



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

21 May 2012

Market Highlights for the week ended 18 May 2012

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Local Currency

The local currency lost ground along with other Asian peers, in the absence of domestic economic releases to counterbalance external developments. Central bank governor Dr Zeti Akhtar Aziz acknowledged the high possibility of contagion from the European debt woes, in particular an exit of Greece from the currency bloc that would bring unimaginable consequences to Europe. The central bank, however, did not plan to revise its economic forecast as adverse effects from lower growth in the advanced economies have been factored in. With commodity prices remaining at the current levels, the central bank would not consider changing the stance of monetary policy. Aside from uncertainties from Greece's next elections in June, the debate on growth and austerity measures in Spain caught investors' attention as Prime Minister Mariano Rajoy turned to the European Union for aid to access capital markets after the nation's budget deficit surpassed its deficit target and the consensus reading. Investors may speculate a possible rate cut in Malaysia by pricing in the pessimism over the euro bloc should conditions worsen in the coming months. The local currency was the second worst performing currency after the Korean won, depreciating 2.1% w-o-w to close at 3.1340 per US dollar.

US Treasuries

Ongoing debt problems in Europe were the main driver for decreased yields on longer tenured Treasuries as investors fled for safer assets. The 10-year Treasury yields closed 14 bps lower at 1.72% and once closed at as low as 1.70%, while 30-year Treasury yields succumbed 21 bps w-o-w to 2.80%.

Last week saw the publication of the latest Federal Open Market Committee minutes, pointing out improvements in the economy and an upward growth revision, despite mixed economic data in the US. The progress in the labour market failed to impress investors when they witnessed an upside surprise on initial jobless claims. In the week ended May 12, claims came in at 370k as compared with 365k estimated by economists while claims in the prior week were revised higher to 370k. US manufacturing is gathering steam, signaled by a rebound in industrial production which grew 1.1% m-o-m in April following a revised decrease of 0.6% (originally no change) vis-à-vis a of consensus gain of 0.5%. The Empire State Manufacturing Index showed a positive result in May, rising from 6.6 to 17.1. However, another leading indicator for the ISM Manufacturing Index, namely the Philadelphia Index, pointed to contraction at -5.8 for May as opposed to 8.5 in April. With the release of two conflicting manufacturing gauges, the next useful indicator, the Richmond Federal Index, may be the centre of focus before investors place bets on Treasuries independent of deadlocks in Europe.

Ringgit Sovereign and Corporate Bonds

Investors were net buyers of MGS/GII as they reined in holdings of riskier assets with trading volume of sovereign debt papers rising 21.4% w-o-w to MYR15.9 billion. The most popular MGS was the newly issued PROFIT-BASED GII 4/2012 15.11.2022 with the last yield done at 3.66%. The 10-year note secured an oversubscription rate of 1.94x as compared to a 2.36x bid-to-cover ratio of a MGS of similar tenure in February. Private debt securities registered trades totaling MYR2.0 billion, which was 18.8% lower than the prior week. The PDS trades were led by AMAN IMTN 4.130% 12.04.2022 - Tranche No. 16 (AAA) with MYR315 million changing hands. The belly and the right wing of the yield curve shifted downward with the yields on the 5- and 10-year benchmark notes closing at the same level at 3.26%.

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Weekly change in selected domestic markets

Financial Variable	11-May-12	18-May-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.19	3.19	-1
5-year MGS Benchmark yield (%)	3.31	3.26	-5
10-year MGS Benchmark yield (%)	3.54	3.26	-28
10/3s spread (bps)	35	7	-27
3-year IRS (%)	3.21	3.06	-15
5-year IRS (%)	3.40	3.18	-23
10-year IRS (%)	3.74	3.44	-30
3-year AAA yield (%)	3.71	3.71	Unchanged
3-year AA yield (%)	4.06	4.06	Unchanged
3-year A yield (%)	7.13	7.13	Unchanged
3-year AAA spread (bps)	52	53	1
3-year AA spread (bps)	87	88	1
3-year A spread (bps)	394	395	1
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	114	135	21
KLCI Index	1,584	1,532	-3.3%
MGS/GII Secondary Market Volume (MYR m)	13,115	15,927	21.4%
PDS Secondary Market Volume (MYR m)	2,457	1,996	-18.8%
USD/MYR	3.0709	3.1340	2.1%

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

Source: Bloomberg, BPAM, MARC Fixed Income Research

Weekly change in selected global & regional markets*

Country	Financial Variable	11-May-12	18-May-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.26	0.29	3
	10-year yield (%)	1.84	1.72	-12
	USD Trade Weighted Index	41040.00	41047.00	0.0%
	Dow Jones Industrial	41,040.00	41,047.00	0.0%
S&P 500	41,040.00	41,047.00	0.0%	
	ECB Policy Rate (%)	1.00	1.00	Unchanged
	2-year yield (%)	0.09	0.05	-4
	10-year yield (%)	1.52	1.43	-9
	EUR/USD	1.2917	1.2780	-1.1%
	Germany DAX	6,579.93	6,271.22	-4.7%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.40	0.31	-9
	10-year yield (%)	1.96	1.83	-14
	GBP/USD	1.6069	1.5817	-1.6%
	London FTSE	5,575.52	5,267.62	-5.5%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.11	0.10	0
	10-year yield (%)	0.85	0.83	-2
	USD/JPY	79.9400	79.0200	-1.2%
	Nikkei 225	8,953.31	8,611.31	-3.8%
	RBA Cash Rate (%)	3.75	3.75	Unchanged
	2-year yield (%)	2.69	2.45	-24
	10-year yield (%)	3.29	3.08	-21
	AUD/USD	1.0020	0.9844	-1.8%
	S&P/ASX 200	4,285.07	4,046.46	-5.6%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	4.70	4.92	22
	10-year yield (%)	6.25	6.61	36
	USD/IDR	9,198.0	9,350.0	1.7%
	JCI Index	4,114.14	3,980.50	-3.2%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.22	3.28	5
	10-year yield (%)	3.84	3.70	-14
	USD/THB	31.2000	31.4100	0.7%
	SET Index	1,191.01	1,154.44	-3.1%
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged
	2-year yield (%)	3.37	3.36	-1
	10-year yield (%)	3.75	3.71	-4
	USD/KRW	1,146.6	1,172.7	2.3%
	KOSPI Index	1,989.15	1,917.13	-3.6%
Commodities	Crude oil spot (USD/barrel)	96.13	91.48	-4.8%
	Gold spot (USD/ounce)	1,579.40	1,592.99	0.9%
	S&P GSCI Return Index	4,826.4	4,728.2	-2.0%

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

Source: Bloomberg, MARC Fixed Income Research

Top trades of the week (govvies & credits)

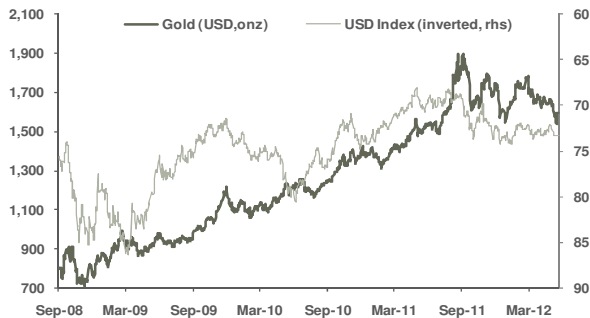
Security	Volume (MYR m)	Last Traded Yield
PROFIT-BASED GII 4/2012 15.11.2022	2,675	3.66
MGS 5/2012 0% 31.10.2017	2,372	3.26
PROFIT-BASED GII 3/2012 30.09.2019	2,275	3.54
MGS 3/2012 3.197% 15.10.2015	1,600	3.19
MGS 2/2011 3.434% 15.08.2014	809	3.14

Security	Volume (MYR m)	Last Traded Yield
AMAN IMTN 4.130% 12.04.2022 - Tranche No. 16	315	4.06
ANIH IMTN 5.85% 29.11.2027 - Tranche 14	150	5.08
GIC IMTN 5.250% 01.03.2016	75	4.36
PLUS BERHAD IMTN 4.800% 12.01.2027 - Series 1 (11)	75	4.54
HCS MTN 915D 25.11.2013	60	3.81
SEB IMTN 4.850% 19.01.2027	60	4.87

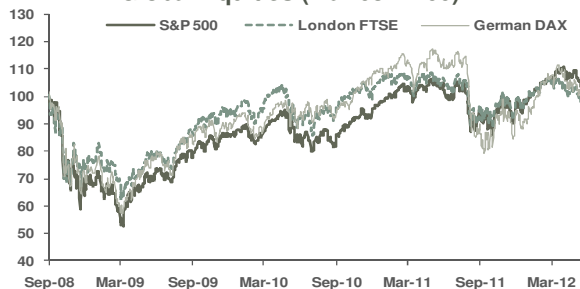
Benchmark MGS yields



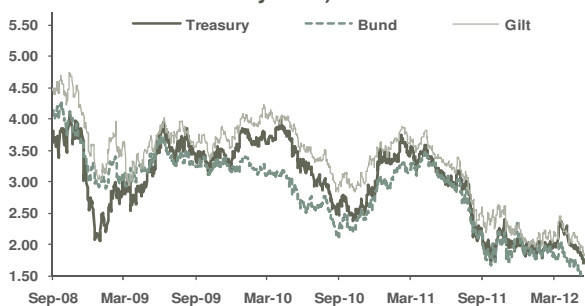
USD vs. Gold Price



Global Equities (Mar 08 = 100)



US Treasuries, German Bunds & UK Gilts (10-year yields)



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Published and Printed by:

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