



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

11 June 2012

Market Highlights for the week ended 08 June 2012

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Local Currency

The ringgit rebounded with a weekly gain of 0.1% to close at 3.1895 per US dollar last week. Central banks in the region opted for further easing to boost growth as recent manufacturing data has not been encouraging. Chinese and Australian policymakers cut their benchmark rates by 25 bps each to 6.31% and 3.50% while citing the deterioration in domestic economic performance and external vulnerabilities. China, for the very first time since the last financial crisis, allowed additional leeway to the banks to offer a 20.0% discount to the key lending rate (previously 10.0%) and banks could offer depositors up to 10.0% higher than the benchmark one-year deposit rate of 3.25%. Most of the regional currencies, including the local currency, took a positive cue from this unprecedented move to trade higher.

The diminishing concern over the exit of Greece from the euro bloc outweighed poor trade data for April with export growth contracting 0.1% y-o-y vis-à-vis a consensus reading of a 1.1% gain. Decreased shipments of palm oil and electronics underlined the global downturn.

US Treasuries

Treasuries rebounded from all-time lows on optimism in the euro-zone after the European Central Bank (ECB) President Mario Draghi asserted that policymakers are ready to act. In spite of the pressure to introduce more liquidity to the economy, the ECB held its benchmark rate at 1.0% while struggling to fix Spain's crisis and the potential exit of Greece. Investors also placed bets on a fruitful discussion on a rescue fund for Spain's financial system.

In the US, the Federal Reserve refrained from pointing to additional monetary easing despite acknowledging moderate growth with a pick-up in the real estate sector. The FOMC also noted the modest gain in consumer spending coupled with limited upside risk in inflation. The trade deficit narrowed marginally to USD50.1 billion in April after recording USD52.6 billion in the previous month with both exports and imports increasing. On the other hand, initial unemployment claims in the US fell to 377k in the week ended June 7 as opposed to a revised 389k in the prior week, surprising the market on the upside. The 10-year treasury yield rebounded from an all-time low of 1.45% to 1.64%.

Ringgit Sovereign and Corporate Bonds

Closer to home, the MYR3 billion 15-year GII issued last week was well received by investors, garnering a 2.37x oversubscription rate as compared to the previous 10-year GII issuance in May. The YTD issuance of MGS/GII stood at MYR43 billion. The yield curve shifted downward amidst external turbulence and discouraging Malaysian exports data for April. The 5- and 10-year benchmark yields declined 7 bps and 6 bps w-o-w to close at 3.19% and 3.50% respectively while the 10/3 spread widened to 43 bps. The trading volume of local government securities amounted to MYR18.4 billion last week, more than double the volume traded in the previous week. The most traded govies was MGS 5/2006 3.718% 15.06.2012 with MYR4.6 billion changing hands and last yield done at 3.05%. The PDS spectrum marked total trades of MYR1.7 billion, which was 22.5% lower. The most popular corporate paper was YTL POWER MTN 1094D 06.7.2012 - MTN 9 (AA1) with papers worth MYR420 million traded and the last yield done at 3.10%.

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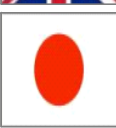





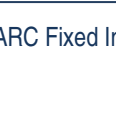
Weekly change in selected domestic markets

Financial Variable	1-Jun-12	8-Jun-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.16	3.07	-9
5-year MGS Benchmark yield (%)	3.26	3.19	-6
10-year MGS Benchmark yield (%)	3.56	3.50	-6
10/3s spread (bps)	40	43	3
3-year IRS (%)	3.00	3.05	4
5-year IRS (%)	3.11	3.17	6
10-year IRS (%)	3.38	3.45	8
3-year AAA yield (%)	3.71	3.69	-2
3-year AA yield (%)	4.06	4.06	Unchanged
3-year A yield (%)	7.13	7.13	Unchanged
3-year AAA spread (bps)	56	62	7
3-year AA spread (bps)	91	99	9
3-year A spread (bps)	398	406	9
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	138	134	-4
KLCI Index	1,574	1,571	-0.2%
MGS/GII Secondary Market Volume (MYR m)	8,876	18,366	106.9%
PDS Secondary Market Volume (MYR m)	2,177	1,687	-22.5%
USD/MYR	3.1937	3.1895	-0.1%

*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	1-Jun-12	8-Jun-12	WoW	
	US Fed Funds (%)	0.25	0.25	Unchanged	
	2-year yield (%)	0.25	0.27	2	
	10-year yield (%)	1.45	1.64	18	
	USD Trade Weighted Index	41061.00	41068.00	0.0%	
	Dow Jones Industrial	41,061.00	41,068.00	0.0%	
	S&P 500	41,061.00	41,068.00	0.0%	
		ECB Policy Rate (%)	1.00	1.00	Unchanged
		2-year yield	0.01	0.04	3
10-year yield		1.17	1.33	16	
EUR/USD		1.2434	1.2517	0.7%	
	Germany DAX	6,050.29	6,130.82	1.3%	
	BOE Policy Rate (%)	0.50	0.50	Unchanged	
	2-year yield (%)	0.26	0.24	-3	
	10-year yield (%)	1.53	1.63	9	
	GBP/USD	1.5363	1.5474	0.7%	
	London FTSE	5,260.19	5,435.08	3.3%	
	BoJ Policy Rate (%)	0.10	0.10	Unchanged	
	2-year yield (%)	0.09	0.10	2	
	10-year yield (%)	0.82	0.86	4	
	USD/JPY	78.0200	79.4900	1.9%	
	Nikkei 225	8,440.25	8,459.26	0.2%	
		RBA Cash Rate (%)	3.75	3.50	-25
2-year yield (%)		2.13	2.41	28	
10-year yield (%)		2.84	3.04	20	
AUD/USD		0.9701	0.9916	2.2%	
	S&P/ASX 200	4,063.88	4,063.70	0.0%	
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged	
	2-year yield (%)	5.21	5.19	-2	
	10-year yield (%)	6.50	6.49	-1	
	USD/IDR	9,390.0	9,388.0	0.0%	
	JCI Index	3,799.77	3,825.33	0.7%	
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged	
	2-year yield (%)	3.23	3.23	-1	
	10-year yield (%)	3.64	3.61	-2	
	USD/THB	31.7700	31.6200	-0.5%	
	SET Index	1,115.19	1,127.10	1.1%	
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged	
	2-year yield (%)	3.30	3.26	-4	
	10-year yield (%)	3.64	3.57	-7	
	USD/KRW	1,177.8	1,175.3	-0.2%	
	KOSPI Index	1,834.51	1,835.64	0.1%	
Commodities	Crude oil spot (USD/barrel)	83.23	84.10	1.0%	
	Gold spot (USD/ounce)	1,624.10	1,593.45	-1.9%	
	S&P GSCI Return Index	4,364.0	4,427.4	1.5%	

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

Source: Bloomberg, MARC Fixed Income Research

Top trades of the week (govvies & credits)

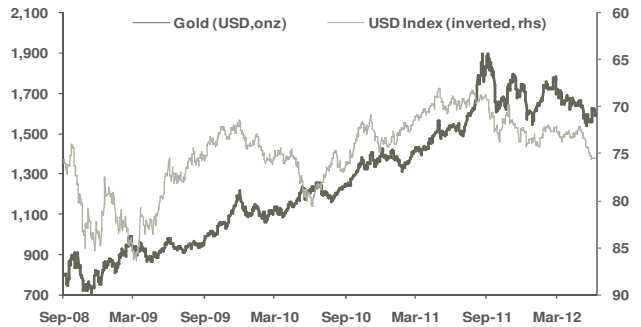
Security	Volume (MYR m)	Last Traded Yield
MGS 5/2011 3.580% 28.09.2018	1,802	3.42
MGS 5/2006 3.718% 15.06.2012	882	3.03
MGS 4/2009 3.741% 27.02.2015	654	3.12
MGS 1/2006 4.262% 15.09.2016	621	3.22
PROFIT-BASED GII 2/2011 30.09.2014	420	3.19

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

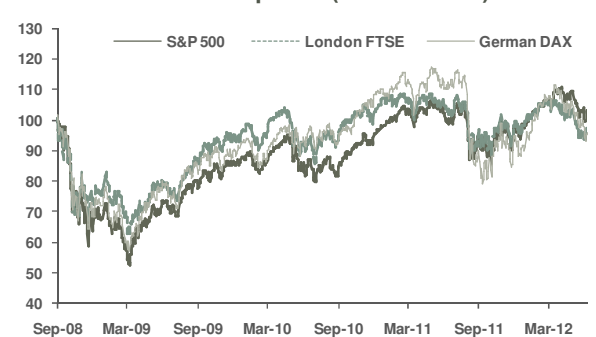
Benchmark MGS yields



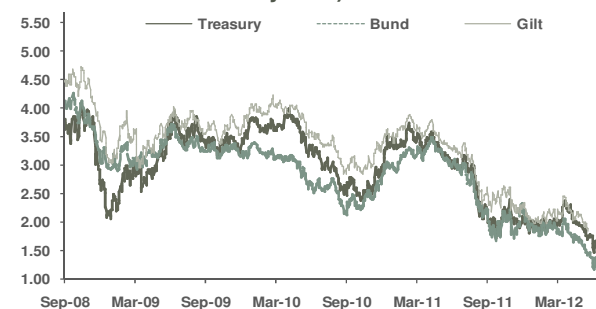
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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