HongLeong Bank

Global Markets Research

Weekly Market Highlights

Markets

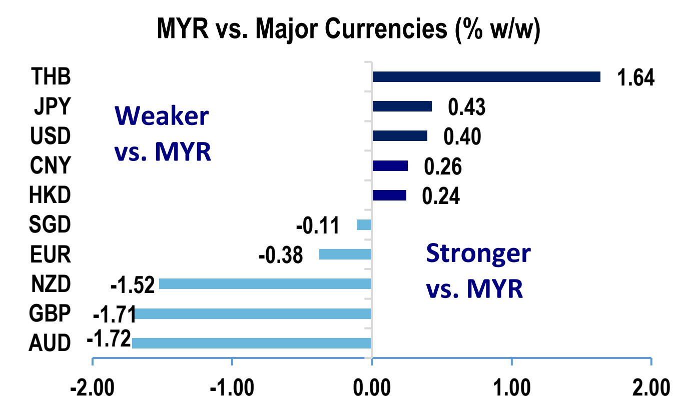
	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,921.23	**-0.56**	**17.36**
S&P 500	4,649.27	**-0.66**	**23.78**
FTSE 100	7,384.18	**1.43**	**14.30**
Hang Seng	25,247.99	**0.09**	**-7.28**
KLCI	1,555.26	**-0.81**	**-6.66**
STI	3,238.07	**-0.13**	**13.86**
Dollar Index	95.18	**0.88**	**5.83**
WTI oil ($/bbl)	81.59	**3.53**	**68.16**
Brent oil ($/bbl)	82.87	**2.89**	**59.98**
Gold (S/oz)	1,863.90	**3.93**	**-1.65**

Source: Bloomberg

- US equities broke a more-than-week-long winning streak this week, pulling back from record high levels as earnings optimism gave way to renewed inflation concerns. Oil prices pared off some recent gains this week following a sharp selloff in the middle of the week. The White House pushed back expectations that it would address the issue of high oil prices via the Strategis Petroleum Reserves, citing an EIA's prediction that prices would soon fall in December through 1Q22 as the market would be oversupplied by then.

- The data calendar turns busier next week with the release of US top-tiered data such as retail sales, industrial productions, housing starts & building permits as well as a couple of regional manufacturing PMI indexes. Apart from that, the Eurozone and Japan would report their third quarter GDP reports while China is slated to release the all-important monthly indicators which include retail sales, industrial production and fixed investment. We are also watching out for key CPI data from the Eurozone, UK as well as Japan.

Forex

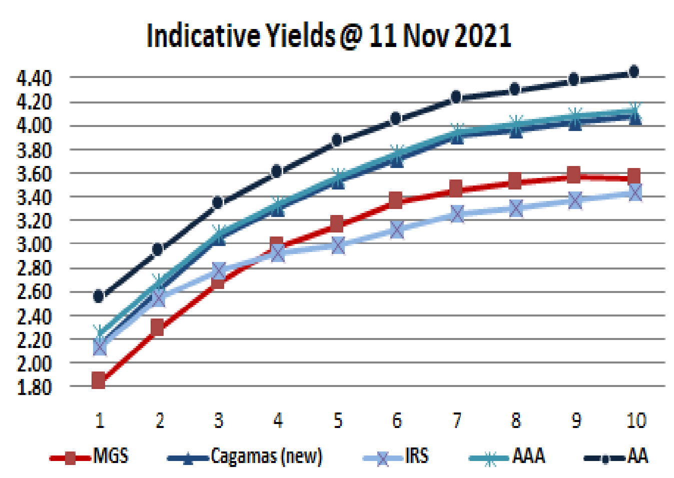


Source: Bloomberg

- **MYR:** USD/MYR traded higher to 4.15-4.16 the past week tracking renewed USD strength. The DXY broke the 95.0 handle yesterday after US CPI surged more than expected to a three-decade high, leading USD/MYR to an intraday high of 4.1715, before retreating a tad to close at 4.1705 on Thursday, still marking a 0.3% w/w advance. We maintain our ***Neutral to Slightly Bullish*** outlook for USD/MYR, as the Fed rate hike expectations and cautious market sentiments may still keep USD strength intact. Negative momentum in USD/MYR is also reducing, suggesting likelihood of some upward move to potentially a range of 4.15-4.19 in the week ahead.

- **USD**: Dollar strength gathered momentum over the past sessions, as concerns of high inflation came in. DXY was up to a high of 95.25 at the time of writing on Fri. DXY was up 0.88% w/w on Thu close. The US registered its highest inflation in several decades (6.2% y/y in Oct). We are ***Neutral-to-Bullish*** on the USD for the week ahead, looking at 96 as the next mark to break for the DXY. Momentum is biased on the upside. For the week ahead, markets may focus attention on retail sales and export/import price index figures.

Fixed Income



Source: Bloomberg

- **UST:** USTs were mostly weaker w/w, impacted mainly by the stronger-than-expected October CPI print. The earlier flattening moves seen eased slightly as the curve shifted sharpy higher. Overall yields spiked 2-11bps w/w, whilst the 30Y ended richer instead. The benchmark 2Y UST yields jumped 9bps to 0.43% while the 10-year note yields edged 2bps up at 1.55%. Overall, global bonds experienced substantial volatility as investors grappled earlier with the path of rate hikes, inflation and also asset-tapering decision by the Fed. Expect traders to await peripheral data from University of Michigan survey results whilst overnight-indexed swaps flash a potential Fed rate hike from July onwards next year.

- **MGS/GII:** Local govvies were seen mostly steadier w/w (saves for the GII 7-20Y tenures) amid a positive growth outlook based on the turn-around in industrial production for September. Nevertheless, yesterday's weakness was expected following the surge in US CPI October print which impacted overall global bond yields as well. Overall benchmark yields closed between 0-13bps lower except for the abovementioned GII. Elsewhere, expect some support for bonds next week following the just-announced contraction of Malaysia's GDP.

Macroeconomic Updates

- **US stocks retreated from record level:** US equities broke a more-than-week-long winning streak this week, pulling back from record high levels as earnings optimism gave way to renewed inflation concerns. Oil prices pared off some recent gains this week following a sharp selloff in the middle of the week. The White House pushed back expectations that it would address the issue of high oil prices via the Strategis Petroleum Reserves, citing an EIA's prediction that prices would soon fall in December through 1Q22 as the market would be oversupplied by then.

- **US CPI inflation highest in 30 years:** The US consumer price index rose in October by 6.2% from a year ago, marking its fastest pace in 30 years amid supply chain bottlenecks and solid consumer demand. In September, CPI had risen by 5.4% y/y. Prices in nearly all categories of goods and services were up in October when compared to September. Notably, gasoline prices jumped by 6.1% m/m within a span of month. The producer price inflation, measuring the prices received by firms selling goods & services, was also sustained at a record high of 8.6% y/y; the costs were then passed to consumers as expected.

- **Investor confidence improved in Eurozone:** Key gauges of investor confidence for the euro area outlook showed improvements this month amid expectations that the supply chain bottlenecks would eventually ease and the region would get back on track for further economic recovery. The Sentix Investor Confidence Index rose to 18.3 in November, driven by the stronger growth expectations. The ZEW monthly survey showed that Germanys' investors raised their outlook for both Germany and the broader euro area.

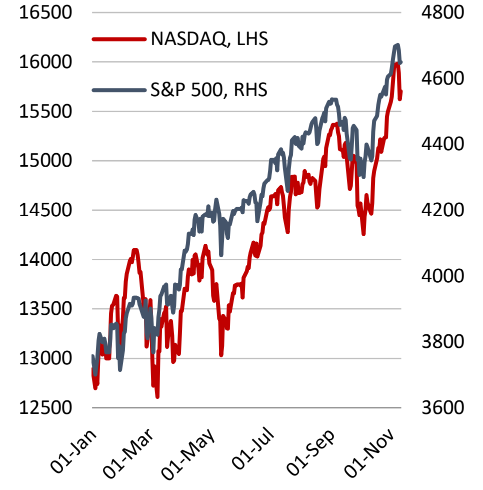
- **UK GDP growth missed forecasts:** The UK's 3Q GDP growth came in at 1.3% q/q, compared to the consensus forecast of 1.5%. This marked a sharp slowdown from the the 5.5% growth in the second quarter when the UK had first begun to ease Covid restrictions on a phase-by-phase basis. The softer growth in 3Q reflects the smaller positive contribution from household spending and the negative net exports which outweighed growth in investment. On a y/y basis, GDP growth slowed tremendously to 6.6% in 3Q, from 23.6% in 2Q.

- **Australia's job report was a disappointment:** Australia reported job losses of 46.3k in October instead of the expected gain of 50k. Last month's layoffs were driven by both full-time sectors and reflected the extended impacts of previous lockdowns. The unemployment rate rose sharply to 5.2% in October, from 4.6% prior. This was alongside the higher labour participation rate (64.7% vs 64.5%). The downbeat report suggests only a delay in job recovery and is in line with the RBA's cautiousness as well as dovish policy stance. The reopening of NSW and Victoria and the broader improvement in both consumer and business sentiment suggest that job growth is likely to return this month onwards.

- **Malaysia's GDP growth at -4.5% y/y**: The Malaysian economy contracted by 3.6% q/q in the third quarter, translating to a y/y decline of 4.5%. Both readings missed the consensus forecasts as analysts had expected a smaller downturn. Prolonged lockdown in the country to combat high Covid-19 cases had taken a toll on the economy during that period.

- **Top-tiered data expected next week:** The data calendar turns busier next week with the release of US top-tiered data such as retail sales, industrial productions, housing starts & building permits as well as a couple of regional manufacturing PMI indexes. Apart from that, the Eurozone and Japan would report their third quarter GDP reports while China is slated to release the all-important monthly indicators which include retail sales, industrial production and fixed investment. We are also watching out for key CPI data from the Eurozone, UK as well as Japan.

Equities retreated as US inflation hit 30Y high



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Foreign Exchange Market

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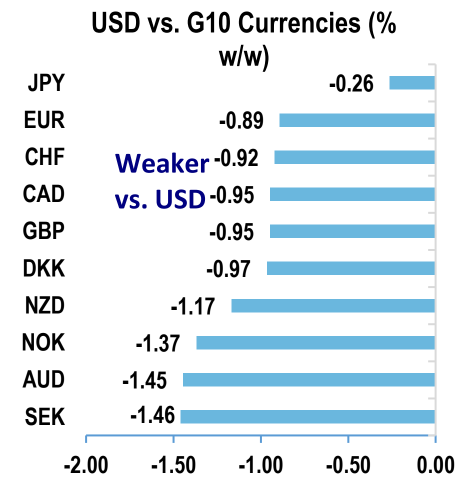
- **EUR**: EUR/USD was among the better performers among G10, down 0.89% w/w against the dollar. Pair was down to a close of 1.1451 on Thu. Sep retail sales was slightly down m/m. We are ***Neutral-to-Bearish*** on EUR/USD for the week ahead, with support at 1.13 and resistance at 1.1646. Pair is close to being oversold, after continually bearish momentum Focus for the week ahead is on 3Q preliminary GDP data and final CPI figures for Oct.

- **GBP**: GBP/USD was down by 0.95% w/w, closing at 1.3372 on Thu. Dollar strength alongside positioning on BOE uncertainty/dovishness fuelled the moves. We are ***Neutral-to-Bearish*** on GBP/USD for the week ahead, with support at 1.32 and resistance at 1.3490. Technical trends are similar to that of the EUR. UK releases CPI data for Oct, which may be of interest to markets.

- **JPY**: USD/JPY was more stable, up by 0.26% w/w, as yen was supported by risk aversion. USD/JPY closed at 114.06 on Thu. PPI surged to 8% y/y in Oct from 6.4% a month ago. We are ***Neutral-to-Slightly-Bullish*** on USD/JPY for the week ahead, placing resistance at 115 and support at 111.50. Japan releases 3Q GDP data and inflation for Oct for the week ahead.

- **AUD**: AUD/USD were among the underperformers past week, down by 1.45% to close at 0.7294 for Thu close. This comes after a surprising drop in employment figures for Oct, continuing a Sep decrease. We are ***Neutral-to-Slightly-Bearish*** on AUD/USD, with support at 0.71 and resistance 0.74. We see pair close to oversold territory and being on bearish momentum. Most of the dovish RBA and fundamentals positioning may have been already priced in. However, AUD is still vulnerable to dollar strength. Focus for the week ahead is on RBA minutes on Nov. policy meeting.

- **SGD**: USD/SGD has been trading on a bid tone, continuing a trend since end-Oct. Pair closed at 1.3542 on Thu, 0.23% higher w/w. Dollar strength caused defensiveness in SGD, although it was more resilient than other currencies (evidenced by stable SGD NEER). We are ***Neutral-to-Bullish*** on USD/SGD for the week ahead, eyeing resistance of 1.3660 and support of 1.3470. Singapore releases Oct NODX figures on 17 Nov. China's economic data for Oct may also shape FX movements.



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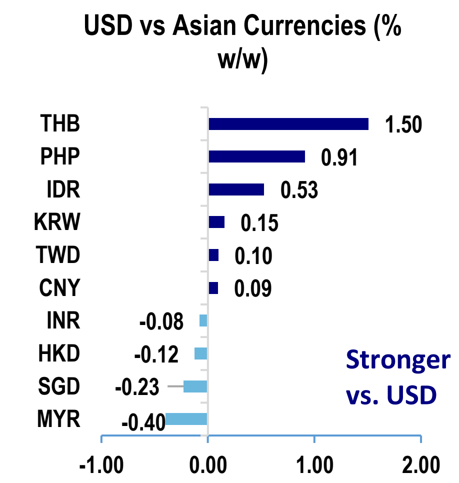


Source: Bloomberg

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

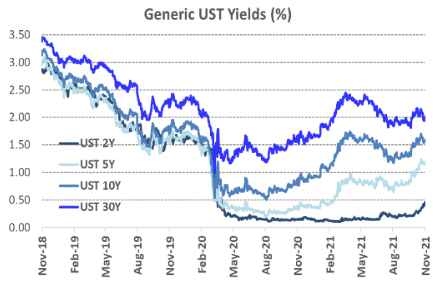
Fixed Income

- **UST:** USTs were mostly weaker w/w, impacted mainly by the stronger-than-expected October CPI print, the highest since November 1990. The earlier flattening moves seen eased slightly as the curve shifted sharpy higher. Overall yields spiked 2-11bps w/w, whilst the 30Y ended richer instead. The benchmark 2Y UST yields jumped 9bps to 0.43% while the 10-year note yields edged 2bps up at 1.55%. Treasury's weekly auctions for $39b of 10Y and $25b of 30Y auction were disappointing. The latter disappointed, tailing by ~5bps with bidding metrics registering a cover of only 2.20x (six previous auctions' average: 2.22x). The auction was awarded at a rate of 1.94% i.e. 11bps lower than its previous equivalent sale in August with a larger issuance of $27b. Overall, global bonds experienced substantial volatility as investors grappled earlier with the path of rate hikes, inflation data and also asset-tapering decision by the Fed. Expect traders to await peripheral data from the University of Michigan survey result whilst overnight-indexed swaps flash a potential Fed rate hike from July onwards next year.

- **MGS/GII:** Local govvies were seen mostly steadier w/w (save for the GII 7-20Y tenures) amid a positive growth outlook based on the turn-around in industrial production for September. Nevertheless, yesterday's weakness was expected following the surge in US CPI October print which impacted overall global bond yields as well. Overall benchmark yields closed between 0-13bps lower except for the abovementioned GII. The benchmark 5Y MGS 11/26 edged 2bps lower at 3.11% from prior week's close whilst the 10Y MGS 4/31 settled 1bps lower at 3.56%. The average daily secondary market volume **dropped 35.2%** @ RM2.64b versus prior week's RM4.08b. Elsewhere, expect some support for bonds next following the just-announced contraction in the economy for 3Q2021 GDP data as market digests the spike in US inflation. Local monetary policy is expected to remain accommodative to provide support and ease price pressures.

- **MYR Corporate bonds/ Sukuk**: The week under review saw investor activity ease in the secondary market for govt-guaranteed/sukuk/corporate bonds. Participation was seen mainly across the GG-AA part of the curve as yields closed mostly mixed amid a **52.9% plunge** in average daily market volume of RM160m compared to prior week's RM340m. Topping the weekly volume were PTPTN 3/24 (GG) which spiked 43bps compared to previous-done levels to 2.96%, followed by SEB 12/32 (AAA) bonds, which eased 7bps instead at 4.07%. Third largest volume was seen for TAQA bonds with the shorter-end 3/22 edging 1bps up at 3.17%. Higher frequency of bond trades was seen in PRASA, DANA, Genting-related names like GENM Cap, UEM Sunrise, energy-related bonds i.e. EDRA, QSPS Green bonds and also odd-lot transactions in YNH Properties. Meanwhile the prominent issuances for the week consisted of govt-guaranteed Danainfra Nasional Bhd's 7-30Y bonds totaling RM1.5b with coupons ranging between 3.72-4.70% and also Pengurusan Air Sdn Bhd's (PASB) AAA-rated 6-15Y bonds with coupons between 3.83-4.08%

- **SGS:** SGS (govvies) saw the curve flatter w/w, somewhat mirroring UST movements as overall benchmark bonds closed mixed between -7 to +6bps with the longer-ends richer; in contrast to the front-end and belly. The 2Y yield however edged 1bps up at 0.85% whilst the 10Y (which traded tighter within 1.70-1.76% range) moved 3bps lower at 1.77%. MAS in its 2022 issuance guide, revealed plans to sell a new long-tenured bond via syndication in the middle of next year as part of plans to finance infrastructure projects. Proposed issuances for next year show tenures skewed towards 2-10 years. The republic has sold ~S132b of bonds YTD, up 17% from last year. Meanwhile the SGD continued to take a toll as rising UST yields boosted the greenback with the NEER ~0.8% above the mid-point of estimated policy band. Elsewhere, Housing and Development Board's (HDB) Long Term Foreign and Local Currency Issuer Default Ratings were rated AAA with a Stable Outlook by Fitch Ratings.



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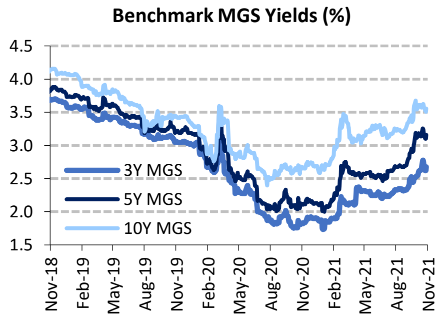

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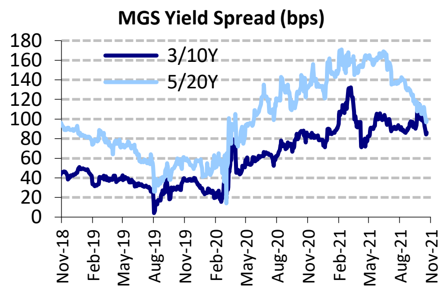

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Bank Pembangunan Malaysia Berhad	Financial institution (FI) rating	AAA-IS/Stable	Affirmed
Jimah Energy Ventures Sdn Bhd	RM4.85 bil Senior IMTN Facility (2005/2025)	AAA/Stable	Affirmed
Special Power Vehicle Berhad	RM800 mil Class A Islamic MTN (Class A IMTN) Facility (2005/2022)	A1/Stable	Reaffirmed
Sarawak Energy Berhad	RM15.0 bil Sukuk Musyarakah Programme (2011/2036)	AAA/Stable	Reaffirmed
Malaysia Airports Holdings Berhad	Proposed Senior Sukuk and Perpetual Subordinated Sukuk	AAA/Stable and AA2/Stable	Assigned
Perusahaan Otomobil Nasional Sdn Bhd's (PROTON or the Company)	Proposed RM4.0 bil Islamic Medium Term Notes Programme (2021/2051) and RM1.0 bil Islamic Commercial Papers Programme (2021/2028), with a combined limit of RM4.0 bil (the programmes)	AA3(s)/Stable and P1(s)	Assigned
Cenergi SEA Berhad	Corporate credit rating	A1/Stable/P1	Assigned
	Proposed Senior Sukuk/Subordinated Perpetual Sukuk Programme with a combined limit of RM1.5 bil	A3/Stable rating	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
15/11	05:30	NZ	Performance Services Index	Oct	46.9
	07:50	JP	GDP SA QoQ	3Q P	0.5%
	08:01	UK	Rightmove House Prices YoY	Nov	6.5%
	10:00	CN	Retail Sales YoY	Oct	4.4%
	10:00	CN	Industrial Production YoY	Oct	3.1%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Oct	7.3%
	12:30	JP	Industrial Production MoM	Sep F	-5.4%
	18:00	EZ	Trade Balance SA	Sep	11.1b
	21:30	US	Empire Manufacturing	Nov	19.8
16/11	08:30	AU	RBA Minutes of Nov. Policy Meeting		
	15:00	UK	ILO Unemployment Rate 3Mths	Sep	4.5%
	15:00	UK	Employment Change 3M/3M	Sep	235k
	18:00	EZ	Employment QoQ	3Q P	0.7%
	18:00	EZ	GDP SA QoQ	3Q P	2.2%
	21:30	US	Retail Sales Advance MoM	Oct	0.7%
	21:30	US	Import Price Index YoY	Oct	9.2%
	22:15	US	Industrial Production MoM	Oct	-1.3%
	23:00	US	NAHB Housing Market Index	Nov	80.0
17/11	07:30	AU	Westpac Leading Index MoM	Oct	-0.02%
	07:50	JP	Exports YoY	Oct	13.0%
	07:50	JP	Core Machine Orders MoM	Sep	-2.4%
	08:30	AU	Wage Price Index YoY	3Q	1.7%
	08:30	SG	Non-oil Domestic Exports YoY	Oct	12.3%
	15:00	UK	CPI YoY	Oct	3.1%
	18:00	EZ	CPI YoY	Oct F	3.4%
	20:00	US	MBA Mortgage Applications	12 Nov	5.5%
	21:30	US	Building Permits MoM	Oct	-7.7%
	21:30	US	Housing Starts MoM	Oct	-1.6%
18/11	21:30	US	Initial Jobless Claims	13 Nov	267k
	21:30	US	Philadelphia Fed Business Outlook	Nov	23.8
	23:00	US	Leading Index	Oct	0.2%
19/11	00:00	US	Kansas City Fed Manf. Activity	Nov	31.0
	07:30	JP	Natl CPI Ex Fresh Food YoY	Oct	0.1%
	08:01	UK	GfK Consumer Confidence	Nov	-17.0
	15:00	UK	Retail Sales Inc Auto Fuel MoM	Oct	-0.2%
18-25/11	NA	SG	GDP YoY	3Q F	6.5%

Source: Bloomberg

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