Global Markets Research
Weekly Market Highlights

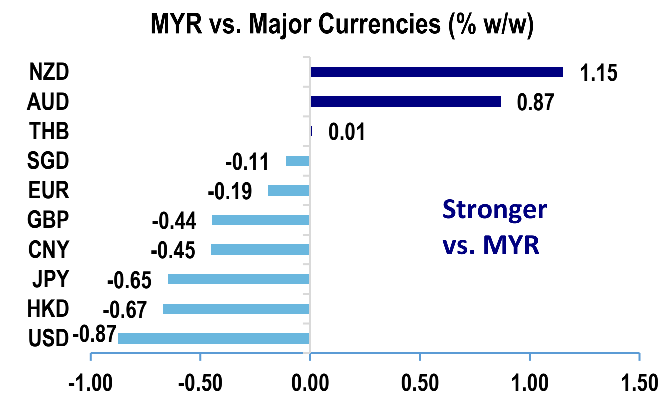
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,443.82	0.66	15.80
S&P 500	4,536.95	1.50	20.79
FTSE 100	7,163.90	0.55	10.89
Hang Seng	26,090.43	2.65	-4.19
KLCI	1,582.19	-0.22	-2.77
STI	3,088.84	-0.66	8.62
Dollar Index	92.23	-0.90	2.54
WTI oil ($/bbl)	69.99	3.81	44.25
Brent oil ($/bbl)	73.03	2.76	40.98
Gold (S/oz)	1,809.40	0.96	-4.52

Source: Bloomberg

- US equities again soared to record levels this week. Investors appeared unfazed by the recently grimmer Covid situation in the US as new infections and hospitalisations continued to creep up, as the chances of the country returning to lockdown look to be low. The NASDAQ hit record high this week alongside a firmer S&P 500 that hung near its record levels. The blue-chip Dow Jones Industrial Average underperformed. Gold prices rose as the dollar weakened further. Crude oil prices rallied as OPEC+ is on track to raise output.
- The US reported a mixed set of data this week. A slew of PMIs showed that the manufacturing sector in Western developed economies were weighed by supply chain constraints. Asian factories meanwhile were affected by the surge in Covid cases and related tightening of restrictions. Markets are looking forward to a number of central bank decisions next week from the RBA, ECB, BOC and BNM on the local front.

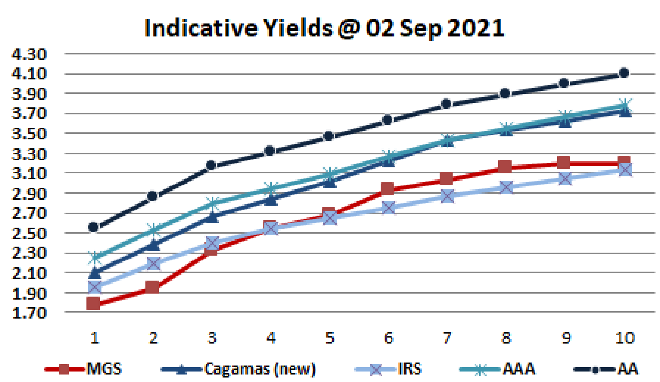
Forex



Source: Bloomberg

- **MYR:** USD/MYR's sharp decline stayed extended, seeing another round of four big figures change and breaking multiple supports through the week. The pair shed 0.9% w/w to a two-month low of 4.1585 as at Thursday's close, as the USD continued its weakening trajectory, while the MYR was supported by foreign portfolio inflows as domestic political uncertainties abated. We are ***Neutral-to-Slightly Bearish*** on the pair expecting a range of 4.13-4.17 in the week ahead, expecting some consolidation after recent declines, as well as cautious trading ahead of BNM MPC meeting on 9 September, where OPR is expected to stay unchanged.
- **USD**: The dollar has weakened to lowest levels seen since 6 August, helped by a risk-on mood. DXY was down c.0.9% to 92.23 on Thursday's close, from 92.69 a week ago. Fed Chair Jerome Powell's speech at Jackson Hole had anchored expectations on Fed tapering. Meanwhile, PMIs moderated from highs. Momentum ahead is likely first determined by non-farm payrolls on Friday. A weak number can imply delayed Fed tapering, and maintain the weaker momentum. We are ***Neutral-to-Bearish*** on the USD for the week ahead, should that occur. Otherwise, there is risk of some reversal on the upside. Week ahead focus shifts to Beige Book and PPI for August.

Fixed Income



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- **UST:** The week under review saw USTs close stronger with overall benchmark yields ended 3-7bps lower. Fed Chair Powell signaled in his Jackson Hole speech that the Fed would likely aim to taper purchases of USTs and MBS by the end-2021 but didn't provide precise timing, suggesting that upcoming economic data remained a key determinant for monetary policy makers. Expect bond movements to take cue from tonight's release of US jobs data for August.
- **MGS/GII:** Local govvies rallied w/w, save for the 5Y GII; partly influenced by lower IRS. Overall benchmark yields for MGS/GII closed mostly lower between 2-12bps. Interest was mainly seen in the off-the-run 21-23's and also benchmark 3Y, 5Y, 10Y bonds. The auction involving the reopening of 20Y GII 9/41 saw solid bidding metrics with BTC ratio registering 2.687x and awarded at 4.178%. Expect bonds to continue to be supported next week ahead of the MPC meeting on 9th September as further clarity via the release of pre-budget statement coupled with dissipating political uncertainty become a comforting factor for investors.

Macroeconomic Updates

- **Stocks rallied to record high:** US equities again soared to record levels this week. Investors appeared unfazed by the recently grimmer Covid situation in the US as new infections and hospitalisations continued to creep up, as the chances of the country returning to lockdown look to be low. The NASDAQ hit record high this week alongside a firmer S&P 500 that hung near its record levels. The blue-chip Dow Jones Industrial Average underperformed. Gold prices rose this week as the dollar weakened further. Crude oil prices rallied as OPEC+ is on track to raise output.

- **Manufacturing divergence between East and West:** The latest set of manufacturing PMI showed varied performances between factories in the developed western economies and their Asian counterparts. PMI in the US, Eurozone and UK indicate continuously robust growth but potentials were limited by the ongoing supply chain bottlenecks as challenges to source input persisted into August. The pandemic resurgence in Asia had led to governments to reimpose stricter rules, thus directly affecting production. China's factory gauges came in weaker with the Caixin PMI falling to contraction level, reflecting the impact of Covid-related factors and to some extent residual effect of July's floods. Japan's manufacturing PMI pointed to slower growth whereas the South East Asian manufacturing powerhouses – Vietnam, Indonesia and Malaysia reported PMIs at 40s levels, signalling contractions.

- **Mixed US data:** The US reported a mixed set of data this week. Initial jobless claims fell to 354k last week. The ADP private payrolls rose only 374k in August, well below the projected gain of 625k. This certainly adds some jittery ahead of today's nonfarm job report. Construction spending rose more than expected, supported by strong private residential spending. House prices had risen at a record in June. Factory orders managed to increase for the third month despite supply chain constraints. The Conference Board Consumer sentiment tumbled to a six-month low as the surge in the Delta Variant clouded the near-term outlook, although rising gas and food prices played some minor roles too.

Key central bank decisions next week:

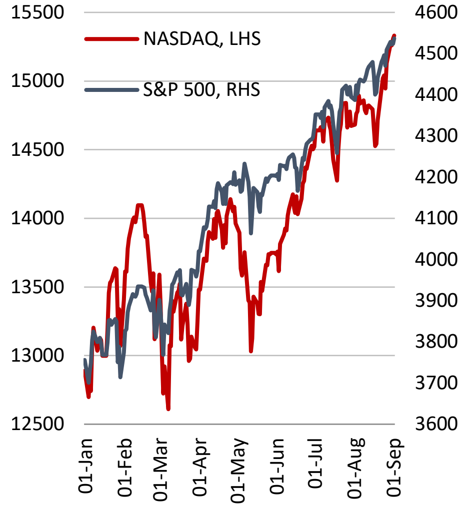
- **RBA may postpone bond tapering:** Data flow turns lighter next week and focus shifts to a number of central bank meetings, beginning with the Reserve Bank of Australia (RBA) and there are growing expectations that it would postpone the September plan to reduce weekly bond purchases in light with the uncertainties associated with the ongoing lockdowns in the country's two largest states.

- **ECB facing growing pressure to taper:** The ECB governing council is facing challenges to justify the recent dovish recalibration of its policy. The decade high HICP inflation (+3% y/y in August) may not be in favour of the central bank's insistence that inflation is transitory. Robust recovery in the euro area also brings one to question the necessity of ultra-accommodative stimulus. The Fed's commitment to bond tapering this year also poses as a challenge as the ECB had repeatedly said it would purchase assets at much faster rates; we expect this guidance to be removed next week.

- **BOC to proceed with October tapering**: The recent setback in 2Q GDP is not likely to deter the BOC from another tapering in October. It had last adjusted the weekly pace to CAD2b in July and the high vaccination rates and recovering consumption means that they are on track for a net-zero purchases by year-end.

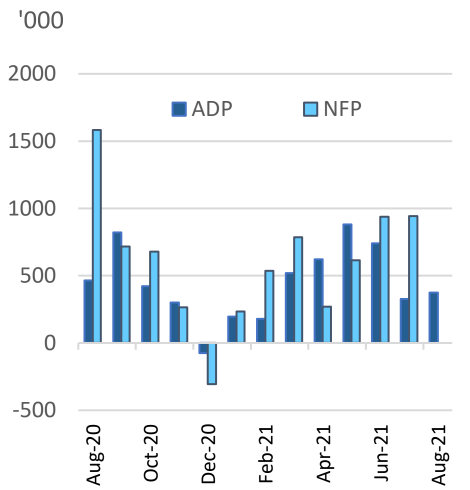
- **BNM to maintain OPR**: BNM is expected to leave the OPR unchanged at 1.75% even through the July statement highlighted significant downside risks and preparedness to ease if needed. July's decision had taken into account the downgrade of economic outlook and Malaysia's higher vaccination rate would slowly allow the country to advance to the next phase of the National Recovery Plan.

US stocks soared further this week



Source: Bloomberg

ADP payrolls fell short of expectations



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR's sharp decline stayed extended, seeing another round of four big figures change and breaking multiple supports through the week. The pair shed 0.9% w/w to a two-month low of 4.1585 as at Thursday's close, as the USD continued its weakening trajectory, while the MYR was supported by foreign portfolio inflows as domestic political uncertainties abated. We are ***Neutral-to-Slightly Bearish*** on the pair expecting a range of 4.13-4.17 in the week ahead, expecting some consolidation after recent declines, as well as cautious trading ahead of BNM MPC meeting on 9 September, where OPR is expected to stay unchanged.

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- **EUR**: EUR/USD gained by more than 1.0% over the past few sessions, closing at 1.1875 on Thursday. This came as core inflation went up to 1.6% y/y in August from 0.7% prior (0.4% m/m). PPI displayed similar trends. We are ***Neutral-to-Bullish*** on EUR/USD for the week ahead, given our USD view. Momentum is biased on the upside, eyeing resistance of 1.20 (200-day MA). Support at 1.18 for any reversal. Market focus shifts towards the ECB meeting on 9 September, for updated views on inflation and monetary policy. Retail sales later on Friday may also be of note.

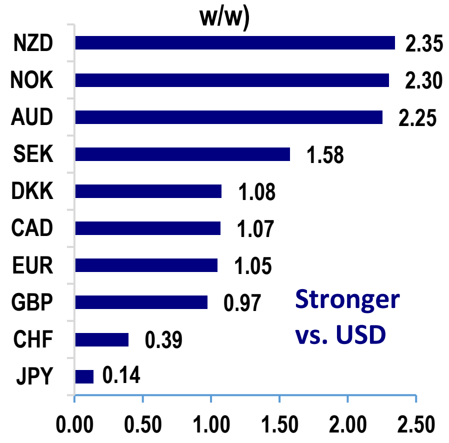
- **GBP**: After dollar weakness, GBP/USD headed higher from 1.37 (26 August) to close at 1.3833 on Thursday. We are ***Neutral*** on GBP/USD for the week ahead. We eye a range of 1.3570 to 1.3980. Momentum is relatively subdued. The UK releases monthly GDP and industrial production numbers over the coming week.

- **JPY**: The yen underperformed from positive risk sentiments, with USD/JPY hovering around a range of 109.59 to 110.42 over the past sessions. We are ***Neutral*** on USD/JPY for the coming week, examining a 108.80 to 111.40 range. Technicals look subdued, with a slight upside bias. Japan releases July current account and Eco Watchers survey for the week ahead. News that Prime Minister Suga will not be seeking re-election will unlikely alter underlying trend in the JPY.

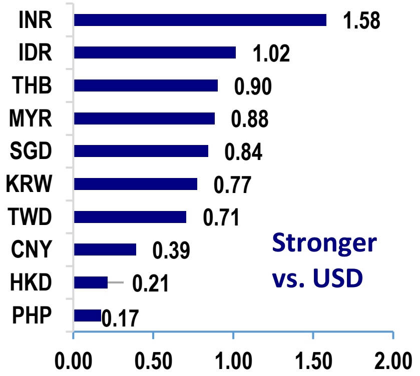
- **AUD**: AUD/USD benefited from improved risk appetites and rallied by 2.25% between 27 August to 2 September, closing at 0.74. Australia registered better-than-expected GDP growth for 2Q (0.7% q/q), despite Covid-19 challenges. We are ***Neutral-to-Bullish*** on AUD/USD for the week ahead, given our USD view. Momentum has appeared to turn, although a range of 0.7110 to 0.7600 is likely to persist. The Reserve Bank of Australia's policy decision on 7 September has the potential to shape AUD strength or weakness.

- **SGD**: USD/SGD was down by 0.84% over the past week, closing at 1.3424 on Thursday. Anchored Fed's tapering expectations after Jackson Hole helped with USD weakness over this period. Singapore's manufacturing PMI moderated slightly to 50.9 in August from 51.0 prior. For the week ahead, we are ***Neutral-to-Bearish*** on USD/SGD, assuming USD weakness continues after non-farm payrolls data later. Momentum is biased on the downside. We view support at the 200-day MA of 1.3380, while we place resistance close to the 50-day MA of 1.3536.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

Forecasts

	Q3-21	Q4-21	Q1-22	Q2-22
DXY	92.00	91.50	90.00	89.00
EUR/USD	1.18	1.19	1.21	1.22
GBP/USD	1.40	1.41	1.43	1.45
AUD/USD	0.74	0.74	0.76	0.77
USD/JPY	109	108	107	105
USD/MYR	4.23	4.20	4.20	4.15
USD/SGD	1.35	1.35	1.34	1.33

	Q3-21	Q4-21	Q1-22	Q2-22
EUR/MYR	4.99	5.00	4.08	5.06
GBP/MYR	5.92	5.92	6.01	6.02
AUD/MYR	3.13	3.11	3.19	3.20
SGD/MYR	3.13	3.11	3.13	3.12

Source: HLBB Global Markets

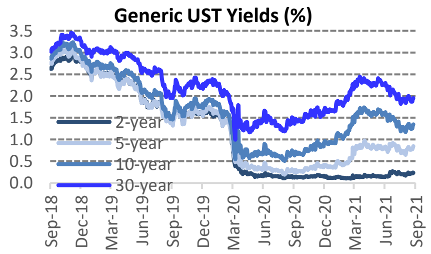
Fixed Income

- **UST:** The week under review saw USTs close stronger as the curve shifted lower despite reports of traders and investors adopting a neutral stance ahead of the NFP payrolls data tonight. Overall benchmark yields ended 3-7bps lower with the benchmark UST 2Y; reflective of interest rate predictions, seen easing 3bps at 0.21% whilst the much-watched 10Y (which traded within a tighter 1.28%-1.31% range); ended 7bps lower at 1.28%. Fed Chair Powell signaled in his Jackson Hole speech that the Fed would likely aim to taper purchases of USTs and MBS by the end-2021 but didn't provide precise timing, suggesting that upcoming economic data remained a key determinant for monetary policy makers. Elsewhere, the earlier declines in the fed funds rate (i.e. from 0.08% to 0.06%) appears to be due to excess liquidity that is seen to cause the Federal Home Loan Bank discount rates much lower amid continued reserve expansion and bill paydowns. Expect bond movements to take cue from tonight's release of US jobs data for August.

- **MGS/GII:** Local govvies rallied w/w, save for the 5Y GII; partly influenced by lower IRS whilst brushing aside the improved PMI data for August. Overall benchmark yields for MGS/GII closed mostly lower between 2-12bps. The benchmark 5Y MGS 11/26 yield moved 3bps lower to 2.67% whilst the 10Y MGS 4/31 yields closed 5bps down to 3.20% from prior week's close. Interest was mainly seen in the off-the-run 21-23's and also benchmark 3Y, 5Y, 10Y bonds. The average daily secondary market volume jumped 46.3% @ RM3.73b versus prior week's RM2.55b despite the National Day holiday on Tuesday. The auction involving the reopening of 20Y GII 9/41 saw solid bidding metrics with a total offering of RM4.5b (RM2.5b auction + RM2.0b private placement); with BTC ratio registering 2.687x and awarded at 4.178%. Expect bonds to continue to be supported next week ahead of the MPC meeting on 9th September as further clarity via the release of pre-budget statement coupled with dissipating political uncertainty become a comforting factor for investors.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw subdued secondary market activity for govt-guaranteed/corporate bonds/Sukuk as. Trades were mainly seen along the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 39.3% fall in daily market volume of RM533m compared to prior week's RM878m. Topping the weekly volume were PTPTN 5/28 (GG) which rallied a whopping 78bps compared to previous-done levels to 3.36%, followed by TOYOTA Cap 9/25 and 7/24 (both AAA-rated), for which the former jumped 39bps to 3.51% whilst the latter edged 2bps up at 3.23%. Third largest volume was seen for SPSETIA 6/28 bonds, which rallied 5bps to 4.02%. Higher frequency of bond trades was seen in DANA, PLUS, UEM Sunrise, SABAH Development bank, energy-related bonds i.e. EDRA, Southern Power and odd-lot transactions in TROPICANA Bhd. Meanwhile there was a deluge of fresh issuances with the more prominent ones consisting of LPPSA's (GG) RM4.0b 7-30Y bonds with coupons ranging between 3.34-4.58% and also PRASARANA Malaysia Bhd's (GG) RM1.7b 5-20Y bonds with coupons between of 2.98-4.37%.

- **SGS:** SGS (govvies) were seen to be influenced by UST movements w/w as the curve shifted lower with overall benchmark closing between 2-5bps lower. The 2Y yield edged 2bps down at 0.34% whilst the 10Y (which traded tighter i.e. between 1.37-1.41% range) declined 3bps to 1.39%. Earlier MAS had successfully conducted S$1.4b 20Y SGS auction at a yield of 1.84%. It will also have an inaugural 2Y note sale along with SGS infrastructure bond issuance on 28th September. The republic's sovereign issuance has now risen 16% to ~S$100b YTD. Bonds are expected to be well-supported following latest pullback in IHS Markit's weaker PMI data in August. Elsewhere, Fitch Ratings has assigned Singapore-listed Mapletree Logistics Trust a Long-Term Issuer Default Rating (IDR) of BBB+/Stable. Meantime, Olam International has priced its JPY9b 5Y notes via private placement at fixed coupon of 1.61%.



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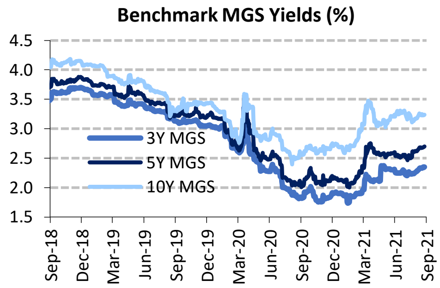

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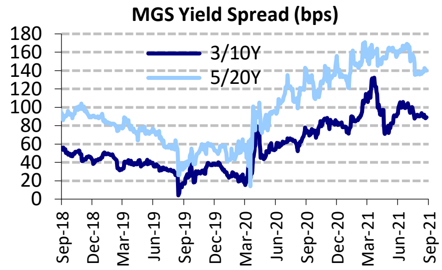

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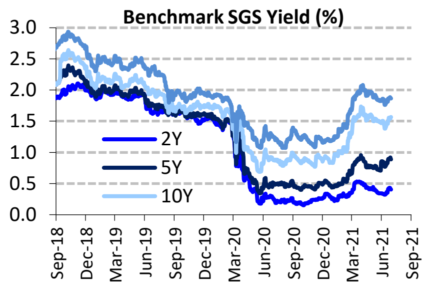

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Batu Kawan Berhad	Proposed Islamic Medium-Term Notes (IMTN) Programme of up to RM1.0 bil	AA1/Stable	Assigned
	RM500 mil IMTN Programme (2013/2023)	AA1/Stable	Assigned
Kuala Lumpur Kepong Berhad's (KLK or the Group)	RM2.0b Islamic Medium-Term Notes (IMTN) Programme (2019/2039)	AA1/Stable	Reaffirmed
	RM1.6b Multi-Currency IMTN Programme (2015/2027)	AA1/Stable	Reaffirmed
	RM1.0b Multi-Currency IMTN Programme (2012/2022)	AA1/Stable	Reaffirmed
	Global Corporate Credit Ratings	gA3/Stable/gP2	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
06/09	16:30	EZ	Sentix Investor Confidence	Sep	22.2
07/09	07:30	JP	Labor Cash Earnings YoY	Jul	0.10%
	07:30	JP	Household Spending YoY	Jul	-5.10%
	12:30	AU	RBA Cash Rate Target	07 Sep	0.10%
	15:00	MA	Foreign Reserves	30 Aug	$111.3b
	17:00	EZ	GDP SA QoQ	2Q F	2.00%
	17:00	EZ	ZEW Survey Expectations	Sep	42.7
	00:00	CN	Exports YoY	Aug	19.30%
	00:00	CN	Imports YoY	Aug	28.10%
08/09	07:50	JP	GDP SA QoQ	2Q F	0.30%
	19:00	US	MBA Mortgage Applications	03 Sep	-2.40%
	22:00	US	JOLTS Job Openings	Jul	10073k
09/09	02:00	US	U.S. Federal Reserve Releases Beige Book		
	07:01	UK	RICS House Price Balance	Aug	79%
	09:30	CN	CPI YoY	Aug	1.00%
	09:30	CN	PPI YoY	Aug	9.00%
	14:00	JP	Machine Tool Orders YoY	Aug P	93.40%
	15:00	MA	BNM Overnight Policy Rate	09 Sep	1.75%
	19:45	EZ	ECB Main Refinancing Rate	09 Sep	0.00%
	20:30	US	Initial Jobless Claims	04 Sep	--
10/09	06:45	NZ	Card Spending Retail MoM	Aug	0.60%
	12:00	MA	Industrial Production YoY	Jul	1.40%
	14:00	UK	Monthly GDP (MoM)	Jul	1.00%
	14:00	UK	Industrial Production MoM	Jul	-0.70%
	14:00	UK	Visible Trade Balance GBP/Mn	Jul	-£11988m
	20:30	US	PPI Final Demand YoY	Aug	7.80%

Source: Bloomberg

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