

Global Markets Research

Weekly Market Highlights

Markets

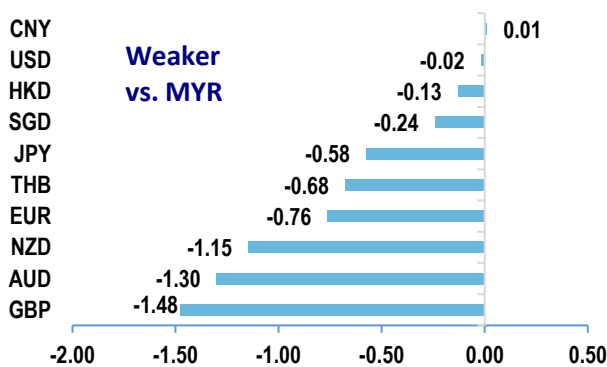
|                    | Last Closing | WOW%  | YTD % |
|--------------------|--------------|-------|-------|
| Dow Jones Ind.     | 34,633.53    | 1.28  | 13.16 |
| S&P 500            | 4,319.94     | 1.25  | 15.01 |
| FTSE 100           | 7,125.16     | 0.21  | 10.29 |
| Hang Seng          | 28,827.95    | -0.19 | 5.98  |
| KLCI               | 1,534.23     | -1.38 | -5.82 |
| STI                | 3,124.19     | 0.15  | 10.31 |
| Dollar Index       | 92.60        | 0.85  | 2.93  |
| WTI oil (\$/bbl)   | 75.23        | 2.63  | 55.05 |
| Brent oil (\$/bbl) | 75.84        | 0.37  | 46.47 |
| Gold (S/oz)        | 1,776.80     | 0.07  | -6.12 |

Source: Bloomberg

- US stocks rallied this week as surging inflation and FOMC-related concerns waned. The S&P 500 saw sixth consecutive record-setting sessions. Treasury yields fell this week and the USD strengthened across the board. Gold prices rose just a little amid firmer demand for safe havens. Crude oils traded higher this week. The latest set of manufacturing PMI data painted a more robust growth picture of the West's manufacturing industries, relative to their counterparts in Asia, now the epicenter of the pandemic. The US' initial jobless claims came fell to a new pandemic low of 364k.
- The RBA's policy decision is expected to take center stage at the start of the week as it would announce potential changes to its three-year yield target and the AUD100b asset purchase program. The ECB will convene for a special strategy meeting and Fed to release its minutes. BNM is expected to retain its policy rate despite the newly announced EMCO for parts of Klang Valley.

Forex

MYR vs. Major Currencies (% w/w)

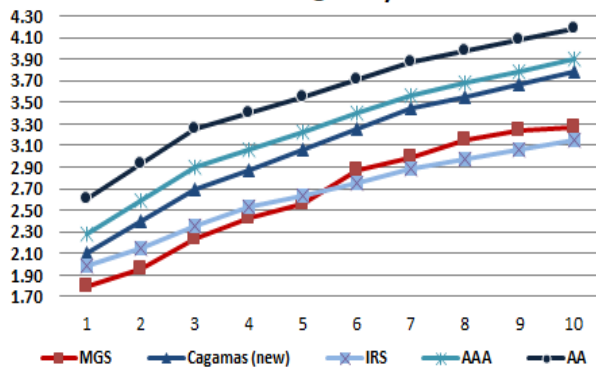


Source: Bloomberg

- MYR:** USD/MYR rantraded in the 4.14-4.15 big figures over the past week, settling only 0.02% w/w lower at 4.1585 as at yesterday's close, unperturbed by a strengthening USD amid renewed haven demand. MYR is expected to remain **Neutral-to-Slightly Bearish**, within 4.14-4.17 in the week ahead, with cautiousness taking center stage ahead of BNM OPR decision on 8 July. We now see a slimmer chance of any OPR move next week after the announcement of the additional RM150bn aid package to ease the pain from the latest lockdown measures, but would expect BNM to shift to a more cautious stance, paving the way for further policy easing if need be.
- USD:** The dollar broadly strengthened against other G10 currencies and some Asian pairs. Since 25 June, DXY has gained by 0.85%. This has been due to positive market sentiments about the US economy. ISM stayed hugely expansionary and ADP employment/initial jobless claims were both market-positive. We are **Neutral-to-Bullish** on the USD for the week ahead. After non-farm payrolls, focus turns to FOMC minutes for 16 June where there was a change in FOMC forecasts. Covid-19 developments (delta variant) in the US may also shape market sentiments.

Fixed Income

Indicative Yields @ 1 July 2021



Source: Bloomberg

- UST:** The week saw choppy USTs trades attributed to the month-end and quarter-end positioning and rebalancing. Overall benchmark yields were well-supported, closing between 1-2bps lower across the curve. Looming challenges around the reinstatement of the federal debt ceiling at end-July mean the mismatch between low supply of short-term securities and surging demand could get prominent. Expect bond yields to range side-ways-to-higher following the release of the all-important June jobs data tonight.
- MGS/GII:** Local govies which were pressured early in the week due to the RM150b PEMULIH economic package that included a fiscal injection of RM10b, subsequently recovered; with MGS ranging sideways whilst GII were slightly better-bid extending up to 10Y tenures. The average weekly secondary market volume jumped 27% @ RM19.7b. Investors will be closely watching the economic impact of the further tighter lockdown restrictions in the country, especially Selangor. Expect bonds to witness profit-taking activities next week as supply concerns and fiscal deficit issues continue to linger.

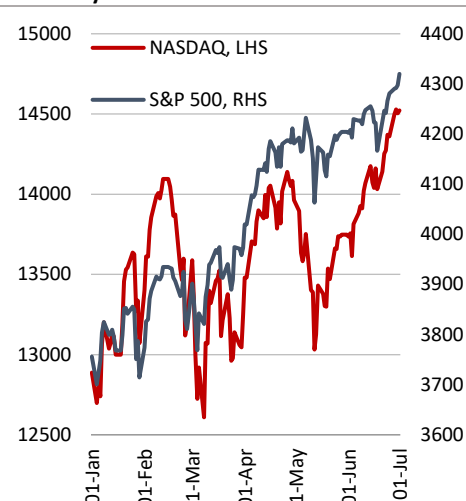
## Macroeconomic Updates

- US stocks rallied this week as surging inflation and FOMC-related concerns waned. The S&P 500 (+1.3% w/w) saw sixth consecutive record-setting sessions as at Thursday, supported by positive economic sentiments. The Dow picked up 1.3% w/w. The tech sector was pushed higher at the start of the week after a federal court dismissed the FTC's antitrust filing against Facebook, NASDAQ hit a fresh high on Tuesday but retreated in mid-week. NASDAQ was 1.1% w/w higher compared to last Thursday.
- Treasury yields fell this week and the USD strengthened across the board. Gold prices rose just a little (+0.1% w/w) amid firmer demand for safe havens. Crude oils traded higher this week; Brent crude (+0.1% w/w) recovered from the mid-week selloff to trade at above \$75/barrel on Thursday after OPEC+'s meeting yielded no decision regarding plans to raise outputs. The UAE had blocked a deal that would allow members to raise production by 400k bpd on a monthly basis from August to December. Amid tightening oil market, the US' WTI rose further (+2.6% w/w) and considerably narrowed the spread between two benchmarks. WTI settled at \$75.23/barrel on Thursday, roughly at same levels with Brent.
- The latest set of manufacturing PMI data painted a more robust growth picture of the West's manufacturing industries, relative to their counterparts in Asia, now the epicenter of the pandemic. The factory gauges for the US, UK and Eurozone all stayed at above-60 levels, on the back of solid output and production. Meanwhile, China's factory activity appeared to have slowed down in China and Japan. Malaysia's and Vietnam's PMIs slipped below 50 to indicate contraction amid the current Covid outbreak. Apart from that, the US' initial jobless claims came in lower at 364k last week, marking a new low for the pandemic era that indicates fewer layoffs in the economy. Claims had finally come down after having stuck at above 400k for two weeks. The US's ADP new private payrolls came close to 700k in June, at 692k but markets are cautious over tonight's NFP report given ADP's recently poor track record as an NFP predictor. Apart from that, home prices rose at a record pace in April (+14.6% y/y) amid a tight US market, weighing on affordability. The Eurozone's inflation eased to 1.9% y/y in June while the UK's 1Q GDP growth was revised lower to -1.6% q/q.

### The Week Ahead

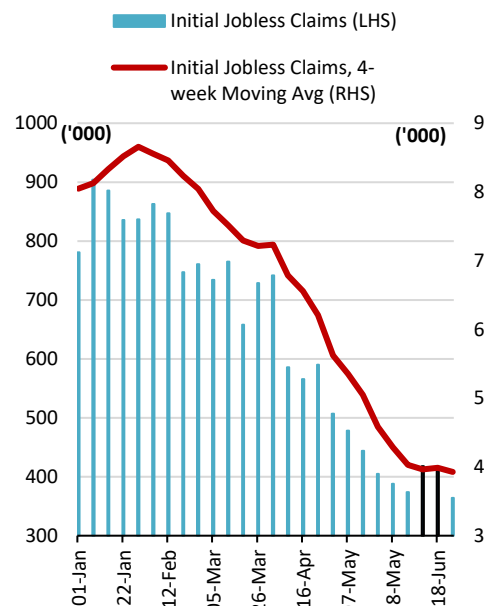
- The RBA's policy decision is expected to take center stage at the start of the week as it would announce potential changes to its three-year yield target and the AUD100b asset purchase program which is set to end in September. Recall in the minutes that the potential moves include (1) ceasing the operation entirely after September, (2) repeating \$100b purchase for another six months, (3) scaling back the amount purchased or (4) spreading the purchases over a longer period. It may also move to "an approach where the pace of the bond purchases is reviewed more frequently". RBA did mention that it would be premature to consider easing the QE program, and reaffirm its commitment to "highly supportive monetary conditions". We think that the RBA won't completely end QE, and most likely would reduce the amount of purchases in view of recent development in greater Sydney, where the economy may be vulnerable to sporadic outbreaks.
- Apart from the RBA, the ECB will convene for a special strategy meeting next week while the Fed is set to publish its latest meeting minutes. Malaysia's BNM is expected to maintain the OPR at 1.75% and we see likelihood of a tweak in its forward guidance to a more cautious tone, following the imposition of EMCO in certain Klang Valley areas.
- Key data releases include the services PMIs for the US, UK, Eurozone, Japan and China. Retail sales for Australia the Eurozone are also out next week. China's CPI and PPI data as well as the UK's monthly nominal GDP growth.

### S&P 500 notched six consecutive record high on 1-July



Source: Bloomberg

### Initial jobless claims fell to new pandemic low after being stuck at above 400k for two weeks



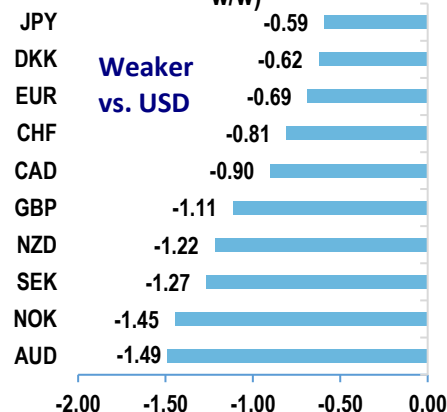
Source: Bloomberg

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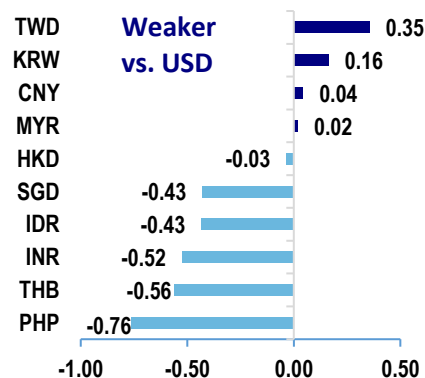
## Foreign Exchange Market

- MYR:** USD/MYR rangetraded in the 4.14-4.15 big figures over the past week, settling only 0.02% w/w lower at 4.1585 as at yesterday's close, unperturbed by a strengthening USD amid renewed haven demand. MYR is expected to remain **Neutral-to-Slightly Bearish**, within 4.14-4.17 in the week ahead, with cautiousness taking center stage ahead of BNM OPR decision on 8 July. We now see a slimmer chance of any OPR move next week after the announcement of the additional RM150bn aid package to ease the pain of individuals and businesses from the latest lockdown measures, but would expect BNM to shift to a more cautious stance, paving the way for further policy easing if need be.
- USD:** The dollar broadly strengthened against other G10 currencies and some Asian pairs. Since 25 June, DXY has gained by 0.85%. This has been due to positive market sentiments about the US economy. ISM stayed hugely expansionary and ADP employment/initial jobless claims were both market-positive. We are **Neutral-to-Bullish** on the USD for the week ahead. After non-farm payrolls, focus turns to FOMC minutes for 16 June where there was a change in FOMC forecasts. Covid-19 developments (delta variant) in the US may also shape market sentiments.
- EUR:** EUR/USD was more resilient than other currency pairs, but faded in the light of dollar strength. With a last close of 1.1850, pair is relatively depressed since early June's above-1.20 levels. Confidence indexes improved while inflation came in slightly above expectations. We are **Neutral-to-Bearish** on the EUR/USD for the week ahead, looking at 1.1710 support and 1.2000 resistance. Technicals point downward. After PPI data, focus shifts to Sentix Investor Confidence and retail sales. Covid-19 resurgence may potentially dampen on the EUR.
- GBP:** GBP/USD fell by more than the G10 average, down by 1.11% w/w to close 1.3767 on Thursday. Pair continues to be hit by prior Bank of England neutrality, rising Covid-19 cases and dollar strength. We are **Neutral-to-Bearish** on the GBP/USD for the week ahead, with 1.3620 support and 1.3910 resistance. Technicals indicate rising downside momentum. The UK will release industrial production next week.
- JPY:** USD/JPY continues to find an upside, even as the JPY was considered more resilient than other G10 pairs. This was due to some market risk aversion that benefitted the yen. Data was fairly mixed and inconclusive. However, USD/JPY is now looking to hit our estimated resistances of 112 and 112.90. We are **Neutral-to-Bullish** on the USD/JPY for the week ahead, with 110.80 support. Technical momentum is still biased on the upside.
- AUD:** Downside pressures intensified for the AUD, as AUD/USD fell below the 0.75 big figure. With a 1.49% w/w loss, AUD was the underperformer among G10 currencies. Trade surplus improved from the previous month, although slightly below expectations. We are **Neutral-to-Bearish** on the AUD/USD for the week ahead, eyeing 0.7400 support and 0.7650 resistance. Technical indicators are pointing at more downsides. Focus shifts to the Reserve Bank of Australia's policy decision on 6 July, as well as retail sales data. Any improvements in Covid-19 situation or reduced restrictions may help the AUD find some footing.
- SGD:** USD/SGD is hitting the 1.35 big figure on Friday's session, driven by dollar strength over the past week. However, the SGD has been relatively resilient compared to other currencies, as vaccination rates (particularly among the age group of 12 to 39) are rising fast. We are **Neutral-to-Bullish** on USD/SGD for the week ahead. Upside technical momentum is staying high. We place resistance at 1.3600 and support at 1.3420. Data to watch are PMI and retail sales figures. Finance Minister Lawrence Wong is also due to speak and update of Budget measures to support underperforming sectors on 5 July.

### USD vs. G10 Currencies (% w/w)



### USD vs Asian Currencies (% w/w)



Source: Bloomberg

### Forecasts

|         | Q2-21  | Q3-21  | Q4-21  | Q1-22  |
|---------|--------|--------|--------|--------|
| DXY     | 89.00  | 88.00  | 89.50  | 90.50  |
| EUR/USD | 1.23   | 1.24   | 1.22   | 1.21   |
| GBP/USD | 1.43   | 1.44   | 1.42   | 1.40   |
| AUD/USD | 0.79   | 0.80   | 0.78   | 0.77   |
| USD/JPY | 108.00 | 107.50 | 109.00 | 110.00 |
| USD/MYR | 4.13   | 4.15   | 4.10   | 4.10   |
| USD/SGD | 1.32   | 1.31   | 1.33   | 1.33   |
|         | Q2-21  | Q3-21  | Q4-21  | Q1-22  |
| EUR/MYR | 5.08   | 5.15   | 5.00   | 4.96   |
| GBP/MYR | 5.91   | 5.98   | 5.82   | 5.74   |
| AUD/MYR | 3.26   | 3.32   | 3.20   | 3.16   |
| SGD/MYR | 3.13   | 3.17   | 3.08   | 3.08   |

Source: HLBB Global Markets

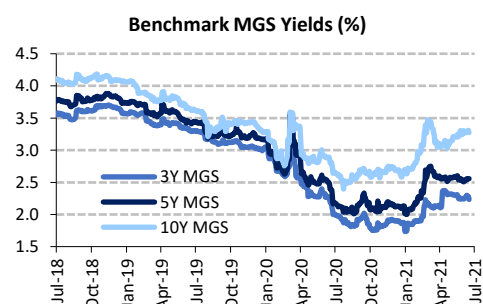
## Fixed Income

- UST:** The week under review saw the choppy USTs trades attributed to the month-end and quarter-end positioning and index-rebalancing. Overall benchmark yields were well-supported, closing between 1-2bps lower across the curve. The benchmark US 2Y; reflective of interest rate predictions eased 2bps at 0.25% whilst the much-watched 10Y (which traded within a slightly higher 1.46%-1.52% range); edged 1bps lower at 1.48%. Looming challenges around the reinstatement of the federal debt ceiling at end-July mean the mismatch between low supply of short-term securities and surging demand could get prominent. Meanwhile, usage at the Fed's Reverse Repo facility which pays an overnight rate of 0.05%, surged yet again to a new high amid cash glut. Meanwhile, the US Treasury is facing growing pressure to cut its bill supply to meet a debt ceiling which is expected to be reimposed by end of this month. Expect bond yields to range side-ways-to-higher following the release of the all-important June jobs data tonight.

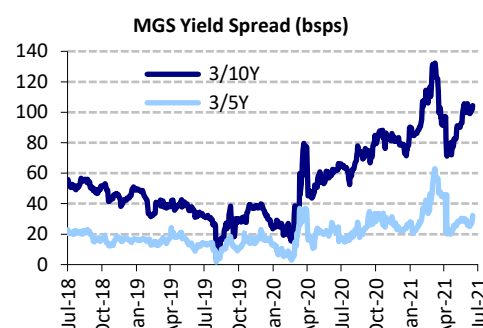
- MGS/GII:** Local govies which were pressured early in the week due to recent announcement of the RM150b PEMULIH economic package that included a fiscal injection of RM10b, subsequently recovered; with MGS ranging sideways whilst GII were slightly better-bid extending up to 10Y tenures. Bond levels were seen influenced by lower IRS levels. Overall benchmark yields closed mostly mixed-to-lower between 0-7bps save for the adjustment of skewed levels seen earlier for the 20Y MGS. The benchmark 5Y MGS 9/25 yield closed within 1bps from prior week's close at 2.54% whilst the 10Y MGS 4/31 yield however edged 2bps lower at 3.27% instead. The average weekly secondary market volume jumped 27% @ RM19.7b versus prior week's RM15.5b. The 20Y MGS 5/40 auction saw solid bidding metrics, notching a BTC ratio of 2.651x and awarded at 4.254%. Investors will be closely watching the economic impact of the further tighter lockdown restrictions in the country, especially Selangor. Expect bonds to witness profit-taking activities next week as supply concerns and fiscal deficit issues continue to linger following the recently announced PEMULIH economic stimulus package.

- MYR Corporate Bonds/ Sukuk:** The week under review saw subdued investor activity in the secondary market for gov-guaranteed/sukuk/corporate bonds. Activity was seen mostly across the GG-AA part of the curve as yields closed mostly mixed amid a halving of average weekly market volume of RM2.35b compared to prior week's RM4.72b. Topping the weekly volume were PTPTN 7/26 (GG) which edged 1bps up compared to previous-done levels at 3.01%, followed by DANAINFRA 5/24 (GG) bonds, which declined 6bps at 2.41%. Third largest volume was seen for LPPSA 10/25 tranche which rallied 9bps to 2.76%. Higher frequency of bond trades was seen in DANA, CAGAMAS, PASB, Genting-related names, SEB and several odd-lot trades in property-based Tropicana and YNH Property-related names. Meanwhile the prominent issuances for the week consisted of 7-Eleven Malaysia Holdings Berhad's AA3-rated 3-7Y bonds totaling RM500m with coupons ranging between 4.00-4.73% and CAGAMAS Bhd's AAA-rated 2Y papers amounting to RM1.5b with coupons between 2.41-48% area.

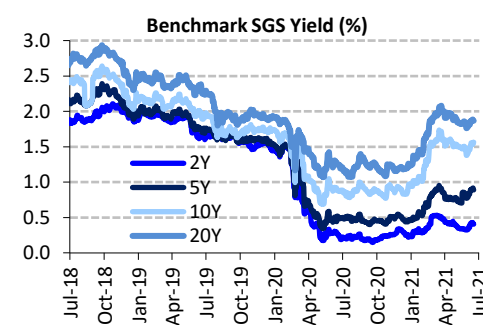
- SGS:** SGS (govvies) were little changed w/w, with the curve barely shifting lower as overall benchmark yields closed between -1 to +1bps. The 2Y yield settled at 0.41% whilst the 10Y (which traded tight within 1.53-1.55% range) ended at 1.57%. The recent auction of the record S\$3.2b 10Y auction by MAS on the 28<sup>th</sup> of June saw strong BTC ratio of 2.22x and awarded at a yield of 1.63%. MAS is projecting that Singapore's GDP growth could exceed the upper-end of 4-6% range that was forecasted by Ministry of Trade and Industry earlier. Separately, the SGD saw some consolidation following recent strength. Elsewhere the republic is poised to announce further easing of COVID-19 restrictions in mid-July whilst planning to allow the return of leisure travel by year-end. Elsewhere, OXLEY Holdings unit Oxley MTN has successfully priced its 3Y papers at 6.9% which falls under the company's \$1.0b guaranteed euro medium-term bond program.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

## Rating Actions

| Issuer                 | PDS Description                                    | Rating/<br>Outlook                    | Action  |
|------------------------|--|---------------------------------------|---------|
| TRIpIc Medical Sdn Bhd | RM639 mil Senior Sukuk Murabahah (the Senior Sukuk | From<br>AA1/Negative to<br>AA1/Stable | Revised |

Source: MARC/RAM

## Economic Calendar

| Date  | Time  | Country | Event   | Period | Prior    |
|-------|-------|---------|---|--------|----------|
| 05/07 | 08:30 | SG      | Markit Singapore PMI                            | Jun    | 54.4     |
|       | 08:30 | JP      | Jibun Bank Japan PMI Services                   | Jun F  | 47.2     |
|       | 09:30 | AU      | Retail Sales MoM                                | May F  | 0.1%     |
|       | 09:45 | CN      | Caixin China PMI Services                       | Jun    | 55.1     |
|       | 13:00 | SG      | Retail Sales YoY                                | May    | 54.00%   |
|       | 16:00 | EZ      | Markit Eurozone Services PMI                    | Jun F  | 58.0     |
|       | 16:30 | EZ      | Sentix Investor Confidence                      | Jul    | 28.1     |
|       | 16:30 | UK      | Markit/CIPS UK Services PMI                     | Jun F  | 61.7     |
| 06/07 | 07:30 | JP      | Labor Cash Earnings YoY                         | May    | 1.4%     |
|       | 07:30 | JP      | Household Spending YoY                          | May    | 13.0%    |
|       | 08:30 | HK      | Markit Hong Kong PMI                            | Jun    | 52.5     |
|       | 12:30 | AU      | RBA Cash Rate Target                            | 06 Jul | 0.1%     |
|       | 17:00 | EZ      | Retail Sales MoM                                | May    | -3.1%    |
|       | 17:00 | EZ      | ZEW Survey Expectations                         | Jul    | 81.3     |
|       | 21:45 | US      | Markit US Services PMI                          | Jun F  | 64.8     |
|       | 22:00 | US      | ISM Services Index                              | Jun    | 64.0     |
| 07/07 | 13:00 | JP      | Leading Index CI                                | May P  | 103.8    |
|       | 15:00 | MA      | Foreign Reserves                                | 30 Jun | \$111.0b |
|       | 19:00 | US      | MBA Mortgage Applications                       | 02 Jul | -6.9%    |
|       | 22:00 | US      | JOLTS Job Openings                              | May    | 9286k    |
| 08/07 | 02:00 | US      | FOMC Meeting Minutes                            | 16 Jun | --       |
|       | 07:01 | UK      | RICS House Price Balance                        | Jun    | 83.0%    |
|       | 15:00 | MA      | BNM Overnight Policy Rate                       | 08 Jul | 1.75%    |
|       | 20:30 | US      | Initial Jobless Claims                          | 03 Jul | --       |
| 09/07 | 09:30 | CN      | CPI YoY   | Jun    | 1.3%     |
|       | 09:30 | CN      | PPI YoY   | Jun    | 9.0%     |
|       | 14:00 | UK      | Monthly GDP (MoM)                               | May    | 2.3%     |
|       | 14:00 | UK      | Industrial Production MoM                       | May    | -1.3%    |
|       | 14:00 | UK      | Visible Trade Balance GBP/Mn                    | May    | -£10958m |
|       | 18:00 | UK      | BOE's Bailey speaks on panel with ECB's Lagarde |        |          |

Source: Bloomberg

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