

Global Markets Research

Weekly Market Highlights

Markets

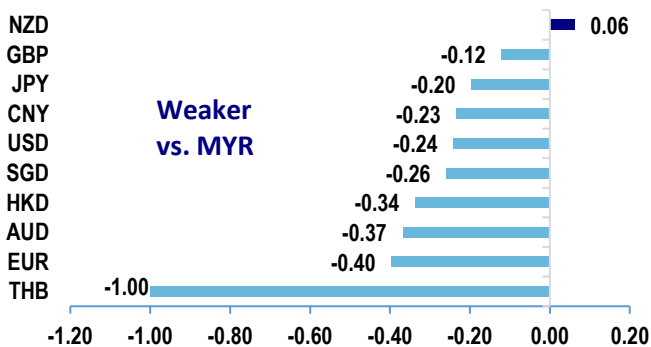
	Last Closing		WOW%	YTD %
Dow Jones Ind.	34,879.38		-1.59	13.96
S&P 500	4,493.28		-0.96	19.63
FTSE 100	7,024.21		-1.95	8.73
Hang Seng	25,716.00		-1.44	-5.56
KLCI	1,578.89		-0.21	-2.97
STI	3,071.70		-0.55	8.01
Dollar Index	92.48		0.28	2.83
WTI oil (\$/bbl)	68.14		-2.64	40.44
Brent oil (\$/bbl)	71.45		-2.16	37.93
Gold (\$/oz)	1,797.80		-0.64	-5.28

Source: Bloomberg

- Renewed growth concerns sparked selloff in US equities this week as traders returned from the long Labour Day weekend. The weaker NFP payrolls last Friday alongside the surging job openings reflect the labour-supply mismatch in the market. Central bank meetings took the spotlight in the absence of top-tiered data. The ECB slowed its PEPP net asset purchase pace while the RBA went ahead to taper its weekly buying to AUD4b even though it refrained from tapering at a faster pace. The BOC maintained the weekly pace at CAD2b while BNM left OPR unchanged. BOE governor Bailey said that the minimum conditions for a rate hike have been met but not yet sufficient for one.
- We are expecting more top-tiered data next week as the US reports inflation, retail sales and industrial production numbers. The UK's job, retail and CPI as well as Eurozone's trade and industrial output are on the deck. China's NBS is set to release its monthly indicators too. Australia's job data, New Zealand's 2Q GDP and Japan's industrial production are also in the calendar.

Forex

MYR vs. Major Currencies (% w/w)

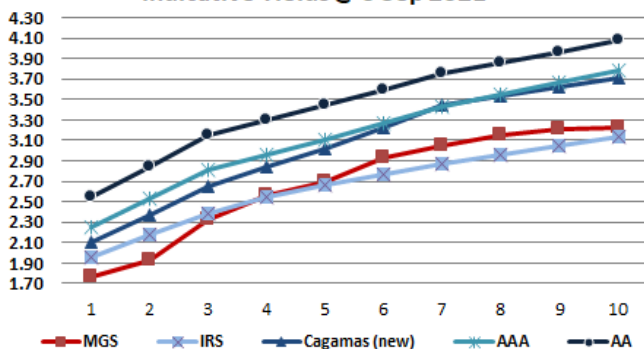


Source: Bloomberg

- MYR:** USD/MYR went through some ups and downs but traded in a narrower range of 4.1425-4.1615 the past week. The pair last settled at 4.1485, down 0.2% w/w, despite a rebound in the USD, underpinned by continuous portfolio demand flows. We remain **Neutral-to-Slightly Bearish** on the pair, maintaining a range of 4.13-4.17 in the week ahead. Phased reopening of the domestic sectors coupled with a neutral BNM signaling further policy easing is not on the cards, shall be supportive of the MYR going forward.
- USD:** The DXY slightly rose over the past week, hitting a high of 92.86 before closing lower at 92.48 on Thursday. The USD gained against most currencies, except notably the JPY and the MYR. Beige Book confirmed that growth momentum is slowing, even as the labour market looks tight. We are **Neutral** on the USD for the week ahead (DXY: 91-93), although seeing some downside bias ahead. The US releases CPI, PPI, retail sales and industrial production data next.

Fixed Income

Indicative Yields @ 9 Sep 2021



Source: Bloomberg

- UST:** The week under review saw USTs close weaker as the curve bear-steepened despite the disappointing miss in August NFP coupled with concerns over the ever-increasing deluge of both government and corporate bond sales. Overall benchmark yields ended 1-6bps higher. The Treasury's auctions totaling \$120b of 3Y, 10Y and 30Y bonds saw solid demand with BTC ratios of between 2.45-59x exceeding previous ones. The looming threat of default linked to the reinstatement of the nation's debt ceiling may cause temporary jitters. Expect bond yields to drift higher next week as ongoing talks of asset tapering continue to intensify.
- MGS/GII:** Local govies drifted weaker w/w as many investors preferred to stay sidelined ahead of the MPC meeting for which BNM left the OPR unchanged. Overall benchmark yields for MGS/GII closed mostly higher between 0-5bps. Interest continued to be mainly seen in the off-the-run 21-23's and also benchmark 7Y, 10Y bonds. Expect bonds to range sideways next week in the absence of market-moving factors; whilst investors look forward to the government announcement on the 12th Malaysia Plan come 27th of September.

Macroeconomic Updates

- Renewed growth concerns sparked the selling of US equities this week as traders returned from the long Labour Day weekend. US payrolls had disappointed in the previous Friday although this was largely attributed to labour supply shortages given that job openings remained at record high levels; essentially markets were weighing the mixed job data (initial jobless claims at 310k) as the Delta variant gradually weighed on the services industry despite the economy being fully reopened. In fact, this week's Fed Beige Book did paint the same picture of a pullback in services activity nationwide.
- Central bank meetings took the spotlight in the absence of top-tiered data. The RBA reduced its weekly bond purchase to AUD4b and said would sustain this pace through mid-February next year. The BOC maintained its weekly purchase of CAD2b/week instead of a reduction, in light of weaker Canadian data. BOE governor Andrew Bailey testified before the Commons that minimum conditions for a rate hike have been achieved but not yet sufficient in the UK. The ECB said it would slow the bond buying pace under its PEPP program and upgraded its growth and inflation forecasts. BNM left OPR unchanged at 1.75%.

More top-tiered data next week:

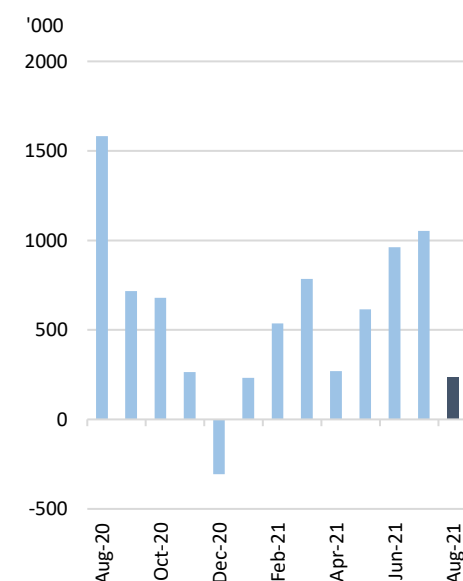
- US reports inflation, retail sales and industrial output data:** The US August CPI inflation data tops the list of key economic release next week as the latest reading will reflect the impact of pandemic resurgence on consumer spending and prices. In July, CPI inflation had held steady at a three-decade high of 5.4% y/y while the core rate eased to 4.3% y/y, supporting the Fed's view that inflation is transitory. The US may report a slump in August retail sales (Jul: -1.1% m/m) as consumer sentiment cooled and inflation expectations rose amid the Delta variant outbreak. Industrial production growth (Jul: +0.9%) may remained constrained by the material and labour shortages.
- UK job, retail & CPI data on the deck:** Labour market conditions in the UK remained partially masked by the effect of the government's furlough scheme which is set to expire at the end of September. The fully opened UK economy may continue to see more jobs added in the three months to July prior to the program expiration after which a small increase in unemployment is expected. UK August CPI inflation (Jul: +2.0% y/y) is also slated for mid-week's release ahead of the BOE's monetary policy decision on 23 September, followed by the retail sales data for August (Jul: -1.1% m/m).
- Eurozone's industrial and trade reports:** The euro area's July industrial production (June: -0.3%) may come in on a positive note as output rebounded from the previous month's decline. Manufacturing growth remained strong according to PMI data although supply chain disruption was a widespread challenge. The bloc also reported its July trade data and final HICP reading for August (initial estimate: +2.2% y/y)
- China's data dump:** China's NBS is scheduled to release the all-important monthly indicators. Retail sales (Jul: +8.5% y/y) and industrial production (+6.4%) growths had weakened in July due to flooding-related factors as well as tighter social distancing restrictions. Some recoveries would not be surprising but underlying momentum might still have softened.
- Australia's job data likely turn negative:** Australia's previously strong recovery was disrupted by the Delta variant as authorities extended multiple regional lockdowns. The strong job growth prior to the outbreak may be unwound slightly as the services industry in Victoria and New South Wales (its two largest states) were hit by the lockdowns. Other key data releases of the week include **New Zealand's 2Q GDP**, **Japan's industrial productions** and the BSI Large manufacturing index as well as Singapore's NODX.

US stocks sold off in a short-week



Source: Bloomberg

August NFP payrolls at 235k, way below forecast

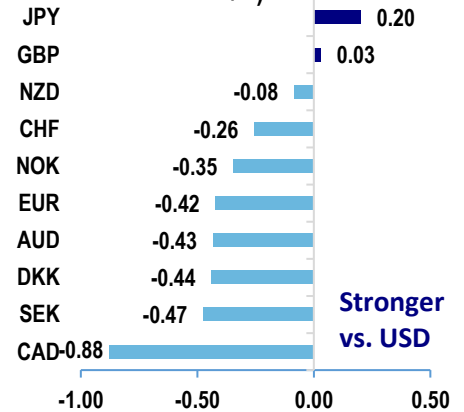


Source: Bloomberg

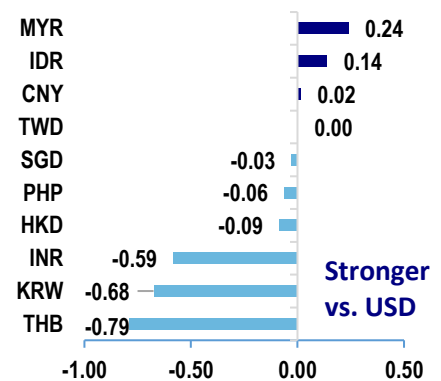
Foreign Exchange Market

- MYR:** USD/MYR went through some ups and downs but traded in a narrower range of 4.1425-4.1615 the past week. The pair last settled at 4.1485, down 0.2% w/w, despite a rebound in the USD, underpinned by continuous portfolio demand flows. We remain **Neutral-to-Slightly Bearish** on the pair, maintaining a range of 4.13-4.17 in the week ahead. Phased reopening of the domestic sectors coupled with a neutral BNM signaling further policy easing is not on the cards, shall be supportive of the MYR going forward.
- USD:** The DXY slightly rose over the past week, hitting a high of 92.86 before closing lower at 92.48 on Thursday. The USD gained against most currencies, except notably the JPY and the MYR. Beige Book confirmed that growth momentum is slowing, even as the labour market looks tight. We are **Neutral** on the USD for the week ahead (DXY: 91-93), although seeing some downside bias ahead. The US releases CPI, PPI, retail sales and industrial production data next.
- EUR:** EUR/USD was down by 0.42% over the past week, closing at 1.1825 on Thursday. This came as the ECB announced that it will purchase bonds at a “moderately lower” pace, signalling at tapering to its PEPP. ECB also upgraded inflation and GDP forecasts. We are **Neutral** on EUR/USD for the week ahead, within a range of 1.1664 to 1.1942. Technicals show fading momentum. The Eurozone releases final CPI data and trade numbers over the coming week.
- GBP:** GBP/USD was more resilient among G10 currencies, moving around the 1.3730-1.3890 range. Covid-19 cases and hospitalisations are climbing in the UK. We are **Neutral** on GBP/USD for the coming week, eyeing a range of 1.37-1.39. Technicals are relatively subdued. The UK is due to release CPI, PPI and retail sales data.
- JPY:** USD/JPY appeared relatively range bound over the past week, within a range of 109.59 to 110.45. Japan extended Covid-19 emergency and set an exit strategy to relax restrictions around November. We are **Neutral** on USD/JPY for the coming week (108.80-110.80), although seeing a slight downside bias. Technicals are looking subdued. Over the coming week, Japan releases PPI and trade data.
- AUD:** AUD/USD appeared to be toppish after it hit the high of 0.7478 on 3 September, easing down to around 0.7370 levels on Thursday. Although some regions have exited lockdown, cases are still climbing. RBA stuck to its tapering plan, surprising some who were expecting a delay. Focus for the pair now shifts to Fed for the USD to determine the pair’s movements. We are **Neutral-to-Bullish** on AUD/USD, despite technicals looking subdued. We eye a range of 0.7250 to 0.7500. Focus shifts to Australia’s employment figures on 16 September.
- SGD:** USD/SGD has been stuck in a narrow range of 1.3394 to 1.3472 over the past week. In the absence of significant data releases, markets focused attention on Singapore’s rhetoric towards tighter Covid-19 policy. This came after rising cases. We are **Neutral** on USD/SGD over the coming week, within a range of 1.3380 to 1.3520 for the week ahead. Technical indicators show some stability ahead. Singapore releases non-oil domestic export data on 17 September.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

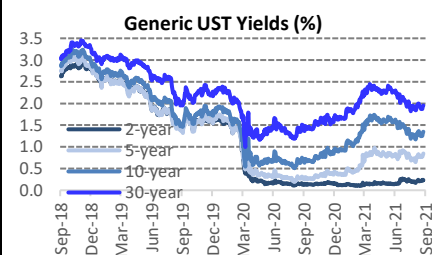
Forecasts

	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

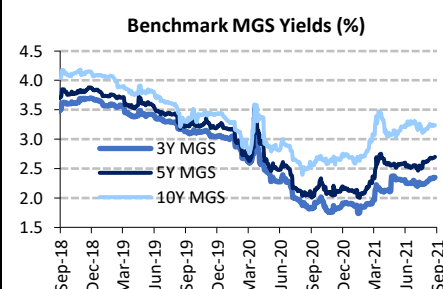
Source: HLBB Global Markets

Fixed Income

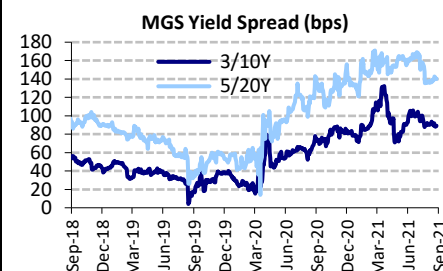
- UST:** The week under review saw USTs close weaker as the curve bear-steepened despite the disappointing miss in August NFP coupled with concerns over the ever-increasing deluge of both government and corporate bond sales. Overall benchmark yields ended 1-6bps higher with the benchmark UST 2Y; reflective of interest rate predictions, edging 1bps up at 0.22% whilst the much-watched 10Y (which traded within a wider 1.28%-1.37% range); spiked 6bps to 1.34%. The Treasury's auctions totaling \$120b of 3Y, 10Y and 30Y bonds saw solid demand with BTC ratios of between 2.45-59x exceeding previous ones. Last Friday's jobs reports indicate that the Delta variant may dent the pace of US economic recovery despite existence of jobs openings and delay the Fed's plans to taper its easy monetary policies. Elsewhere, the looming threat of default linked to the reinstatement of the nation's debt ceiling may cause temporary jitters. Expect bond yields to drift higher next week as ongoing talks of asset tapering continue to intensify.
- MGS/GII:** Local govies drifted weaker w/w as many investors preferred to stay sidelined ahead of the MPC meeting on Thursday for which BNM left the OPR unchanged; in line with our house view. Overall benchmark yields for MGS/GII closed mostly higher between 0-5bps with the benchmark 5Y MGS 11/26 edging 1bps up at 2.68% whilst the 10Y MGS 4/31 moved 2bps higher to 3.22% from prior week's close. Interest continued to be mainly seen in the off-the-run 21-23's and also benchmark 7Y, 10Y bonds. The average daily secondary market volume plunged 55.2% @ RM1.67b versus prior week's RM3.73b. Expect bonds to range sideways next week in the absence of market-moving factors; whilst investors look forward to the government announcement on the 12th Malaysia Plan come 27th of September.
- MYR Corporate Bonds/ Sukuk:** The week under review saw rebound in secondary market activity for govt-guaranteed/corporate bonds/Sukuk. Trades were mainly seen along the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 14.4% rise in daily market volume of RM610m compared to prior week's RM533m. Topping the weekly volume were DANA 11/28 (GG) which spiked 11bps compared to previous-done levels to 3.38% followed by YTL Power 5/27 (AA1), which spiked by 44bps to 4.46%. Third largest volume was seen for another tranche of DANA i.e. 10/28 which also spiked 10bps to 3.36%. Higher frequency of bond trades was seen in DANA, PRASA, TNB, PASB, MAYBANK, SABAH Development bank, energy-related bonds i.e. EDRA, SEB, Southern Power and odd-lot transactions in TG Excellence and TROPICANA Bhd. Meanwhile there were only two mere fresh issuances consisting of Prasarana Malaysia Bhd's (GG) RM150m 6Y bonds with a coupon of 3.18% and also UEM Sunrise Bhd's (AA3) RM290m 5Y bonds with a coupon of 4.4%.
- SGS:** SGS (govvies) were seen weaker; mirroring UST movements w/w as the curve steepened with overall benchmark closing between -1 to +3bps. The 2Y yield edged 1bps down at 0.33% whilst the 10Y (which traded within similar 1.37-1.41% range) rose 3bps instead to 1.42%. The SGD NEER may likely extend gains seen, ahead of the MAS review in October with risks potentially skewed upwards especially if US rates head higher. Expect bonds to face competition from other asset classes as the latest survey from 33 economists reveals the republic's economy is expected to expand 6.7% in 3Q2021. Meanwhile, Oxley MTN and Oxley Ltd have proposed a conditional tender offer exercise for the former's S\$150m 5.70% 1Y notes along with the reopening of S\$70m 6.90% 3Y notes. DBS Group Holdings Ltd has successfully issued 16Y international bonds with a coupon of 1.194%. Meantime, the National Environment Agency (NEA) has raised S\$1.65b worth of green bonds in a dual tranche offering. This comprised S\$350m of 10Y bonds together with 30Y bonds with coupons of 1.67% and 2.5% respectively. Also, Starhill Global REIT had successfully priced its S\$125m 7Y notes at 2.23%



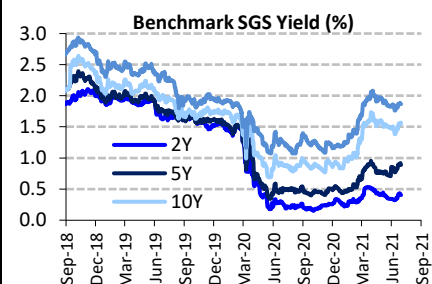
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Islamic Development Bank (IsDB)	Financial institution (FI) rating	AAA/MARC-1/Stable	Affirmed
Tadamun Services Berhad, a trust established by IsDB	Sukuk Wakalah programme of up to RM400 million	AAA-IS/Stable	Affirmed
Widad Concession Sdn Bhd; (wholly-owned by Widad Group Berhad)	Proposed RM310 mil Sukuk Wakalah Facility	AA1/Stable	Assigned
UiTM Solar Power Dua Sdn Bhd	Green Sustainable and Responsible Investment (SRI) Sukuk of RM100.0 million	AA-IS/Stable	Affirmed
Talam Transform Berhad	Outstanding RM40.0 million Settlement Bithaman Ajil Islamic Debt Securities (Settlement BaIDS)	C-IS	Maintained

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
13/09	07:50	JP	BSI Large Manufacturing QoQ	3Q	-1.4
14/09	09:30	AU	NAB Business Confidence	Aug	-8.0
	12:30	JP	Industrial Production MoM	Jul F	-1.5%
	14:00	UK	ILO Unemployment Rate 3Mths	Jul	4.7%
	14:00	UK	Employment Change 3M/3M	Jul	95k
	18:00	US	NFIB Small Business Optimism	Aug	99.7
	20:30	US	CPI YoY	Aug	5.4%
15/09	07:50	JP	Core Machine Orders MoM	Jul	-1.5%
	08:30	AU	Westpac Consumer Conf Index	Sep	104.1
	10:00	CN	Retail Sales YoY	Aug	8.5%
	10:00	CN	Industrial Production YoY	Aug	6.4%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Aug	10.3%
	14:00	UK	CPI YoY	Aug	2.0%
	17:00	EZ	Industrial Production SA MoM	Jul	-0.3%
	17:00	EZ	Labour Costs YoY	2Q	1.5%
	19:00	US	MBA Mortgage Applications	Sep-10	-1.9%
	20:30	US	Empire Manufacturing	Sep	18.3
	21:15	US	Industrial Production MoM	Aug	0.9%
16/09	06:45	NZ	GDP SA QoQ	2Q	1.6%
	07:50	JP	Exports YoY	Aug	37.0%
	09:30	AU	Employment Change	Aug	2.2k
	09:30	AU	Unemployment Rate	Aug	4.6%
	17:00	EZ	Trade Balance SA	Jul	12.4b
	20:30	US	Retail Sales Advance MoM	Aug	-1.1%
	20:30	US	Initial Jobless Claims	Sep-11	310k
	20:30	US	Philadelphia Fed Business Outlook	Sep	19.4
17/09	06:30	NZ	BusinessNZ Manufacturing PMI	Aug	62.6
	08:30	SG	Non-oil Domestic Exports YoY	Aug	12.7%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Aug	-2.5%
	17:00	EZ	CPI YoY	Aug F	2.2%
	22:00	US	U. of Mich. Sentiment	Sep P	70.3

Source: Bloomberg

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