MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

19 July 2010

Market Highlights for the week ended 16 July 2010

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Ringgit Sovereign and Corporate Bonds

The Malaysian Government Securities (MGS) closed mixed with a sell-off at both ends of the curve as the further rationalization of subsidies triggered inflationary concerns, dampening the appeal of fixed income securities. On July 15, the government announced the reduction in subsidies for fuel and sugar as part of Malaysia's subsidy rationalization programme, which will result in an estimated reduction of more than MYR750 million in government expenditure between now and year's end. The yield curve bearish steepened with the 3- and 10-year benchmark MGS yields rising 1 bp and 3 bps WoW to 3.18% and 3.91% respectively.

In contrast, the 5-year benchmark MGS was sent higher despite the sales of MYR3.0 billion of new 5-year Syariah-compliant notes on July 15. The response to the debt auction was overwhelming with the Islamic notes garnering a bid-to-cover ratio of 3.08 times (x), compared to the average of 2.14x in the previous nine auctions. The yield on MGS 8/15 fell 10 bps WoW to settle at 3.36%.

In the Private Debt Securities (PDS) market, Cagamas announced its plan to sell as much as MYR5.0 billion (USD1.6 billion) of Islamic bonds designed to appeal to Middle Eastern investors. Cagamas will issue short- and medium-term notes using a new Sukuk al-Amanah Li al-Istithmar structure, or Sukuk ALIm, which meets standards set by the Bahrain-based Accounting & Auditing Organization for Islamic Financial Institutions. According to Cagamas Chief Executive Officer Steven Choy on July 12, the company may offer MYR1 billion of bonds within a month, which will be a good starting point in 2H2010 considering the lackluster activity in the first half of the year.

The secondary market was quiet with only MYR1.1 billion changing hands, down by 22% from the prior week. Along the AAA band, Rantau Abang bonds closed mixed with Rantau 8/13 traded unchanged at 3.53%, while Rantau 9/15 rallied to 3.87% (-5 bps WoW). Moving down the AA curve, BGSM 12/16 (AA3) sold off at 5.10% (+2 bps WoW).

USD/MYR

Local currency declined on renewed risk aversion as the US signaled a slowdown in its economy after reporting a slew of less-than-encouraging economic data. This external development raises questions over the sustainability of the current pace of recovery in the region on prospects of lower export orders by the US, triggering sell-offs in emerging market assets. The ringgit was the second worst performer among the ten most actively traded Asian ex-Japan currencies, settling at 3.2080 per USD (-0.3% WoW).

US Treasury

Treasuries rallied on growth concerns after the Federal Reserve lowered its 2010 growth forecast for the country to between 3.0% and 3.5% from its previous estimate of between 3.2% and 3.7% in April. In addition, the plunge in the University of Michigan Confidence Index to an 11-month low of 66.5 in July from 76.0 in June added to market worries. The 2- and 10-year yields retreated to 0.58% (-4 bps WoW) and 2.92% (-13 bps WoW) respectively.

Weekly change in selected Ringgit markets

Financial Variable	09-Jul-10	16-Jul-10	WoW
Overnight Policy Rate (%)	2.75	2.75	Unchanged
3-year MGS Benchmark yield (%)	3.17	3.18	1
5-year MGS Benchmark yield (%)	3.46	3.36	-10
10-year MGS Benchmark yield (%)	3.88	3.91	3
10/3s spread (bps)	71.00	73.00	2
3-year IRS (%)	3.32	3.38	6
5-year IRS (%)	3.63	3.67	4
10-year IRS (%)	4.15	4.17	2
3-year AAA yield (%)	3.92	3.92	Unchanged
3-year AA yield (%)	4.65	4.64	-1
3-year A yield (%)	7.49	7.48	-1
3-year AAA spread (bps)	75	74	-1
3-year AA spread (bps	148	146	-2
3-year A spread (bps)	432	430	-2
USD 1-year CDS Spread (bps)	33.56	33.56	Unchanged
USD 5-year CDS Spread (bps)	94.25	93.04	-1
KLCI Index	1324.31	1336.65	0.9%
MGS/GII Secondary Market Volume (MYR m)	10159.00	12082.00	18.9%
PDS Secondary Market Volume (MYR m)	1446.00	1133.00	-21.6%
USD/MYR	3.1985	3.2080	0.3%

**Weekly change in bond yields is quoted in basis point.*

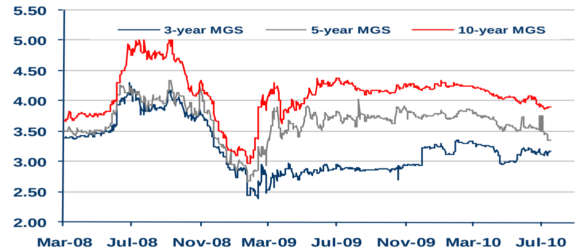
Source: Bloomberg, BPAM, MARC Fixed Income Research

Top trades of the week (govvies & credit)

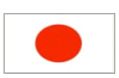
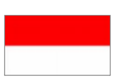
Security	Volume (MYR m)	Last Traded Yield (%)
MGS 4/2009 3.741% 27.02.2015	1817.02	3.55
PROFIT-BASED GII 2/2010 30.09.2015	1445.00	3.53
MGS 5/2009 3.210% 31.05.2013	1385.00	3.18
MGS 1/2010 3.835% 12.08.2015	1216.75	3.36
MGS 2/2009 4.378% 29.11.2019	1077.15	3.91

Security	Volume (MYR m)	Last Traded Yield (%)
Sime 11/16 (AAA)	90.00	4.05
Rantau 8/13 (AAA)	60.00	3.55
Eon Bank 2/19 (A2)	55.00	5.33
Kapar 1/13 (AA+)	50.00	3.77
Sime 11/14 (AAA)	40.00	3.83

Benchmark MGS yields

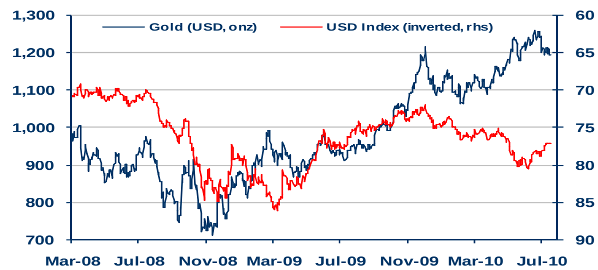


Weekly change in selected global & regional markets*

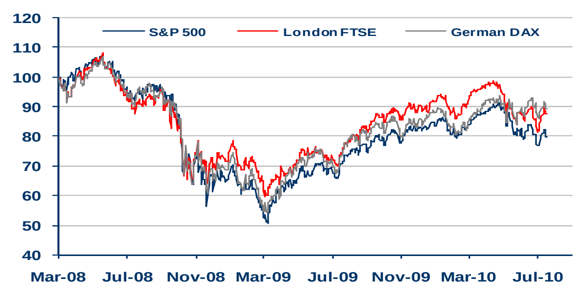
Country	Financial Variable	09-Jul-10	16-Jul-10	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.63	0.58	-4
	10-year yield (%)	3.05	2.92	-13
	USD Trade Weighted Index	77.17	77.17	Unchanged
	Dow Jones Industrial	10,198.03	10,097.90	-1.0%
	S&P 500	1,077.96	1,064.88	-1.2%
	ECB Policy Rate (%)	1.00	1.00	Unchanged
	2-year yield	0.77	0.78	1
	10-year yield	2.63	2.61	-3
	EUR/USD	1.26	1.29	2.3%
	Germany DAX	6,065.24	6,040.27	-0.4%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.74	0.75	1
	10-year yield (%)	3.33	3.33	Unchanged
	GBP/USD	1.51	1.53	1.6%
	London FTSE	5,132.94	5,158.85	0.5%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.15	0.15	0
	10-year yield (%)	1.16	1.10	-7
	USD/JPY	88.62	86.57	-2.3%
	Nikkei 225	9,585.32	9,408.36	-1.8%
	RBA Cash Rate (%)	4.50	4.50	Unchanged
	2-year yield (%)	4.53	4.53	0
	10-year yield (%)	5.11	5.12	1
	AUD/USD	0.88	0.87	-1.0%
	S&P/ASX 200	4,396.30	4,422.70	0.6%
	Bank Indonesia Reference Rate (%)	6.50	6.50	Unchanged
	2-year yield (%)	6.84	6.55	-29
	10-year yield (%)	8.18	8.17	-1
	USD/IDR	9048.00	9042.00	-0.1%
	JCI Index	2,943.90	2,992.45	1.6%
	Bank of Thailand Policy Rate (%)	1.25	1.50	25
	2-year yield (%)	1.90	1.90	Unchanged
	10-year yield (%)	3.44	3.44	-1
	USD/THB	32.27	32.26	0.0%
	SET Index	820.60	827.54	0.8%
	South Korea Official Bank Rate (%)	2.25	2.25	Unchanged
	2-year yield (%)	3.80	3.78	-2
	10-year yield (%)	4.94	4.91	-3
	USD/KRW	1195.85	1203.39	0.6%
	SET Index	1,671.82	1,723.01	3.1%
Commodities	Crude oil spot (USD/barrel)	76.09	76.01	-0.1%
	Gold spot (USD/ounce)	1,211.60	1,193.00	-1.5%
	S&P GSCI Return Index	4,065.00	4,072.30	0.2%

**Weekly change in bond yields is quoted in basis point.*
Source: Bloomberg, MARC Fixed Income Research

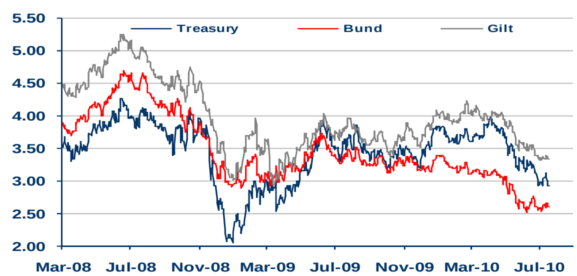
USD vs. Gold Price



Global Equities (Mar 08 = 100)



Global Bond Yields (10-year)



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