



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

18 June 2012

Market Highlights for the week ended 15 June 2012

Chin Yong Li
yongli@marc.com.my
 +603 2082 2245

Local Currency

External developments dominated the movement of local currency on the lack of domestic fresh leads. The centre of focus – concerns over Greece's potential exit from the euro-zone – has been now alleviated after pro-austerity politicians secured sufficient seats in elections to form a unity government. This heartening progress means continuity of financial support from the EU and the IMF when the newly formed government implements the earlier pledged austerity measures to tame the two-year-old debt crisis. Concurrently, the ringgit traded higher on the heels of the improved export data of trade partners, namely Singapore and China, which staged increases of 3.2% and 15.3% respectively from a year earlier in May.

The only local economic release last week was the industrial production data for April which came in to surprise investors on the upside, climbing 3.2% y-o-y after a revised 1.5% gain in March vis-à-vis a median projection of 2.0%. Asian ex-Japan currencies traded mixed last week. The ringgit was the fourth best performing currency, advancing 0.8% w-o-w to settle at 3.1655 against the greenback.

US Treasuries

Notwithstanding the easing of concerns over the euro bloc's break up, treasuries were well-received among investors amid mounting speculation of further monetary stimulus by the Federal Reserve. Industrial production in the US had some pullback in May, dipping 0.1% after expanding 1.1% in April, while the Empire State manufacturing index slipped to 2.3 points in June, well below a strong 17.1 points in May. The details in the latter data revealed a broad-based slowdown in new orders, shipments, and employment as well as the six-month outlook, pointing to a modest forward momentum.

Concurrently, retail sales also turned sluggish last month, declining 0.2% following a revised 0.2% decrease in April. The weak employment situation evidenced by initial jobless claims in the week ended June 9 rising to 386k from a revised 380k well explained cautious spending among American consumers. Moreover, the University of Michigan's index of consumer sentiment slipped to the lowest level in 2012, posting 74.1 points for June as compared to 79.3 points last month. The reading was in line with the Conference Board's consumer confidence index which signaled wide weakness in May.

With headline inflation turning negative in May at -0.3% m-o-m to reflect reduced energy costs while the core rate was firm at 0.2% m-o-m, the Federal Reserve may have stronger grounds to introduce more easing measures to spur growth. The 10-year treasury yield was 6 bps lower, closing at 1.58%, while the 2-year treasury yield remained unchanged at 0.27%.

Ringgit Sovereign and Corporate Bonds

On the local front, the reopening of MYR3 billion 3-year MGS last week received decent demand among investors, garnering a 2.19x bid-to-cover ratio compared with the last auction of MYR3 billion 15-year GII which obtained a 2.37x oversubscription rate. The YTD issuance of MGS/GII stood at MYR46 billion. The secondary market for MGS was less active with a 5-day moving average reduced to MYR2.8 billion vis-à-vis a 5-day moving average of MYR3.7 billion in the previous week. The total trade volume of MGS/GII last week reached MYR14.0 billion, led by the matured MGS 5/2006 3.718% 15.06.2012 with MYR 2.3 billion worth papers of traded. MYR1.9 billion worth of private debt securities was traded last week, topped by AMAN IMTN 4.400% 12.04.2027 - Tranche No. 18 with MYR190 million papers traded, last transacted at 4.38%.

Please read disclaimer on the last page of this report




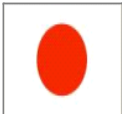




Weekly change in selected domestic markets

Financial Variable	8-Jun-12	15-Jun-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.07	3.10	3
5-year MGS Benchmark yield (%)	3.19	3.19	0
10-year MGS Benchmark yield (%)	3.50	3.52	2
10/3s spread (bps)	43	42	-1
3-year IRS (%)	3.05	3.13	9
5-year IRS (%)	3.17	3.27	10
10-year IRS (%)	3.45	3.57	12
3-year AAA yield (%)	3.69	3.69	Unchanged
3-year AA yield (%)	4.06	4.05	-1
3-year A yield (%)	7.13	7.13	Unchanged
3-year AAA spread (bps)	62	59	-3
3-year AA spread (bps)	99	95	-4
3-year A spread (bps)	406	403	-3
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	134	121	-13
KLCI Index	1,571	1,579	0.5%
MGS/GII Secondary Market Volume (MYR m)	18,366	14,002	-23.8%
PDS Secondary Market Volume (MYR m)	1,687	1,875	11.1%
USD/MYR	3.1895	3.1655	-0.8%

*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	8-Jun-12	15-Jun-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.27	0.27	0
	10-year yield (%)	1.64	1.58	-6
	USD Trade Weighted Index	41068.00	41075.00	0.0%
	Dow Jones Industrial	41,068.00	41,075.00	0.0%
	S&P 500	41,068.00	41,075.00	0.0%
	ECB Policy Rate (%)	1.00	1.00	Unchanged
	2-year yield	0.04	0.07	3
	10-year yield	1.33	1.44	11
	EUR/USD	1.2517	1.2638	1.0%
	Germany DAX	6,130.82	6,229.41	1.6%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.24	0.22	-2
	10-year yield (%)	1.63	1.67	4
	GBP/USD	1.5474	1.5715	1.6%
	London FTSE	5,435.08	5,478.81	0.8%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.10	0.10	Unchanged
	10-year yield (%)	0.86	0.85	0
	USD/JPY	79.4900	78.7300	-1.0%
	Nikkei 225	8,459.26	8,569.32	1.3%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.41	2.40	-2
	10-year yield (%)	3.04	2.99	-5
	AUD/USD	0.9916	1.0056	1.4%
	S&P/ASX 200	4,063.70	4,057.33	-0.2%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.19	5.17	-2
	10-year yield (%)	6.49	6.37	-11
	USD/IDR	9,388.0	9,398.0	0.1%
	JCI Index	3,825.33	3,818.11	-0.2%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.23	3.16	-7
	10-year yield (%)	3.61	3.50	-12
	USD/THB	31.7000	31.5100	-0.6%
	SET Index	1,127.10	1,165.73	3.4%
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged
	2-year yield (%)	3.26	3.28	2
	10-year yield (%)	3.57	3.64	7
	USD/KRW	1,175.3	1,165.8	-0.8%
Commodities	KOSPI Index	1,835.64	1,858.16	1.2%
	Crude oil spot (USD/barrel)	84.10	84.03	-0.1%
	Gold spot (USD/ounce)	1,593.45	1,627.10	2.1%
	S&P GSCI Return Index	4,427.4	4,404.7	-0.5%

*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 5/2006 3.718% 15.06.2012	2,266	3.29
MGS 3/2012 3.197% 15.10.2015	1,396	3.10
MGS 2/2009 4.378% 29.11.2019	1,085	3.51
MGS 5/2011 3.580% 28.09.2018	965	3.37
PROFIT-BASED GII 4/2012 15.11.2022	940	3.63

Security	Volume (MYR m)	Last Traded Yield
AMAN IMTN 4.400% 12.04.2027 - Tranche No. 18	190	4.38
MAYBANK 4.120% 28.12.2023	120	4.20
MACB IMTN 4.680% 16.12.2022 - Tranche No 2	120	4.10
HLFG MTN 1827D 02.12.2016 (Series 2)	105	3.89
YTL POWER MTN 1826D 09.12.2013 - MTN 8	100	3.60

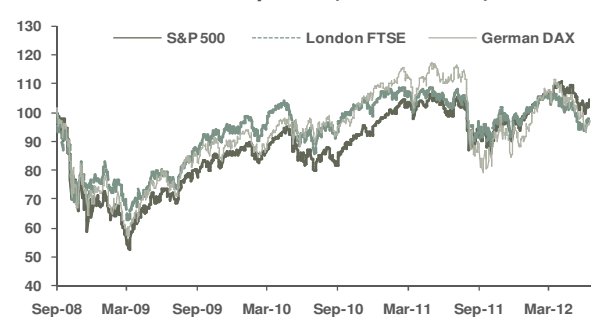
Benchmark MGS yields



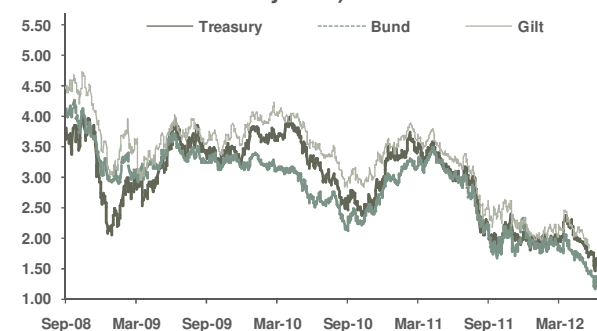
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



THIS PAGE IS INTENTIONALLY LEFT BLANK

----- Disclaimer -----

Copyright © 2012 Malaysian Rating Corporation Berhad and any of its subsidiaries or affiliates ("MARC") have exclusive proprietary rights in the data or information provided herein. This document is the property of MARC and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without MARC's prior written consent.

Any opinion, analysis, observation, commentary and/or statement made by MARC are solely statements of opinion based on information obtained from issuers and/or other sources which MARC believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. MARC does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. NEITHER MARC NOR ITS AFFILIATES, SUBSIDIARIES AND EMPLOYEES, GIVE ANY EXPRESS OR IMPLIED WARRANTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY AS TO THE ACCURACY, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE OF ANY SUCH INFORMATION.

This document is not a recommendation to buy, sell or hold any security and/or investment. Any user of this document should not rely solely on the credit rating and analysis contained in this document to make an investment decision in as much as it does not address non-credit risks, the adequacy of market price, suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security concerned.

MARC and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by MARC or any information contained therein. Anyone using and/or relying on MARC's document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bound by it.

© 2012 Malaysian Rating Corporation Berhad

Published and Printed by:

MALAYSIAN RATING CORPORATION BERHAD (Company No. : 364803 V)
5th Floor, Bangunan Malaysian RE, No 17 Lorong Dungun,
Damansara Heights, 50490 KUALA LUMPUR.
www.marc.com.my

Tel: 603 2082 2200
Fax: 603 2094 9397