

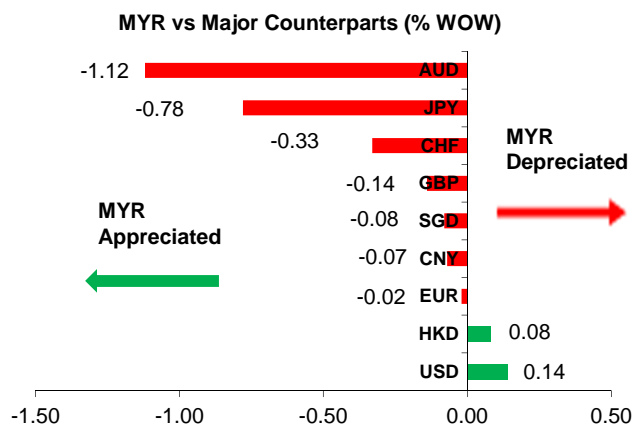
Global Markets Research

Weekly Market Highlights

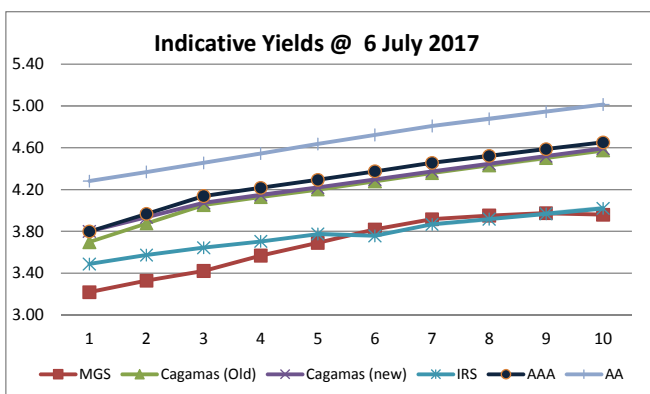
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↑	↑	↑
EU	↑	↓	↓	↑
UK	↓	↓	↓	↑
Japan	↑	↓	↓	↑
Malaysia	↓	↓	↓	↑
China	↓	↓	↑	↑
Hong Kong	↑	↓	↓	↑
Singapore	↔	↓	↓	↑

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- RBA maintained cash rate at 1.50% as expected on Tuesday. Tone of the accompanying policy statement was neutral contrary to market's expectation of a hawkish stance after CPI surged above 2.00% in 1Q for the first time since 2014.
- US services and manufacturing PMI reiterated that the economy is poised to expand at a steady pace in 2Q. ISM manufacturing index surged to 57.8 in June, marking the highest reading since August 2014 after a reading of 54.9 in May. On the other hand, services sector PMI climbed to 57.4 last month (May: 56.9).
- Euro zone's factory gate inflation rose 3.30% YOY in May, slowing down from the 4.30% YOY increase in April amid moderating price growth in Germany, France and Italy. CPI dropped to a six month low in June, accentuating ECB's stance to keep monetary policy accommodate at this juncture.
- Policy members at BNM will meet for monetary policy meeting next week and expected to maintain OPR at 3.00%. Investors will be looking for any signs of hawkishness in the accompanying policy statement before shifting monetary policy expectation, if warranted.
- On the US data front, CPI, IPI and retail sales prints are all in the economic calendar next week. UK is releasing data on its labor market while euro zone will release its IPI and trade balance numbers next.
- In the Asian region, Japan's IPI will be in the pipelines. China's CPI and exports prints are upcoming and an initial estimate of Singapore's 2Q GDP is due.

Forex

- MYR weakened 0.14% WOW to 4.2995 against USD but managed to beat 7 G10s as other majors retreated. We maintain a slightly bullish view on MYR against USD; even as USD may be boosted by a strong set of employment data tonight, we reckon that that gains may be more restricted, thus allowing MYR to recover and potentially pip the greenback to a firmer closing. Expect bullish potential in Malaysia data and mild emergence of hawkish expectations on BNM to boost MYR. The 4.3098 level remains unbeaten, thus we are not confident that USDMYR could push any higher. Conversely, upside momentum continues to retreat, leading to our believe that USDMYR is more inclined to downside; breaking below 4.2902 exposes a longer-term drop to 4.2811.
- USD advanced against 7 G10s while the Dollar Index inched 0.19% WOW higher to 95.80, supported by slightly firmer ISM manufacturing and still hawkish –sounding FOMC minutes. USD direction will be dictated by US employment data tonight; strong data would push the greenback higher, allowing some cushion for retreats amid a less data-packed week to still be able to close overall higher. Weak data would cast further doubt on Fed's proclivity towards starting its balance sheet reduction sooner, expect USD losses to accumulate. Despite recent slump, technical outlook continues to point to the Dollar Index climbing back above 96.32 going forward, above which 97.44 will be tested next.

Fixed Income

- UST traded on a softer tone this week, pushing yields higher across the curve. 10-year UST yields ended 10bps higher at 2.37% while the 2s edged 3bps up to 1.40%. Demand for UST briefly regained some traction pushing yields back down post-FOMC minutes release that reaffirmed the Fed gradual policy normalization stance despite growing divergence among policy makers with regards to the timing of the next rate hike and commencement of balance sheet reduction. Yields were however quick to resume its uptrend last night following the release of softer than expected ADP job data. Tonight's nonfarm payroll will be the key influence over UST performance next week. A decent print will reaffirm expectations that the Fed policy path is on track, hence pressuring UST yields to move higher from current levels.
- On the local front, daily trading volume for local govies regained traction back above RM3.0bn for most of the days after the festive holiday-shortened week. MGS yields were higher across the curve by 6-10bps with the 3s, 5s, and 10s closing at 3.42%, 3.69%, and 3.96% respectively yesterday, slightly flattening the curve. This week's reopening of 7-year MGS 9/24 received strong demand from onshore real money, with a bid-cover of 2.877x. BNM will meet next Thursday and we are not expecting any change in the OPR. Rhetoric in the policy statement will however will closely watched for guidance on future policy direction.

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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↔	↔	↔	↑
EU	↑	↔	↔	↓
UK	↓	↔	↔	↓
Japan	↔	↑	↔	↔
Australia	↔	↑	↔	↓
China	↓	↑	↔	↓
Malaysia	↓	↓	↔	↔
Thailand	↔	↑	↔	↔
Indonesia	↔	↑	↔	↔
Singapore	↔	↑	↔	↔

Review

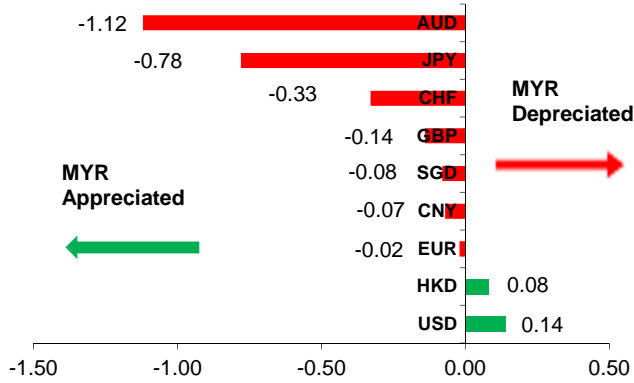
- RBA maintained cash rate at 1.50% as expected on Tuesday. Tone of the accompanying policy statement was neutral contrary to market's expectation of a hawkish stance after CPI surged above 2.00% in 1Q for the first time since 2014. The central bank governor Philip Lowe raised concern on household debt which may drag consumption as "growth in housing debt outpaced the slow growth in household incomes".
- The US manufacturing sector continue to expand at robust pace going into the third quarter of the year. ISM manufacturing index surged to 57.8 in June, marking the highest reading since August 2014 after a reading of 54.9 in May. Markit PMI was at a healthy print of 52.0 in June (May: 52.7) while the Chicago purchasing mahager index rose to a three year high of 65.7 in June (May: 59.4). On the other hand, factory orders dropped 0.80% MOM in May after a 0.30% MOM decline in April. Core capital goods orders rose for five straight months and increased 0.20% MOM but defense goods orders slumped 8.20% MOM, the latter dragging overall capital goods orders to slump 2.90% MOM. Separately, final services sector PMI surged to a five month high to 54.2 in June (May: 53.6) while another similar gauge from ISM climbed to 57.4 last month (May: 56.9), affirming that industries such retail, healthcare and construction are expanding at a pace that will bolster the economy this quarter.
- Personal income accelerated to 0.40% MOM (April: +0.30% MOM) but spending slowed to 0.10% MOM as expected in May (April: +0.40% MOM) as household save a bigger portion of their income. University of Michigan sentiment declined less than expected to 95.1 in June (May: 97.1). Employment data trend have largely been positive in the first half of the year, strengthening the case for tighter monetary policy in the second half of 2017. Despite the softer number, report showed that private employers added 158k jobs to payroll in June, less than the expected 188k and short of May's 230k.
- Euro zone's factory gate inflation rose 3.30% YOY in May, slowing down from the 4.30% YOY increase in April amid moderating price growth in Germany, France and Italy. CPI dropped to a six month low in June, accentuating ECB's stance to keep monetary policy accommodate at this juncture. CPI increased 1.30% YOY in June after growing 1.40% YOY in May, strengthening the case for gradual exit from ECB's stimulus program. On a brighter note, core CPI increased at a quicker pace of 1.10% YOY (May: +0.90% YOY).
- China services and manufacturing PMI surged to a three month high of 54.9 and 51.7 in June, underscoring resilience growth in the second quarter of the year. Despite ongoing supply side reforms, data show no signs of abrupt economic slowdown in the first half of the year and post early indication that the economy is poised to achieve its targeted 6.50% annual growth this year.
- Australia's performance of manufacturing index rose to a firm reading of 55.0 in June followed a reading of 54.8 in May. The increase in headline number was due to the rise in production, exports and new orders sub-indexes. On a second report, building approval slipped 5.60% MOM in May, reversing the revised 4.80% MOM increase in April.

The Week Ahead...

- Policy members at BNM will meet for monetary policy meeting next week and expected to maintain OPR at 3.00%. Investors will be looking for any signs of hawkishness in the accompanying policy statement before shifting monetary policy expectation.
- On the US data front, CPI, IPI and retail sales prints are all in the economic calendar next week. UK is releasing data on its labor market while euro zone will release its IPI and trade balance numbers next.
- In the Asian region, Japan's IPI will be in the pipelines. China's CPI and exports prints are upcoming and an initial estimate of Singapore's 2Q GDP is due next week.
- Down south, Australia's NAB business confidence and NAB business conditions index are coming up next. Separately from New Zealand, ANZ consumer confidence index and business manufacturing PMI are also on the tab.

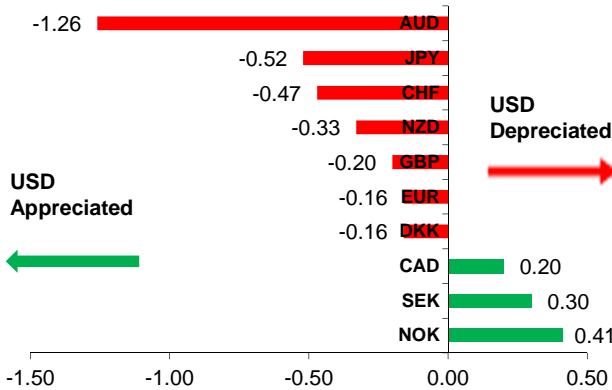
Forex

MYR vs Major Counterparts (% WOW)



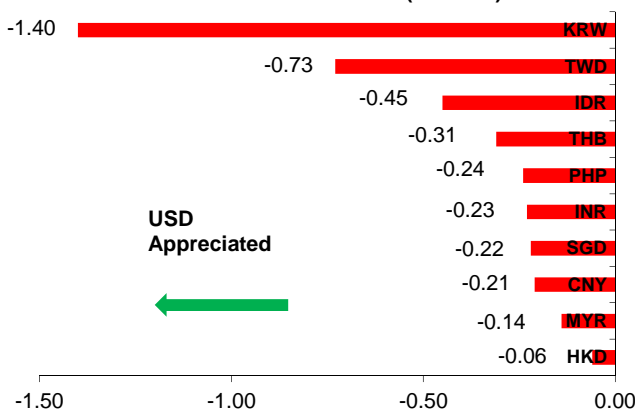
Source: Bloomberg

USD vs the G10s (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review & Outlook

- MYR:** MYR weakened 0.14% WOW to 4.2995 against USD but managed to beat 7 G10s as other majors retreated. We maintain a slightly bullish view on MYR against USD; even as USD may be boosted by a strong set of employment data tonight, we reckon that that gains may be more restricted, thus allowing MYR to recover and potentially pip the greenback to a firmer closing. Expect bullish potential in Malaysia data and mild emergence of hawkish expectations on BNM to boost MYR. The 4.3098 level remains unbeaten, thus we are not confident that USDMYR could push any higher. Conversely, upside momentum continues to retreat, leading to our believe that USDMYR is more inclined to downsides; breaking below 4.2902 exposes a longer-term drop to 4.2811.

- USD:** USD advanced against 7 G10s while the Dollar Index inched 0.19% WOW higher to 95.80, supported by slightly firmer ISM manufacturing and still hawkish – sounding FOMC minutes. USD direction will be dictated by US employment data tonight; strong data would push the greenback higher, allowing some cushion for retreats amid a less data-packed week to still be able to close overall higher. Weak data would cast further doubt on Fed's proclivity towards starting its balance sheet reduction sooner, expect USD losses to accumulate. Despite recent slump, technical outlook continues to point to the Dollar Index climbing back above 96.32 going forward, above which 97.44 will be tested next.

- EUR:** EUR slipped 0.16% WOW to 1.1423 against USD but managed to beat 6 G10s. We are neutral on EUR against USD. There is little to drive EUR on the macro front, thus its direction will be reliant on USD performance, which we believe will likely be supported if US employment data excels tonight. Technical viewpoint remains unchanged despite recent rebound; we maintain that 1.1500 – 1.1520 to be a strong resistance range that would repel EURUSD's advance and push it lower to 1.1282.

- GBP:** GBP fell 0.2% WOW to 1.2971 against USD and weakened against 5 G10s on softer UK data. GBP remains bearish in our view, in line with our expectation of a firmer USD next week. As noted last week, UK data will be more scrutinized given recent BOE change to hawkish tone, thus strong employment reports next week will boost GBP. Technically, GBPUSD remains tilted towards the downsides, unless it manages to close above 1.3044. Caution that breaking below 1.2907 will accelerate the bears that could push the pair down to 1.2810.

- JPY:** JPY weakened 0.52% WOW to 113.22 against USD and fell against 8 G10s, owing to a one-day sharp decline on receding refuge demand. JPY remains prone to further weakness next week in line with our expectation of a firmer USD. Disappointing Japan data will add further pressure on JPY. USDJPY carries a bullish tone; we opine that the pair would target 113.84 – 114.00 next but bullish technical landscape will be altered by a break close below 113.06.

- AUD:** AUD tumbled 1.26% WOW to 0.7586 against USD and fell against all G10s as bullish bets unraveled after RBA maintained its policy stance, much to the disappointment of the markets. Expect AUD to underperform USD next week, more so if market risk appetite continues to recede and if data from China dips. A break below 0.7600 has firmed up bearish bias and tilt AUDUSD further into bearish territory. We set sights on a test, and possibly break, at 0.7566, below which 0.7521 will be targeted.

- SGD:** SGD slipped 0.22% WOW to 1.3822 against USD and closed mixed against the G10s, weighed down by risk-off in the markets. We expect SGD to carry a bearish tone to the extent of a firm USD next week, but note that strong data performance by Singapore will boost SGD and overturn losses. A note that a mild bullish tone has emerged in USSGD; we continue to set sights on a rebound to 1.3849 going forward, above which 1.3879 will be targeted.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1411	64.40	1.1110	1.1500	1.1257	1.0926	1.0830	Positive
GBPUSD	1.2967	58.97	1.2589	1.3050	1.2840	1.2679	1.2547	Positive
USDJPY	113.81	70.38	108.30	115.00	111.37	111.78	111.51	Positive
USDCNY	6.8033	42.39	6.7622	6.6900	6.8113	6.8664	6.8485	Negative
USDSGD	1.3835	48.32	1.3700	1.3915	1.3836	1.3959	1.4058	Positive
AUDUSD	0.7577	50.43	0.7440	0.7712	0.7556	0.7552	0.7529	Negative
NZDUSD	0.7282	59.85	0.7000	0.7376	0.7223	0.7062	0.7096	Positive
USDMYR	4.2980	53.94	4.2505	4.3090	4.2810	4.3694	4.3505	Neutral
EURMYR	4.9043	69.48	4.6566	4.9500	4.8146	4.7583	4.7193	Positive
GBPMYR	5.5730	59.56	5.3875	5.6800	5.4996	5.5263	5.4660	Positive
JPYMYR	3.7792	36.17	3.7488	3.9233	3.8442	3.9046	3.9300	Negative
CHFMYR	4.4719	62.13	4.3057	4.5000	4.4196	4.4115	4.3755	Negative
SGDMYR	3.1065	55.94	3.0775	3.1269	3.0942	3.1259	3.1015	Neutral
AUDMYR	3.2568	52.53	3.1569	3.3123	3.2300	3.3034	3.2792	Negative
NZDMYR	3.1311	64.96	2.9663	3.1614	3.0819	3.0871	3.0919	Negative

➤ **Trader's Comment:**

It's been a somewhat quiet start to the month as almost everything is stuck in tight recent ranges as market awaits the monthly NFP. Themes building up are the tightening of global rates as major central banks worldwide try to keep pace with the Fed with BOC taking the lead charge as markets expects a hike by next week's meeting. As a result, USDCAD was swinging between 1.2900-1.3010 the entire week to the whims of oil movements and rate hike expectations.

EURUSD started off the week poorly with a drop from 1.1430 levels to low 1.1300 levels by mid week. It then staged a rebound back towards 1.1415 at time of writing on renewed selling in European sovereign bonds as global tightening fears as markets repriced European rates markets which keeps EURUSD bid as market buys back their EURUSD hedges.

AUDUSD was the big mover as markets expected a hawkish RBA which didn't materialize. It staged a magnificent drop from 0.7680 levels pre data to 0.7580 lows and continues to trade around the lower region at time of writing.

Locally, USDMYR traded between 4.2900-4.3000 amidst lackluster interests and rangey regionals. Would expect same ranges to persist amidst strong 2 way interests these levels.

Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



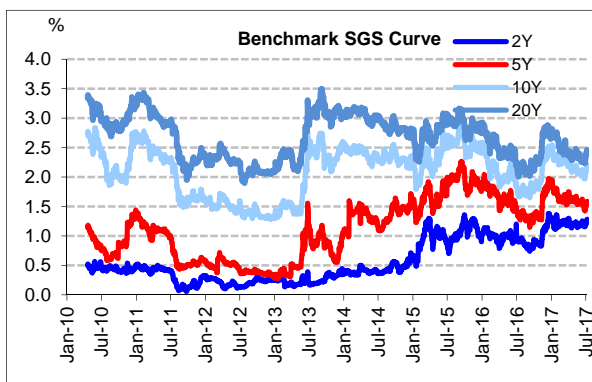
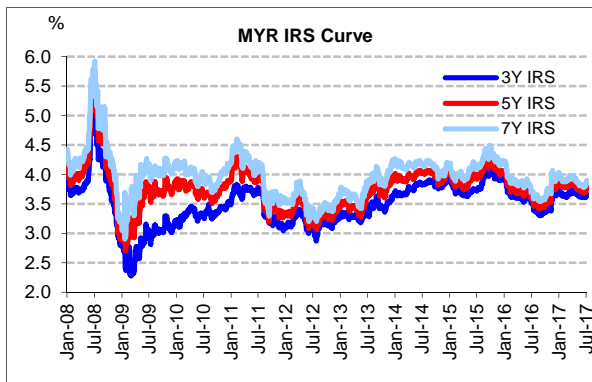
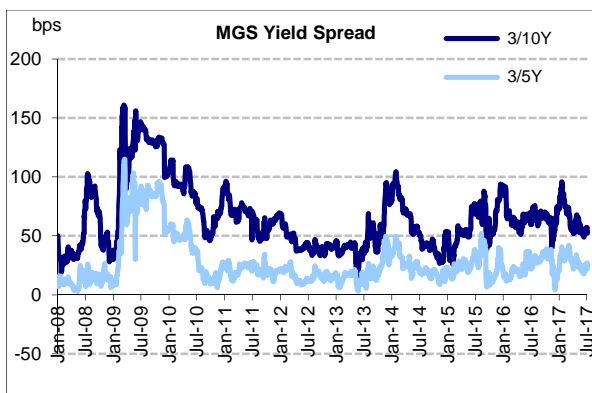
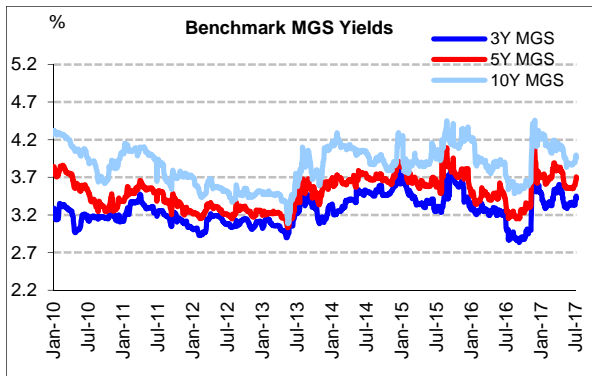
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

- UST traded on a softer tone this week, pushing yields higher across the curve. 10-year UST yields ended 10bps higher at 2.37% while the 2s edged 3bps up to 1.40%. Demand for UST briefly regained some traction pushing yields back down post-FOMC minutes release that reaffirmed the Fed gradual policy normalization stance despite growing divergence among policy makers with regards to the timing of the next rate hike and commencement of balance sheet reduction. Yields were however quick to resume its uptrend last night following the release of softer than expected ADP job report and extended increase in weekly initial jobless claims which unnerved markets that a softening job market could derail the Fed's normalization plans. Tonight's nonfarm payroll will be the key influence over UST performance next week. A decent print will reaffirm expectations that the Fed policy path is on track, hence pressuring UST yields to move higher from current levels.
- On the local front, daily trading volume for local govies regained traction back above RM3.0bn for most of the days after the festive holiday-shortened week. MGS yields were higher across the curve by 6-10bps with the 3s, 5s, and 10s closing at 3.42%, 3.69%, and 3.96% respectively yesterday, slightly flattening the curve. This week's reopening of 7-year MGS 9/24 received strong demand from onshore real money, with a bid-cover of 2.877x. The auction was sold at a high, average, and low yield of 3.924%, 3.919%, and 3.913% respectively. We expect investors to stay vigilant, looking out for opportunities to buy on dips amid looming prospects of policy shifts from major central banks most notably the Fed and the ECB. BNM will meet next Thursday and we are not expecting any change in the OPR. Rhetoric in the policy statement will however will closely watched for guidance on future policy direction.
- It was relatively quiet in the corporate bonds/sukuk space. Trading volume for corporate bonds/sukuk remained thin with only RM156m changed hands yesterday even though trading volume once rose above RM500m earlier in the week. A combined volume of RM50m was transacted in the AAA space while RM93m changed hands in the AA space with financial papers being transacted the most in the latter.
- Benchmark SGS also saw yields extended its move higher this week tracking overall regional momentum as UST headed north following hawkish rhetoric from ECB. 10-year yields climbed 8bps higher to close at 2.14% while the 2s were relatively flat at 1.22%. Should nonfarm payroll data surprise on the upside tonight, we expect upward pressure for bond yields to emerge on the back of sustained/heightened expectations that the Fed policy path is on track. On top of influence from the US, advance 2Q GDP reading from Singapore, which, if points to continuous improvement in growth prospects of the Singapore economy, would somewhat negate the upward move in yields.

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Chellam Plantations (Sabah) Sdn Bhd	RM150 million of sukuk under a Guaranteed Sukuk Murabahah Programme of up to RM300 million.	AAA/ fg (Stable)	Reaffirmed
HSBC Amanah Malaysia Berhad	RM3 billion Multi-Currency Sukuk Programme (2012/2032).	AAA (Stable)	Reaffirmed
Lafarge Cement Sdn Bhd	RM500 million Sukuk Wakalah Programme	AA2 / Negative	Outlook revised to Negative from Stable
Development Bank of Kazakhstan	RM1.5 billion Sukuk Murabahah Programme (2012/2032)	AA3 / Stable	Reaffirmed

Source: RAM Ratings; MARC

Economic Calendar Release Date

Date	Country	Event	Reporting Period	Survey	Prior	Revised
07/12	Malaysia	Industrial Production YoY	May	4.30%	4.20%	--
07/13		BNM Overnight Policy Rate	Jul-13	3.00%	3.00%	--
07/19		CPI YoY	Jun	--	3.90%	--
07/21		Foreign Reserves	Jul-14	--	--	--
07/11	US	Consumer Credit	May	\$13.000b	\$8.197b	--
		NFIB Small Business Optimism	Jun	--	104.5	--
		Wholesale Inventories MoM	May F	0.30%	0.30%	--
07/12		MBA Mortgage Applications	Jul-07	--	1.40%	--
07/13		U.S. Federal Reserve Releases Beige Book				
		PPI Final Demand YoY	Jun	1.80%	2.40%	--
		Initial Jobless Claims	Jul-08	--	248k	--
07/14		CPI YoY	Jun	1.70%	1.90%	--
		Retail Sales Advance MoM	Jun	0.10%	-0.30%	--
		Industrial Production MoM	Jun	0.30%	0.00%	--
		U. of Mich. Sentiment	Jul P	95.0	95.1	--
07/17		Empire Manufacturing	Jul	--	19.8	--
07/18		NAHB Housing Market Index	Jul	--	67	--
07/19		MBA Mortgage Applications	Jul-14	--	--	--
		Housing Starts MoM	Jun	9.00%	-5.50%	--
		Building Permits MoM	Jun	3.20%	-4.90%	--
07/20		Initial Jobless Claims	Jul-15	--	--	--
		Philadelphia Fed Business Outlook	Jul	--	27.6	--
07/12	UK	Jobless Claims Change	Jun	--	7.3k	--
		ILO Unemployment Rate 3Mths	May	4.60%	4.60%	--
		Employment Change 3M/3M	May	134k	109k	--
07/17		Rightmove House Prices YoY	Jul	--	1.80%	--
07/18		CPI YoY	Jun	--	2.90%	--
		RPI YoY	Jun	--	3.70%	--
		PPI Output NSA YoY	Jun	--	3.60%	--
07/20		Retail Sales Inc Auto Fuel YoY	Jun	--	0.90%	--
		CBI Trends Total Orders	Jul	--	16	--
07/21		Public Finances (PSNCR)	Jun	--	13.4b	--
		PSNB ex Banking Groups	Jun	--	6.7b	--
07/10	Euro zone	Sentix Investor Confidence	Jul	28.2	28.4	--
07/12		Industrial Production SA MoM	May	0.30%	0.50%	--
07/14		Trade Balance SA	May	--	19.6b	--
07/18		CPI YoY	Jun F	--	1.40%	1.40%
		ZEW Survey Expectations	Jul	--	37.7	--
07/19		Construction Output MoM	May	--	0.30%	--
07/20		ECB Current Account SA	May	--	22.2b	--
		ECB Main Refinancing Rate	Jul-20	--	0.00%	--
		Consumer Confidence	Jul A	--	-1.3	--
07/10	Japan	Machine Orders MoM	May	1.70%	-3.10%	--
		BoP Current Account Balance	May	¥1792.8b	¥1951.9b	--
		Eco Watchers Survey Current SA	Jun	48.9	48.6	--
		Eco Watchers Survey Outlook SA	Jun	50.2	49.6	--
07/11		Machine Tool Orders YoY	Jun P	--	24.50%	--
07/12		PPI YoY	Jun	2.00%	2.10%	--
		Tertiary Industry Index MoM	May	-0.50%	1.20%	--
07/14		Industrial Production MoM	May F	--	-3.30%	--
		Nationwide Dept Sales YoY	Jun	--	0.00%	--

07/19		Machine Tool Orders YoY	Jun F	--	--	--
07/20		Trade Balance	Jun	--	-¥203.4b	-¥204.2b
		All Industry Activity Index MoM	May	--	2.10%	--
		BOJ Policy Balance Rate	Jul-20	--	-0.10%	--
07/10	China	CPI YoY	Jun	1.60%	1.50%	--
		PPI YoY	Jun	5.50%	5.50%	--
07/13		Exports YoY	Jun	9.00%	8.70%	--
07/17		Retail Sales YoY	Jun	10.60%	10.70%	--
		Fixed Assets Ex Rural YTD YoY	Jun	8.50%	8.60%	--
		Industrial Production YoY	Jun	6.50%	6.50%	--
		GDP YoY	2Q	6.80%	6.90%	--
07/10	Singapore	GDP YoY	2Q A	2.80%	2.70%	--
07/12		Retail Sales YoY	May	2.30%	2.60%	--
07/17		Non-oil Domestic Exports YoY	Jun	--	-1.20%	--
07/18	Hong Kong	Unemployment Rate SA	Jun	--	3.20%	--
07/20		CPI Composite YoY	Jun	--	2.00%	--
07/11	Australia	NAB Business Conditions	Jun	--	12	--
		NAB Business Confidence	Jun	--	7	--
		Home Loans MoM	May	1.50%	-1.90%	--
07/12		Westpac Consumer Conf Index	Jul	--	96.2	--
07/18		RBA July Rate Meeting Minutes				
07/20		NAB Business Confidence	2Q	--	6	--
		Unemployment Rate	Jun	--	5.50%	--
07/10	New Zealand	REINZ House Sales YoY	Jun	--	-18.40%	--
07/13		ANZ Consumer Confidence Index	Jul	--	127.8	--
07/14		BusinessNZ Manufacturing PMI	Jun	--	58.5	--
07/17		Performance Services Index	Jun	--	58.8	--
07/18		CPI YoY	2Q	--	2.20%	--

Source: Bloomberg

Hong Leong Bank Berhad

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