

Date: 28 August 2008

**Economic Data**

	For	Actual	Last	Survey
US MBA Mortgage Applications	Aug-23	+0.5%	-1.5%	n.a
US Durable Good Orders	Jul	+1.3%	+1.3%	0.0%
GE CPI harmonized	Aug	3.3%	3.5%	3.4%
IT Consumer Confidence	Aug	99.5	95.8	96.4
TH interest rate	Aug	3.75%	3.50%	3.75%

**FX Table**

	Close	High	Low
EUR/ USD	1.4758	1.4773	1.4571
USD/ JPY	108.82	109.93	108.71
GBP/ USD	1.8463	1.8490	1.8331
AUD/ USD	0.8618	0.8631	0.8511
NZD/USD	0.7017	0.7038	0.6903
USD/ CHF	1.0931	1.1086	1.0917
EUR/ GBP	0.7994	0.7997	0.7941

**Expected FX Ranges Today**

	Last Close	Expected Range		1-month Outlook
USD/ MYR	3.3790	3.3600	3.3900	NEUTRAL
EUR/ MYR	4.9867	4.9500	5.0000	NEGATIVE
JPY/ MYR	3.1050	3.0700	3.1100	NEUTRAL
GBP/ MYR	6.2386	6.1700	6.2400	NEUTRAL
CHF/ MYR	3.0909	3.0600	3.1000	NEUTRAL
SGD/ MYR	2.3844	2.3750	2.3950	NEUTRAL
AUD/ MYR	2.9119	2.8800	2.9300	NEUTRAL
NZD/ MYR	2.3710	2.3500	2.3900	NEUTRAL

**Money Market KLIBOR Fixing**

Tenure	26/8/2008	27/8/2008
1-month	3.61	3.61
2-month	3.65	3.65
3-month	3.70	3.70
6-month	3.74	3.74
9-month	3.79	3.79
12-month	3.87	3.86

**Bond Market Indicators**

	Yield (%)	+/- Change (bps)
2-yr UST	2.327	-
10-yr UST	3.791	-1.1
3-yr MGS	3.85	-1.0
5-yr MGS	3.96	-
10-yr MGS	4.70	+2.0

Please see important disclosure at the end of the report

**Daily Market Watch**
**Macroeconomics**

- Commodity prices ended higher on Wednesday as gains in crude oil prices attracted investors back into commodities. NYMEX crude oil prices for Oct delivery settled above \$118/barrel as supply concerns heightened following newsflows that tropical storm Gustav is approaching oil rigs in Gulf of Mexico and weekly inventory reports showed US crude oil and gasoline stockpiles dropped.
- On fundamentals, only few economic indicators to tap on, bulk of it being generally positive. In the US, MBA mortgage applications rose 0.5% WOW (prior week:-1.5%), marking its 1<sup>st</sup> increase in 3 weeks, attributed to lower interest rates while July durable goods orders unexpectedly gained 1.3% MOM, led by strong demand for commercial aircrafts.
- In Eurozone, German EU-harmonized preliminary Aug CPI eased from a record high of 3.5% to 3.3% after oil prices retreated from a record while Italy Aug consumer confidence rebounded, rising to 99.5 a from 15-year low of 95.8 in July as oil prices retreat.
- In Asia, Bank of Thailand (BOT) raised benchmark interest rate by 25bps to 3.75% for a 2nd straight month to crimp inflation as expected but this could be the last hike for the year.

**FOREX**

- USD** was sold off against all majors yesterday on profit-taking and further climb in oil prices despite the unexpected gain in durable goods orders, which was believed to be attributed to strong overseas demand as a result of a cheaper USD. However, should data from the US (especially revision to 2Q GDP) continue to paint a less gloomy picture tonight, further USD weakness may be contained today.
- EUR** rebounded from a 6-month low and gained 1.2% vs USD yesterday lifted by ECB Weber's comments that discussion about rate cut is "premature" and that a rate hike may be necessary as recovery kicks in. However, gains were somewhat capped by the faster than expected deceleration in Germany CPI. Today, EUR may stay firm on continuous rippling effects from the swing in rate expectations overnight.
- GBP** was largely weaker against G10 currencies although it gained vs the USD, hit by £1.4bn 1H losses reported by Taylor Wimpey, UK's largest homebuilder, adding to signs the UK housing woes are deepening, pushing the UK economy closer to recession and bringing forward a rate cut from BOE. Expect GBP to stay weak.
- MYR** regained some lost ground against the USD yesterday as the USD weakened but continued to fall against all other G10 and most Asian currencies. With some of the political clouds cleared after the by-election, and ahead of tomorrow's tabling of 2009 Budget, release of MOF revised growth target as well as 1Q GDP, MYR may well stay range-trade today.

**FIXED INCOME**

- UST** prices ended mixed following lackluster demand for its sale of a record \$32bn of 2-yr notes which attracted bid-to-cover ratio of 2.18x, lowest since February and much lower compared to an average of 2.35x for this year. Yields on 2-yr notes remained unchanged at 2.327% while yields on 10-yr notes fell by 1.1bps to 3.791% attributed to safe haven buying and increases in holding from foreign central banks as they shift buying preference to UST from agency debt.
- MGS** ended mixed, yields on 3-yr notes dropped 1bps to 3.85% as traders pared expectation of interest rate hike this year while yields on 5-yr notes held steady at 3.96%. Elsewhere, yields on 10-yr notes gained 2bps to 4.70% as elevated inflationary pressures capped demand for longer-dated notes. Expect thin trading ahead of tomorrow's budget announcement.

**Credit Rating Action**

Issuer	PDS Description	Rating/Outlook	Action
RHB Capital Bhd	RM600 million Serial Fixed-Rate Bonds RM350 million Fixed-Rate Bonds RM150 million Commercial Papers/Medium-Term Notes Programme	A1/P1 (Stable)	Reaffirmed
RHB Bank Bhd	Issuer rating Proposed RM600 million Hybrid Tier-1 Securities Programme RM3 billion Medium-Term Notes Programme	AA3/ P1 (Positive) A2 (Positive) A1 (Positive)	Reaffirmed Assigned Reaffirmed

**Economic Calendar**

	Aug-28			Aug-29		
	Data	Expected	Last	Data	Expected	Last
Malaysia				GDP (2Q08) Tabling of the National Budget 2008/2009	+6.0%	+7.1%
US	GDP Annualized (2Q08) Core PCE (2Q08) Initial Jobless Claims (Aug-24)	+2.7% 2.1% 425K	+1.9% 2.1% 432K	Personal Income (Jul) PCE Core MOM (Jul) Uni Mich sentiments (Aug F)	-0.2% +0.3% 62.0	+0.1% +0.3% 61.7
UK	Nationwide House Price (Aug)	-1.5%	-1.7%	GFK Consumer Confidence (Aug)	-41	-39
Eurozone	Bloomberg Retail PMI (Aug)	n.a	46%	Jobless Rate (Jul) CPI Estimate (Aug) Business Climate (Aug) Consumer Confidence ((Aug)	7.3% 4.0% -0.3 -20	7.3% 4.1% -0.2 -20
Japan				Jobless Rate (Jul) Household Spending (Jul) Nationwide CPI (Jul) Industrial Production (Jul) Retail Trade (Jul) Housing Starts (Jul) Small Business Confidence (Aug)	4.1% -1.8% 2.2% +0.6% +1.3% +15.0% 38.0	4.1% -1.8% 2.0% 0.0% +0.3% -16.7% 39.9
Hong Kong	Exports (Jul)	+5.5%	-0.6%			

Source: Bloomberg

**CONTACT LIST**
**Fixed Income & Economic Research**
**Wholesale Banking**
**Hong Leong Bank Bhd**

Level 6, Wisma Hong Leong,

No. 18 Jalan Perak,

50450 Kuala Lumpur

Tel: 03-27730469, 03-21685888

 Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

 This commentary is also available at Hong Leong Online [www.hlb.com.my](http://www.hlb.com.my)

This report is for private circulation only and shall not be reproduced either in-part or otherwise without prior written consent of Hong Leong Bank Berhad. Although information contained in this publication is derived from carefully selected public sources we believe to be reliable, we do not guarantee its accuracy or completeness. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of Hong Leong Bank Berhad or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice. HLB Group, their directors, employees and representatives do not have any liability to any person (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. On the date of this report, the Hong Leong Bank Berhad may be : buying, selling, or holding significant long or short positions; acting as investment and/or commercial bankers; be represented on the board of the issuers; and/or engaging in 'market making' of securities mentioned herein. This report is for general information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security or instrument. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain individual financial advice based on their own particular circumstances before making an investment decision based on the recommendations in this report.