



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

## Weekly Market Snapshot

18 September 2012

### *Market Highlights for the week ended 14 September 2012*

#### **Local Currency**

The Asian ex-Japan currencies traded stronger against the greenback as the announced stimulus in the US increased risk appetite and encouraged fund flows into emerging markets. The ringgit was the second best performing currency after the Indian rupee with a 2.2% weekly gain, closing at 3.0422 per US dollar. The investing community expects Chinese policy makers to decide and implement more easing measures as Premier Wen Jiabao has not revised economic growth downward but was confident China can achieve its economic goals this year, citing China's ample strength to carry out monetary or fiscal adjustments. The government has currently implemented preemptive policy measures to sustain growth at the expansion target of 7.5% for 2012. Any policy loosening efforts in China would be a further catalyst for emerging market currencies. The most recent measure by Chinese policy makers was a key lending rate cut of 31bps to 6.00% in July.

#### **US Treasuries**

The Federal Open Market Committee meeting was concluded with an extension of the near-zero interest rate policy in the US through mid-2015. Meanwhile, the Federal Reserve (Fed) upgraded its economic growth projection from 2.2%-2.8% to 2.5%-3.0% for 2013 and from 3.0%-3.5% to 3.0%-3.8% for 2014. The highly anticipated third wave of quantitative easing was announced in the form of open-ended purchases of USD40 billion of mortgage bonds on a monthly basis to exert downward pressure on longer-term interest rates. The committee pledged to hold to a highly accommodative stance for a considerable period even after the economy recovers, omitting a commitment to purchase treasuries. The return of market risk appetite coupled with inflationary pressure shifted the treasury yield curve upward. In August, headline inflation climbed 1.7% y-o-y after rising 1.4% in July due to higher gasoline prices while core inflation moderated to 1.9% y-o-y from 2.1% in the previous month.

On another note, retail sales gained 0.9% m-o-m in August compared with a revised increase of 0.6% in July, in tandem with earlier reported payrolls data. Excluding autos, retail sales tracked the previous pace at 0.8% m-o-m. Nonetheless, retail sales improved a mere 0.1%, excluding both autos and gas. The preliminary University of Michigan Index of Consumer Sentiment for September surged to 79.2 from the final 74.3 in August, signalling the likelihood of improved retail sales for this month. The 10- and 30-year treasury yields climbed 20 bps and 27 bps w-o-w to 1.87% and 3.09% respectively.

#### **Ringgit Sovereign and Corporate Bonds**

In spite of lackluster demand in the secondary MGS/GII market, the yields on the belly and right wing of the curve were dealt lower on fund inflows into emerging markets after the US announced more policy accommodation measures. The trading volume in the govies market was 13.2% lower w-o-w at MYR8.4 billion, led by the newly reissued PROFIT-BASED GII 4/2012 15.11.2022 with MYR1.8 billion worth of notes traded. The reopening of the said GII totaling MYR4.0 billion garnered a 1.7x oversubscription rate at a successful yield of 3.69%. The YTD issuance of MGS/GII stood at MYR70.5 billion. Nonetheless, the PDS market was also rather active last week, witnessing a total of MYR3.3 billion papers changing hands after recording trades of MYR1.5 billion in the previous week. The favourite corporate paper was KRISASSETS 2.500% 30.03.2018 with MYR420 million notes traded at last yield of 4.15%.

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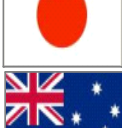



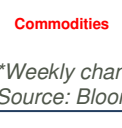
## Weekly change in selected domestic markets

Financial Variable	7-Sep-12	14-Sep-12	WoW
Overnight Policy Rate (%)	3.00	3.00	Unchanged
3-year MGS Benchmark yield (%)	3.12	3.12	0
5-year MGS Benchmark yield (%)	3.32	3.30	-2
10-year MGS Benchmark yield (%)	3.45	3.44	0
10/3s spread (bps)	33	32	-1
3-year IRS (%)	3.21	3.26	4
5-year IRS (%)	3.36	3.38	2
10-year IRS (%)	3.64	3.74	10
3-year AAA yield (%)	3.70	3.70	Unchanged
3-year AA yield (%)	4.01	4.02	1
3-year A yield (%)	7.00	7.00	Unchanged
3-year AAA spread (bps)	58	58	0
3-year AA spread (bps)	89	90	1
3-year A spread (bps)	388	388	0
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	106	95	-10
KLCI Index	1,625	1,643	1.1%
MGS/GII Secondary Market Volume (MYRm)	9,673	8,398	-13.2%
PDS Secondary Market Volume (MYRm)	1,534	3,326	116.8%
USD/MYR	3.1118	3.0422	-2.2%

\*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	7-Sep-12	14-Sep-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.25	0.25	Unchanged
	10-year yield (%)	1.67	1.87	20
	USD Trade Weighted Index	41159.00	41166.00	0.0%
	Dow Jones Industrial	41,159.00	41,166.00	0.0%
	S&P 500	41,159.00	41,166.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield (%)	0.03	0.10	7
	10-year yield (%)	1.52	1.71	19
	EUR/USD	1.2816	1.3130	2.5%
	Germany DAX	7,214.50	7,412.13	2.7%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.12	0.27	15
	10-year yield (%)	1.68	1.97	28
	GBP/USD	1.6010	1.6217	1.3%
	London FTSE	5,794.80	5,915.55	2.1%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.11	0.10	-2
	10-year yield (%)	0.82	0.80	-2
	USD/JPY	78.2400	78.3900	0.2%
	Nikkei 225	8,871.65	9,159.39	3.2%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.72	2.85	13
	10-year yield (%)	3.20	3.28	8
	AUD/USD	1.0385	1.0551	1.6%
	S&P/ASX 200	4,325.84	4,389.96	1.5%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.48	5.35	-13
	10-year yield (%)	5.99	5.86	-13
	USD/IDR	9,591.0	9,520.0	-0.7%
	JCI Index	4,143.68	4,257.00	2.7%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.05	3.11	6
	10-year yield (%)	3.47	3.61	14
	USD/THB	31.0800	30.7800	-1.0%
	SET Index	1,246.10	1,276.12	2.4%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.83	2.88	5
	10-year yield (%)	3.06	3.08	2
	USD/KRW	1,130.4	1,117.3	-1.2%
<b>Commodities</b>	KOSPI Index	1,929.58	2,007.58	4.0%
	Crude oil spot (USD/barrel)	96.42	99.00	2.7%
	Gold spot (USD/ounce)	1,735.65	1,770.40	2.0%
	S&P GSCI Return Index	5,140.1	5,270.8	2.5%

\*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 (%)
PROFIT-BASED GII 4/2012 15.11.2022	1,848	3.69
MGS 5/2011 3.580% 28.09.2018	792	3.41
PROFIT-BASED GII 3/2007 14.09.2012	690	3.16
MGS 4/2009 3.741% 27.02.2015	622	3.14
MGS 1/2012 3.418% 15.08.2022	597	3.44

Security	Volume (MYR m)	Last Traded Yield (%)
KRISASSETS 2.500% 30.03.2018	420	4.15
ANIH IMTN 6.15% 29.11.2029 - Tranche 16	180	5.07
TANJUNG BP IMTN 5.280% 16.08.2027	110	4.84
SEB IMTN 4.500% 19.01.2022	100	4.29
SKPETRO 3.900% 05.08.2016	100	4.16

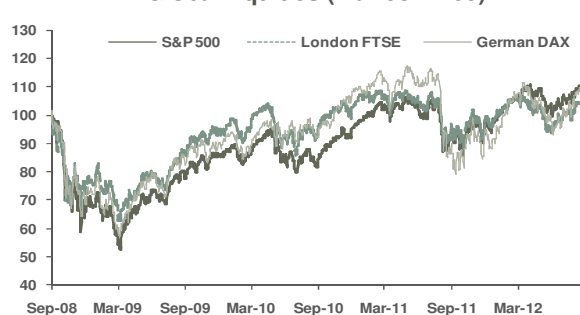
## Benchmark MGS yields



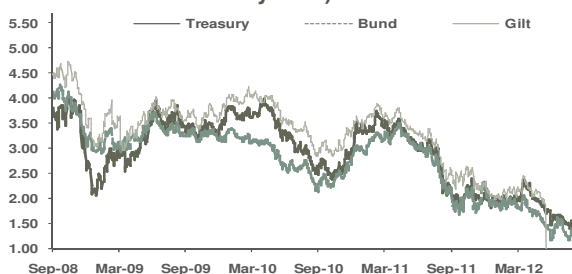
## USD vs. Gold Price



## Global Equities (Mar 08 = 100)



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



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