MONETARY AND FINANCIAL DEVELOPMENTS

Interest rates lowered in line with OPR reduction

The Monetary Policy Committee (MPC) reduced the Overnight Policy Rate (OPR) by 25 bps to 3.00% in July 2016 and subsequently kept the policy rate unchanged in September 2016. The adjustment to the OPR was intended for the degree of monetary accommodativeness to remain consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy.

Reflecting the reduction in the OPR, interbank rates trended lower during the quarter. During the period 1-12 July, the average overnight interbank rate traded within a range of 3.05%-3.19%. Following the reduction in OPR on 13 July, the average overnight interbank rate decreased and stabilised at a lower range of 2.81%-3.00%. Interbank rates of longer maturities also declined in line with the reduction in OPR. For the quarter as a whole, the 3-month KLIBOR decreased from 3.65% to 3.40%.

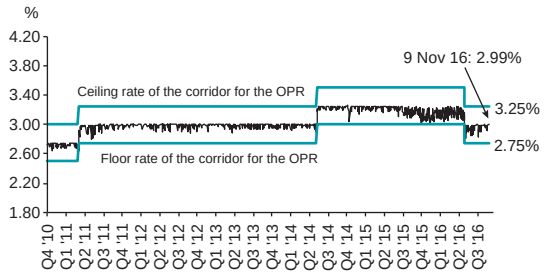
Following the reduction in OPR and interbank rates, retail lending rates also declined during the quarter. The weighted average base rate (BR) of commercial banks decreased by 23 bps and ended the third quarter at its lowest level since the BR was introduced in January 2015 (end-September: 3.60%; end-June 2016: 3.83%; January 2015: 3.81%). Correspondingly, the weighted average lending rate (ALR) on outstanding loans was lower at 5.27% as at end-September 2016, compared to 5.42% at end-June 2016. In addition, fixed deposit (FD) rates declined during the quarter by an average of 21 bps for tenures 1-year and below.

Interest Rates

	2015	2016	
	3Q	2Q	3Q
	At end-period (%)		
Overnight Policy Rate (OPR)	3.25	3.25	3.00
Interbank rates			
Overnight	3.12	3.13	2.99
1-month	3.60	3.44	3.08
Base lending rate (BLR)			
Commercial banks	6.79	6.81	6.65
Weighted average base rate (BR)			
Commercial banks	3.77	3.83	3.60
Weighted average lending rate (ALR)			
Commercial banks	5.38	5.42	5.27
Fixed deposit rates			
Commercial banks			
1-month	3.08	3.08	2.87
12-month	3.31	3.29	3.07

Source: Bank Negara Malaysia

Daily Weighted Average Overnight Interbank Rate



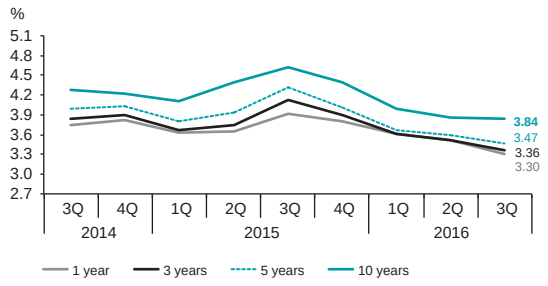
Source: Bank Negara Malaysia

Lending Rates of Commercial Banks (At end-period)



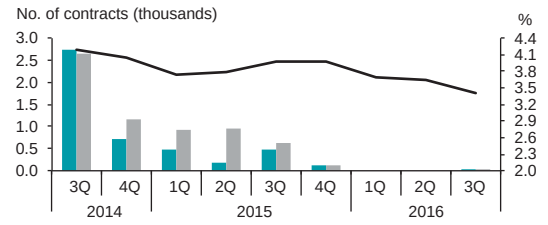
Source: Bank Negara Malaysia

Interest Rate Swap: Rates



Source: Bloomberg

3 Month KLIBOR Futures



Source: Bursa Malaysia

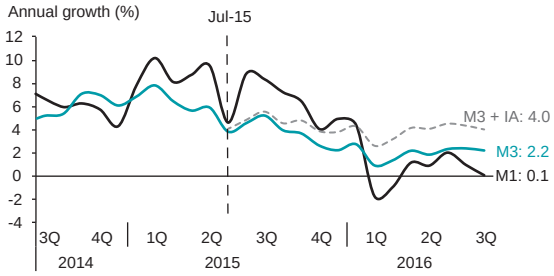
M3 expanded during the quarter

M1, or narrow money, decreased by RM5.6 billion during the quarter. On an annual basis, M1 recorded a growth rate of 0.1% as at end-September (end-June: 0.9%). M3, or broad money, increased by RM6.4 billion on a quarter-on-quarter basis to record an annual growth rate of 2.2% as at end-September (end-June: 1.9%).

The increase in M3 during the quarter was driven mainly by the continued expansion of credit extended to the private sector by the banking system. The expansion, however, was partially offset by *other influences*, reflecting the continued growth of Islamic Investment Accounts, issuance of equity by banks and foreign exchange revaluation effects.

In the banking system, liquidity conditions remained ample at both the institutional and system-wide levels. The level of surplus liquidity placed with BNM remained relatively stable during the quarter.

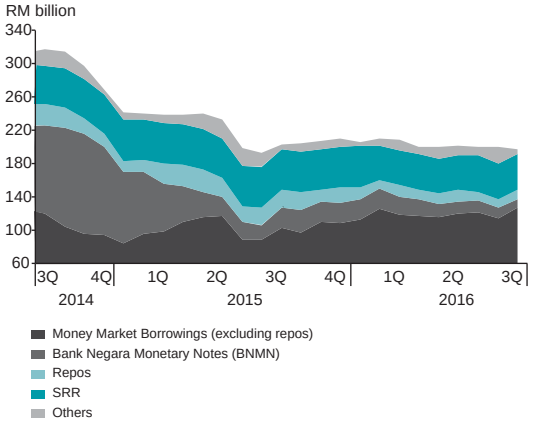
Monetary Aggregates



Note: From July 2015 onwards, the compilation of M3 is adjusted to exclude Islamic Investment Accounts (IA) due to a data reclassification exercise. This is reflected as a negative contribution through *'other influences'*. The dotted line represents M3 growth had this reclassification not taken place

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				
	2015		2016		
	3Q	4Q	1Q	2Q	3Q
	RM billion				
M3	**0.7**	**12.1**	**9.4**	**7.1**	**6.4**
Net claims on Government	11.1	5.1	-0.9	-1.9	2.0
Claims on private sector	37.0	31.6	11.2	22.3	23.5
Loans	*32.9*	*25.7*	*10.6*	*16.9*	*18.7*
Securities	*4.1*	*5.9*	*0.6*	*5.5*	*4.8*
Net foreign assets[1]	19.6	-0.2	-19.7	2.6	1.3
BNM	*15.8*	*-5.7*	*-26.9*	*8.6*	*14.4*
Banking System	*3.8*	*5.5*	*7.2*	*-6.0*	*-13.1*
Other influences	-66.9	-24.4	18.8	-15.9	-20.4

[1] Post-revaluation
Note: Numbers may not add up due to rounding

Source: Bank Negara Malaysia

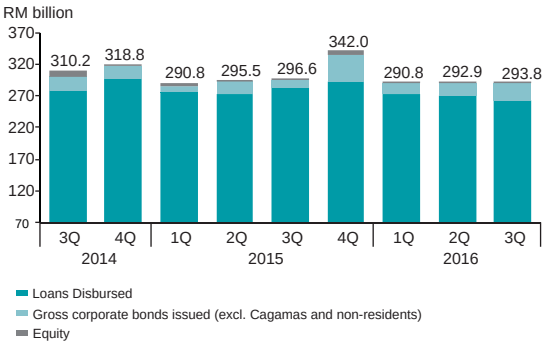
Private sector financing was sustained in the third quarter

In the third quarter, total gross financing raised by the private sector through the banking system, development financial institutions (DFIs), and the capital market amounted to RM293.8 billion (2Q 2016: RM292.9 billion). On a net basis, the growth of loans extended by the banking system, DFIs, and outstanding issuances of corporate bonds expanded by 6.5% as at end-September (end- June 2016: 6.9%).

Net lending to businesses by the banking system and DFIs increased by RM7.8 billion during the quarter (2Q 2016: RM3.1 billion). On an annual basis, although outstanding business loans grew at a slower pace of 2.0% as at end-September (end-June 2016: 3.8%), the annual growth in outstanding SME loans was sustained at 8.2% (end-June 2016: 9.2%). Similarly, while the level of loans disbursed by the banking system and DFIs to overall businesses slowed down to RM187.1 billion during the quarter (2Q 2016: RM195.2 billion), the level of loans disbursed to SMEs remained strong at RM66.7 billion during the quarter (2Q 2016: RM66.4 billion) with loans extended mainly to the *manufacturing; wholesale and retail trade, and restaurants and hotels; construction* and *education, health and other* sectors.

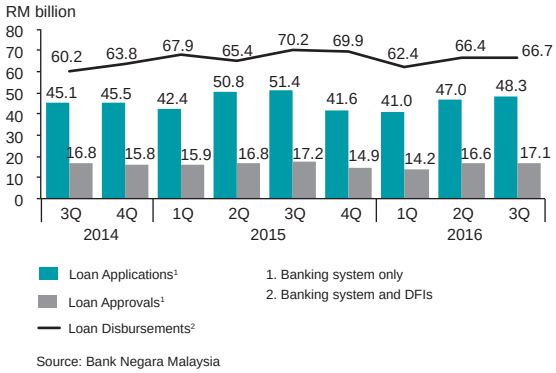
Net financing to the household sector expanded by RM12.1 billion during the quarter (2Q 2016: RM12.4 billion). On an annual basis, the growth of outstanding household loans moderated to 5.8% as at end-September (end-June 2016: 6.2%), reflecting mainly the moderation in outstanding loans for the *purchase of passenger cars; purchase of non-residential property; purchase of residential property;* and *personal financing.*

Gross Private Sector Financing through the Banking System, Development Financial Institution (DFIs) and Capital Market



Source: Bank Negara Malaysia

Lending to SMEs



Source: Bank Negara Malaysia

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

	2015		2016			2015		2016		
	3Q	4Q	1Q	2Q	3Q	3Q	4Q	1Q	2Q	3Q
	During the period (RM billion)					Annual growth (%)				
Gross total financing	**296.6**	**342.0**	**290.8**	**292.9**	**293.8**	**-4.4**	**7.3**	**0.0**	**-0.9**	**-0.9**
Loans disbursed	282.2	293.9	271.8	270.8	263.6	1.6	-0.9	-1.2	-0.5	-6.6
Gross Corporate bond (CB)[1]	11.8	40.6	17.9	20.1	27.0	-49.8	91.4	63.0	0.1	128.03
Equity	2.5	7.5	1.1	2.1	3.2	-72.0	681.5	-76.8	-37.4	28.0
Net total financing	**43.5**	**55.2**	**11.5**	**24.9**	**39.9**	**8.5**	**8.4**	**7.5**	**6.9**	**6.5**
Outstanding loans (Banking system* and Development Financial Institution (DFIs))	38.6	23.0	4.6	17.2	21.9	9.3	7.7	6.3	5.5	4.3
Outstanding CB	5.0	32.2	7.0	7.7	17.9	6.0	10.7	11.4	11.5	14.2
Memorandum item										
Gross CB[2]	20.5	13.1	18.4	20.1	27.6	10.8	-47.1	60.5	-1.9	109.8

* 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 (%)				
	2015		2016			2015		2016		
	3Q	4Q	1Q	2Q	3Q	3Q	4Q	1Q	2Q	3Q
Total										
Loan applications[1]	224.8	215.6	187.7	212.6	204.0	2.6	2.6	5.1	2.1	-9.3
Loan approvals[1]	96.5	100.2	76.7	89.5	87.6	-8.7	-5.8	-18.4	-12.7	-9.2
Loan disbursements[2]	282.2	293.9	271.8	270.8	263.6	1.6	-0.9	-1.2	-0.5	-6.6
Loan repayments[2]	264.8	276.6	275.8	265.5	257.9	1.7	3.4	3.4	5.4	-2.6
Change in outstanding loans*[,2]	38.6	23.0	4.6	17.2	21.9	9.3	7.7	6.3	5.5	4.3
Of which:										
Business enterprises[3]										
Loan applications	112.9	107.6	87.8	102.7	93.9	4.2	7.2	12.0	5.0	-16.9
Loan approvals	44.0	49.0	35.7	43.7	40.0	0.1	6.2	-10.4	-7.0	-9.1
Loan disbursements	205.3	212.1	195.9	195.2	187.1	3.1	-1.2	1.4	0.5	-8.9
Loan repayments	195.2	205.7	201.0	193.3	185.2	1.9	4.4	3.2	6.1	-5.1
Change in outstanding loans*	17.6	5.4	-4.8	3.1	7.8	10.2	7.7	4.9	3.8	2.0
SMEs										
Loan applications	51.4	41.6	41.0	47.0	48.3	13.9	-8.6	-3.3	-7.5	-5.9
Loan approvals	17.2	14.9	14.2	16.6	17.1	2.8	-5.6	-10.9	-1.5	-0.9
Loan disbursements	70.2	69.9	62.4	66.4	66.7	16.5	9.6	-8.1	1.6	-4.9
Loan repayments	67.0	67.6	61.8	67.5	67.4	12.3	14.8	0.9	8.1	0.6
Change in outstanding loans*	7.0	5.9	2.9	8.1	4.9	16.7	14.6	9.0	9.2	8.2
Non-SMEs[3]										
Loan applications	61.5	66.0	46.8	55.7	45.5	-2.6	20.3	29.9	18.5	-26.0
Loan approvals	26.8	34.1	21.6	27.1	22.9	-1.5	12.3	-10.0	-10.1	-14.4
Loan disbursements	135.2	142.2	133.5	128.8	120.4	-2.8	-5.7	6.6	-0.1	-10.9
Loan repayments	128.2	138.2	139.2	125.8	117.8	-2.8	0.0	4.3	5.0	-8.1
Change in outstanding loans*	10.6	-0.5	-7.7	-5.0	2.9	5.2	2.3	1.5	-0.9	-3.3
Households										
Loan applications	111.9	108.0	99.9	109.9	110.1	1.0	-1.5	-0.2	-0.5	-1.6
Loan approvals	52.5	51.2	41.0	45.8	47.6	-15.1	-15.0	-24.3	-17.6	-9.3
Loan disbursements	76.9	81.8	75.9	75.6	76.5	-2.0	-0.3	-7.4	-3.0	-0.5
Loan repayments	69.6	70.8	74.8	72.2	72.7	1.1	0.6	3.7	3.5	4.4
Change in outstanding loans*	14.2	18.4	8.5	12.4	12.1	7.9	7.6	6.5	6.2	5.8

* The annual growth is for end-period
[1] Loan applications and approvals for all segments include only banking system loans
[2] Loan disbursements, repayments and change in outstanding loan for all segments includes banking system and development financial institutions (DFIs)
[3] Includes domestic non-bank financial institutions, domestic financial institutions, government, domestic other entities and foreign entities
Note: Numbers do not add up due to rounding

Source: Bank Negara Malaysia

Loans by Sector (Banking System and DFIs)

	Loans disbursed						Outstanding Loans
	During the period (RM billion)					Share of total (%)	Share of total (%)
	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016		
Business enterprises[1,*]	**205.3**	**212.1**	**195.9**	**195.2**	**187.1**	**71.0**	**42.5**
Non-SMEs[1]	*135.2*	*142.2*	*133.5*	*128.8*	*120.4*	*45.7*	*24.6*
*SMEs**	*70.2*	*69.9*	*62.4*	*66.4*	*66.7*	*25.3*	*17.9*
Selected sectors[1]							
Agriculture, hunting, forestry and fishing	11.1	11.4	12.0	12.4	12.4	4.7	2.7
Mining and quarrying	3.7	6.2	1.8	2.1	2.2	0.8	0.7
Manufacturing	55.0	54.4	49.9	50.0	51.9	19.7	6.4
Construction	16.2	17.1	17.2	16.6	17.5	6.6	4.6
Real estate	14.8	13.3	12.6	14.7	13.4	5.1	6.5
Electricity, gas and water supply	2.0	2.8	2.4	2.7	2.0	0.7	0.8
Wholesale, retail, restaurants and hotels	51.9	54.0	49.1	51.1	50.7	19.2	6.9
Transport, storage and communication	5.8	4.4	5.6	8.4	5.6	2.1	2.5
Finance, insurance and business services	24.7	32.0	28.7	26.6	21.7	8.2	3.2
Households	**76.9**	**81.8**	**75.9**	**75.6**	**76.5**	**29.0**	**57.5**
Purchase of residential properties	20.3	21.9	20.3	19.7	18.8	7.1	27.7
Consumption credit	47.0	49.8	45.9	46.8	48.7	18.5	19.6
Of which:							
Credit cards	*25.3*	*27.5*	*26.3*	*26.2*	*27.2*	*10.3*	*2.2*
Purchase of passenger cars	*10.4*	*10.2*	*8.7*	*8.6*	*9.2*	*3.5*	*9.0*
Others	9.6	10.1	9.7	9.1	9.0	3.4	10.1
Total	**282.2**	**293.9**	**271.8**	**270.8**	**263.6**	**100.0**	**100.0**

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

Source: Bank Negara Malaysia

Lower net financing from the capital market

Net funds raised in the capital market moderated to RM13.5 billion in the third quarter of 2016 (2Q 2016: RM33.4 billion). The decline was due mainly to the large redemptions of Government debt securities.

In the public sector, gross funds raised were generally lower in the third quarter across all issuances of Government debt securities. In addition, large redemptions amounting to RM28.0 billion (2Q 2016: RM2.2 billion), particularly for Malaysian Government Securities (MGS), offset the issuances and resulted in net redemptions of RM7.2 billion in the third quarter (net funds raised in the 2Q 2016: RM23.6 billion).

In the private sector, net funds raised were substantially higher at RM20.7 billion (2Q 2016: RM9.8 billion), driven mainly by higher net issuances of corporate bonds and equities. Funds raised in the private bond market were primarily from the *finance, insurance, real estate and business services* and *Government and other services sectors*, and were mainly used for refinancing activities and for funding infrastructure projects.

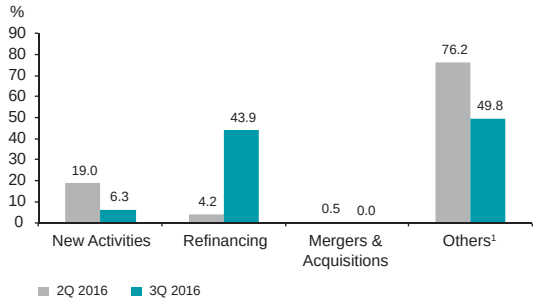
Net Funds Raised in the Capital Market

	2015		2016		
	3Q	4Q	1Q	2Q	3Q
	RM billion				
By Public Sector	**(10.0)**	**13.5**	**18.7**	**23.6**	**(7.2)**
Government securities, Gross	21.5	21.7	25.7	25.8	20.8
Malaysian Government Securities	14.5	10.9	12.1	16.2	11.9
Government Investment Issues	6.5	10.9	13.6	9.6	8.9
Sukuk Pinjaman Perumahan Kerajaan	0.5	-	-	-	-
Less: Redemptions	31.5	8.2	7.0	2.2	28.0
Malaysian Government Securities	21.0	8.2	-	2.2	24.0
Government Investment Issues	10.5	-	7.0	-	4.0
Sukuk Pinjaman Perumahan Kerajaan	-	-	-	-	-
By Private Sector	**7.4**	**37.9**	**6.7**	**9.8**	**20.7**
Shares	2.5	7.5	1.1	2.1	3.2
Corporate bonds, Net	5.0	30.5	5.6	7.7	17.5
Corporate bonds, Gross	*13.1*	*40.6*	*18.4*	*20.1*	*27.6*
Less: Redemptions	*8.2*	*10.1*	*12.7*	*12.4*	*10.0*
Total	**(2.6)**	**51.4**	**25.4**	**33.4**	**13.5**

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

Source: Bank Negara Malaysia and Bursa Malaysia

Corporate Bond Issued by Purpose (% of total)



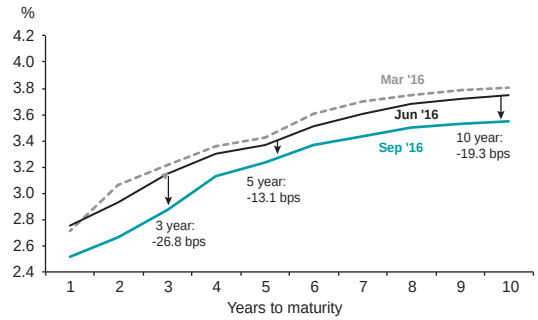
[1] Includes issuance for the purpose of capital expenditure, working capital and general business activities as well as issuance by non-residents and Cagamas

Source: Bank Negara Malaysia

Bond yields declined further in the third quarter

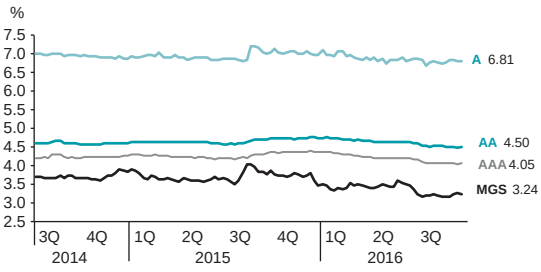
MGS yields continued to decline in the third quarter of 2016, reflecting sustained non-resident demand for Malaysian sovereign bonds. During the quarter, the share of non-resident holdings increased to 51.3% of total MGS outstanding (2Q 2016: 49.8%). As a result, the 3-year, 5-year and 10-year MGS yields declined by 27, 13 and 19 bps, respectively. In the private bond market, yields declined on account of sustained demand by domestic investors. The yields on the 5-year AAA and AA-rated corporate bonds declined by 12 and 11 bps, respectively during the period.

Trend in MGS Yields



Source: Bank Negara Malaysia

5 year MGS and 5 year Corporate Bond Yields

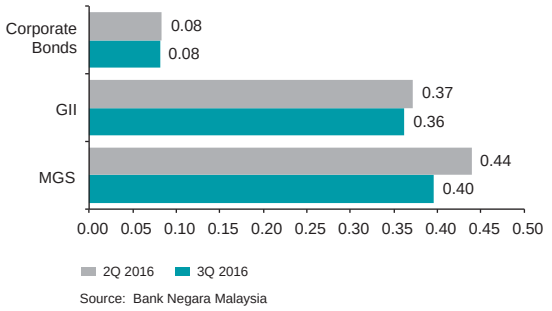


Source: Bank Negara Malaysia

Lower trading in the bond market

Despite the sustained demand for Malaysian bonds, total trading in the secondary market was lower at RM269.1 billion during the quarter (2Q 2016: RM286.9 billion) as investors traded cautiously amid the continued uncertainty over the timing of US interest rate normalisation. Correspondingly, all segments recorded slightly lower liquidity ratios compared to the previous quarter. The MGS, Government Investment Issue (GII) and corporate bond segments registered liquidity ratios of 0.40, 0.36 and 0.08, respectively.

Liquidity Ratio: Value of Bonds Traded / Outstanding



Source: Bank Negara Malaysia

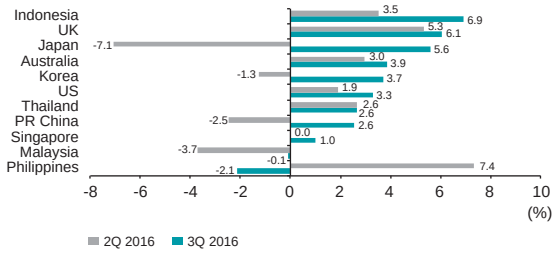
FBM KLCI declined marginally during the quarter

During the third quarter of 2016, the FBM (FTSE Bursa Malaysia) KLCI declined marginally by 0.1% to close at 1,652.6 points at end-September (end-June 2016: 1,654.1 points). During the first half of the quarter, the index was on an increasing trend driven by strong buying by non-resident investors as investor concerns over the negative impact of the EU referendum in the UK subsided along with increased expectations of additional monetary easing and fiscal stimulus measures by key advanced economies. The improvement in global oil prices, particularly in mid-August, also supported sentiments in the equity market. The gain in the index was subsequently offset in the second half of the quarter as equity markets across the region were affected by uncertainties over the timing of US interest rate normalisation and declining global oil prices.

Overall, market capitalisation increased to RM1.69 trillion as at end-September 2016 (end-June 2016: RM1.66 trillion) while the daily average turnover increased to 1.87 billion units (2Q 2016: 1.77 billion units) during the quarter.

On 9 November 2016, the KLCI ended lower at 1647.6 points (since end-September 2016: -0.3%), with a market capitalisation of RM1.68 trillion (since end-September 2016: -0.6).

Performance of Selected Global and Regional Markets in 2016 (% growth QoQ)



Source: Bloomberg and Bank Negara Malaysia calculations

Bursa Malaysia: Selected Market Indicators

	2015		2016		
	As at end				
	Sep	Dec	Mar	Jun	Sep
Price Indices					
Composite	1,621.0	1,692.5	1,717.6	1,654.1	1,652.6
FBMEMAS[1]	11,201.6	11,793.7	11,920.8	11,530.2	11,687.6
ACE Market[2]	5,567.6	6,389.2	5,637.0	5,145.1	5,219.9
Market capitalisation (RM billion)	1,597.4	1,695.2	1,707.4	1,660.3	1,686.2
No. of companies listed	904	903	904	905	905
	During the period				
	3Q	4Q	1Q	2Q	3Q
Average daily turnover					
Volume (million units)	1,899.2	2,234.0	1,875.8	1,770.6	1,870.0
Value (RM million)	2,005.6	2,149.7	2,052.2	1,996.4	1,876.7

[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

	2015				2016					
	3Q		4Q		1Q		2Q		3Q	
	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion	Billion units	RM billion
Turnover	117.8	124.3	138.5	133.3	112.5	124.1	111.5	125.8	114.1	114.5
Of which:										
Main Board	68.0	111.4	82.5	121.4	76.3	117.0	75.3	118.9	73.2	107.8
Of which										
Consumer Products	6.3	6.2	7.0	6.8	8.8	7.3	8.1	6.9	4.9	6.1
Industrial Products	12.9	14.7	19.1	21.8	14.6	19.3	14.2	15.7	14.2	14.1
Construction	4.2	5.4	3.9	4.6	4.1	5.3	3.9	5.2	3.4	4.7
Trading/Services	28.4	45.5	32.4	51.3	30.7	48.0	30.9	51.5	31.9	47.4
Finance	3.5	22.3	2.9	17.7	3.1	20.1	3.6	23.6	4.1	18.2
Properties	5.5	4.1	7.5	5.0	6.4	3.4	5.6	3.3	4.6	4.9
Plantations	1.3	3.7	1.7	5.0	1.6	5.9	1.5	5.6	1.7	5.7
Infrastructure	1.1	4.7	1.0	4.3	0.8	3.2	0.7	2.8	0.7	2.5
ACE Market[1]	21.0	5.1	36.7	8.3	20.5	4.1	23.2	4.5	19.2	3.4

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

Source: Bursa Malaysia

Ringgit weakness driven primarily by external factors

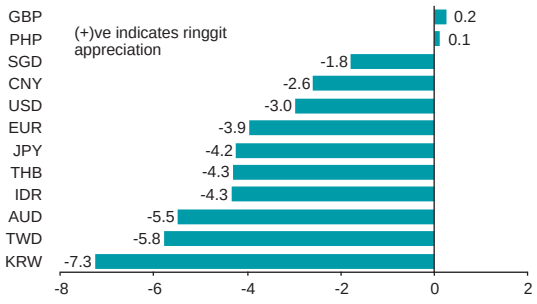
The ringgit depreciated against most major and regional currencies during the quarter. This was a reflection of the shifts in investor sentiments and rebalancing of portfolio investments activity throughout the quarter driven mainly by external events. While all regional currencies were affected by the continued uncertainty over the timing of US interest rate normalisation, the ringgit and the currencies of other commodity-exporting countries also faced additional adjustments due to the highly volatile global crude oil prices during the quarter.

Overall, the ringgit depreciated by 3.0% against the US dollar during the quarter. The ringgit also depreciated against the euro (-3.9%), the Japanese yen (-4.2%) and the Australian dollar (-5.5%), but appreciated against the pound sterling (0.2%). The ringgit also depreciated against all regional currencies except the Philippine peso, by between 1.8% and 7.3%.

Between 1 October and 9 November 2016, the ringgit depreciated against the US dollar (-1.8%). The ringgit also depreciated against the Japanese yen (-1.3%), the Australian dollar (-1.7%), and the euro (-1.9%), but appreciated against the pound sterling (2.0%).The ringgit also depreciated against most regional currencies.

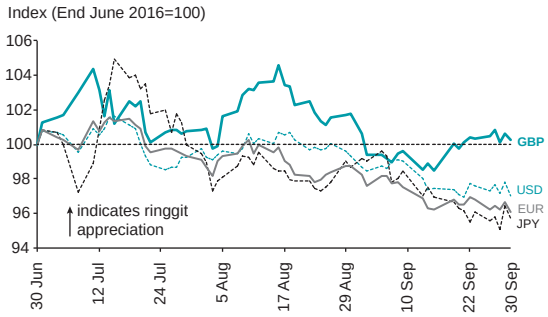
Summary of Ringgit Performance against Selected Currencies

Percent Change (1 July - 30 September 2016)



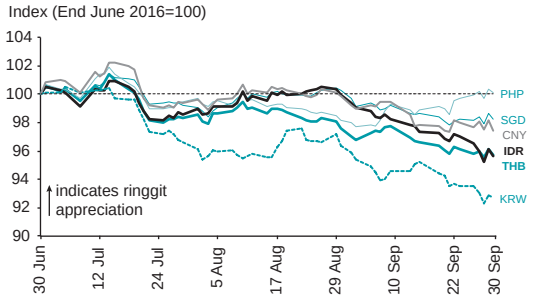
Source: Bank Negara Malaysia

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*	
	3Q 2015	2Q 2016	3Q 2016	3Q 2015	2Q 2016
US dollar	4.4455	4.0225	4.1455	7.2	-3.0
Euro	5.0052	4.4664	4.6500	7.6	-3.9
Pound sterling	6.7412	5.3910	5.3775	25.4	0.2
Australian dollar	3.1176	2.9899	3.1632	-1.4	-5.5
100 Japanese yen	3.7084	3.9145	4.0881	-9.3	-4.2
Singapore dollar	3.1191	2.9816	3.0359	2.7	-1.8
100 Thai baht	12.223	11.428	11.943	2.3	-4.3
100 Philippine peso	9.5050	8.5599	8.5492	11.2	0.1
100 Indonesian rupiah	0.0303	0.0305	0.0319	-4.9	-4.3
100 Korean won	0.3740	0.3489	0.3762	-0.6	-7.3
100 New Taiwan dollar	13.516	12.472	13.236	2.1	-5.8
Chinese renminbi	0.6994	0.6054	0.6215	12.5	-2.6

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

Source: Bank Negara Malaysia

Foreign exchange derivatives activities were lower in the third quarter of 2016 as volatility in the financial market was subdued

Foreign exchange derivatives volume were lower during the quarter compared to the same period in the previous year (-11.1%, Q2 2016: -2.9%). Lower volumes were observed for FX swap activities (-18.6%) and cross-currency swap (-5.3%). The reduction in volume was attributed to the decrease in resident's hedging activities amid lower volatility in the local market during the period. Oil prices stabilised and there were more certainties in the path of the Federal Reserves' interest rate decision. The expectation of a hike in interest rates by the Federal Reserves before the end of 2016 is higher after series of improvements in US economic and labour data.

The 5-year USD/MYR cross-currency swap narrowed to 55 bps from the previous quarter's closing of 83 bps. The narrowing in basis was attributed to ample US dollar liquidity in the domestic market, with risks remaining over the impact of the UK's EU referendum.