



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

## Weekly Market Snapshot

24 September 2012

### Market Highlights for the week ended 21 September 2012

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#### Local Currency

Among the weakening regional currencies, led by the Philippine peso, the local currency depreciated 0.3% w-o-w to 3.0422 against the US dollar even though the investing community witnessed an unexpected expansion during the week of the Japanese asset purchase fund by USD126.0 billion intended to reinvigorate anemic growth. Japan joined the other two major central banks in loosening policies without alteration to near-zero interest rates. The Bank of Japan simultaneously revised downward its economic assessment as growth has “come to a pause” while external economies have moved “somewhat deeper into a deceleration phase”. This action conveyed a negative message to investors on heightening growth risks in the Asian region. Moreover, neighbouring Singapore disappointed the market with a decline in overseas shipments in August on fewer electronics exports and goods sold to the euro-zone. Non-oil exports slid 10.6% y-o-y after a revised 5.7% gain in July as opposed to a consensus drop of 4.0%. Overseas sales growth forecast was downgraded to 4.2% for the whole 2012 as compared to a 5.6% rise anticipated in June.

#### US Treasuries

Treasuries recouped losses from the Federal Reserve’s announcement of a third round of quantitative easing. Investors remained unconvinced over the current pace of recovery which led to speculation that an extension of Operation Twist is likely before the programme ends this year. While the unemployment rate held above 8.0%, New York’s business conditions were generally poorer as indicated by the Empire Manufacturing Index that fell more deeply into the negative zone to -10.4 in September after registering at -5.9 in the previous month. The fall was due to falling new orders coupled with moderating shipments. However, the Philadelphia Fed Survey improved to -1.9 in September after recording -7.1 in August. The housing market remained sluggish with mild improvement as housing starts grew 2.3% m-o-m, below the anticipated 2.8% despite rebounding from -2.8% in July, while building permits declined 1.0% after a revised gain of 6.7% compared with an expected loss of 1.9%.

The lingering signs of a global slowdown also encouraged the return of appetite for safe haven assets. The deterioration of manufacturing activities in China and the euro-zone has dampened risk tolerance among investors, with HSBC’s preliminary Chinese Purchasing Managers’ Index held at 47.8pts for August, suggesting a contraction in the manufacturing sector following a final reading of 47.6pts in July. The advance euro-zone manufacturing gauge remained in negative territory, marking 46.0pts for September after a 45.1pts in August. The 5- and 10-year treasury yields dropped 4 bps and 12 bps to 0.67% and 1.75%.

#### Ringgit Sovereign and Corporate Bonds

Domestic headline inflation climbed 1.4% y-o-y steadily in August with minimal inflationary pressure stemming from stronger domestic demand. In the secondary market, interest in local govies returned late last week. The yield curve shifted downward on global growth concerns. On a w-o-w basis, however, the 10-year benchmark yield stagnated at 3.44% while yields on the 5-year benchmark govies fell 4 bps to 3.26%. The 5-day moving average of MGS/GII trading volume rose to MYR1.8 billion from MYR1.7 billion a week earlier, topped by MGS 5/2012 3.314% 31.10.2017. On the corporate debt spectrum, the 5-day moving average dropped to MYR320.0 million from MYR665.0 million earlier. The most traded PDS paper for the week was SKPETRO 3.900% 05.08.2016 (AA3) with MYR102.0 million changing hands at a last yield done of 4.16%.

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









## Weekly change in selected domestic markets

Financial Variable	14-Sep-12	21-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 (%)	3.30	3.26	-4
10-year MGS Benchmark yield (%)	3.44	3.44	-1
10/3s spread (bps)	32	32	0
3-year IRS (%)	3.26	3.21	-5
5-year IRS (%)	3.38	3.37	-1
10-year IRS (%)	3.74	3.71	-3
3-year AAA yield (%)	3.70	3.71	1
3-year AA yield (%)	4.02	4.04	2
3-year A yield (%)	7.00	7.00	Unchanged
3-year AAA spread (bps)	58	59	1
3-year AA spread (bps)	90	92	2
3-year A spread (bps)	388	388	0
USD 1-year CDS Spread (bps)	34	34	Unchanged
USD 5-year CDS Spread (bps)	95	95	Unchanged
KLCI Index	1,643	1,624	-1.2%
MGS/GII Secondary Market Volume (MYR m)	8,398	7,007	-16.6%
PDS Secondary Market Volume (MYR m)	3,326	1,256	-62.2%
USD/MYR	3.0422	3.0499	0.3%

\*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	14-Sep-12	21-Sep-12	WoW
	US Fed Funds (%)	0.25	0.25	Unchanged
	2-year yield (%)	0.25	0.26	1
	10-year yield (%)	1.87	1.75	-11
	USD Trade Weighted Index	41166.00	41173.00	0.0%
	Dow Jones Industrial	41,166.00	41,173.00	0.0%
	S&P 500	41,166.00	41,173.00	0.0%
	ECB Policy Rate (%)	0.75	0.75	Unchanged
	2-year yield (%)	0.10	0.04	-7
	10-year yield (%)	1.71	1.60	-11
	EUR/USD	1.3130	1.2980	-1.1%
	Germany DAX	7,412.13	7,451.62	0.5%
	BOE Policy Rate (%)	0.50	0.50	Unchanged
	2-year yield (%)	0.27	0.22	-5
	10-year yield (%)	1.97	1.83	-13
	GBP/USD	1.6217	1.6230	0.1%
	London FTSE	5,915.55	5,852.62	-1.1%
	BoJ Policy Rate (%)	0.10	0.10	Unchanged
	2-year yield (%)	0.10	0.10	0
	10-year yield (%)	0.80	0.80	0
	USD/JPY	78.3900	78.1700	-0.3%
	Nikkei 225	9,159.39	9,110.00	-0.5%
	RBA Cash Rate (%)	3.50	3.50	Unchanged
	2-year yield (%)	2.85	2.71	-14
	10-year yield (%)	3.28	3.29	1
	AUD/USD	1.0551	1.0458	-0.9%
	S&P/ASX 200	4,389.96	4,408.29	0.4%
	Bank Indonesia Reference Rate (%)	5.75	5.75	Unchanged
	2-year yield (%)	5.35	5.30	-5
	10-year yield (%)	5.86	5.98	12
	USD/IDR	9,520.0	9,552.0	0.3%
	JCI Index	4,257.00	4,244.62	-0.3%
	Bank of Thailand Policy Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	3.11	3.13	2
	10-year yield (%)	3.61	3.65	4
	USD/THB	30.7800	30.8000	0.1%
	SET Index	1,276.12	1,286.26	0.8%
	South Korea Official Bank Rate (%)	3.00	3.00	Unchanged
	2-year yield (%)	2.88	2.86	-2
	10-year yield (%)	3.08	3.07	-1
	USD/KRW	1,117.3	1,119.2	0.2%
<b>Commodities</b>	KOSPI Index	2,007.58	2,002.37	-0.3%
	Crude oil spot (USD/barrel)	99.00	92.61	-6.5%
	Gold spot (USD/ounce)	1,770.40	1,773.10	0.2%
	S&P GSCI Return Index	5,270.8	5,041.3	-4.4%

\*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 5/2012 3.314% 31.10.2017	899	3.26
PROFIT-BASED GII 4/2012 15.11.2022	744	3.70
PROFIT-BASED GII 4/2008 31.10.2018	680	3.53
MGS 3/2003 3.70200% 25.02.2013	493	3.01
MGS 3/2012 3.197% 15.10.2015	430	3.12

Security	Volume (MYR m)	Last Traded Yield (%)
SKPETRO 3.900% 05.08.2016	102	4.16
PLUS BERHAD IMTN 4.400% 12.01.2022 - Series 1 (6)	65	4.10
MACB IMTN 4.680% 16.12.2022 - Tranche No 2	50	4.04
RANTAU IMTN 0% 25.09.2015 - MTN 4	50	3.57
WOORI MTN 1462D 16.2.2016	40	4.03
AMMB HOLDINGS BHD MTN 1826D 8.8.2017(SENIOR NOTES)	40	4.28

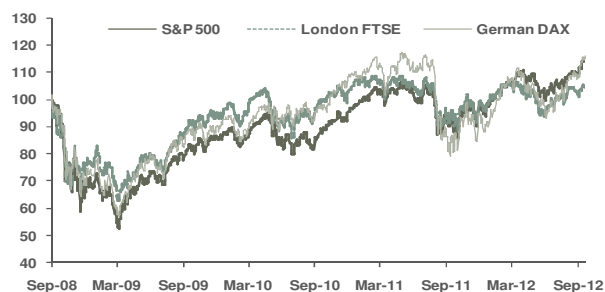
## Benchmark MGS yields



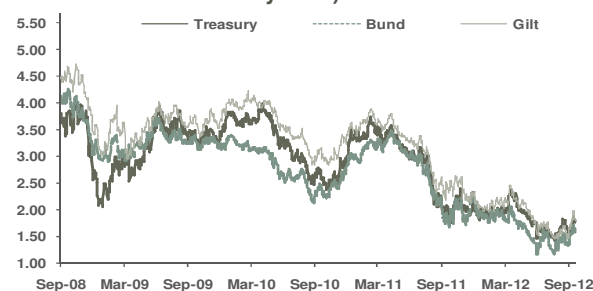
## USD vs. Gold Price



## Global Equities (Mar 08 = 100)



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



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