

## Global Markets Research

### Weekly Market Highlights

#### Markets

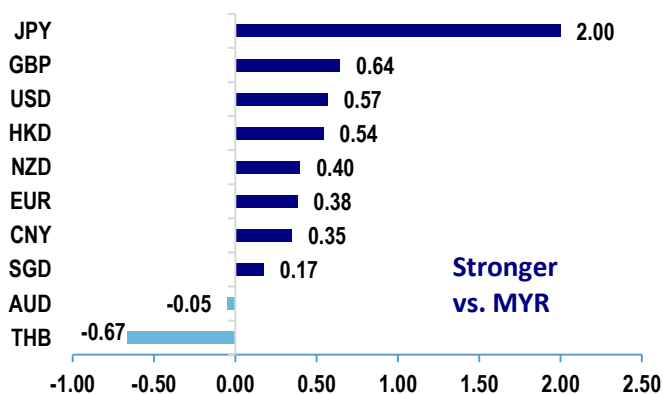
	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,421.93	-0.61	12.47
S&P 500	4,320.82	0.02	15.04
FTSE 100	7,030.66	-1.33	8.82
Hang Seng	27,153.13	-5.80	-0.29
KLCI	1,508.71	-1.66	-7.28
STI	3,107.59	-0.53	9.28
Dollar Index	92.42	-0.19	2.76
WTI oil (\$/bbl)	72.94	-3.04	50.33
Brent oil (\$/bbl)	74.12	-2.27	43.09
Gold (\$/oz)	1,800.20	1.32	-4.84

Source: Bloomberg

- US equities struggled to find directions this week while treasuries yields fell as investors appeared to be unwinding their reflation trades that had dominated trading in 1H21. Concerns over the surging Covid delta variants looked to have taken hold of market sentiment alongside worry that the labour shortages may impede US growth. The S&P 500 was unchanged compared to last Thursday, while NASDAQ eked out a modest 0.3% w/w gain. The Dow fell 0.6% this week. Risk aversion led gold prices to gain above \$1800/oz and oil prices to fall.
- Fed minutes showed officials' inclinations towards tapering QE but the debate of the best timing continued. The RBA said it would reduce the weekly asset purchase to AUD4b, from AUD5b. The ECB announced the outcomes of its strategy review which include raising the inflation goal to 2%. BNM left OPR unchanged at 1.75% but flagged "significant" downside risks to Malaysia's outlook.

#### Forex

MYR vs. Major Currencies (% w/w)

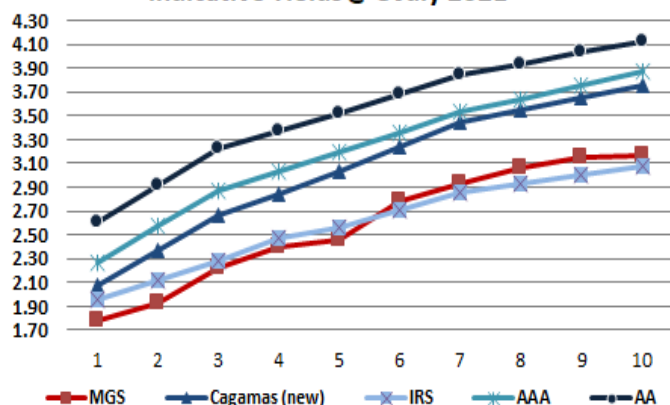


Source: Bloomberg

- MYR:** USD/MYR closed at 4.1825 on Thursday (+0.5% w/w), amid resurgence of local political uncertainty while BNM's less optimistic outlook further intensified the selling pressure. In the week ahead, despite our muted view of the greenback, we are **Neutral-to-Bearish** on MYR, as we expect some risk aversion to drag on the local unit as markets monitor the development of the current political conundrum. The pair has breached the RSI overbought level and indicate an imminent pullback. We foresee a weekly range of 4.15-4.20.
- USD:** The USD broadly strengthened against Asian currencies, although performances were more mixed against G10. USD weakened against haven currencies as risk aversion shot up. Yields also came off which depressed the USD. Overall, DXY was down by 0.19%, with a 92.42 close on Thursday. FOMC minutes disappointed hawks, as it also covered economic uncertainty ahead. Covid-19 cases in the US are rising from variants. We are **Neutral on the USD** for the week ahead. Data focus ahead is on CPI, PPI, Beige Book and retail sales, among others.

#### Fixed Income

Indicative Yields @ 8 July 2021



Source: Bloomberg

- UST:** The week under review saw the USTs witness one of its strongest rallies in recent weeks amid slight concerns over growth, easing inflationary pressures and reduction in T-Bill auction sizes going forward. Overall benchmark yields were well-bid, resulting in yields falling between 5-16bps across the curve. The curve bull-flattened as the benchmark UST 2Y; reflective of interest rate predictions closed 5bps lower at 0.20% whilst the much-watched 10Y (which traded within a wider 1.30%-1.46% range); rallied 16bps lower to 1.30%.
- MGS/GII:** Local govies which were partly influenced by IRS movements earlier in the week on mixed expectations ahead of the MPC meeting by BNM, brushed aside the decision to stay pat on OPR at 1.75% and ended stronger instead with the 10Y space rallying the most. Levels were seen boosted by confidence stemming from the continued rise in foreign holdings as at end-June. Overall benchmark yields closed mostly mixed-to-lower between 2-12bps.

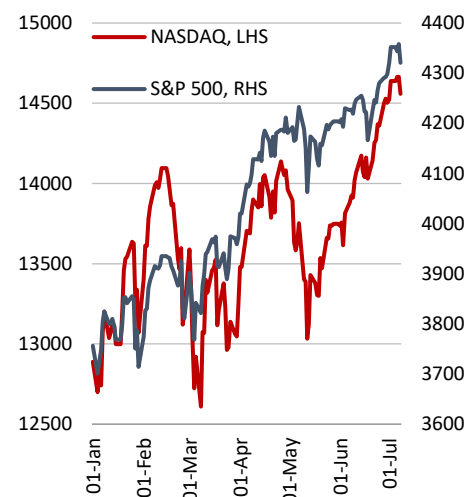
## Macroeconomic Updates

- US equities struggled to find directions this week while treasuries yields fell as investors appeared to be unwinding their reflation trades that had dominated trading in 1H21. Concerns over the surging Covid delta variants looked to have taken hold of market sentiment alongside worry that the labour shortages may impede US growth. The S&P 500 was unchanged compared to last Thursday, while NASDAQ eked out a modest 0.3% w/w gain. The Dow fell 0.6% this week. Risk aversion led gold prices to gain above \$1800/oz and oil prices to fall.
- In a week of light data flow, the focus was on the Federal Reserve's minutes for its 15-16 June meeting during which it had decided to bring forward its first post pandemic rate hike to 2023. The minute reflects the Fed's hawkish tilt as members generally saw progress towards tapering the central bank's \$120b asset purchase program. However, it also revealed officials' divided thoughts over the timing of such moves with some arguing for sooner tapering while some called for the tapering of mortgage back securities (MBS) first instead of the concurrent reduction of both treasuries and MBS. Nonetheless, the Fed continued to see elevated uncertainties over the US growth outlook and would monitor incoming data. Elsewhere in central banking, the RBA left its cash rate unchanged at 0.1% and maintain the Apr 2024 bonds as the benchmark to target the 3Y yield. It also said it would reduce the weekly asset purchase to AUD4b, from AUD5b. The ECB announced the outcomes of its strategy review which include raising the inflation goal to 2%, from "below, but close to 2%" target. On the home front, BNM left OPR unchanged at 1.75% but flagged "significant" downside risks to outlook.
- Services PMIs slowed in the US in June, after having peaked in May. The readings of both the ISM and Markit surveys came in much lower, as the post-lockdown growth eased towards the end of 2Q. Nonetheless, the US continues to have strong prospects in 3Q, with households ready to spend in summer, supported by higher income and wealth. This is reaffirmed by the record high job openings in May (9.2mil) as we expect firms to dish out higher pay to recruit workers amid the current labour shortages. Initial jobless claims rose slightly to 373k last week but still close to the pandemic-era record low level. Meanwhile, services PMI soared in the Eurozone in June following the relaxation of restrictions in the region. Retail sales rose more than expected as well (+4.6% m/m) in May. The UK's services PMI retreated from the previous month's high but still at an elevated level.

### The Week Ahead

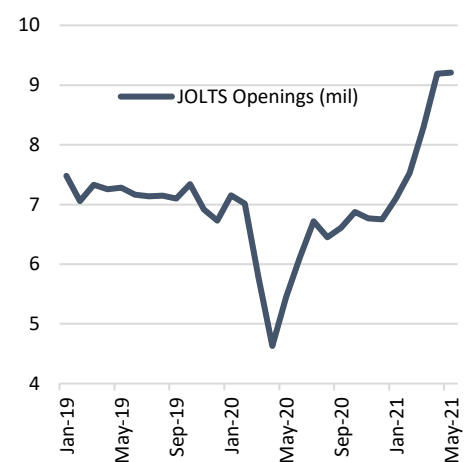
- US' CPI comes into focus again next week as the BEA publishes the June reading. In May, CPI inflation hit 5% y/y, a rate last seen in 2008 and analysts expect the June's rate to ease slightly to 4.9% y/y. Alongside CPI are also the retail sales and industrial production data, as markets look for signs of any substantial slowdown in manufacturing and retail.
- China will release its 2Q GDP report in the middle of the week and its monthly indicators (industrial production, retail sales and fixed investment, trade report). Consensus forecast is at 8% y/y for GDP growth (1Q: +18.1%) as analysts expect the base effect to subside in the second quarter.
- The UK's monthly job report is also high on the watch list, alongside its CPI data. Other key releases include the Eurozone's HICP inflation, Singapore's advanced GDP estimate, Australia's employment report, New Zealand's CPI and Malaysia's industrial production.
- The RBNZ meets on Wednesday while the BOJ on Friday. We expect both central banks to keep their respective policy setting, but markets are looking towards a hawkish shift from the RBNZ. Analysts and investors are expecting its first post-pandemic rate hike in November this year.

### Stocks retreated from last week's records



Source: Bloomberg

### Job openings at record level in the US

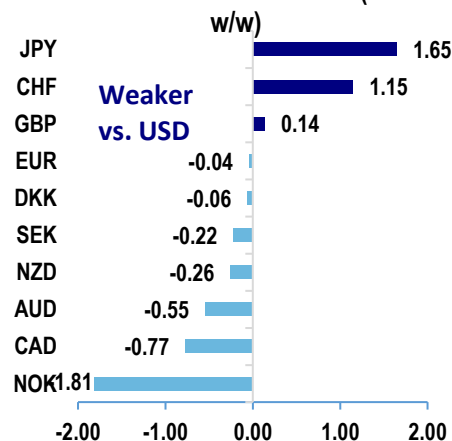


Source: Bloomberg

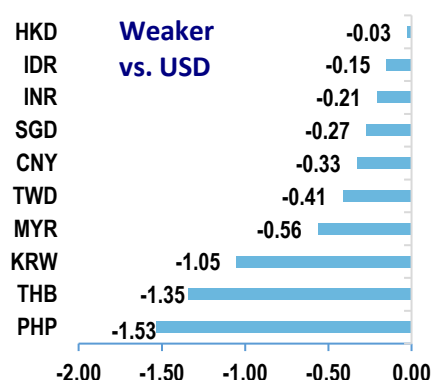
## Foreign Exchange Market

- MYR:** USD/MYR was constrained within 4.15-4.1650 at the start of the week as investors were sidelined by the BNM-related anxiety. The pair eventually closed at 4.1825 on Thursday (+0.5% w/w), amid resurgence of local political uncertainty while BNM's less optimistic outlook further intensified the selling pressure. In the week ahead, despite our muted view of the greenback, we are **Neutral-to-Bearish** on MYR, as we expect some risk aversion to drag on the local unit as markets monitor the development of the current political conundrum. The pair has breached the RSI overbought level and indicate an imminent pullback. We foresee a weekly range of 4.15-4.20.
- USD:** The USD broadly strengthened against Asian currencies, although performances were more mixed against G10. USD weakened against haven currencies as risk aversion shot up. Yields also came off which depressed the USD. Overall DXY was down by 0.19%, with a 92.42 close on Thursday. FOMC minutes disappointed hawks, as it also covered economic uncertainty ahead. Covid-19 cases in the US are rising from variants. We are **Neutral** on the USD for the week ahead. Data focus ahead is on CPI, PPI, Beige Book and retail sales, among others.
- EUR:** EUR/USD was down to a low of 1.1782 on 7 July, but recovered to a 1.1845 close on Thursday. ECB unveiled a strategic rethink of its previous policy stance, raising the inflation target and allowing some overshoot. However, it was careful to highlight that the current crisis is a special situation. We are **Neutral-to-Bearish** on EUR/USD for the week ahead. Technical indicators point downward. We see support at 1.1710 and resistance close to 1.2000. Industrial production and CPI are the upcoming data releases.
- GBP:** GBP/USD crept lower over the past week, particularly since 6 July where it reached a 1.39 high. This was partly due to rising delta Covid-19 outbreak in the UK. We are **Neutral-to-Bearish** on GBP/USD for the week ahead. Weekly range at 1.3626 to 1.3924. Downside momentum has built up. Focus shifts towards CPI and PPI data.
- JPY:** USD/JPY fell strongly over the past five sessions as risk aversion in markets climbed once again. As a result, the pair pulled back below 110, from above 111 levels a week earlier. This comes as Tokyo announced it will hold Olympics without domestic spectators, as it declared a state of emergency over Covid-19. We are **Neutral-to-Bearish** on USD/JPY for the week ahead. Pair is likely to trade within 108.77 to 111.04. Focus shifts to Bank of Japan policy decision on 16 July, where it is likely to stay relatively less hawkish than other central banks.
- AUD:** AUD/USD was depressed by market risk aversion and underperformed G10. It meant that the pair closed at 0.7429 on Thursday. RBA struck a neutral tone with its 2024 projected hike, while slightly reducing asset purchases. We are **Neutral-to-Bearish** on AUD/USD for the week ahead. Momentum is strong on the downside. We estimate a weekly range around 0.7307 to 0.7530. Data focus is on employment change for June.
- SGD:** USD/SGD moved in a bid tone in recent sessions, adversely affected by Asian currency weakness (e.g. CNY and MYR) against the USD. This came despite positive news from reopening of F&B, and resilient retail sales. For the week ahead, we are **Neutral-to-Bullish** on USD/SGD. Pair is likely to mostly trade within a range of 1.3445 and 1.3651. Resistance at 1.3600 for further upsides, as technical indicators point to. Week ahead data focus is on advance estimates of 2Q GDP and non-oil domestic exports.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

### Forecasts

	Q3-21	Q4-21	Q1-22	Q2-22
DXY	88.00	89.50	90.50	91.50
EUR/USD	1.24	1.22	1.21	1.20
GBP/USD	1.44	1.42	1.40	1.38
AUD/USD	0.80	0.78	0.77	0.76
USD/JPY	107.50	109	110	111
USD/MYR	4.15	4.10	4.10	4.08
USD/SGD	1.31	1.33	1.33	1.32
	Q3-21	Q4-21	Q1-22	Q2-22
EUR/MYR	5.15	5.00	4.96	4.90
GBP/MYR	5.98	5.82	5.74	5.63
AUD/MYR	3.32	3.20	3.16	3.10
SGD/MYR	3.17	3.08	3.08	3.09

Source: HLBB Global Markets

## Fixed Income

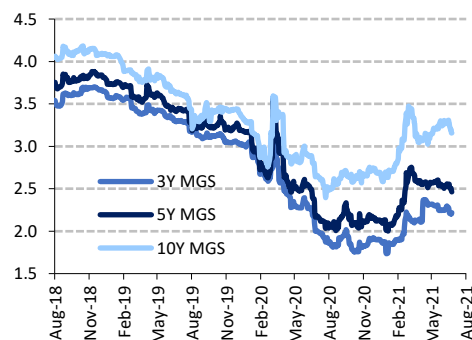
**UST:** The week under review saw the USTs witness one of its strongest rallies in recent weeks amid slight concerns over growth, easing inflationary pressures and reduction in T-Bill auction sizes going forward. Overall benchmark yields were well-bid, resulting in yields falling between 5-16bps across the curve. The curve bull-flattened as the benchmark UST 2Y; reflective of interest rate predictions closed 5bps lower at 0.20% whilst the much-watched 10Y (which traded within a wider 1.30%-1.46% range); rallied 16bps lower to 1.30%. The Fed is expected to make progress on its bond tapering exercise but is nevertheless seen to differ on the exact timing. Recent data on the labor market and services sector may have caused investors to doubt that the economy may not be strengthening as initially projected. Market participants will be evaluating the response to a heavy auction calendar next week consisting of \$38b 10Y and \$62b 30Y bonds.

**MGS/GII:** Local govies which were partly influenced by IRS movements earlier in the week on mixed expectations ahead of the MPC meeting by BNM, brushed aside the decision to stay pat on the OPR at 1.75% and ended stronger instead with the 10Y space rallying the most. Levels were seen boosted by confidence stemming from the continued rise in foreign holdings as at end-June. Overall benchmark yields closed mostly mixed-to-lower between 2-12bps. The benchmark 5Y MGS 9/25 rallied 11bps to 2.43% from prior week's close whilst the 10Y MGS 4/31 declined 12bps at 3.15%. The average weekly secondary market volume rose 6.1% @ RM20.9b versus prior week's RM19.7b. Total foreign holdings of government bonds (i.e. MGS +GII +SPK) inched up by RM690m or 0.3%. Meanwhile, investors will be closely monitoring for signs pertaining to the ongoing economic impact of lockdown restrictions in the country. Expect bonds to range sideways on intermittent profit-taking activities next week as investors also monitor developments on the political front.

- MYR Corporate Bonds/ Sukuk:** The week under review saw similar investor activity compared to prior week in the secondary market for gov-guaranteed/sukuk/corporate bonds. Activity was seen mostly across the GG to single-A part of the curve as yields closed mostly mixed-to-lower amid a dip in average weekly market volume of RM2.26b compared to prior week's RM2.35b. Topping the weekly volume were MMC Corp 11/27 (AA3) which declined 20bps compared to previous-done levels at 4.05%, followed by the long-end DANAINFRA 2/51 (GG) bonds, which rose 15bps to 4.51% since its recent debut. Third largest volume was seen for CIMB 2116NC23 perps which rallied a whopping 54bps to 3.40%. Higher frequency of bond trades was seen in DANA, PTPTN, PLUS, Genting-related names, and several odd-lot trades in ALLIANCE bank bonds and property-based Tropicana. Meanwhile the prominent issuances for the week consisted of Zamarad Assets Bhd's AAA-rated 3-7Y bonds totaling RM124m with coupons ranging between 3.85-4.60%.

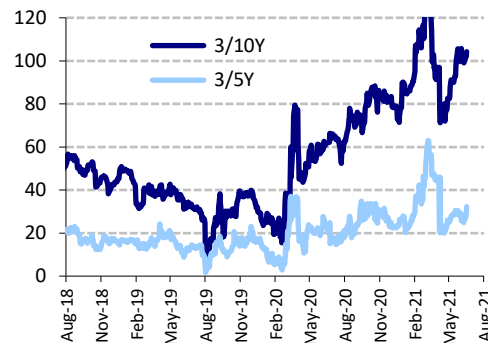
- SGS:** SGS (govvies) rallied w/w, with the curve shifting sharply lower as overall benchmark yields declined between 1-16bps; somewhat mirroring UST movements. The 2Y yield edged 1bps lower at 0.40% whilst the 10Y (which traded wider within 1.39-1.55% range) rallied 16bps at 1.40%. The SGD however declined to an almost 8-month low on mostly technical factors. MAS has completed its wholesale cross-border payment and settlement experiment with the French central bank using central bank digital currency. Separately, the republic is set to achieve its goal of two-thirds of the population fully-vaccinated by 9<sup>th</sup> August. The earlier slowdown in business activity and demand growth during the 2<sup>nd</sup> phase of movement restrictions were reflected in the weaker PMI data for June. Elsewhere, Eastern Air Overseas (Hong Kong) Corporation Ltd had successfully priced its SGD500m 5Y bond to yield 2.0%. The issuance is expected to be rated A1 by Moody's. Oxley will be listing its SGD70m of 6.9% bonds on the SGX on Friday, the 9<sup>th</sup> of July.

**Benchmark MGS Yields (%)**



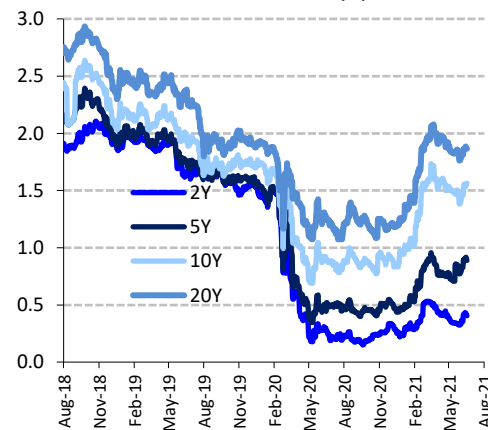
Source: Bloomberg

**MGS Yield Spread (bps)**



Source: Bloomberg

**Benchmark SGS Yield (%)**



Source: Bloomberg

## Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Zamarad Assets Berhad	Tranche 6 RM80 mil Class A Sukuk RM20 mil Class B Sukuk	AAA/Stable AA2/Stable	Assigned
Telekosang Hydro One Sdn Bhd	RM470 mil ASEAN Green SRI Sukuk under the Shariah principle of Wakalah Bi Al-Istithmar (2019/2037) (the Senior Sukuk)	AA3/Stable	Reaffirmed
Exsim Capital Resources Berhad	RM323 mil second issuance (Tranche 2 IMTN) Under the RM2 bil Sukuk Musharakah Programme (IMTN Programme)	AA3/Stable	Assigned
Mercedes-Benz Services Malaysia Sdn Bhd	RM3 billion Commercial Papers/Medium-Term Notes Programme (2018/2025)	AAA(s)/Stable/P1	Reaffirmed
	RM3 billion Medium-Term Notes Programme (2018/2038)	AAA(s)/Stable	Reaffirmed

**Source: MARC/RAM**

## Economic Calendar

Date	Time	Country	Event	Period	Prior
12/07	06:45	NZ	Card Spending Retail MoM	Jun	1.7%
	07:50	JN	Core Machine Orders MoM	May	0.6%
	12:00	MA	Industrial Production YoY	May	50.1%
	14:00	JN	Machine Tool Orders YoY	Jun P	141.9%
13/07	09:30	AU	NAB Business Confidence	Jun	20.0
	18:00	US	NFIB Small Business Optimism	Jun	99.6
	20:30	US	CPI YoY	Jun	5.0%
	00:00	CH	Exports YoY	Jun	27.9%
	00:00	CH	Imports YoY	Jun	51.1%
14/07	08:00	SI	GDP YoY	2Q A	1.30%
	08:30	AU	Westpac Consumer Conf Index	Jul	107.2
	10:00	NZ	RBNZ Official Cash Rate	14 Jul	0.25%
	12:30	JN	Industrial Production MoM	May F	-5.9%
	14:00	UK	CPI YoY	Jun	2.1%
	17:00	EC	Industrial Production SA MoM	May	0.8%
	19:00	US	MBA Mortgage Applications	09 Jul	-1.8%
	20:30	US	PPI Final Demand YoY	Jun	6.6%
15/07	02:00	US	U.S. Federal Reserve Releases Beige Book		
	09:30	AU	Employment Change	Jun	115.2k
	09:30	AU	Unemployment Rate	Jun	5.1%
	10:00	CH	GDP YoY	2Q	18.3%
	10:00	CH	Retail Sales YoY	Jun	12.4%
	10:00	CH	Industrial Production YoY	Jun	8.8%
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Jun	15.4%
	14:00	UK	Jobless Claims Change	Jun	-92.6k
	14:00	UK	ILO Unemployment Rate 3Mths	May	4.7%
	14:00	UK	Employment Change 3M/3M	May	113k
	20:30	US	Empire Manufacturing	Jul	17.4
	20:30	US	Philadelphia Fed Business Outlook	Jul	30.7
	20:30	US	Initial Jobless Claims	10 Jul	373k
	21:15	US	Industrial Production MoM	Jun	0.8%
16/07	06:30	NZ	BusinessNZ Manufacturing PMI	Jun	58.6
	06:45	NZ	CPI YoY	2Q	1.5%
	08:30	SI	Non-oil Domestic Exports YoY	Jun	8.8%
	17:00	EC	Trade Balance SA	May	9.4b
	17:00	EC	CPI YoY	Jun F	2.0%
	20:30	US	Retail Sales Advance MoM	Jun	-1.3%
	22:00	US	U. of Mich. Sentiment	Jul P	85.5
	00:00	JN	BOJ Policy Balance Rate	16 Jul	-0.1%

Source: Bloomberg



**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

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