

Global Markets Research

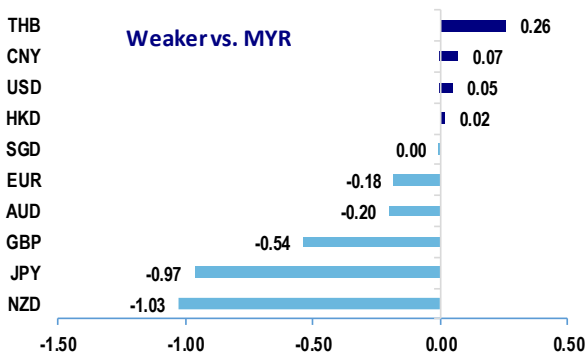
Weekly Market Highlights

Weekly Performance

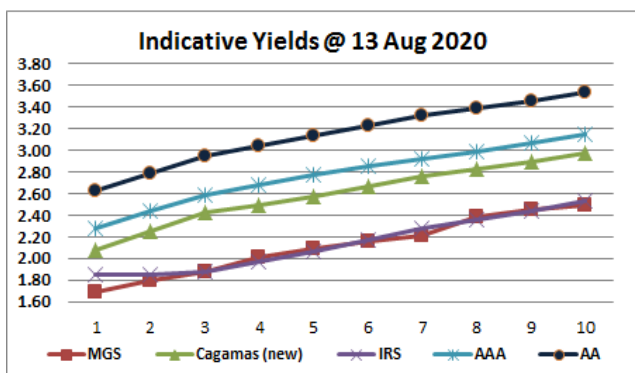
	Macro	Currency	Equity	10-y Govt Bond Yields
US	↑	↑	↑	↑
EU	↑	↓	↑	↑
UK	↓	↓	↑	↑
Japan	↔	↓	↑	↑
Malaysia	↔	↓	↓	↑
China	↔	↑	↓	↑
Hong Kong	↔	↓	↑	↑
Singapore	↓	↓	↑	↑

Weekly MYR Performance

MYR vs. Major Currencies (% WOW)



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- US stocks saw a week of uneven performances, driven by news on multiple fronts that include Trump's banning of Chinese owned Tik Tok and WeChat and his bypassing of Congress to provide enhanced pandemic aid as well as the world's first approved vaccine (by Russia). Nonetheless markets continued to eye the ongoing stimulus talks at Capitol Hill which has yielded no solid progress as Democrats and Republicans remained divided on how to extend the second coronavirus relief aid to Americans. Gold prices retreated sharply back below \$2000/oz as rising treasury yields this week triggered a sell-off in the bullion. Crude oil prices went up modestly this week in response to more positive oil demand outlook. US initial jobless claims fell below 1million for the first time since the pandemic. UK economy shrank by 20.4% QOQ in the second quarter and lost 220k jobs. Australia saw job gains but weren't impressive. Singapore GDP contracted 13.2% YOY in 2Q. China industrial production (+4.8%) and retail sales (-1.1%) both disappointed. The RBNZ expanded its bond buying program. **Malaysia reported a 17.1% YOY decline in 2Q GDP. No change to our full year growth projection of -4.9% for 2020, within the revised BNM forecast range of -3.5% to -5.5% (prior -2.0% to +0.5%).**
- Next week key event is the Fed's release of its FOMC minutes. Important data include Japan GDP, UK and Eurozone CPI as well as preliminary PMIs for the US, Eurozone, UK and Japan. Focus now turns to tonight's US industrial production and retail sales.

Forex

- MYR:** The ringgit traded literally flat over the week, last closed at 4.1915 vs the USD yesterday (-0.05% WOW) amid consolidation in the USD and cautiousness ahead of the release of Malaysia 2Q GDP today. The noon release just confirmed that economic activities contracted by 17.1% YOY in 2Q, nearing the most bearish forecast of -18.5% in the market, prompting a knee-jerk reaction in the local unit. We stay **neutral on USDMYR** next week. The pair remains in oversold territory and expectation for further consolidation in the USD will likely keep USDMYR in recent ranges of 4.18-4.22.
- USD:** The dollar came off in the latter part of the week after consolidating prior. This came partly due to disappointment in the US stimulus talks. Labour market data improved, while price pressures started to return closer to normal levels. We are **neutral on the USD** for the week ahead, due to the absence of strong momentum. Key prints to watch for are industrial production, retail sales and preliminary PMI data. Due to the current fluid situation, we expect policy announcements to move the USD the most, followed by economic data (particularly surprise swings).

Fixed Income

- The week under review saw US Treasuries end weaker due to several factors that included a heavy IG issuance slate on names like Apple, better-than-expected July jobs data and additional supply of ~\$112b under the recently announced quarterly refunding exercise by the Treasury. **Overall benchmark yields spiked between 1-23bps with the curve-steepening sharply; with the long-ends pressured.** The 2Y benchmark; reflective of interest rate predictions ended 4bps up at 0.16% whilst the much-watched 10Y (which traded within a wider 0.54%-0.72% range); spiked 18bps at 0.72%. The auctions consisting of 3Y, 10Y and 30Y bonds resulted in mixed reaction with the 10Y strongest whilst the 30Y saw weak bidding metrics. Expect attention to shift to some peripheral economic data such as retail sales and industrial production tonight.
- Local govies saw profit-taking emerge late last week followed by slight recovery the past 2 days in a quieter trading week as **overall benchmark MGS/GII yields closed markedly higher between 0-20bps; as the 7-20Y tenures felt the most pressure.** Interest was seen across the curve with emphasis in the off-the-run 20's, 31's, 33's and also benchmark 7Y, 10Y and 15Y MGS/GII. The 5Y MGS 9/25 rose 4bps at 2.04% levels whilst the 10Y benchmark MGS 8/29 spiked to 2.49%. Weekly volume dwindled to RM19.2b in a holiday-shortened week versus prior holiday-shortened week's RM25.1b. GII bond trades formed 29% of overall trades. Meanwhile the government's move to raise the country's statutory debt limit to 60% of GDP from 55% presently triggered profit-taking and selling activities. The tepid auction bidding metrics for the 30Y MGS @ 1.47x was also a telling factor. Expect momentum to ease the coming week as investors and traders look for positives.

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Macroeconomics

6-month Macro Outlook

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

The Week in Review

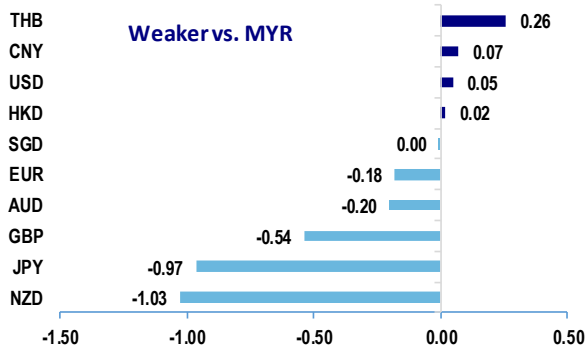
- US stocks saw a week of uneven performances, driven by news on multiple fronts that include Trump’s banning of Chinese owned Tik Tok and WeChat and his bypassing of Congress to provide enhanced pandemic aid as well as the world’s first approved vaccine (by Russia). Nonetheless markets continued to eye the ongoing stimulus talks at Capitol Hill which has yielded no solid progress as Democrats and Republicans remained divided on how to extend the second coronavirus relief aid to Americans. The US main indexes swung between gains and losses throughout the week; the S&P500 was near its February’s all-time-high. Week-to-date, the Dow fell 0.1%, whereas the S&P500 and NASDAQ rose 1.7% and 0.7% respectively. Gold prices retreated sharply back below \$2000/oz as rising treasury yields this week triggered a sell-off in the bullion. After having rebounded for two back-to-back sessions, the precious metal remained at a loss this week – futures for front month delivery is down by 4% as of Thursday. Crude oil prices went up modestly this week in response to more positive oil demand outlook after the US saw larger withdrawal in its crude stocks. Brent rose 1.3% week-to-date and WTI was up by 2.5% on Thursday. This week the RBNZ has also left its OCR unchanged but expanded its LSAP bond buying program to \$100b.
- Notably on the data front, US initial jobless claims fell below 1million for the first time since the pandemic triggered nationwide lockdowns that led to businesses to lay off or furlough their workers. Core CPI in the US accelerated last month while the headline inflation rate was steady (+0.6%). Elsewhere, the UK economy shrank by 20.4% QOQ in the second quarter and lost 220k jobs in the same period. Australia saw job gains but weren’t impressive enough, wage growth was the slowest on record in 2Q; business and consumer sentiments also retreated after the second virus wave. Singapore GDP contracted 13.2% YOY in 2Q, more than initially estimated. China industrial production (+4.8%) and retail sales (-1.1%) both dissatisfied. US industrial production and retail sales are expected to offer insights on the country’s economic recovery progress.

The Week Ahead

- The week kicks off with the release of the preliminary reading of Japan’s second quarter GDP report. Consensus is looking at a 7.6% QOQ contraction and an annualized 27% QOQ decline. Other than that, Singapore’s non-oil domestic exports, New Zealand services PMI, US Empire State manufacturing index and the NAHB Housing Market Index are scheduled for a Monday release as well.
- On Tuesday, the RBA will publish its August meeting minutes. Data calendar is limited to US homebuilding data – housing starts and building permits, which are expected to offer us outlook on the US housing supply.
- Japan’s data dominates Wednesday’s morning with the release of trade report as well as the core machine orders, a key gauge of business capex. This is then followed by Australia Westpac leading index, UK CPI, Eurozone CPI.
- The Federal Reserve is set to publish its July meeting minutes on Thursday. China’s PBOC is likely keeping its 1-year loan prime rate unchanged. Other than that, US jobless claims data, the Conference Board leading index and the Philly Fed manufacturing index are due to for evening release.
- Friday calendar is packed with top-tiered data, mainly the preliminary readings of Markit manufacturing and services PMI for the US, Eurozone, UK and Japan. Besides, Japan’s CPI, UK Consumer Confidence, New Zealand Card Spending, US existing home sales and Eurozone Consumer Confidence are in the pipeline. Malaysia CPI is also scheduled for a Friday release.

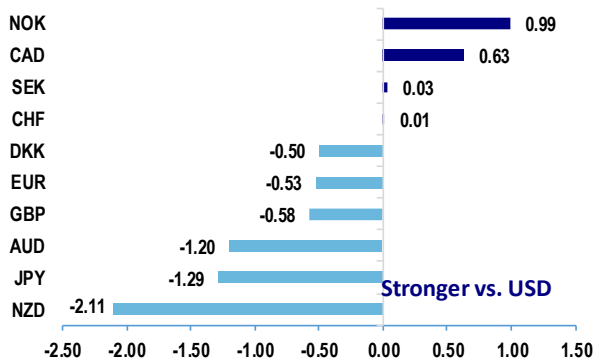
Forex

MYR vs. Major Currencies (% WOW)



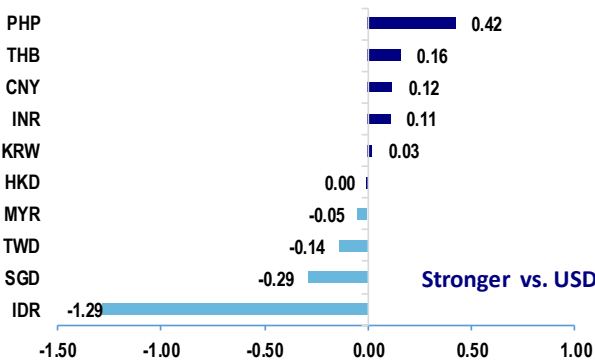
Source: Bloomberg

USD vs. G10 Currencies (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review and Outlook

- MYR:** The ringgit traded literally flat over the week, last closed at 4.1915 vs the USD yesterday (-0.05% WOW) amid consolidation in the USD and cautiousness ahead of the release of Malaysia 2Q GDP today with wide-ranging market estimates of between -3.0% and -18.5%. We **stay neutral on USDMYR** next week. The pair remains in oversold territory and expectation for further consolidation in the USD will likely keep USDMYR in recent ranges of 4.18-4.22.
- USD:** The dollar came off in the latter part of the week after consolidating prior. This came partly due to disappointment in the US stimulus talks. Labour market data improved, while price pressures started to return closer to normal levels. We are **neutral** on the USD for the week ahead, due to the absence of strong momentum. Key prints to watch for are industrial production, retail sales and preliminary PMI data. Due to the current fluid situation, we expect policy announcements to move the USD the most, followed by economic data (particularly surprise swings).
- EUR:** Over the past week, EUR/USD corrected slightly but was last seen rebounding back. After a double top on 4-6 August, momentum looks more subdued around the 1.18 big figure. Data-wise, industrial production rebounded in June, albeit below expectations. We are **neutral** for the week ahead. Levels are stretched, and 1.20 will likely be a huge psychological resistance to overcome. Risk aversion may taper EUR gains. Data to watch will be Markit PMI data and inflation prints.
- GBP:** GBP was mostly in consolidation mode, although creeping lower. This came despite some rebounds in monthly GDP, industrial production and labour market data. We are **neutral** on the GBP, alongside other currencies' outlook. GBP will remain driven primarily by dollar movements. Brexit news (if any developments) may still shift sentiments. Retail sales and Markit PMI are the highlights of next week's data that may be of interest.
- JPY:** USD/JPY climbed back towards the levels last seen around 23 July, back towards the 107 big figure, after a low of 104.19 on 31 July. We are **neutral-to-bearish** on the JPY, given current momentum. Next week's focus on data will be on Japan's 2Q preliminary GDP, where consensus is for a large collapse similar to other economies. Inflation data will also be of interest. Economists expect a modest rebound, despite still much below Bank of Japan's 2% target.
- AUD:** AUD/USD was consolidating around the 0.7150 level for the past week, a touch off the high of 0.7243 seen on 7 August. This came despite positive and better-than-expected data from employment. We are **neutral-to-bearish** on the AUD as current momentum suggests some further correction. Australia continues to battle a second wave of Covid-19 that forced closures. This will impact on the economy in the coming months. For the week ahead, focus on RBA minutes on 18 August.
- SGD:** USD/SGD has moved mostly within a range of 1.3700-1.3750, over the past week, confirming our view of a consolidation for the pair. We still anticipate some possible correction, especially if the US fail to agree on a stimulus deal and send market fears rising. However, we do not expect a strong deviation from a range of 1.3614 to 1.3800 for now. Fundamentals stay challenged by weak domestic and external demand, evidenced by downward revision in 2Q GDP data (after accounting for June). For the week ahead, we see the same trend for non-oil domestic exports, anticipating some pullback from base effects. We **stay neutral to bearish** on SGD.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1811	65.0660	1.1507	1.1959	1.1604	1.1198	1.1123	Positive
GBPUSD	1.3062	66.6090	1.2670	1.3269	1.2836	1.2544	1.2715	Positive
USDJPY	106.9500	57.4210	104.6000	107.6200	106.4700	107.2300	108.1200	Positive
USDCNY	6.9451	36.8510	6.9295	7.0270	6.9882	7.0579	7.0265	Negative
USDSGD	1.3732	38.2360	1.3652	1.3878	1.3815	1.4023	1.3886	Neutral
AUDUSD	0.7143	56.3120	0.7061	0.7233	0.7088	0.6733	0.6712	Positive
NZDUSD	0.6540	43.6580	0.6535	0.6715	0.6602	0.6316	0.6369	Neutral
USDMYR	4.1970	29.8660	4.1662	4.2870	4.2413	4.3019	4.2269	Negative
EURMYR	4.9573	57.3720	4.8825	5.0240	4.9154	4.8079	4.7063	Positive
GBPMYR	5.4820	55.6440	5.3761	5.5732	5.4369	5.3863	5.3778	Positive
JPYMYR	3.9240	34.8660	3.9027	4.0619	3.9821	4.0070	3.9147	Negative
CHFMYR	4.6128	57.4150	4.5374	4.6642	4.5787	4.5147	4.3943	Positive
SGDMYR	3.0564	41.9180	3.0455	3.0925	3.0680	3.0637	3.0473	Negative
AUDMYR	2.9978	49.1410	2.9816	3.0544	3.0031	2.8886	2.8385	Negative
NZDMYR	2.7449	38.0690	2.7390	2.8591	2.7980	2.7106	2.6922	Negative

Trader's Comment:

DXY strengthened during week before giving up most of the gain to trade relatively unchanged at 93.30 level. Stock markets continued to ride on the exuberance spirit arising from Russia's Covid-19 vaccine; gold tanked by 4%. Pent-up debt supply coupled with rising inflation expectation push 10-y treasury yield higher by 16bps to 0.70%. Rising U.S. yields also weighed on JPY which weakened by 1.2%. Upcoming European CPI data will be the key focus to assess the path of recovery.

Stronger Australia's employment data failed to provide much needed boost for AUD which weakened by 1% WoW; NZD was hammered down by 1.7% post dovish RBNZ which expanded the asset purchasing program by 67% to NZ\$ 100b.

IDR was the worst performer among Asian currencies which weakened by 1.4% ahead of Bank Indonesia's rate decision and President Widodo's budget speech amidst the worst economic downturn.

Locally, USDMYR traded within 4.1830-4.2070. Govies curve generally bear steepened as markets reacted to the fact FM requested for debt ceiling increase to 60%. Expect the dollar to consolidate around current level before a move lower. USDMYR to trade within 4.17-4.22.

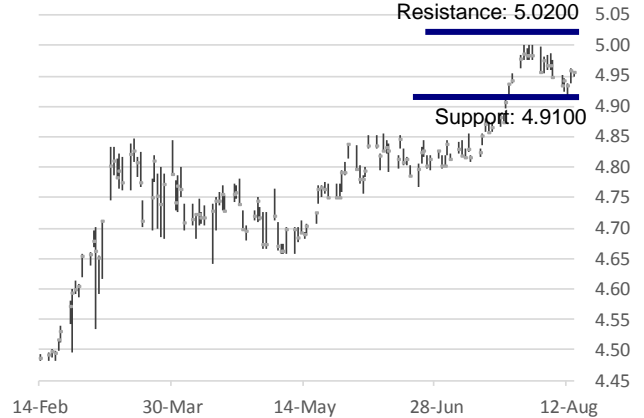
Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



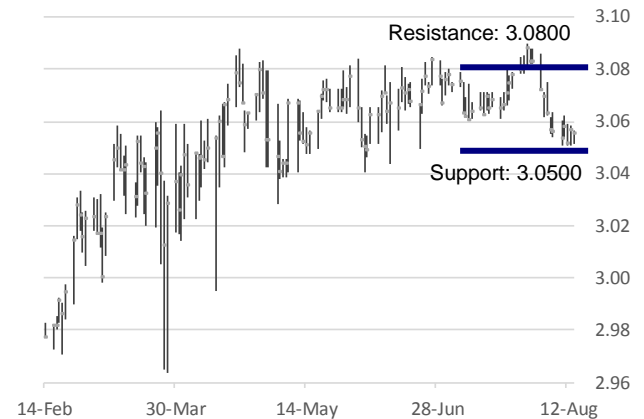
Source: Bloomberg

AUDMYR



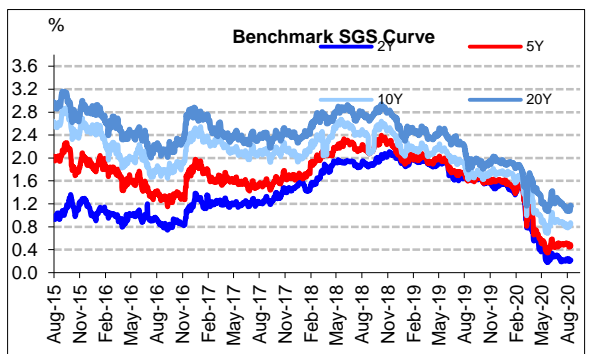
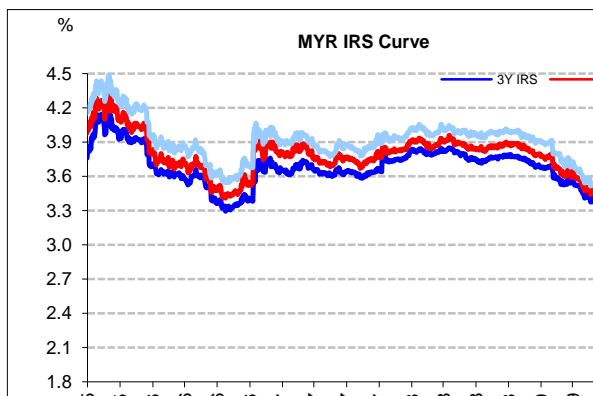
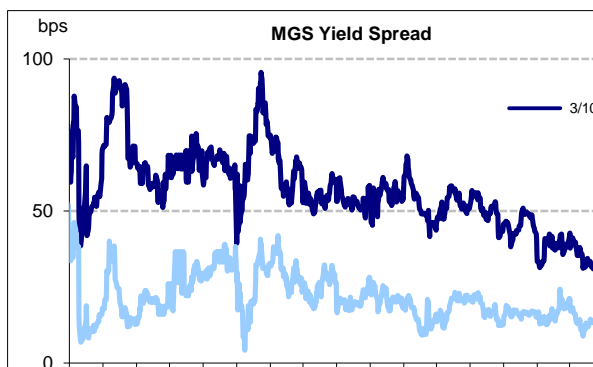
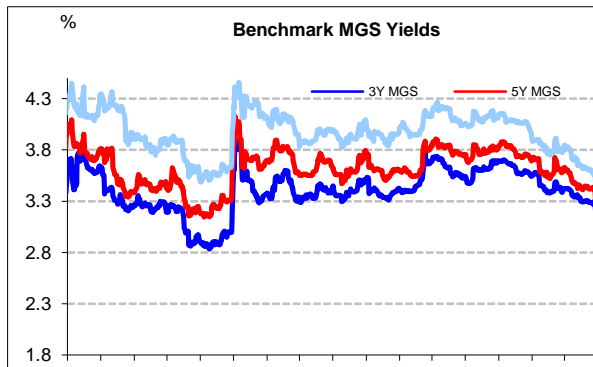
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

- The week under review saw US Treasuries end weaker due to several factors that included a heavy IG issuance slate on names like Apple, better-than-expected July jobs data and additional supply of ~\$112b under the recently announced quarterly refunding exercise by the Treasury. **Overall benchmark yields spiked between 1-23bps with the curve-steepening sharply; with the long-ends pressured.** The 2Y benchmark; reflective of interest rate predictions ended 4bps up at 0.16% whilst the much-watched 10Y (which traded within a wider 0.54%-0.72% range); spiked 18bps at 0.72%. The auctions consisting of 3Y, 10Y and 30Y bonds resulted in mixed reaction with the 10Y strongest whilst the 30Y saw weak bidding metrics. Expect attention to shift to some peripheral economic data such as retail sales and industrial production tonight.
- Local govies saw profit-taking emerge late last week followed by slight recovery the past 2 days in a quieter trading week as **overall benchmark MGS/GII yields closed markedly higher between 0-20bps; as the 7-20Y tenures felt the most pressure.** Interest was seen across the curve with emphasis in the off-the-run 20's, 31's, 33's and also benchmark 7Y, 10Y and 15Y MGS/GII. The 5Y MGS 9/25 rose 4bps at 2.04% levels whilst the 10Y benchmark MGS 8/29 spiked to 2.49%. Weekly volume dwindled to RM19.2b in a holiday-shortened week versus prior holiday-shortened week's RM25.1b. GII bond trades formed 29% of overall trades. Meanwhile the government's move to raise the country's statutory debt limit to 60% of GDP from 55% presently triggered profit-taking and selling activities. The tepid auction bidding metrics for the 30Y MGS @ 1.47x was also a telling factor. Expect momentum to ease the coming week as investors and traders look for positives.
- Investors were quite active across the GG-AA part of the curve for Corporate bonds/Sukuk (including Govt-guaranteed bonds) as overall yields closed mostly lower. Total weekly market volume however remain upbeat ~RM2.76b; translating into average daily volume of RM552m. Topping the weekly volume was energy-related bond SEB 1/27 (AAA); edging 14bps lower at 2.67% followed by PRASA 3/30 (GG) which rallied a massive 51bps at 2.70%. Frequency of trades and interest was mainly channelled into names like GG-related bonds DANAINFRA, PRASARANA and also corporate bonds i.e. CAGA, DANUM, DANGA, SEB, EDRA Energy, WCT, KLK, QSPS green SRI and also bank-related bonds i.e. AFFIN. The prominent new issuance for the week was TNB's AAA-rated 10-20Y bonds with coupons ranging between 2.90-3.55% totalling RM3.0b and GAMUDA Land Sdn Bhd's Gas AA3-rated 5-10Y bonds amounting to RM600m.
- For the week under review, SGS (govies) ended mostly weaker as the curve steepened as overall benchmark yields closed mostly higher between 1-8bps (save for the 5Y). The 2Y edged 1bps higher at 0.22% levels whilst the 10Y moved within a wider 9bps range; with yields also up 4bps at 0.86%. The SGD interest rate swaps kept a close lid on UST yields whilst rising for most of the week; only to fall yesterday. Meanwhile the SGD remains well-bid as the SGD NEER currently trades ~0.25% below the estimated policy band. The margins of the republic's 3 major lenders are expected to decline by more than 10bps as the SIBOR has compressed by ~130bps YTD. Separately, Keong Hong Holdings Ltd has successfully priced its unrated S\$48m 3Y bond at 6.25%. Expect range-bound activities to dictate next week with investors focusing on the July export numbers.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
WCT Holdings Berhad	RM1.0 billion Medium Term Notes (MTN) Programme	AA-/Stable	Affirmed
	RM1.5 billion Sukuk Murabahah (Sukuk) Programme	AA-/Stable	Affirmed
United Overseas Bank (Malaysia) Bhd	Financial Institution Rating	AAA/Stable/P1	Reaffirmed
AmMortgage One Berhad	First Notes Series RM339.38 mil MTN	AAA/Stable	Reaffirmed
Zamarad Assets Berhad	Tranche 4 RM95 mil Class A Sukuk and RM25 mil Class B Sukuk (Tranche 4 Sukuk is the fourth issuance under Zamarad's RM2 bil Sukuk Murabahah Programme)	AAA/Stable and AA2/Stable	Assigned

Source: RAM; MARC

Economic Calendar

Date	Time	Country	Event	Period	Prior
17/08	06:30	NZ	Performance Services Index	Jul	54.1
	07:01	UK	Rightmove House Prices YoY	Aug	--
	07:50	JP	GDP SA QoQ	2Q P	-0.6%
	08:30	SI	Non-oil Domestic Exports YoY	Jul	16.1%
	12:30	JP	Industrial Production YoY	Jun F	-17.7%
	20:30	US	Empire Manufacturing	Aug	17.2
	22:00	US	NAHB Housing Market Index	Aug	72.0
18/08	09:30	AU	RBA Minutes of Aug. Policy Meeting		
	20:30	US	Housing Starts MoM	Jul	17.3%
	20:30	US	Building Permits MoM	Jul	3.5%
19/08	07:50	JP	Core Machine Orders MoM	Jun	1.7%
	07:50	JP	Exports YoY	Jul	-26.2%
	07:50	JP	Trade Balance	Jul	-¥269.3b
	08:30	AU	Westpac Leading Index MoM	Jul	0.44%
	14:00	UK	CPI YoY	Jul	0.6%
	17:00	EU	CPI YoY	Jul F	0.3%
	19:00	US	MBA Mortgage Applications	14 Aug	--
20/08	02:00	US	FOMC Meeting Minutes	29 Jul	--
	09:30	CN	1-Year Loan Prime Rate		3.85%
	16:30	HK	CPI Composite YoY	Jul	0.7%
	20:30	US	Philadelphia Fed Business Outlook	Aug	24.1
	20:30	US	Initial Jobless Claims	15 Aug	--
	22:00	US	Leading Index	Jul	2.0%
21/08	07:01	UK	GfK Consumer Confidence	Aug P	--
	07:30	JP	Natl CPI Ex Fresh Food YoY	Jul	0.0%
	08:30	JP	Jibun Bank Japan PMI Services	Aug P	45.4
	08:30	JP	Jibun Bank Japan PMI Mfg	Aug P	45.2
	11:00	NZ	Credit Card Spending MoM	Jul	14.0%
	12:00	MA	CPI YoY	Jul	-1.9%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Jul	13.9%
	15:00	MA	Foreign Reserves	14 Aug	--
	16:00	EU	Markit Eurozone Services PMI	Aug P	54.7
	16:00	EU	Markit Eurozone Manufacturing PMI	Aug P	51.8
	16:30	UK	Markit UK PMI Manufacturing SA	Aug P	53.3
	16:30	UK	Markit/CIPS UK Services PMI	Aug P	56.5
	21:45	US	Markit US Manufacturing PMI	Aug P	50.9
	21:45	US	Markit US Services PMI	Aug P	50.0
	22:00	US	Existing Home Sales MoM	Jul	20.7%
	22:00	EU	Consumer Confidence	Aug A	-15.0
24/08	06:45	NZ	Retail Sales Ex Inflation QoQ	2Q	-0.7%
	13:00	SI	CPI YoY	Jul	-0.5%
	20:30	US	Chicago Fed Nat Activity Index	Jul	4.11
25/08	21:00	US	FHFA House Price Index MoM	Jun	-0.3%
	21:00	US	S&P CoreLogic CS 20-City MoM SA	Jun	0.04%
	21:00	US	S&P CoreLogic CS US HPI YoY NSA	Jun	4.46%
	22:00	US	Conf. Board Expectations	Aug	91.5
	22:00	US	New Home Sales MoM	Jul	13.8%
	22:00	US	Richmond Fed Manufact. Index	Aug	10.0
	22:00	US	New Home Sales	Jul	776k
	22:00	US	Conf. Board Consumer Confidence	Aug	92.6
26/08	06:45	NZ	Trade Balance 12 Mth YTD NZD	Jul	-1196m
	13:00	SI	Industrial Production YoY	Jul	-6.7%
	16:30	HK	Exports YoY	Jul	-1.3%
	19:00	US	MBA Mortgage Applications	21 Aug	--
	20:30	US	Cap Goods Orders Nondef Ex Air	Jul P	3.4%
	20:30	US	Durable Goods Orders	Jul P	7.6%
27/08	09:30	CH	Industrial Profits YoY	Jul	11.5%
	12:30	JN	All Industry Activity Index MoM	Jun	-3.5%
	20:30	US	Initial Jobless Claims	22 Aug	--
	20:30	US	GDP Annualized QoQ	2Q S	-32.9%
	22:00	US	Pending Home Sales MoM	Jul	16.6%
	23:00	US	Kansas City Fed Manf. Activity	Aug	3
28/08	06:00	NZ	ANZ Consumer Confidence Index	Aug	104.3

12:00	MA	Exports YoY	Jul	8.8%
17:00	EC	Consumer Confidence	Aug F	--
17:00	EC	Economic Confidence	Aug	82.3
20:30	US	PCE Core Deflator YoY	Jul	0.9%
20:30	US	Personal Income	Jul	-1.1%
20:30	US	Advance Goods Trade Balance	Jul	-\$70.6b
20:30	US	Personal Spending	Jul	5.60%
21:45	US	MNI Chicago PMI	Aug	51.9
22:00	US	U. of Mich. Sentiment	Aug F	--

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Menara Hong Leong
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hibb.hongleong.com.my

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