

## Global Markets Research

### Weekly Market Highlights

#### Markets

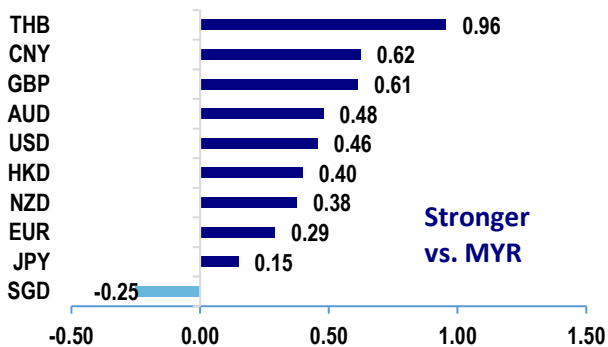
	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,548.53	1.43	12.88
S&P 500	4,201.62	-0.23	11.86
FTSE 100	7,076.17	1.65	9.53
Hang Seng	28,637.46	-2.27	5.97
KLCI	1,578.33	-1.90	-2.74
STI	3,173.00	-1.51	12.29
Dollar Index	90.95	0.37	1.04
WTI oil (\$/bbl)	64.71	-0.46	33.37
Brent oil (\$/bbl)	68.09	-0.69	31.45
Gold (\$/oz)	1,815.70	2.68	-4.25

Source: Bloomberg

- US stock benchmarks recorded mixed performances this week as the continuous economic optimism and solid corporate earnings prompted the rally in the blue chip index while the selloff in tech shares weighed on the NASDAQ. The broader S&P 500 index was down slightly this week amid uneven sectoral performances. Looking at other asset classes, the dollar weakened alongside the lower yields, allowing gold prices to rally back above \$1800/oz. Crude oil prices fell amid renewed concerns for global demand.
- The BOE maintained the bank rate at 0.1% as expected and kept its QE program at £895b, but confirmed in its minutes that it would slow the pace of its bond purchase, amid improving fundamentals. BNM also kept OPR at 1.75% in a widely expected move. In the US, the overall economic picture is as upbeat as ever with the high frequency new jobless claims falling to below 500k last week to signal continuous easing in layoffs.

#### Forex

MYR vs. Major Currencies (% w/w)

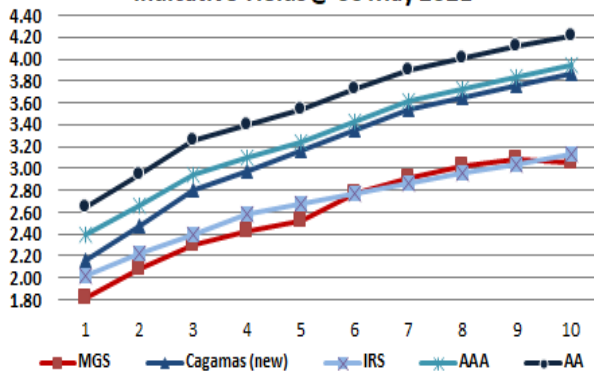


Source: Bloomberg

- MYR:** USD/MYR staged a strong rebound from the sharp down move to 4.0875 last Friday, steadily climbing higher to the 4.12 handle, last closing at 4.1225 yesterday. The MYR weakened 0.45% w/w against the USD over the past five trading days. We are holding on to our view for a **Neutral** MYR possibly within the 4.10-4.14 range in the week ahead. MYR will predominantly be USD driven and we do not expect next week's release of Malaysia 1Q GDP that will likely show a small contraction of 1.9% y/y, to have any material impact on the MYR.
- USD:** The USD registered mixed performances against G10 and Asian currencies over the past week. For the DXY, it was 0.37% up from 29 April close. This came on slight market concerns on inflation. ISM data showed that both manufacturing and services sectors are recovering. Initial jobless claims print also came in lower. Federal Reserve officials pushed back on tapering talk and inflation concerns. We are **Neutral-to-Bearish** on USD over a one-week period. Momentum appears low at depressed levels. For the week ahead, we watch CPI, PPI and retail sales on whether more concerns on inflationary pressures are warranted.

#### Fixed Income

Indicative Yields @ 06 May 2021



Source: Bloomberg

- UST:** The week under review saw USTs hold steady, underlining the bond market's resilience to reflation fears yet again whilst shrugging off Treasury Secretary Yellen's statement of potential interest rate hikes if the economy overheats. Overall benchmark yields closed between 0-7bps lower across, as the curve was pressured. The benchmark UST 2Y closed almost unchanged at 0.16% whilst the much-watched 10Y rallied 7bps to 1.57%. Meanwhile the Treasury said that it will maintain UST issuances steady in the upcoming quarter in the face of uncertain and sizeable borrowing needs due to pandemic-related spending. Expect attention to shift to tonight's release of nonfarm jobs data for April followed by CPI next week.
- MGS/GII:** Local govies were well-bid w/w, ending mostly stronger especially in the belly as overall benchmark MGS/GII yields closed mostly lower between 2-13bps save for the 20, 30Y MGS and GII. The recent surge in COVID-19 infections partly contributed to investors seeking safety in bonds. Interest was seen mainly in the off-the-run 21-22's, 24's, 28's and also benchmark 10Y MGS/GII bonds. MOF's investment arm, KHAZANAH successfully priced its \$1.0b Sukuk offering in two (2) parts i.e. \$400m 5Y at 1.658% and \$600m 10Y at 2.78%. Expect bonds to be well-supported next week in a holiday-shortened week.

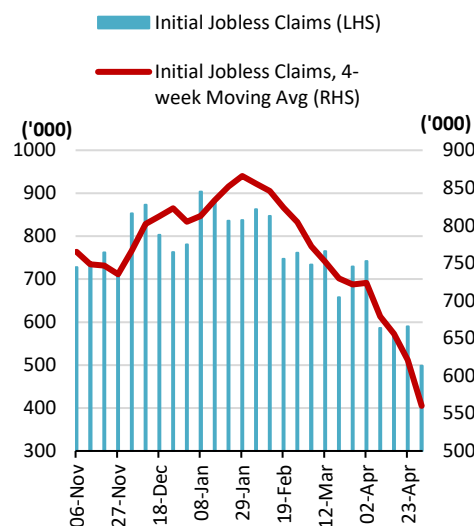
## Macroeconomic Updates

- US stock benchmarks recorded mixed performances this week as the continuous economic optimism and solid corporate earnings prompted the rally in the blue chip index while the selloff in tech shares weighed on the NASDAQ (-3.2% w/w) as of Thursday). The Dow (+1.4% w/w) outperformed by closing at record high for two straight sessions. The broader S&P 500 index (-0.2%) was down slightly this week amid uneven sectoral performances. Looking at other asset classes, treasuries yields retreated this week with the benchmark 10Y UST yield last traded at 1.57% on Thursday. The dollar weakened alongside the lower yields, allowing gold prices to rally (+2.7%) back above \$1800/oz level. Crude oil prices fell amid renewed concerns for global demand, stemming from India's raging pandemic post reversal risk to oils. Brent crude settled at \$68.09/barrel on Thursday with a weekly losses of 0.7%.
- The Bank of England maintained the bank rate at 0.1% as expected and kept its QE program at £895b, but confirmed in its minutes that it would slow the pace of its bond purchase, amid improving fundamentals. The UK's economy is expected to have still contracted in the first quarter, with restrictions still in place. The BOE was upbeat over the growth outlook, judging from its rhetoric and upward revision to 1Q21 GDP growth (from -4.2% to -1.5% q/q) as well as the forecast of 4.25% q/q growth in 2Q20. As most restrictions are lifted, GDP is expected to recover "strongly" for the remainder of 2021, prompting some discussion of the timing of the BOE's QE tapering. Other than that, on the local front, BNM also kept OPR at 1.75% in a widely expected move and
- In the US, the overall economic picture is as upbeat as ever with the high frequency new jobless claims falling to below 500k last week to signal continuous easing in layoffs. Based on the latest consensus estimate on Bloomberg, analysts expect that the reopening and rising vaccination rate would have led to a 1million nonfarm job gains in April even as the ADP private sector gauge fell short of expectation. At 742k in April, ADP had been a less effective predictor for NFP based on recent months' trend. The ISM indexes for both manufacturing and services continued to suggest strong expansion in the respective sectors, even as the latter pulled back last month. All these might have fuelled talks of possible Fed's tightening in the future, but the Fed's persistent accommodative stance and Treasury Secretary Janet Yellen's downplaying/clarification of rate hike comments managed to stem the talks somewhat.

### The Week Ahead...

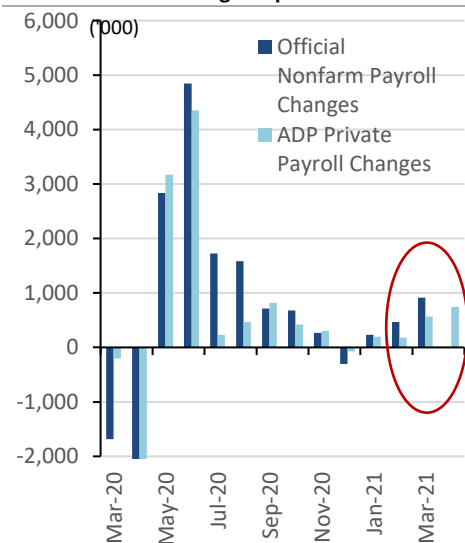
- The data calendar turned lighter in the week ahead. On Monday, data were limited to Australia's retail sales and NAB Business Confidence as well as the Sentix Investor Confidence Index.
- Tuesday begins with New Zealand's retail card spending which is likely to improve alongside the stronger sentiment. This is followed by Japan's household spending where pullbacks are expected for the m/m term, following the modest increase in the previous month. China's CPI and PPI data are also in the data docket and likely to reflect strong gains in prices pressure amid high raw material costs. On the same day, Malaysia's GDP report is due noon and we are pencilling in a contraction of 1.9%. In the evening, data include the German ZEW investor expectation index and the US Small Business Optimism and JOLTS openings.
- Moving on to mid-week, the UK's first estimate of 1Q GDP growth is set to be released alongside other monthly indicators. The main highlight of the day is the US' CPI data. Thursday's data docket remains light and include the US' initial jobless claims and PPI inflation. Last but not least on Friday, Hong Kong's final GDP reading is due in the evening. The US' retail sales and industrial production are the day's focus alongside the University of Michigan consumer confidence index.

### Another fresh pandemic low for initial jobless claims



Source: Bloomberg

### ADP had not been a good predictor for NFP

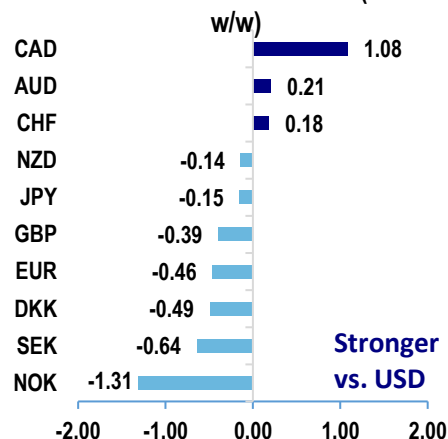


Source: Bloomberg

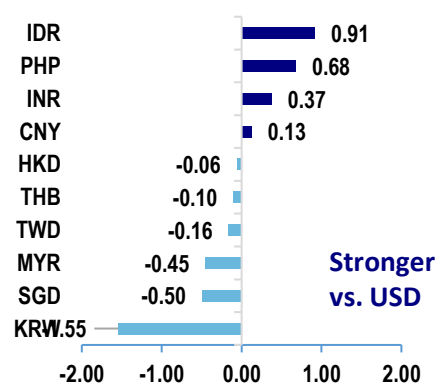
## Foreign Exchange Market

- MYR:** USD/MYR staged a strong rebound from the sharp down move to 4.0875 last Friday, steadily climbing higher to the 4.12 handle, last closing at 4.1225 yesterday. The MYR weakened 0.45% w/w against the USD over the past five trading days. We are holding on to our view for a **Neutral** MYR possibly within the 4.10-4.14 range in the week ahead. MYR will predominantly be USD driven and we do not expect next week's release of Malaysia 1Q GDP that will likely show a small contraction of 1.9% y/y, to have any material impact on the MYR.
- USD:** The USD registered mixed performances against G10 and Asian currencies over the past week. For the DXY, it was 0.37% up from 29 April close. This came on slight market concerns on inflation. ISM data showed that both manufacturing and services sectors are recovering. Initial jobless claims print also came in lower. Federal Reserve officials pushed back on tapering talk and inflation concerns. We are **Neutral-to-Bearish** on USD over a one-week period. Momentum appears low at depressed levels. For the week ahead, we watch CPI, PPI and retail sales numbers on whether more concerns on inflationary pressures are warranted.
- EUR:** EUR/USD first dipped, hitting a low of 1.1986 on 5 May. Pair recovered to above 1.2000 levels by Thursday's session, on positive economic news. Retail sales showed that consumer spending is recovering in March, alongside strong Markit PMI figures. We are **Neutral-to-Bullish** on EUR over a one-week period. Momentum is slowing on the upside, as pair stays northwards of 1.2000. For the week ahead, watch March industrial production result. Immediate resistance at 1.2120 and support at 1.1960.
- GBP:** GBP/USD stayed around 1.3900 in recent sessions after recent volatility. Bank of England kept policy settings unchanged, but improved its economic outlook. We are **Neutral-to-Bullish** on GBP over a one-week period. The UK releases 1Q preliminary GDP data on 12 May, where economists are expecting a contraction compared to a quarter ago. 1.4000 remains a critical resistance level, while we peg downside support at 1.3750.
- JPY:** USD/JPY was slightly inching downwards to the 109 big figure in recent sessions, after 3 May's high of 109.70. We are **Neutral** on JPY over a one-week period. Momentum is low around fairly balanced levels. Japan releases current account balances for March the coming week. We watch resistance of 109.80 and support of 108.40.
- AUD:** AUD/USD has been gradually recovering since the 4 May low of 0.7675. RBA kept its policy rates unchanged on 4 May. Meanwhile, Australia's trade surplus narrowed in March compared to February. We are **Neutral-to-Bullish** on AUD over a one-week period. Momentum is easing at stretched high levels. The week ahead sees retail sales figures. We eye resistance of 0.7820, and support of 0.7560 if there is some risk aversion pullback.
- SGD:** USD/SGD peaked at 1.3392 on 5 May, before coming off in an offered tone on Thursday. Pair last seen around 1.3330. Covid-19 outbreak triggered some upsides in the pair before some stabilisation in conditions reversed movements downward. Manufacturing PMI showed strong performance. Retail sales growth was also positive, albeit with downside risks ahead. We are **Neutral** on SGD over a one-week period. The pair will likely remain affected by Covid-19 developments. We eye a weekly range of 1.3220 to 1.3460 (latter particularly if community cases rise again).

### USD vs. G10 Currencies (% w/w)



### USD vs Asian Currencies (% w/w)



Source: Bloomberg

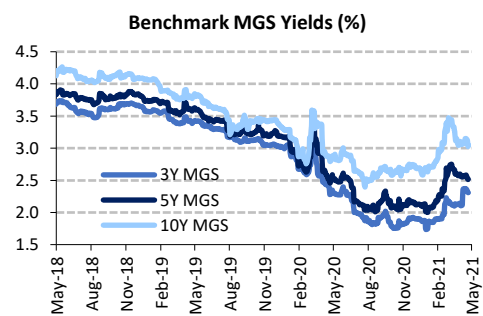
### Forecasts

	Q2-21	Q3-21	Q4-21	Q1-22
DXY	92.50	92.00	91.50	90.75
EUR/USD	1.1850	1.1900	1.2000	1.2100
GBP/USD	1.3850	1.3950	1.4000	1.4100
AUD/USD	0.76	0.77	0.78	0.79
USD/JPY	111	110	109	108
USD/MYR	4.15	4.10	4.08	4.05
USD/SGD	1.36	1.35	1.33	1.32
	Q2-21	Q3-21	Q4-21	Q1-22
EUR/MYR	4.92	4.88	4.90	4.90
GBP/MYR	5.75	5.72	5.71	5.71
AUD/MYR	3.15	3.16	3.18	3.20
SGD/MYR	3.05	3.04	3.07	3.07

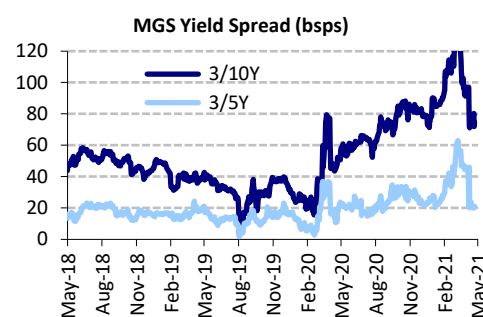
Source: HLBB Global Markets

## Fixed Income

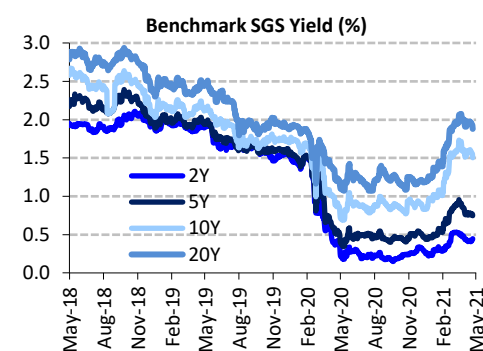
- UST:** The week under review saw USTs hold steady, underlining the bond market's resilience to reflation fears yet again whilst shrugging off Treasury Secretary Yellen's statement of potential interest rate hikes if the economy overheats. Overall benchmark yields closed between 0-7bps lower across, as the curve was pressured. The benchmark UST 2Y; reflective of interest rate predictions closed almost unchanged at 0.16% whilst the much-watched 10Y (which traded within a range of 1.57%-1.63%); rallied 7bps to 1.57%. Meanwhile the Treasury said that it will maintain UST issuances steady in the upcoming quarter in the face of uncertain and sizeable borrowing needs due to pandemic-related spending. This would include \$58b 3Y, \$41b 10Y and also \$27b 30Y bonds. Elsewhere, that jobless claims were reported to have declined by almost 33% since beginning April; adding to signs that a recovery is underway in the labor market. Expect attention to shift to tonight's release of nonfarm jobs data for April followed by CPI next week.
- MGS/GII:** Local govies were well-bid w/w, ending mostly stronger especially in the belly as overall benchmark MGS/GII yields closed mostly lower between 2-13bps save for the 20, 30Y MGS and GII. The recent surge in COVID-19 infections partly contributed to investors seeking safety in bonds. Interest was seen mainly in the off-the-run 21-22's, 24's, 28's and also benchmark 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 declined 5bps to 2.53% whilst the 10Y MGS 4/31 benchmarks rallied 11bps at 3.08% levels. The average daily secondary market volume however jumped further by ~38% @ RM3.69b versus prior week's RM2.66b. BNM in its MPC statement reaffirmed its neutral tone reaffirming improving growth outlook despite lingering downside risks. This reinforces our house view of a stable OPR of 1.75% for the remaining of the year. Separately, MOF's investment arm, KHAZANAH successfully priced its \$1.0b Sukuk offering in two (2) parts i.e. \$400m 5Y at 1.658% and \$600m 10Y at 2.78%. Expect bonds to be well-supported next week in a holiday-shortened week.
- MYR Corporate Bonds/ Sukuk:** The week under review continue to witness solid investor interest in the secondary market for corporate bonds/sukuk/govt-guaranteed bonds. Activity was spread across the GG to single-A part of the curve as yields closed mostly mixed amid a slight rise in average daily market volume of RM604m compared to prior week's RM588m. Topping the weekly volume was the DANAINFRA 7/29 (GG) which rose 12bps at 3.42% compared to previous-done levels, followed by WCE 8/34 tranche which moved 79bps lower to 4.50%, since last traded in 2015. Third largest volume was seen for WCT perps 2110NC26 which rose 7bps instead to 5.73%. Higher frequency of bond trades was seen in DANA, PRASA, PTPTN, EDRA, WCE, UMW-related papers and also ALLIANCE bank bonds. Meanwhile the prominent issuances for the week consisted of DANAINFRA (GG) 7-25Y bonds totaling RM2.0b with coupons ranging from 3.25-4.64%; followed by PUTRAJAYA Holdings Sdn Bhd's AAA-rated 7Y bonds amounting to RM50m with a coupon of 3.6%.
- SGS:** SGS (govies) saw movements correlated to UST movements and ended mostly stronger w/w across the curve with overall benchmark yields declining between 3-10bps, save for the short-end. The curve flattened considerably as the 2Y yields fell 4bps instead at 0.45% levels whilst the 10Y (which traded within a wider 11bps range), rallied pushing yields down 10bps to 1.50%. Fitch Ratings has assigned Mapletree Industrial Trust's proposed perpetual securities a long-term rating of BBB-. This is 2 notches below its long-term issuer default rating of BBB+. The \$300m papers were successfully priced at 3.15%. Separately Changi Airport Group Singapore Pte Ltd which is rated AAA by Moody's; is reputed to be in the process of pricing \$500m 10Y bonds at ~1.88%.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

## Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
China Construction Bank (Malaysia) Berhad	Financial institution (FI) ratings	AA+/MARC-1/Stable	Affirmed
S P Setia Berhad	Proposed RM3.0 billion Islamic Medium-Term Notes Programme	AA-IS/Stable	Assigned
MEX II Sdn Bhd	RM1.3 billion Sukuk Murabahah Programme and RM150.0 million Junior Bonds	C-IS/C	Maintained
Bank Muamalat Malaysia Berhad	Financial institution ratings (FIRs)	A2/Stable/P1	Reaffirmed
	RM1 billion Subordinated Sukuk Murabahah Programme (2016/2036)	A3/Stable	Reaffirmed

*Source: MARC/RAM*

## Economic Calendar

Date	Time	Country	Event	Period	Prior
10/05	09:30	AU	NAB Business Confidence	Apr	15.0
	09:30	AU	Retail Sales MoM	Mar F	1.4%
	16:30	EC	Sentix Investor Confidence	May	13.1
11/05	06:45	NZ	Card Spending Retail MoM	Apr	0.9%
	07:30	JN	Household Spending YoY	Mar	-6.6%
	09:30	CH	CPI YoY	Apr	0.4%
	09:30	CH	PPI YoY	Apr	4.4%
	12:00	MA	GDP YoY	1Q	-3.4%
	17:00	EC	ZEW Survey Expectations	May	66.3
	18:00	US	NFIB Small Business Optimism	Apr	98.2
	22:00	US	JOLTS Job Openings	Mar	7367k
12/05	14:00	UK	GDP QoQ	1Q P	1.3%
	14:00	UK	Monthly GDP (MoM)	Mar	0.4%
	14:00	UK	Industrial Production MoM	Mar	1.0%
	14:00	UK	Visible Trade Balance GBP/Mn	Mar	-£16442m
	17:00	EC	Industrial Production SA MoM	Mar	-1.0%
	19:00	US	MBA Mortgage Applications	07 May	-0.9%
	20:30	US	CPI YoY	Apr	2.6%
13/05	07:01	UK	RICS House Price Balance	Apr	59.0%
	20:30	US	Initial Jobless Claims	08 May	--
	20:30	US	PPI Final Demand YoY	Apr	4.2%
14/05	06:30	NZ	BusinessNZ Manufacturing PMI	Apr	63.6
	16:30	HK	GDP YoY	1Q F	7.8%
	20:30	US	Retail Sales Advance MoM	Apr	9.7%
	20:30	US	Import Price Index YoY	Apr	6.9%
	21:15	US	Industrial Production MoM	Apr	1.4%
	22:00	US	U. of Mich. Sentiment	May P	88.3

Source: Bloomberg



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