

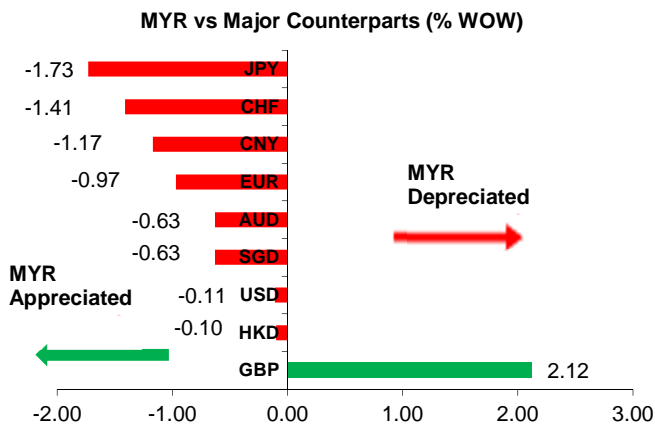
## Global Markets Research

### Weekly Market Highlights

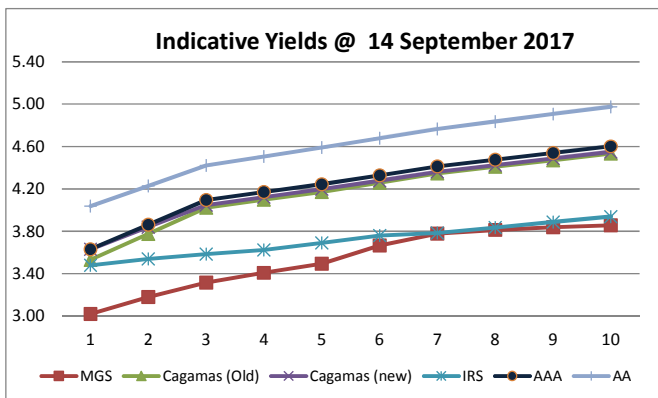
#### Weekly Performance

	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

- Upside surprises to inflation is the key takeaway from this week's economic releases and has prompted a build-up in market expectations for near term policy tightening in the US and the UK. At its MPC meeting yesterday, BOE commented that "some withdrawal of monetary stimulus was likely to be appropriate over the coming months". We don't expect BOE to move in the remaining two MPC meetings this year, staying wary on growth uncertainties and subdued wage growth. BOE did indicate that upcoming policy move will hinge on the sustainability of current uptrend in inflation and economic strength.
- In the US, faster than expected upshift in core CPI heightened expectations the Fed could deliver one more rate hike this year. China data dump disappointed across the board, aggravating concerns over steeper growth slowdown. Dataflow from Japan, Australia, New Zealand as well as Malaysia was positive.
- All eyes will be on FOMC meeting next week where the Fed is widely expected to announce tapering details. On top of that, quarterly summary projection will also be scrutinized for timing and pace of subsequent Fed rate hikes, especially after yesterday's CPI prints surprised on the upside. BOJ meeting and RBA minutes are other key watches. On the data front, US housing starts, existing home sales and preliminary readings of PMI manufacturing and services indices will top investor radar. At the local front, we expect Malaysia CPI to edge up for the first time in five months, to 3.4% YOY in August as a result of reacceleration in transport prices.

#### Forex

- MYR advanced 0.11% WOW to 4.2060 against USD and beat 9 G10s on the back of firmer risk appetite as well as higher oil prices. As risk appetite takes a turn south on renewed geopolitical tensions, expect MYR to be on the defensive next week against USD. Caution that upside surprise in Malaysia CPI will boost MYR. Technical signals are mixed; USDMYR appears to be attempting a rebound but the recent close below 4.2000 has dented its upside strength and likely to push the pair lower. While declines are likely, we caution on a potential bounce off 4.1900 that could trigger an extended rebound to test 4.2260.
- USD rebounded this week to beat 9 G10s while the Dollar Index climbed 0.5% WOW to 92.12, boosted by return of buying interest amid receding concerns over impact of Hurricane Irma on the US economy and geopolitical tensions. However, with North Korea having just tested another missile this morning, expect mild downsides in USD to prevail time being. Firm US data, and more so the announcement on start of Fed balance sheet reduction in FOMC policy decision next week, will overturn losses into gains. The Dollar Index has bounced above 91.59, and shows a mild bullish bias that could target 93.02 next week. Caution that a close below 91.87 will alter current positive outlook to target 91.20.

#### Fixed Income

- UST yields reversed the earlier week's trend and rose as investors lingering concerns over impact of Hurricane Irma subsided. This coupled with the higher than expected CPI figures of 1.9% YOY revived expectations of increasing inflationary pressures and subsequently spurring expectations for a 3<sup>rd</sup> Fed rate hike this year. 2-10Y UST's saw yields climb 10-15 bps with the much-watched 10Y settling 15bps higher at 2.19%. Trump's proposal that Congress repeal the debt ceiling, (a spending limit that was intended to facilitate the issuance of bonds historically) will be watched carefully together with September FOMC on 21<sup>st</sup> Sep.
- Local govies meanwhile traded tighter this week, following the rebound in MYR performance. Trading volume for MYR govies were also boosted higher with healthy volumes of about RM15.9b of MGS and RM6.6b. The 5y MGS benchmark 3/22 reopening saw a better BTC of 1.90x versus its debut of 1.54x. The 3Y, 5Y and 10Y MGS were lower by 2-4 bps closing at 3.32%, 3.49% and 3.85% respectively. FOMC meeting and MYR performance will be the key influences in the local govies space next week, potentially sidelining the release of August CPI which we are expecting an uptick reflecting reacceleration in transport prices.

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## Macroeconomics

### 6-month Macro Outlook

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

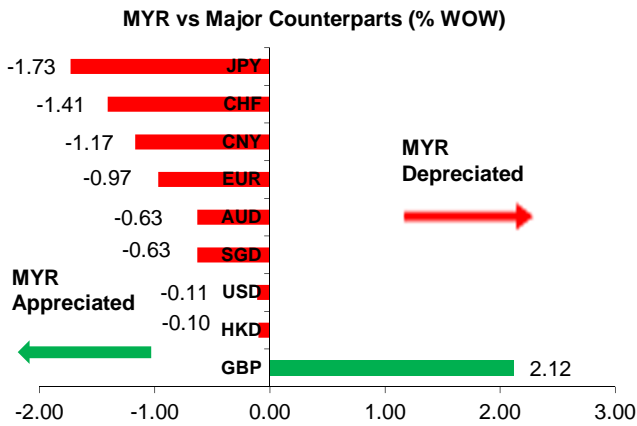
### Review

- Upside surprises to inflation is the key takeaway from this week's economic releases and has prompted a build-up in market expectations for near term policy tightening in the US and the UK. At its MPC meeting yesterday, BOE commented that "some withdrawal of monetary stimulus was likely to be appropriate over the coming months" after this week's reports showed CPI, RPI and PPI quickened more than expected to 2.9%, 3.9%, and 3.4% YOY in August. UK job reports also suggest continued improvement in the labour market. We don't expect BOE to move in the remaining two MPC meetings this year, staying wary on growth uncertainties and subdued wage growth. BOE did indicate that upcoming policy move will hinge on the sustainability of current uptrend in inflation and economic strength.
- In the US, CPI rose at its quickest pace of 0.4% MOM in August and picked up to a 1.9% increase on a YOY basis. Faster than expected upshift in core CPI heightened expectations the Fed could deliver one more rate hike this year. We will be closely watching next week's FOMC meeting rhetoric and summary economic projection for more cues if our view for no more Fed rate hike this year warrants a change.
- China data dump disappointed across the board, aggravating concerns over steeper growth slowdown. Retail sales and industrial production surprisingly moderated to 10.1% and 6.0% YOY in August while fixed asset investment decelerated more than expected to 7.8% YOY, its slowest in nearly 18 years. The latest prints implied softer outlook at both the consumption and investment front and coupled with easier exports gain released earlier, implied the slowdown in the China economy in 2H is rather broad-based.
- Oceania data was also positive. Job indicators and consumer confidence improved, but RBA board member Harper said the Australian economy is still growing below potential and growth is too slow to justify any rate hike at the moment. In New Zealand, consumer confidence and manufacturing PMI both ticked higher, painting a less gloomy picture of the kiwi land.
- In Malaysia, industrial production growth accelerated to an 8-month high in Jul, lifted by low-base effect. Manufacturing and electricity recorded firmer output compared to in Jun, negating the slowdown in mining. We maintain our view for healthy production growth in the months ahead, underpinned by sustained external and domestic demand. This shall be supportive of our revised real GDP growth forecast of 5.4% for the full year of 2017.

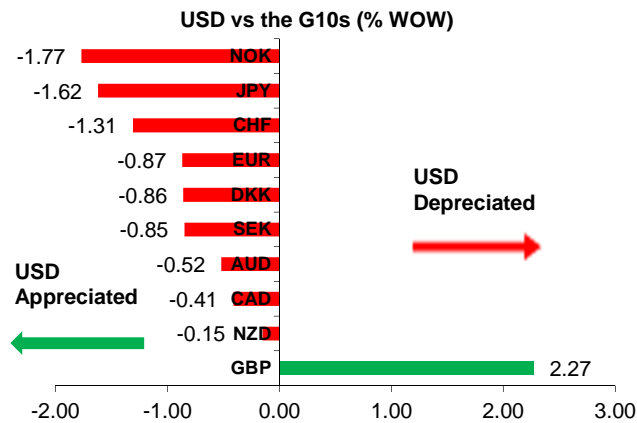
### The Week Ahead...

- All eyes will be on FOMC meeting next week where the Fed is widely expected to announce tapering details. On top of that, quarterly summary projection will also be scrutinized for timing and pace of subsequent Fed rate hikes, especially after yesterday's CPI prints surprised on the upside. No change to our view for the Fed to stay the course for the remaining of the year pending further cues from next week's FOMC meeting.
- BOJ policy meeting is also in the pipeline and we are not expecting any policy shift. Meanwhile, we are expecting RBA minutes to reiterate concerns over subdued wage growth and inflation on top of risks of Aussie strength on the Australian economy.
- On the data front, US housing starts, existing home sales and preliminary readings of PMI manufacturing and services indices will top investor radar. Similarly in the Eurozone, PMI readings will be featured for sustainability of growth momentum going into September. CPI, ZEW expectations, and consumer confidence are also due out of the Euro region while UK data flow is limited to Rightmove house prices and retail sales.
- Calendar is lighter in the Asia space – Japan trade balance and all industry activity index, Singapore NODX, New Zealand 2Q GDP, and CPI from Malaysia and Vietnam. We expect Malaysia CPI to edge up for the first time in five months, to 3.4% YOY in August as a result of reacceleration in transport prices.

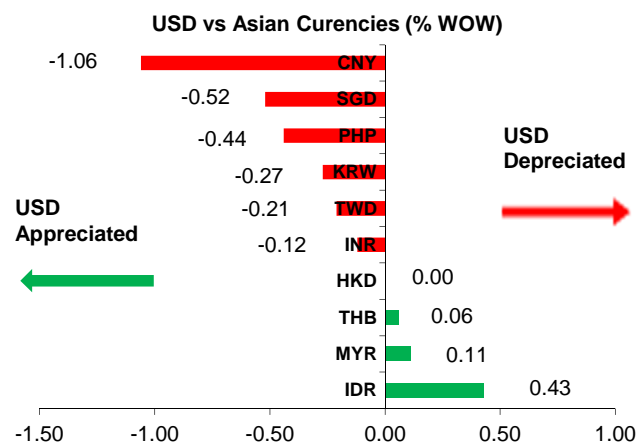
## Forex



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

## Review & Outlook

- MYR:** MYR advanced 0.11% WOW to 4.2060 against USD and beat 9 G10s on the back of firmer risk appetite as well as higher oil prices. As risk appetite takes a turn south on renewed geopolitical tensions, expect MYR to be on the defensive next week against USD. Caution that upside surprise in Malaysia CPI will boost MYR. Technical signals are mixed; USDMYR appears to be attempting a rebound but the recent close below 4.2000 has dented its upside strength and likely to push the pair lower. While declines are likely, we caution on a potential bounce off 4.1900 that could trigger an extended rebound to test 4.2260.
- USD:** USD rebounded this week to beat 9 G10s while the Dollar Index climbed 0.5% WOW to 92.12, boosted by return of buying interest amid receding concerns over impact of Hurricane Irma on the US economy and geopolitical tensions. However, with North Korea having just tested another missile this morning, expect mild downsides in USD to prevail time being. Firm US data, and more so the start of Fed balance sheet reduction in FOMC policy decision next week, will overturn losses into gains. The Dollar Index has bounced above 91.59, and a mild bullish bias sustains current upside strength that could target 93.02 next week. Caution that a close below 91.87 will alter current positive outlook to target 91.20.
- EUR:** EUR fell 0.87% WOW to 1.1919 against a firmer USD and retreated against 5 G10s. Eurozone data will play a more important role in determining EUR's performance next week; we currently keep a bearish view on technical viewpoint but this may be overturned by USD weakness and firmer Eurozone data. EURUSD is technical bearish and we set sights on a drop to 1.1838 in the next leg lower. Below this, bearish bias will increase to target 1.1733. Rebounds will likely be stopped by 1.1978.
- GBP:** GBP surged 2.27% WOW to 1.3399 against USD and outperformed all G10s, lifted by a surprisingly hawkish BOE policy statement. However, in the absence of major macro flow next week, we reckon that GBP may retrace its recent gains against USD, hence our slightly bearish outlook. Also, technically we are skeptical of recent surge in GBPUSD as such moves are often unsustainable. Expect GBPUSD to retreat from recent highs, and likely to target 1.3213 in the next leg lower. Gains are not impossible but likely to be rejected by 1.3450.
- JPY:** JPY slumped 1.62% WOW to 110.24 against USD and tumbled against 9 G10s as buying interest plunged on receding risk aversion in the markets. Even as current risk aversion prevails, we reckon that bullish potential in USD next week will likely outperform JPY, hence our bearish outlook. Technically, bullish bias dictates more gains going forward for USDJPY. Signs point to potential close above 110.49 in the coming days, above which 111.61 – 111.75 will be threatened.
- AUD:** AUD fell 0.52% WOW to 0.8005 against USD and advanced against 6 G10s as haven and European majors declined. Expect AUD to come under pressure early next week ahead of RBA minutes, but may recover strongly on hawkish tone of the statement. Barring any surprises, we opine that AUD is likely to end lower next week against USD that is supported by bullish potential in US data. We opine that AUDUSD is likely to extend its recent reversal, with scope to break below 0.7980 and head to 0.7937. Below this, 0.7821 will be targeted in the coming weeks.
- SGD:** SGD declined 0.52% WOW to 1.3469 against USD but managed to advance against 6 G10s. We are slightly bearish on SGD against USD next week, in anticipation of risk aversion in the market due to recent geopolitical tensions as well as ahead of FOMC policy decision. Singapore data, if underperforms, may also put pressure on SGD. Brief closing above 1.3500 has given hope to further gains. We set sights on a rebound in USDSGD that could test 1.3531 next week, above which gains will accelerate to test 1.3585.

## Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1915	54.3150	1.1765	1.2049	1.1860	1.1468	1.1054	Negative
GBPUSD	1.3391	71.7490	1.2667	1.3394	1.3003	1.2948	1.2695	Neutral
USDJPY	110.1200	52.3030	108.1900	110.8400	109.6400	111.1400	112.2800	Positive
USDCNY	6.5476	36.8530	6.4632	6.6903	6.6114	6.7567	6.8270	Positive
USDSGD	1.3465	39.1230	1.3402	1.3661	1.3566	1.3744	1.3955	Positive
AUDUSD	0.7998	55.8300	0.7877	0.8065	0.7944	0.7714	0.7620	Neutral
NZDUSD	0.7226	46.0240	0.7152	0.7314	0.7257	0.7210	0.7137	Positive
USDMYR	4.1935	26.6220	4.1729	4.3262	4.2622	4.2910	4.3692	Negative
EURMYR	4.9966	41.2200	4.9834	5.1123	5.0508	4.8957	4.8107	Negative
GBPMYR	5.6157	63.3680	5.4615	5.5912	5.5500	5.5518	5.5366	Negative
JPYMYR	3.8084	36.6360	3.8051	3.9645	3.8872	3.8648	3.8897	Negative
CHFMYR	4.3540	35.8490	4.3496	4.5057	4.4279	4.4208	4.4166	Negative
SGDMYR	3.1142	33.6900	3.1133	3.1611	3.1410	3.1184	3.1265	Negative
AUDMYR	3.3537	40.5230	3.3592	3.4090	3.3856	3.3025	3.3234	Negative
NZDMYR	3.0304	33.5980	3.0167	3.1503	3.1055	3.0861	3.1165	Negative

➤ **Trader's Comment:**

It was more or less a consolidating week ahead of next week's FOMC. The USD in general moved in a broad range and gyrated thereabouts throughout the week. It had a good start of the week with USD index reaching 92.60 levels before coming off to 92.00 levels at time of writing. It was further boosted by some sort of headway made by the Trump administration on tax reforms but then it lost further ground led by USDJPY on N.Korea concerns. A hawkish BOE also helped to push down the USD index as they hinted that if economic conditions continue to show growth, a hike is on the table in the coming months faster than market expectations. Conditions were also conducive for risk as markets continue to pile on equities with the Dow and the S&P hitting new records and EM currencies were supported as yield hungry investors continue to see value in the EM space even though DM yields are slightly higher. Trader would expect the general USD to continue to swing to headlines and geopolitical concerns as the data calendar for next week is light and empty till the key event of the FOMC.

Locally, USDMYR dropped to lows of 4.1885 on the back of offshore interests in the bond market. Exporters also took the chance to lock in proceeds added to the move which could further extend towards 4.1700 which is the next support and also the Ichimoku cloud bottom. So all eyes would still be towards next week's FOMC and the balance sheet reduction plan before further moves are decided. In the meantime, the pair has been trading around the 4.1900-4.2100 range taking cues from regional pairs and supply / demand forces.

### Technical Charts

#### USDMYR



Source: Bloomberg

#### EURMYR



Source: Bloomberg

#### GBPMYR



Source: Bloomberg

#### JPYMYR



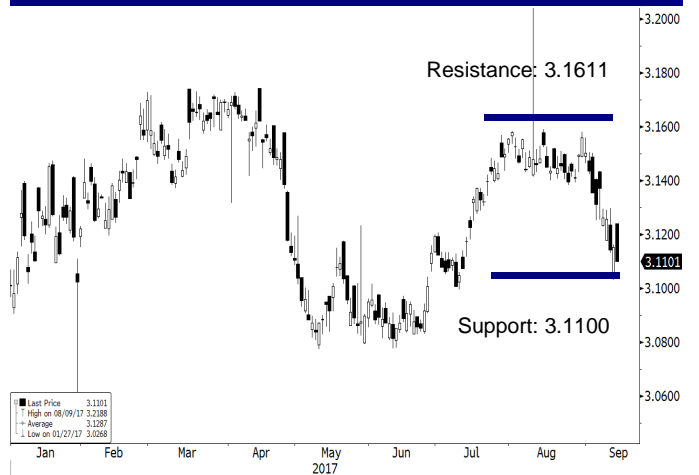
Source: Bloomberg

#### AUDMYR



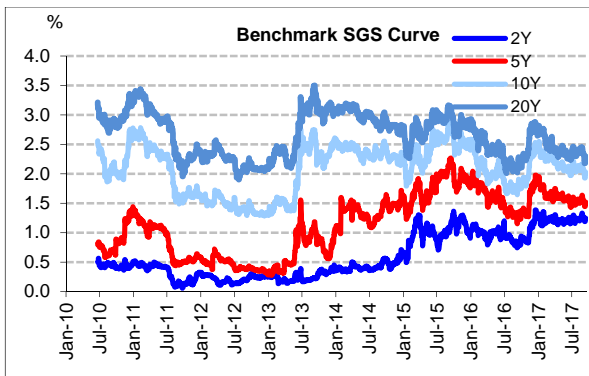
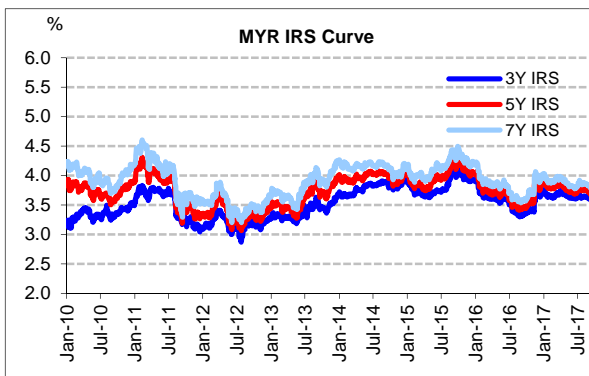
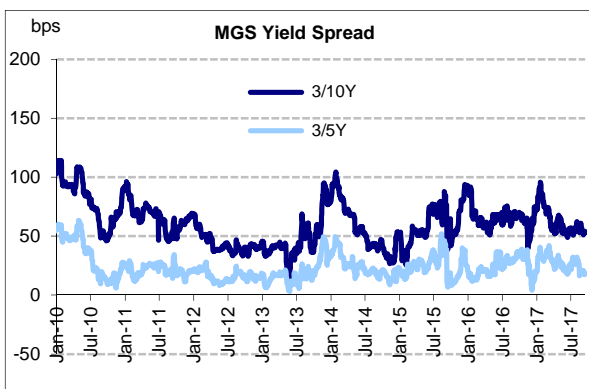
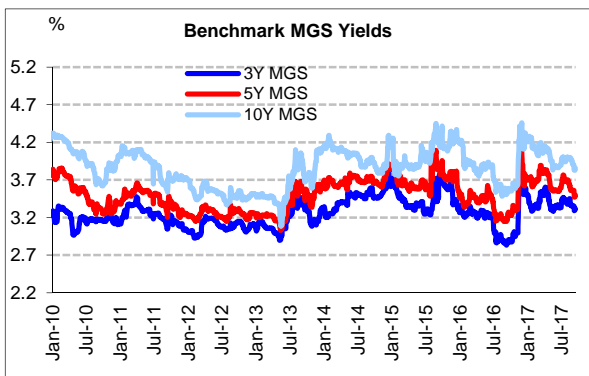
Source: Bloomberg

#### SGDMYR



Source: Bloomberg

## Fixed Income



## Review & Outlook

- UST yields reversed the earlier week's trend and rose as investors lingering concerns over impact of Hurricane Irma subsided. This coupled with the higher than expected CPI figures of 1.9% YOY revived expectations of increasing inflationary pressures and subsequently spurring expectations for a 3<sup>rd</sup> Fed rate hike this year. 2-10Y UST's saw yields climb 10-15 bps with the much-watched 10Y settling 15bps higher at 2.19%. Trump's proposal that Congress repeal the debt ceiling, (a spending limit that was intended to facilitate the issuance of bonds historically) will be watched carefully together with September FOMC on 21<sup>st</sup> Sep.
- Local govvnies meanwhile traded tighter this week, following the rebound in MYR performance. Trading volume for MYR govvnies were also boosted higher with healthy volumes of about RM15.9b of MGS and RM6.6b. The 5y MGS benchmark 3/22 reopening saw a better BTC of 1.90x versus its debut of 1.54x. The 3Y, 5Y and 10Y MGS were lower by 2-4 bps closing at 3.32%, 3.49% and 3.85% respectively. FOMC meeting and MYR performance will be the key influences in the local govvnies space next week, potentially sidelining the release of August CPI which we are expecting an uptick reflecting reacceleration in transport prices.
- Corporate bonds/sukuk meanwhile saw yields improve by 1-2 bps, on rising volumes. As of Thursday's close we saw brisk trading of the newly-issued Prasarana 5-30Y closing some 2-7bps lower than the coupon. We also saw some 10Y papers i.e. YTL Power 5/27 and MMC 11/27 traded at relatively large volumes of RM120m and RM55m to close at 4.87% and 5.40%. We expect MGS/GII movements to ignite interest in this space going forward.
- In the SGS space bond yields grinded higher mirroring UST's. The 2Y, 5Y & 10Y SGS ended between 2-5bps higher. The much-watched 10Y closed at 2.03%, some 5bps higher than last Thursday. All eyes on the release of NODX next week to gauge the momentum of exports to drive growth in the Singapore economy amid moderate domestic domestic.

Rating Actions			
Issuer	PDS Description	Rating/Outlook	Action
Gas Malaysia Bhd	RM700m Islamic CP & IMTN	AAA – IS/ MARC-1 IS (Stable)	Affirmed
Genting Capital Bhd & GB Services Bhd	RM2.0b MTM programme (2012/32) & RM1.6b MTM programme (2009/24)	AAA (Stable)	Reaffirmed
IGB REIT Capital Sdn Bhd	RM1.2b First Tranch MTN	AAA (Stable)	Assigned
Al-Dzahab Assets Berhad	RM95.0 million Tranche 1 Class A Sukuk	AAA	Reaffirmed
	RM25.0 million Tranche 1 Class B Sukuk	AA1	Upgraded from AA3
	RM120.0 million Tranche 2 Class A Sukuk	AAA	Reaffirmed
	RM35.0 million Tranche 2 Class B Sukuk	AA1	Upgraded from AA3
Klmanis Power Sdn Bhd	RM1.16b Sukuk Programme	AA-	Reaffirmed
Ara Bintang Berhad	RM330 million Second Senior MTN, RM730 million Third Junior MTN, RM10 million Fourth Junior MTN and RM10 million Fifth Junior MTN (collectively, the Junior MTN) under its RM1.25 billion MTN Programme	AAA (stable)/C3	Reaffirmed

Source: RAM, MARC



Economic Calendar Release Date						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
9/20	Malaysia	CPI YOY	Aug	3.1%	3.2%	--
9/22		Foreign reserves	Sept 15	--	\$100.5b	--
9/18	US	NAHB housing market index	Sept	67	68	--
9/19		Housing starts MOM	Aug	2.2%	-4.8%	--
		Building permits MOM	Aug	-1.6%	-4.1%	-3.5%
9/20		MBA mortgage applications	Sept 15	--	9.9%	--
		Existing home sales MOM	Aug	0.7%	-1.3%	--
9/21		FOMC rate decision	Sept 20	1.00-1.25%	1.00-1.25%	--
		Initial jobless claims	Sept 16	--	--	--
		Leading index	Aug	0.2%	0.3%	--
9/22		Markit PMI manufacturing	Sept P	--	52.8	--
		Markit PMI services	Sept P	--	56.0	--
9/25		Chicago Fed national activity index	Aug	--	-0.01	--
		Dallas Fed manufacturing activity	Sept	--	17.0	--
9/26		S&P CoreLogic house prices YOY	Jul	--	5.65	--
		New home sales MOM	Aug	--	-9.4%	--
		Conference Board consumer confidence	Sept	--	122.9	--
		Richmond Fed manufacturing index	Sept	--	14	--
9/27		MBA mortgage applications	Sept 22	--	--	--
		Durable goods orders	Aug P	--	-6.8%	--
		Penidng home sales MOM	Aug	--	-0.8%	--
9/28		GDP QOQ	2Q T	--	3.0%	--
		Initial jobless claims	Sept 23	--	--	--
		Wholesale inventories	Aug P	--	0.6%	--
		Kansas City Fed manufacturing activity	Sept	--	16	--
9/29		Personal income	Aug	--	0.4%	--
		Personal spending	Aug	--	0.3%	--
		PCE core YOY	Aug	--	1.4%	--
		Chicago PMI	Sept	--	58.9	--
		Uni Michigan consumer sentiments	Sept	--	--	--
9/18	EU	CPI YOY	Aug F	--	1.3%	1.3%
9/19		ECB current account	Jul	--	21.2b	--
		ZEW expectations	Sept	--	29.3	--
9/21		ECB economic bulletin				--
		Consumer confidence	Sept A	--	-1.5	--
9/22		Markit PMI manufacturing	Sept P	--	57.4	--
		Markit PMI services	Sept P	--	54.7	--
9/28		Economic confidence	Sept	--	111.9	--
		Biz climate indicator	Sept	--	1.09	--
		Consumer confidence	Sept F	--	--	--
9/29		CPI estimate YOY	Sept	--	1.5%	--
9/18	UK	Rightmove house prices YOY	Sept	--	3.1%	--
9/20		Retail sales incl auto fuel MOM	Aug	0.2%	0.3%	--
9/21		PSNCR	Aug	--	-3.9b	--
9/28-10/3		Nationwide house prices YOY	Sept	--	2.1%	--
9/29		GfK consumer confidence	Sept	--	-10	--
		Mortgage approvals	Aug	--	68.7k	--
		GDP QOQ	2Q F	--	0.3%	--
		Index of services MOM	Jul	--	0.4%	--
9/20	Japan	Trade balance	Aug	¥108.7b	¥418.8b	¥421.7b
9/21		All industry activity indexc MOM	Jul	-0.1%	0.4%	--
		Nationwide dept store sales	Aug	--	-1.4%	--

		<b>Supermarket sales YOY</b>	<b>Aug</b>	--	<b>0.0%</b>	--
		<b>BOJ policy balance</b>	<b>Sept 21</b>	--	<b>-0.10%</b>	--
9/25		Nikkei PMI manufacturing	Sept P	--	52.2	--
		Leaidng index	Jul F	--	105.0	--
		Coincident index	Jul F	--	115.6	--
9/27		Small biz confidence	Sept	--	49.0	--
		Machine tool orders YOY	Aug F	--	36.3%	--
9/29		Jobless rate	Aug	--	2.8%	--
		Overall household spending YOY	Aug	--	-0.2%	--
		National CPI YOY	Aug	--	0.4%	--
		Retail sales MOM	Aug	--	1.1%	--
		Retail trade YOY	Aug	--	1.9%	1.8%
		Industrial production MOM	Aug P	--	-0.8%	--
		Housing starts YOY	Aug	--	-2.3%	--
9/27	China	Industrial profits YOY	Aug	--	16.5%	--
9/29		Caixin PMI manufacturing	Sept	--	51.6	--
						--
<b>9/18</b>	<b>Hong Kong</b>	<b>Unemployment rate</b>	<b>Aug</b>	--	<b>3.1%</b>	--
<b>9/21</b>		<b>CPI YOY</b>	<b>Aug</b>	<b>2.0%</b>	<b>2.0%</b>	--
9/26		Exports YOY	Aug	--	7.3%	--
<b>9/18</b>	<b>Singapore</b>	<b>NODX YOY</b>	<b>Aug</b>	--	<b>8.5%</b>	--
9/25		CPI YOY	Aug	--	0.6%	--
9/26		Industrial production YOY			21.0%	--
<b>9/19</b>	<b>Australia</b>	<b>RBA minutes</b>				--
<b>9/20</b>		<b>Westpac leading index</b>	<b>Aug</b>	--	<b>0.12%</b>	--
<b>9/21</b>	<b>New Zealand</b>	<b>GDP SA QOQ</b>	<b>2Q</b>	<b>0.8%</b>	<b>0.5%</b>	--
9/26		Trade balance	Aug	--	85m	--
		ANZ business confidence	Sept	--	18.3	--
9/28		RBNZ officical cash rate	Sept	1.75%	1.75%	--
9/29		Building permits MOM	Aug	--	-0.7%	--
<b>9/24</b>	<b>Vietnam</b>	<b>CPI YOY</b>	<b>Sept</b>	--	<b>3.35%</b>	--
9/25-9/30		Retail sales YOY YTD	Sept	--	10.3%	--
		GDP YOY YTD	Sept	--	5.73%	--
		Exports YOY YTD	Sept	--	17.9%	--
		Industrial production YOY	Sept	--	8.4%	--

Source: Bloomberg

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: HLMarkets@hlbb.hongleong.com.my

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