal Returns of Stocks and Convertible Bonds	55
4.6 Excess returns of Stocks over Convertible Bonds	56
4.7 Excess Abnormal Returns of Stocks and Bonds	60
4.8 Excess Returns of Stocks over Bonds	62
4.9 Risk-Returns of Investing in Stocks and Bonds	65
4.10 Excess Abnormal Returns of Convertible and Non-Convertible Bonds	67
4.11 Excess of Non-convertible Bonds over Convertible Bonds	68
4.12 Risk-Returns of Investing in Convertible and Non-Convertible Bonds	71
5.1 Capital Structure of 71 KLSE listed companies	81
5.2 Price Determination of MGS	83