Global Markets Research

Weekly Market Highlights

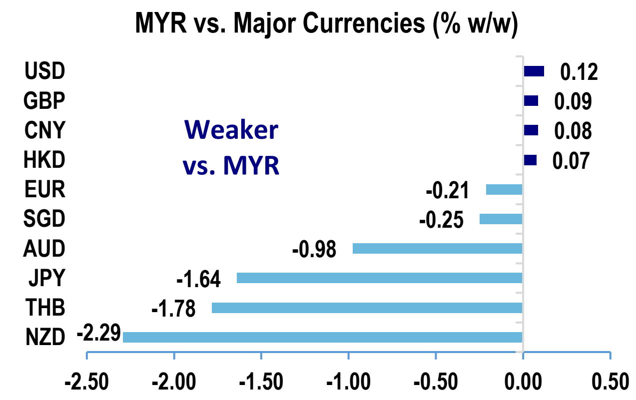
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	33,843.92	-2.65	10.58
S&P 500	4,307.54	-3.18	14.68
FTSE 100	7,086.42	0.11	9.69
Hang Seng	24,575.64	0.26	-9.75
KLCI	1,537.80	-0.10	-5.49
STI	3,086.70	0.33	8.54
Dollar Index	94.23	1.23	4.77
WTI oil ($/bbl)	75.03	2.36	54.64
Brent oil ($/bbl)	78.52	1.64	51.18
Gold (S/oz)	1,755.30	0.43	-7.43

Source: Bloomberg

- Investors fled risk assets this week, triggered by issues surrounding the US debt ceiliing and a potential government shutdown. Fed Chair Powell testified alongside Secretary Yellen before Congress and said that inflation could last longer than expected. Yellen warned that the US government may not be able to meet all its commitment on 1 Oct if the debt ceiling is not raised. NASDAQ was the major loser this week amid a larger selloff in tech shares. Brent oil made a reversal but still ended higher w/w, after having risen to near $80/barrel early this week.
- Latest data showed improving US home sales and a relatively resilient manufacturing sector. Chinese's manufacturing PMI slumped to below 50 due to power crunch. Japan's retail sales and industrial output plunged while Vietnam experienced its first pandemic economic downturn. Focus shifts to US job report next week. The RBNZ is expected to hike rate by 25bps.

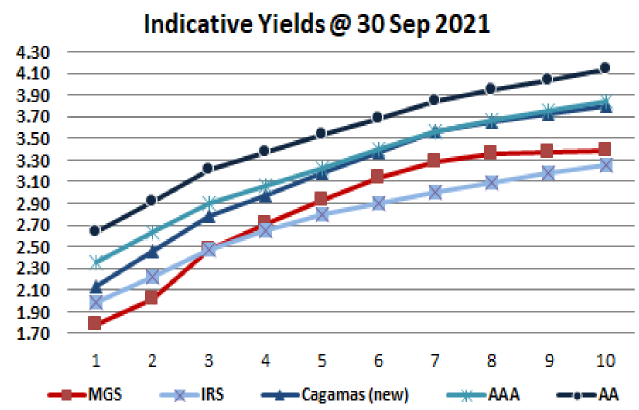
Forex



Source: Bloomberg

- **MYR:** USD/MYR was seen holding steady in the 4.18 handle through the week, portraying surprising resilience despite USD strength, which we deduce could be due to quarter end positioning. USD/MYR last closed at 4.1860, up 0.1% w/w. We remain ***Neutral*** on USD/ MYR in the week ahead, expecting some consolidation in the USD after recent rally. Continue to anticipate a range of 4.16-4.20 in the absence of fresh catalysts.
- **USD**: The USD relentlessly headed higher, before consolidating on 30 September. DXY closed at 94.23, 1.23% higher at the end of 3Q, compared to 23 September close. Positioning for the USD was helped by anticipation of Fed tightening, US debt ceiling, and some market concerns. Initial jobless claims unexpectedly rose for the week. We stay ***Neutral-to-Bullish*** on the USD for the week ahead, due to recurring factors. Data focus is on ISM, and non-farm payroll figures next week. .

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs pressured across the curve as the curve bear-steepened with overall benchmark yields spiking between 4-15bps. Bond yields have been steadily rising after the US Fed revealed its latest intention to taper asset purchases and provide direction on rate hike path last week. The benchmark UST 2Y; reflective of interest rate predictions, rose 4bps to 0.26% whilst the much-watched 10Y (which traded wider i.e. 1.31%-1.44% range); spiked 9bps to 1.33%. Expect bonds to range sideways-to-weaker next week as news over asset-tapering, supply concerns and looming debt ceiling expiry are viewed with concern.
- **MGS/GII:** Local govvies saw one of its weakest w/w movements, influenced by both rising UST yields and also higher IRS. Whilst the unveiling of the 12th Malaysia Plan failed to initially spark both the bond and equities asset class, bonds took a turn for the better in the later part of the week. Overall benchmark yields for MGS/GII jumped between 1-16bps. Interest was mainly seen in the shorter off-the-run 21-23's, 28's and also benchmark 3Y, 10Y bonds. Expect MYR bonds to be supported due to well-diversified and depth of institutional-based investors; despite a general view on supply concerns.

Macroeconomic Updates

- **US stocks sold off this week**: Investors fled risk assets this week, triggered by the deepening worry over the US debt ceiling and a potential government shutdown. Lawmakers failed to agree on a funding bill that left President Biden's infrastructure agenda with an uncertain future. Secretary Janet Yellen warned Congress that the US government would be exhausted of resources to meet its commitment comes 1 October. Fed Chair Jerome Powell testified alongside Yellen before Congress and said that inflation could last longer than expected. The Dow Jones and S&P 500 lost 2.6% and 3.2% w/w as of Thursday while NASDAQ was the major loser this week (-4.0% w/w) amid a larger selloff in tech shares. Brent oil made a reversal, after having risen to near $80/barrel early this week.

- **US housing activity revitalised:** US housing data showed signs of a rebound after a period of cooling. Following last week data that showed an increase in new home sales (+1.5% m/m) in August, pending home sales data also came in much better than expected. The indicator which tracks the number of contract signings for existing homes recorded a sharp 8.1% m/m gain in August, pointing to an upturn in existing home sales in the next couple of months.

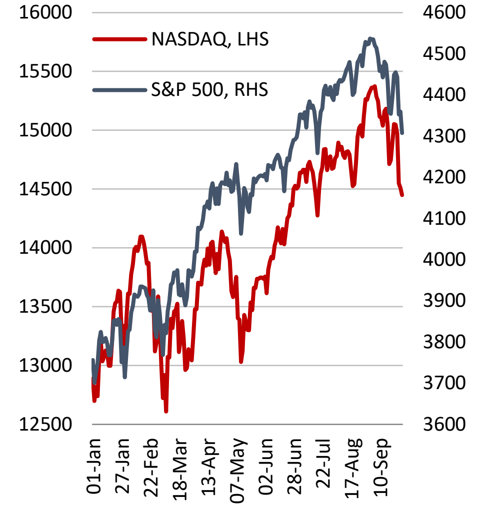
- **Relative resilience in US manufacturing**: A preliminary report pointed to a 1.8% m/m increase in US durable goods, suggesting that the sector had fared relatively well despite the widespread supply chain challenge (the weaker Dallas Fed Index was the latest evidence). The core capital orders, a gauge of business investment also rose 0.5% m/m. Apart from that, US goods imports picked up alongside the wholesale and retail inventories, reflecting a decent prospect for consumer demand. However, the Conference Board's gauge of consumer confidence plunged further this month due to the spread of Delta variant, clouding outlook for future spending. Initial jobless claims unexpectedly rose to 362 last week, marking its third weekly increase in a row, underscoring the impact of the Delta variant and the labour shortages on hiring acitivty. The US 3Q GDP growth was revised higher to 6.7% q/q annualised rate.

- **Weaker Japanese data and Mixed China PMIs:** Japanese economic activity weakened further in August as both retail sales (-4.1% m/m) and industrial production (-3.2% m/m) declined on a m/m basis; the former reflects continiously cautious consumer spending behaviour while the latter was impacted by the supply chain delays arising from the surge in Covid cases in Asia. However, jobless rate managed to remain unchanged at 2.8%. China's NBS manufacturing PMI unexpectedly slipped below 50.0 this month of which NBS attributed the contraction to widespread power cuts. The non-manufacturing PMI, a gauge for services activity turned around to expansionary level as the Covid infections eased.

- **Vietnam posted first pandemic economic downturn:** Vietnam's GDP plunged by 6.2% y/y in the third quarter, marking its first ever Covid-related downturn and also its worst quarterly performance on record as government-imposed restrictions severely hindered economic activity. The rebound in September economic data offered some comfort as more rules were relaxed this month. Authorities also said it would adjust its zero-Covid policy to allow more reopening, offering some comfort.

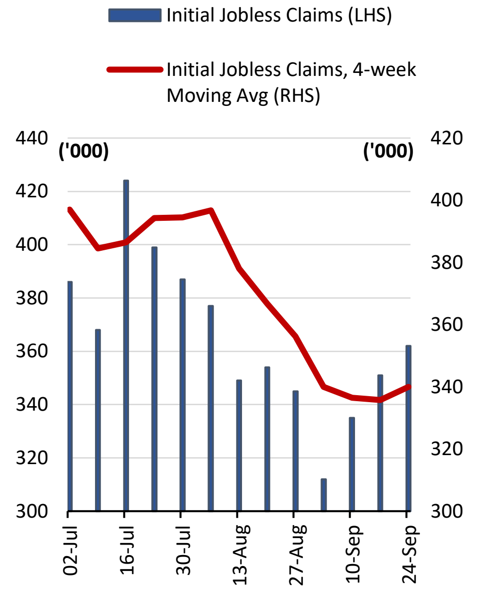
- **US job report back in spotlight; RBNZ to hike rate:** The US labour department reports the September NFP employment changes and unemployment rate next week. Analysts are looking towards a larger gain (consensus: +480k) in jobs following a lacklustre August (+235k). The unemployment rate is also expected to slip to 5.0% (from 5.2%) as hiring activity remains robust. Nonetheless, we expect the same issue of labour shortages to remain the hot topic and firms struggled to find workers to fill vacancies. Overall economic calendar is lighter next week. Focus is also on the RBA and RBNZ's respective policy meetings where the latter is expected to raise its official cash rate to 0.5%, from the current 0.25%.

Debt ceiling concerns spurred equity selling



Source: Bloomberg

First-time jobless benefit claimants rose for the third consecutive week



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded on a biddish tone, pushing through the 4.18-4.19 regions for the larger part of the week driven by a firmer greenback. USD/MYR last closed at 4.1860, up 0.1% w/w. We expect the pair to continue exhibit a ***Neutral-to-Slightly Bullish*** tilt in the week ahead attempting to breach the key 4.20 psychological handle. Upside will likely be capped by the Upper Bollinger of 4.2075 for now, rendering in a possible range of 4.16-4.20.

- **USD**: The USD relentlessly headed higher, before consolidating on 30 September. DXY closed at 94.23, 1.23% higher at the end of 3Q, compared to 23 September close. Positioning for the USD was helped by anticipation of Fed tightening, US debt ceiling, and some market concerns. Initial jobless claims unexpectedly rose for the week. We stay ***Neutral-to-Bullish*** on the USD for the week ahead, due to the same recurring factors. Data focus is on ISM, and non-farm payroll figures next week.

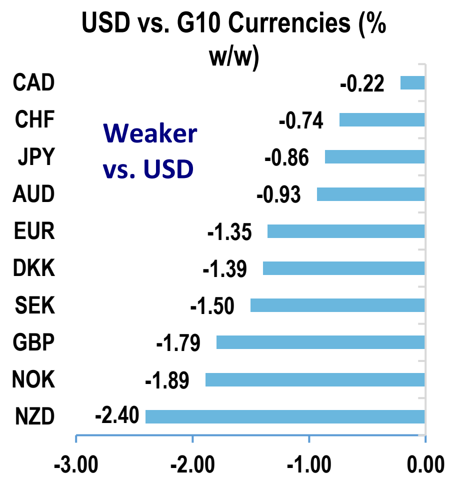
- **EUR**: EUR/USD was 1.35% down w/w, closing at 1.1580 for 3Q. Eurozone confidence indexes showed improvements in economic industrial and services sentiments. We are ***Neutral-to-Bearish*** on EUR/USD for the coming week due to dollar strength. We watch support of 1.1400, and resistance of 1.1770. Technicals flag rising downside momentum. For the week ahead, Eurozone releases CPI, PPI and retail sales figures.

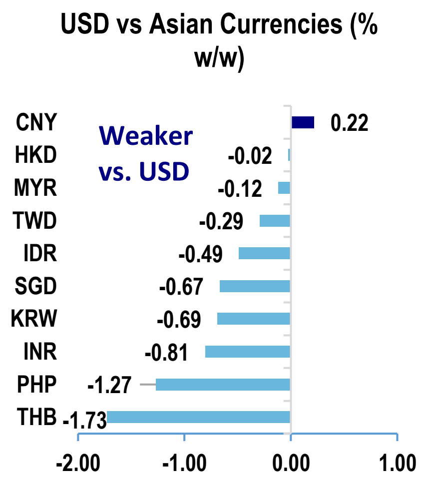
- **GBP**: GBP/USD was down by 1.79% over the past 5 sessions, closing at 1.3720 on Thursday after a 1.3612 low. Bank of England is seeing more of a case to tighten monetary policy, and markets are now anticipating a hike in February 2022. PMIs moderated like other major economies. We are ***Neutral*** on GBP/USD for the week ahead, within a range of 1.3570 to 1.3900. Technicals point to modest downsides.

- **JPY**: USD/JPY was biddish over the past week from dollar strength, breaking resistance levels to close at 111.29 on Thursday. Industrial production and retail sales fell compared to a month ago. Tankan showed some improvements in contrast. We are ***Neutral-to-Bullish*** on USD/JPY for the week ahead. Resistance is at the 30 September high of 112.08. Support is close to 110.

- **AUD**: AUD/USD was down by almost 1.0% w/w, as the dollar strengthened. Resilient energy and commodity prices though, help prevent the AUD from a further fallout. Retail sales fell by 1.7% m/m in August. We are ***Neutral-to-Bearish*** on AUD/USD for the coming week due to dollar strength. We place support at 0.7100 and resistance at 0.7314. Week ahead's data focus is on RBA policy decision, and trade data.

- **SGD**: USD/SGD has been 0.67% up since 23 September close, ending 3Q at 1.3577 (vs. 2Q's 1.3454). A stronger dollar weighed on the SGD, despite it being more resilient compared to other major currencies in recent sessions. We are ***Neutral-to-Bullish*** on USD/SGD for the week ahead, due to dollar strength. Resistance of 1.3700 may be tested if 1.3620 is broken. After last week's announced tightening measures in Singapore, markets may watch for any further changes in Covid-19 restrictions. Singapore releases PMI and retail sales figures next week.





Source: Bloomberg

Forecasts

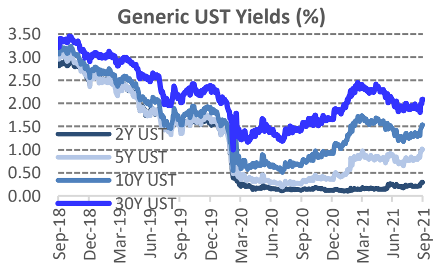
	Q4-21	Q1-22	Q2-22	Q3-22
DXY	91.50	90.00	89.00	89.00
EUR/USD	1.19	1.21	1.22	1.22
GBP/USD	1.41	1.43	1.45	1.45
AUD/USD	0.74	0.76	0.77	0.77
USD/JPY	108	107	105	106
USD/MYR	4.20	4.20	4.15	4.15
USD/SGD	1.35	1.34	1.33	1.33

	Q4-21	Q1-22	Q2-22	Q3-22
EUR/MYR	5.00	4.08	5.06	5.06
GBP/MYR	5.92	6.01	6.02	6.02
AUD/MYR	3.11	3.19	3.20	3.15
SGD/MYR	3.11	3.13	3.12	3.12

Source: HLBB Global Markets

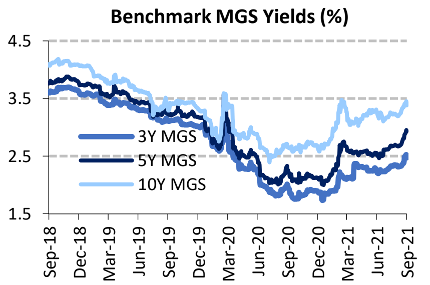
Fixed Income

- **UST:** The week under review saw USTs pressured across the curve as the curve bear-steepened with overall benchmark yields spiking between 4-15bps. Bond yields have been steadily rising after the US Fed revealed its latest intention to taper asset purchases and provide direction on rate hike path last week. The benchmark UST 2Y; reflective of interest rate predictions, rose 4bps to 0.26% whilst the much-watched 10Y (which traded wider i.e. 1.31%-1.44% range); spiked 9bps to 1.33%. The $61b 5Y note auction fared better than the 2Y with the former awarded at 0.99% on a cover of 2.37x; matching the average for 6 previous auctions. The 2Y note auction meanwhile was poorly received at a BTC of only 2.28x (previous 6 auction average: 2.55x) whilst awarded at 0.31%. Also, the $62b 7Y note auction was awarded at 1.332% on a cover of 2.24x; almost matching the average for 6 previous auctions. Expect bonds to range sideways-to-weaker next week as news over asset-tapering, supply concerns and looming debt ceiling expiry are viewed with concern.



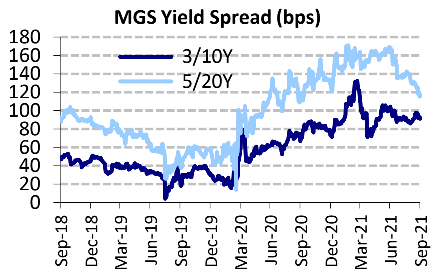
Source: Bloomberg

- **MGS/GII:** Local govvies saw one of its weakest w/w movements, influenced by both rising UST yields and also higher IRS. Whilst the unveiling of the 12th Malaysia Plan failed to initially spark both the bond and equities asset class, bonds took a turn for the better in the later part of the week. Overall benchmark yields for MGS/GII jumped between 1-16bps with the benchmark 5Y MGS 11/26 spiking 11bps to 2.92% whilst the 10Y MGS 4/31 was more resilient; edging 2bps up at 3.37% from prior week's close. Interest was mainly seen in the shorter off-the-run 21-23's, 28's and also benchmark 3Y, 10Y bonds. The average daily secondary market volume jumped 43.1% to RM19.6b versus prior week's RM13.7b. Expect MYR bonds to be supported due to well-diversified and depth of institutional-based investors; despite a general view on supply concerns. Also, the Finance Minister said that monetary policy is seen to remain adequate to provide additional support to the economy.



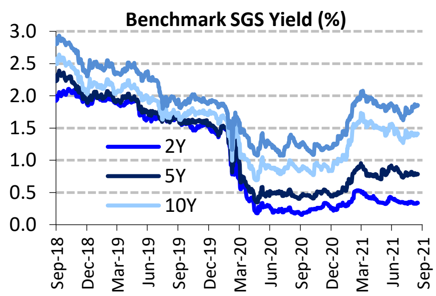
Source: Bloomberg

- **MYR Corporate Bonds/ Sukuk:** The week under review saw sustained investor interest in the secondary market for govt-guaranteed/corporate bonds/sukuk. Trades were mainly seen along the GG-AA part of the curve as yields closed mostly mixed-to-higher despite slight pullback in weekly market volume of RM2.44b (prior week: RM2.55b). Topping the weekly volume were Petroleum Sarawak 3/31 (AAA) which rose 9bps compared to previous-done levels, followed by PUBLIC 29NC24 bonds which jumped 10bps to 3.14%. Third largest volume was seen for CAGAMAS 6/23 (AAA) which declined 4bps to 2.34%. Higher frequency of bond trades was seen in DANA, energy-related bonds i.e. SEB, QSPS Green, Fortune Premiere, IJM and also odd-lot transactions in TROPICANA Bhd. Meanwhile the prominent issuances consisted of CAGAMAS Bhd's AAA-rated 1-3Y papers totaling RM2.05b with coupons ranging between 2.18-2.78% and also PR1MA Corporation Malaysia (GG) RM500m 5Y bonds with a coupon of 3.05%.



Source: Bloomberg

- **SGS:** SGS (govvies) saw slight weakness w/w, in tandem with rising global bond yields led by weaker UST movements. Overall benchmark yields spiked between 8-14bps as the curve ended higher as the 2Y yield jumped 8bps up to 0.58% whilst the 10Y (which traded wider between 1.42-1.57% range) spiked 15bps to 1.58%. The republic has sold around S$112b of bonds to-date as at the time of writing; up 15% for the same period last year Meanwhile MAS had issued S$2.8b of bonds due 1st February 2024 at average yield of 0.58% with BTC ratio notching 1.64x. The perceived tapering of US bond purchases by the Fed may cause local inter-bank rates to firm and subsequently see SGS yields rise further. Meanwhile, MAS is projected to maintain its policy stance at its next bi-yearly review in October. Elsewhere, energy giant, Sembcorp Industries has via its subsidiary Sembcorp Financial Services, successfully issued S$675m 10.5Y sustainability-linked bonds (SLB) notes at 2.66%. Elsewhere Tuan Sing Holdings Ltd is proposing to embark on a conditional tender offer exercise in relation to its outstanding S$65m 7.75% notes due 2022.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Glacier Assets Berhad	RM555 mil Senior Notes under an Asset-Backed Medium-Term Notes Facility	AAA/Stable	Reaffirmed
Starbright Capital Berhad	RM665 mil asset-backed Medium-Term Notes	AAA/Stable	Reaffirmed
Swirl Assets Berhad	RM595 mil Senior Notes under RM700 mil Asset-Backed Medium-Term Notes	AAA/Stable	Reaffirmed
APM Automotive Holdings Berhad	RM1.5 bil Islamic Medium-Term Notes Programme (2016/2036)	AA2/Stable	Reaffirmed
	RM1.5 bil Islamic Commercial Papers Programme (2016/2023)	P1	Reaffirmed
Sunsuria Berhad	RM500.0 million Sukuk Wakalah Programme	A+ IS/Stable	Affirmed
BEWG (M) Sdn Bhd	RM400.0 million Sukuk Wakalah	AA-IS/Stable	Affirmed
TNB Western Energy Berhad	Sukuk of RM3.7 billion	AAA-IS/Stable	Affirmed
Golden Assets International Finance Limited’s (Golden Assets)	RM5 bil Islamic Medium Term Notes Programme (2012/2027)	From AI(s) to AA3(s)/Stable	Upgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
04/10	16:30	EZ	Sentix Investor Confidence	Oct	19.6
	21:00	SG	Purchasing Managers Index	Sep	50.9
	22:00	US	Factory Orders	Aug	0.4%
05/10	08:30	SG	Markit Singapore PMI	Sep	52.1
	08:30	JP	Jibun Bank Japan PMI Services	Sep F	47.4
	08:30	AU	Exports MoM	Aug	5%
	11:30	AU	RBA Cash Rate Target	05 Oct	0.1%
	13:00	SG	Retail Sales YoY	Aug	0.2%
	16:00	EZ	Markit Eurozone Services PMI	Sep F	56.3
	16:30	UK	Markit/CIPS UK Services PMI	Sep F	54.6
	20:30	US	Trade Balance	Aug	-$70.1b
	21:45	US	Markit US Services PMI	Sep F	54.4
	22:00	US	ISM Services Index	Sep	61.7
06/10	08:30	HK	Markit Hong Kong PMI	Sep	53.3
	09:00	NZ	RBNZ Official Cash Rate	06 Oct	0.25%
	17:00	EZ	Retail Sales MoM	Aug	-2.3%
	19:00	US	MBA Mortgage Applications	01 Oct	-1.1%
	20:15	US	ADP Employment Change	Sep	374k
07/10	15:00	MA	Foreign Reserves	30 Sep	$116.2b
	20:30	US	Initial Jobless Claims	02 Oct	362k
07-14/10	NA	SG	GDP YoY	3Q A	14.7%
08/10	07:30	JP	Household Spending YoY	Aug	0.7%
	07:30	JP	Labor Cash Earnings YoY	Aug	0.6%
	09:45	CN	Caixin China PMI Services	Sep	46.7
	20:30	US	Change in Nonfarm Payrolls	Sep	235k
	20:30	US	Unemployment Rate	Sep	5.2%
	20:30	US	Average Hourly Earnings YoY	Sep	4.3%

Source: Bloomberg

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

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