



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

02 July 2012

Market Highlights for the week ended 29 June 2012

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Local Currency

Investors watched developments in the European debt crisis carefully before taking more risks in the Asian region as the European Summit arrived at some heartening conclusions. Regional currencies successfully pared losses from the previous week to push valuations higher led by the Indian rupee, while the local currency gained 0.4% w-o-w to 3.1772 per US dollar.

Notwithstanding continued opposition to Eurobonds by German Chancellor Angela Merkel, the summit concluded with the German parliament's approval of the European Stability Mechanism and fiscal budget agreements. Apart from that, leaders in the Euro-zone acceded to a direct injection of capital to distressed banks, bypassing governments to bail out the banks. A relaxation of the terms of the loans to Spanish banks and loosened prerequisites on a potential bailout for Italy were among the other achievements at the summit.

Despite concerns that the approved measures will take time to come into force and that the firepower of the permanent bailout fund may not be sufficient should market confidence take another downturn, investors were temporarily relieved with the better-than-expected agreements.

US Treasuries

Medium- to long-term treasuries maintained their attractiveness to the investing community as Operation Twist was extended, although the declines in Treasury yields were limited by constructive developments in the Euro bloc. The 5- and 10-year Treasury yields fell 3 bps each to 0.72% and 1.64% respectively.

US Real GDP in 1Q2012 was confirmed to have grown at the same sluggish pace of 1.9% q-o-q in annual terms, meeting market expectations but disappointing compared with the 3.0% posted in 4Q2012. Personal consumption expenditures were revised downward to 2.5% from the previous estimate of 2.7%. Meanwhile, consumer spending for May was reported to be stagnant after rising 0.1% m-o-m in April while personal income gained modestly by 0.2% m-o-m in May, suggesting that Americans were becoming more pessimistic over the economic outlook. In line with that, the University of Michigan's Index of Consumer Sentiment fell to 73.2 in June, a new low for 2012, as opposed to a median estimate of 74.1 which was the index level for the previous month. The drop was apparent in both the expectations and current conditions sub-indices. Even though the Chicago Purchasing Manager Index came in marginally higher at 52.9 in June as compared to May (52.7), the sub index which measures new orders pointed to a significant reduction, from a near 70.0 level in February to 51.9 in June.

Ringgit Sovereign and Corporate Bonds

The strains in global financial markets were the most explicable driver of demand for the reopening of the MYR3.5 billion 7-year GII which garnered an oversubscription rate of 2.7 vis-à-vis a YTD average of 2.4 in GII trades. In the MGS secondary market, trading activities posted a 5-day moving average of MYR3.3 billion which was 28.9% higher than the previous week. The most tradable MGS/GII last week was PROFIT-BASED GII 3/2012 30.09.2019 with total deals of MYR2.4 billion. On the other hand, trading in the PDS market was less active with a total of MYR2.1 billion changing hands compared to total trades of MYR2.4 billion in the week ended June 22. The most popular bond in the PDS spectrum was the AAA-rated AMAN IMTN 4.000% 12.04.2019 - Tranche No. 15 with MYR120 million traded with the last yield done at 3.83%.

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Weekly change in selected domestic markets

Financial Variable	22-Jun-12	29-Jun-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.07	3.05	-2
5-year MGS Benchmark yield (%)	3.19	3.17	-2
10-year MGS Benchmark yield (%)	3.52	3.47	-5
10/3s spread (bps)	44	42	-2
3-year IRS (%)	3.13	3.11	-2
5-year IRS (%)	3.25	3.23	-2
10-year IRS (%)	3.53	3.50	-2
3-year AAA yield (%)	3.71	3.71	Unchanged
3-year AA yield (%)	4.04	4.04	Unchanged
3-year A yield (%)	7.13	7.13	Unchanged
3-year AAA spread (bps)	64	66	2
3-year AA spread (bps)	97	99	2
3-year A spread (bps)	406	408	2
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	126	124	-2
KLCI Index	1,603	1,599	-0.2%
MGS/GII Secondary Market Volume (MYR m)	12,749	16,429	28.9%
PDS Secondary Market Volume (MYR m)	2,433	2,100	-13.7%
USD/MYR	3.1910	3.1772	-0.4%

*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
PROFIT-BASED GII 3/2012 30.09.2019	2,353	3.49
MGS 4/2009 3.741% 27.02.2015	2,334	2.98
PROFIT-BASED GII 3/12 30.09.2019	1,750	3.49
PROFIT-BASED GII 1/2011 30.08.2018	901	3.48
MGS 1/2010 3.835% 12.08.2015	797	3.02

Security	Volume (MYR m)	Last Traded Yield
AMAN IMTN 4.000% 12.04.2019 - Tranche No. 15	120	3.83
HCS MTN 1095D 25.5.2015	60	3.97
BMMB RM400.0 Million Subordinated Sukuk 15/06/202	58	4.23
GIC IMTN 4.9% 03.08.2016	55	4.39
TELEKOM IMTN 4.200% 10.12.2021	55	3.91

Benchmark MGS yields



Weekly change in selected global & regional markets*

Country	Financial Variable	22-Jun-12	29-Jun-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.30	0.30	0
	10-year yield (%)	1.67	1.64	-3
	USD Trade Weighted Index	41082.00	41089.00	0.0%
	Dow Jones Industrial	41,082.00	41,089.00	0.0%
	S&P 500	41,082.00	41,089.00	0.0%
	ECB Policy Rate (%)	1.00	1.00	Unchanged
	2-year yield (%)	0.14	0.12	-1
	10-year yield (%)	1.58	1.58	0
	EUR/USD	1.2570	1.2667	0.8%
	Germany DAX	6,263.25	6,416.28	2.4%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.32	0.28	-3
	10-year yield (%)	1.72	1.73	1
	GBP/USD	1.5588	1.5707	0.8%
	London FTSE	5,513.69	5,571.15	1.0%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.10	0.11	1
	10-year yield (%)	0.83	0.84	1
	USD/JPY	80.4300	79.8000	-0.8%
	Nikkei 225	8,798.35	9,006.78	2.4%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.49	2.46	-3
	10-year yield (%)	3.05	3.04	-1
	AUD/USD	1.0064	1.0238	1.7%
	S&P/ASX 200	4,048.21	4,094.63	1.1%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.07	5.10	3
	10-year yield (%)	6.20	6.15	-5
	USD/IDR	9,494.0	9,433.0	-0.6%
	JCI Index	3,889.52	3,955.58	1.7%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.19	3.19	-1
	10-year yield (%)	3.49	3.48	-1
	USD/THB	31.8100	31.5600	-0.8%
	SET Index	1,152.91	1,172.11	1.7%
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged
	2-year yield (%)	3.29	3.30	1
	10-year yield (%)	3.64	3.62	-2
	USD/KRW	1,157.1	1,145.4	-1.0%
Commodities	KOSPI Index	1,847.39	1,854.01	0.4%
	Crude oil spot (USD/barrel)	79.36	84.96	7.1%
	Gold spot (USD/ounce)	1,572.45	1,597.40	1.6%
	S&P GSCI Return Index	4,261.8	4,532.0	6.3%

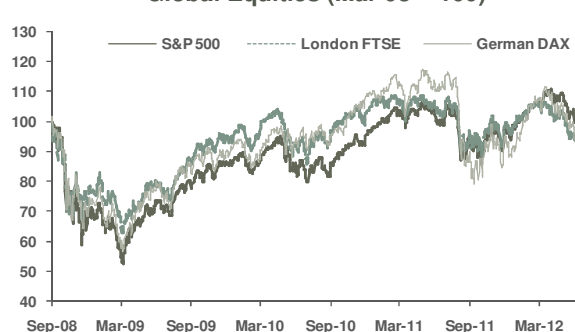
*Weekly change in bond yields is quoted in basis point.

Source: Bloomberg, MARC Fixed Income Research

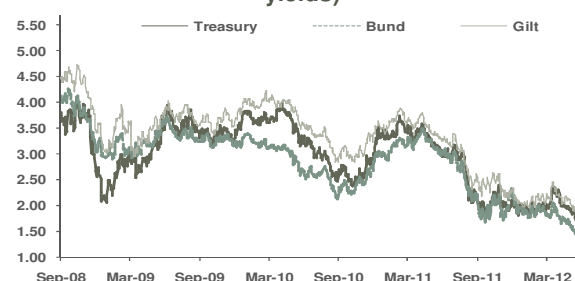
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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