HongLeong Bank

Global Markets Research

Weekly Market Highlights

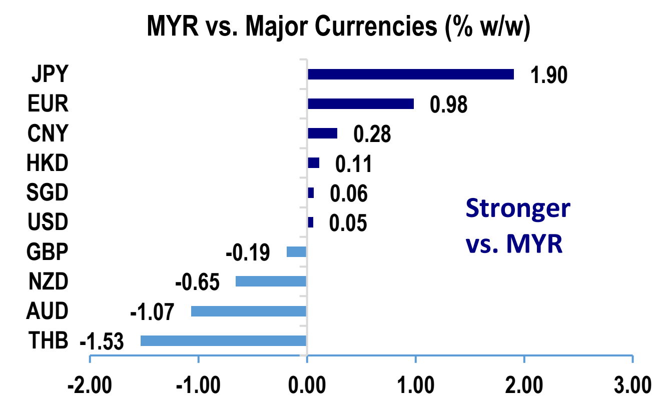
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,639.79	-3.25	13.18
S&P 500	4,577.10	-2.65	21.86
FTSE 100	7,129.21	-2.48	10.35
Hang Seng	23,788.93	-3.84	-13.66
KLCI	1,501.74	-1.05	-7.71
STI	3,092.11	-4.02	8.63
Dollar Index	96.16	-0.64	6.90
WTI oil ($/bbl)	66.50	-15.17	37.06
Brent oil ($/bbl)	69.67	-15.26	35.48
Gold (S/oz)	1,760.70	-1.32	-6.79

Source: Bloomberg

- US stocks tumbled this week as a selloff was spurred by the renewed pandemic fear surrounding the Covid-19 Omicron variant as well as Fed Chair Jerome Powell's hawkish testimony before Congress. Crude oil prices suffered steep losses this week amid fear that demand would fall if the Omicron variant triggered a worldwide lockdown. OPEC+ decided on Thursday to retain its plan of hiking oil output by 400k barrels per day in January. Powell said that the Fed may need to conclude its current asset tapering sooner than initially expected in view of elevated inflation, prompting speculations that it may raise rate in 1H2022.
- The US continued to report solid data amid the current economic expansion. Among them strong readings of ISM manufacturing, construction spending and ADP private payrolls. Manufacturing PMI in the Eurozone, UK, Japan as well as South East Asia were positive. China's Caixin PMI edged lower to below 50. In the week ahead, key data include the US CPI inflation, China's trade and inflation reports as well as GDP readings from the Eurozone and Japan. The RBA is expected to keep its cash rate steady at 0.1%.

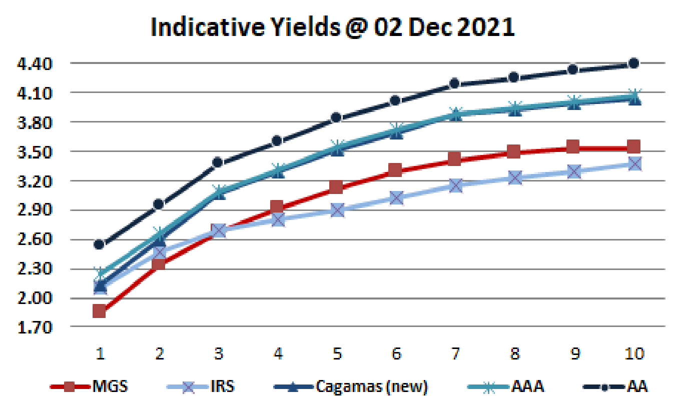
Forex



Source: Bloomberg

- **MYR:** USD/MYR went through some volatility between before settling at 4.2320 on Thursday's close, up 0.05% w/w. This marked its 5th consecutive week of advance hitting a high of 4.2490 in intraday trading last Friday, its highest in three months amid a rally in the USD. We remain ***Neutral-to-Bullish*** on USD/MYR in the week ahead, as broad risk aversion in the markets will likely continue to buoy USD strength, keeping demand for risks at bay. We expect the pair to maintain a weekly range of 4.20-4.25, with 4.25 serving as a key psychological resistance.
- **USD**: DXY snapped four straight weeks of gains, retreated by 0.6% w/w to 96.16 on Thursday's close. Fed Chair Powell's hawkish pivot saying asset tapering could end a few months earlier prompted big swings in the FX market, pushing the DXY below 96.00 intermittently. Some semblance of calm has since returned with the DXY traded narrowly between 95.60- 96.20 in the past two days. We expect continuous haven demand to keep the USD supported but noted that bullish momentum has somewhat subsided. We therefore except a ***Neutral*** outlook with a weekly range of 95-97 for the DXY in the week forward. Tonight's nonfarm job report, ISM readings and CPI will be some of the key market movers to watch.

Fixed Income



Source: Bloomberg

- **UST:** USTs ended strong w/w, backed by strong bids over concerns from the emergence of the Omicron variant of COVID-19 which outweighed the hawkish Fedspeak indicating faster pace of asset-tapering and the possibility of raising rates sooner. The curve bull-flattened as overall yields closed between 3-20bps lower w/w. The swaps market was seen pricing in 25bps rate hike for the June 2022 FOMC meeting, followed by another similar hike by November. The yield premium of the 30Y bond over the policy-sensitive 5Y note dipped to below 60bps; the tightest seen since March 2020. Expect some demand next week for the relatively safe-haven of bonds arising from ongoing concerns over the Omicron variant.
- **MGS/GII:** Local govvies "whip-sawed" for most sessions in the week alternating between uncertainties surrounding the new COVID variant and changing global risk sentiment but ended positive w/w. Overall benchmark MGS yields closed between 1-10bps lower. The average weekly secondary market volume jumped again by 24% @ RM14.80b versus prior week's RM11.91b. Elsewhere, the 20Y MGS auction saw weaker-than-expected bidding metrics with BTC at 1.888x and awarded at 4.145% as participation came mainly from pension funds and lifers. Expect bonds to range sideways next week on subdued volumes as low staffing levels eventually takes precedence due to the year-end holiday period.

Macroeconomic Updates

- **Stocks plunged on Omicron fear, Powell's hawkish remarks:** US stocks tumbled this week as a selloff was spurred by the renewed pandemic fear surrounding the Covid-19 Omicron variant as well as Fed Chair Jerome Powell's hawkish testimony before Congress. All three US benchmarks fell more than 3.0% cumulatively on Tuesday and Wednesday before staging a rebound on Thursday as buyers entered the market for bargain hunting. South Africa said that the number of Covid-19 cases in the country doubled this week, while the US has now confirmed the detection of two Omicron variants. Germany has imposed restrictions on its unvaccinated individuals as it attempts to curb its worst ever Covid wave.

- **Crude oil prices deep-dived on variant concern:** Crude oil prices suffered steep losses this week amid fear that demand would fall if the Omicron variant triggered a worldwide lockdown. OPEC+ decided on Thursday to retain its plan of hiking oil output by 400k barrels per day (BPD) in January, likely taking into account the fact that many large consuming countries are tapping into their respective oil reserves. As of Thursday, Brent crude and US WTI shed over 15% w/w.

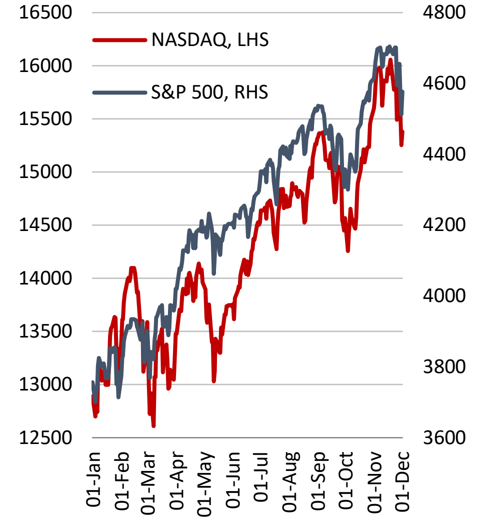
- **Powell signalled faster conclusion to asset tapering:** This week, Fed Chair Jerome Powell and Treasury Secretary Janet Yellen (Powell's predecessor) testified before Congress on the CARES Act, the stimulus program passed last year to help Americans weather the pandemic downturn. Importantly, Powell said that the Federal Reserves may need to conclude its current asset tapering sooner than initially expected in view of elevated inflation. The remarks prompted speculations that the end of the asset purchase program may potentially lead to a rate hike in the first half of 2022, compared to previous expectations that the Fed may only raise rate in 2H2022.

- **US reported strong economic data :** The US continued to report solid data amid the current economic expansion. The US ISM manufacturing index rose to 61.1 in November, painting a picture of solid factory conditions despite the rampant supply chain issues. Construction spending rose 0.2% m/m, supported by non-residential spending. The ADP private payrolls came in slightly better than expected at 534k for November. Initial jobless claims rose to 222k last week, reflecting the impact of seasonal adjustments from the thanksgiving holidays.

- **November's manufacturing PMIs generally positive:** Manufacturing PMI in the Eurozone and the UK remained solid at circa 58 levels, indicating robust factory operating conditions. In Asia, Japan's manufacturing PMI edged up to 54.5 in November following the lifting of the National State of Emergency measures. In contrast to the official NBS manufacturing PMI which focuses on large enterprises, China's Caixin Markit manufacturing PMI slipped below the neutral threshold, to 49.9, reflecting softer operating condition in China's small private companies. Meanwhile, in South East Asia, Vietnam's and Malaysia's PMI were little changed at circa 52 levels. Thailand's PMI slipped a little to 50.6 while Indonesia's PMI fell to 53.9, down from the super strong reading in October.

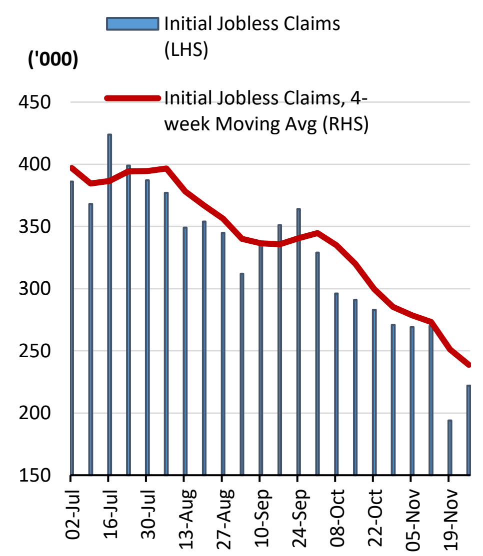
- **A slow week for economic data:** The data calendar turns lighter next week with limited data releases. US CPI inflation due later of the week is the highlight that may prove that price pressure remains elevated in the US. Prior to that, the Eurozone and Japan report their respective 3Q GDP reading. In additions, the UK released its monthly nominal GDP report inclusive of industrial production, services and construction output. China's trade report and inflation data are also in the pipeline alongside other key data such as Japan's household spending and labour cash earnings, producer price index and Malaysia's industrial productions. The RBA is expected to keep the cash rate unchanged at 0.1%.

Stocks dipped on Powell's hawkish remarks, Omicron variant



Source: Bloomberg

Initial jobless claims still showing downtrend



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR went through some volatility between before settling at 4.2320 on Thursday's close, up 0.05% w/w. This marked its 5th consecutive week of advance hitting a high of 4.2490 in intraday trading last Friday, its highest in three months amid a rally in the USD. We remain ***Neutral-to-Bullish*** on USD/MYR in the week ahead, as broad risk aversion in the markets will likely continue to buoy USD strength, keeping demand for risks at bay. We expect the pair to maintain a weekly range of 4.20-4.25, with 4.25 serving as a key psychological resistance.

- **USD**: DXY snapped four straight weeks of gains, retreated by 0.6% w/w to 96.16 on Thursday's close. Fed Chair Powell's hawkish pivot saying asset tapering could end a few months earlier prompted big swings in the FX market, pushing the DXY below 96.00 intermittently. Some semblance of calm has since returned with the DXY traded narrowly between 95.60- 96.20 in the past two days. We expect continuous haven demand to keep the USD supported but noted that bullish momentum has somewhat subsided. We therefore except a ***Neutral*** outlook with a weekly range of 95-97 for the DXY in the week forward. Tonight's nonfarm job report, ISM readings and CPI will be some of the key market movers to watch.

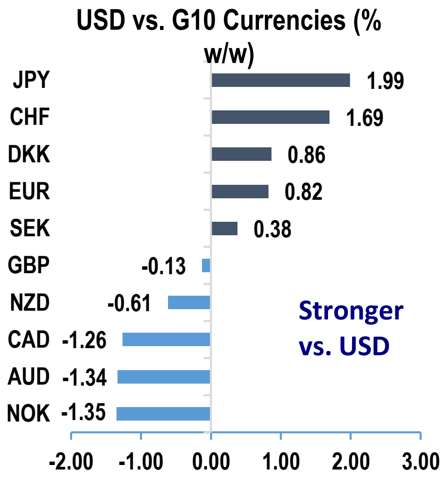
- **EUR**: EUR/USD continued to advance for a 5th straight week, up by another 0.8% w/w back above the 1.13 handle to 1.1301 on Thursday on the back of a softer USD. Eurozone CPI picked up faster than expected, fanning policy tightening concerns. Expectations for a firm USD and absence of any fresh catalysts are expected to keep EUR/USD weekly outlook ***Neutral***, likely within a range of 1.12-1.14 in the coming week. Final print of 3Q GDP which is expected to reaffirm slower growth is key data watch next week but it may not have much bearing on the EUR.

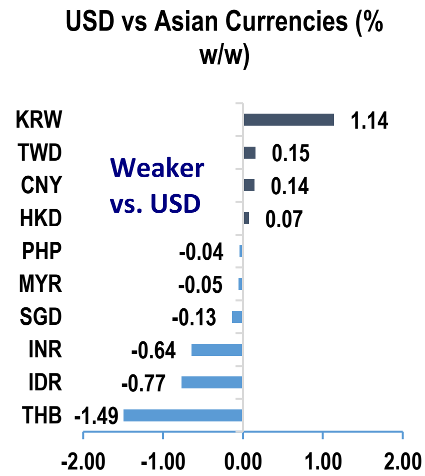
- **GBP**: GBP/USD ended 0.1% w/w lower at 1.3305, but off a year-low of 1.3279 seen mid-week. Weekly outlook is ***Bearish*** in our view given sustained negative momentum after breaking below 1.34. The pair is testing the next key support at 1.33 now and a break will lead to further down to the 1.32 handle, a level last seen in a year. Broad market jitters as well as expectation for a firm USD outlook is expected to exert downward pressure on the sterling, potentially towards a range of 1.31-1.33 in the following week. Key data watch in the UK is industrial production and monthly GDP releases, but more often than not, may not have much influence on the sterling which is primarily USD driven.

- **JPY**: USD/JPY reversed the uptrend seen in the last four weeks, moving three big figures from 115 to 112 before settling at 113.11 on Thursday. The JPY was the best performer among G10s, advancing 2.0% the past week. Broad market jitters caused by the Omicron variant and Fed Chair Powell's hawkish pivot on asset tapering spurred flight to safety, shoring up gains in the JPY. We are ***Neutral-to-Bearish*** on the USD/JPY for the week ahead, eyeing a range of 112-114. Support lies in 112.00 while resistance at 113.90. Some of the key Japanese data to watch next week include final 3Q GDP print, Eco Watchers and BSI outlook surveys.

- **AUD**: AUD/USD weakened for the 5th consecutive week, breaking below the key 0.71 handle to 0.7094 as at Thursday's close after a week of zig-zag trading. Risk aversion in the market overshadowed the smaller than expected pullback in 3Q GDP performance in Australia, exerted further downward pressure on the Aussie. Mixed PMI data from both the official and Caixin sources has had little impact on AUD/USD as well. We are ***Neutral-to-Bearish*** on AUD/USD over the coming week heading towards the 0.70 psychological level. A break of the 0.70 key support will lead the pair towards 0.6890 next. RBA meeting will be key watch in the Aussie space next week. A dovish note from RBA will likely reinforce bearishness in the Aussie.

- **SGD**: USD/SGD trended higher for the 5th week in a row. The pair however pulled back from a high of 1.3718 to close out the week 0.1% w/w higher at 1.3694 on Thursday (preceding Thursday 1.3676). Despite a softer USD, SGD, along with some other EM Asian currencies, were battered down amid lingering risk-off market sentiments. We expect continued subdued risk appetite to underpin ***Bullishness*** in the pair going into next week, eyeing a range of 1.36-1.38 in our view.





Source: Bloomberg

Forecasts

	Q4-21	Q1-22	Q2-22	Q3-22
DXY	94.50	95.00	95.50	96.50
EUR/USD	1.15	1.14	1.14	1.13
GBP/USD	1.35	1.35	1.34	1.33
AUD/USD	0.72	0.71	0.71	0.70
USD/JPY	112	113	114	115
USD/MYR	4.15	4.15	4.15	4.15
USD/SGD	1.35	1.34	1.33	1.34

	Q4-21	Q1-22	Q2-22	Q3-22
EUR/MYR	4.77	4.73	4.73	4.69
GBP/MYR	5.60	5.60	5.56	5.52
AUD/MYR	2.99	2.95	2.95	2.91
SGD/MYR	3.07	3.10	3.12	3.10

Source: HLBB Global Markets

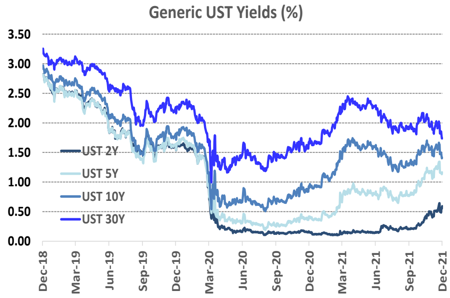
Fixed Income

- **UST:** USTs ended strong w/w, backed by strong bids over concerns from the emergence of the Omicron variant of COVID-19 which outweighed the hawkish Fedspeak indicating faster pace of asset-tapering and the possibility of raising rates sooner. The curve bull-flattened as overall yields closed between 3-20bps lower w/w. The UST 2Y note eased 3bps to 0.61% whilst the much-watched 10Y bond rallied 20bps to 1.44%. Financial markets have been on a roller-coaster ride with volatility spiking for the week under review. The swaps market was seen pricing in 25bps rate hike for the June 2022 FOMC meeting, followed by another similar hike by November. The yield premium of the 30Y bond over the policy-sensitive 5Y note dipped to below 60bps; the tightest seen since March 2020. Elsewhere, the debt ceiling anxiety seems to have waned slightly following Democrat and Republican congressional leaders agreeing on a short-term funding bill until 18th February 2022. Expect some demand next week for the relatively safe-haven of bonds arising from ongoing concerns over the Omicron variant.

- **MGS/GII:** Local govvies "whip-sawed" for most sessions in the week alternating between uncertainties surrounding the new COVID variant and changing global risk sentiment but ended positive w/w. Overall benchmark MGS yields closed between 1-10bps lower as the curve shifted lower. The benchmark 5Y MGS 11/26 ended within 1bps lower at 3.14% whilst the 10Y MGS 4/31 edged 2bps lower at 3.54% respectively. The average weekly secondary market volume jumped again by 24% @ RM14.80b versus prior week's RM11.91b. Elsewhere, the 20Y MGS auction saw weaker-than-expected bidding metrics with BTC at 1.888x and awarded at 4.145% as participation came mainly from pension funds and lifers. Expect bonds to range sideways next week on subdued volumes as low staffing levels eventually takes precedence due to the year-end holiday period.

- **MYR Corporate bonds/ Sukuk**: The week under review continued to see easing of investor activity for government-guaranteed bonds, Sukuk and corporate bonds transactions. Participation was seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to higher amid a 19% decrease in average weekly market volume of RM1.43b compared to prior week's RM1.77b. Topping the weekly volume were CAGAMAS 5/23 (AAA) which edged 2bps lower compared to previous-done levels at 2.31%, followed by the short-end KHAZANAH 9/22 (GG) bonds, which declined 7bps to 1.97%. The 3rd largest volume was seen again for CAGAMAS 12/22 (AAA) papers which rallied 9bps to 2.14%. Higher frequency of bond trades was seen in DANA, CAGAMAS, Genting-related names like GENM Cap, UEM Sunrise, energy-related bonds i.e. MALAKOFF bonds, AmIslamic bonds, and also odd-lot transactions in Tropicana-related bonds. Meanwhile the prominent issuances for the week consisted of CAGAMAS Berhad's AAA-rated 1Y papers totaling RM780m with a coupon of 2.33% and also Toyota Capital Malaysia Sdn Bhd's AAA-rated 2Y bonds with a coupon 3.15%.

- **SGS:** SGS (govvies) saw the curve bull-flatten w/w, taking cue from UST performance as overall benchmark bonds closed lower between 1-13bps. The 2Y yield edged 1bps down at 0.86% whilst the 10Y (which traded within 1.65-1.78% range) rallied 11bps to 1.68%. Meanwhile the republic's sovereign bonds returned 1.1% in November, its first monthly gain since July whilst total year-to-date issuances amounted to ~SGD 142b; up 16% compared to the same period last year. The Singapore factory sector cooled further in November from its recent peak in July despite steady manufacturing activity being in positive territory indicated by the PMI manufacturing data. Elsewhere, Fitch has assigned a BB-rating whilst Moody's has assigned a Ba1 rating to the proposed USD senior notes of Greenko Power II Ltd (GPL) which is a restricted group of subsidiaries owned by Greenko Energy Holdings; ultimately backed by shareholders such as Singapore's GIC, Abu Dhabi Investment Authority (ADIA) and also ORIX Corporation.



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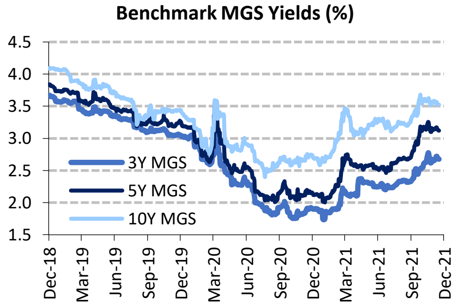

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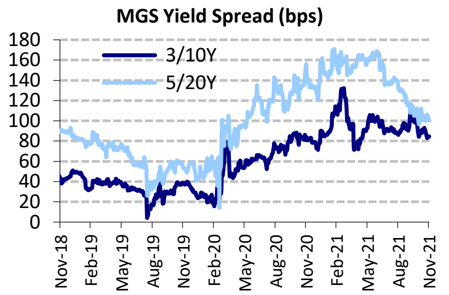

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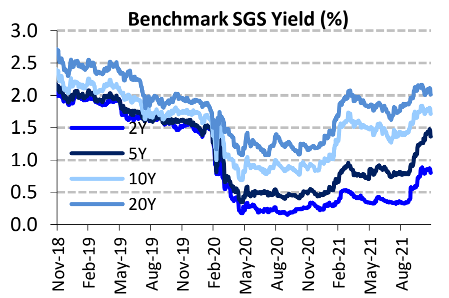

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Lebuhraya Kajang-Seremban Sdn Bhd (LEKAS)	Proposed ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk Murabahah of up to RM220.0 million	AA-IS/Stable	Affirmed
Trusmadi Capital Sdn Bhd	RM235 million Class A, RM40 million Class B, and RM25 million Class C Medium-Term Notes (MTN)	AAA, AA and A/Stable	Assigned
Sarawak Power Generation Sdn Bhd (SPG)	RM215 mil Serial Sukuk Musharakah (2006/2021)	AA1(s)/Stable	Reaffirmed
Mukah Power Generation Sdn Bhd	RM665 mil Senior Sukuk Mudharabah Programme (2006/2021)	AA1(s)/Stable	Reaffirmed
Lebuhraya Kajang-Seremban Sdn Bhd's (LEKAS)	RM633 mil Junior Sukuk Istisna' (2007/2025)	From C2/Stable to C2 C2/Negative	Outlook downgrade
Malaysia Debt Ventures Berhad (MDV)	Proposed RM2 bil Conventional and Islamic Commercial Papers/Medium-Term Notes Programme	AA3/Stable/P1	Assigned
Tanjung Bin O&M Berhad	RM235 million Sukuk Wakalah	AA-IS/Stable	Affirmed
Titijaya Land Berhad	RM150 million Islamic Commercial Papers (ICP) Programme	MARC-2 IS	Affirmed
YNH Property Berhad	Proposed Islamic Medium-Term Notes Programme (Sukuk Wakalah) of up to RM700 million	A+ IS/Stable	Assigned
Sparks Energy 1 Sdn Bhd	Proposed ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk Murabahah of up to RM220.0 million.	AA-IS/Stable	Affirmed
Kesas Sdn Bhd	M735 mil Sukuk Musharakah Islamic Medium-Term Notes (2014/2023) (the Sukuk)	AA2/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
06/12	17:30	EZ	Sentix Investor Confidence	Dec	18.3
07/12	07:30	JP	Labor Cash Earnings YoY	Oct	0.2%
	07:30	JP	Household Spending YoY	Oct	-1.9%
	11:30	AU	RBA Cash Rate Target	07 Dec	0.1%
	15:00	MA	Foreign Reserves	30 Nov	$116.5b
	18:00	EZ	GDP SA QoQ	3Q F	2.20%
	18:00	EZ	ZEW Survey Expectations	Dec	25.9
	21:30	US	Trade Balance	Oct	-$80.9b
	00:00	CN	Exports YoY	Nov	27.1%
08/12	07:50	JP	GDP SA QoQ	3Q F	-0.8%
	20:00	US	MBA Mortgage Applications	03 Dec	-7.2%
	23:00	US	JOLTS Job Openings	Oct	10438k
09/12	08:01	UK	RICS House Price Balance	Nov	70%
	09:30	CN	CPI YoY	Nov	1.5%
	09:30	CN	PPI YoY	Nov	13.5%
	14:00	JP	Machine Tool Orders YoY	Nov P	81.5%
	21:30	US	Initial Jobless Claims	04 Dec	222k
10/12	01:00	US	Household Change in Net Worth	3Q	$5849b
	05:30	NZ	BusinessNZ Manufacturing PMI	Nov	54.3
	05:45	NZ	Card Spending Retail MoM	Nov	10.1%
	07:50	JP	PPI YoY	Nov	8.0%
	12:00	MA	Industrial Production YoY	Oct	2.5%
	15:00	UK	Monthly GDP (MoM)	Oct	0.6%
	15:00	UK	Industrial Production MoM	Oct	-0.4%
	15:00	UK	Construction Output MoM	Oct	1.3%
	15:00	UK	Index of Services MoM	Oct	0.7%
	15:00	UK	Visible Trade Balance GBP/Mn	Oct	-£14736m
	21:30	US	CPI YoY	Nov	6.2%
	23:00	US	U. of Mich. Sentiment	Dec P	67.4

Source: Bloomberg

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