



**MALAYSIAN RATING CORPORATION BERHAD**  
(364803 V)

## Weekly Market Snapshot

16 July 2012

### Market Highlights for the week ended 13 July 2012

Chin Yong Li  
[yongli@marc.com.my](mailto:yongli@marc.com.my)  
+603 2082 2245

#### Local Currency

The ringgit was among the regional currencies led downward by the Korean won after an unexpected Bank of Korea rate cut of 25 bps during the week. Malaysia's industrial production for May came in at a rosier-than-anticipated 7.6% y-o-y following a 3.2% gain in April. However, the rise was largely due to a low base effect from last year and did not ease the cautious mood among investors in favour of local currency. The ringgit could not sustain its gains following Bank Negara Malaysia's announcement of another rate pause, falling 0.4% to close at 3.1855 against the US dollar last week as external vulnerabilities continued to pose threats to riskier emerging market currencies. With China's gross domestic product growth slowing to 7.6% y-o-y in 2Q2012 after an 8.1% gain in the previous quarter, compared to economists' prediction of a 7.7% expansion, concerns mounted over a regional economic slowdown as China is the major trade partner for many regional economies.

#### US Treasuries

Investors' attention switched from the European debt drama to slowing economic growth after watching central banks cut their benchmark rates and add more stimuli to boost growth. The Federal Reserve's (Fed) Operation Twist early last week was less well received as investors started pricing in the disappointing payrolls data which in turn may prompt the Fed to implement another round of easing. The latest Federal Open Market Committee meeting minutes also revealed support for further stimuli to promote growth in employment and to ensure inflation remains on target.

While the euro-zone slipped towards its second recession amid a protracted debt impasse, China's poorer-than-expected growth also helped treasuries to climb, with the 10- and 30-year treasury yields falling 6 bps and 9 bps w-o-w to sub-1.50% and 2.57% respectively.

On the flip side, the initial jobless claims showed improvement in the week ended July 7 to record 350k applications vis-à-vis a consensus reading of 372k. Claim applications were revised upward to 376k in the previous week. The gain was in view of the low inventory level and may reverse when summer shutdowns begin. On a related note, the continuing unemployment claims for the week ended June 30 reached 3.3 million, sliding 14k from a week ago.

#### Ringgit Sovereign and Corporate Bonds

The YTD issuance of MGS/GII stood at MYR 53billion after the reopening of the MYR3.5 billion 10-year benchmark MGS last week. The reissuance garnered decent demand with a 2.4x oversubscription rate compared to an average bid-to-cover ratio of 2.1x in the MGS auctions this year. In congruence with that, the trading volume of MGS/GII in the secondary market climbed 23.3% w-o-w to MYR24.4 billion, led by MGS 1/2012 3.418% 15.08.2022. MYR4.2 billion of the benchmark notes were traded during the week. The PDS secondary market was quieter with slightly more than half of the trades in the previous week, posting MYR1.3 billion in trades. The most traded PDS note was GIC IMTN 5.250% 01.03.2016, rated AAA by RAM with MYR120 million traded and the last traded yield was 4.42%. Notwithstanding BNM's previous assertions that growth would be supported by local consumption and investment activity, the yield curve shifted downward in view of the current growth concern as neighbouring countries reported weaker growth and inflation receded.

*Please read disclaimer on the last page of this report*

### Weekly change in selected domestic markets

Financial Variable	6-Jul-12	13-Jul-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.09	3.05	-4
5-year MGS Benchmark yield (%)	3.21	3.18	-2
10-year MGS Benchmark yield (%)	3.48	3.44	-4
10/3s spread (bps)	39	39	0
3-year IRS (%)	3.10	2.96	-15
5-year IRS (%)	3.22	3.13	-10
10-year IRS (%)	3.50	3.33	-17
3-year AAA yield (%)	3.69	3.69	Unchanged
3-year AA yield (%)	4.04	4.04	Unchanged
3-year A yield (%)	7.13	7.13	Unchanged
3-year AAA spread (bps)	60	64	4
3-year AA spread (bps)	95	99	4
3-year A spread (bps)	404	408	4
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	122	119	-3
KLCI Index	1,621	1,626	0.4%
MGS/GII Secondary Market Volume (MYR m)	19,811	24,422	23.3%
PDS Secondary Market Volume (MYR m)	2,649	1,338	-49.5%
USD/MYR	3.1740	3.1855	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
MGS 1/2012 3.418% 15.08.2022	4,198	3.44
PROFIT-BASED GII 3/2012 30.09.2019	2,020	3.39
PROFIT-BASED GII 4/2012 15.11.2022	1,940	3.55
MGS 5/2011 3.580% 28.09.2018	1,897	3.29
MGS 2/2004 5.09400% 30.04.2014	1,643	2.98

Security	Volume (MYR m)	Last Traded Yield
GIC IMTN 5.250% 01.03.2016	120	4.42
PLUS BERHAD IMTN 4.880% 12.01.2028 - Series 1 (1)	70	4.60
RHBANK MTN 3653D 30.11.2017	60	3.50
PLUS BERHAD IMTN 4.800% 12.01.2027 - Series 1 (1)	60	4.51
AIKL Sub Sukuk 4.400% 30.09.2021	55	4.17

### Benchmark MGS yields



### Weekly change in selected global & regional markets\*

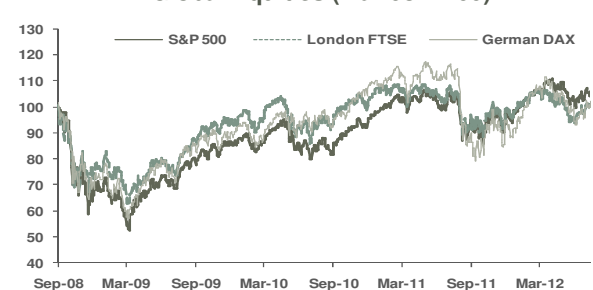
Country	Financial Variable	6-Jul-12	13-Jul-12	WoW
USA	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.27	0.24	-3
	10-year yield (%)	1.55	1.49	-6
	USD Trade Weighted Index	41096.00	41103.00	0.0%
	Dow Jones Industrial	41,096.00	41,103.00	0.0%
S&P 500	41,096.00	41,103.00	0.0%	
Germany	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield (%)	-0.01	-0.04	-3
	10-year yield (%)	1.33	1.26	-7
	EUR/USD	1.2291	1.2249	-0.3%
	Germany DAX	6,410.11	6,557.10	2.3%
UK	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.20	0.23	3
	10-year yield (%)	1.59	1.55	-4
	GBP/USD	1.5495	1.5576	0.5%
	London FTSE	5,662.63	5,666.13	0.1%
Japan	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.11	0.11	Unchanged
	10-year yield (%)	0.80	0.78	-2
	USD/JPY	79.6600	79.1800	-0.6%
	Nikkei 225	9,020.75	8,724.12	-3.3%
Australia	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.51	2.29	-23
	10-year yield (%)	3.09	2.89	-20
	AUD/USD	1.0213	1.0226	0.1%
	S&P/ASX 200	4,157.81	4,082.25	-1.8%
Indonesia	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.07	5.17	10
	10-year yield (%)	6.05	6.05	0
	USD/IDR	9,405.0	9,448.0	0.5%
	JCI Index	4,055.20	4,019.67	-0.9%
Thailand	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.21	3.18	-3
	10-year yield (%)	3.45	3.41	-4
	USD/THB	31.7500	31.5700	-0.6%
	SET Index	1,200.08	1,210.29	0.9%
South Korea	South Korea Official Bank Rate (%)	3.25	3.00	-2500.0%
	2-year yield (%)	3.25	2.97	-28
	10-year yield (%)	3.54	3.27	-27
	USD/KRW	1,138.0	1,150.2	1.1%
	KOSPI Index	1,858.20	1,812.89	-2.4%
Commodities	Crude oil spot (USD/barrel)	84.45	87.10	3.1%
	Gold spot (USD/ounce)	1,583.75	1,589.68	0.4%
	S&P GSCI Return Index	4,575.3	4,709.7	2.9%

\*Weekly change in bond yields is quoted in basis point.  
Source: Bloomberg, MARC Fixed Income Research

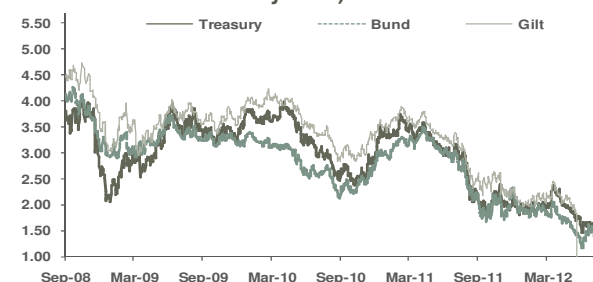
### USD vs. Gold Price



### Global Equities (Mar 08 = 100)



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



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**MALAYSIAN RATING CORPORATION BERHAD** (Company No. : 364803 V)  
5<sup>th</sup> Floor, Bangunan Malaysian RE, No 17 Lorong Dungun  
Damansara Heights, 50490 KUALA LUMPUR.  
[www.marc.com.my](http://www.marc.com.my)

Tel: 603 2082 2200  
Fax: 603 2094 9397