Global Markets Research

Weekly Market Highlights

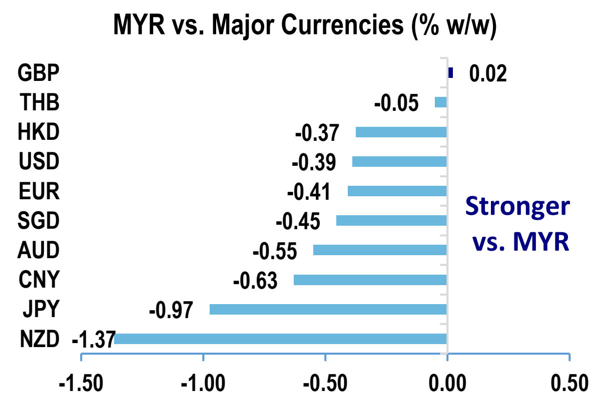
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,577.04	0.33	12.97
S&P 500	4,192.85	-0.19	11.63
FTSE 100	7,064.35	0.64	9.35
Hang Seng	28,966.03	-0.51	6.37
KLCI	1,590.57	-0.21	-2.25
STI	3,165.00	0.01	11.29
Dollar Index	90.51	0.60	0.64
WTI oil ($/bbl)	68.81	2.93	41.82
Brent oil ($/bbl)	71.31	2.66	37.66
Gold ($/oz)	1,871.20	-1.29	-1.26

Source: Bloomberg

- US stock benchmarks saw mixed performances this week. Markets struggled to find direction as investors weighed surging inflation outlook, robust economic data and possibility of a sooner-than-expected Fed's tightening. The Fed's plan to wind down its $13.7b holding of corporate debt, acquired last year during the pandemic market stress, was interpreted by many as an early sign of future stimulus withdrawal. The dollar and treasury yields rose side-by-side this week while gold prices reversed last week's gains. Oil prices extended rallies to this week to a two-year high.
- Initial jobless claims in the US fell below 400k for the first time since the start of the pandemic to 385k last week, while the ADP National Employment Report estimated a 978k gains in private payrolls in May. All eyes turned to tonight's NFP job report. Key highlight next week is the ECB's meeting while key data include Japan and Eurozone's final 1Q GDP estimates, China's trade report and UK's monthly nominal GDP.

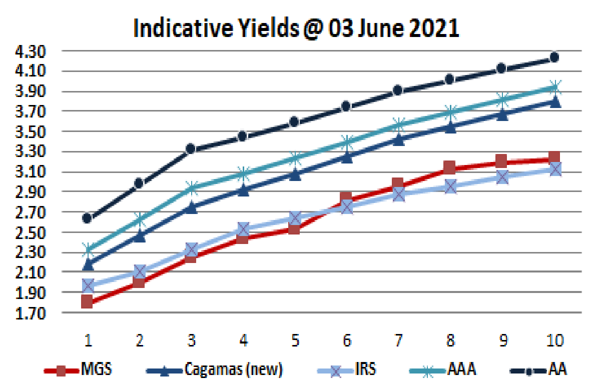
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded lower over the week, supported by demand for the local unit and continuous climb in crude oil prices, which overshadowed gains in the USD. The pair pulled back from a high of 4.1480 to a low of 4.1165 as it normalized from the knee-jerk spike after the announcement of a nationwide lockdown on 28 May after market close. Positive weekly momentum has softened, supporting our view for a ***bearish USD/MYR outlook*** in the week ahead, likely eyeing a range of 4.10-4.14. The downward momentum may however be limited by expectation of USD strength and intensifying OPR cut chatters in lieu of limited fiscal space to soften the blow from the latest round of lockdown measures.
- The US dollar was relatively range-bound over the past sessions, until Thursday changed the equation. DXY surged to close at 90.51, after strong initial jobless claims data. ISM stayed on highly expansionary territory for both manufacturing and non-manufacturing. ADP employment change also bettered expectations. We are ***Neutral-to-Bullish on the USD*** for the week ahead, with some reversal possible mid-next week. After non-farm payrolls, focus shifts to May inflation numbers.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs end slightly weaker under choppy conditions with overall benchmark yields closing a mere 1-2bps higher across the curve, amid a series of strong economic data Meanwhile investors are expected to monitor rising crude oil prices, strong manufacturing activity and supply chain bottlenecks that may mount price pressures. Demand for the Fed's reverse repos climbed for the first time this week as the facility pays 0% to help temporarily reduce the quantity of reserve balances in the banking system. Expect attention to shift to tonight's all-important release of May jobs report.
- **MGS/GII:** Local govvies saw MGS close mostly stronger w/w save for the 10Y MGS and 20Y GII, arising from the government's announcement of the latest economic stimulus totaling RM40b known as PEMERKASA+, which was seen to require a smaller-than-expected sum of RM5b in fiscal injection. Overall benchmark MGS/GII yields closed mostly lower with MGS between 2-10bps. The recent reopening of 5Y GII 3/26 saw strong demand, mainly from inter-bank participants with BTC ratio @ 2.003x despite the large issuance of RM4.5b. The ongoing movement restrictions are expected to impact economic activity and provide continued support for safe-haven bonds going forward.

Macroeconomic Updates

- US stock benchmarks saw mixed performances this week. Markets struggled to find direction as investors weighed surging inflation outlook, robust economic data and possibility of a sooner-than-expected Fed's tightening. The Fed's plan to wind down its $13.7b holding of corporate debt, acquired last year during the pandemic market stress, was interpreted by many as an early sign of future stimulus withdrawal. Meanwhile, the supply chain disruption and raw material shortages problems are showing no signs of easing, while the pent-up demand resulting from improving labour conditions further intensifying the concerns over surging prices. The Dow Jones rose 0.3% w/w as of Thursday, while the S&P 500 (-0.2% w/w) and NASDAQ (-0.9% w/w) were weighed by the selling of tech stocks. The dollar and treasury yields rose side-by-side this week while gold prices reversed last week's gains. Oil prices extended rallies to this week to a two-year high, after OPEC+ decided to ease production cut in anticipation for a strong future consumption.

- Manufacturing PMIs reflect extended growth in the global manufacturing sector and highlight the issue of surging input prices. The services PMIs indicate stronger services sector upturns in the US, Eurozone and the UK as vaccination rates picked up alongside the easing of more social distancing restrictions. In Asia, China's official services PMI continued to improve while the Markit's Caixin gauge eased slightly. Japan's recorded even sharper plunge in activity after the government decided to reimpose the State of Emergency in certain prefectures ahead of the Summer Olympics.

- Initial jobless claims in the US fell below 400k for the first time since the start of the pandemic to 385k last week, while the ADP National Employment Report estimated a 978k gains in private payrolls in May. Tonight's nonfarm payroll report would offer the market a more definite insight of the job market condition. Consensus estimate currently stands at 664k. Elsewhere, the Eurozone's HICP inflation hit 2% for the first time since Nov-18; the core inflation also accelerated to 0.9% y/y. Japan's April household spending was flat m/m in April following two consecutive gains. Australia's 1Q GDP beat estimate at 1.8% q/q, driven by household spending.

The Week Ahead…

- Dataflow is on the lighter side next week. On Monday, China released its latest trade data, followed by the Eurozone's Sentix Investor Confidence Index.

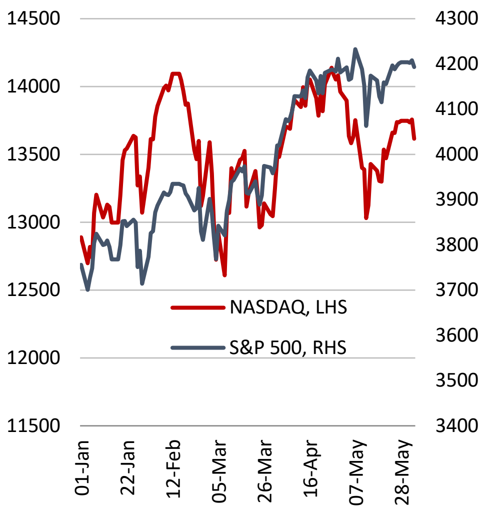
- On Tuesday, Japan and Eurozone both published the final estimates of first quarter GDP. In the first estimate, Japan's economy is reported to have shrunk by 1.3% q/q while the Euro area economy contracted 0.6% q/q. Key US data for the day are the JOLTS job openings and trade report.

- On Wednesday, China's CPI and PPI inflation are in the data docket alongside Japan's machine tools orders. Australia's Westpac Consumer Confidence Index and New Zealand's preliminary business confidence by ANZ are key releases down under.

- The ECB Governing Council meets on Thursday, followed by President Lagarde's press conference. Market expects the ECB to address inflation concerns and offer some hints on any plan to taper its asset purchase program. US CPI is the main data highlight of the day.

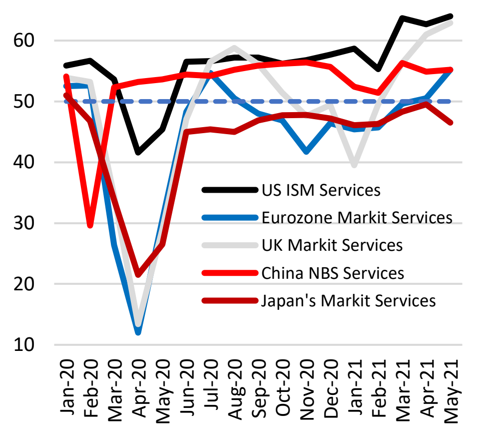
- On Friday, the UK published a series of its goods trade figure as well as output-related indicators – the monthly nominal GDP, alongside industrial production, services, and construction indexes. US data is limited to the University of Michigan Consumer Sentiment Index.

Stocks wobbled in early June



Source: Bloomberg

Western developed economies saw stronger services growth compared to their Asian counterparts



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded lower over the week, supported by demand for the local unit and continuous climb in crude oil prices, which overshadowed gains in the USD. The pair pulled back from a high of 4.1480 to a low of 4.1165 as it normalized from the knee-jerk spike after the announcement of a nationwide lockdown on 28 May after market close. Positive weekly momentum has softened, supporting our view for a ***bearish USD/MYR*** outlook in the week ahead, likely eyeing a range of 4.10-4.14. The downward momentum may however be limited by expectation of USD strength and intensifying OPR cut chatters in lieu of limited fiscal space to soften the blow from the latest round of lockdown measures.

- **USD**: The DXY was relatively range-bound over the past sessions, until Thursday changed the equation. DXY surged to close at 90.51, after strong initial jobless claims data. ISM stayed on highly expansionary territory for both manufacturing and non-manufacturing. ADP employment change also bettered expectations. We are ***Neutral-to-Bullish*** on the USD for the week ahead, with some reversal possible mid-next week. After non-farm payrolls, focus shifts to May inflation numbers.

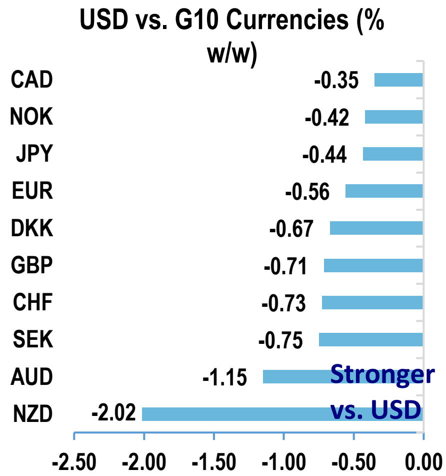
- **EUR**: EUR/USD saw altitude sickness above the 1.22 big figure, falling sharply on Thursday as the dollar rebounded. CPI and PPI mostly came in within expectations. We are ***Neutral-to-Bearish*** on EUR/USD for the week ahead. Momentum is fading amid balanced upward and downward forces. Focus shifts to ECB policy decision on 10 June, where markets will likely anticipate any changes in rhetoric after recently improved economic trends.

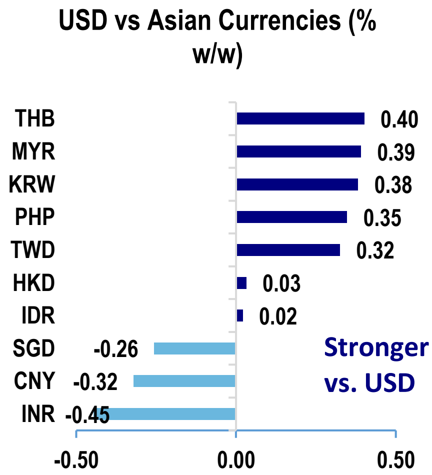
- **GBP**: Likewise, GBP/USD failed to consolidate above the 1.4150 mark, and corrected towards the 1.41 big figure after the dollar gained strength. We are ***Neutral-to-Bearish*** on GBP/USD for the week ahead. Upside momentum is coming off as B1617 Covid-19 cases have risen in the UK, and may pose some pound weakness ahead. Focus is on whether the UK opens up further on 21 June. Watch support at 1.4000 and resistance at 1.4237.

- **JPY**: USD/JPY broke the 110 big figure on Thursday's session, now at the highest levels since early-April. Possible policy divergence threatens USD/JPY on the upside, and we are ***Neutral-to-Bullish*** on USD/JPY. Upside momentum is starting to kick in. We place resistance at 110.97 and support at 108.90. Week ahead data focus is on Eco Watchers survey and PPI.

- **AUD**: AUD/USD plummeted alongside NZD/USD as the USD staged a resurgence. Pair was down 1.15% since last Thursday's close, mostly occurring on 3 June. This comes as Brent prices climbed above USD 70/barrel, and RBA said it will review its yield target/quantitative easing in the July meeting. GDP was stronger than expected, while trade balance improved in April compared to a month ago. We are ***Neutral-to-Bearish*** on AUD/USD for the week ahead. Technical momentum is slightly biased on the downside. We look for a 0.7430 support after 0.7600, while pegging resistance at 0.7750.

- **SGD**: USD/SGD saw downward movements over the past few sessions wiped out on Thursday. USD rebounded from concerns on inflation and Fed possibly tapering its asset purchase program, after strong data. This comes despite steady PMI and domestic Covid-19 conditions over the past week. We are ***Neutral*** on USD/SGD over the coming week. Downside momentum is fading. The pair looks mostly anchored within a 1.3220 to 1.3380 range over the past month and may continue over the coming week.





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

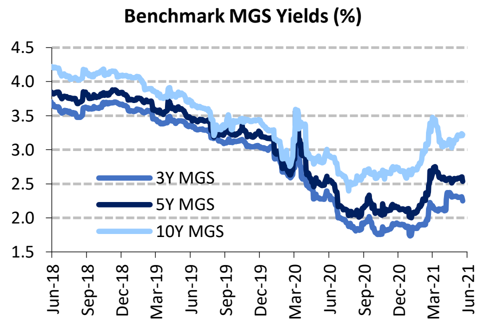
Fixed Income

- **UST:** The week under review saw USTs end slightly weaker under choppy conditions with overall benchmark yields closing a mere 1-2bps higher across the curve. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps up at 0.16% whilst the much-watched 10Y (which traded within a tight 1.59%-1.62% range); settled 1bps higher at 1.62%. This came on the back of a series of strong economic data that included strong manufacturing data, May ADP employment change and a decline in jobless claims numbers as at 29th May. Meanwhile investors are expected to monitor rising crude oil prices, strong manufacturing activity and supply chain bottlenecks that may mount price pressures following last Friday's release of higher-than-expected data for the Fed's preferred inflation gauge i.e. core PCE in April. Elsewhere, demand for the Fed's reverse repos climbed for the first time this week as the facility pays 0% to help temporarily reduce the quantity of reserve balances in the banking system. Expect attention to shift to tonight's all-important release of May jobs report.

- **MGS/GII:** Local govvies saw MGS close mostly stronger w/w save for the 10Y MGS and 20Y GII. Investor activity improved on the back of safe-haven bids for bonds arising from the government's announcement of the latest economic stimulus totaling RM40b known as PEMERKASA+, which was seen to require a smaller-than-expected sum of RM5b in fiscal injection. Overall benchmark MGS/GII yields closed mostly lower with MGS between 2-10bps.The benchmark 5Y MGS 9/25 yield settled 5bps lower at 2.52% whilst the 10Y MGS 4/31 yield spiked 7bps at 3.27% instead. The average daily secondary market volume jumped 45% @ RM3.71b versus prior week's RM2.56b. The recent auction exercise involving the reopening of 5Y GII 3/26 saw strong demand, mainly from inter-bank participants with BTC ratio @ 2.003x despite the large issuance of RM4.5b. The ongoing movement restrictions are expected to impact economic activity and provide continued support for safe-haven bonds going forward.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw stronger investor interest in the secondary market for government-guaranteed/sukuk/corporate bonds. Activity was seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 10% rise in average daily market volume of RM546m compared to prior week's RM495m. Topping the weekly volume was energy-related bonds SEB 6/26 (AAA) which edged 1bps up at 3.21% compared to previous-done levels, followed by CIMB 27NC22 (AA) which rallied 6bps instead at 2.89%. Third largest volume was seen for toll-operator PLUS 1/38 (GG) which also moved 3bps lower at 4.39%. Higher frequency of bond trades was seen in DANA, TNB, Genting-related names, DANGA, DANUM, SEB, and several odd-lot trades in Alliance Bank and YNH Property-related names. Meanwhile the prominent issuances for the week consisted of The Holstein Milk Company Sdn Bhd's (AA3) 5Y bonds totaling RM200m with a coupon of 3.72% and also SABAH Development Bank Bhd's (AA1) 1-2Y papers amounting to RM225m with coupons of 4.1% and 4.2% respectively.

- **SGS:** SGS (govvies) ended marginally positive w/w across the curve with overall benchmark yields mostly between 0-2bps extending out until 20Y. Both the 2Y and 10Y yields (which traded within a tight 2bps range) closed unchanged at 0.34% and 1.49% each. Meanwhile SGS beat their developed market peers last month by 1.1%, following a resurgence of COVID-19 infections across the republic which ignited demand for safe-haven assets. The 15-20Y space gained the most. The SGD dollar which was partly boosted by last month's strong PMI data of 54.4 (its 1st first rebound in 3 months) may take a breather as the republic was forced to reimpose a full month of lockdown. The pushing back of rate normalization in the US could help provide further support to SGD bonds going forward. In addition to that, muted price pressures may be another boon for bonds. Separately Mapletree North Asia Commercial Trust received more than S$400m of orders for its S$250m perpetual notes. Meanwhile Fitch Ratings has downgraded Singapore-based hospitality trust Ascott Real Investment Trust's Issuer Default Rating to BBB- from BBB on a Stable outlook.



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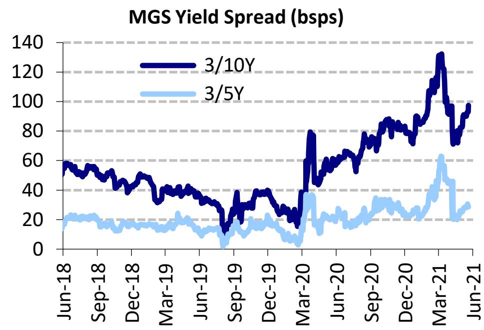

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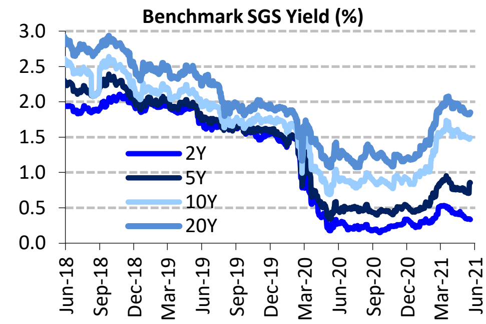

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Serba Dinamik Holdings Berhad	RM500.0 million multi-currency Islamic Commercial Papers Programme RM1.5 billion Islamic Medium-Term Notes Programme with a combined limit of RM1.5 billion	MARC-1 IS/Negative A+ IS/Negative	Outlook changed from Stable to Negative
Tenaga Nasional Berhad	RM5 bil Islamic MTN Programme (2017/2067) RM10 bil Islamic MTN Programme (2020/2070) RM2 bil Islamic CP Programme (2021/2028)	AAA/Stable AAA/Stable P1	Reaffirmed
CIMB Thai Bank Public Company Limited	Financial institution ratings RM2 bil Tier-2 Subordinated Debt Programme (2014/2044)	AA2/Stable/P1 AA3/Stable	Reaffirmed
CIMB Group Holdings Berhad CIMB Bank Berhad, CIMB Islamic Bank Berhad and CIMB Investment Bank Berhad	Corporate credit ratings Financial institution ratings (FIRs)	AA1/Stable/P1 AAA/Stable/P1	Reaffirmed
CIMB Group Holdings Berhad	RM6 billion Conventional/Islamic Medium-Term Notes Programme (2008/2038) RM6 billion Commercial Papers Programme (2015/2022) RM10 billion Additional Tier-1 Capital Securities Programme (2016/-)	AA1/Stable P1 A1/Stable	Reaffirmed
Public Bank Berhad	Financial institution rating	AAA/Stable/P1	Reaffirmed
Public Islamic Bank Berhad	Financial institution rating	AAA/Stable/P1	Reaffirmed
Inverfin Sdn Bhd	RM160 million of its Medium-Term Notes (MTN) programme	AAA/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
07/06	10:00	CN	Exports YoY	May	32.3%
	10:00	CN	Imports YoY	May	43.1%
	16:30	EZ	Sentix Investor Confidence	Jun	21.0
08/06	07:30	JP	Labor Cash Earnings YoY	Apr	0.6%
	07:50	JP	GDP SA QoQ	1Q F	-1.3%
	09:30	AU	NAB Business Confidence	May	26.0
	15:00	MA	Foreign Reserves	31 May	$110.6b
	17:00	EZ	GDP SA QoQ	1Q F	-0.6%
	17:00	EZ	ZEW Survey Expectations	Jun	84.0
	18:00	US	NFIB Small Business Optimism	May	99.8
	20:30	US	Trade Balance	Apr	-$74.4b
	22:00	US	JOLTS Job Openings	Apr	8123k
09/06	08:30	AU	Westpac Consumer Conf Index	Jun	113.1
	09:00	NZ	ANZ Business Confidence	Jun P	1.8
	09:30	CN	CPI YoY	May	0.9%
	09:30	CN	PPI YoY	May	6.8%
	14:00	JP	Machine Tool Orders YoY	May P	120.8%
	19:00	US	MBA Mortgage Applications	04 Jun	-4.0%
10/06	06:45	NZ	Card Spending Retail MoM	May	4.0%
	07:01	UK	RICS House Price Balance	May	75%
	19:45	EZ	ECB Deposit Facility Rate	10 June	-0.5%
	20:30	US	CPI YoY	May	4.2%
	20:30	US	Initial Jobless Claims	05 Jun	--
11/06	06:30	NZ	BusinessNZ Manufacturing PMI	May	58.4
	07:50	JP	BSI Large Manufacturing QoQ	2Q	1.6
	12:00	MA	Industrial Production YoY	Apr	9.3%
	14:00	UK	Monthly GDP (MoM)	Apr	2.1%
	14:00	UK	Industrial Production MoM	Apr	1.8%
	14:00	UK	Visible Trade Balance GBP/Mn	Apr	-£11710m
	22:00	US	U. of Mich. Sentiment	Jun P	82.9

Source: Bloomberg

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