

Global Markets Research

Weekly Market Highlights

Markets

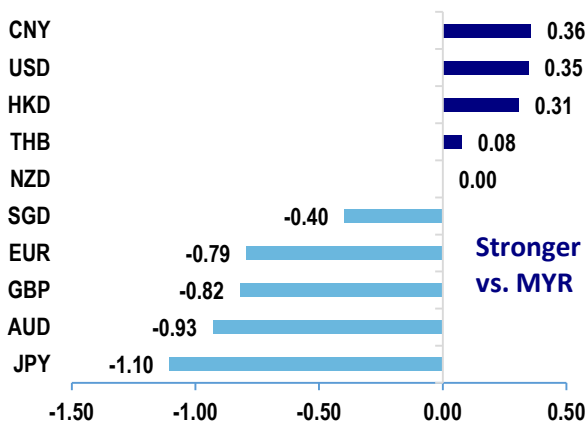
	Last Closing	WOW%	YTD %
Dow Jones Ind.	31,055.86	1.5	1.5
S&P 500	3,871.74	2.2	3.1
FTSE 100	6,503.72	-0.3	0.7
Hang Seng	29,113.50	2.0	6.9
KLCI	1,584.90	0.3	-2.6
STI	2,905.58	-0.5	2.2
Dollar Index	91.53	1.2	1.8
WTI oil (\$/bbl)	56.23	7.4	15.9
Brent oil (\$/bbl)	58.84	6.0	13.6
Gold (\$/oz)	1,788.90	-2.7	-5.6

Source: Bloomberg

- **US stocks advanced to all-time highs this week** as the volatilities surrounding GameStop retreated and the anxiety fizzled out, making way for issues like the Biden’s fiscal stimulus, solid corporate earnings and US data as well as the easing virus situation in the US. Gold prices pulled back while crude oils are big winners, riding on the positive sentiments and also falling inventory. The Bank of England kept its monetary policy intact. It did not mentioned negative interest rates in the February Monetary Policy Report but asked banks to prepare operationally should the needs (for negative rates) arise.
- **Meanwhile, the US reported a series of strong economic data-** both manufacturing and services PMIs outperformed its major economy peers namely the Eurozone, UK and Japan. initial jobless claims fell for the third week straight, now at 779k while the ADP private payroll numbers also came in much stronger at +174k. Factory orders data that gauged demand for US manufactured goods also picked up for the eighth successive month. The data calendar next week is light with some markets closed for the Lunar New Year break.

Forex

MYR vs. Major Currencies (% w/w)

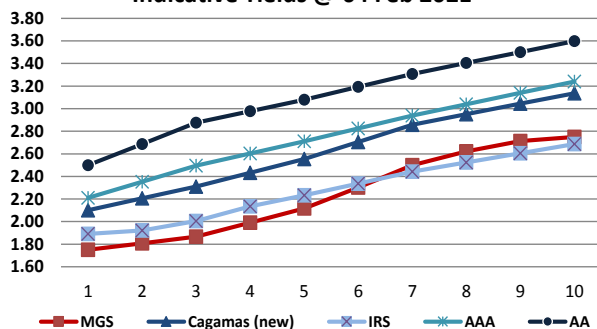


Source: Bloomberg

- **MYR** saw a steady depreciation this week, breaking the 4.07 big figure this morning. On a weekly basis (Friday to Thursday), the MYR weakened 0.3% w/w to 4.06 as at yesterday’s close. Surprised USD strength amid US recovery story vis-à-vis other majors spurred by stimulus and vaccine optimism, and reinforced by positive US economic releases, have temporarily shifted FX moves in our view. We are turning **slightly bearish on MYR** in another holiday-shortened week ahead, eyeing a 4.05-4.09 range. The release of Malaysia 4Q GDP will likely see a slightly bigger contraction in the wake of reintroduction of conditional movement control orders during the last quarter of the year.
- **USD:** The USD stayed on the front foot in the first week of February. It gained 1.19% w/w (29 January to 4 February). This came as US stocks rallied and economic data showed positive January performances. ISM showed positive sentiments for both manufacturing and services. We are **neutral-to-bullish** on the USD for the week ahead. For the week ahead, focus is on CPI and initial jobless claims data. The 91.583 high reached on 5 February so far, turns our attention to the 92.00-93.00 range.

Fixed Income

Indicative Yields @ 04 Feb 2021



Source: Bloomberg

- **UST:** The week under review saw UST’s end mostly pressured extending out of the curve as investors and traders grew more confident that the COVID-19 vaccine rollouts and further fiscal aid from Congress would benefit the economy. Overall benchmark yields rose between 0-13bps bps across; causing the curve to bear-steepen considerably. The US Treasury said that it planned to borrow \$2.47b in 1Q2021; significantly lower than the November estimate of \$1.127 trillion due to its higher cash balances. Expect attention to shift to the release of the important NFP jobs numbers tonight.
- **MGS/GII:** Local govies saw improved trajectory in secondary market activity despite the curve shifting higher. Overall benchmark MGS/GII yields closed higher between 2-5bps for MGS/GII save for the long-end GII. Interest was seen mainly in the off-the-run 21-24’s, and also benchmark 5Y, 7Y, 10Y MGS/GII bonds. Average daily secondary market volume improved @ RM5.06b versus prior week’s tepid RM3.46b. Expect trading next week to be range-bound in the absence of further catalysts whilst investors monitor updates on the extended lockdown until 18th February and vaccination rollout matters.

Macroeconomic Updates

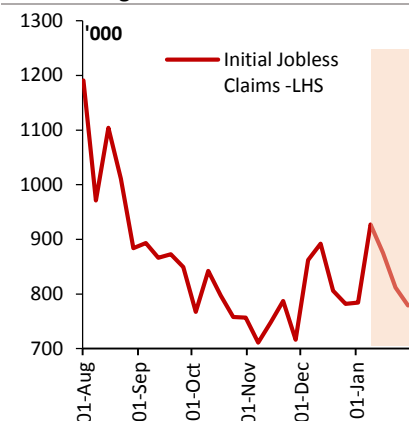
- US stocks advanced to all-time highs this week** as the volatilities surrounding GameStop and other heavily shorted stocks retreated and the anxiety fizzled out, making way for issues like the Biden's fiscal stimulus, solid corporate earnings and US data as well as the easing virus situation in the US. On a week-on-week basis, the Dow Jones rose 1.5% whereas the broader S&P500 gained 2.2% to close at record high on Thursday; the tech-focus NASDAQ index jumped 3.3%, also at record closing. The big news of the week is the stepping down of Amazon's founder Jeff Bezos as CEO. The online retailer/cloud services provider had reported a better-than-expected 4Q earnings. Same goes to Google's parent Alphabet. The dollar surged this week on strong US data while gold prices pulled back. Crude oils are also big winners, riding on the positive sentiments and also falling inventory.
- The Bank of England (BOE) kept its monetary policy intact – keeping the benchmark bank rate at an ultra low of 0.1% and the quantitative easing program at £895b.** It did not mentioned negative interest rates in the accompanying February Monetary Policy Report, against a widespread expectations that the Bank would embrace the possibility to cut rates to negative levels. However the central bank asked banks to start preparations operationally to cater for the need should it arises. The MPC said that this should not be misconstrued as a sign that it would implement negative rates soon. Futures market pushed further their expectations of negative rates after the decision as investors had initially expected the BOE to cut rate (to negatives) in August.
- Meanwhile, the US reported a series of strong economic data-** both manufacturing and services PMIs outperformed its major economy peers namely the Eurozone, UK and Japan. China's activities are still expanding albeit at moderating rates, possibly because of the upcoming Lunar New Year celebrations when works tend to slow down. Back in the US, initial jobless claims fell for the third week straight, now at 779k while the ADP private payroll numbers also came in much stronger at +174k. Factory orders data that gauged demand for US manufactured goods also picked up for the eighth successive month. These upbeat readings are also in line with the easing in Covid-19 infections in recent weeks. Attentions shift to the NFP job report due tonight.

The Week Ahead...

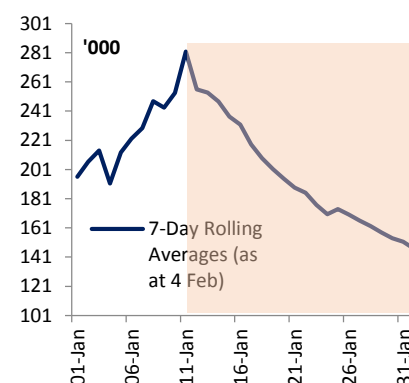
- The week ahead sees fewer economic data. On Monday, Malaysia's industrial production and foreign reserves data are due while the European Commission released its economic sentiment index.
- On Tuesday, Japan's cash earnings numbers are out at early morning, followed by Australia's business confidence and US' NFIB Small Business Optimism Index.
- Wednesday sees the releases of Australia's Westpac Consumer Confidence and China's CPI and PPI data. The major focus is likely on the first estimate of the UK's 4Q GDP growth alongside other major monthly indicators (monthly nominal GDP, international trade etc). US' CPI inflation is due night time.
- On Thursday, Malaysia's statistic department publishes the 4Q's GDP growth. US jobless claims are the major focus after that.
- Friday is a public holiday in Malaysia as well as Singapore, Hong Kong and China where the Lunar New Year is celebrated. Major data are New Zealand's Manufacturing PMI, US industrial production and the University of Michigan Consumer Sentiment Index.

Please refer to appendix for next week's economic calendar.

Initial jobless claims fell for the third week straight



.. as daily new infections keep coming down

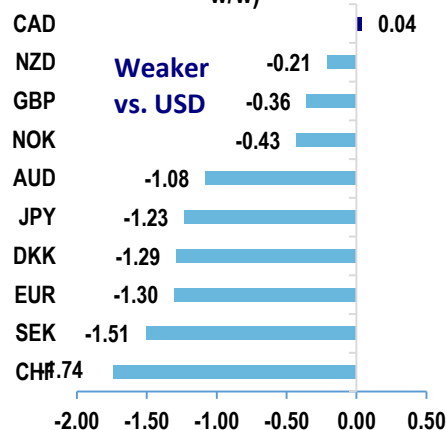


Source: Bloomberg, CEIC

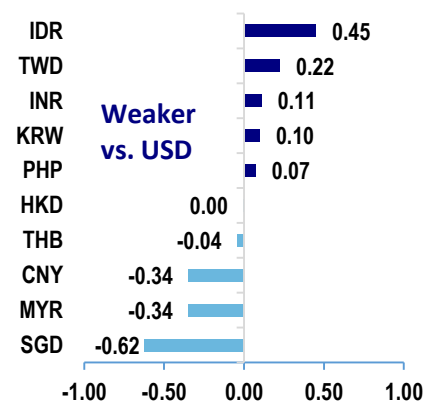
Foreign Exchange Market

- MYR** saw a steady depreciation this week, breaking the 4.07 big figure this morning. On a weekly basis (Friday to Thursday), the MYR weakened 0.3% w/w to 4.06 as at yesterday's close. Surprised USD strength amid US recovery story vis-à-vis other majors spurred by stimulus and vaccine optimism, and reinforced by positive US economic releases, have temporarily shifted FX moves in our view. We are turning slightly bearish on MYR in another holiday-shortened week ahead, eyeing a 4.05-4.09 range. The release of Malaysia 4Q GDP will likely see a slightly bigger contraction in the wake of reintroduction of conditional movement control orders during the last quarter of the year.
- USD:** The USD stayed on the front foot in the first week of February. It gained 1.19% w/w (29 January to 4 February). This came as US stocks rallied and economic data showed positive January performances. ISM showed positive sentiments for both manufacturing and services. We are **neutral-to-bullish** on the USD for the week ahead. For the week ahead, focus is on CPI and initial jobless claims data. The 91.583 high reached on 5 February so far, turns our attention to the 92.00-93.00 range.
- EUR:** EUR/USD was down by 1.3% for the past 5 trading days, breaking the 1.2000 psychological support and big figure in the process. GDP data reminded markets of the downsides from Covid-19, while retail sales fell below expectations in December. CPI slightly picked up in January. We are **neutral-to-bearish** on the EUR, as positioning stays with the dollar. A break of 1.2000 support now shifts our attention to a 1.1800-1.1900 range, after EUR/USD closed at 1.1964 on Thursday. Industrial production will likely be the data focus for the coming week, with markets expecting subdued growth figures.
- GBP:** GBP/USD was resilient against the USD, outperforming other G10 currencies. Pair stayed above 1.3600 over the past week, as Bank of England decided to stay pat and not introduce negative rates for the time being. We are **neutral** on the GBP. Anticipate weekly range of 1.3600-1.3800. Leading vaccination rates and falling Covid-19 infection rates are helping with a strong pound for now, but there is an absence of further drivers. A reopening of the economy can help support against downside risks. 4Q GDP is released on 12 February.
- JPY:** USD/JPY steadily trended up over the past week, reaching a high of 105.64 around Friday open. This came as markets favoured US economic fundamentals over Japanese ones. Pair is now highest since mid-November, after the break of the 105 big figure. We are **neutral-to-bearish** on the JPY for the coming week, as technicals show momentum for JPY weakness. We now look towards a range of 106.00-107.00 should dollar strength persists. Current account for December is the pick of the Japanese economic calendar the coming week.
- AUD:** AUD/USD retreated further from the 0.7820 set on 6 January, now breaking the 0.7600 big figure. This came despite strong trade surplus data. RBA kept policy rates unchanged, although bolstering support with expanded bond buying. We are **bearish** on the AUD for the week ahead, mainly concerned about correction from prior rallies and risk aversion. Focus will likely be on a 0.7400-0.7600 range near term.
- SGD:** USD/SGD has progressively moved higher over the past week, underperforming other Asian currencies even as it stayed resilient compared to G10 currency movements. This came in an environment of strong US data and Singapore PMIs. With pair now touching a YTD high of 1.3383 on 4 February, moving away from the 1.33 big figure previously, we see scope for the pair to test the 1.3450 resistance. Only a retreat back to 1.3300 will signal a reversal of prior momentum upwards.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

Forecasts

	Q1-21	Q2-21	Q3-21	Q4-21
DXY	88.50	89.00	88.50	87.50
EUR/USD	1.245	1.240	1.245	1.255
GBP/USD	1.385	1.375	1.385	1.400
AUD/USD	0.780	0.770	0.780	0.795
USD/JPY	102.5	103.5	103.0	101.0
USD/MYR	3.900	3.950	3.900	3.880
USD/SGD	1.305	1.310	1.300	1.285

	Q1-21	Q2-21	Q3-21	Q4-21
EUR/MYR	4.86	4.90	4.86	4.87
GBP/MYR	5.40	5.43	5.40	5.43
AUD/MYR	3.04	3.04	3.04	3.08
SGD/MYR	2.99	3.02	3.00	3.02

Source: HLBB Global Markets

Fixed Income

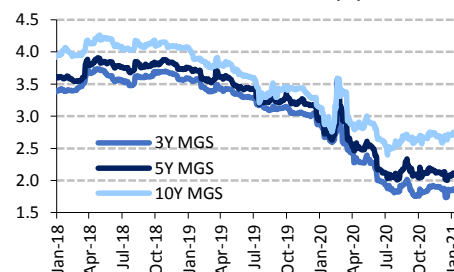
- UST:** The week under review saw UST's end mostly pressured extending out of the curve as investors and traders grew more confident that the COVID-19 vaccine rollouts and further fiscal aid from Congress would benefit the economy. Overall benchmark yields rose between 0-13bps across; causing the curve to bear-steepen considerably. The benchmark UST 2Y; reflective of interest rate predictions ended unchanged at 0.12% whilst the much-watched 10Y (which traded within a wider 1.04%-1.14% range); spiked 10bps at 1.14%. The curve steepened, pushing the 5s30s spreads to a 5-year high. The US Treasury said that it planned to borrow \$2.47b in 1Q2021; significantly lower than the November estimate of \$1.127 trillion due to its higher cash balances. Meanwhile, the US initial jobless claims for period ending 30th January which fell for the 3rd straight week to the lowest level since 28th November, augurs well for further economic recovery. Expect attention to shift to the release of the important NFP jobs numbers tonight.

- MGS/GII:** Local govies saw improved trajectory in secondary market activity despite the curve shifting higher. Overall benchmark MGS/GII yields closed higher between 2-5bps for MGS/GII save for the long-end GII. Interest was seen mainly in the off-the-run 21-24's, and also benchmark 5Y, 7Y, 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 spiked 5bps at 2.13% whilst the 10Y MGS 4/31 benchmark rose 4bps at 2.75% levels. Average daily secondary market volume however improved @ RM5.06b versus prior week's tepid RM3.46b. The 4th auction exercise for the year saw the 5Y GII notch strong bidding metrics i.e. BTC ratio of 2.067x and awarded at 2.252%. Expect trading next week to be range-bound in the absence of further catalysts whilst investors monitor updates on the extended lockdown until 18th February and vaccination rollout matters.

- MYR Corporate Bonds/ Sukuk:** The week saw investor interest in the secondary market ease during the holiday-shortened week for both corporate bonds/Sukuk and Govt-guaranteed bonds. Activity was mainly centered across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a lower average daily market volume of RM530m compared to prior week's RM895m. Topping the weekly volume was energy-related bond SEB 1/22 (AAA) which edged 1bps lower at 2.18% followed by plantation giant KLK 9/29 (AA1) which also eased 2bps at 3.21%. Third largest volume was seen in IMTIAZ 10/25 (AA2) which closed 2bps lower at 2.87% levels. Higher frequency of bond trades were noted in PRASA, LPPSA, DANUM, JEP, Sarawak Hidro, SEB and Tropicana-related bonds. Meanwhile there were no prominent issuances for the week.

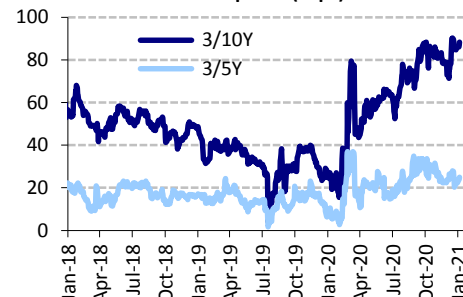
- SGS:** SGS (govies) which mirrored UST movements ended weaker w/w across the curve as overall benchmark yields closed higher between 2-12bps. The curve bear-steepened with the 2Y rising 2bps at 0.32% levels whilst the 10Y which traded within a wider 10bps range spiked 9bps at 1.08%. Meanwhile the SGS asset class underperformed in January with a ~1.0% loss in tandem with weakness seen in most global government bonds. To recap, MAS sold SGD3.1b of 30Y bonds via auction last week at a BTC ratio of 1.81x and awarded at 1.40%. The front-end has nevertheless held-up well on foreign demand. Separately, Surbana Jurong (SJ) group has successfully priced a SGD250m sustainability-linked bond (Singapore's first dollar-denominated sustainability-linked bond) due 2031 at a coupon rate of 2.48% under its US\$4.0b multi-currency debt issuance programme.

Benchmark MGS Yields (%)



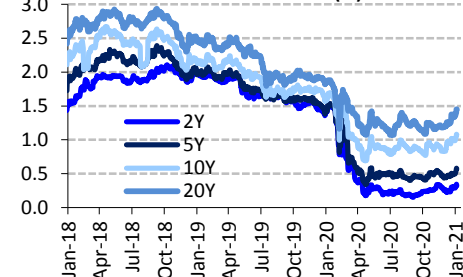
Source: Bloomberg

MGS Yield Spread (bps)



Source: Bloomberg

Benchmark SGS Yield (%)



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Petroleum Sarawak Berhad	Corporate Credit ratings (CCR)	AAA/Stable/P1	Assigned
	Proposed Multi-Currency Islamic Medium-Term Notes of up to RM15 billion (2021/2051)	AAA/Stable	Assigned
Cahaya Mata Sarawak Berhad	RM2.0 bil Islamic MTN Programme (2017/2037)	AA3/Stable	Reaffirmed
	Corporate Credit ratings	AA3/Stable/P1	Reaffirmed
Infracap Resources Sdn Bhd	Proposed RM15 bil Sukuk Murabahah Programme (2021/2041).	AAA(s)/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
08/02	12:00	MA	Industrial Production YoY	Dec	-2.20%
	15:00	MA	Foreign Reserves	Jan-29	\$107.8b
	17:30	EC	Sentix Investor Confidence	Feb	1.3
09/02	07:30	JN	Labor Cash Earnings YoY	Dec	-1.80%
	08:30	AU	NAB Business Confidence	Jan	4
	19:00	US	NFIB Small Business Optimism	Jan	95.9
10/02	07:30	AU	Westpac Consumer Conf Index	Feb	107
	09:30	CH	CPI YoY	Jan	0.20%
	09:30	CH	PPI YoY	Jan	-0.40%
	15:00	UK	Industrial Production MoM	Dec	-0.10%
	15:00	UK	Visible Trade Balance GBP/Mn	Dec	-£16012m
	15:00	UK	GDP QoQ	4Q P	16.00%
	15:00	UK	Monthly GDP (MoM)	Dec	-2.60%
	20:00	US	MBA Mortgage Applications	Feb-05	8.10%
	21:30	US	CPI YoY	Jan	1.40%
11/02	12:00	MA	GDP YoY	4Q	-2.70%
	21:30	US	Initial Jobless Claims	Feb-06	--
12/02	05:30	NZ	BusinessNZ Manufacturing PMI	Jan	48.7
	18:00	EC	Industrial Production SA MoM	Dec	2.50%
	23:00	US	U. of Mich. Sentiment	Feb P	79

Source: Bloomberg

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