MONETARY AND FINANCIAL DEVELOPMENTS

Interest rates remained stable

The Monetary Policy Committee (MPC) maintained the Overnight Policy Rate (OPR) at 3.25% during the fourth quarter of 2015. At the prevailing level of the OPR, monetary conditions remained supportive of economic activity.

Reflecting the unchanged OPR, the average overnight interbank rate was relatively stable, trading within a range of 3.03% and 3.24% during the quarter. While interbank rates below the 1-month tenure were steady, rates beyond the 1-month tenure continued to trend higher during the quarter due to greater demand by banks for stable funding. This led to competition among banks to attract deposits by offering higher deposit rates. The resultant increase in funding cost was transmitted to lending rates in the interbank market, with the 3-month Kuala Lumpur Interbank Offered Rates (KLIBOR) increasing from 3.77% to 3.84%. Rates on interest rate swaps, however, trended lower during the quarter, reflecting the decline in Malaysian Government Securities (MGS) yields.

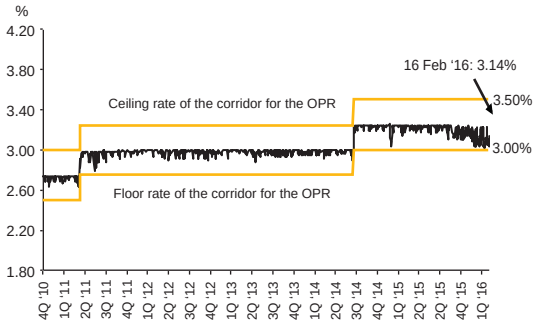
At the end of the quarter and the start of 2016, the average base rate (BR) of commercial banks increased slightly to 3.86%. The upward revision to the BR is on account of the higher interbank rates, as the BR is benchmarked off the 3-month KLIBOR for most banks. Nevertheless, the average BR of the banking system still remained lower than at the beginning of the year[4] as the BR of some banks had earlier been reduced when the KLIBOR moderated in the middle of 2015. During the quarter as a whole, the weighted average lending rate (ALR) on outstanding loans trended slightly higher (end-December 2015: 5.40%; end-September 2015: 5.38%).

Interest Rates

	2014		2015	
	3Q	4Q	3Q	4Q
	At end-period (%)			
Overnight Policy Rate (OPR)	3.25	3.25	3.25	3.25
Interbank rates				
Overnight	3.20	3.23	3.12	3.05
1-month	3.41	3.38	3.60	3.45
Base lending rate (BLR)				
Commercial banks	6.79	6.79	6.79	6.79
Base rate (BR)				
Commercial banks	-	-	3.85	3.86
Weighted average lending rate				
Commercial banks	5.52	5.51	5.38	5.40
Fixed deposit rates				
Commercial banks				
1-month	3.07	3.08	3.08	3.08
12-month	3.30	3.31	3.31	3.31

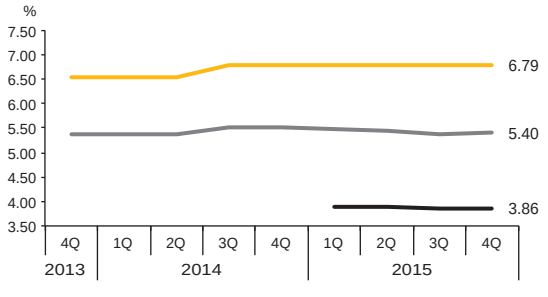
Source: Bank Negara Malaysia

Daily Weighted Average Overnight Interbank Rate



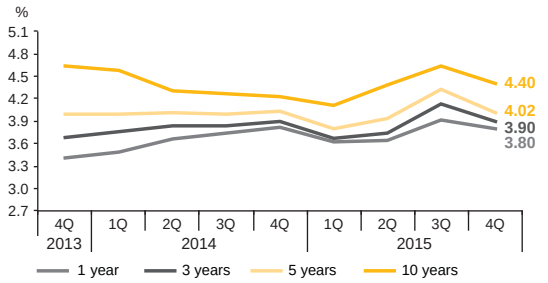
Source: Bank Negara Malaysia

Lending Rates of Commercial Banks (At end-period)



Source: Bank Negara Malaysia

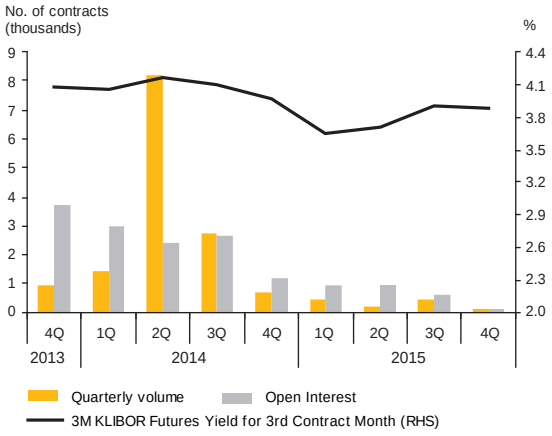
Interest Rate Swap: Rates



Source: Bloomberg

[4] As at 1Q 2015, the average BR of the banking system stood at 3.90%.

3 Month KLIBOR Futures



Source: Bursa Malaysia

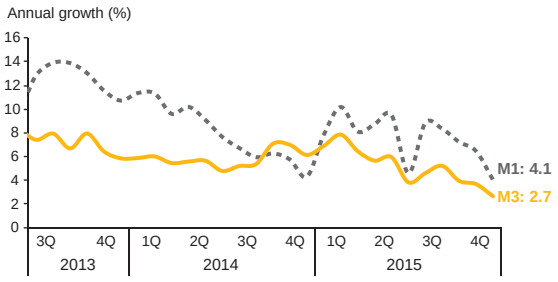
M3 expanded during the quarter

M1, or narrow money, declined by RM0.3 billion during the quarter. On an annual basis, M1 continued to grow at a rate of 4.1% as at end-December (end-September 2015: 8.3%). M3, or broad money, increased by RM12.8 billion on a quarter-on-quarter basis to grow at an annual rate of 2.7% as at end-December (end-September 2015: 5.2%).

The increase in M3 during the quarter was driven mainly by the continued expansion in credit extended to the private sector by the banking system. For the year, the expansion in broad money was negatively affected by the lower net foreign assets due to external sector outflows.

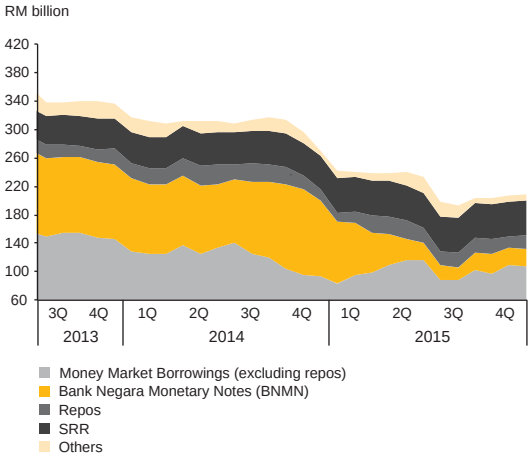
The level of surplus liquidity placed with BNM remained ample at over RM200 billion as at end-December. As part of a comprehensive effort by Bank Negara Malaysia to ensure sufficient liquidity in the domestic financial system, BNM reduced the statutory reserve requirement (SRR) ratio from 4.00% to 3.50%, effective from February 1, 2016. BNM also undertook operations to support the availability of ample liquidity in the banking system.

Monetary Aggregates



Source: Bank Negara Malaysia

Outstanding Liquidity Placed with Bank Negara Malaysia (At end-period, RM billion)



Source: Bank Negara Malaysia

Determinants of Broad Money, M3

	Change during the period				
	2014		2015		
	4Q	Year	3Q	4Q	Year
	RM billion				
M3	**49.9**	**101.5**	**-0.1**	**12.8**	**41.5**
Net claims on Government	18.2	34.3	11.1	5.2	-8.8
Claims on private sector	40.8	118.0	37.0	31.6	120.1
Loans	*38.4*	*111.4*	*32.9*	*25.7*	*106.1*
Securities	*2.4*	*6.6*	*4.2*	*5.9*	*14.0*
Net foreign assets[1]	-27.8	-19.1	-31.9	14.9	-32.7
BNM	*-28.5*	*-44.1*	*-36.2*	*8.6*	*-54.7*
Banking System	*0.7*	*25.1*	*4.2*	*6.3*	*22.0*
Other influences	18.8	-31.7	-16.2	-38.9	-37.2

[1] Pre-revaluation

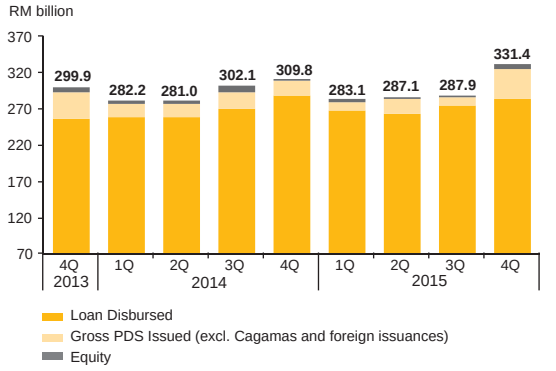
Note: Numbers may not add up due to rounding

Source: Bank Negara Malaysia

Private sector financing remained healthy in the fourth quarter

In the fourth quarter of 2015, total gross financing raised by the private sector through the banking system and the capital market amounted to RM331.4 billion (3Q 2015: RM287.9 billion). On a net basis, outstanding banking system loans and PDS expanded at a relatively stable growth rate of 8.6% as at end-December (end-September 2015: 8.8%).

Gross Private Sector Financing through the Banking System and Capital Market

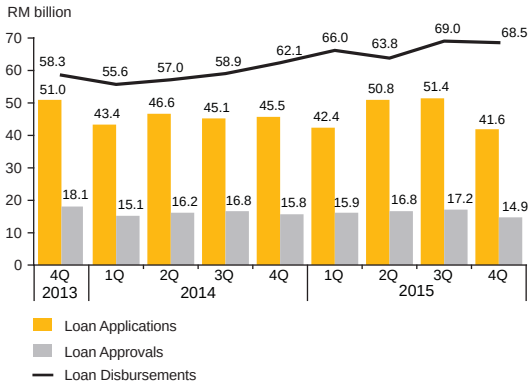


Source: Bank Negara Malaysia

Net lending to businesses by the banking system expanded by RM4.9 billion during the quarter (3Q 2015: RM16.7 billion). On an annual basis, outstanding business loans grew at a slower pace of 8.0% as at end-December (end-September 2015: 11.0%). However, the amount of loans disbursed to businesses increased during the quarter with a higher level of credit extended mainly to the *finance, insurance, and business services; wholesale and retail trade, and restaurants and hotels;* and *mining and quarrying* sectors. Financing provided to SMEs remained high, with outstanding SME loans recording an annual growth rate of 15.0% as at end-December 2015 (end-September 2015: 17.6%).

Net financing to the household sector expanded by RM16.9 billion during the quarter (3Q 2015: RM12.8 billion). On an annual basis, outstanding household loans growth moderated to 7.7% as at end-December 2015 (end-September 2015: 8.1%), reflecting mainly the moderation in loans for the *purchase of non-residential property* and the *purchase of securities.*

Bank Lending to SMEs



Source: Bank Negara Malaysia

Financing of the Private Sector through the Banking System and Capital Market

	During the period (RM billion)					Annual growth (%)				
	2014		2015			2014		2015		
	4Q	Year	3Q	4Q	Year	4Q	Year	3Q	4Q	Year
Gross total financing	**309.8**	**1,175.2**	**287.9**	**331.4**	**1,189.5**	**3.3**	**12.3**	**-4.7**	**6.9**	**1.2**
Loans disbursed	287.7	1,079.3	273.6	283.3	1,088.1	12.2	13.2	1.5	-1.5	1.3
Gross PDS[1]	21.2	82.1	11.8	40.6	83.5	-41.2	0.0	-49.8	91.4	1.7
Equity	1.0	19.2	2.5	7.5	17.9	-87.1	19.6	-72.0	681.5	-6.5
Net total financing (A)+(B)	**52.4**	**144.2**	**41.3**	**53.3**	**152.8**	**8.8**	**8.8**	**8.8**	**8.6**	**8.6**
Banking system	44.3	121.3	38.5	24.0	113.4	9.2	9.2	9.6	7.9	7.9
*Loans outstanding (A)**	*41.6*	*114.1*	*36.3*	*21.1*	*105.4*	*9.3*	*9.3*	*9.7*	*7.9*	*7.9*
Holding of PDS	*2.7*	*7.3*	*2.2*	*2.9*	*8.0*	*7.9*	*7.9*	*8.0*	*8.0*	*8.0*
PDS outstanding (B)	10.8	30.1	5.0	32.2	47.4	7.3	7.3	6.0	10.7	10.7
Memorandum item										
Gross PDS[2]	21.6	85.5	13.1	40.6	85.6	-40.1	2.0	-47.1	87.9	0.2

* Banking systems loans include loans sold to Cagamas
[1] Excluding Cagamas and foreign issuances
[2] Including Cagamas and foreign issuances
Note: Numbers may not add up due to rounding

Source: Bank Negara Malaysia

Loan Indicators

	During the period (RM billion)					Annual growth (%)				
	2014		2015			2014		2015		
	4Q	Year	3Q	4Q	Year	4Q	Year	3Q	4Q	Year
Total										
Loan applications	210.1	822.1	224.8	215.6	827.2	-0.2	0.2	2.6	2.6	0.6
Loan approvals	106.4	401.4	96.5	100.2	393.2	8.6	2.3	-8.7	-5.8	-2.0
Loan disbursements	287.7	1,073.9	273.6	283.3	1,088.1	12.2	13.2	1.5	-1.5	1.3
Loan repayments	258.5	996.5	255.3	266.9	1,021.1	12.8	15.6	1.1	3.2	2.5
Change in loans outstanding*	41.6	114.1	36.3	21.1	105.4	9.3	9.3	9.7	7.9	7.9
Of which:										
Business enterprises[1,2]										
Loan applications	100.4	386.2	112.9	107.6	396.8	12.7	7.6	4.2	7.2	2.7
Loan approvals	46.1	160.0	44.0	49.0	179.9	24.5	3.4	0.1	6.2	12.4
Loan disbursements	209.9	770.3	201.4	206.5	787.2	17.6	18.6	3.0	-1.6	2.2
Loan repayments	192.3	735.5	190.5	201.1	757.5	16.7	21.1	1.5	4.6	3.0
Change in loans outstanding*	17.7	42.3	16.7	4.9	39.6	9.4	9.4	11.0	8.0	8.0
SMEs[1]										
Loan applications	45.5	180.7	51.4	41.6	186.2	-10.8	-7.8	13.9	-8.6	3.0
Loan approvals	15.8	63.8	17.2	14.9	64.8	-12.8	-10.6	2.8	-5.6	1.6
Loan disbursements	62.1	233.7	69.0	68.5	267.4	6.5	3.1	17.1	10.2	14.4
Loan repayments	57.5	222.5	66.0	66.4	254.1	7.7	5.9	13.0	15.4	14.2
Change in loans outstanding*	10.0	27.8	7.3	5.7	33.8	14.0	14.0	17.6	15.0	15.0
Large corporations[2]										
Loan applications	54.9	205.5	61.5	66.0	210.6	44.1	26.1	-2.6	20.3	2.5
Loan approvals	30.4	96.2	26.8	34.1	115.0	60.2	15.3	-1.5	12.3	19.6
Loan disbursements	147.8	536.6	132.4	138.1	519.9	23.0	26.9	-3.0	-6.6	-3.1
Loan repayments	134.8	513.0	124.6	134.7	503.4	20.9	29.1	-3.7	-0.1	-1.9
Change in loans outstanding*	7.6	14.5	9.4	-0.8	5.8	5.7	5.7	5.5	2.2	2.2
Households										
Loan applications	109.7	435.9	111.9	108.0	430.4	-9.6	-5.6	1.0	-1.5	-1.3
Loan approvals	60.3	241.4	52.5	51.2	213.4	-1.1	1.6	-15.1	-15.0	-11.6
Loan disbursements	77.8	303.6	72.2	76.8	300.9	-0.3	1.6	-2.7	-1.3	-0.9
Loan repayments	66.2	261.0	64.7	65.8	263.7	2.9	2.4	0.1	-0.6	1.0
Change in loans outstanding*	17.9	68.9	12.8	16.9	59.0	9.9	9.9	8.1	7.7	7.7

* The annual growth is for end-period.
[1] Include loans to individual businesses.
[2] Include domestic financial institutions, government, domestic other entities and foreign entities, except for loan outstanding which refers to businesses only.
Note: Numbers do not add up due to rounding

Source: Bank Negara Malaysia

Loans by Sector

	Loans disbursed						Loans out-standing
	During the period (RM billion)					Share of total	Share of total
						(%)	
	4Q 2014	2014	3Q 2015	4Q 2015	2015		
Business enterprises[1,*]	**209.9**	**770.3**	**201.4**	**206.5**	**787.2**	**72.3**	**43.2**
Large corporations[1]	*147.8*	*536.6*	*132.4*	*138.1*	519.9	*47.8*	*25.2*
*SMEs**	*62.1*	*233.7*	*69.0*	*68.5*	*267.4*	*24.6*	*18.0*
Selected sectors[1]							
Agriculture, hunting, forestry and fishing	8.4	31.3	10.1	10.2	39.9	3.7	2.6
Mining and quarrying	2.9	12.2	3.6	5.9	20.4	1.9	1.0
Manufacturing	54.7	213.4	54.4	53.3	209.9	19.3	7.1
Construction	19.2	65.5	15.8	16.7	65.1	6.0	4.3
Real estate	14.3	51.6	14.8	13.3	53.3	4.9	6.8
Electricity, gas and water supply	2.1	14.0	1.9	2.7	8.9	0.8	0.8
Wholesale and retail trade, restaurants and hotels	59.8	221.1	50.7	52.7	199.4	18.3	7.4
Transport, storage and communication	7.2	27.0	5.7	4.0	22.5	2.1	2.4
Finance, insurance and business services	29.0	96.2	24.4	31.6	104.1	9.6	6.9
Households	**77.8**	**303.6**	**72.2**	**76.8**	**300.9**	**27.7**	**56.8**
Purchase of residential properties	21.7	81.4	20.2	21.7	84.7	7.8	28.4
Consumption credit	43.9	167.7	42.4	44.9	172.5	15.9	16.9
Of which:							
Credit cards	*26.3*	*99.3*	*25.0*	*27.2*	*102.4*	*9.4*	*2.5*
Purchase of passenger cars	*9.8*	*37.8*	*10.2*	*10.1*	*40.4*	*3.7*	*10.1*
Others	12.1	54.6	9.6	10.1	43.7	4.0	11.5
Total	**287.7**	**1,073.9**	**273.6**	**283.3**	**1,088.1**	**100.0**	**100.0**

* Include loans to individual businesses.
[1] Include domestic financial institutions, government, domestic other entities and foreign entities.
Note: Numbers do not add up due to rounding

Source: Bank Negara Malaysia

Higher net funds raised in the capital market

Net funds raised in the capital market increased to RM51.4 billion in the fourth quarter (3Q 2015: -RM2.6 billion), driven mainly by funds raised through private sector issuances.

In the private sector, gross issuances of both private debt securities and equity were substantially higher, amounting to RM40.6 billion and RM7.5 billion respectively in the fourth quarter (3Q 2015: RM13.1 billion, RM2.5 billion). The bulk of funds, particularly private debt securities, were raised mainly in December, following the policy rate increase in the US which helped to reduce market uncertainty. Higher fund raising activities were undertaken largely by companies in the services sector, particularly those in the utilities, financial services and transportation sub-sectors.

In the public sector, gross funds raised were also marginally higher at RM21.7 billion (3Q 2015: RM21.5 billion). Funds were raised through a new issuance of a 20-year Government Investment Issue (GII), as well as the re-opening of a 5-year, 7-year, and 10-year Malaysian Government Security (MGS) and 3-year, 5-year and 10-year GII. During the quarter, redemptions of Government securities were lower at RM8.2 billion (3Q 2015: RM31.5 billion). Overall, net funds raised by the public sector increased by RM13.5 billion (3Q 2015: -RM10.0 billion).

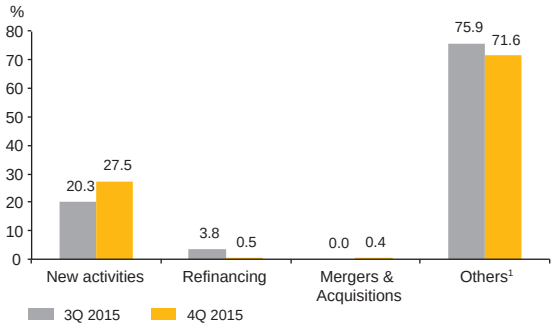
Net Funds Raised in the Capital Market

	2014		2015		
	4Q	Year	3Q	4Q	Year
	RM billion				
By Public Sector	**15.3**	**49.9**	**-10.0**	**13.5**	**46.8**
Government Securities, *Gross*	22.8	96.8	21.5	21.7	100.4
Malaysian Government Securities	12.7	51.4	14.5	10.9	51.3
Government Investment Issues	6.6	33.9	6.5	10.9	41.1
Sukuk Pinjaman Perumahan Kerajaan	3.4	11.5	0.5	-	8.0
Less: Redemptions	7.5	46.9	31.5	8.2	53.6
Malaysian Government Securities	2.0	26.4	21.0	8.2	41.1
Government Investment Issues	5.5	20.5	10.5	-	12.5
Sukuk Pinjaman Perumahan Kerajaan	-	-	-	-	-
By Private Sector	**11.2**	**50.2**	7.4	**37.9**	**62.8**
Shares	1.0	19.2	2.5	7.5	17.9
Private Debt Securities, *Net*	10.2	31.0	5.0	30.5	44.9
Private Debt Securities, Gross	*21.6*	*85.5*	*13.1*	*40.6*	*85.6*
Less: Redemptions	*11.4*	*54.5*	*8.2*	*10.1*	*40.8*
Total	**26.4**	**100.1**	**-2.6**	**51.4**	**109.6**

Note: Numbers may not add up to total due to rounding

Source: Bank Negara Malaysia and Bursa Malaysia

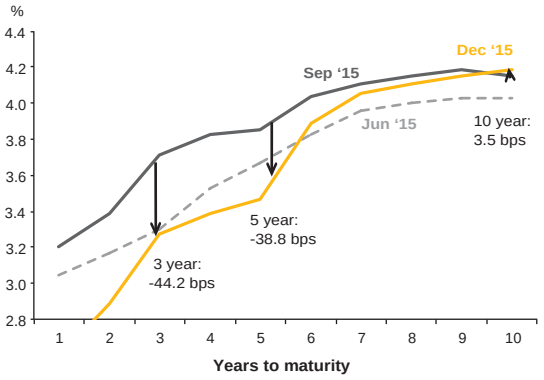
Private Debt Securities Issued by Purpose (% of total)



[1] Includes issuance for the purpose of working capital and general business activities as well as issuance by non-residents and Cagamas

Source: Bank Negara Malaysia

Trend in MGS Yields

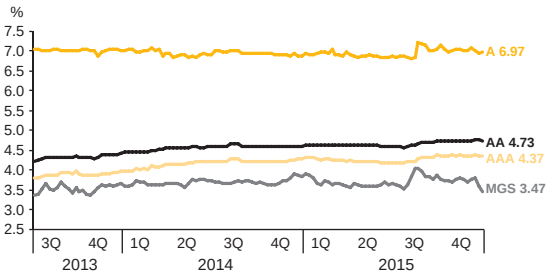


Source: Bank Negara Malaysia

Lower bond yields especially in the short- to medium-term tenures

MGS yields declined in the fourth quarter of 2015 amid the resumption of non-resident inflows into the MGS market. This was driven by improved sentiments among global investors as the policy rate increase by the Fed in December reduced market uncertainty. Non-resident investors increased MGS holdings by RM8.4 billion during the quarter. As a result, yields on the 3-year and 5-year MGS declined by 44.2 and 38.8 basis points respectively while the yield on the 10-year MGS increased marginally by 3.5 basis points. In the PDS market, yields remained stable on account of sustained demand by domestic institutional investors.

5 year MGS and 5 year Corporate Bond Yield

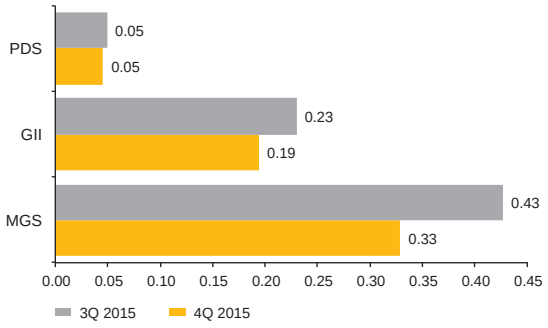


Source: Bank Negara Malaysia

Secondary trading in the bond market remained low

Total trading in the secondary market remained low at RM173.9 billion during the quarter (3Q 2015: RM215.8 billion) as investors consolidated investment positions in anticipation of the year-end holiday season. Correspondingly, all segments recorded lower liquidity ratios compared to previous quarter. The MGS, GII and PDS segments registered liquidity ratios of 0.33, 0.19 and 0.05, respectively.

Liquidity Ratio: Value of Bond Traded / Outstanding



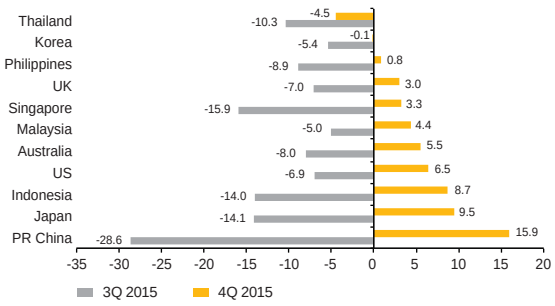
Source: Bank Negara Malaysia

FBM KLCI rebounded in the fourth quarter

In the fourth quarter of 2015, the FBM (FTSE Bursa Malaysia) KLCI rose by 4.4% to close at 1,692.5 points at end-December 2015 (end-September 2015: 1,621.0 points).

The increase in the FBM KLCI was in line with regional equity markets amid improved global market sentiments towards the end of the year. Gains in the domestic equity market during the quarter were also supported by active buying of selected blue-chip stocks, particularly the plantation and oil and gas-related stocks amid the slight recovery in oil prices towards the end of the year.

Performance of Selected Global and Regional Equity Markets in 2015 (% growth QoQ)



Source: Bloomberg and Bank Negara Malaysia calculations

Market capitalisation increased to RM1.70 trillion as at end-December 2015 (end-September 2015: RM1.60 trillion) while the daily average turnover increased to 2.23 billion units (3Q 2015: 1.90 billion units) during the quarter.

On 16 February 2016, the KLCI ended lower at 1665.0 points (since end-December 2015: -1.6%), with market capitalisation of RM1.66 trillion (since end-December 2015: -2.1%).

Bursa Malaysia: Selected Market Indicators

	2014		2015		
	As at end				
	Dec	Year	Sept	Dec	Year
Price Indices					
Composite	1,761.3	1,761.3	1,621.0	1,692.5	1,692.5
FBMEMAS[1]	12,066.3	12,066.3	11,201.6	11,793.7	11,793.7
ACE Market[2]	5,653.4	5,653.4	5,567.6	6,389.2	6,389.2
Market capitalisation (RM billion)	1,651.2	1,651.2	1,597.4	1,695.2	1,695.2
No. of companies listed	906	906	904	903	903
	During the period				
	4Q	Year	3Q	4Q	Year
Average daily turnover					
Volume (million units)	1,944.4	2,157.1	1,899.2	2,234.0	2,038.3
Value (RM million)	1,999.9	2,161.8	2,005.6	2,149.7	2,082.2

[1] FBMEMAS stands for FTSE Bursa Malaysia EMAS Index
[2] From 3 August 2009, MESDAQ market was replaced with ACE Market

Source: Bursa Malaysia

Bursa Malaysia: Market Turnover

	2014				2015					
	4Q		Year		3Q		4Q		Year	
	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion
Turnover	122.5	126.0	530.7	531.8	117.8	124.3	138.5	133.3	501.4	512.2
Of which:										
Main Board	85.5	117.3	397.1	501.2	68.0	111.4	82.5	121.4	299.1	464.6
Of which										
Consumer Products	5.3	5.2	29.6	26.3	6.3	6.2	7.0	6.8	26.9	25.6
Industrial Products	13.3	11.2	72.0	52.2	12.9	14.7	19.1	21.8	59.0	60.0
Construction	3.4	5.7	19.0	26.3	4.2	5.4	3.9	4.6	16.5	22.9
Trading/Services	42.0	56.7	172.0	219.0	28.4	45.5	32.4	51.3	124.7	204.3
Finance	3.1	18.7	13.9	84.9	3.5	22.3	2.9	17.7	12.8	79.6
Properties	6.1	6.3	41.0	34.6	5.5	4.1	7.5	5.0	23.7	18.9
Plantations	1.2	3.6	6.3	19.8	1.3	3.7	1.7	5.0	5.0	15.6
Infrastructure	1.3	4.4	5.4	17.2	1.1	4.7	1.0	4.3	4.2	18.8
ACE Market[1]	30.3	7.3	115.6	27.1	21.0	5.1	36.7	8.3	139.2	32.2

[1] From 3 August 2009, MESDAQ market was replaced with ACE Market

Source: Bursa Malaysia

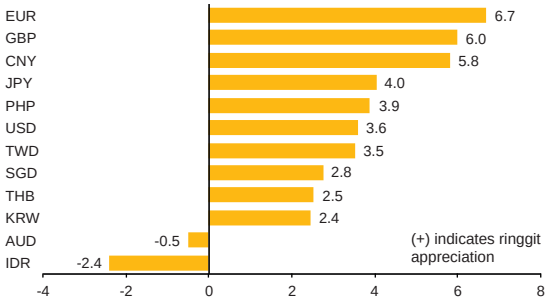
Ringgit stabilised towards end year

Despite uncertainties over global growth prospects and declining global energy prices, the ringgit, along with other regional currencies, did not face significant volatility during the quarter. This was mainly the outcome of improved sentiments among global investors as the anticipated policy rate increase by the Fed in December reduced market uncertainties. The ringgit, in fact, appreciated against most major and regional currencies following renewed portfolio investment inflows, despite a 23% decline in Brent crude oil prices during the quarter.

Overall, the ringgit appreciated by 3.6% against the US dollar during the quarter. The ringgit also appreciated against the euro (6.7%), the pound sterling (6.0%), and the Japanese yen (4.0%), but depreciated against the Australian dollar (-0.5%). The ringgit also appreciated against all regional currencies, by between 2.4% and 5.8%, with the exception of the Indonesian rupiah (-2.4%).

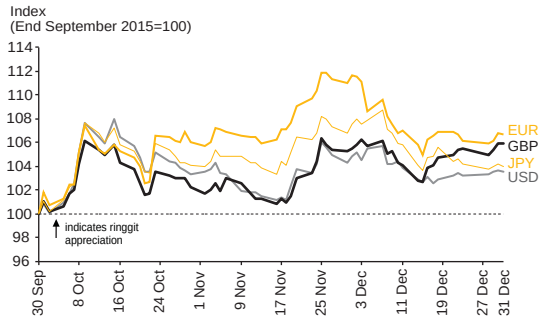
Between 1 January and 16 February 2016, the ringgit appreciated against the US dollar (3.5%). The ringgit also appreciated against the pound sterling (6.3%), the Australian dollar (5.4%), and the euro (1.4%), but depreciated against the Japanese yen (-1.3%). The ringgit appreciated against most regional currencies.

Summary of Ringgit Performance against Selected Currencies Percent Change (1 October - 31 December 2015)



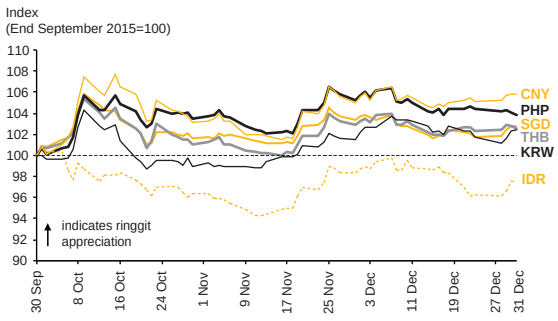
Source: Bank Negara Malaysia

Ringgit Performance against Major Currencies



Source: Bank Negara Malaysia

Ringgit Performance against Regional Currencies



Source: Bank Negara Malaysia

Performance of Ringgit against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 2005	4Q 2014	3Q 2015	4Q 2015	21 Jul 2005	4Q 2014	3Q 2015
US dollar	3.8000	3.4950	4.4455	4.2920	-11.5	-18.6	3.6
Euro	4.6212	4.2513	5.0052	4.6918	-1.5	-9.4	6.7
Pound sterling	6.6270	5.4396	6.7412	6.3607	4.2	-14.5	6.0
Australian dollar	2.8823	2.8664	3.1176	3.1338	-8.0	-8.5	-0.5
100 Japanese yen	3.3745	2.9255	3.7084	3.5645	-5.3	-17.9	4.0
Singapore dollar	2.2570	2.6449	3.1191	3.0356	-25.6	-12.9	2.8
100 Thai baht	9.0681	10.627	12.223	11.922	-23.9	-10.9	2.5
100 Philippine peso	6.8131	7.8066	9.5050	9.1494	-25.5	-14.7	3.9
100 Indonesian rupiah	0.0386	0.0281	0.0303	0.0311	24.4	-9.5	-2.4
100 Korean won	0.3665	0.3201	0.3740	0.3651	0.4	-12.3	2.4
100 New Taiwan dollar	11.890	11.068	13.516	13.056	-8.9	-15.2	3.5
Chinese renminbi	0.4591	0.5637	0.6994	0.6610	-30.5	-14.7	5.8

* (+) indicates appreciation of ringgit against respective currency and (-) indicates depreciation.

Source: Bank Negara Malaysia

Volume of foreign exchange derivatives remained subdued in Q4 2015

Volume of foreign exchange derivatives fell by 7.0% on a year-on-year basis in 4Q 2015 (3Q 2015: -3.6%). The drop in volume was primarily driven by a fall in FX options transactions which contracted by 21.6% on a year-on-year basis due to a decline in hedging requirements as volatility in the domestic financial markets moderated. Implied volatility decreased from a high of 19.3% in October to 12.0% in December. US data improvement in the quarter strengthened market expectations that the Federal Reserve will hike interest rates towards end-2015. However, net forward purchases of foreign currency by residents increased by 17.1% on a year-on-year basis as more importers expect further US dollar strength.

During the quarter, the 5-year USD/MYR cross-currency swap narrowed to 75 bps from a wider spread of 118 bps in the previous quarter as market volatility moderated. USD liquidity in the domestic market improved in 4Q 2015 compared to the previous quarter due to improved two-way flows by both residents and non-residents.