Hong Leong Bank

Global Markets Research
Weekly Market Highlights

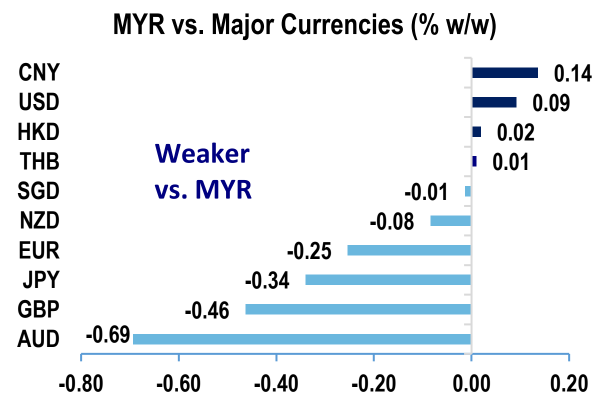
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	36,124.23	1.10	18.03
S&P 500	4,680.06	1.82	24.60
FTSE 100	7,279.91		12.68
Hang Seng	25,225.19		-7.37
KLCI	1,531.33	2.27	-5.89
STI	3,219.69	0.50	13.22
Dollar Index	94.35	1.07	4.88
WTI oil ($/bbl)	78.81	-4.83	62.43
Brent oil ($/bbl)	80.54	-4.48	55.48
Gold (S/oz)	1,793.50	-0.50	-5.39

Source: Bloomberg

- US stocks were pushed to record highs this week in multiple winning streak against a backdrop of positive earnings optimism. The Fed scaled back its QE program as expected by $15b per month while the BOE surprised the markets by holding its Bank rate unchanged despite fairly recent signals that it intended to raise rate before tapering its bond buying program. The RBA scrapped its yield curve control measure but offered a dovish rate guidance. BNM kept its neutral rhetoric and left the OPR unchanged as expected.
- PMI readings showed that US growth remained on a firm footing with the ISM Services Index surging to record high last month as the number of Covid cases went down. China's manufacturing PMI slumped further in the contractionary area while its services activity also softened. Focus shifts to tonight's US job data where consensus is looking towards a larger job gain. Next week, US data flow turns lighter with the US CPI being the major release. Back home, Malaysia 3Q GDP will be in focus.

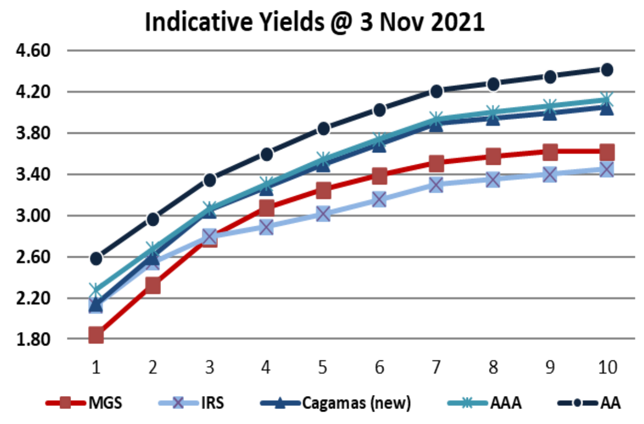
Forex



Source: Bloomberg

- **MYR:** USD/MYR continued to rangetrade around the 4.14-4.15 big figures in this holiday-shortened week but with a bullish bias as the unveil of Prosperity Tax and some other tax measures during 2022 Budget last Friday stoke market sentiments. The pair settled 40pips higher at 4.1540 as at Wednesday's close, from last Thursday's level. This week's major monetary policy meetings specifically the Fed's decision to begin tapering in November, and BNM's extended pause and neutral policy tone, have had little impact on the MYR. We continue to expect a ***Neutral*** outlook for the pair in the week ahead, in the run-up to the release of Malaysia 3Q GDP numbers on Friday. We are penciling a small contraction triggered by the lockdown measures then.
- **USD**: USD strengthened over the past week, with DXY up by 1.07% w/w since 28 Oct. This brought it to a close of 94.35 on Thursday. USD rose against G10 currencies and most Asian currencies, except the INR and PHP. Fed's tapering of the QE programme, alongside some less-than-expected hawkishness in other central bank drove dollar strength. PCE deflator continued to be elevated, while ISMs showed economy continued to expand. We are ***Neutral-to-Bullish*** on the USD for the week ahead, with eyes on 95 level. Momentum is subdued now but looks to be building up. Focus after non-farm payrolls will be on PPI and CPI prints in October.

Fixed Income



Source: Bloomberg

- **UST:** UST continued to trade on a biddish tone in the week under review. Overall yields fell 2-7bps w/w, led by the belly. The Fed did not surprise with its tapering announcement kickstarting with a $15bn unwind in monthly purchases in November. Holdings of US securities rose by $19.9bn from a week earlier to $8.063 trillion as of 3-November. Fed Chair Powell also reiterated that rate hike will be some time away, in sharp contrast to the BOE's decision that called for a rate pause contrary to its recent guidance for a hike before QE tapering. The week ahead will be quieter post event risks this week. Attention will be on US CPI data, while the Treasury is also scheduled to sell 3Y, 10Y and 30Y debt.
- **MGS/GII:** The week under review saw MYR government bonds traded in two halves, under selling pressure in early week before regaining some calm post-BNM MPC. The much watched 10Y gained 6bps to 3.64% amid a near 50% increase in secondary market volume to RM16.3bn despite a holiday shortened week. We expect the local government bond markets to trade on a more neutral mode following the conclusion of key event risks the last two weeks. The still neutral and cautious BNM policy tone is expected to tame market expectations of a near term rate hike. Attention will shift to 3Q GDP performance next week as well as the likely reopening sale of 15Y MGS 5/35 where we are projecting an issuance size of RM5.0bn.

Macroeconomic Updates

- **US stocks rallied in multiple record setting sessions:** US stocks were pushed to record high this week as the upbeat third quarter earnings reaffirmed corporate America's resilience in the face of global supply chain bottlenecks and elevated inflation. Notably, the Dow Jones closed above 36,000 for the first time and registered a w/w gain of 1.1% as of Thursday. The S&P 500 (+1.8% w/w) and NASDAQ (+3.2%) pulled off an impressive feat by hitting record-high levels for six consecutive sessions.

- **FOMC announced tapering as expected:** The Federal Reserve announced that it would start to scale back its $120bn per month asset purchase program by $15b, split between US treasuries and mortgage-back securities. This move offered little surprises as the central bank had hinted very clearly in advance that it would start to reduce the quantitative easing program this month as the economy recovers further.

- **BOE sent bond market reeling with no hike:** The Bank of England surprised markets by holding the Bank rate unchanged at the record low of 0.1%. This came as markets had been expecting a rate hike this week following Governor Bailey's recent message that it may raise rate before easing its QE program amid the surging inflation. The decision sent ripples across the global bond market depressing particularly short-term yields as markets were forced to readjust their policy expectations.

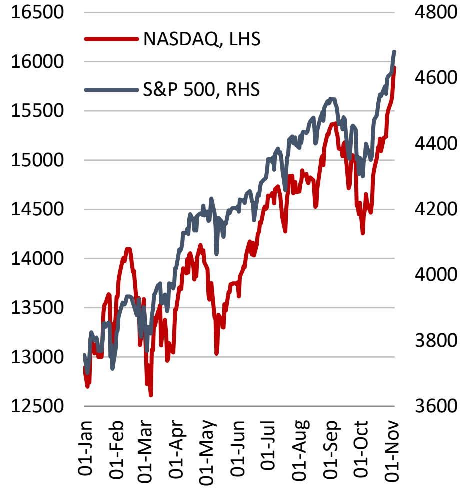
- **RBA's dovish rate guidance weighed on AUD:** The RBA kept the cash rate steady at 0.1% and abandon the yield curve control measure that targets the 3Y yield at 0.1%. The move was widely expected after the central bank did not defend its target during the bond selloff last week. The RBA dissapointed market in terms of its forward guidance as it signalled that a rate hike is still far off as that would requires the labour market to tighten and generate materially higher wage growth. This process is "likely to some time". The Aussie dollar tanked over 1% in a single session on the dovish stance.

- **BNM kept neutral rhetoric:** On the local front, BNM maintained the OPR at 1.75% as expected. It concurred that the recovery remains intact, but also reiterated that overall growth risks remained tilted to the downside. It mentioned "prolonged global supply chain disruptions" numerous times in the MPC statement. Nonetheless, the overall policy tone remained neutral, indicating a rate hike is not on the cards any time soon.

- **PMI readings reaffirmed solid US outlook:** The latest set of PMI readings showed that US factories momentum continued to hold up although the businesses faced rampant supply chain issues that saw lengthened delivery time and sky-high prices. China's manufacturing PMI slumped further in the contractionary area as electricity crunch and strict Covid policy weighed on activity. South East Asian factories roared back to life last month as authorities relaxed Covid restrictions and reopened their economies. The PMI readings of Vietnam, Malaysia and Thailand returned to above 50 while Indonesia's PMI rose at recor.d pace. On the services front, US ISM index soared nearly 5pts to record high, highlighting strength in consumer demand as Covid cases came down. The UK's services gauge also rose substantially while the Eurozone and China experienced softer growth.

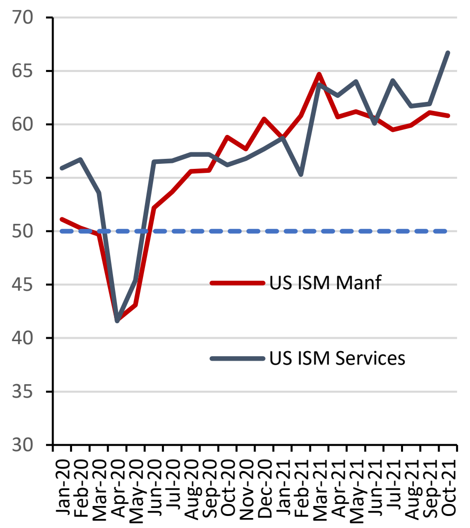
- **Light data week:** The US October job data is back in focus today after a week of central bank meetings. A Bloomberg survey showed that economists are expecting a 450k job gains after the lacklustre 194k increase in September. In the week ahead, data flow turns lighter for the US with the key release being the CPI inflation reading. The UK, Malaysia and Hong Kong report third quarter GDP readings. China's CPI and PPI inflations and Australia's job report are also in the calendar.

Equities in rallying streak this week



Source: Bloomberg

US ISM indexes remained at elevated levels



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR continued to rangetrade around the 4.14-4.15 big figures in this holiday-shortened week but with a bullish bias as the unveil of Prosperity Tax and some other tax measures during 2022 Budget last Friday stoke market sentiments. The pair settled 40pips higher at 4.1540 as at Wednesday's close, from last Thursday's level. This week's major monetary policy meetings specifically the Fed's decision to begin tapering in November, and BNM's extended pause and neutral policy tone, have had little impact on the MYR. We continue to expect a ***Neutral*** outlook for the pair in the week ahead, in the run-up to the release of Malaysia 3Q GDP numbers on Friday. We are penciling a small contraction triggered by the lockdown measures then.

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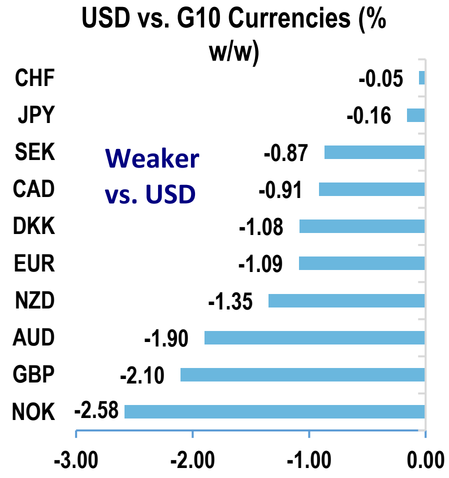
- **EUR**: EUR/USD was down by 1.09% w/w, closing at 1.1554 on Thursday. This pulled back the pair from prior gains end-Oct. Advance estimates showed continued q/q expansion in GDP growth, while CPI and PPI surged further for Oct. We are ***Neutral-to-Bearish*** on EUR/USD for the week ahead, eyeing support of 1.1400 (while placing resistance at 1.1770). Markets will likely watch ECB Economic Bulletin and EU Commission economic forecasts, alongside retail sales and industrial production figures.

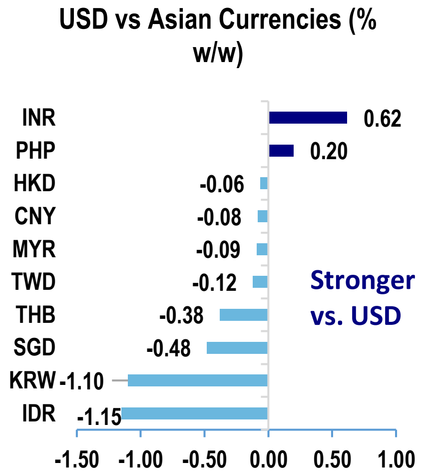
- **GBP**: GBP/USD was down by 2.1% w/w, closing at 1.35 on Thursday. The Bank of England defied market expectations to hike policy rates and kept its policy stance on Thursday. This pushed the pair down from Wed's close of 1.3687. Still, BOE reiterated that some modest tightening was imminent, after revising down 2021 GDP forecasts. It expects inflation to come off somewhat after peaking in 2Q-2022. We are ***Neutral-to-Bearish*** on GBP/USD (support: 1.3410; resistance: 1.3610) for the week ahead. Technicals are biased on downsides. The UK releases GDP data next week.

- **JPY**: USD/JPY was among the more stable G10 pairs, up by 0.16% w/w to close at 113.76. JPY was helped by some risk aversion and dollar strength. We are ***Neutral-to-Bullish*** on USD/JPY for the week ahead, eyeing resistance at 114.70 and support at 113.10. Momentum looks like coming off after upside pressures. Japan releases PPI figures next week.

- **AUD**: AUD/USD was down by 1.9% w/w, weighed by risk aversion. Pair closed at 0.7401 on Thursday. RBA dampened rate hike expectations, even as it abandoned yield curve control. This disappointed markets looking for a hawkish RBA. We are ***Neutral-to-Bearish*** on AUD/USD for the week ahead, eyeing support of 0.7250 and resistance of 0.7500. Markets will likely watch employment figures next week.

- **SGD**: USD/SGD has been relatively range-bound over the past week, but was up by 0.24% on Thursday to close at 1.3511. This brought the pair higher by 0.48% w/w. This came as Singapore PMI stayed stable at 50.8 in October, unchanged from September. Fed's start of tapering brought some dollar strength. We are ***Neutral-to-Bullish*** on USD/SGD for the week ahead, seeing a range of 1.3380 to 1.3620 for now. Immediate resistance at 1.3540. Technicals look subdued but renewed movements may come post-US-FOMC meeting. Meanwhile, the SGD NEER has looked resilient, and the SGD may outperform compared to other currencies.





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

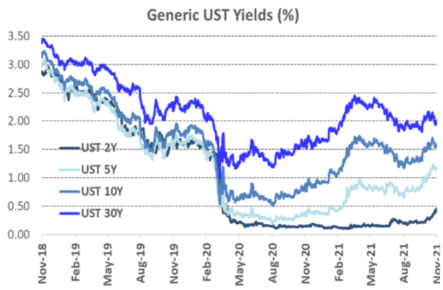
Fixed Income

- **UST:** UST continued to trade on a biddish tone in the week under review, but the yield curve took a turn and bull steepened with the 2/10 spread widening to as much as 114bps before retreating to 110bps on Thursday, after BOE's surprised pause prompted some shifts in rate hike expectations, and if growth concerns are taking precedence over inflationary concerns again. Overall yields fell 2-7bps w/w, led by the belly. The 5Y belly lost the most, by 7bps to a three-week at 1.11%. The benchmark 2Y UST yields shed 6bps w/w to 0.42% while the 10-year note yields fell 5bps to 1.53%. The Fed did not surprise with its tapering announcement kickstarting with a $15bn unwind in monthly purchases in November. Holdings of US securities rose by $19.9bn from a week earlier to $8.063 trillion as of 3-November, according to data released Thursday. Fed Chair Powell also reiterated that rate hike will be some time away, in sharp contrast to the BOE's decision that called for a rate pause contrary to its recent guidance for a hike before QE tapering. The week ahead will be quieter post event risks this week. Attention will be on US CPI data, while the Treasury is also scheduled to sell 3Y, 10Y and 30Y debt.

- **MGS/GII:** The week under review saw MYR government bonds traded in two halves, under selling pressure in early week before regaining some calm post-BNM MPC. A similar move was also observed in the IRS markets. On a weekly basis, MYR government bonds still settled the week on a bearish note with higher yields, led by the front end, hence flattening the curve. The 3Y and 5Y MGS yields rose 6 and 4bps each to 2.74% and 3.23% respectively, while the much watched 10Y gained 6bps to 3.64%. Trading in the secondary market picked up close to 50% to RM16.3bn despite a holiday shortened week, translating into an even bigger jump in average daily market volume of RM4.1bn, nearly doubled from the RM2.2bn traded in the preceding week. We continue to see robust interests in the short end off the runs '21-22, 5Y belly of both the MGS and GII curves, as well as long tenured benchmark GII '10/30 and '11/49. We expect the local government bond markets to trade on a more neutral mode following the conclusion of key event risks the last two weeks. The still neutral and cautious BNM policy tone reiterating overall downside growth risk is expected to tame market expectations of a near term rate hike. Attention will shift to 3Q GDP performance next week as well as the likely reopening sale of 15Y MGS 5/35 where we are projecting an issuance size of RM5.0bn.

- **MYR Corporate bonds/ Sukuk**: The local corporate bond/ sukuk markets continued to see subdued trading in the week under review, with mixed to lower yields. Average daily trading volume in the secondary market eased to RM341m vs RM358m the preceding week, considered decent nevertheless given the soft sentiments in the market. The GG segment was quiet to almost absent while the AA-rated segments continued to be the center of focus. In the GG segment, Khazanah '9/22 stole the limelight with RM120m dealt at 5bps lower at 2.02% followed by Turus Persawat '11/24 with RM110m changed hands at 3.08%. In the AAA-segment, CAGA '22 & '24 saw a combined RM125m changed hands between 2.10-2.97%. For the AA-rated part of the curve, energy, telecommunications, property and construction names were among the popular trades while markets were seen shying away from banking issuances.

- **SGS:** SGS (govvies) ended in a steady manner in the past week, contradictory to the swings seen in the UST market. Overall benchmark yields closed largely flat save for the 3bps increase in the 10Y bonds. The 2Y yield held steady at 0.84% (weekly range 0.84-0.89%) after jumping 12bps higher the preceding week whilst the 10Y rose 3bps to 1.80% (weekly range 1.80-1.84%). The Fed as well as other major central banks' policy decisions were the key market driver, amid lack of fresh catalyst in the domestic market. The MAS has earlier shifted to a slightly tighter stance by increasing the slope of its SGD NEER band to allow a slight appreciation in SGD. MAS's Chief reiterated earlier this week that the MAS stands ready to act in view of inflation risks. Meanwhile, recent data suggests recovery in the Singapore economy is on track. PMI held steady at 50.8 in October signaling a steady expansion.



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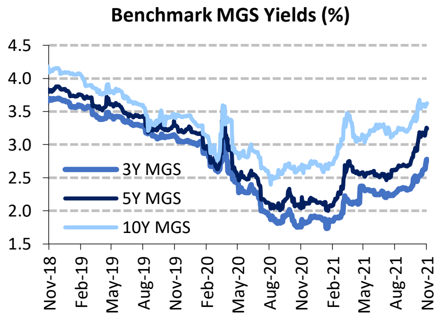

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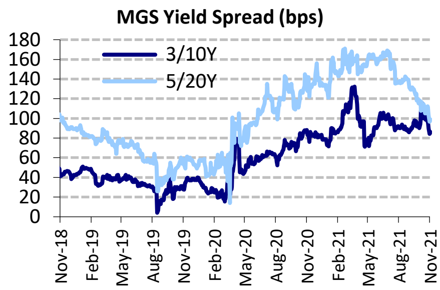

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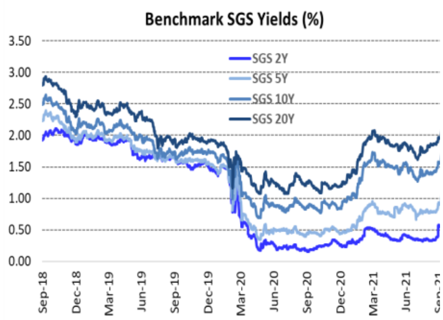

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Al Dzahab Assets Berhad	Class A and Class B Notes under respective Tranches 1 and 2 Sukuk Murabahah	AAA/Stable	Reaffirmed
Penang Port Sdn Bhd	Islamic Medium-Term Notes Issuance Programme of up to RM1.0 billion	AA-$_{IS}$ (Stable)	Affirmed
DRB-HICOM Berhad	Sukuk Programme of up to RM3.5 billion	A+$_{IS}$ (Stable)	Affirmed
	Perpetual Sukuk Musharakah Programme of up to RM2.0 billion.	A-$_{IS}$ (Stable)	
Pacific & Orient Insurance Co. Berhad	Proposed RM90 mil Subordinated Notes Programme.	A3/Negative	Assigned
	Insurer financial strength ratings	A2/Negative/P1	Affirmed
	RM150 million Subordinated Notes Programme (2012/2024	A3/Negative	Affirmed
AFFIN Bank Berhad	Financial institution ratings	AA3/Negative/P1	Affirmed

Source: MARC/RAM

HongLeong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
08/11	15:00	MA	Foreign Reserves	29 Oct	$115.6b
	17:30	EZ	Sentix Investor Confidence	Nov	16.9
09/11	05:45	NZ	Card Spending Retail MoM	Oct	0.9%
	07:30	JP	Labor Cash Earnings YoY	Sep	0.6%
	08:30	AU	NAB Business Confidence	Oct	13.0
	12:00	MA	Industrial Production YoY	Sep	-0.7%
	18:00	EZ	ZEW Survey Expectations	Nov	21.0
	19:00	US	NFIB Small Business Optimism	Oct	99.1
	21:30	US	PPI Final Demand YoY	Oct	8.6%
10/11	07:30	AU	Westpac Consumer Conf Index	Nov	104.6
	09:30	CN	CPI YoY	Oct	0.7%
	09:30	CN	PPI YoY	Oct	10.7%
	14:00	JP	Machine Tool Orders YoY	Oct P	71.9%
	20:00	US	MBA Mortgage Applications	05 Nov	-3.3%
	21:30	US	Initial Jobless Claims	06 Nov	269k
	21:30	US	CPI YoY	Oct	5.4%
11/11	08:00	NZ	ANZ Business Confidence	Nov P	-13.4
	08:01	UK	RICS House Price Balance	Oct	68.0%
	08:30	AU	Employment Change	Oct	-138.0k
	08:30	AU	Unemployment Rate	Oct	4.6%
	15:00	UK	Industrial Production MoM	Sep	0.8%
	15:00	UK	GDP QoQ	3Q P	5.5%
12/11	05:30	NZ	BusinessNZ Manufacturing PMI	Oct	51.4
	12:00	MA	GDP YoY	3Q	16.1%
	16:30	HK	GDP YoY	3Q F	5.4%
	18:00	EZ	Industrial Production SA MoM	Sep	-1.6%
	23:00	US	JOLTS Job Openings	Sep	10439k
	23:00	US	U. of Mich. Sentiment	Nov P	71.7

Source: Bloomberg

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