



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

## Weekly Market Snapshot

3 September 2012

### Market Highlights for the week ended 31 August 2012

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

#### Local Currency

The ringgit reversed its earlier weekly gains on the lack of fresh local economic drivers, losing 0.7% w-o-w to settle at 3.1194 per US dollar. Meanwhile, the Asian emerging currencies reacted differently to global economic and monetary developments, topped by the Philippine peso after the economy reported a stronger-than-projected 2Q2012 growth. The outlook for external demand for emerging market products was not positive looking at the unresolved debt woes in Europe coupled with a deeper slowdown in certain Asian economies, namely China, Japan and Thailand. While a Chinese official has commented that the global economic situation was severe and complicated, Japan downgraded its economic assessment on cooling overseas shipments and Thailand reported weakening exports for July. In spite of the euro-zone consumer confidence remaining unchanged in August, both economic and industrial confidence in the region deteriorated further.

#### US Treasuries

Last week was filled with a slew of encouraging economic data, in particular the real gross domestic product for 2Q2012 which was revised upward to a 1.7% annualised q-o-q as opposed to the initially estimated 1.5% gain after the economy grew 2.0% in 1Q2012. Personal consumption nudged up 1.7% over the same period after climbing 1.5% in the previous quarter. On another note, the latest news from the residential property sector was good, with pending home sales recording a 15.0% y-o-y rise in July to record the steepest improvement in more than two years.

The improved environment did push treasury yields higher but was short-lived as the centre of focus shifted to Federal Reserve Chairman Ben Bernanke's speech at Jackson Hole. Without being conclusive, the chairman kept a third round of quantitative easing as an option to promote expansion and ease unemployment, which he deemed a "grave concern", before any decision in the next FOMC meeting. The option may be called off should the economic improvement prove substantial and sustainable and hence no longer warrant such a move. That aside, consumer confidence remained one of the weak spots, declining to a below-consensus 60.6 in August from a revised 65.4 in July, in line with the Bloomberg Consumer Comfort Index. This may be reflected in personal spending for August while July's figure improved 0.4% m-o-m, albeit lower than anticipated, reflecting cautious spending behavior before signs of recovery in the economy become convincing. Treasury yields declined across the maturity spectrum with the 10-year yields dropping 14 bps w-o-w to 1.55%.

#### Ringgit Sovereign and Corporate Bonds

The yields on the shorter wing of the yields curve fell 2 bps to 3.06% while the other counterparts traded range-bound with the 10-year benchmark yield closing at 3.47%. Secondary trading volume remained subdued before the Merdeka Day break while awaiting Ben Bernanke's speech to give more indications on the US policy stance. The 5-day moving average of MGS/GII secondary trading volume decreased to MYR158.6 and the favourite govvy was the PROFIT-BASED GII 3/2007 14.09.2012 with MYR710.0 million changing hands. In the PDS sphere, trading volumes doubled to MYR1.64 billion, led by KLK IMTN 4.00% 02.09.2022 - Issue No. 1 (AA1) with MYR220 million traded at last yield done of 3.98%.

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

### Weekly change in selected domestic markets

Financial Variable	24-Aug-12	31-Aug-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.08	3.06	-2
5-year MGS Benchmark yield (%)	3.25	3.25	0
10-year MGS Benchmark yield (%)	3.47	3.47	1
10/3s spread (bps)	39	41	2
3-year IRS (%)	3.16	3.17	2
5-year IRS (%)	3.28	3.29	1
10-year IRS (%)	3.54	3.56	2
3-year AAA yield (%)	3.68	3.68	Unchanged
3-year AA yield (%)	4.02	4.00	-2
3-year A yield (%)	7.09	7.02	-7
3-year AAA spread (bps)	61	62	2
3-year AA spread (bps)	94	94	0
3-year A spread (bps)	402	396	-6
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	109	111	2
KLCI Index	1,648	1,646	-0.1%
MGS/GII Secondary Market Volume (MYR m)	7,987	6,164	-22.8%
PDS Secondary Market Volume (MYR m)	760	1,641	115.9%
USD/MYR	3.0990	3.1194	0.7%

\*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	24-Aug-12	31-Aug-12	WoW
United States	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.27	0.22	-5
	10-year yield (%)	1.69	1.55	-14
	USD Trade Weighted Index	41145.00	41152.00	0.0%
	Dow Jones Industrial	41,145.00	41,152.00	0.0%
Germany	S&P 500	41,145.00	41,152.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield (%)	-0.01	-0.04	-2
	10-year yield (%)	1.36	1.33	-2
	EUR/USD	1.2512	1.2579	0.5%
United Kingdom	Germany DAX	6,971.07	6,970.79	0.0%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.12	0.08	-5
	10-year yield (%)	1.53	1.46	-6
	GBP/USD	1.5810	1.5867	0.4%
Japan	London FTSE	5,776.60	5,711.48	-1.1%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.10	0.10	-1
	10-year yield (%)	0.81	0.80	-1
	USD/JPY	78.6700	78.3900	-0.4%
Australia	Nikkei 225	9,070.76	8,839.91	-2.5%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.79	2.65	-14
	10-year yield (%)	3.24	3.09	-15
	AUD/USD	1.0403	1.0322	-0.8%
Indonesia	S&P/ASX 200	4,349.00	4,316.11	-0.8%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.41	5.58	17
	10-year yield (%)	6.07	6.26	19
	USD/IDR	9,519.0	9,572.0	0.6%
Thailand	JCI Index	4,145.40	4,060.33	-2.1%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.04	3.03	-1
	10-year yield (%)	3.35	3.37	2
	USD/THB	31,2200	31,3000	0.3%
South Korea	SET Index	1,237.19	1,227.48	-0.8%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.84	2.78	-6
	10-year yield (%)	3.08	3.02	-6
	USD/KRW	1,134.2	1,134.6	0.0%
Commodities	KOSPI Index	1,919.81	1,905.12	-0.8%
	Crude oil spot (USD/barrel)	95.85	96.47	0.6%
	Gold spot (USD/ounce)	1,670.55	1,692.01	1.3%
	S&P GSCI Return Index	5,093.3	5,127.7	0.7%

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

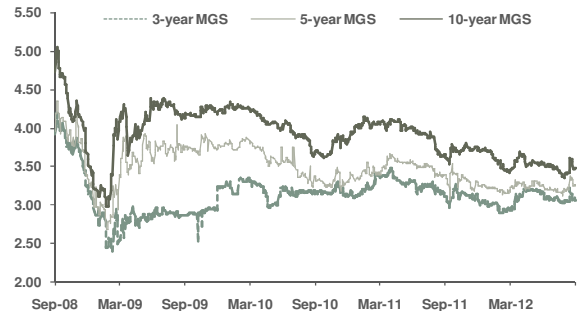
Source: Bloomberg, MARC Fixed Income Research

### Top trades of the week (govvies & credits)

Security	Volume (MYR m)	Last Traded Yield (%)
PROFIT-BASED GII 3/2007 14.09.2012	710	3.01
MGS 2/2012 3.892% 15.03.2027	531	3.64
MGS 5/2011 3.580% 28.09.2018	513	3.38
MGS 3/2012 3.197% 15.10.2015	492	3.06
MGS 2/2004 5.09400% 30.04.2014	406	3.03

Security	Volume (MYR m)	Last Traded Yield (%)
KLK IMTN 4.00% 02.09.2022 - Issue No. 1	220	3.98
SKPETRO 3.900% 28.08.2017	135	4.20
CTX IMTN 3.750% 29.08.2019 - Series 3	95	3.80
EONBANK MTN 3652D 27.2.2019	65	3.71
RANTAU IMTN 0% 14.08.2013-MTN 2	50	3.28
EONBANK MTN 3652D 02.12.2019	50	3.75

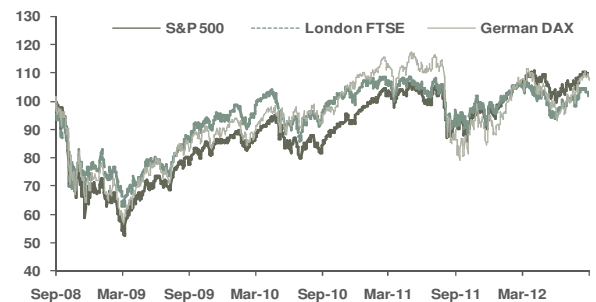
### Benchmark MGS yields



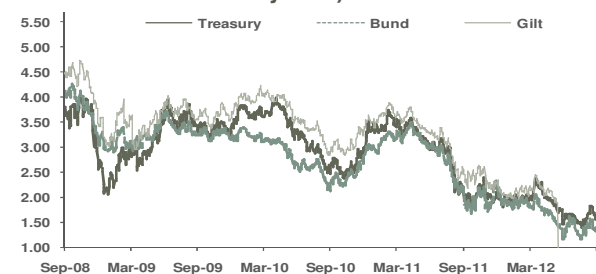
### USD vs. Gold Price



### Global Equities (Mar 08 = 100)



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



THIS PAGE IS INTENTIONALLY LEFT BLANK

-----  
Disclaimer  
-----

Copyright © 2012 Malaysian Rating Corporation Berhad and any of its subsidiaries or affiliates ("MARC") have exclusive proprietary rights in the data or information provided herein. This document is the property of MARC and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without MARC's prior written consent.

Any opinion, analysis, observation, commentary and/or statement made by MARC are solely statements of opinion based on information obtained from issuers and/or other sources which MARC believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. MARC does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. NEITHER MARC NOR ITS AFFILIATES, SUBSIDIARIES AND EMPLOYEES, GIVE ANY EXPRESS OR IMPLIED WARRANTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY AS TO THE ACCURACY, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE OF ANY SUCH INFORMATION.

This document is not a recommendation to buy, sell or hold any security and/or investment. Any user of this document should not rely solely on the credit rating and analysis contained in this document to make an investment decision in as much as it does not address non-credit risks, the adequacy of market price, suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security concerned.

MARC and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by MARC or any information contained therein. Anyone using and/or relying on MARC's document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bound by it.

-----  
**© 2012 Malaysian Rating Corporation Berhad**

Published and Printed by:

**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