



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

6 August 2012

Market Highlights for the week ended 3 August 2012

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Local Currency

The MYR/USD pair gained 1.0% to 3.1297, rebounding to be the best performing Asian ex-Japan currency last week. On the lack of domestic news, risk appetite towards the ringgit was largely influenced by global economic announcements. With the global economy continuing to deteriorate, investors believed that the central banks would do more to stimulate growth, in particular the China central bank. The Chinese Purchasing Managers Index of manufacturing declined to 50.1 in July from 50.2 in June, failing to attain the consensus of 50.5. The People's Bank of China will conduct policy fine-tuning at an appropriate time and is forecasting a rebound in inflation after August, portending that more easing measures are already on the cards.

US Treasuries

Treasury yields were volatile last week amidst a slew of key events and the release of economic indicators. Treasury yields surged on a w-o-w basis as the most awaited payrolls data for July came in to surprise the market on the upside, inclusive of all three sectors (non-farm, private and manufacturing). After 64k non-farm employment was created in June, the sector added another 163k jobs compared to a consensus reading for 100k jobs created. On the other hand, the manufacturing sector successfully added 25k employment in July as opposed to 10k in the previous month while economists expected no change in July. The Federal Open Market Committee (FOMC) meeting ended with no policy change despite acknowledging the lethargic economy, especially in the labour market, while citing risks in the euro-zone and slower growth in Asia. The market failed to welcome any hints in regards to their hopes for quantitative easing, triggering a treasuries sell-off. Nonetheless, the US central bank governor Ben Bernanke asserted that the FOMC "will provide additional accommodation as needed" to facilitate expansion.

Notably, before the FOMC meeting, treasuries were well-received in the investing market on the heels of the ISM Manufacturing Index which hovered just below 50 at 49.8 in July after recording 49.7 in June, suggesting slowing new orders and exports orders. In the euro-zone, despite European Central Bank President Mario Draghi earlier vowing to do "whatever it takes" to preserve the euro, investors were not convinced of any imminent actions by the policymakers to stem the debt crisis, driving treasury yields down in the middle of last week. On a w-o-w basis, the yields on the 10- and 30-year treasuries were up 1 bp each to 1.56% and 2.64% respectively.

Ringgit Sovereign and Corporate Bonds

The benchmark yields curve shifted upward as investors took profits after the recent rallies in domestic benchmark notes. The yields on the 10- and 20-year benchmark MGS rose 5 bps and 2 bps to 3.41% and 3.74% respectively. The 20/3 spread tightened to 68 bps from 93 bps a month ago. The yields curve may flatten further should exports and industrial production data this week confirm flagging growth against a background of global economic slowdown. The MGS/GII and PDS secondary market were lackluster last week. The trading volume for the former and latter were MYR12.4 billion and MYR2.3 billion respectively, which were 37.5% and 16.3% lower compared to the previous week. The most popular sovereign note for last week was MGS 2/2012 3.892% 15.03.2027 with MYR1.7 billion trades changing hands while the top PDS trades were dominated by financial papers and topped by WOORI MTN 1461D 16.2.2016 (AAA) with MYR170 million worth of transactions and the last yield done at 4.08%.

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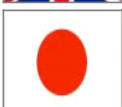




Weekly change in selected domestic markets

Financial Variable	27-Jul-12	3-Aug-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.03	3.06	3
5-year MGS Benchmark yield (%)	3.16	3.20	3
10-year MGS Benchmark yield (%)	3.36	3.41	5
10/3s spread (bps)	33	35	2
3-year IRS (%)	2.93	3.10	17
5-year IRS (%)	3.12	3.18	6
10-year IRS (%)	3.31	3.47	16
3-year AAA yield (%)	3.68	3.68	Unchanged
3-year AA yield (%)	4.03	4.03	Unchanged
3-year A yield (%)	7.11	7.11	Unchanged
3-year AAA spread (bps)	65	62	-3
3-year AA spread (bps)	100	97	-3
3-year A spread (bps)	408	405	-3
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	120	117	-4
KLCI Index	1,625	1,635	0.6%
MGS/GII Secondary Market Volume (MYR m)	19,901	12,430	-37.5%
PDS Secondary Market Volume (MYR m)	2,783	2,330	-16.3%
USD/MYR	3.1613	3.1297	-1.0%

*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	27-Jul-12	3-Aug-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.24	0.24	0
	10-year yield (%)	1.55	1.56	2
	USD Trade Weighted Index	41117.00	41124.00	0.0%
	Dow Jones Industrial	41,117.00	41,124.00	0.0%
	S&P 500	41,117.00	41,124.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield	-0.03	-0.02	1
	10-year yield	1.40	1.42	3
	EUR/USD	1.2322	1.2387	0.5%
	Germany DAX	6,689.40	6,865.66	2.6%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.12	0.11	-1
	10-year yield (%)	1.54	1.56	2
	GBP/USD	1.5748	1.5640	-0.7%
	London FTSE	5,627.21	5,787.28	2.8%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.10	0.09	-1
	10-year yield (%)	0.75	0.74	0
	USD/JPY	78.4600	78.4700	0.0%
	Nikkei 225	8,566.64	8,555.11	-0.1%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.59	2.73	14
	10-year yield (%)	3.01	3.12	10
	AUD/USD	1.0483	1.0569	0.8%
	S&P/ASX 200	4,209.77	4,221.48	0.3%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.12	5.14	2
	10-year yield (%)	5.75	5.72	-3
	USD/IDR	9,494.0	9,476.0	-0.2%
	JCI Index	4,084.21	4,099.81	0.4%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.05	3.03	-2
	10-year yield (%)	3.24	3.24	0
	USD/THB	31.5200	31.4800	-0.1%
	SET Index	1,178.01	1,197.53	1.7%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.86	2.77	-9
	10-year yield (%)	3.13	3.03	-10
	USD/KRW	1,138.3	1,134.9	-0.3%
Commodities	KOSPI Index	1,829.16	1,848.68	1.1%
	Crude oil spot (USD/barrel)	90.13	91.40	1.4%
	Gold spot (USD/ounce)	1,622.90	1,603.48	-1.2%
	S&P GSCI Return Index	4,865.9	4,910.6	0.9%

*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 2/2012 3.892% 15.03.2027	1,715	3.62
PROFIT-BASED GII 3/2012 30.09.2019	1,670	3.43
PROFIT-BASED GII 3/2007 14.09.2012	1,192	3.05
MGS 2/2004 5.09400% 30.04.2014	1,082	3.01
MGS 5/2011 3.580% 28.09.2018	1,070	3.30

Security	Volume (MYR m)	Last Traded Yield
WOORI MTN 1461D 16.2.2016	170	4.08
PUBLIC MTN 4018D 03.8.2022	150	4.08
FRL MTN 4.450% 31.07.2017	110	4.24
OCBC LIMITED 4.600% 06.06.2018	75	3.56
GIC 3.980% 05.02.2013	70	3.96

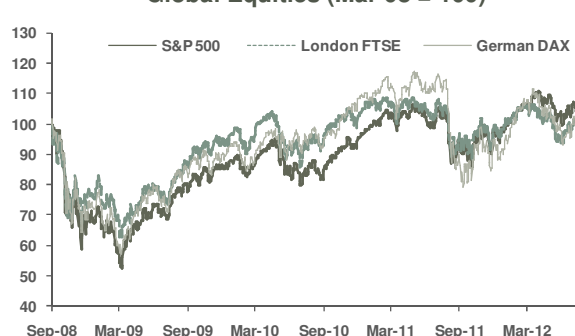
Benchmark MGS yields



USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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