

Date: 3 February 2012

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

Daily Market Watch
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 govies to be soft today.

Credit Rating Action

Issuer	PDS Description	Rating (Outlook)	Action
Abu Dhabi National Energy Company PJSC	<ul style="list-style-type: none"> 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)	145K	200K			
	Unemployment rate (Jan)	8.5%	8.5%			
	ISM non-mfg (Jan)	53.2	53.0			
	Factory orders (Dec)	1.5%	1.8%			
UK	PMI services (Jan)	53.3	54.0			
EU	PMI composite (Jan F)	50.4	50.4	Sentix investor confidence (Feb)	n.a.	-21.1
	PMI services (Jan F)	50.5	50.5			
	Retail sales (Dec)	-1.3%	-1.5%			
China	Non manufacturing PMI (Jan)	n.a.	56.0			
	HSBC services PMI (Jan)	n.a.	52.5			
	Leading index (Dec)*	n.a.	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

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