Global Markets Research

Weekly Market Highlights

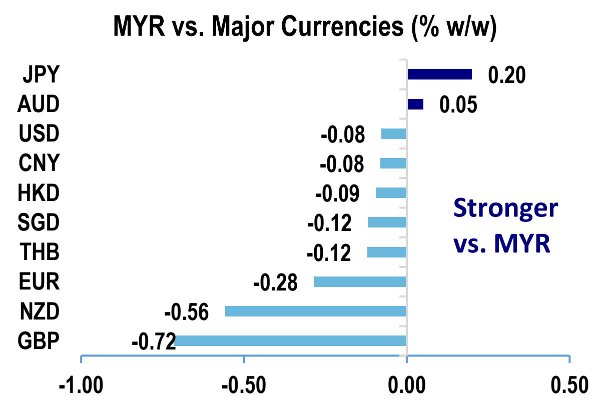
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,466.24	-0.32	12.61
S&P 500	4,239.18	1.10	12.86
FTSE 100	7,088.18	0.34	9.72
Hang Seng	28,738.88	-0.78	5.54
KLCI	1,579.90	-0.67	-2.91
STI	3,162.50	-0.08	11.21
Dollar Index	90.08	-0.48	0.15
WTI oil ($/bbl)	70.29	2.15	44.87
Brent oil ($/bbl)	72.52	1.70	40.00
Gold (S/oz)	1,894.20	1.23	-0.05

Sourcce: Bloomberg

- US stocks largely gained this week as recent inflation concerns looked to have eased ahead of next week's FOMC meeting. Markets looked past the surging inflation rate, weighing the still-lacklustre job data that suggests that the Fed may not withdraw its monetary support sooner than expected. Amid retreating bond yields and weaker USD, gold prices extended gain but capped at just-below-$1900 level. Crude oil prices picked up modestly with Brent and WTI now trading above $70/barrel mark.
- The ECB warned of a risk of premature tightening on the current economic recovery and inflation outlook, opting to maintain its policy framework and its accomodative stance. The FOMC meeting (16-17 June) takes center stage next week, as investors are on the lookout for any signs that the Federal Reserve's officials may begin discourse to tighten policy. The BOJ meeting falls on 18 June.

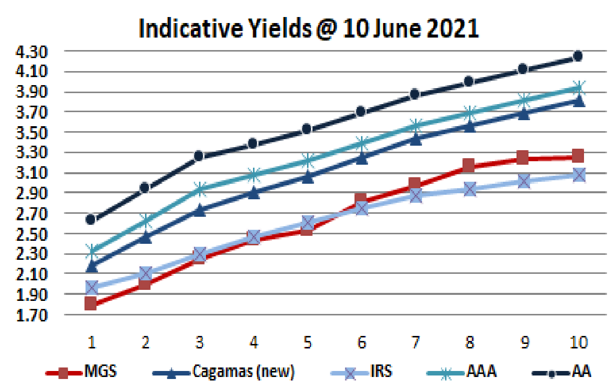
Forex



Source: Bloomberg

- **MYR:** MYR strengthened gradually for the 3rd straight week, from the 4.13-4.14 big figure to 4.11-4.12 now. MYR gained another 0.07% w/w to a close of 4.1210 as at Thursday, after trading within a range of 4.1145-4.1330 the last five trading days. We remain ***bullish*** MYR in the week ahead, eyeing a range of 4.10-4.14, with the next support at 4.1077, which is also the lower bound of the Bollinger Band.
- **USD:** The USD weakened and then stabilised against G10 currencies over the past week. Performances against Asian currencies were relatively more muted and mixed. DXY was down by 0.48% since 4 June, closing Thursday at 90.08. Although inflation reached a 13-year high, lacklustre non-farm payrolls and initial jobless claims reassured markets that the Fed will not tighten imminently. We are ***Neutral-to-Bearish*** on the USD for the coming week. Focus shifts to retail sales and PPI. The FOMC rate decision on 17 June will also be keenly watched.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs witness strong rally extending out from 5Y as overall benchmark yields declined between 1-15bps across the curve whilst shrugging off the hotter-than-expected jump of 0.6% in May CPI data. Last Friday's release of May's jobs data which fell slightly short of expectations may lead investors to conclude that the Fed will stay on hold for the time being. All three (3) auctions this week comprising of $58b 3Y, $38b 10Y and $24b 30Y re-openings saw strong bidding metrics. The positive UST performances are believed to be due to pent-up demand especially for longer-dated debt in view of large surpluses of cash. Expect support for bonds to be forthcoming next week.
- **MGS/GII:** Local govvies saw MGS close mostly mixed w/w with the 7-20 space slightly pressured, whilst GII weakened slightly instead. Overall benchmark MGS/GII yields closed mostly mixed with MGS ending mixed between -7 to +5bps whilst GII moved 1-3bps higher. Foreign holdings of MGS increased by RM2.36b to a new high of RM191.7b; whilst GII holdings dipped slightly instead to RM30.5b. Overall MYR holdings rose by RM1.87b to a new high of RM247.9b. Expect positive sentiment to spillover next week arising from the new high in foreign holdings for May.

HongLeong Bank

Macroeconomic Updates

- US stocks largely gained this week as recent inflation concerns looked to have eased ahead of next week's FOMC meeting. Markets looked past the surging inflation rate, weighing the still-lacklustre job data that suggests that the Fed may not withdraw its monetary support sooner than expected. The Dow Jones was down slightly by 0.3% w/w; the S&P 500 (+1.1% w/w) closed at record high on Thursday while NASDAQ (+3%) outperformed, supported by rally in tech shares. Amid retreating bond yields and weaker USD, gold prices extended gain but capped at just-below-$1900 level. Crude oil prices picked up modestly with Brent and WTI now trading above $70/barrel mark as the global oil consumption outlook continued to improve.

- The ECB warned of a risk of premature tightening on the current economic recovery and inflation outlook, opting to maintain its policy framework and its accommodative stance. It also did not drop the language of conducting asset purchase at "significantly higher pace". In fact, this front loading of PEPP is expected to be extended "over the coming quarter". The ECB however turned more optimistic regarding the growth outlook, particularly over the services sector reopening and the faster vaccination rate. It remained cautious though, mentioning the risks posed by the new Covid-19 variants. On the data front, all eyes were on the US CPI which jumped to 5.0% y/y in May while the core CPI rate also came in stronger at 3.8% y/y, partly because of the low base effects. On a monthly basis, both headline and core indexes recorded slower pace of growth at 0.8% and 0.7% respectively. Unsurprisingly, initial jobless claims in the US continued to trend down to 376k last week as the hiring boom was underway.

The Week Ahead…

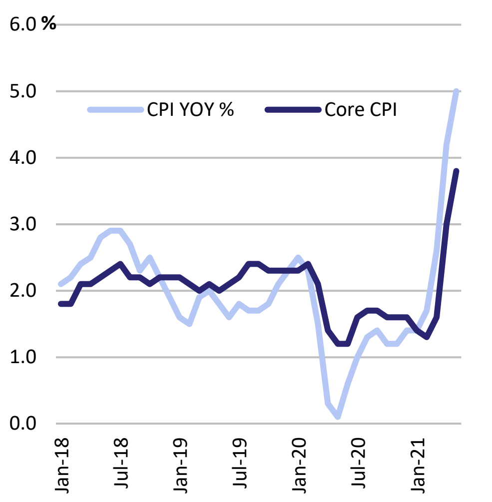
- As mentioned earlier, market sentiment is expected to be shaped by the FOMC meeting (16-17 June) as investors are on the lookout for any signs that the Federal Reserve's officials may begin discourse to tighten policy, in the form tapering its current asset purchase program, that was put in place to fight last year's pandemic shock. The Fed may drop a cautious note that they could begin discussing tapering on the ground of upbeat economic recovery, but at the same time continue to emphasize the need for accommodative policy judging from the high level of unemployment.

- The BOJ is also expected to deliver its policy decision on 18 June and is expected to maintain the policy setting. Despite recent move of not purchasing any Japanese ETF in May, we do not foresee any change in policy stance on subdued core inflation and uncertain economic prospects. Other central bank meetings next week include those of the SNB and Norges Bank. The RBA is set to publish its June meeting minutes.

- Apart from the Fed, watch out for key data such as the US' retail sales and industrial production. May's retail sales data could help us gauge the pattern of a more normalised consumer spending as the impact of stimulus checks waned. Other US data include the housing starts and building permits. In the European data docket, we look forward to the April's job report and the retail sales. Retail sales growth may ease from the post-lockdown 9.0% surge. The 3-month job changes are likely to stay positive for the second month, although the main concern now is the government's possible move to delay full reopening. The Eurozone's data are industrial production and final estimate for CPI data.

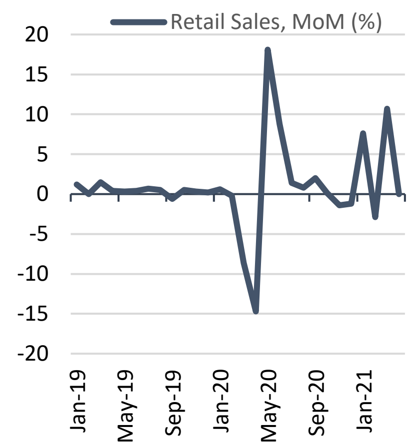
- China's monthly economic indicators are expected to offer us more insights into the economy's latest state of recovery. Focus is more on the trend of the retail sales growth which had slowed in April. Japan's industrial production, trade report and core machine orders are also in the Asian data calendar. New Zealand's 1Q GDP and Australia's job report are key readings down under.

US' annual CPI rate soared to 5% y/y in May



Source: Bloomberg

Looking for signs that US retail sales may normalise, after months of volatile readings



Source: Bloomberg

Foreign Exchange Market

- **MYR:** MYR strengthened gradually for the 3rd straight week, from the 4.13-4.14 big figure to 4.11-4.12 now. MYR gained another 0.07% w/w to a close of 4.1210 as at Thursday, after trading within a range of 4.1145-4.1330 the last five trading days. We remain ***bullish*** MYR in the week ahead, eyeing a range of 4.10-4.14, with the next support at 4.1077, which is also the lower bound of the Bollinger Band.

- **USD**: The USD weakened and then stabilised against G10 currencies over the past week. Performances against Asian currencies were relatively more muted and mixed. DXY was down by 0.48% since 4 June, closing Thursday at 90.08. Although inflation reached a 13-year high, lacklustre non-farm payrolls and initial jobless claims reassured markets that the Fed will not tighten imminently. We are ***Neutral-to-Bearish*** on the USD for the coming week. Focus shifts to retail sales and PPI. The FOMC rate decision on 17 June will also be keenly watched.

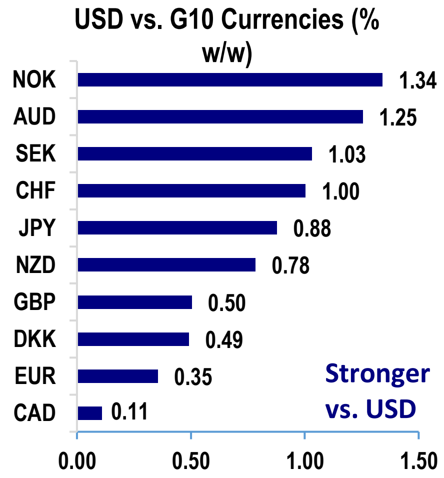
- **EUR**: EUR/USD lagged the G10 rally, staying mostly within 1.21 to 1.22 over the past week. A dovish ECB rhetoric (renewed pledge on faster bond purchases) helped dampen the pair. We are ***Neutral-to-Bullish*** on EUR/USD for the coming week, as a catch up story. Momentum on the upside has faded. Resistance at 1.2280, and support at 1.2090. Market attention will likely be on CPI, alongside trade and industrial production releases.

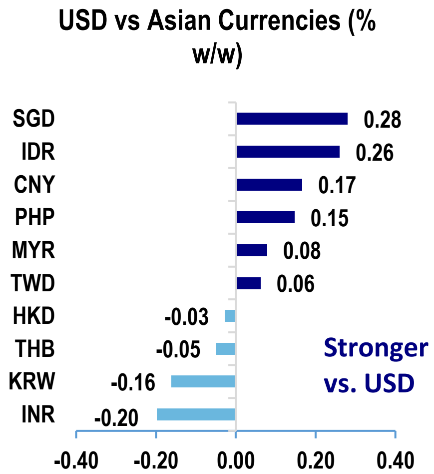
- **GBP**: GBP/USD made some inroads over the past sessions, closing close to the 5-day high of 1.42. However, the pair was slightly dampened by market concerns on possible EU tariffs on the UK. We are ***Neutral*** on GBP/USD for the coming week. Upside momentum has faded, while the pair is close to the 1 June high of 1.4248 (resistance). Immediate support is at 1.4100. CPI and PPI data are market focus for the week ahead.

- **JPY**: USD/JPY found some footing after the drop on 4 June, steadying around the 109-110 range over the past sessions. Eco watchers survey showed bearish sentiments. We are ***Neutral*** on USD/JPY for the week ahead, within a range of 109.80 to 110.00. A key level on the downside is the 50-day MA at 109.11. Momentum is fairly muted and slightly biased on the upside. Week ahead data focus is on trade balance and CPI figures. Bank of Japan announces policy decision on 18 June.

- **AUD**: AUD/USD outperformed the G10 currencies rally on 4 June. Pair has been fairly range bound since, around 0.7718-0.7766. We are ***Neutral-to-Bullish*** on AUD/USD for the week ahead, watching 0.7800 resistance while support is at 0.7640. Momentum looks fairly subdued for now. Australia releases employment data on 17 June, which may shape AUD movements.

- **SGD**: USD/SGD has hovered in a relatively narrow range of 1.3221 to 1.3291 over the past few sessions. The SGD NEER has also remained relatively strong, although without significant changes. This came as the dollar weakened, and fundamentals in Singapore is looking brighter again. Singapore will relax Covid-19 restrictions over the coming 2 weeks. We expect a range of 1.3190 to 1.3300 over the coming week, if in the absence of significant impetus. Momentum looks fairly subdued. Singapore releases non-oil domestic exports over the coming week.





Source: Bloomberg

Forecasts

	Q2-21	Q3-21	Q4-21	Q1-22
DXY	89.00	88.00	89.50	90.50
EUR/USD	1.23	1.24	1.22	1.21
GBP/USD	1.43	1.44	1.42	1.40
AUD/USD	0.79	0.80	0.78	0.77
USD/JPY	108.00	107.50	109.00	110.00
USD/MYR	4.13	4.15	4.10	4.10
USD/SGD	1.32	1.31	1.33	1.33

	Q2-21	Q3-21	Q4-21	Q1-22
EUR/MYR	5.08	5.15	5.00	4.96
GBP/MYR	5.91	5.98	5.82	5.74
AUD/MYR	3.26	3.32	3.20	3.16
SGD/MYR	3.13	3.17	3.08	3.08

Source: HLBB Global Markets

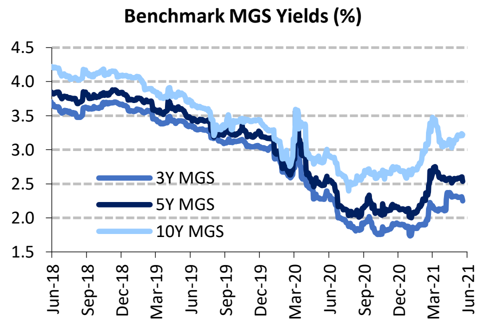
Fixed Income

- **UST:** The week under review saw USTs witness strong rally extending out from 5Y as overall benchmark yields declined between 1-15bps across the curve whilst shrugging off the hotter-than-expected jump of 0.6% in May CPI data. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps down at 0.15% whilst the much-watched 10Y yield (which traded within a wider 1.47%-1.63% range); fell to its lowest since early-March at 1.47%. Last Friday's release of May's jobs data which fell slightly short of expectations may lead investors to conclude that the Fed will stay on hold for the time being. All three (3) auctions this week comprising of $58b 3Y, $38b 10Y and $24b 30Y re-openings saw strong bidding metrics. Elsewhere, the flood of cash continues to overwhelm US dollar funding markets despite the mere offering of 0% rate on the Fed facility. The positive UST performances are believed to be due to pent-up demand especially for longer-dated debt in view of large surpluses of cash. Expect support for bonds to be forthcoming next week.

- **MGS/GII:** Local govvies saw MGS close mostly mixed w/w with the 7-20 space slightly pressured, whilst GII weakened slightly instead. Overall benchmark MGS/GII yields closed mostly mixed with MGS ending mixed between -7 to +5bps whilst GII moved 1-3bps higher. The benchmark 5Y MGS 9/25 yield edged 1bps lower at 2.51% whilst the 10Y MGS 4/31 yield moved 1bps up at 3.28% instead. The average daily secondary market volume fell 9% @ RM3.37b versus prior week's RM3.71b. Foreign holdings of MGS increased by RM2.36b to a new high of RM191.7b; whilst GII holdings dipped slightly instead to RM30.5b. Overall MYR holdings rose by RM1.87b to a new high of RM247.9b. The recent auction exercise involving the reopening of 10Y MGS 4/31 saw decent demand, mainly from offshore and inter-bank participants with BTC cover of 1.966x despite the large issuance of RM4.5b. Expect positive sentiment to spillover next week arising from the new high in foreign holdings for May.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw solid investor interest in the secondary market for govt-guaranteed/sukuk/corporate bonds. Activity was seen mainly across the GG-AA part of the curve as yields closed mostly mixed amid a 15.3% rise in average daily market volume of RM630m compared to prior week's RM546m. Topping the weekly volume was DANAINFRA (GG) which spiked 41bps at 3.10% compared to previous-done levels, followed energy-related bonds SEB 22 (AAA) which declined 3bps instead at 2.25%. Third largest volume was seen for toll-operator PLUS 29 (GG) which rallied 10bps at 3.62%. Higher frequency of bond trades was seen in DANA, TNB, PASB, Genting-related names, SEB, and several odd-lot trades in Eco-World, Tropicana and YNH Property-related names. Meanwhile the prominent issuances for the week consisted of Bank Pembangunan Bhd's (AAA) 5-10Y bonds totaling RM1.25b with coupons ranging between 3.25-4.05% and also Pengurusan Air SPV Bhd's (AAA) 7Y bonds amounting to RM550m with a coupon of 3.73%.

- **SGS:** SGS (govvies) ended stronger w/w with the curve shifting lower as overall benchmark yields settled between 1-7bps. The 2Y yield edged 1bps lower at 0.33% whilst the 10Y (which traded within a wider 9bps range) rallied 7bps at 1.42%. The SGD dollar has been consolidating whilst IRS softened for the week. exerting some downward pressure on money-market rates. MAS's inaugural sale of S$1.0b 2Y floating-rate notes saw solid demand at an average rate of 0.23% over the Singapore Overnight Rate Average (SORA). Separately, Fraser and Neave had priced its SGD100m 5Y bonds at par to yield of 2.0% for is entity i.e. F&N Treasury Pte Ltd. Also Sembcorp Industries financial unit had issued S$400m 10Y Green bonds at 2.45%. Elsewhere both the US and UK have informed both their citizens travelling to the republic about lifting of their countries' travel advisories to the least restrictive levels.



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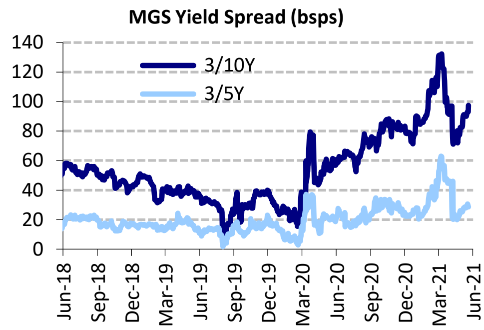

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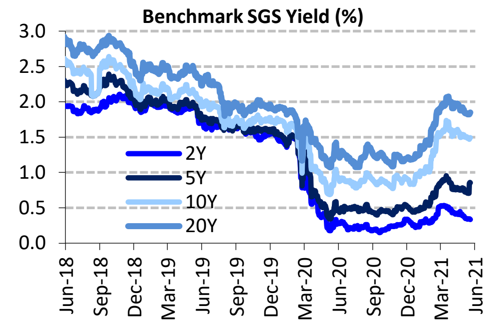

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
TRIplc Ventures Sdn Bhd	MTN Programme of up to RM240 mil in nominal value (2011/2026)	AAA(FG)/Stable	Reaffirmed
Pujian Bayu Sdn Bhd	RM200 mil MTN Programme	AA3/Stable	Reaffirmed
Projek Lintasan Sungai Besi – Ulu Klang Sdn Bhd's (PLSUKE	Sukuk Wakalah Programme of up to RM2.0 billion	A+ IS/Stable	Affirmed
Telekom Malaysia Berhad	RM3 bil Islamic MTN Programme (2013/2033) RM4 bil Islamic MTN Programme (2018/2048) and Islamic CP Programme (2018/2025)	AAA/Stable/P1 AAA/Stable/P1	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
14/06	06:30	NZ	Performance Services Index	May	61.2
	12:30	JP	Industrial Production MoM	Apr F	2.5%
	17:00	EZ	Industrial Production SA MoM	Apr	0.1%
15/06	09:30	AU	RBA Minutes of June Policy Meeting		
	14:00	UK	ILO Unemployment Rate 3Mths	Apr	4.80%
	14:00	UK	Employment Change 3M/3M	Apr	84k
	17:00	EZ	Trade Balance SA	Apr	13.0b
	20:30	US	Retail Sales Advance MoM	May	0.0%
	20:30	US	Empire Manufacturing	Jun	24.3
	20:30	US	PPI Final Demand YoY	May	6.2%
	21:15	US	Industrial Production MoM	May	0.5%
	22:00	US	NAHB Housing Market Index	Jun	83
16/06	07:50	JP	Trade Balance	May	¥253.1b
	07:50	JP	Exports YoY	May	38.0%
	07:50	JP	Core Machine Orders MoM	Apr	3.7%
	08:30	AU	Westpac Leading Index MoM	May	0.2%
	10:00	CH	Retail Sales YoY	May	17.7%
	10:00	CH	Industrial Production YoY	May	9.8%
	10:00	CH	Fixed Assets Ex Rural YTD YoY	May	19.9%
	14:00	UK	CPI YoY	May	1.5%
	19:00	US	MBA Mortgage Applications	11 Jun	-3.1%
	20:30	US	Building Permits MoM	May	-1.3%
	20:30	US	Housing Starts MoM	May	-9.5%
17/06	02:00	US	FOMC Rate Decision	16 Jun	0-0.25%
	06:45	NZ	GDP SA QoQ	1Q	-1.0%
	08:30	SG	Non-oil Domestic Exports YoY	May	6.0%
	09:30	AU	Employment Change	May	-30.6k
	09:30	AU	Unemployment Rate	May	5.5%
	17:00	EZ	CPI YoY	May F	1.6%
	20:30	US	Philadelphia Fed Business Outlook	Jun	31.5
	20:30	US	Initial Jobless Claims	12 Jun	--
	22:00	US	Leading Index	May	1.6%
18/06	07:30	JP	Natl CPI Ex Fresh Food YoY	May	-0.1%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	May	9.2%
	00:00	JP	BOJ Policy Balance Rate	18 jun	-0.1%

Source: Bloomberg

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