Global Markets Research

Weekly Market Highlights

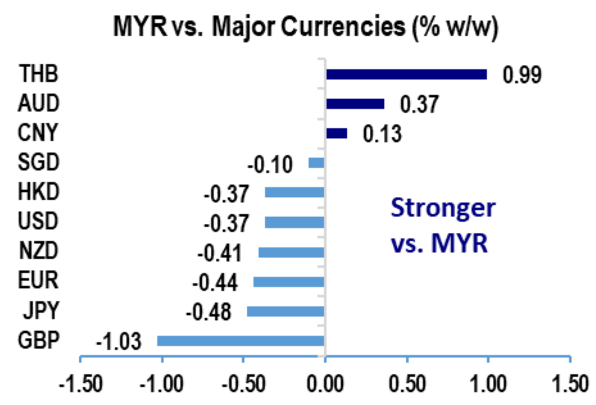
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,754.69	**3.22**	**16.82**
S&P 500	4,667.45	**1.97**	**24.26**
FTSE 100	7,321.26	**2.69**	**13.32**
Hang Seng	24,254.86	**1.96**	**-11.57**
KLCI	1,501.79	**0.00**	**-7.70**
STI	3,142.45	**1.63**	**10.22**
Dollar Index	96.27	**0.12**	**6.97**
WTI oil ($/bbl)	70.94	**6.68**	**46.21**
Brent oil ($/bbl)	74.42	**6.82**	**43.53**
Gold (S/oz)	1,774.60	**0.79**	**-6.36**

Source: Bloomberg

- US stocks rose this week before a broad risk aversion arose and triggered some selloff on Thursday. The cautious sentiment was spurred by the worldwide spread of the Omicron variant that has prompted some European governments to tighten travel restrictions. On top of that, investors anticipate clearer policy guidance from major central banks next week. The PBOC said it would raise the FX reserve ratio for banks from the current 7% to 9% on 15 December; the move marks its second hike this year in an effort to curb the appreciation of the renminbi.
- The Fed is expected to accelerate its current pace of tapering and pave the way for 1H22 hike (as priced in by futures). The BOE is likely to maintain its bank rate at 0.1%. The ECB most probably will lay out its PEPP tapering plan. The BOJ meanwhile, is keeping its policy intact as inflation remains stubbornly low. Key data next week include China's monthly indicators, UK job data and a slew of US first rate data such as retail sales and industrial production. The preliminary Markit PMI data will be up as well.

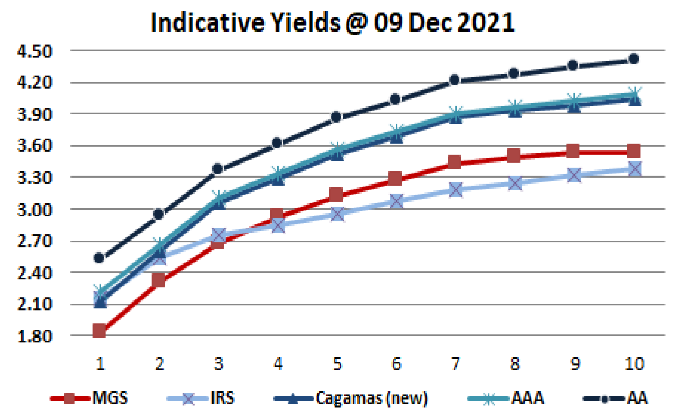
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded sideways in the 4.22-4.23 ranges for most part of the week before dipping 0.4% w/w to 4.2165 as at Thursday's close, marking its first weekly decline in six weeks on some pullback in USD strength. We expect a ***Neutral-to-Slightly Bullish*** outlook on USD/MYR in the week ahead as markets will shift their attention on major central banks' policy decision, including the Fed, ECB, BOE and BOJ. A more hawkish Fed potentially detailing quicker asset tapering pace will likely be positive USD, hence capping downside in the pair. We continue to eye a range of 4.20-4.25 for USD/MYR in the week ahead.
- **USD**: DXY managed to close the week higher again following the rebound on Thursday, settling 0.1% w/w higher at 96.27 after having traded between 95.85-96.59 flipping between risk-on and risk-off sentiments. While haven demand for the greenback appeared to have subsided for now, we expect the Fed's more hawkish stance and reiteration of its rate hike plans to take over as the key driver for USD bulls even though cautiousness amid such event risks could keep the USD within current ranges. We continue to stay ***Neutral*** and eye a range of 95-97 for the DXY in the week ahead. FOMC meeting (notably asset tapering and dot plot) aside, focus will be on US CPI (tonight), retail sales, housing starts and preliminary PMI readings.

Fixed Income



Source: Bloomberg

- **UST:** USTs succumbed w/w despite the big miss in last Friday's nonfarm payrolls and Omicron variant threat as investors were convinced that the Fed will be on track with its asset-tapering; paving the way for rate hikes. The heavy corporate issuance slate also weighed on the curve. Overall yields spiked between 5-11bps with the long-bond pressured the most. This week's auctions consisting of $112b in coupon supply encompassing 3Y, 10Y and also 30Y saw decent demand for the earlier two issuances but witnessed poor bidding metrics of only 2.22x for the 30Y long-bond. Expect some volatility following the release of November CPI tonight followed by the FOMC meeting on the 16th of December, next week.
- **MGS/GII:** Local govvies which continued to see levels whipsawed for the earlier part of the week where MGS generally ended weaker whilst GII closed mixed w/w. Overall benchmark MGS yields closed between 1-8bps higher (save for the 5Y) whilst GII settled between -2 to +4bps across. The benchmark 5Y MGS 11/26 yield edged 1bps higher at 3.12% whilst the 10Y MGS 4/31 yield edged 2bps up at 3.54% respectively. The average weekly secondary market volume fell by 17% @ RM12.33b versus prior week's RM14.80b. Elsewhere, the 7Y GII auction saw strong bidding metrics with BTC at 2.247x and awarded at 3.481% with participation mainly from local institutions, lifers and inter-bank participants. Expect bonds to range sideways with slight downside bias next week on subdued volumes as investors are expected to be sidelined due to book-closing activities and low staffing levels due to the year-end holiday period.

Macroeconomic Updates

- **Omicron headlines dominating markets:** US stocks rose this week before a broad risk aversion arose and triggered some selloff on Thursday. The cautious sentiment was spurred by the worldwide spread of the Omicron variant that has prompted some European governments to tighten travel restrictions. The UK government, for instance, announced a set of "Plan B" new restrictions that include a vaccine mandate to enter certain indoor venues as well as a work from home order. On top of that, investors anticipate clearer policy guidance from major central banks next week. Crude oil prices recovered from last week's selloff, thanks to Saudi Arabia's price hike and earlier headlines that suggest the new variant may cause relatively mild symptoms in infected persons.

- **Central banks in action this week:** The PBOC said it would raise the FX reserve ratio for banks from the current 7% to 9% on 15 December; the move marks its second hike this year in an effort to curb the appreciation of the renminbi. Both on and offshore yuan rose 0.5% after the announcement. The RBA kept its policy status quo but outlined in advance the three factors it would evaluate when discussing its QE tapering in next year's February. Apart from that, the Bank of Canada maintained its benchmark rate at 0.25%. The Reserve Bank of India also kept its policy rate at 4.0%, citing the need to support economic recovery.

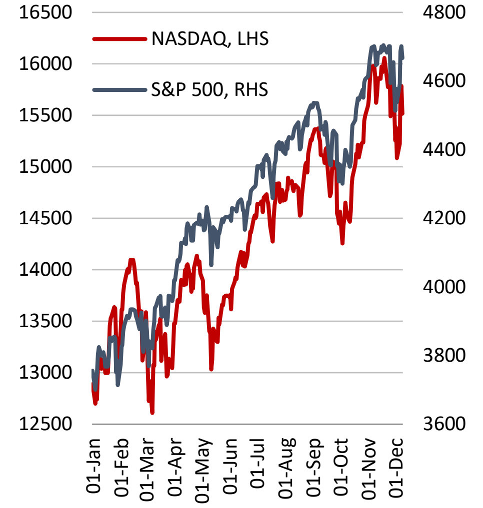
- **Fed expected to accelerate tapering pace:** The Federal Reserve remains the centre of attention next week even in a week full of major central bank meetings. The broad consensus is that the Fed would accelerate its current pace of tapering as the US economy dwells on solid footing and the Omicron variant may prolong supply chain bottlenecks and hence inflation. This would then result in the sooner-than-previously expected end to the asset purchase program and the first rate hike in 1H22 (already priced in by the futures market).

- **ECB to lay out PEPP tapering plan:** The focus of this round of ECB meeting is that the Governing Council may start to lay out clearly its plan to taper the PEPP program which is projected to end in March 2022. The ECB has been sending signals that the bloc's economic continued to recover strongly although momentum has moderated. Members of the council are expected to discuss extensively the potential effects the Omicron variant would have on inflation. Nonetheless, it is unlikely to derail the central bank's plan to taper PEPP.

- **BOE likely keeping bank rate steady :** In next week's meeting, the central scenario remains that the majority of the MPC members would vote in favour of maintaining the current bank rate at 0.1%; We expect the BOE to adopt a wait-and-see approach as it assessed the October job report (slated for same week release) as it was the first month the labour market was completely taken off the government's furlough support, not to mention the renewed uncertainties surrounding the Omicron variant and the UK government's newly announced "Plan B" restrictions to stem the virus. Its foreshadowing of raising rates in the "coming months" suggests a potential hike in early January, barring any Brexit or Covid related shocks.

- **No change to BOJ's policy lever:** Unlike the above mentioned central banks, traders and economists alike are quite certain that the Bank of Japan would keep its policy intact, given Japan's persistently low consumer inflation that has thus far defied the global trend of surging prices. The recent rise in household spending post-National State of Emergency is unlikely to offer a sustainable boost to CPI-ex fresh food (the BOJ's main inflation gauge). We do however expect the BOJ to offer a more optimistic view over Japan's growth outlook although it may flag the Omicron variant uncertainties. Even as producer prices are surging as a result of the supply chain constraints, the continuously cautious spending behaviour and firms' reluctance/inability to pass the higher costs to consumers are expected to keep CPI subdued, meaning that any move to normalise or tighten policy is unlikely in the short to medium term.

Stocks recovered from last week's selloff



Source: Bloomberg

Central banks in focus next week

Decision Dates	Central Banks
16 Dec	*US Federal Reserve*
16 Dec	*Bank of England*
16 Dec	*European Central Bank*
17 Dec	*Bank of Japan*

Source: Respective banks' website

Foreign Exchange Market

- **MYR:** USD/MYR traded sideways in the 4.22-4.23 ranges for most part of the week before dipping 0.4% w/w to 4.2165 as at Thursday's close, marking its first weekly decline in six weeks on some pullback in USD strength. We expect a ***Neutral-to-Slightly Bullish*** outlook on USD/MYR in the week ahead as markets will shift their attention on major central banks' policy decision, including the Fed, ECB, BOE and BOJ. A more hawkish Fed potentially detailing quicker asset tapering pace will likely be positive USD, hence capping downside in the pair. We continue to eye a range of 4.20-4.25 for USD/MYR in the week ahead.

- **USD**: DXY managed to close the week higher again following the rebound on Thursday, settling 0.1% w/w higher at 96.27 after having traded between 95.85-96.59 flipping between risk-on and risk-off sentiments. The new Covid Omicron variant proved less lethal despite its high infectivity, hence paring lockdown concerns globally. While haven demand for the greenback has subsided for now, we expect the Fed's more hawkish stance and reiteration of its rate hike plans at next week's FOMC meeting to take over as the key driver for USD bulls even though cautiousness amid such event risks could keep the USD within current ranges. We continue to stay ***Neutral*** and eye a range of 95-97 for the DXY in the week ahead. FOMC meeting (notably asset tapering and dot plot) aside, focus will be on US CPI (tonight), retail sales, housing starts and preliminary PMI readings.

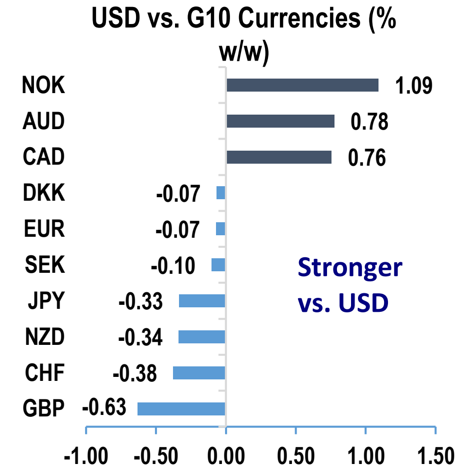
- **EUR**: EUR/USD traded in a bearish mode earlier hitting a low of 1.1228 on Tuesday before staging a rebound on 8-December tracking the sharp pullback in the USD. Pfizer's claim on the effectiveness of it's vaccine in containing the new virus strain sent cheers to the markets. The pair closed 0.1% w/w lower at 1.1293 on Thursday. Weekly outlook for EUR/USD is ***Neutral***, likely staying within a range of 1.12-1.14 in the upcoming week. The preliminary PMI reading for December will be key watch before the ECB convenes on 16-December, where it is widely expected that the central bank will announce an end to its Pandemic Emergency Purchase Programme (PEPP) in March but the Omicron variant could pose as a wild card. The ECB's revised projection on growth and inflation outlook will also be closely watched.

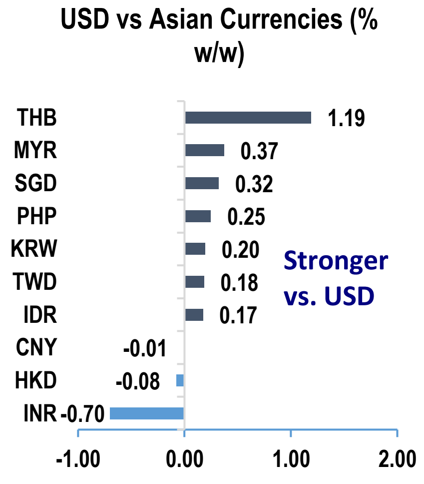
- **GBP**: GBP/USD bears dominated, leading to a 0.6% w/w loss at 1.3221 In the absence of key market-moving UK data, trading in the sterling track the USD and ongoing development surrounding the pandemic in the country. The UK government imposes new containment measures including new guidance to work from home and mask-wearing mandate to contain the virus spread. The sterling remains ***Slightly Bearish*** in our view, amid lackluster economic outlook and likelihood of a cautious BOE moving further away from any hawkish policy guidance. This is expected to exert downward pressure on the sterling, potentially towards a range of 1.31-1.33. UK CPI, PMI, and job data will be key releases in the week ahead, before the BOE meets on 16-December.

- **JPY**: USD/JPY trended higher again as markets recovered from previous week's risk-off sentiments, prompting investors to dump safe haven JPY. However, weakness in the JPY was relatively muted, within a range of 112.43-113.95 before closing out Thursday 0.3% w/w higher at 113.49. We expect USD/ JPY to trade in a ***Neutral*** note (112-114) next week, amid expectations of a rangy USD ahead of key FOMC announcement. Meanwhile, we do not expect any major policy shift from BOJ, whose meeting is scheduled on 17-December.

- **AUD**: AUD/USD snapped five consecutive weeks of decline to advance 0.8% w/w to 0.7149 on Thursday's close, following a revival in market risk sentiments amid dissipating Omicron fear. A less dovish RBA signalling tapering in February next year has provided a boost to the Aussie. The pair remains technically bearish but reducing negative momentum could lead the pair to trade on a ***Neutral*** note next week. 0.70 proves to be a key support where a break below will lead the pair towards 0.6890 next. Continue to eye a range of 0.70-0.72 next week.

- **SGD**: USD/SGD pulled back for the first time in six weeks as the USD softened on paring of risk aversion in the markets. The pair retreated 0.3% w/w 1.3650 as at Thursday's close. Helping support the SGD were Markit PMI and retail sales data that reaffirmed continuous recovery in the Singapore economy. We are ***Neutral-to-Slightly Bearish*** on the pair going into next week, within a range of 1.36-1.3750 in our view.





Source: Bloomberg

Forecasts

	Q4-21	Q1-22	Q2-22	Q3-22
DXY	94.50	95.00	95.50	96.50
EUR/USD	1.15	1.14	1.14	1.13
GBP/USD	1.35	1.35	1.34	1.33
AUD/USD	0.72	0.71	0.71	0.70
USD/JPY	112	113	114	115
USD/MYR	4.15	4.15	4.15	4.15
USD/SGD	1.35	1.34	1.33	1.34

	Q4-21	Q1-22	Q2-22	Q3-22
EUR/MYR	4.77	4.73	4.73	4.69
GBP/MYR	5.60	5.60	5.56	5.52
AUD/MYR	2.99	2.95	2.95	2.91
SGD/MYR	3.07	3.10	3.12	3.10

Source: HLBB Global Markets

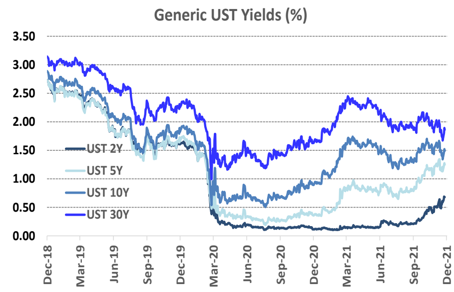
Fixed Income

- **UST:** USTs succumbed w/w despite the big miss in last Friday's Non-Farm payrolls and Omicron variant threat as investors were convinced that the Fed will be on track with its asset-tapering; paving the way for rate hikes. The heavy corporate issuance slate also weighed on the curve. The curve bull-flattened as overall yields spiked between 5-11bps with the long-bond pressured the most. The UST 2Y note which flirted at 20-month highs, jumped 6bps to 0.68% whilst the much-watched 10Y bond (which ranged between 1.34-1.52%) rose 5bps to 1.50%. This week's auctions consisting of $112b in coupon supply encompassing 3Y, 10Y and also 30Y saw decent demand for the earlier two issuances but witnessed poor bidding metrics of only 2.22x for the 30Y long-bond. Elsewhere, T-bills maturing in December ended richer by almost 3bps following US lawmakers reaching a deal to raise the government's debt ceiling by ~$2 trillion. Expect some volatility following the release of November CPI tonight followed by the FOMC meeting on the 16th of December, next week.

- **MGS/GII:** Local govvies which continued to see levels whipsawed for the earlier part of the week where MGS generally ended weaker whilst GII closed mixed w/w. Overall benchmark MGS yields closed between 1-8bps higher (save for the 5Y) whilst GII settled between -2 to +4bps across. The benchmark 5Y MGS 11/26 yield edged 1bps higher at 3.12% whilst the 10Y MGS 4/31 yield edged 2bps up at 3.54% respectively. The average weekly secondary market volume fell by 17% @ RM12.33b versus prior week's RM14.80b. Elsewhere, the 7Y GII auction saw strong bidding metrics with BTC at 2.247x and awarded at 3.481% with participation mainly from local institutions, lifers and inter-bank participants. Expect bonds to range sideways with slight downside bias next week on subdued volumes as investors are expected to be sidelined due to book-closing activities and low staffing levels due to the year-end holiday period.

- **MYR Corporate bonds/ Sukuk**: The week under review saw improved investor appetite for govt-guaranteed bonds, Sukuk and corporate bonds transactions. Trades were still seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to higher amid a 14% increase in average weekly market volume of RM1.63b compared to prior week's RM1.43b. Topping the weekly volume were UEM Sunrise 3/24 (AA3) which settled 3bps lower compared to previous-done levels at 3.92%, followed by MRCB20PERP 10/31 (AA3) bonds, which also declined 3bps to 5.12%. The 3rd largest volume was seen in DANA 2/29 (GG) bonds which rose 5bps instead to 3.75%. Higher frequency of bond trades was seen in DANA, Press Metal, energy-related bonds i.e. SEB bonds, Alliance Bank, Sabah Development Bank and also odd-lot transactions in GENM Capital, Eco World and Tropicana-related bonds. Meanwhile the prominent issuances for the week consisted of PRASARANA Malaysia Bhd's govt-guaranteed 7-14Y bonds totaling RM350m with coupons ranging between 3.73-4.19%.

- **SGS:** SGS (govvies) saw the curve shift slightly higher w/w, influenced largely by UST movements as overall benchmark bonds closed higher between 2-5bps. The 2Y yield edged 2bps up at 0.88% whilst the 10Y (which traded tighter within 1.65-1.70% range) similarly rose by 2bps to 1.70%. Meanwhile the republic's sovereign bonds total YTD issuances amounted to ~SGD 26.7b whilst YTD outstanding amount stood at SGD$149.1b. The SGD's NEER is expected to inch higher within the existing band based on optimism that the economy improves. Current consensus is for the republic's GDP to expand higher by 3 ticks to ~6.9%. Greenko Energy's new issuance of SGD$1.0b green bonds attracted strong orders of ~SGD$2.5b despite its rather tight trade of ~4.625% price guidance; taking into account the average yield of about 5% for BB-rated within the 5-7year bucket. Elsewhere, Chinese developer Sunshine 100 China Holdings has defaulted on SGD245m of Singapore-listed bond principal and interest payments.



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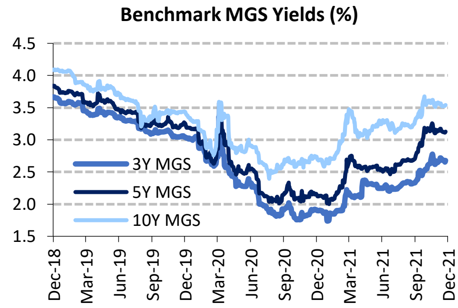

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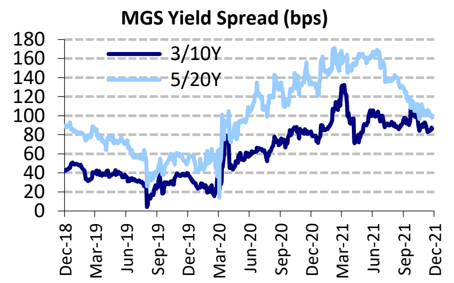

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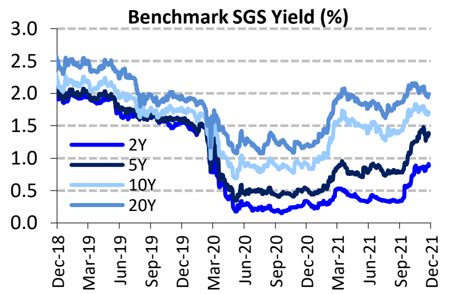

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Rantau Abang Capital Berhad	RM7.0 bil Islamic Medium-Term Notes (MTN) Sukuk Musyarakah Programme (2006/2041)	AAA(s)/Stable	Reaffirmed
Danga Capital Berhad	RM20.0 bil Multi-Currency Islamic Securities Programme (2009/2044)	AAA(s)/Stable	Reaffirmed
Ihsan Sukuk Berhad	RM1.0 bil Islamic MTN Sukuk Ihsan Programme (2015/2040)	AAA(s)/Stable	Reaffirmed
Danum Capital Berhad	RM10.0 bil Islamic MTN Sukuk Danum Programme (2019/2069)	AAA(s)/Stable	Reaffirmed
Premium Commerce Berhad (PCB)	RM204m Class A Notes	AAA(s)/Stable	Reaffirmed
	RM4.5m Class B Notes	AAA/Stable	Reaffirmed
	RM11.25m Class C Notes	Unrated	Reaffirmed
Senai-Desaru Expressway Berhad	RM1.89 billion Islamic Medium-Term Notes Programme (Restructured Sukuk)	From BBB-IS/Negative to BB-IS/Negative	Downgraded
Bank Muamalat Malaysia Berhad	Financial institution ratings	A/MARC-1	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
13/12	05:30	NZ	Performance Services Index	Nov	44.6
	07:50	JP	Tankan Large Mfg Index	4Q	18.0
	07:50	JP	Core Machine Orders MoM	Oct	0.0%
14/12	08:30	AU	NAB Business Confidence	Nov	21.0
	12:30	JP	Industrial Production MoM	Oct F	1.1%
	15:00	UK	Average Weekly Earnings 3M/YoY	Oct	5.8%
	15:00	UK	ILO Unemployment Rate 3Mths	Oct	4.3%
	15:00	UK	Employment Change 3M/3M	Oct	247k
	18:00	EZ	Industrial Production SA MoM	Oct	-0.2%
	19:00	US	NFIB Small Business Optimism	Nov	98.2
	21:30	US	PPI Final Demand YoY	Nov	8.60%
15/12	07:30	AU	Westpac Consumer Conf Index	Dec	105.3
	10:00	CN	Retail Sales YoY	Nov	4.9%
	10:00	CN	Industrial Production YoY	Nov	3.5%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Nov	6.1%
	15:00	UK	CPI YoY	Nov	4.2%
	20:00	US	MBA Mortgage Applications	10 Dec	--
	21:30	US	Empire Manufacturing	Dec	30.9
	21:30	US	Retail Sales Advance MoM	Nov	1.7%
	21:30	US	Import Price Index YoY	Nov	10.7%
	23:00	US	NAHB Housing Market Index	Dec	83.0
16/12	03:00	US	FOMC Rate Decision	15 Dec	0-0.25%
	05:45	NZ	GDP SA QoQ	3Q	2.8%
	07:50	JP	Exports YoY	Nov	9.4%
	08:30	AU	Employment Change	Nov	-46.3k
	08:30	JP	Jibun Bank Japan PMI Services	Dec P	53.0
	08:30	JP	Jibun Bank Japan PMI Mfg	Dec P	54.5
	08:30	AU	Unemployment Rate	Nov	5.2%
	17:00	EZ	Markit Eurozone Manufacturing PMI	Dec P	58.4
	17:00	EZ	Markit Eurozone Services PMI	Dec P	55.9
	17:30	UK	Markit UK PMI Manufacturing SA	Dec P	58.1
	17:30	UK	Markit/CIPS UK Services PMI	Dec P	58.5
	18:00	EZ	Trade Balance SA	Oct	6.1b
	18:00	EZ	Labour Costs YoY	3Q	-0.1%
	20:00	UK	Bank of England Bank Rate	16 Dec	0.1%
	20:45	EZ	ECB Deposit Facility Rate	16 Dec	-0.5%
	21:30	US	Initial Jobless Claims	11 Dec	184k
	21:30	US	Housing Starts MoM	Nov	-0.7%
	21:30	US	Building Permits MoM	Nov	4.2%
	21:30	US	Philadelphia Fed Business Outlook	Dec	39.0
	22:15	US	Industrial Production MoM	Nov	1.6%
	22:45	US	Markit US Manufacturing PMI	Dec P	58.3
	22:45	US	Markit US Services PMI	Dec	58.0
17/12	00:00	US	Kansas City Fed Manf. Activity	Dec	24.0
	05:00	NZ	ANZ Consumer Confidence Index	Dec	96.6
	08:00	NZ	ANZ Business Confidence	Dec	-16.4
	08:01	UK	GfK Consumer Confidence	Dec	-14.0
	08:30	SG	Non-oil Domestic Exports YoY	Nov	17.9%
	15:00	UK	Retail Sales Inc Auto Fuel MoM	Nov	0.8%
	18:00	EZ	CPI YoY	Nov F	4.9%
	00:00	JP	BOJ Policy Balance Rate	17 Dec	-0.1%

Source: Bloomberg

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