



MALAYSIAN RATING CORPORATION BERHAD
(364803 V)

Weekly Market Snapshot

27 August 2012

Market Highlights for the week ended 24 August 2012

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Local Currency

The local currency rebounded last week, outperforming other Asian ex-Japan currencies to post a 1.1% w-o-w advance to close at MYR3.0990 against the US dollar. There were no significant economic releases last week but investors held more riskier assets on mounting conjecture of a third round of quantitative easing in the world's largest economy. In line with that was a Chinese policymaker's reiteration for additional easing measures to shore up growth, particularly in exports, together with solid options under consideration. China's export growth slowed to 1.0% in July while the HSBC's Manufacturing Purchasing Manager Index dropped to 47.8 in August from 49.3 in July, pointing to an imminent need for enhanced policy fine-tuning.

US Treasuries

The release of the last Federal Open Market Committee (FOMC) meeting minutes highlighted the Fed's monetary loosening stance to counter domestic and external vulnerabilities unless there is substantial improvement in the US economy. The dovish perspective may indicate a further accommodation as early as 2H2012, triggering a flight-to-quality phenomenon. However, the economy had improved since the last FOMC meeting.

On another note, the residential property market in the US remained sluggish. Existing home sales in July grew at a slower-than-expected 2.3% m-o-m pace, posting 4.5 million in annualized sales after sales eased 5.4% to an annual rate of 4.4 million in June. Nonetheless, new home sales grew 3.6% m-o-m in July after a 3.5% decline in June. The earlier reported housing starts and housing permits data for July also gave mixed data to the market. Notably, mortgage applications for the week ended August 17 slowed 7.4% after falling 4.5% in the previous month, reflecting stricter underwriting standards for mortgage loans.

On the other hand, initial unemployment claims rose 4k to 372k in the week ended August 18 while continuing jobless claims also climbed 4k to 3317k in the week ended August 11, marking two consecutive weeks of climbs since better data from mid-July. An imminent policy accommodation and other weak economic data pushed the yield curve lower with 10-year treasury yields succumbing 12 bps to 1.69%.

Ringgit Sovereign and Corporate Bonds

The secondary domestic bond market was rather quiet last week in conjunction with the Hari Raya Aidilfitri holiday. The 5-day moving average of MGS/GII was MYR2.3 billion compared with MYR3.5 billion in the previous week. The most popular sovereign paper was the maturing MGS 1/2009 2.509% 27.08.2012 with MYR1.3 billion worth of trades done. Meanwhile, trading volume on the PDS market was significantly lower, with the 5-week moving average 37.0% lower at MYR281 million vis-a-vis MYR446 million in the week ended August 17. The secondary corporate bonds market was dominated by mainly financial papers and the most traded PDS was MAYBANK 4.25% 10.05.2024 (AA1) with MYR150 million trades at last yield done of 4.18%. The benchmark yield curve tracked the movement of treasuries, reflecting risk aversion in the investing community as growth risk skewed to the downside in the beleaguered euro-zone. On a w-o-w basis, the benchmark 3- and 10-year yields declined 6 bps and 12 bps to 3.08% and 3.47% respectively.

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Weekly change in selected domestic markets

Financial Variable	17-Aug-12	24-Aug-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.14	3.08	-6
5-year MGS Benchmark yield (%)	3.33	3.25	-8
10-year MGS Benchmark yield (%)	3.59	3.47	-13
10/3s spread (bps)	46	39	-7
3-year IRS (%)	3.17	3.16	-1
5-year IRS (%)	3.30	3.28	-2
10-year IRS (%)	3.57	3.54	-3
3-year AAA yield (%)	3.70	3.68	-2
3-year AA yield (%)	4.04	4.02	-2
3-year A yield (%)	7.11	7.09	-2
3-year AAA spread (bps)	57	61	4
3-year AA spread (bps)	91	94	4
3-year A spread (bps)	398	402	4
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	109	109	0
KLCI Index	1,650	1,648	-0.1%
MGS/GII Secondary Market Volume (MYR m)	17,255	7,987	-53.7%
PDS Secondary Market Volume (MYR m)	2,232	760	-65.9%
USD/MYR	3.1328	3.0990	-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	17-Aug-12	24-Aug-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.29	0.27	-2
	10-year yield (%)	1.81	1.69	-12
	USD Trade Weighted Index	41138.00	41145.00	0.0%
	Dow Jones Industrial	41,138.00	41,145.00	0.0%
	S&P 500	41,138.00	41,145.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield	-0.04	-0.01	3
	10-year yield	1.50	1.36	-14
	EUR/USD	1.2334	1.2512	1.4%
	Germany DAX	7,040.88	6,971.07	-1.0%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.16	0.12	-3
	10-year yield (%)	1.67	1.53	-14
	GBP/USD	1.5697	1.5810	0.7%
	London FTSE	5,852.42	5,776.60	-1.3%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.09	0.10	1
	10-year yield (%)	0.84	0.81	-3
	USD/JPY	79.5600	78.6700	-1.1%
	Nikkei 225	9,162.50	9,070.76	-1.0%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.96	2.79	-18
	10-year yield (%)	3.46	3.24	-23
	AUD/USD	1.0420	1.0403	-0.2%
	S&P/ASX 200	4,370.10	4,349.00	-0.5%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.32	5.41	9
	10-year yield (%)	5.95	6.07	12
	USD/IDR	9,519.0	9,519.0	Unchanged
	JCI Index	4,160.51	4,145.40	-0.4%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.06	3.04	-2
	10-year yield (%)	3.38	3.35	-3
	USD/THB	31.5100	31.2200	-0.9%
	SET Index	1,223.91	1,237.19	1.1%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.92	2.84	-8
	10-year yield (%)	3.19	3.08	-11
	USD/KRW	1,134.3	1,134.2	0.0%
Commodities	KOSPI Index	1,946.54	1,919.81	-1.4%
	Crude oil spot (USD/barrel)	96.01	95.85	-0.2%
	Gold spot (USD/ounce)	1,616.05	1,670.55	3.4%
	S&P GSCI Return Index	5,070.7	5,093.3	0.4%

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

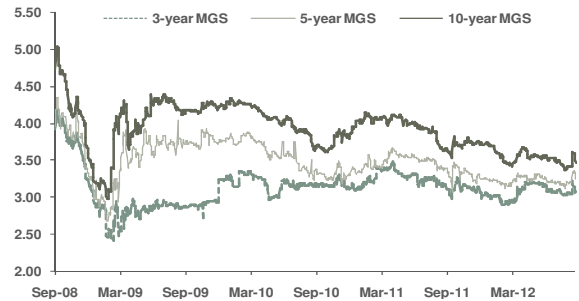
Source: Bloomberg, MARC Fixed Income Research

Top trades of the week (govvies & credits)

Security	Volume (MYR m)	Last Traded Yield
MGS 1/2009 2.509% 27.08.2012	1,301	4.28
MGS 5/2012 3.314% 31.10.2017	1,214	3.25
PROFIT-BASED GII 3/2012 30.09.2019	780	3.49
MGS 3/2012 3.197% 15.10.2015	587	3.07
MGS 5/2011 3.580% 28.09.2018	581	3.38

Security	Volume (MYR m)	Last Traded Yield
MAYBANK 4.25% 10.05.2024	150	4.18
AMMB HOLDINGS BHD MTN 1826D 8.8.2017(SENIOR NOTES)	130	4.28
PUBLIC MTN 4018D 03.8.2022	70	4.10
PLUS BERHAD MTN 4.480% 12.01.2023 - Series 1 (7)	50	4.12
MAYBANK 4.120% 28.12.2023	40	4.14

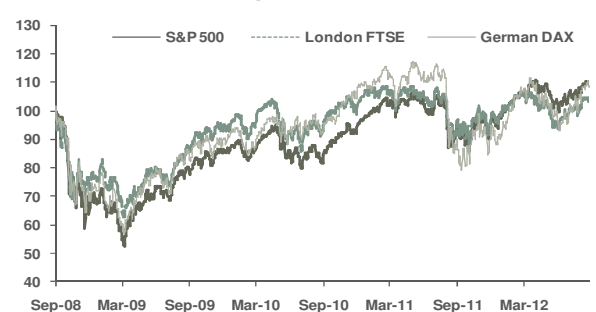
Benchmark MGS yields



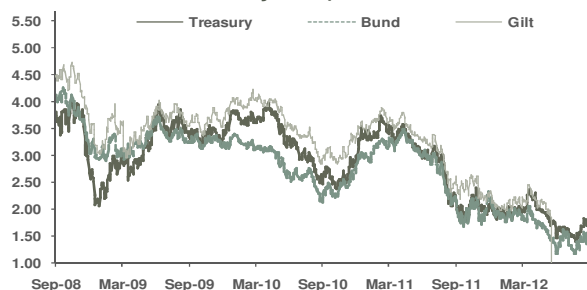
USD vs. Gold Price



Global Equities (Mar 08 = 100)



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



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