Hong Leong Bank

Global Markets

Date: 3 February 2012

# Daily Market Watch

### Economic Data

| | For | Actual | Last | Survey |
|---|---|---|---|---|
| US Initial jobless claims | Jan 28 | 367k | 379k | 371k |
| US ICSC chain store sales | Jan | 4.8% | 3.5% | n.a. |
| UK PMI construction | Jan | 51.4 | 53.2 | 52.5 |
| EU PPI | Dec | 4.3% | 5.4% | 4.3% |
| AU Building approvals | Dec | -24.5% | -17.5% | -22.1% |
| AU Trade balance | Dec | 1709m | 1343m | 1200m |
| AU AiG performance of service index | Jan | 51.9 | 49.0 | n.a. |

### FX Table

| | Close | High | Low |
|---|---|---|---|
| EUR/ USD | 1.3144 | 1.3197 | 1.3086 |
| USD/ JPY | 76.22 | 76.24 | 76.05 |
| GBP/ USD | 1.5806 | 1.5859 | 1.5795 |
| AUD/ USD | 1.0712 | 1.0757 | 1.0680 |
| NZD/USD | 0.8332 | 0.8370 | 0.8311 |
| USD/ CHF | 1.0908 | 1.0952 | 1.0861 |
| EUR/ GBP | 0.8316 | 0.8332 | 0.8275 |

### Expected FX Ranges Today

| | Expected Range | | 1-month Outlook |
|---|---|---|---|
| USD/ MYR | 3.0160 | 3.0310 | NEUTRAL |
| EUR/ MYR | 3.9600 | 3.9800 | NEGATIVE |
| JPY/ MYR | 3.9500 | 3.9800 | NEUTRAL |
| GBP/ MYR | 4.7700 | 4.7800 | NEUTRAL |
| CHF/ MYR | 3.2900 | 3.3000 | NEUTRAL |
| SGD/ MYR | 2.4150 | 2.4250 | NEUTRAL |
| AUD/ MYR | 3.2200 | 3.2500 | NEUTRAL |
| NZD/ MYR | 2.5050 | 2.5200 | NEUTRAL |

### Money Market KLIBOR Fixing

| Tenure | 31/1/2012 | 2/2/2012 |
|---|---|---|
| 1-month | 3.09 | 3.09 |
| 2-month | 3.18 | 3.18 |
| 3-month | 3.22 | 3.22 |
| 6-month | 3.28 | 3.28 |
| 9-month | 3.34 | 3.34 |
| 12-month | 3.40 | 3.40 |

### Bond Market Indicators

| | Yield | +/- Change (bps) |
|---|---|---|
| 2-yr UST | 0.224 | 0.0 |
| 10-yr UST | 1.822 | -0.5 |
| 3-yr MGS | 2.900 | +1.0 |
| 5-yr MGS | 3.170 | +1.0 |
| 10-yr MGS | 3.540 | -2.0 |

**Please see important disclosure at the end of the report**

## Macroeconomics

- Wall Street lost early gains and struggled to stay in the positive zone as Fed Chairman Bernanke states that there has been a “positive” development in recent weeks but warned that the economy remains vulnerable to shocks. In Europe, hopes were high for Greek restructuring and Spain raised more than expected in debt sales.
- US chain store sales rose by a healthy 4.8% in January compared with the prior year. Jobless claims proved slightly better than expected, fell by 12K to 367K last week, which is almost a four-year low.
- UK construction sector fell to a weaker than expected level at 51.4 in January from 53.3 in December, and is the weakest in four months.
- In the Eurozone, PPI rose by 4.3% in December, in line with expectations, after climbing at a rate of 5.4% in November.
- Weakness in Australian housing market persists, with building approvals down further by 24.5% in December. Trade surplus expanded to AUD1.7b in December, opposing estimation of a narrowing surplus and more than Nov’s AUD1.34b. The performance of services sector climbed to 51.9 in January, marking its fastest pace in 5 months.

## Forex

- **USD** rebounded in late session trading, regaining strength vs all G10s save for the Aussie and kiwi spurred by a fall in jobless claims to a near 4-year low and Bernanke’s positive comment which reinforced recovery traction in the US. Despite successful French and Spanish debt auctions, the renewed concerns on Greek debt negotiation with private creditors also revived safety bid in the greenback. No change to our short term bullish view on the USD although tonight’s payroll report which is expected to report smaller job gains could limit USD upside.
- **EUR** came under pressure as talks emerged that private creditors may have to take a hair cut of as much as 70% on Greek debts. With focus back to the Eurozone debt epidemic, chances are EUR will stay under pressure today.
- **GBP** pulled back from a 3-month high vs the greenback, and was weaker against all majors but NOK, as renewed Eurozone concerns and weak UK construction data dented the GBP strength. Expect GBP to stay soft at current level pending PMI services data tonight.
- **JPY** regained lost ground vs 7 G10s on the return of risk aversion although it fell marginally to the greenback. Recent JPY rally has placed the BOJ on high alert who may be intervening soon to stem the JPY strength.
- **AUD** extended gains for a 3rd straight day and continued to hover at a 3-month high vs the USD, riding on reeling spillover from stronger PMI reports. This morning’s services data showing favourable growth traction is expected to help underpin Aussie strength.
- **MYR** appreciated 0.9% against the USD to its best level in 5 months, marking its best single day gain since 28-Oct. Resilient domestic growth prospects and BNM’s recent decision to leave OPR unchanged at 3.00% bolstered the appeal of the MYR. Expect some consolidation in USDMYR today even though we believe its near term appreciation trend remains intact.

## Fixed Income

- US Treasuries ended mixed amid an absence of headlines. Lower initial jobless claims filed last week fueled speculation that tonight’s report on non-farm payroll could be encouraging, leading to losses in the 30-year securities, lifting yields back above 3% at 3.004%, while the 10-year yield lost a slight 0.5bp to 1.822%. The 2-year yield was unchanged at 0.224%. USTs will take cue from non-farm payrolls and unemployment data tonight; we expect further softness in anticipation of a healthier job market.
- Trading activity surged in MGS market yesterday as selling on the shorter-termed papers led to 3- and 5-year yields rising 1bp each to 2.900% and 3.170%. Interest was mostly in the 10-year securities as yield fell 2bps to 3.540%. We expect local govvies to be soft today.

## Credit Rating Action

| Issuer | PDS Description | Rating (Outlook) | Action |
|---|---|---|---|
| Abu Dhabi National Energy Company PJSC | • RM 3.5b in nominal value of proposed Sukuk Murabahah Programme | Preliminary AA1 (Stable) | Assigned |

## Economic Calendar

| | 3 Feb | | | 6 Feb | | |
|---|---|---|---|---|---|---|
| | Data | Expected | Last | Data | Expected | Last |
| US | Change in nonfarm payrolls (Jan)<br>Unemployment rate (Jan)<br>ISM non-mfg (Jan)<br>Factory orders (Dec) | 145K<br>8.5%<br>53.2<br>1.5% | 200K<br>8.5%<br>53.0<br>1.8% | | | |
| UK | PMI services (Jan) | 53.3 | 54.0 | | | |
| EU | PMI composite (Jan F)<br>PMI services (Jan F)<br>Retail sales (Dec) | 50.4<br>50.5<br>-1.3% | 50.4<br>50.5<br>-1.5% | Sentix investor confidence (Feb) | n.a. | -21.1 |
| China | Non manufacturing PMI (Jan)<br>HSBC services PMI (Jan)<br>Leading index (Dec)* | n.a.<br>n.a.<br>n.a. | 56.0<br>52.5<br>100.18 | | | |
| Japan | | | | Machine tool orders (Jan P) | n.a. | 17.4% |
| AU | | | | Retail sales (Dec) | n.a. | 0.0% |

*Source: Bloomberg*
**3-5 February*
***6-10 February*

## Major Stock Market/ Commodity Performance

| Stock Indices | Close | Daily (%) | Commodity | Close | Daily (%) |
|---|---|---|---|---|---|
| FBM KLCI | 1537.09 | +1.04 | Crude oil (US$/ barrel) | 96.36 | -1.28 |
| DJIA | 12705.41 | -0.09 | Gold (US$/ oz) | 1759.48 | +0.92 |
| FTSE-100 | 5796.07 | +0.09 | CPO (RM/ tonne) | 3078.50 | -0.63 |
| Shanghai CI* | 2312.55 | +1.96 | Copper (US$/ tonne) | 8440 | +1.44 |
| Hang Seng* | 20739.45 | +2.00 | Rubber (sen/kg) | 757.25 | +1.00 |
| STI | 2901.04 | -0.13 | CRY Index | 310.90 | -0.20 |

*Source: Bloomberg*