Hong Leong Bank

Global Markets Research

Weekly Market Highlights

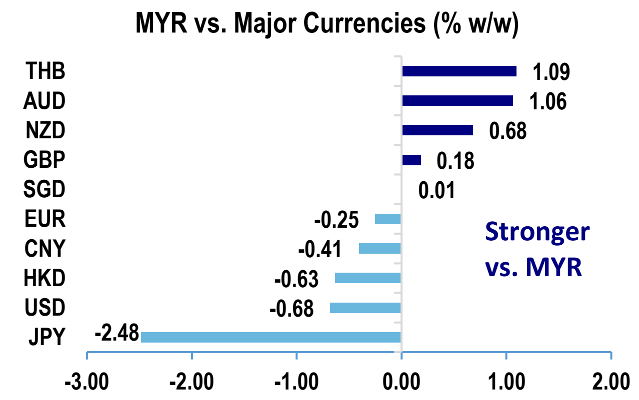
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,912.56	0.45	14.07
S&P 500	4,438.26	0.88	18.16
FTSE 100	7,207.71	1.83	11.57
Hang Seng	24,962.59	1.10	-8.33
KLCI	1,592.52	2.00	-2.13
STI	3,164.86	2.05	11.29
Dollar Index	93.96	-0.28	4.47
WTI oil ($/bbl)	81.31	3.84	67.58
Brent oil ($/bbl)	84.00	2.50	62.16
Gold (S/oz)	1,796.70	2.21	-5.19

Source: Bloomberg

- US stocks recovered from early week's selloff, boosted by a series of robust corporate earnings after having struggled to find directions post-FOMC minutes. The Fed laid out plan to begin tapering its bond buying program in mid-November or mid-December with an expected reduction of $15b per month. Officials, however, were divided over the appropriate rate hike timing with some calling for continuosly near-zero rates for the next couple of years and others supporting a rate hike by the end of next year. US CPI inflation picked up last month, while jobless claims slipped below 300k last week, a milestone in the pandemic era. China's CPI and PPI continued to diverge, putting pressure on firms' margins. Closer to home, MAS unexpectedly tighten monetary policy.
- In the week ahead, focus shift to the Markit preliminary PMI data and mainly China's 3Q GDP growth. US data flow is generally lighter, limited to a few housing indicators and regional manufacturing PMIs.

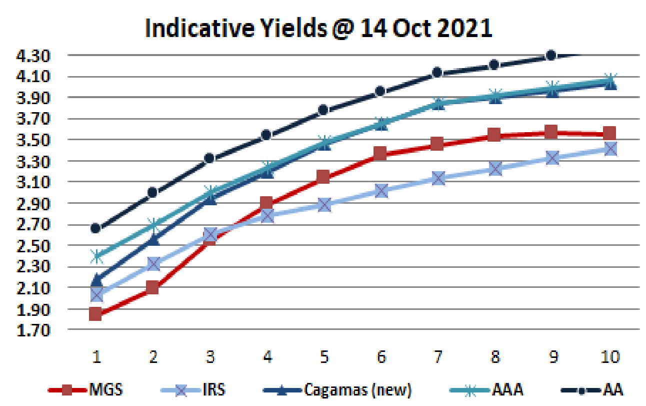
Forex



Source: Bloomberg

- **MYR:** USD/MYR saw successive pullback in the last six trading days. The pair saw big swings between 4.1500 and 4.1828 this week before settling at a one-month low of 4.1545 as at Thursday's close, down 0.7% w/w. Signs of renewed weaknesses in the USD coupled with MYR-positive catalysts such as further easing of movement controls and elevated commodity price outlook, are expected to help sustain bullishness in the MYR in the week ahead. We are therefore ***Neutral to Slightly Bearish*** on USD/MYR outlook, expecting a range of 4.14-4.17 for a holiday-shortened week. The downward trajectory could however be capped by cautiousness ahead of the tabling of the 2022 Budget on 29-October.
- **USD**: The USD was overall weaker over the past week, as DXY pulled back by 0.28% w/w to close Thursday at 93.96. Most currencies advanced against the USD, except the JPY. Initial jobless claims data came off, which PPI and CPI data still showed elevated price pressures. FOMC minutes showed Fed ready to taper its QE programme. We are ***Neutral*** on the USD for the week ahead, within a range of 93-95. Data focus will shift to Markit PMIs for October, as the Fed releases Beige Book.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw the curve flatten with front-end pressured whilst the long-ends were well supported. Overall benchmark yields closed mixed between -10 to +5bps across. Concerns still abound whether the Fed will tighten policy into a stagnating economy. The benchmark UST 2Y rose 5bps to 0.36% whilst the much-watched 10Y eased 6bps to 1.51%. Fed officials have mentioned that the higher supply of T-Bills may reduce the Reverse Repo usage. Expect USTs to range sideways next week following the recent recovery.
- **MGS/GII:** Local govvies saw GII's weaker but MGS close mixed with the 7-20Y tenures somewhat richer; generally influenced by movements in MYR IRS levels. Overall benchmark yields for MGS closed between -6 to +7bps whilst GII saw yields drift higher between 0-10bps. The benchmark 5Y MGS 11/26 jumped 7bps to 3.10% whilst the 10Y MGS 4/31 declined 10bps instead to 3.53%. The average weekly secondary market volume rose 9% @ RM14.6b. The 30Y GII11/49 auction saw strong BTC ratio of 2.521x and awarded at 4.557%, depicting robust participation by offshore parties and lifers. Expect profit-taking in bonds to ensue next week following the recent rapid recovery seen in the past three (3) days.

Macroeconomic Updates

- **US stocks boosted by strong earnings:** US stocks recovered from early week's selloff, boosted by a series of robust corporate earnings from big banks as well as UnitedHealth and Walgreen. Stocks had struggled to find directions earlier as investors digested the FOMC minutes and US CPI data. This week, US lawmakers passed the temporary extension of the debt ceiling to early December, averting a government default. For the week, the Dow was up modestly by 0.5% w/w as of Thursday while the S&P 500 rose 0.9% w/w. NASDAQ outperformed slightly with a 1.2% w/w gain. Closer to home, Singapore's MAS unexpectedly tightened policy by raising "slightly" the slope of its S$NEER policy band, from 0% previously, citing firmer growth outlook and accumulating price pressures.

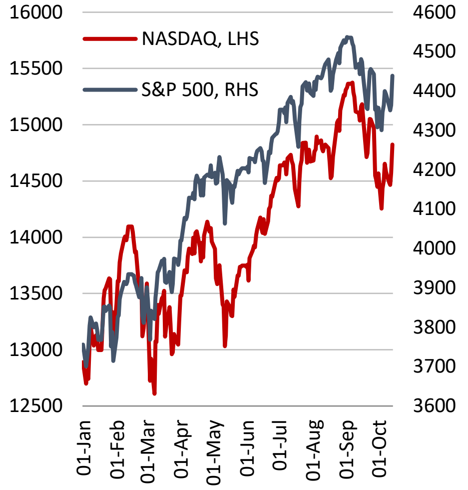
- **FOMC minutes revealed tapering plan, officials divided on rate hike timing:** The minutes for 21-22 September FOMC meeting showed that officials agreed to begin scaling back the central bank's hallmark $120b/month asset purchase program either in mid-November or mid-December. The pace of reduction is likely set at $15b per month split between US treasuries ($10b) and mortgage-back securities ($5b) and the process may conclude in the middle of next year. Despite the general consensus on the need to gradually reduce stimulus, officials were divided over the appropriate timing to raise the fed funds rate, currently at 0-0.25%. Some argued the need to keep a sufficiently accommodative policy stance i.e. leaving rates at or near the lower bound over the next couple of years due to concerns over sustained downward pressure on inflation in the years ahead and economy being below maximum employment. In contrast, some officials raised the possibility of raising rates by the end of next year, expecting the labour market and inflation goals to be achieved by that time. They also saw inflation as likely to remain elevated in 2022.

- **Higher inflation, rampant labour shortage in the States:** Consumer price inflation accelerated to 0.4% m/m in September as US firms passed over the higher labour costs and raw material prices to consumers last month, leaving the annual rate at 5.4% y/y. Job openings fell to 10.4mil in August, from the record high of over 11mil in July; the elevated job vacancies showed the continuously robust demand for labour. Notably, the "quit rate" which gauges voluntary resignations jumped to a record high of 2.9% as more people left their current jobs in search of better pays. The NFIB Small Business Survey confirmed such view as businesses lamented the difficulties to fill vacant positions and the necessity to raise compensations. Hiring appeared to outpace layoffs, as the higher frequency initial jobless claims fell to 293k last week, its first time below 300k and the lowest level since the pandemic started.

- **UK economy continued to recover:** The latest set of UK data showed ongoing economic recovery as more jobs were being created in the three months to August (+235k) while the jobless rate slipped to 4.5%. It is worth noting that the data still reflects the support from government furlough scheme. Notably, job vacancies reached a record high of 1.1mil in the Jul-Sep 2021 period, 318k higher compared to the pre-pandemic Jan-Mar 2021 level. Meanwhile, monthly nominal GDP expanded 0.4% m/m in August, driven by robust services activity and rebound in industrial output from the maintenance-related declines. Housing activity is expected to ease further after the end of stamp duty waiver as reflected in the fall in the RICS house price balance index (68% vs 72% prior).

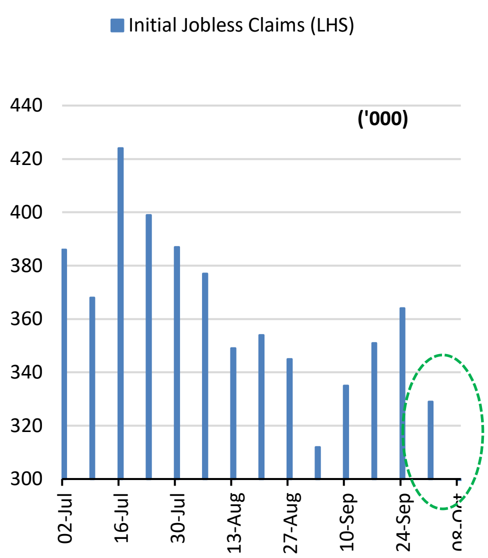
- **China's GDP in focus:** In the week ahead, IHS Markit releases the preliminary composite PMIs for the majors (the US, Eurozone, UK & Japan). US data flow turned lighter and is limited to housing data and regional manufacturing PMIs (NY Empire State & Philly Fed). We are also expecting a series of CPI readings from the Eurozone, UK, Japan, New Zealand, Hong Kong and Malaysia. The highlight is on China's third quarter GDP growth. Currently, consensus is expecting a slower epxanson of 5.0% y/y, down from 7.9% in 2Q.

US stocks advanced as earnings season kicked off on strong footing



Source: Bloomberg

Initial jobless claims fell below 300k, a milestone in the pandemic era



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR saw successive pullback in the last six trading days. The pair saw big swings between 4.1500 and 4.1828 this week before settling at a one-month low of 4.1545 as at Thursday's close, down 0.7% w/w. Signs of renewed weaknesses in the USD coupled with MYR-positive catalysts such as further easing of movement controls and elevated commodity price outlook, are expected to help sustain bullishness in the MYR in the week ahead. We are therefore ***Neutral to Slightly Bearish*** on USD/MYR outlook, expecting a range of 4.14-4.17 for a holiday-shortened week. The downward trajectory could however be capped by cautiousness ahead of the tabling of the 2022 Budget on 29-October.

- **USD**: The USD was overall weaker over the past week, as DXY pulled back by 0.28% w/w to close Thursday at 93.96. Most currencies advanced against the USD, except the JPY. Initial jobless claims data came off, which PPI and CPI data still showed elevated price pressures. FOMC minutes showed Fed ready to taper its QE programme. We are ***Neutral*** on the USD for the week ahead, within a range of 93-95. Data focus will shift to Markit PMIs for October, as the Fed releases Beige Book.

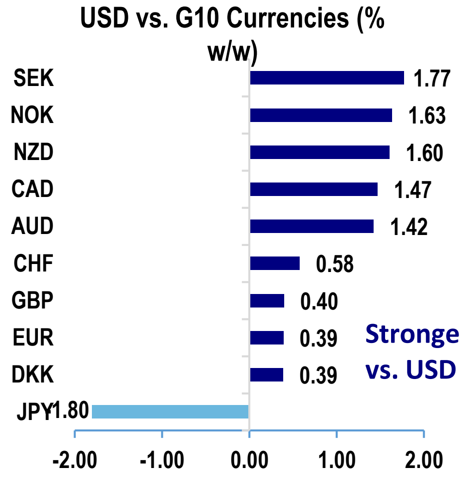
- **EUR**: EUR/USD was up by 0.39% w/w, closing at 1.1597 on Thursday close. This was helped by dollar weakness. Industrial production showed steady expansion. We are ***Neutral*** on the EUR/USD for the week ahead, within a range of 1.1400 to 1.1770. Momentum is coming off after prior downward trend since June. Any shifts in central bank stances may shape the pair. The Eurozone releases CPI and Markit PMI figures for the coming week.

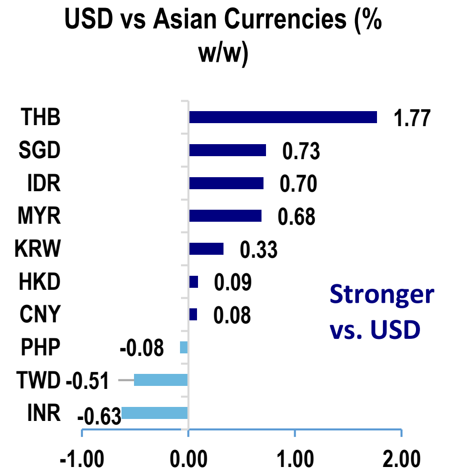
- **GBP**: Similarly, GBP/USD was up by 0.40%, closing at 1.3673 on Thursday close. This came after a high of 1.3734 on Thursday. We are ***Neutral-to-Slightly-Bullish*** on GBP/USD for the week ahead, within a range of 1.3520 to 1.3850. Technicals are showing some subdued momentum for the pair, as the GBP holds its ground against the dollar. The pound may stay more resilient near-term on possible Bank of England hawkishness. The UK releases CPI, PPI and retail sales data over the coming week, alongside Markit PMI figures.

- **JPY**: USD/JPY was up by 1.80% w/w, as the yen underperformed all major and Asian currencies. This is driven by market positioning from central bank divergence. Pair closed at 113.68 on Thursday. Japan's PPI showed elevated price pressures. We are ***Neutral-to-Bullish*** on USD/JPY for the week ahead. Momentum is still biased on the upside. Pair is finding footing around 114 big figure, but we see further likelihood it may test a 115 resistance. Support is at 111.50. Japan releases inflation and trade data for the coming week.

- **AUD**: AUD/USD was up by 1.42% w/w, helped by supportive positioning towards commodity-related and risk-positive currencies. Pair closed at 0.7416 on Thursday. This was also supported by some better than expected employment numbers for September. We are ***Neutral-to-Slightly-Bullish*** on AUD/USD for the week ahead, within a range of 0.7250 to 0.7600. Week ahead focus is on RBA minutes of October meeting and Markit PMIs.

- **SGD**: USD/SGD was down to a low of 1.3473 on Thursday, due to the MAS deciding to move to a modest and gradual appreciation of the SGD NEER, from a zero-appreciation policy stance previously. Singapore's economy grew by 6.5% y/y in 3Q, from 15.2% in 2Q, broadly supported by most sectors. Hence, we anticipate further SGD strength ahead, although only slightly against the USD. We are ***Neutral-to-Bearish*** on USD/SGD. If 1.3460 is broken, we watch the next support at 1.3380. Resistance is at 1.3523 immediate-basis, before 1.3620. Week ahead data focus is on non-oil domestic exports for September.





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

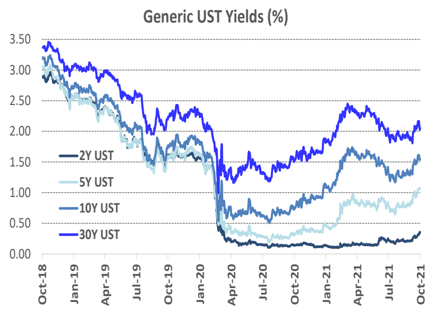
Fixed Income

- **UST:** The week under review saw the curve flatten with front-end pressured whilst the long-ends were well supported. Overall benchmark yields closed mixed between -10 to +5bps across. The faster-than-expected rise in consumer prices for September however saw the Treasury yield curve getting flatter despite the slower pace of rise. Concerns still abound whether the Fed will tighten policy into a stagnating economy. The benchmark UST 2Y; reflective of interest rate predictions, rose 5bps to 0.36% whilst the much-watched 10Y (which traded wider i.e. 1.51%-1.61% range); eased 6bps to 1.51%. Treasury's $58b 3Y note auction was tepid with a soft cover of 2.36x (6 previous auction average: 2.44x) and awarded at 0.635%. However, the other auction consisting of $38b 10Y auction fared better; drawing a yield of 1.584% on a BTC ratio of 2.58x (6 previous auction average: 2.59x). Fed officials have mentioned that the higher supply of T-Bills may reduce the Reverse Repo usage. Expect USTs to range sideways next week following the recent recovery.

- **MGS/GII:** Local govvies saw GII's weaker but MGS close mixed with the 7-20Y tenures somewhat richer; generally influenced by movements in MYR IRS levels. Overall benchmark yields for MGS closed between -6 to +7bps whilst GII saw yields drift higher between 0-10bps. The benchmark 5Y MGS 11/26 jumped 7bps to 3.10% whilst the 10Y MGS 4/31 declined 10bps instead to 3.53% from prior week's close. Interest was mainly seen in the shorter off-the-run 21-22's, 28's and also benchmark 3Y, 7Y and 10Y bonds. The average weekly secondary market volume rose 9% @ RM14.6b versus prior week's RM13.4b. The 30Y GII11/49 auction saw strong BTC ratio of 2.521x and awarded at 4.557%, depicting robust participation by offshore parties and lifers. Expect profit-taking in bonds to ensue next week following the recent rapid recovery seen in the past three (3) days.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw stronger investor interest in the secondary market for govt-guaranteed/corporate bonds/sukuk despite trades notching higher yields. Transactions were mainly seen along the GG-AA part of the curve as yields closed mostly mixed-to-higher amid the 28% rise in weekly market volume of RM2.18b (prior week: RM1.70b). Topping the weekly volume were DANA 10/23 (GG) which jumped 27bps compared to previous-done levels to 2.52%, followed by Sarawak Hidro 8/30 bonds which spiked 34bps to 3.90%. Third largest volume was seen for KHAZANAH 9/22 (GG) which moved 12bps higher at 2.07% levels. Higher frequency of bond trades was seen in DANA, PASB, GENM Capital, energy-related bonds i.e. MALAKOFF, BGSM, Sabah Development Bank and also odd-lot transactions in ECO World Capital, TROPICANA Bhd. Meanwhile the prominent issuance consisted of Gamuda Land (T12) Sdn Bhd's AA3-rated 6-7Y bonds totaling RM400m with coupons between 4.2-4.4%.

- **SGS:** SGS (govvies) saw overall weakness with the curve shifting higher, influenced by rising UST yields which rose earlier in the week. Overall benchmark yields closed higher between 2-9bps. The 2Y yield edged 2bps up at 0.58% whilst the 10Y (which traded wider between 1.63-1.74% range) also rose 2bps to 1.65%. Meanwhile, the SGD climbed to a 3-week high following the unexpected tightening of policy by MAS. The policy tightening despite the current COVID-19 cases is due to optimism that output should return to its potential in 2022. Elsewhere, Moody's Investor Service had assigned local currency ratings of (P)Aaa to Nanyang Technological University's (NTU) MTN programme and also a Aaa rating to its local currency senior unsecured programme maturing in 2036. Also, S&P has raised the long-term issuer credit rating of Geo Energy Resources Ltd to B from CCC. Another corporate i.e. Tuan Sing Holdings T24 has also successfully priced S$200m of its 2024 maturing notes at 6.9%.



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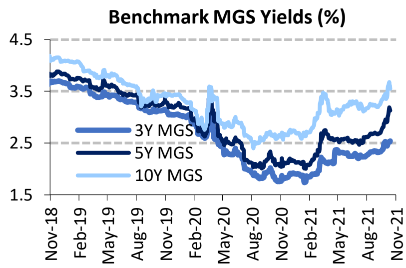

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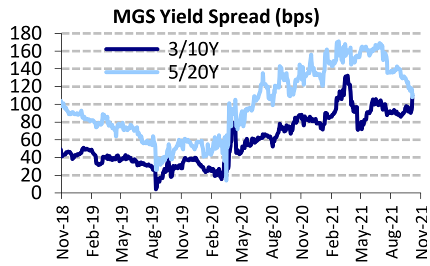

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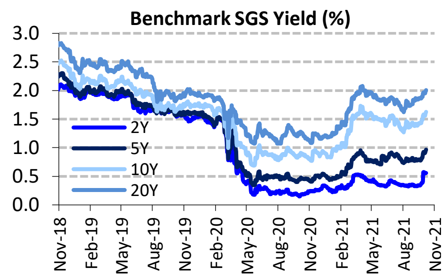

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd's (Kesturi)	RM2.3 billion Sukuk Musharakah (Senior Sukuk) and RM180 million Redeemable Secured Junior Bonds	From AA-IS/Stable and A-/Stable to AA-IS/Negative and A-/Negative	Revised
George Kent (Malaysia) Berhad	RM100.0 million Islamic Commercial Papers Programme	MARC-1 IS	Affirmed
	RM500.0 million Islamic Medium-Term Notes Programme	A+ IS	Affirmed
Leader Energy Sdn Bhd	Outstanding ASEAN Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah of RM255 million	AA IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
18/10	05:30	NZ	Performance Services Index	Sep	35.6
	05:45	NZ	CPI YoY	3Q	3.3%
	07:01	UK	Rightmove House Prices YoY	Oct	5.8%
	08:30	SG	Non-oil Domestic Exports YoY	Sep	2.7%
	10:00	CN	GDP YoY	3Q	7.9%
	10:00	CN	Retail Sales YoY	Sep	2.5%
	10:00	CN	Industrial Production YoY	Sep	5.3%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Sep	8.9%
	21:15	US	Industrial Production MoM	Sep	0.4%
	22:00	US	NAHB Housing Market Index	Oct	76.0
19/10	08:30	AU	RBA Minutes of Oct. Policy Meeting		
	20:30	US	Building Permits MoM	Sep	5.6%
	20:30	US	Housing Starts MoM	Sep	3.9%
20/10	07:30	AU	Westpac Leading Index MoM	Sep	-0.27%
	07:50	JP	Exports YoY	Sep	26.2%
	09:30	CN	1-Year Loan Prime Rate	20 Oct	3.85%
	14:00	UK	CPI YoY	Sep	3.2%
	17:00	EZ	CPI YoY	Sep F	3.0%
	19:00	US	MBA Mortgage Applications	15 Oct	0.2%
21/10	02:00	US	U.S. Federal Reserve Releases Beige Book		
	14:00	JP	Machine Tool Orders YoY	Sep F	71.9%
	20:30	US	Initial Jobless Claims	16 Oct	--
	20:30	US	Philadelphia Fed Business Outlook	Oct	30.7
	22:00	US	Leading Index	Sep	0.9%
	22:00	US	Existing Home Sales MoM	Sep	-2.0%
	22:00	EZ	Consumer Confidence	Oct A	-4.0
22/10	07:01	UK	GfK Consumer Confidence	Oct	-13.0
	07:30	JP	Natl CPI Ex Fresh Food YoY	Sep	0.0%
	08:30	JP	Jibun Bank Japan PMI Composite	Oct P	47.9
	12:00	MA	CPI YoY	Sep	2.0%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Sep	-0.9%
	16:00	EZ	Markit Eurozone Composite PMI	Oct P	56.2
	16:30	UK	Markit/CIPS UK Composite PMI	Oct P	54.9
	16:30	HK	CPI Composite YoY	Sep	1.6%
	21:45	US	Markit US Composite PMI	Oct P	55.0

Source: Bloomberg

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