



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

14 August 2012

Market Highlights for the week ended 10 August 2012

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Local Currency

On the local front, the surprisingly better exports data for June which showed a 5.4% y-o-y expansion following a 6.7% growth in May helped boost demand for the local unit as the market only expected a 3.1% gain in overseas shipments. The main driver of the growth was electrical and electronic exports. Overall, exports gained 4.2% while imports climbed 8.0% in 1H2012. Notwithstanding the gain, the outlook for Malaysian exports continues to be lackluster for the remainder part of the year.

On the regional front, investors kept placing bets on the potential aids from Chinese policymakers to counter the slowing pace of industrial production and significantly lower gain in exports for July. Chinese consumers were also seen to be more cautious in spending, resulting in lower retail sales of 13.1% y-o-y in July as opposed to the anticipated 13.5% y-o-y expansion after a 13.7% gain in the previous month.

The appreciation in the local currency was later restrained by the announcement of industrial production data for July which discouraged the holding of the ringgit. After a revised 7.8% y-o-y growth in May, the gauge rose only 3.7% in June as opposed to a median estimated 4.8% gain. Notwithstanding this, the ringgit was the second best performing currency in the Asia ex-Japan region, posting a 0.4% weekly gain, trailing only to the Indian rupee. The USD/MYR pair closed at 3.1171.

US Treasuries

After the mixed data in the previous week, treasuries continued to close lower on optimism on the European Central Bank's (ECB) plan to purchase Italian and Spanish sovereign bonds in tandem with the bailout funds should the troubled peripherals commit to improving their respective economy and fiscal conditions. The yields of the fiscally frail Spanish govies climbed on ECB's potential bond market intervention and Spain's possible request for rescue aid.

Back in the US, the auctions of the treasury notes and bonds last week received lackluster demand from the investors due to the diminishing bets on the Federal Reserve's stimulus in the near term. Meanwhile, the trade deficit shrank further to USD42.9 billion in June, recording a decline of USD5.1 billion from May on the heel of lower oil prices that decreased imports. The better-than-expected data may have a positive effect on the 2Q2012 GDP data, reducing the need to hold risk-free assets. In the week ended August 10, the yields on the belly and longer end of the treasury yields curve surged 5 bps and 10 bps respectively to 0.71% and 1.66%.

Ringgit Sovereign and Corporate Bonds

The opening of the MYR3.5 billion 3.5-year GII was completed at a successful yield of 3.24% while tracking the bid-to-cover ratios in the recent govies auctions. The YTD MGS/GII issuances posted MYR62.5 billion. The secondary govies market was rather active last week as the awaited economic data provided mixed sentiments to the market, with MYR13 billion govies changing hands which was about 5.0% greater than the volume in the previous week. The trades were topped by MYR2.9 billion worth of MGS maturing this month, namely the MGS 1/2009 2.509% 27.08.2012. In the PDS sphere, the favourite PDS in the week was AMMB HOLDINGS BHD MTN 1826D 8.8.2017 (SENIOR NOTES), posting MYR215 million trades at a last yield of 4.25%. The shorter end of the curve shifted lower in congruence with disappointing industrial production data, the 3-year benchmark yields closed 2 bps lower w-o-w at 3.04%, while the 10-year benchmark yields traded range bound at 3.41%.

Please read disclaimer on the last page of this report

Weekly change in selected domestic markets

Financial Variable	3-Aug-12	10-Aug-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.06	3.04	-3
5-year MGS Benchmark yield (%)	3.20	3.20	0
10-year MGS Benchmark yield (%)	3.41	3.41	0
10/3s spread (bps)	35	37	3
3-year IRS (%)	3.10	3.08	-2
5-year IRS (%)	3.18	3.19	0
10-year IRS (%)	3.47	3.45	-2
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)	62	64	3
3-year AA spread (bps)	97	99	3
3-year A spread (bps)	405	407	3
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	117	109	-8
KLCI Index	1,635	1,645	0.6%
MGS/GII Secondary Market Volume (MYR m)	12,430	13,050	5.0%
PDS Secondary Market Volume (MYR m)	2,330	2,368	1.6%
USD/MYR	3.1297	3.1171	-0.4%

*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	3-Aug-12	10-Aug-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.24	0.26	2
	10-year yield (%)	1.56	1.66	9
	USD Trade Weighted Index	41124.00	41131.00	0.0%
	Dow Jones Industrial	41,124.00	41,131.00	0.0%
	S&P 500	41,124.00	41,131.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield	-0.02	-0.07	-5
	10-year yield	1.42	1.39	-4
	EUR/USD	1.2387	1.2289	-0.8%
	Germany DAX	6,865.66	6,944.56	1.1%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.11	0.11	0
	10-year yield (%)	1.56	1.54	-2
	GBP/USD	1.5640	1.5690	0.3%
	London FTSE	5,787.28	5,847.11	1.0%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.09	0.09	Unchanged
	10-year yield (%)	0.74	0.80	6
	USD/JPY	78.4700	78.2800	-0.2%
	Nikkei 225	8,555.11	8,891.44	3.9%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.73	2.83	9
	10-year yield (%)	3.12	3.25	13
	AUD/USD	1.0569	1.0577	0.1%
	S&P/ASX 200	4,221.48	4,277.30	1.3%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.14	5.15	1
	10-year yield (%)	5.72	5.75	3
	USD/IDR	9,476.0	9,485.0	0.1%
	JCI Index	4,099.81	4,141.56	1.0%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.03	2.98	-5
	10-year yield (%)	3.24	3.22	-3
	USD/THB	31.4800	31.4700	0.0%
	SET Index	1,197.53	1,219.37	1.8%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.77	2.80	3
	10-year yield (%)	3.03	3.04	1
	USD/KRW	1,134.9	1,130.5	-0.4%
	KOSPI Index	1,848.68	1,946.40	5.3%
	Crude oil spot (USD/barrel)	91.40	92.87	1.6%
	Gold spot (USD/ounce)	1,603.48	1,620.20	1.0%
	S&P GSCI Return Index	4,910.6	4,983.7	1.5%

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

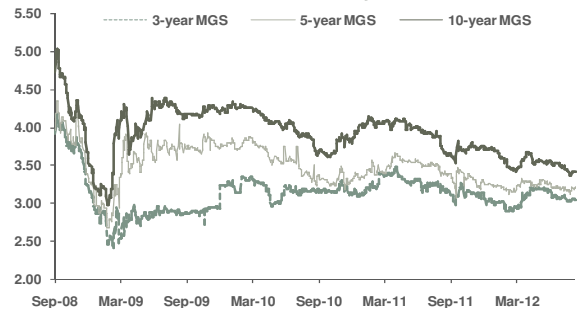
Source: Bloomberg, MARC Fixed Income Research

Top trades of the week (govvies & credits)

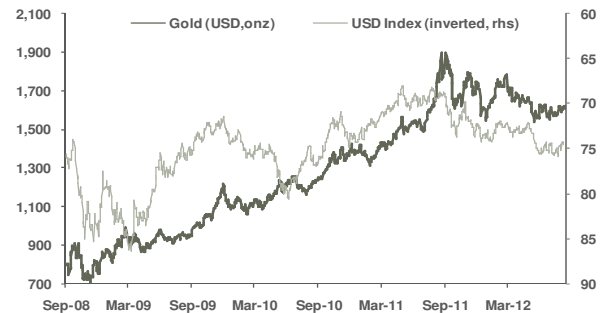
Security	Volume (MYR m)	Last Traded Yield
MGS 1/2009 2.509% 27.08.2012	2,884	2.48
MGS 2/2004 5.09400% 30.04.2014	2,316	3.01
PROFIT-BASED GII 6/2012 08.02.2016	2,033	3.23
MGS 3/2012 3.197% 15.10.2015	1,390	3.04
MGS 1/2012 3.418% 15.08.2022	1,103	3.40

Security	Volume (MYR m)	Last Traded Yield
AMMB HOLDINGS BHD MTN 1826D 8.8.2017(SENIOR NOTES)	215	4.25
IBK MTN 1827D 14.2.2017	210	3.93
KEXIM MTN 1095D 14.9.2012	200	3.20
WOORI MTN 1461D 16.2.2016	170	4.08
FRL IMTN 4.450% 31.07.2017	100	4.08

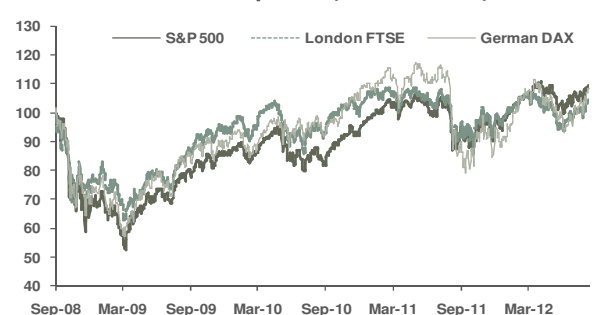
Benchmark MGS yields



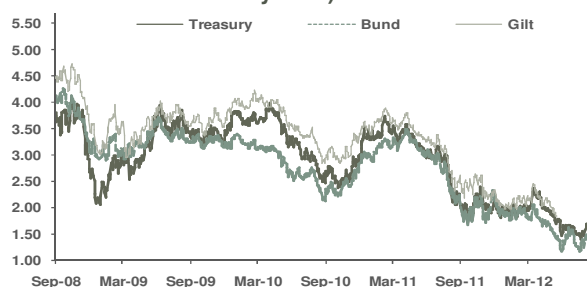
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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