Global Markets Research
Weekly Market Highlights

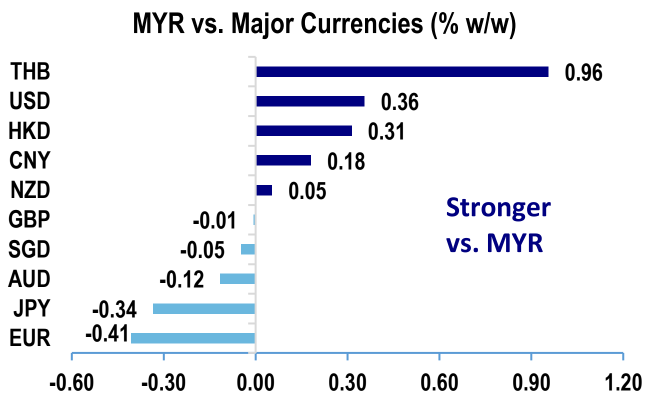
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	35,499.85	1.24	15.99
S&P 500	4,460.83	0.72	18.76
FTSE 100	7,193.23	1.02	11.34
Hang Seng	26,517.82	1.19	-2.62
KLCI	1,501.97	0.41	-7.70
STI	3,182.80	0.24	11.92
Dollar Index	93.04	0.86	3.44
WTI oil ($/bbl)	69.09	0.00	42.39
Brent oil ($/bbl)	71.31	0.03	37.66
Gold (S/oz)	1,749.00	-3.11	-7.71

Source: Bloomberg

- Global financial markets were generally in risk-on mode this week, spurred by upbeat nonfarm job data followed by the approval of President Biden's infrastrucutre plan by the Senate was seen as crucial in providing further stimulus to the US economy, not only now but over the longer term. The slew of Fed speaks over the week also generally bode well with market sentiments, largely reaffirming the Fed's rhetoric that taper discussion could begin soon. Ongoing concerns over the rapid spread of the Delta variants took a backseat for the time being. Inflation prints from the US and China stole the limelight, generally signalled inflation may be peaking as expected.
- The data calendar next week is busier filled with first tier data. Kicking off the week will be the usual data dump from China, to assess the extent of the slowdown in the recovery. US retail sales and housing starts, EU and Japan 2Q GDP, as well as employment data from the UK and Australia are other key watch. On the policy front, FOMC minutes and RBA meeting minutes are on the deck while RBNZ will meet on 18 August.

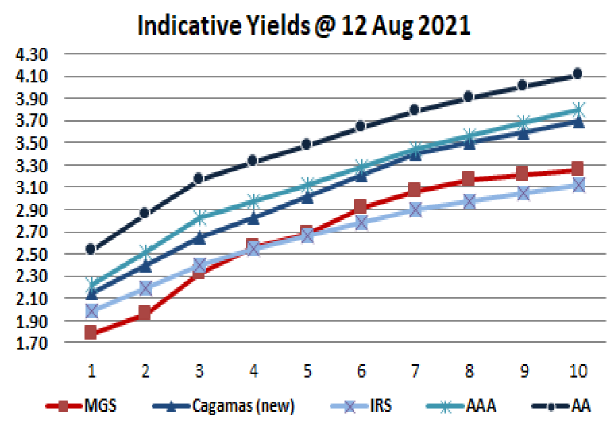
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded on a biddish tone over the week, hitting a high of 4.2400 on two occasions on 11 and 12 August, driven by a firmer USD and to some extent, domestic noises. The pair last settled at 4.2315, up 0.4% w/w to Thursday's close. A break of the 4.23 handle has increased bullishness in the pair but momentum indicators look ***Neutral*** for now. We continue to eye a range of 4.21-4.25 for now. Any break of the 4.25 key resistance will pave the way towards 4.28 next.
- **USD**: USD broadly strengthened over the past week, against G10 and Asian currencies. DXY was up by 0.86% w/w, closing at 93.04 on Thursday. Strong non-farm payrolls triggered the rally, although a more subdued CPI print triggered some reversals after 11 August's high of 93.19. We are ***Neutral-to-Bullish*** on the USD for the week ahead. Gains possibly look stretched close to 93.20, as DXY looks towards 94. Support closer to 92.70 on an immediate basis. For the week ahead, focus is on FOMC minutes on 19 August and retail sales data.

Fixed Income



Source: Bloomberg

UST: The week under review saw USTs ended weaker as strong jobs data and hawkish Fed speaks jerked yields higher with expectations of asset tapering possibly commencing sooner than expected. This overshadowed the belief that inflation has peaked judging from the release of July CPI numbers. The benchmark UST 2Y edged 2bps up at 0.22% whilst the 10Y spiked 13bps to 1.35%. The Treasury successfully completed stellar auctions for $58b 3Y and $41b 10Y; whilst the $27b 30Y auction was tepid. Expect more volatile movements for USTs next week with slight upward bias on yields.

MGS/GII: Local govvies were seen pressured again for the 2nd week running as participants preferred to stay sidelined on lack of market-moving catalysts and also due to the mid-week Maal Hijrah holiday. Overall benchmark yields for MGS/GII rose mostly between 1-9bps with the curve shifting prominently higher. The average daily secondary market volume dropped sharply by 31% @ RM2.0b. Meanwhile the just-released 2Q2021 GDP data showed a slide of 2.0% q/q due to the stricter movement controls. Nevertheless, the economy grew 16.1% y/y, better than our house view of +14.6% y/y. Expect bonds to weaken slightly next week as bonds supply concerns resurface.

Macroeconomic Updates

- Global financial markets were generally in risk-on mode this week, spurred by the upbeat nonfarm job data followed by the approval of President Biden's infrastrucutre plan by the Senate was seen as crucial in providing further stimulus to the US economy, not only now but over the longer term. The slew of Fed speaks over the week also generally bode well with market sentiments, largely reaffirming the Fed's rhetoric that taper discussion could begin soon. Ongoing concerns over the rapid spread of the Delta variants took a backseat for the time being. The Dow and S&P500 continued to scale new highs while the tech-centric NASDAQ retreated from its record high seen last week, but overall US stocks still printed a 0.7-1.2% w/w gain up till Thursday's close. Improved risk sentiments also drove government bond yields higher while commodities in the like of crude oil stayed supported on demand outlook. WTI and Brent crude closed out the week little changed at $69.09 and $71.31/ barrel. Gold recorded a weekly loss on paring of safety refuge.

- On the data front, inflation prints stole the limelight. Despite some minor differences, these reports nevertheless signalled inflation may be peaking as expected. US CPI moderated to 0.5% m/m in July as expected. Price gain softened across the key categories including food, transport and services while housing inflation stabilized. Core CPI ex energy and food also tapered off from the recent peak of +0.9% to +0.3% m/m, its lowest since March. On a year-on-year basis, headline CPI did not push further up while core CPI moderated to 4.3% y/y, suggesting inflation may have peaked and in line with the Fed's transitory inflation rhetoric, paring expectations that the Fed may need to taper sooner than later.

- Meanwhile, inflation prints surprised on the upside in China. CPI moderated less than expected to 1.0% y/y in July, from +1.1% y/y a month ago underpinned by transport/ communication, and recreation/ education. On the contrary, producer prices picked up to 9.0% y/y, from +8.8% y/y in June, signaling prevailing higher producer costs that could still filter down to the system.

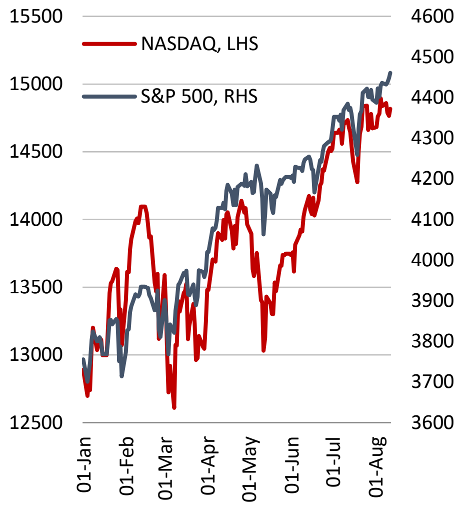
- The UK economy staged a rebound and grew 4.8% q/q and 22.2% y/y in 2Q as expected, underpinned by recovery in private consumption that contributed 4.2ppt to growth. Continued contraction in investment and net exports drag however negated some of the consumption gain. Recovery in the UK economy looks intact thus far taking cue from the pick-up in monthly GDP to 1.0% m/m in June despite some restrictions back then. Key risks will be resurging cases from the Delta variants. We also noticed some weakening signs in industrial production and housing. Back in Malaysia, the economy grew more than expected by 16.1% y/y in 2Q, augmented by low base effect underpinned by strong rebound in both domestic and external demand. The recovery path in 2H will be more challenging, much dependable on the progress and effectiveness of vaccination and containment of the pandemic.

The Week Ahead

- The data calendar next week is busier filled with first tier data. Kicking off the week will be the usual data dump from China – retail sales, industrial production and fixed asset investment, to assess the extent of the slowdown in the recovery. On the US front, retail sales and housing starts along with the usual weekly jobless claims will be key. Elsewhere, 2Q GDP reports from the Eurozone and Japan are on the deck, as well as employment data from the UK and Australia. Following the US and China, UK and Japan will release inflation gauges in the week ahead.

- On the policy front, FOMC minutes and RBA meeting minutes will be closely watched. The Fed has tilted towards a slightly more hawkish stance at its last meeting on 29-July citing progress made towards its target of maximum employment and price stability. The minutes will be scrutinized for any clues on the timing of the commencement of tapering discussion which will offer some hints on tapering timeline. On top of that, RBNZ will meet on 18 August where it has hinted on rate hike prospects previously.

S&P 500 hit fresh record highs while NASDAQ consolidated



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded on a biddish tone over the week, hitting a high of 4.2400 on two occasions on 11 and 12 August, driven by a firmer USD and to some extent, domestic noises. The pair last settled at 4.2315, up 0.4% w/w to Thursday's close. A break of the 4.23 handle has increased bullishness in the pair but momentum indicators look ***Neutral*** for now. We continue to eye a range of 4.21-4.25 for now. Any break of the 4.25 key resistance will pave the way towards 4.28 next.

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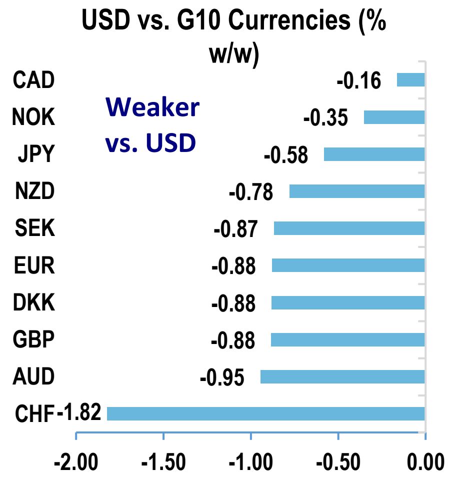
- **EUR**: EUR/USD was down by 0.88% between 6 to 12 August, affected by dollar strength. A recent low of 1.1706 now shifts attention towards the 1.16 to 1.17 range. We are ***Neutral-to-Bearish*** on EUR/USD for the coming week, watching support at 1.16 and resistance at 1.1883. Momentum is pointing for some more downsides, although possibly modest. Week ahead focus is on 2Q preliminary GDP and July CPI prints. Current account data for June will also likely be keenly eyed.

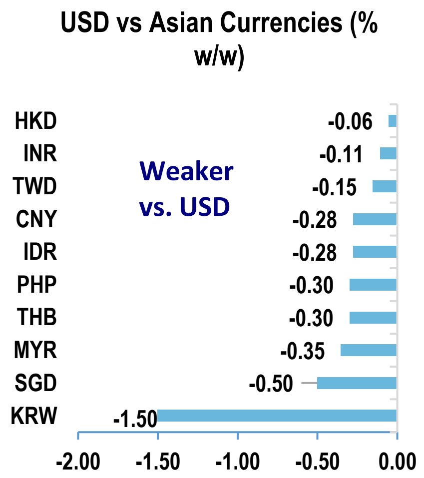
- **GBP**: GBP/USD suffered a similar fate as EUR/USD over the past week, affected by dollar movements. Pair closed at 1.388 on 12 August. 2Q GDP was in line with expectations (22.2% y/y and 4.8% q/q). We are ***Neutral*** on GBP/USD for the coming week, eyeing support of 1.3710 and resistance of 1.3900. Momentum on the downside is coming off, according to technical. Optimism in UK reopening persists. Focus for the week ahead will be on CPI and PPI numbers for July.

- **JPY**: USD/JPY was in a bid tone over the past week, although being more resilient than other currency pairs. Pair closed at 110.41 after a recent high of 110.80. This comes as Covid-19 cases continued to rise. Current account surplus faded in June as expected by markets, while PPI was higher than expected. We are ***Neutral*** on USD/JPY for the week ahead, as momentum indicators look relatively muted. We anticipate a range of 109.00 to 111.40. The data focus is on 2Q GDP on 16 August, as well as trade balance and CPI thereafter.

- **AUD**: AUD weakened by more than the G10 average, with AUD/USD down by 0.95% during the week. This brought the pair to a low of 0.7316 on 10 August. Markets continued to be discouraged by Australia's Covid-zero strategy, and continued lockdowns. We are ***Neutral-to-Bearish*** on AUD/USD for the coming week, watching support at 0.7170 and resistance at 0.7500. Momentum indicators are still biased on the downside. Markets will likely examine details of RBA minutes of August policy meetings, as well as employment data for July.

- **SGD**: USD/SGD reached a high of 1.3606 on 11 August but corrected partially downwards (Thursday close: 1.3578) thereafter. Pair overall was 0.5% up w/w. The outlook is brighter, as Singapore revised up 2Q GDP and started reopening to enter endemic phase of pandemic. We are ***Neutral*** on USD/SGD for the week ahead, anticipating a range of 1.3473 to 1.3693. Momentum on the upside is fading, but we watch resistances for more upsides. Singapore releases July NODX on 17 August, where consensus expects double-digit y/y expansion.





Source: Bloomberg

Forecasts

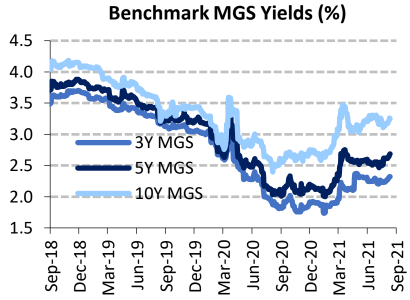
	Q3-21	Q4-21	Q1-22	Q2-22
DXY	92.00	91.50	90.00	89.00
EUR/USD	1.18	1.19	1.21	1.22
GBP/USD	1.40	1.41	1.43	1.45
AUD/USD	0.74	0.74	0.76	0.77
USD/JPY	109	108	107	105
USD/MYR	4.23	4.20	4.20	4.15
USD/SGD	1.35	1.35	1.34	1.33

	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

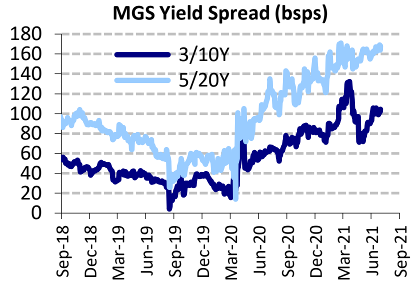
Fixed Income

UST: The week under review saw USTs ended weaker reversing prior week's stronger move as the combination of strong jobs data and hawkish Fed speaks jerked yields higher with expectations of asset tapering possibly commencing sooner than expected. This overshadowed the belief that inflation has peaked judging from the release of July CPI numbers. The benchmark UST 2Y; reflective of interest rate predictions edged 2bps up at 0.22% whilst the much-watched 10Y (which traded within a wider 1.22%-1.35% range); spiked 13bps to 1.35%. The Treasury successfully completed stellar auctions for $58b 3Y and $41b 10Y; whilst the issuance of $27b 30Y auction was tepid. Better-than-expected US jobs data was seen driving USTs, especially the 10Y yields to the highest level in 2 weeks. Meanwhile more Fed officials have indicated the time to taper asset purchases is approaching as the recovery which is underway may necessitate a transition from extraordinary monetary policy accommodation to more neutral settings. Expect more volatile movements for USTs next week with slight upward bias on yields.



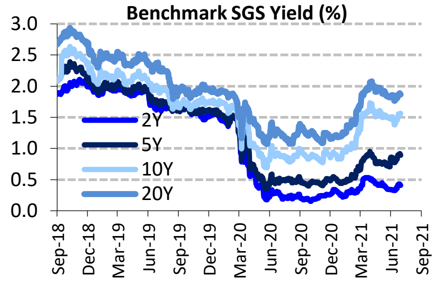
Source: Bloomberg

MGS/GII: Local govvies were seen pressured again for the 2nd week running as participants preferred to stay sidelined on lack of market-moving catalysts and also due to the mid-week Maal Hijrah holiday. Overall benchmark yields for MGS/GII rose mostly between 1-9bps with the curve shifting prominently higher. The benchmark 5Y MGS 9/25 spiked 6bps to 2.68% from prior week's close whilst the 10Y MGS 4/31 rose 5bps higher at 3.24%. The average daily secondary market volume dropped sharply by 31% @ RM2.0b versus prior week's RM2.9b. Meanwhile The just-released 2Q2021 GDP data showed a slide of 2.0% q/q due to the dampened economic activity arising from the surge in COVID-19 infections. Nevertheless, the economy grew 16.1% y/y, better than our house view of +14.6% y/y. Expect bonds to weaken slightly next week as bonds supply concerns resurface.



Source: Bloomberg

- **MYR Corporate Bonds/ Sukuk:** The week under review saw lower activity in the secondary market for govt-guaranteed/sukuk/corporate bonds. Participation continued to be seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a **15% dip** in daily market volume of RM548m compared to prior week's RM646m. Topping the weekly volume were TOYOTA 2/23 (AAA) which rallied 27bps compared to previous-done levels to 2.76%, followed by the airport-operator MAHB 2114NC24 perps, which closed unchanged at 4.43%. Third largest volume was seen for Bank Islam 28NC23 bonds, which rallied 6bps to 3.18%. Higher frequency of bond trades was seen in DANA, PLUS, PASB, SABAH Development, energy-related bonds i.e. SEB and EDRA and odd-lot transactions in YNH property bonds. Meanwhile the prominent issuance for the week consisted of quasi-government CAGAMAS Bhd's (AAA) 1Y papers amounting to RM110m with a coupon of 2.15% and DRB-Hicom Bhd's (A1) 7-10Y bonds totaling RM390m with coupons ranging between 4.85-5.05%.



Source: Bloomberg

- **SGS:** SGS (govvies) somewhat mirrored USTs with overall benchmark weakened as the curve bear-steepened. The 2Y yield however remained unchanged at 0.34% whilst the 10Y (which traded wider between 1.31-1.46% range) spiked 13bps at 1.45%. Meanwhile rising vaccination rates is expected to support recovery in consumer-facing sectors following the republic's higher revision of its 2021 GDP forecast to between 6-7%. Singapore banks are expected to embrace the new benchmark pegged to the Singapore Overnight Rate Average (SORA), especially for derivatives transactions by September. Elsewhere, Temasek Holdings Pte (under its wholly-owned subsidiary Temasek Financial I) had successfully priced the longest-ever bond sale i.e. S1.5b 50Y security at 2.8% from an initial target of 2.85%. This follows last month's S$2.5b 3-part tranche debt issuance which included a 40Y tenure. Fitch meantime has rated UOB's AUD1.0b senior unsecured notes with a AA-rating. The notes will be issued through its Sydney branch under its USD15.0b global MTN programme.

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Gas Malaysia Distribution Sdn Bhd	Islamic Medium-Term Notes (IMTN) programme and Islamic Commercial Papers (ICP) programme with a combined limit of up to RM1.0 billion	AAA-IS/MARC-1IS	Affirmed
Bank Pertanian Malaysia Berhad (Agrobank)	Financial institution (FI) rating	AAA	Assigned
	Proposed RM1.0 billion Islamic Medium-Term Notes Programme	AAA-IS/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
16/08	06:30	NZ	Performance Services Index	Jul	58.6
	07:01	UK	Rightmove House Prices YoY	Aug	5.7%
	07:50	JP	GDP SA QoQ	2Q P	-1.0%
	10:00	CN	Retail Sales YoY	Jul	12.1%
	10:00	CN	Industrial Production YoY	Jul	8.3%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Jul	12.6%
	10:00	CN	Surveyed Jobless Rate	Jul	5.0%
	12:30	JP	Industrial Production MoM	Jun F	6.2%
	20:30	US	Empire Manufacturing	Aug	43.0
17/08	09:30	AU	RBA Minutes of Aug. Policy Meeting		
	14:00	UK	ILO Unemployment Rate 3Mths	Jun	4.8%
	14:00	UK	Employment Change 3M/3M	Jun	25k
	17:00	EZ	Employment QoQ	2Q P	-0.3%
	17:00	EZ	GDP SA QoQ	2Q P	2.0%
	20:30	US	Retail Sales Advance MoM	Jul	0.6%
	21:15	US	Industrial Production MoM	Jul	0.4%
	22:00	US	NAHB Housing Market Index	Aug	80.0
18/08	07:50	JP	Exports YoY	Jul	48.6%
	07:50	JP	Core Machine Orders MoM	Jun	7.8%
	08:30	AU	Westpac Leading Index MoM	Jul	-0.07%
	09:30	AU	Wage Price Index YoY	2Q	1.5%
	10:00	NZ	RBNZ Official Cash Rate	Aug 18	0.25%
	14:00	UK	CPI YoY	Jul	2.5%
	17:00	EZ	CPI YoY	Jul F	1.9%
	19:00	US	MBA Mortgage Applications	Aug 13	--
	20:30	US	Building Permits MoM	Jul	-5.3%
	20:30	US	Housing Starts MoM	Jul	6.3%
19/08	02:00	US	FOMC Meeting Minutes	Jul-28	--
	09:30	AU	Employment Change	Jul	29.1k
	09:30	AU	Unemployment Rate	Jul	4.9%
	16:30	HK	CPI Composite YoY	Jul	0.7%
	20:30	US	Philadelphia Fed Business Outlook	Aug	21.9
	20:30	US	Initial Jobless Claims	Aug 14	--
	22:00	US	Leading Index	Jul	0.7%
20/08	07:30	JP	Natl CPI Ex Fresh Food YoY	Jul	0.2%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Jul	0.5%
	15:00	MA	Foreign Reserves	Aug 13	--

Source: Bloomberg

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