



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

04 June 2012

Market Highlights for the week ended 01 June 2012

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Local Currency

As greater risks to global growth and financial stability prompted investors to sell off risky assets, the ringgit became the worst performing currency among the ten Asia ex-Japan currencies last week. Deep divisions were evident in Europe as German Chancellor Angela Merkel stated “under no circumstances” would Germany back joint euro-bonds, even as France, Italy and the UK push for their adoption. With the risk of a Greek exit from the currency bloc still in the balance, Spain’s chances of avoiding a bailout appeared to deteriorate further, prompting Spanish Prime Minister Mariano Rajoy to plead for a banking union for the Euro-zone. Yields on 2-year German sovereign notes fell below zero while Spanish 10-year benchmark yields surged to above 6.5%, as investors fled Spanish debt for the safety of German bunds.

The reported slowdown in China’s manufacturing was also not supportive of the Malaysian ringgit. The Chinese official Purchasing Managers’ Index (PMI) declined to 50.4 in May from 53.3 in April, compared to the median projection of 52.0. The HSBC Holdings and Markit PMI saw a final reading of 48.4 for May, as opposed to the preliminary reading of 48.7 and 49.3 in April. In tandem with that, other counterparts in the region, namely India, South Korea and Taiwan, also showed sluggish growth in their respective manufacturing sectors. The ringgit traded further downward on pessimistic export prospects for Malaysian products, losing 1.3% w-o-w to close at 3.1937 per US dollar.

US Treasuries

Risk-off phenomenon was evidenced by the yields on the treasuries closing at all-time lows with the 10- and 30-year treasury yields finishing at 1.45% and 2.52% last week. The labour market remains a weak spot in the US economy as non-farm payrolls for April were revised downward to 77k even as economists in a Bloomberg News survey called for 150k in May, based on the previous 115k in April prior to revision. However, there were only 69k jobs added and the unemployment rate rose to 8.2% in May from 8.1% in the previous month. Furthermore, the weekly released initial unemployment claims surprised investors on the upside, with 383k claim applications in the week ended May 19, reversing the previous downtrend.

Apart from that, 1Q2012 GDP growth was downgraded to a q-o-q annualized increase of 1.9%, matching economists’ estimates, as opposed to the initially projected real growth of 2.2% following a 3.0% expansion in 4Q2012. The downward revision was mainly driven by lower government expenditures and private consumption.

Ringgit Sovereign and Corporate Bonds

On the local front, last week saw the successful reopening of MYR3 billion MGS 5/2011 3.580% 28.09.2018 at a yield of 3.42%, garnering a bid-to-cover ratio of 1.46x. The YTD MGS/GII issuance this year stood at MYR39.2 billion. In the local secondary bond market, trading volume was thinner last week in both the govies and PDS segments. The 5-day moving average of trading volume for MGS/GII and PDS declined to MYR1.7 billion and MYR435 million as compared to MYR2.2 billion and MYR539 million in the prior week. The newly issued 6-year MGS led govies traded with MYR1.8 billion changing hands while the most traded PDS was HCS MTN 1095D 25.5.2015 (AAA) totaling MYR115 million with last yield done at 4.00%.

Please read disclaimer on the last page of this report

Weekly change in selected domestic markets

Financial Variable	25-May-12	1-Jun-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.14	3.16	1
5-year MGS Benchmark yield (%)	3.24	3.26	1
10-year MGS Benchmark yield (%)	3.52	3.56	3
10/3s spread (bps)	38	40	2
3-year IRS (%)	3.13	3.00	-13
5-year IRS (%)	3.27	3.11	-16
10-year IRS (%)	3.59	3.38	-22
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)	57	56	-1
3-year AA spread (bps)	92	91	-1
3-year A spread (bps)	399	398	-2
USD 1-year CDS Spread (bps)	0	34	34
USD 5-year CDS Spread (bps)	136	138	2
KLCI Index	1,551	1,574	1.4%
MGS/GII Secondary Market Volume (MYR m)	10,883	8,876	-18.4%
PDS Secondary Market Volume (MYR m)	2,687	2,177	-19.0%
USD/MYR	3.1535	3.1937	1.3%

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

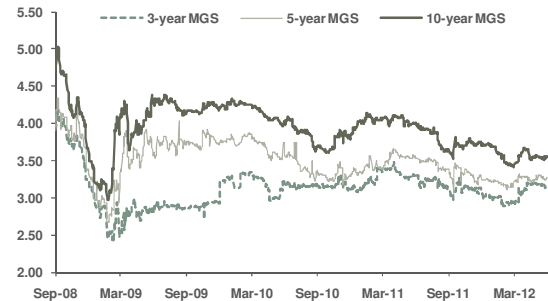
Source: Bloomberg, BPAM, MARC Fixed Income Research

Top trades of the week (govvies & credits)

Security	Volume (MYR m)	Last Traded Yield
MGS 5/2011 3.580% 28.09.2018	1,802	3.42
MGS 5/2006 3.718% 15.06.2012	882	3.03
MGS 4/2009 3.741% 27.02.2015	654	3.12
MGS 1/2006 4.262% 15.09.2016	621	3.22
PROFIT-BASED GII 2/2011 30.09.2014	420	3.19

Security	Volume (MYR m)	Last Traded Yield
HCS MTN 1095D 25.5.2015	115	4.00
MANJUNG IMTN 3.950% 24.11.2017 - Series 1 (2)	110	3.71
GIC IMTN 5.250% 01.03.2016	85	4.30
SEB IMTN 5.650% 23.06.2026	81	4.80
GIC IMTN 4.9% 03.08.2016	80	4.37

Benchmark MGS yields



Weekly change in selected global & regional markets*

Country	Financial Variable	25-May-12	1-Jun-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.29	0.25	-4
	10-year yield (%)	1.74	1.45	-29
	USD Trade Weighted Index	41054.00	41061.00	0.0%
	Dow Jones Industrial	41,054.00	41,061.00	0.0%
S&P 500	41,054.00	41,061.00	0.0%	
	ECB Policy Rate (%)	1.00	1.00	Unchanged
	2-year yield	0.05	0.01	-4
	10-year yield	1.37	1.17	-20
	EUR/USD	1.2517	1.2434	-0.7%
	Germany DAX	6,339.94	6,050.29	-4.6%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.23	0.26	3
	10-year yield (%)	1.75	1.53	-22
	GBP/USD	1.5667	1.5363	-1.9%
	London FTSE	5,351.53	5,260.19	-1.7%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.11	0.09	-2
	10-year yield (%)	0.89	0.82	-7
	USD/JPY	79.6800	78.0200	-2.1%
	Nikkei 225	8,580.39	8,440.25	-1.6%
	RBA Cash Rate (%)	3.75	3.75	Unchanged
	2-year yield (%)	2.45	2.13	-32
	10-year yield (%)	3.17	2.84	-33
	AUD/USD	0.9758	0.9701	-0.6%
	S&P/ASX 200	4,029.25	4,063.88	0.9%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.16	5.21	4
	10-year yield (%)	6.55	6.50	-5
	USD/IDR	9,454.0	9,390.0	-0.7%
	JCI Index	3,902.51	3,799.77	-2.6%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.36	3.23	-13
	10-year yield (%)	3.78	3.64	-14
	USD/THB	31.6700	31.7700	0.3%
	SET Index	1,132.83	1,115.19	-1.6%
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged
	2-year yield (%)	3.35	3.30	-5
	10-year yield (%)	3.73	3.64	-9
	USD/KRW	1,185.4	1,177.8	-0.6%
	KOSPI Index	1,824.17	1,834.51	0.6%
Commodities	Crude oil spot (USD/barrel)	90.66	83.23	-8.2%
	Gold spot (USD/ounce)	1,573.03	1,624.10	3.2%
	S&P GSCI Return Index	4,660.7	4,364.0	-6.4%

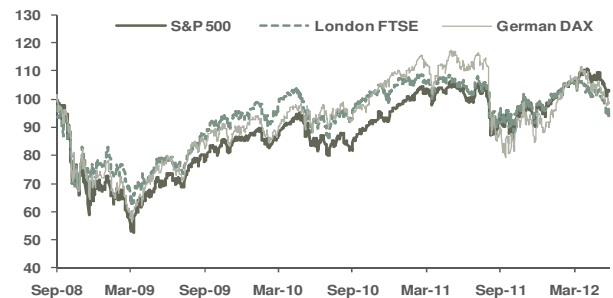
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Source: Bloomberg, MARC Fixed Income Research

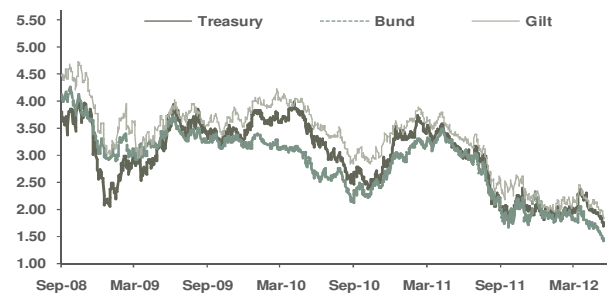
USD vs. Gold Price



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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