



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

28 May 2012

Market Highlights for the week ended 25 May 2012

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Local Currency

The local currency continued its downward trend for another week as economic releases pointed to weaker growth stemming from beleaguered export markets. Malaysian real gross domestic product expanded 4.7% y-o-y in 1Q2012 following a growth of 5.2% in the last quarter of 2011. Even though the expansion was 0.1% point higher than economists had earlier predicted, the rosier-than-anticipated growth was not meaningful especially when it came in after headline inflation eased to 1.9% in April after an increase of 2.1% in March, signifying that weakening consumer demand could extend the downward trend in growth to 2Q2012 or longer. Moreover, economists surveyed by Bloomberg News expected the rise in consumer prices to remain unchanged at 2.1% in April.

That aside, manufacturing indicators in other economies were not positive for emerging market currencies, particularly with the world grappling with Greece's potential exit from the Euro-zone. The HSBC's Purchasing Managers Index showed a preliminary reading of 48.7 for May after a final reading of 49.3 for April. The Chinese State Council pledged to increase the intensity of policy fine-tuning and maintain a prudent monetary policy stance in order to stimulate growth against a backdrop of increasing downward pressure. Malaysia's trade partners Singapore and Thailand faced lackluster demand for their products in April, with the former's industrial production and the latter's exports declining. The Richmond Federal Manufacturing Index slowed sharply from 11 to 4, underscoring weaknesses in the US manufacturing sector, in the wake of similar results from the earlier Philadelphia Index. The ringgit, tracking the movement of other Asian currencies last week with the Hong Kong dollar being the only gaining currency, lost 0.62% w-o-w to settle at 3.1535 per US dollar.

US Treasuries

Treasury yields rebounded across the board, with the 10-year yields closing at 1.74% (+2 bps) as investors saw some light at the end of the tunnel in Greece's potential exit from the Euro-zone at the end of last week. While German Chancellor Angela Merkel continued to be opposed to joint Euro bonds, she left open a potential compromise on debt sharing as Italian Prime Minister Mario Monti asserted that Germany has an economic interest in preventing the exit of any nation from the Euro-zone and the currency bloc could see joint Euro-bonds soon, easing investors' risk aversion.

Back in the US, the residential property market showed progress in April, with existing home sales increasing 3.4% m-o-m and new home sales climbing 3.3% m-o-m following contractions in the prior month. Unemployment claims registered 370k or 2k lower in the week ended May 19, pointing to a moderate improvement.

Ringgit Sovereign and Corporate Bonds

The yield curve shifted downward amidst dimmer growth prospects and concern over sovereign debt woes in the west. The belly and right wing of the curve declined 2 bps each to end last week at 3.24% and 3.52% respectively. In spite of that, trading volume of MGS/GII was 46.2% lower than the previous week with MYR10.9 billion changing hands, while private debt securities trades marked a total of MYR2.7 billion. The most popular sovereign note was PROFIT-BASED GII 4/2009 31.07.2014, registering MYR1.2 billion in volume traded. The secondary market of PDS was led by MYR 110 million SEB IMTN 4.850% 19.01.2027 (AA1) with a last traded yield of 4.83%.

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Weekly change in selected domestic markets

Financial Variable	18-May-12	25-May-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.19	3.14	-4
5-year MGS Benchmark yield (%)	3.26	3.24	-1
10-year MGS Benchmark yield (%)	3.54	3.52	-1
10/3s spread (bps)	35	38	3
3-year IRS (%)	3.06	3.13	6
5-year IRS (%)	3.18	3.27	10
10-year IRS (%)	3.44	3.59	16
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)	53	57	4
3-year AA spread (bps)	88	92	4
3-year A spread (bps)	395	399	5
USD 1-year CDS Spread (bps)	0	0	Unchanged
USD 5-year CDS Spread (bps)	135	136	1
KLCI Index	1,532	1,551	1.2%
MGS/GII Secondary Market Volume (MYR m)	15,927	10,883	-31.7%
PDS Secondary Market Volume (MYR m)	1,996	2,687	34.6%
USD/MYR	3.1340	3.1535	0.6%

*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	18-May-12	25-May-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.29	0.29	-1
	10-year yield (%)	1.72	1.74	2
	USD Trade Weighted Index	41047.00	41054.00	0.0%
	Dow Jones Industrial	41,047.00	41,054.00	0.0%
	S&P 500	41,047.00	41,054.00	0.0%
	ECB Policy Rate (%)	1.00	1.00	Unchanged
	2-year yield	0.05	0.05	0
	10-year yield	1.43	1.37	-6
	EUR/USD	1.2780	1.2517	-2.1%
	Germany DAX	6,271.22	6,339.94	1.1%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.31	0.23	-8
	10-year yield (%)	1.83	1.75	-7
	GBP/USD	1.5817	1.5667	-0.9%
	London FTSE	5,267.62	5,351.53	1.6%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.10	0.11	0
	10-year yield (%)	0.83	0.89	6
	USD/JPY	79.0200	79.6800	0.8%
	Nikkei 225	8,611.31	8,580.39	-0.4%
	RBA Cash Rate (%)	3.75	3.75	Unchanged
	2-year yield (%)	2.45	2.45	0
	10-year yield (%)	3.08	3.17	8
	AUD/USD	0.9844	0.9758	-0.9%
	S&P/ASX 200	4,046.46	4,029.25	-0.4%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	4.92	5.16	24
	10-year yield (%)	6.61	6.55	-6
	USD/IDR	9,350.0	9,454.0	1.1%
	JCI Index	3,980.50	3,902.51	-2.0%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.28	3.36	9
	10-year yield (%)	3.70	3.78	7
	USD/THB	31.4100	31.6700	0.8%
	SET Index	1,154.44	1,132.83	-1.9%
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged
	2-year yield (%)	3.36	3.35	-1
	10-year yield (%)	3.71	3.73	2
	USD/KRW	1,172.7	1,185.4	1.1%
Commodities	KOSPI Index	1,782.46	1,824.17	2.3%
	Crude oil spot (USD/barrel)	91.48	90.66	-0.9%
	Gold spot (USD/ounce)	1,592.99	1,573.03	-1.3%
	S&P GSCI Return Index	4,728.2	4,660.7	-1.4%

*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 4/2009 31.07.2014	1,205	3.17
MGS 2/2010 4.012% 15.09.2017	1,047	3.31
MGS 4/2009 3.741% 27.02.2015	834	3.17
MGS 5/2012 0% 31.10.2017	718	3.24
MGS 2/2011 3.434% 15.08.2014	684	3.09

Security	Volume (MYR m)	Last Traded Yield
SEB IMTN 4.850% 19.01.2027	110	4.83
MANJUNG IMTN 3.950% 24.11.2017 - Series 1 (2)	100	3.71
RHB CAP 7.150% 18.09.2012	92	3.60
RHBBANK MTN 3653D 30.11.2017	65	3.63
HLBANK 4.350% 05.05.2021 (Series 2)	60	4.05

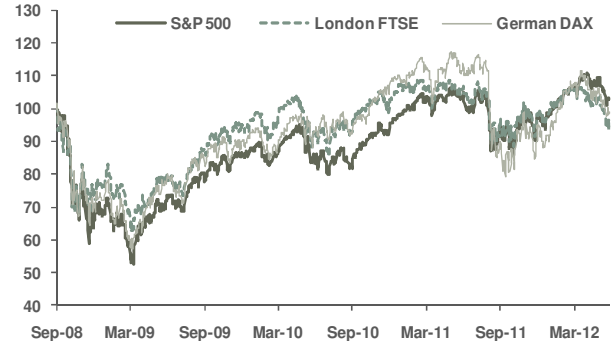
Benchmark MGS yields



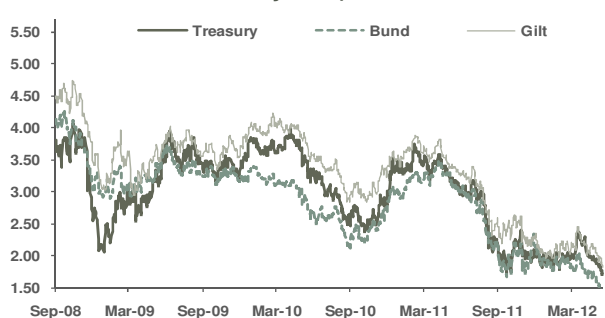
USD vs. Gold Price



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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