Global Markets Research

Weekly Market Highlights

Markets

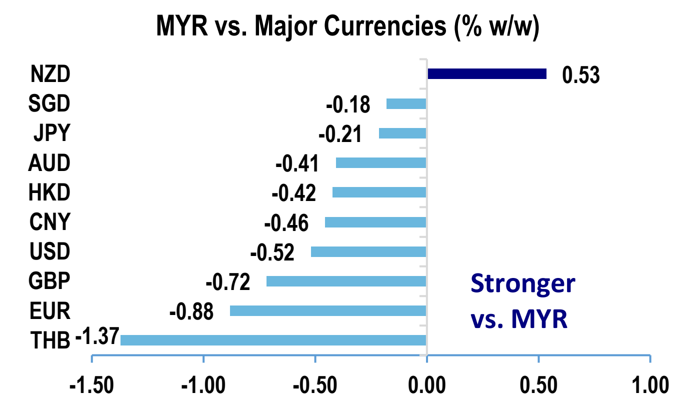
	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,064.25	-0.06	14.56
S&P 500	4,429.10	0.23	17.92
FTSE 100	7,120.43	0.59	10.21
Hang Seng	26,204.69	-0.42	-3.77
KLCI	1,495.78	-1.13	-8.08
STI	3,175.10	-0.17	11.65
Dollar Index	92.24	0.41	2.57
WTI oil ($/bbl)	69.09	-6.15	42.39
Brent oil ($/bbl)	71.29	-6.26	37.63
Gold (S/oz)	1,805.10	-1.43	-4.75

Source: Bloomberg

- US equity benchmarks broadly gained this week after suffering a temporary setback as investors weighed economic data, corporate earnings against the spread of the Covid Delta variant in the US and across the globe. Nonetheless, the S&P 500 (+0.2% w/w)) managed to advance to a fresh high on Thursday alongside the tech-focus NASDAQ (+0.8%) index, reflecting the resilience of equities as an asset class. Crude oil prices took multiple hits this week as the Delta variant weighed on consumption outlook.

- The Bank of England kept its policy intact as expected and said that "some modest tightening" of policy is likely needed if it meets economic targets. Likewise, the RBA left is policy unchanged and is still on course to taper its QE program in September. However, it said in the separate Statement on Monetary Policy report that it is prepared to respond to further bad news on the Australian health front. Key data next week include a slew of GDP report from the UK, Hong Kong, Singapore and Malaysia as well as the US CPI.

Forex

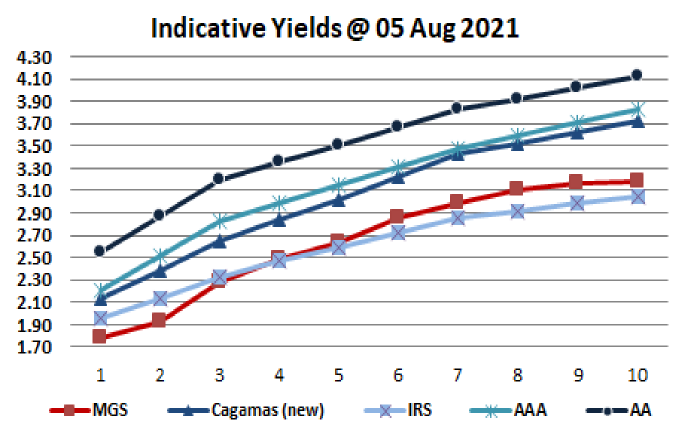


Source: Bloomberg

- **MYR:** USD/MYR hovered at circa 4.22 levels for most of the week and was down by 0.5% w/w as of Thursday. In the week ahead, we are ***Neutral*** on MYR, expecting USD/MYR to remain constrained within 4.21-4.25, potentially clinging to 4.22-4.23 levels as markets await the Malaysia 2Q GDP data while monitoring the deteriorating pandemic situation on the local front. Malaysia's daily Covid infections went north of 20k yesterday, smashing its third records within a six-day period.

- **USD**: The USD registered mixed performances against G10 and Asian currencies over the past week. DXY was modestly up by 0.41% w/w. Markets were buoyant as stocks reached record highs. Data was mostly positive but ADP employment change fell below expectations. We are ***Neutral*** on the USD for the week ahead, within a range of 91 to 93. Momentum on either side is fading, hinting at subdued volatility. After Friday's non-farm payrolls, CPI and PPI are the weekly date focus for the US.

Fixed Income



Source: Bloomberg

- **UST:** The week saw USTs ended stronger despite pullback seen in the past two sessions as the curve flattened. Overall benchmark yields settled between a 0-9bps across the curve. The benchmark UST 2Y; reflective of interest rate predictions closed unchanged at 0.20% whilst the much-watched 10Y (which traded within a tighter 1.23%-1.29% range); rallied 9bps to 1.18%. In its refunding announcement, the US Treasury said that it plans to sell $673b in new bonds this quarter as part of a $1.5 trillion 2nd-half funding target. Expect some volatility to emerge next week post July jobs report release tonight.

- **MGS/GII:** Local govvies were seen pressured for the week under review following earlier supply concerns and perceived political developments on the local scene. Overall benchmark yields for MGS/GII rose mostly between 0-9bps with the curve slightly steeper. The benchmark 5Y MGS 9/25 edged 1bps up at 2.62% from prior week's close whilst the 10Y MGS 4/31 settled 3bps higher at 3.19%. The average weekly secondary market volume **increased 18%** @ RM14.28b versus prior week's RM12.09b. The auction involving the reopening of 30Y MGS saw robust bidding metrics as BTC notched 2.28x whilst being awarded at 4.289%.

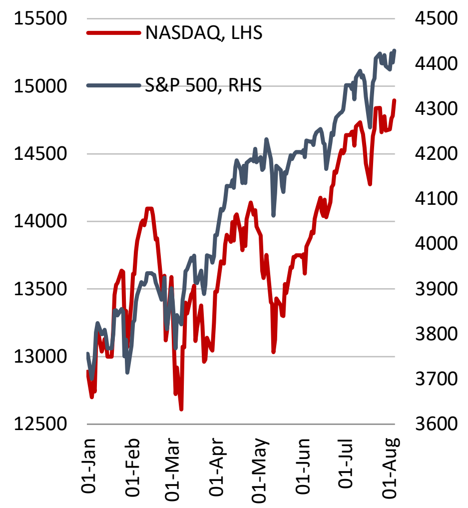
Macroeconomic Updates

- US equity benchmarks broadly gained this week after suffering a temporary setback as investors weighed economic data, corporate earnings against the spread of the Covid Delta variant in the US and across the globe. Nonetheless, the S&P 500 (+0.2% w/w)) managed to advance to a fresh high on Thursday alongside the tech-focus NASDAQ (+0.8%) index, reflecting the resilience of equities as an asset class. The blue-chip Dow Jones index was little changed (-0.06% w/w), trading just 80pts shy of its record high level. Crude oil prices took multiple hits this week as the Delta variant weighed on consumption outlook. WTI and Brent crude were down by over 6% w/w despite staging some rebounds on Thursday.
- On Thursday, the Bank of England kept its policy intact as expected but warned of a period of high transitory inflation that would be driven by higher prices of energy and other goods. The bank said it did not intend to tighten policy unless substantial progress is made towards achieving its goals. Should the economy evolve with its central projection, "some modest tightening" of policy is likely needed. Earlier in the week, the RBA said it was still on track to taper its asset purchase program in September despite earlier predictions that the central bank may renege on the said July's decision amid the near-term growth uncertainties. The cash rate was left unchanged at 0.1% as expected and RBA reiterated that it would not raise rate at least until 2024. In the Friday released Statement on Monetary Policy, RBA said that it is prepared to respond to further bad news on the local health front.
- PMI data released this week indicated a broad-based slowdown in manufacturing activity across the US, Eurozone, UK and China while countries like Vietnam and Malaysia continued to experience deteriorations as they struggled to contain the latest Covid outbreaks. Services sector PMIs showed mixed readings with the US and Eurozone reporting a surge in activity while the gauges for the UK and China came in weaker. Japan's services PMI was still capped below the 50-neutral threshold, suggesting deterioration.
- In the US, initial jobless claims came in lower at 385k last week. Earlier, the ADP employment report showed that the US private sector added only 330k jobs in July, half of what was expected by analysts. Manufacturing and construction employment were very weak, as supply chain issues delayed hiring. The government's NFP job report is set to offer us a clearer picture of the US labour market. Notably, the US trade deficit widened to a record high of $75.7b in June, boosted by consumer demand for foreign goods. Import value hit a monthly high while export growth lagged.
- A slew of retail sales data showed slightly higher consumer spending in the Eurozone in June but lower spending in Australia and Hong Kong. Retail sales in the Eurozone remained supported by pent-up demand after restrictions were relaxed in the region. Australia's retail sector meanwhile was hit by a series of lockdowns imposed across Australia following the Delta variant outbreak. This was evident in the slower import growth in the same month. Exports meanwhile were supported by the record high iron ore shipment, as demand from China stayed robust. Australia's trade surplus surged to a fresh high of AUD10.5b. Neighbouring New Zealand saw its unemployment rate falling to 4% in 2Q, a positive sign of economic recovery which led to speculations that the RBNZ may raise rate as soon as this month.

The Week Ahead

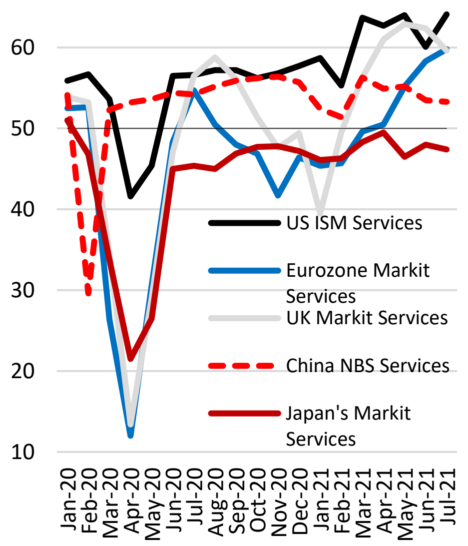
- Data flow is lighter heading into the second week of August. The US released the JOLTS job openings for June; openings were at a record high of 9.2mil in May as firms ramped up hiring activity. A series of July inflation data are coming up in the US too, with the CPI index (June: +5.4% y/y) stealing the spotlight, followed by PPI and import prices that would offer us more clues over the US inflation path.
- In addition, the UK, Hong Kong, Singapore and Malaysia reported their respective GDP data for the second quarter next week. Other key data include the Eurozone's industrial production and international trade, China's CPI and PPI numbers and Malaysia's industrial output.

S&P 500 & NASDAQ rose to record highs



Source: Bloomberg

Diverging trend in services PMIs



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR hovered at circa 4.22 levels for the week, breaching 4.23 temporarily in mid-week against a backdrop of political uncertainties before trending down to 4.2165 on Thursday. This represents a 0.5% w/w decline exactly a week ago when the pair was trading near 4.24. In the week ahead, we are ***Neutral*** on MYR, expecting USD/MYR to remain constrained within 4.21-4.25, potentially clinging to 4.22-4.23 levels as markets await the Malaysia 2Q GDP data while monitoring the deteriorating pandemic situation on the local front. Malaysia's daily Covid infections went north of 20k yesterday, smashing its third records within a six-day period.

- **USD**: The USD registered mixed performances against G10 and Asian currencies over the past week. DXY was modestly up by 0.41% w/w. Markets were buoyant as stocks reached record highs. Data was mostly positive but ADP employment change fell below expectations. We are ***Neutral*** on the USD for the week ahead, within a range of 91 to 93. Momentum on either side is fading, hinting at subdued volatility. After Friday's non-farm payrolls, CPI and PPI are the weekly date focus for the US.

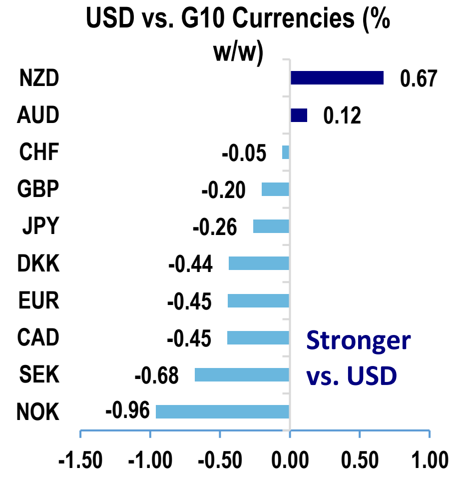
- **EUR**: EUR/USD was down by 0.45% w/w, closing at 1.1834 on Thursday. This is close to the 5-day low of 1.1828, somewhat below the high of 1.1909 on 30 July. PPIs registered significant expansion of 1.4% m/m in June. Retail sales expanded in June, although below market expectations. We are ***Neutral*** on EUR/USD for the week ahead, within a range of 1.1710 to 1.2000. Momentum looks subdued, akin to DXY. The Eurozone releases Economic Bulletin, industrial production and trade balance over the coming week.

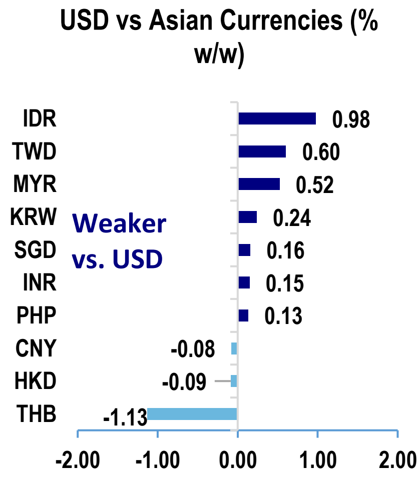
- **GBP**: GBP/USD was slightly down the past week, helped by a rebound on Thursday's session to close at 1.3931. Pound emerged relatively unaffected by of Bank of England's monetary policy decision, in which they warned about higher transitory inflation. We are ***Neutral-to-Bullish*** on GBP/USD for the coming week, putting resistance at 1.4000 and support at 1.3820. Technicals are barely hinting at a slight upside bias. The UK releases 2Q GDP on 12 August.

- **JPY**: USD/JPY was slightly up over the past week, closing at 109.77 on Thursday after a 5-day low of 108.72 on 4 August. The domestic Covid-19 outbreak remains a drag on yen strength, while US non-farm payrolls may shape USD movements. We are ***Neutral*** on USD/JPY for the week ahead, eyeing a range of 108.80 to 110.80. Momentum is coming off. Market attention will likely be in July's PPI, released on 12 August.

- **AUD**: AUD/USD outperformed G10 peers, rising 0.12% w/w to close at 0.7405. The Reserve Bank of Australia maintained a neutral view during the latest monetary policy meeting, favouring the current plan of tapering. This brought about some AUD strength. We are ***Neutral-to-Bearish*** on AUD/USD for the coming week, putting support at 0.7270 and resistance at 0.7500. Momentum is coming off, hinting at some stability, but we see some downsides after this week's resilience. Covid-19 developments may still shape AUD movements, with parts of the country in lockdown.

- **SGD**: USD/SGD has been relatively range-bound (1.3473-1.3556) since 29 July, slightly crawling down to close 1.3510 on Thursday's session. Economic data showed challenges from Heightened Alert phases, but we stay slightly optimistic on positive PMI and retail sales data. We are ***Neutral-to-Bearish*** on USD/SGD for the week ahead. Momentum is going toward downsides for 1.3420 support (1.36 resistance if there is a rebound). The focus on the week ahead will be on any government planned changes in the Heightened Alert restrictions. Singapore will release 2Q final GDP data on 11 August.





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 ended stronger despite pullback seen in the past two sessions as the curve flattened. Overall benchmark yields settled between a 0-9bps across the curve. The benchmark UST 2Y; reflective of interest rate predictions closed unchanged at 0.20% whilst the much-watched 10Y (which traded within a tighter 1.23%-1.29% range); rallied 9bps to 1.18%. In its refunding announcement, the US Treasury said that it plans to sell $673b in new bonds this quarter as part of a $1.5 trillion 2nd-half funding target that is dependent on lawmakers lifting the suspension on debt ceiling; which expired at $22 trillion last week. Meanwhile, market participants continue to monitor the impact and pace of Delta variant infections coupled with updates on the Fed's ongoing bond-buying program. Expect some volatility to emerge next week post July jobs report release tonight.

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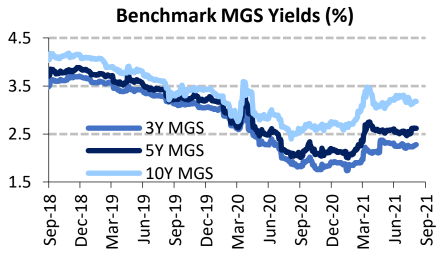
- **MYR Corporate Bonds/ Sukuk:** The week under review saw strong investor activity in the secondary market for govt-guaranteed/sukuk/corporate bonds. Participation continued to be seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a **14.0% dip** in weekly market volume of RM3.23b compared to prior week's RM3.78b. Topping the weekly volume were YTL Power 3/23 (AA1) which jumped 54bps compared to previous-done levels to 3.64%, followed by the airport-operator MAHB 2114NC24 perps, which rallied 7bps to 4.43%. Third largest volume was seen for TNB 8/33 bonds, which rallied 8bps to 2.65%. Higher frequency of bond trades was seen in PRASA, DANA, DANUM, AMAN, PLUS, QSPS green SRI, SABAH Development, Genting-related names, energy-related bonds i.e. SEB and EDRA and odd-lot transactions in Tropicana bonds. Meanwhile the prominent issuance for the week consisted of quasi-government CAGAMAS Bhd's (AAA) 1-3Y papers amounting to RM200m with a coupon of 2.67% and Sabah Development Bank Bhd's (AA1) 3-5Y bonds totaling RM580m with coupons ranging between 4.4-4.6%.

- **SGS:** SGS (govvies) were relatively quiet w/w with overall benchmark movements confined to a mere 1bps range as the curve shifted marginally lower. The 2Y yield edged 1bps down at 0.34% whilst the 10Y (which traded tighter within 1.26-1.31% range) edged 1bps up instead at 1.32%. Meanwhile, Fitch Ratings has affirmed the republic's long-term issuer default rating at AAA with a Stable outlook. Singapore's proposed issuance of a 30Y SGS (infrastructure-financing debt) on the 1st of October may see a steeper yield curve. MAS may be expected to normalize policy come October with a return to a gradual appreciation in its currency band as economic performance may exceed those of its neighbouring countries. Elsewhere, property developer, Mapletree Treasury Services Ltd had successfully priced its SGD600m Perpetual NC3 Securities (under its US5.0b Euro MTN Programme) at 3.70%. OCBC meantime had its long-term issue rating to its senior unsecured AUD500m floating-rate green notes at AA- by both Fitch Ratings and S&P Global Ratings. The 3Y issuance was priced at +26bp spread and falls under the bank's USD30b global MTN programme.



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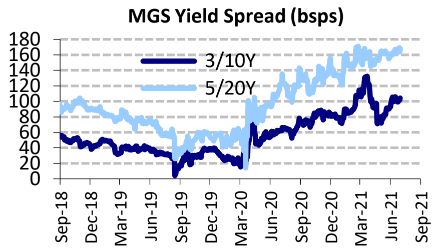

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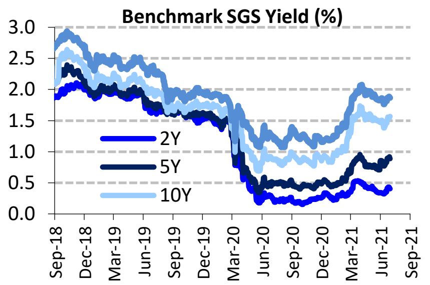

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
MEX II Sdn Bhd (MEX II)	RM1.3 billion Sukuk Murabahah Programme and RM150.0 million Junior Bonds	To be downgraded to D from C-IS/C if repayment is missed on 27 August 2021	Update
KIP REIT Capital Sdn Bhd	2019-Issue 1 MTN RM210 mil Class A Medium Term Notes under its RM2.0 bil perpetual MTN Programme Insurer financial strength (IFS) rating	AAA/Stable	Reaffirmed
Danajamin Nasional Berhad (Danajamin)	RM5.0 billion Subordinated Debt and Junior Sukuk Programmes	AAA	Affirmed
Hanwha Q CELLS Malaysia Sdn Bhd	Proposed RM150 mil Guaranteed Medium-Term Notes (2021/2024)	AAA(FG)/Stable	Assigned
UMW Holdings Berhad	RM2 bil Islamic Medium Term Notes Programme (2013/2028)	AA2/Stable	Reaffirmed
	RM2 bil Perpetual Sukuk Programme	A1/Stable	Reaffirmed
Northern Gateway Infrastructure Sdn Bhd	M340 mil MTN Programme (2017/2034)	AA1/stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
09/08	09:30	CN	CPI YoY	Jul	1.1%
	09:30	CN	PPI YoY	Jul	8.8%
	12:00	MA	Industrial Production YoY	Jun	26.0%
	16:30	EZ	Sentix Investor Confidence	Aug	29.8
	22:00	US	JOLTS Job Openings	Jun	9209k
10/08	06:45	NZ	Card Spending Retail MoM	Jul	0.9%
	09:30	AU	NAB Business Confidence	Jul	11.0
	17:00	EZ	ZEW Survey Expectations	Aug	61.2
	18:00	US	NFIB Small Business Optimism	Jul	102.5
11/08	08:00	SG	GDP YoY	2Q F	14.3%
	08:30	AU	Westpac Consumer Conf Index	Aug	108.8
	14:00	JP	Machine Tool Orders YoY	Jul P	96.6%
	19:00	US	MBA Mortgage Applications	06 Aug	-1.7%
	20:30	US	CPI YoY	Jul	5.4%
12/08	07:01	UK	RICS House Price Balance	Jul	83.0%
	14:00	UK	GDP QoQ	2Q P	-1.6%
	14:00	UK	Monthly GDP (MoM)	Jun	0.8%
	14:00	UK	Industrial Production MoM	Jun	0.8%
	14:00	UK	Visible Trade Balance GBP/Mn	Jun	-£8481m
	17:00	EZ	Industrial Production SA MoM	Jun	-1.0%
	20:30	US	Initial Jobless Claims	07 Aug	385k
	20:30	US	PPI Final Demand YoY	Jul	7.3%
13/08	06:30	NZ	BusinessNZ Manufacturing PMI	Jul	60.7
	12:00	MA	GDP YoY	2Q	-0.5%
	16:30	HK	GDP YoY	2Q F	7.5%
	17:00	EZ	Trade Balance SA	Jun	9.4b
	20:30	US	Import Price Index YoY	Jul	11.2%
	22:00	US	U. of Mich. Sentiment	Aug P	81.2

Source: Bloomberg

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