



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

09 July 2012

Market Highlights for the week ended 06 July 2012

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Local Currency

Local currency traded higher last week, marking a weekly gain of 0.1% and closing at 3.1740 against the greenback amidst mixed performances from the currencies in the region. Exports for May were announced last week, surprising the market with a 6.7% y-o-y advance following a loss of 0.1% in the previous month, as opposed to the anticipated 4.5% gain, particularly on account of electronics and electrical goods. While a smaller trade surplus was posted as imports rose at a higher pace for May, the stronger overseas shipments data managed to thrust the valuation of the ringgit higher. Subsequently, Bank Negara Malaysia (BNM) announced its decision to hold the benchmark interest rate at 3.00%, meeting economists' expectations, while citing lingering downside risk in the global economy as important problems related to the European debt woes remain unresolved. The BNM also acknowledged the importance of domestic consumption and investment activity as the pillars of growth going forward. The recent rate cuts by major central banks may prompt the investing community to switch their funds to emerging markets supported by domestic demand to obtain better returns on investment.

US Treasuries

The treasury yield curve shifted downward in view of lethargic growth in the US economy coupled with vulnerabilities in other major economies which incited more monetary loosening measures. On the domestic front, the Manufacturing Index showed its first contraction since July 2009, falling to 49.7 in June from 53.5 in May, below the level signaling contraction. The contraction included declines in new orders, export orders and inventories while the bright spots were production and employment. Nonetheless, the latter's strength should not last without new orders. That aside, the sluggish employment situation in June was evident with fewer-than-expected jobs added onto non-farm (actual 80k; consensus 100k) and private payrolls (actual 84k; consensus 106k) even though unemployment held at 8.2%. American employers were reluctant to employ more, specifically in private services-providing industries, and other sectors only posted modest gains.

On the global front, the European Central Bank cut its main refinancing rate by 25 bps to 0.75% and cut the deposit rate to zero. Meanwhile, the People's Bank of China announced a second rate cut in a month's time to 6.00% together with a higher allowable loan discount by banks. Last week also saw the Bank of England raising the size of its asset-purchase program amidst a weaker outlook for output growth. The easing measures to stimulate growth were positive for US treasuries, pushing the yields on the 2- and 10-year treasuries lower to 0.27% and 1.55% respectively.

Ringgit Sovereign and Corporate Bonds

Local benchmark papers traded firmer as investors took profit after another rate pause was decided in the MPC meeting last week. The 10/3 spread narrowed to 39 bps from 42 bps in the previous week while the 10-year benchmark yields stood at 3.48%. The secondary bond market was livelier, with the 5-day moving average trading volume of MGS/GII 17.1% greater at MYR4.0 billion while total PDS traded last week totaled MYR2.6 billion, or 26.1% higher than the previous week. Among the MGS/GII traded, PROFIT-BASED GII 3/2012 30.09.2019 topped the trades with MYR3.6 billion worth of papers traded. In the PDS sphere, the most popular bond was issued by CIMB Bank and rated AA by MARC, with MYR150 million papers changing hands and the last yield done was 4.48%.

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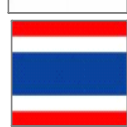


Weekly change in selected domestic markets

Financial Variable	29-Jun-12	6-Jul-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.05	3.09	4
5-year MGS Benchmark yield (%)	3.17	3.21	4
10-year MGS Benchmark yield (%)	3.47	3.48	1
10/3s spread (bps)	42	39	-3
3-year IRS (%)	3.11	3.10	0
5-year IRS (%)	3.23	3.22	0
10-year IRS (%)	3.50	3.50	0
3-year AAA yield (%)	3.71	3.69	-2
3-year AA yield (%)	4.04	4.04	Unchanged
3-year A yield (%)	7.13	7.13	Unchanged
3-year AAA spread (bps)	66	60	-6
3-year AA spread (bps)	99	95	-4
3-year A spread (bps)	408	404	-4
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	124	122	-2
KLCI Index	1,599	1,621	1.3%
MGS/GII Secondary Market Volume (MYR m)	16,429	19,811	20.6%
PDS Secondary Market Volume (MYR m)	2,100	2,649	26.1%
USD/MYR	3.1772	3.1740	-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	29-Jun-12	6-Jul-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.30	0.27	-3
	10-year yield (%)	1.64	1.55	-10
	USD Trade Weighted Index	41089.00	41096.00	0.0%
	Dow Jones Industrial	41,089.00	41,096.00	0.0%
	S&P 500	41,089.00	41,096.00	0.0%
	ECB Policy Rate (%)	1.00	0.75	-25
	2-year yield	0.12	-0.01	-13
	10-year yield	1.58	1.33	-26
	EUR/USD	1.2667	1.2291	-3.0%
	Germany DAX	6,416.28	6,410.11	-0.1%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.28	0.20	-8
	10-year yield (%)	1.73	1.59	-14
	GBP/USD	1.5707	1.5495	-1.3%
	London FTSE	5,571.15	5,662.63	1.6%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.11	0.11	-1
	10-year yield (%)	0.84	0.80	-4
	USD/JPY	79.8000	79.6600	-0.2%
	Nikkei 225	9,006.78	9,020.75	0.2%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.46	2.51	5
	10-year yield (%)	3.04	3.09	6
	AUD/USD	1.0238	1.0213	-0.2%
	S&P/ASX 200	4,094.63	4,157.81	1.5%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.10	5.07	-3
	10-year yield (%)	6.15	6.05	-10
	USD/IDR	9,433.0	9,405.0	-0.3%
	JCI Index	3,955.58	4,055.20	2.5%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.19	3.21	3
	10-year yield (%)	3.48	3.45	-3
	USD/THB	31.5600	31.7500	0.6%
	SET Index	1,172.11	1,200.08	2.4%
	South Korea Official Bank Rate (%)	3.25	3.25	Unchanged
	2-year yield (%)	3.30	3.25	-5
	10-year yield (%)	3.62	3.54	-8
	USD/KRW	1,145.4	1,138.0	-0.6%
Commodities	KOSPI Index	1,854.01	1,858.20	0.2%
	Crude oil spot (USD/barrel)	84.96	84.45	-0.6%
	Gold spot (USD/ounce)	1,597.40	1,583.75	-0.9%
	S&P GSCI Return Index	4,532.0	4,575.3	1.0%

*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 3/2012 30.09.2019	3,590	3.44
PROFIT-BASED GII 4/2012 15.11.2022	2,753	3.60
MGS 5/2011 3.580% 28.09.2018	1,578	3.34
PROFIT-BASED GII 3/12 30.09.2019	1,140	3.44
MGS 1/2011 4.16% 15.07.2021	1,065	3.48

Security	Volume (MYR m)	Last Traded Yield
CIMBBANK 6.70% 07.10.2038	150	4.48
HCS MTN 729D 30.8.2012	132	3.43
PLUS BERHAD IMTN 4.800% 12.01.2027 - Series 1 (1)	131	4.53
PLUS BERHAD IMTN 4.880% 12.01.2028 - Series 1 (1)	110	4.59
CIMBBANK 4.150% 06.08.2021 - Issue No 3	100	4.03
PBB RM IT-1 CAPITAL SECURITIES	100	4.10
CIMB 6.35% 05.04.2060 - Tranche No. 3	100	4.75
MANJUNG IMTN 4.150% 25.11.2021 - Series 1 (6)	100	4.00

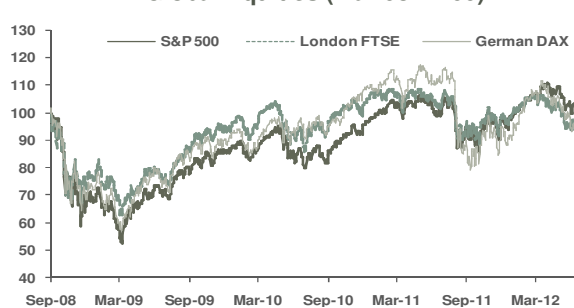
Benchmark MGS yields



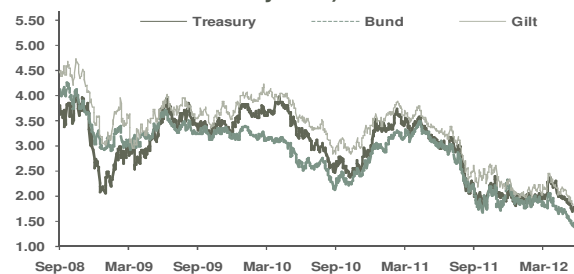
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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