Global Markets Research

Weekly Market Highlights

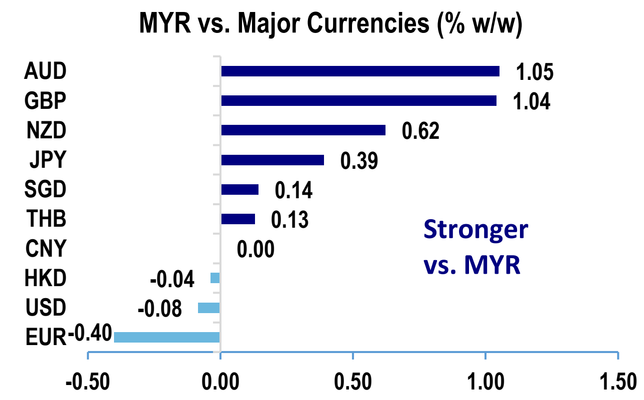
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,754.94	2.69	13.55
S&P 500	4,399.76	2.14	17.14
FTSE 100	7,078.04	-0.12	9.56
Hang Seng	24,701.73	0.51	-9.29
KLCI	1,561.29	1.53	-4.05
STI	3,101.15	0.47	9.05
Dollar Index	94.22	-0.01	4.76
WTI oil ($/bbl)	78.30	4.36	61.38
Brent oil ($/bbl)	81.95	4.37	58.20
Gold (S/oz)	1,757.90	0.15	-7.24

Source: Bloomberg

- A temporary extension of the US debt ceiling coupled with job market optimism helped the US stock market to recover from an early-week selloff triggered by the outage of several Facebook's owned applications. All main US benchmarks are now on track to close out the week with solid gains with focus now shifting to the US nonfarm payrolls. The RBNZ hiked OCR to 0.5% as expected and signalled more stimulus reductions to come. Neighbouring RBA maintained policy. The US ISM PMI readings beat forecasts to show a resilient economy. This was concurrent with the 568k increase in new private jobs.
- The FOMC meeting minutes is set to shed some lights on its recent decision to fast track bond tapering and the hawkish shift in the dotplot. Top-tiered data include US CPI & retail sales, UK monthly GDP, Eurozone's IPI, China's trade and inflation data, Japan's IPI and Australia's job report.

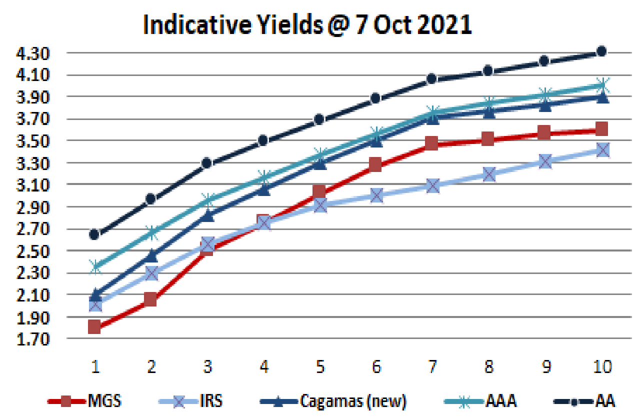
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded sideways for another week in the 4.17-4.18 levels, tracking USD movement which was in turn fanned by inflationary worries and US debt ceiling concerns. The pair last closed at 4.1825, down 0.1% w/w. We continue to see a ***Neutral*** USD/MYR outlook in the range of 4.16-4.20 in the week ahead, with US nonfarm job data tonight, FOMC minutes and CPI readings likely to be some swing factors to watch in the FX space.
- **USD**: The USD strengthened and corrected thereafter over the past sessions. DXY peaked out at 94.45 on 6 October, easing slightly on 7 October to close at 94.22. Risk aversion (US debt ceiling) initially supported the USD, but the US Senate was able to reach a short-term extension to extend the debt ceiling to early December. Meanwhile, markets perceive a lower initial jobless claims to seal a November Fed tapering timeline. We are ***Neutral-to-Bullish*** on the USD ahead, within a range of 94-95. After non-farm payrolls, data focus is on CPI, PPI and retail sales. FOMC meeting minutes will likely be closely scrutinised.

Fixed Income



Source: Bloomberg

- **UST:** USTs saw continued selling pressure. The curve bear-steepened with overall benchmark yields rising between 3-7bps. Bond yields have risen following the US Fed's intention to embark on asset-tapering and also inflationary pressures due to surging oil prices and supply-chain disruptions. The benchmark UST 2Y rose 3bps to 0.31% whilst the much-watched 10Y spiked 6bps to 1.55%. Meanwhile, Senate leaders agreed to a temporary deal extension to raise the debt ceiling through December to avert a crisis. Expect investors to turn their attention to the September jobs data release tonight as it could have significant impact on the Fed's concrete plans to commence its asset-tapering exercise.
- **MGS/GII:** Local govvies continued to weaken w/w, affected by both rising UST yields and also fixed-rate payers in IRS. Overall benchmark yields for MGS jumped between 8-22bps whereas GII saw yields drift higher between 0-14bps. The 7Y MGS 6/28 auction saw muted participation on a relatively large-sized auction of RM4.5b; notching a BTC of 1.598x and awarded at 3.409%. Additional local debt supply concerns coupled with market chatter over a potential rate hike and also the anticipated withdrawal of asset-tapering exercise in US may continue to see MYR bonds drift weaker in the coming week.

Macroeconomic Updates

- **US stocks rebounded from Monday's selloff:** A temporary extension of the US debt ceiling coupled with job market optimism helped the US stock market to recover from an early-week selloff triggered by the outage of several Facebook's owned applications. All main US benchmarks are now on track to close out the week with solid gains with focus now shifting to the US nonfarm payrolls. Investors largely shrugged off a Facebook wistleblower's congressional testimony that may lead to tighter regulation of Big Tech in the future. US-China trade related news are also back into the spotlight as the White House is set to engage in high-level direct talks with Beijing. Compared to last Thursday, the Dow rose 2.7% w/w alongside the S&P 500 (+2.1%). NASDAQ underperformed with 1.4% w/w gain.

- **RBNZ hiked rate:** The Reserve Bank of New Zealand hiked its official cash rate (OCR) by 25bps to 0.5% on Wednesday, in line with expectations. RBNZ's said that a further reduction in stimulus is appropriate as it kicked start its policy normalisation process, citing that higher vaccination rate and the little impact of current pandemic-related restrictions on the medium-term inflation and employment. It expects headline inflation to surge to above 4% in the near term before pulling back to 2% midpoint over the medium term.

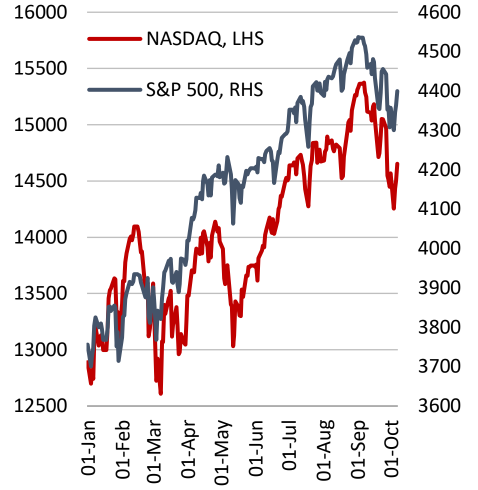
- **RBA maintained policy**: The Reserve Bank of Australia's meeting on Tuesday offered no surprise as the central bank reaffirmed last month's guidance of keeping the weekly asset purchase pace at AUD4b at least until mid-February next year. The cash rate was left unchanged at a histpric low of 0.1% alongside the 3Y government bond yield target. RBA remained cautious in general even they expect the current lockdown-related setback to be temporary. The overall tone was interpreted to be dovish in our view. It also hinted at some tightening of housing regulation in view of the soaring prices and continuous increase in investor lending.

- **US PMI data beat expectations:** The US ISM PMIs for manufacturing and services both came in better than consensus forecasts; highlighting the resilience of the US economy despite the supply chain delays, surging input prices and ongoing labour shortages. The ISM Manufacturing for September printed a reading of 61.1 (up from 59.9 prior) while the services gauge rose to 61.9 (from 61.7 prior), pointing to faster rates of expansion and supporting view of the Fed's upcoming policy normalisation. Meanwhile, PMIs for the Eurozone and UK slipped lower in the same month, as the summer reopening effects waned heading into fall.

- **Positive US job data:** Data are on the light side this week. Apart from PMIs, the US ADP National Employment Report showed that the US private sector added 568k jobs in September, higher than the consensus estimates. Initial jobless claims fell for the first time in four weeks, down to 326k last week. Notably, the US trade deficit surged to a record high of $73.3b in August as import growth exceeded export growth; the former was supported by solid demand while the latter constrained by supply chain issues. Factory orders rose more than expected by 1.2% m/m in August, marking its 15th increase out of a 16-month period.

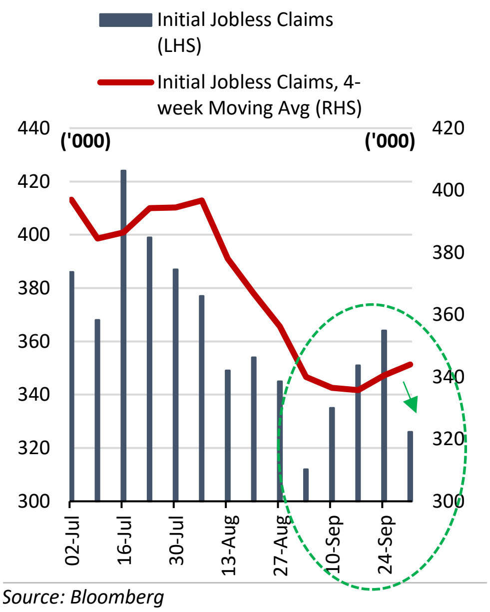
- **Fed releases minutes; more top-tiered economic data next week:** The Federal Reserve's meeting minutes is expected to shed some lights on its recent decision to fast track bond tapering and the hawkish shift in the dotplot. The calendar next week is filled with top-tiered data from key economies. The US reports CPI, PPI, retail sales while the UK releases the monthly output indicators (nominal GDP, industrial production, construction and services output) as well as job report. The Eurozone's industrial production and trade data are also in the docket. In Asia, China's trade and inflation data (CPI & PPI) are the main focus while Japan released manufacturing-related indicators (industrial production, machine tools & core machinery orders). Australia's job report and Malaysia's industrial production are other highlights of the week.

US stocks corrected from Monday's selloff, staging strong rebound



Source: Bloomberg

First-time jobless benefit claimants fell last week, after three weekly gains



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded sideways for another week in the 4.17-4.18 levels, tracking USD movement which was in turn fanned by inflationary worries and US debt ceiling concerns. The pair last closed at 4.1825, down 0.1% w/w. We continue to see a ***Neutral*** USD/MYR outlook in the range of 4.16-4.20 in the week ahead, with US nonfarm job data tonight, FOMC minutes and CPI readings likely to be some swing factors to watch in the FX space.

- **USD**: The USD strengthened and corrected thereafter over the past sessions. DXY peaked out at 94.45 on 6 October, easing slightly on 7 October to close at 94.22. Risk aversion (US debt ceiling) initially supported the USD, but the US Senate was able to reach a short-term extension to extend the debt ceiling to early December. Meanwhile, markets perceive a lower initial jobless claims to seal a November Fed tapering timeline. We are ***Neutral-to-Bullish*** on the USD ahead, within a range of 94-95. After non-farm payrolls, data focus is on CPI, PPI and retail sales. FOMC meeting minutes will likely be closely scrutinised.

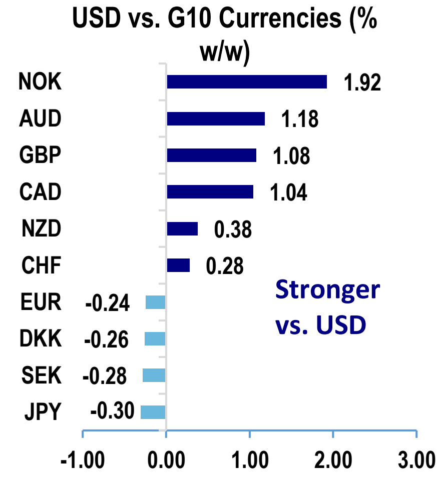
- **EUR**: EUR/USD was down 0.24% since the start of the month, closing at 1.1552 on Thursday from USD strength. PPI stayed elevated at 13.4% y/y in August, while retail sales rose by 0.3% m/m. Inflation rose by 0.5% m/m in September. We are ***Neutral-to-Bearish*** on EUR/USD for the week ahead, partly from dollar strength. Technicals flag at more downsides, from sustained momentum. Watch support of 1.14 and resistance of 1.1770. For the week ahead, the Eurozone releases ZEW survey expectations, industrial production and trade balance data.

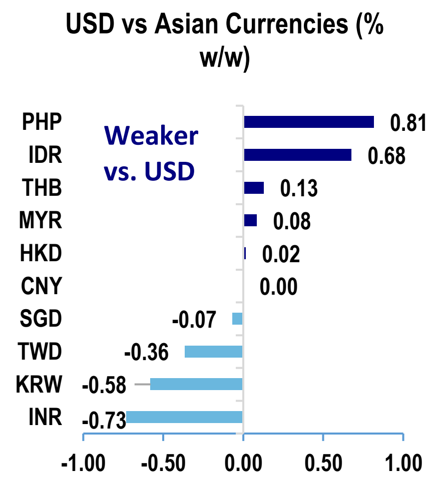
- **GBP**: GBP/USD rebounded by >1% w/w, after a low of 1.3434 on 1 October. Markets are pricing in potential hawkish Bank of England stances, as its new chief economist warns that high inflation may persist in 2022. We are ***Neutral*** on GBP/USD for the week ahead, within a range of 1.3520 to 1.3740, after recent rallies. Downside momentum is still visible from the technicals, unless the pair breach the 50-day MA of 1.3743. The UK is due to release industrial production data.

- **JPY**: USD/JPY was up by 0.3% w/w, closing at 111.63 on Thursday as the yen underperformed. This comes as Japan's Covid-19 cases dipped to the lowest in nearly a year. We are ***Neutral-to-Bullish*** on USD/JPY for the week ahead, partly as markets continue to display moves from central bank divergence. Technicals point towards upsides. Watch resistance at 112.08, with support around 110.10 (50- and 100- day MA). Japan will release PPI and industrial production data next week.

- **AUD**: AUD/USD (alongside other commodity related currencies) outperformed this week, rising 1.18% to close at 0.7312 on Thursday. Elevated commodity prices continued to support the AUD. RBA kept its cash rate unchanged. We are ***Neutral*** on AUD/USD for the week ahead, after previous rallies, within a range of 0.7100-0.7500. Technicals are looking relatively subdued as the pair trades close to the 50-day MA. Week ahead focus is on Australia's employment numbers for September.

- **SGD**: USD/SGD has been relatively range-bound over the past 5 sessions, closing just below 1.36 on Thursday. This comes as markets await MAS policy decision, due on 14 October. Retail sales fell on a y/y basis in August, while PMI dipped in September (although electronics sub index improved). We are ***Neutral*** on USD/SGD for the week ahead, within a range of 1.3460 to 1.3620. The MAS decision will be accompanied by 3Q advance GDP data, which we expect a small q/q rise from 2Q. Another factor that may shape the pair is an imminent announcement on ongoing Covid-19 measures.





Source: Bloomberg

Forecasts

	Q4-21	Q1-22	Q2-22	Q3-22
DXY	91.50	90.00	89.00	89.00
EUR/USD	1.19	1.21	1.22	1.22
GBP/USD	1.41	1.43	1.45	1.45
AUD/USD	0.74	0.76	0.77	0.77
USD/JPY	108	107	105	106
USD/MYR	4.20	4.20	4.15	4.15
USD/SGD	1.35	1.34	1.33	1.33
	Q4-21	**Q1-22**	**Q2-22**	**Q3-22**
EUR/MYR	5.00	4.08	5.06	5.06
GBP/MYR	5.92	6.01	6.02	6.02
AUD/MYR	3.11	3.19	3.20	3.15
SGD/MYR	3.11	3.13	3.12	3.12

Source: HLBB Global Markets

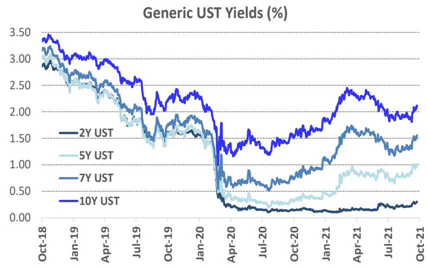
Fixed Income

- **UST:** The week under review saw continued selling pressure on USTs as the curve bear-steepened with overall benchmark yields rising between 3-7bps. Bond yields have risen following the US Fed's intention to embark on asset-tapering and also inflationary pressures due to surging oil prices and supply-chain disruptions. The benchmark UST 2Y; reflective of interest rate predictions, rose 3bps to 0.31% whilst the much-watched 10Y (which traded tighter i.e. 1.46%-1.55% range); spiked 6bps to 1.55%. Meanwhile, Senate leaders agreed to a temporary deal extension to raise the debt ceiling through December to avert a crisis. The agreement is reputed to increase the limit by ~$480b, to allow Treasury to continue paying its bills and commitments smoothly until 3rd of December. Meanwhile investors continue to engage actively in the Fed's Reverse Repo facility as an alternative to T-Bills. Expect investors to turn their attention to the September jobs data release tonight as it could have significant impact on the Fed's concrete plans to commence its asset-tapering exercise.

- **MGS/GII:** Local govvies continued to weaken w/w, affected by both rising UST yields and also fixed-rate payers in IRS. Overall benchmark yields for MGS jumped between 8-22bps whereas GII saw yields drift higher between 0-14bps. The benchmark 5Y MGS 11/26 yield jumped 11bps to 3.03% whilst the 10Y MGS 4/31 yield spiked 22bps to 3.59% from prior week's close. Interest was mainly seen in the shorter off-the-run 21-22's, 28's and also benchmark 5Y, 7Y and 10Y bonds. The average daily secondary market volume fell 32% to RM13.4b versus prior week's RM19.6b. The 7Y MGS 6/28 auction saw muted participation on a relatively large-sized auction of RM4.5b; notching a BTC of 1.598x and awarded at 3.409%. Meanwhile reports on additional local debt supply concerns coupled with market chatter over a potential rate hike and also the anticipated withdrawal of asset-tapering exercise in US may continue to see MYR bonds drift weaker in the coming week.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw tapering of investor interest in the secondary market for govt-guaranteed/corporate bonds/sukuk. Trades were mainly seen along the GG-AA part of the curve as yields closed mostly mixed-to-higher amid the 30% drop in weekly market volume of RM1.7b (prior week: RM2.4b). Topping the weekly volume were YTL Power 5/27 (AA1) which jumped 14bps higher compared to previous-done levels to 4.61%, followed by CIMB 29NC24 bonds which spiked 20bps to 3.39%. Third largest volume was seen for KHAZANAH 6/22 (AAA) which rallied 33bps to 2.01% levels. Higher frequency of bond trades was seen in DANA, PRASA, PKNS, energy-related bonds i.e. QSPS Green and also odd-lot transactions in ECO Capital, TROPICANA Bhd. Meanwhile the prominent issuances consisted of Maybank Ageas Holdings Berhad's AA2-rated 2031N26 bonds totaling RM1.0b with a coupon of 3.95%.

- **SGS:** SGS (govvies) saw front-end richer w/w, against overall weakness elsewhere along the curve, influenced by rising global bond yields which were led by UST movements. Overall benchmark yields closed higher between 4-5bps (save for the 2Y SGS) with the 2Y yield easing 2bps to 0.56% whilst the 10Y (which traded tighter between 1.55-1.62% range) rose 5bps to 1.63%. The SGD has weakened as higher UST yields has driven up the USD against it peers overshadowing the robust Singapore PMI numbers for September; the highest since July 2021. Meanwhile, MAS is projected to maintain its policy stance at its next bi-yearly review this month as COVID cases continue to be elevated and may cause a dent in its economy for now. Elsewhere, Fitch Ratings has affirmed ST Engineering's Aaa issue rating but downgraded its baseline credit assessment from a3 to baa1. The outlook for both has been revised downwards from Stable to Negative. Also, the Housing and Development Board (HDB) has successfully priced S$900m 7Y bonds at a coupon of 1.54%.



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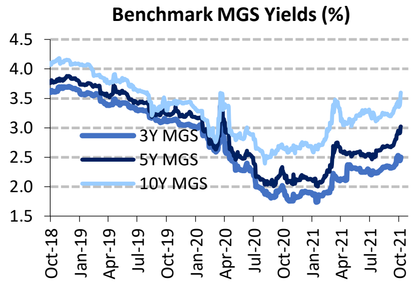

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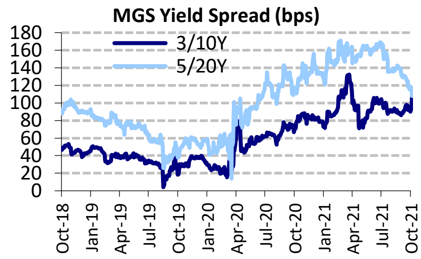

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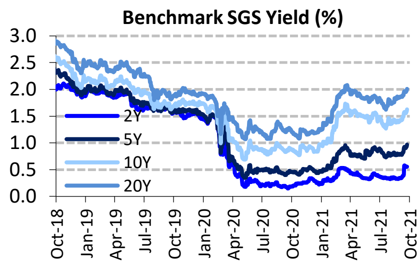

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Maybank Ageas Holdings Berhad	Proposed RM3 billion Subordinated Bonds Programme	AA2/Stable	Assigned
Standard Chartered Bank Malaysia Berhad	Financial institution ratings (FIRs)	AAA/Stable/P1	Reaffirmed
Standard Chartered Saadiq Berhad (Saadiq)	Financial institution ratings (FIRs)	AAA/Stable/P1	Reaffirmed
AEON Credit Service (M) Berhad	Senior and Subordinated Sukuk Wakalah Programme as well as the P1 rating of its RM1.0 bil Islamic Commercial Papers Programme	AA3/Stable and A1/Stable	Reaffirmed
Gas District Cooling (Putrajaya) Sdn Bhd's (GDC Putrajaya)	RM300 million Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS)	AAA IS/Stable	Affirmed
Kenanga Investment Bank Berhad (Kenanga)	Long-term and short-term financial institution (FI) ratings	A+ and MARC-1/Stable	Affirmed
Kenanga Investors Berhad (KIB)	Investment Manager Rating (IMR)	IMR-2	Affirmed
Kenanga Islamic Investors Berhad (KIIB)	RM75 million Fixed Rate Serial Bonds	AA- /Negative	Affirmed
Central Impression Sdn Bhd's (CISB)	USD500 million Multi-Currency Sukuk Wakalah Bi Al-Istithmar Programme	AAA (bg)/Stable	Reaffirmed
MUFG Bank (Malaysia) Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
MUFG Bank, Ltd	RM150m Medium-Term Notes (IMTN) Programme	A+ IS/Stable to A+ IS/Positive	Affirmed
Sukuk Murabahah Sdn Bhd TSH Sukuk	RM50m Commercial Papers (ICP) Programme	MARC-1 IS/Stable to MARC-1 IS/Positive	Affirmed
TTM Sukuk Berhad	RM600.0 million Sukuk Murabahah	AAA IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
11/10	14:00	UK	Industrial Production MoM	Aug	1.2%
	14:00	JP	Machine Tool Orders YoY	Sep P	85.2%
	14:00	UK	Monthly GDP (MoM)	Aug	0.1%
	14:00	UK	Index of Services MoM	Aug	0.0%
	14:00	UK	Visible Trade Balance GBP/Mn	Aug	-£12706m
12/10	05:45	NZ	Card Spending Retail MoM	Sep	-19.8%
	08:30	AU	NAB Business Confidence	Sep	-5
	12:00	MA	Industrial Production YoY	Aug	-5.2%
	14:00	UK	Average Weekly Earnings 3M/YoY	Aug	8.3%
	14:00	UK	ILO Unemployment Rate 3Mths	Aug	4.6%
	14:00	UK	Employment Change 3M/3M	Aug	183k
	17:00	EZ	ZEW Survey Expectations	Oct	31.1
	18:00	US	NFIB Small Business Optimism	Sep	100.1
	22:00	US	JOLTS Job Openings	Aug	10934k
13/10	07:30	AU	Westpac Consumer Conf Index	Oct	106.2
	07:50	JP	Core Machine Orders MoM	Aug	0.9%
	08:00	NZ	ANZ Business Confidence	Oct P	-7.2
	17:00	EZ	Industrial Production SA MoM	Aug	1.5%
	19:00	US	MBA Mortgage Applications	08 Oct	--
	20:30	US	CPI YoY	Sep	5.3%
	00:00	CN	Exports YoY	Sep	25.6%
	00:00	CN	Imports YoY	Sep	33.1%
14/10	02:00	US	FOMC Meeting Minutes	22 Sep	--
	07:01	UK	RICS House Price Balance	Sep	73%
	08:30	AU	Employment Change	Sep	-146.3k
	08:30	AU	Unemployment Rate	Sep	4.5%
	09:30	CN	CPI YoY	Sep	0.8%
	09:30	CN	PPI YoY	Sep	9.5%
	12:30	JP	Industrial Production MoM	Aug F	-3.2%
	20:30	US	Initial Jobless Claims	09 Oct	326k
	20:30	US	PPI Final Demand YoY	Sep	8.3%
15/10	05:30	NZ	BusinessNZ Manufacturing PMI	Sep	40.1
	17:00	EZ	Trade Balance SA	Aug	13.4b
	20:30	US	Empire Manufacturing	Oct	34.3
	20:30	US	Retail Sales Advance MoM	Sep	0.7%
	20:30	US	Import Price Index MoM	Sep	-0.3%
	20:30	US	Retail Sales Ex Auto and Gas	Sep	2.0%
	20:30	US	Import Price Index YoY	Sep	9.0%
	22:00	US	U. of Mich. Sentiment	Oct P	72.8
07-14/10	NA	SG	GDP YoY	3Q A	14.7%

Source: Bloomberg

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