



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

23 July 2012

Market Highlights for the week ended 20 July 2012

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Local Currency

Asian currencies closed mixed but with the local currency on top, appreciating 1.1% w-o-w to close at 3.1493 against the US dollar. The lingering speculation on easing measures by major economies, particularly the US, mounted last week after Federal Reserve (Fed) Chairman Ben Bernanke pointed out the increased risks to economic growth and repeated that the Fed is ready to act to boost growth should unemployment remain frustratingly low. With the US unemployment rate currently hovering around 8.2%, the market hopes that the Fed may implement additional measures, which would be encouraging to the exports of emerging markets. In the region, China's foreign direct investment (FDI) statistics for June came in 6.9% lower than a year earlier, while 1Q2012 FDI ended up at at USD59.1 billion, 3.0% poorer y-o-y in view of the slowing world economy.

Back in Malaysia, headline inflation cooled to 1.6% y-o-y in June from 1.7% in the previous month compared to economists' expectations of no change. The easing inflation rate provides more scope for Bank Negara Malaysia to adjust interest rates in case of stronger headwinds from the euro-zone.

US Treasuries

The Treasury yield curve shifted downward with 10-year treasury yields shedding 3 bps w-o-w to 1.46%, near the record low, while the yields on the belly of the curve fell 5 bps w-o-w to close at 0.57%. Other than last week's spotlight on Fed Chairman Ben Bernanke's speech, investors received mixed signals from June's economic data. Retail sales were softer than anticipated, falling 0.5% -m-o-m after a 0.2% decrease in May which was also the pace predicted by economists in a Bloomberg News survey. Sales data showed widespread weakness which serves as a meaningful indication that the consumer sector has lost steam given that total sales growth excluding autos and gasoline has been in negative territory for three consecutive months. As for the residential property market in the US, existing home sales dropped an unexpected 5.4% m-o-m in June to a 4.4 million annual rate following a 4.6 million pace (-1.5% m-o-m) in May, the lowest pace in 2012 and reflecting declines across regions. Building permits slipped 3.7% m-o-m in June after an 8.4% surge in May, failing to attain the median estimate of 765k to post 755k. Nonetheless, housing starts mirrored the previous improvement in home sales to demonstrate a mild uptrend in June, rebounding 6.9% after a 4.8% decline in May and the trend will probably continue.

Ringgit Sovereign and Corporate Bonds

The reopening of MYR3.5 billion 5-year GII received lackluster response with an oversubscription rate of 1.9x as compared to 2.3x during the initial issuance on February this year. The YTD issuance of MGS/GII reached MYR56.5 billion. The secondary market for sovereign notes was inactive with a 5-day moving average of MYR3.6 million last week vis-à-vis MYR4.9 million in the previous week. The most traded sovereign paper was MGS 1/2012 3.418% 15.08.2022, posting MYR2.8 billion worth of trades. On the flip side, the PDS market was rather lively with about 89.5% more trades, totaling MYR2.5 billion in the week ended July 20. The most sought corporate paper was the OCBC 4.200% 04.11.2020 (AA1), with MYR125 million traded and the last traded yield was 3.83%. The benchmark yields curve bullish flattened as investors poised to further improve yields by taking longer positions given the appreciation of the ringgit.

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Weekly change in selected domestic markets

Financial Variable	13-Jul-12	20-Jul-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.05	3.03	-2
5-year MGS Benchmark yield (%)	3.18	3.18	0
10-year MGS Benchmark yield (%)	3.44	3.41	-2
10/3s spread (bps)	39	38	0
3-year IRS (%)	2.96	3.07	11
5-year IRS (%)	3.13	3.16	3
10-year IRS (%)	3.33	3.33	Unchanged
3-year AAA yield (%)	3.69	3.68	-1
3-year AA yield (%)	4.04	4.03	-1
3-year A yield (%)	7.13	7.11	-2
3-year AAA spread (bps)	64	65	1
3-year AA spread (bps)	99	100	1
3-year A spread (bps)	408	408	Unchanged
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	119	119	0
KLCI Index	1,626	1,643	1.0%
MGS/GII Secondary Market Volume (MYR m)	24,422	17,953	-26.5%
PDS Secondary Market Volume (MYR m)	1,338	2,535	89.5%
USD/MYR	3.1855	3.1493	-1.1%

*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	13-Jul-12	20-Jul-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.24	0.20	-4
	10-year yield (%)	1.49	1.46	-3
	USD Trade Weighted Index	41103.00	41110.00	0.0%
	Dow Jones Industrial	41,103.00	41,110.00	0.0%
	S&P 500	41,103.00	41,110.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield (%)	-0.04	-0.07	-3
	10-year yield (%)	1.26	1.17	-9
	EUR/USD	1.2249	1.2157	-0.8%
	Germany DAX	6,557.10	6,630.02	1.1%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.23	0.12	-11
	10-year yield (%)	1.55	1.49	-6
	GBP/USD	1.5576	1.5623	0.3%
	London FTSE	5,666.13	5,651.77	-0.3%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.11	0.10	0
	10-year yield (%)	0.78	0.74	-3
	USD/JPY	79.1800	78.4900	-0.9%
	Nikkei 225	8,724.12	8,669.87	-0.6%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.29	2.40	11
	10-year yield (%)	2.89	2.93	4
	AUD/USD	1.0226	1.0378	1.5%
	S&P/ASX 200	4,082.25	4,199.12	2.9%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.17	5.09	-8
	10-year yield (%)	6.05	5.72	-33
	USD/IDR	9,448.0	9,458.0	0.1%
	JCI Index	4,019.67	4,081.20	1.5%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.18	3.10	-8
	10-year yield (%)	3.41	3.28	-13
	USD/THB	31.5700	31.6700	0.3%
	SET Index	1,210.29	1,208.55	-0.1%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.97	2.88	-9
	10-year yield (%)	3.27	3.15	-12
	USD/KRW	1,150.2	1,141.2	-0.8%
Commodities	KOSPI Index	1,812.89	1,822.93	0.6%
	Crude oil spot (USD/barrel)	87.10	91.44	5.0%
	Gold spot (USD/ounce)	1,589.68	1,584.50	-0.3%
	S&P GSCI Return Index	4,709.7	4,942.4	4.9%

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

Source: Bloomberg, MARC Fixed Income Research

Top trades of the week (govvies & credits)

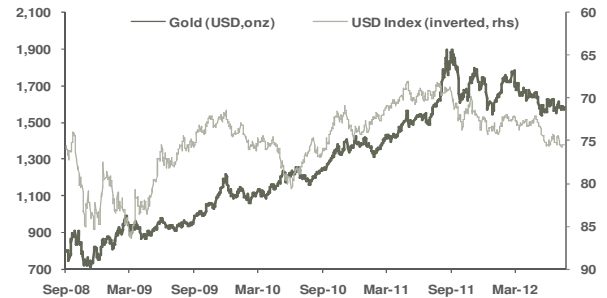
Security	Volume (MYR m)	Last Traded Yield
MGS 1/2012 3.418% 15.08.2022	2,819	3.41
MGS 5/2011 3.580% 28.09.2018	1,652	3.29
PROFIT-BASED GII 4/2012 15.11.2022	1,510	3.50
PROFIT-BASED GII 2/2012 30.08.2017	1,420	3.25
MGS 1/2011 4.16% 15.07.2021	1,245	3.40

Security	Volume (MYR m)	Last Traded Yield
OCBC 4.200% 04.11.2020	125	3.83
MANJUNG IMTN 4.150% 25.11.2021 - Series 1 (6)	110	3.94
PLUS BERHAD IMTN 4.640% 10.01.2025 - Series 1 (9)	100	4.24
RHB CAP 7.150% 18.09.2012	92	3.37
MANJUNG IMTN 3.950% 24.11.2017 - Series 1 (2)	90	3.67

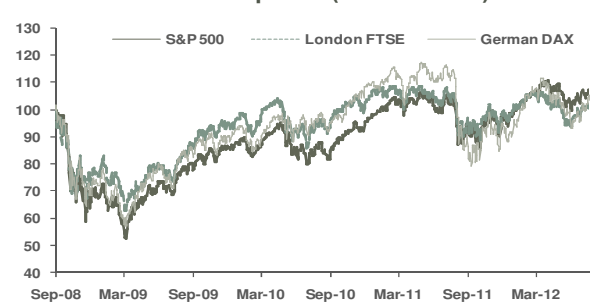
Benchmark MGS yields



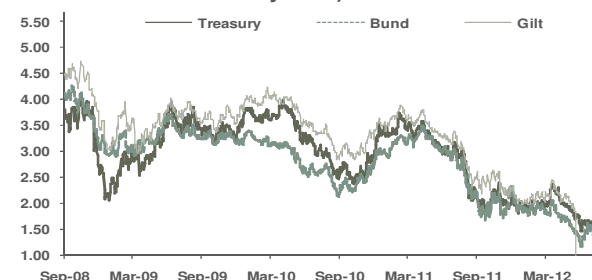
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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