Global Markets Research

Weekly Market Highlights

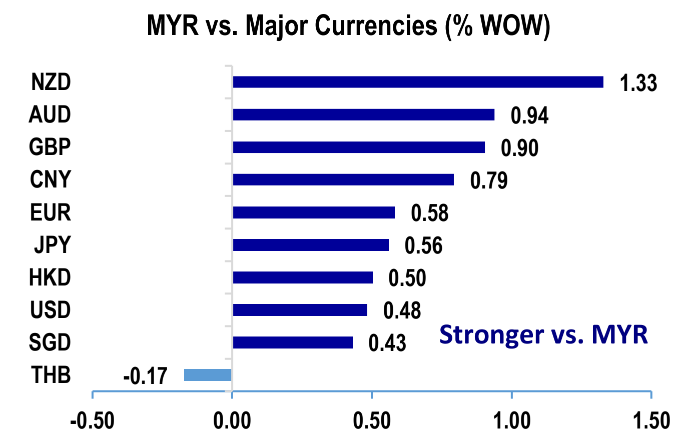
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,987.02	1.64	14.31
S&P 500	4,360.03	0.91	16.08
FTSE 100	7,012.02	-0.27	8.54
Hang Seng	27,996.27	3.11	2.81
KLCI	1,520.82	0.80	-6.54
STI	3,139.98	1.04	10.41
Dollar Index	92.62	0.22	2.99
WTI oil ($/bbl)	71.65	-1.77	47.67
Brent oil ($/bbl)	73.47	-0.88	41.83
Gold (S/oz)	1,829.00	1.60	-3.40

Source: Bloomberg

- US equities saw mixed performances this week as markets weighed Fed Chair Jerome Powell's biannual testimony before Congress and US corporate earnings. The US' earnings season kicked off this week with big banks delivering stellar earnings reports. Powell remained persistent that rising inflation in the US is transitory, and that QE tapering is ways off. Oil prices fell this week on news that the UAE is closing in on a deal with OPEC. The RBNZ caught markets by surprise announcing an end its QE program by next week.
- US CPI soared to 5.4% y/y in June; China's 2Q GDP growth came in at 7.9% y/y. In the week ahead, the ECB's governing council meets and is expected to deliver a change in forward guidance. Economic data are on the lighter side next week, with a number of CPI data from Asia and the preliminary composite PMI readings for developed economies in the docket.

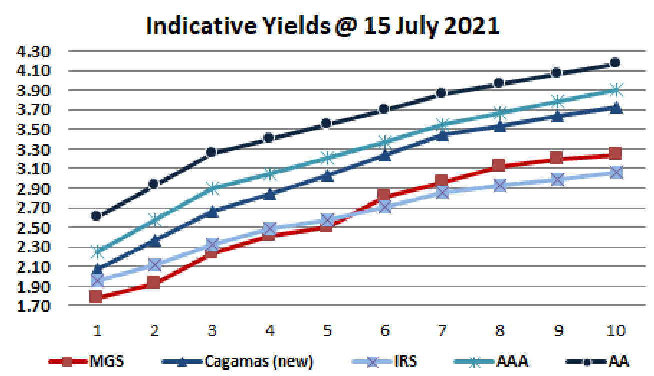
Forex



Source: Bloomberg

- **MYR:** USD/MYR was holding relatively steady at the beginning of the week before the gap up on Wednesday amid a surge in the greenback, breaking the 4.20 psychological handle. MYR recouped some losses as the USD weakened post Fed Powell's reaffirmation of transitory inflation view and no change in the Fed policy path. The pair ended 0.5% higher w/w, closing at 4.2025 yesterday after having traded within 4.1810-4.2040. MYR is expected to remain ***Slightly Bearish***, but expectations for a neutral USD outlook could provide some support, keeping the pair in a range of 4.18-4.22.
- **USD**: The Dollar Index erased its earlier gains to close out the week 0.2% higher at 92.62, mixed against the G10s and major Asian currencies overall. Fed Chair Powell's reaffirmation of a transitory inflation outlook and that tapering is still way off dampened the USD. The Dollar Index climbed to a high of 92.83 but pulled back to the 92.30-92.40 levels after the Congressional testimony although it managed to stage some rebound yesterday. We are ***Neutral to Slightly Bullish*** on the USD within familiar ranges of 92.3-92.9 next week as any attempts for rebound may be set back by potentially weaker data flow and heightened risks from virus variants in the US. The calendar is relatively light next week and focus will be on PMIs and housing data.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw continued weakness in the UST over flaming inflationary pressures going forward coupled with lower jobless claims. Overall benchmark yields ended higher between 2-5bps across the curve. The reopening auction of $24b 30Y bonds registered poor biding metrics unlike the earlier reopening auctions of $38b 10Y bonds and $58b 3Y auctions. Fed Chair Powell said that "achieving substantial progress" is still way off and that the FOMC will continue to debate over the existing asset purchase programme. In the week ahead, we expect some profit-taking activities that would result in slightly higher yields.
- **MGS/GII:** Local govvies were pressured and ended weaker across the steeper curve, taking cue from the Finance Minister's remarks that the nation's fiscal deficit may be revised higher to between 6.5-7.5% and that the debt ceiling may rise further from 60% to 65%, resulting in supply concerns. The average weekly secondary market volume plunged 26.0% @ RM15.4b versus prior week's RM20.8b. The auction exercise involving the reopening of 15Y GII 7/36 saw solid bidding metrics with a cover of 3.056x; yielding 3.982%. Expect local govvies to range sideways next week.

Macroeconomic Updates

- US equities saw mixed performances this week as markets weighed Fed Chair Jerome Powell's semi-annual testimony before Congress and US corporate earnings. The Dow Jones outperformed its peers this week by clinching a 1.6% w/w gain as of Thurday; the S&P 500 managed to gain 0.9% w/w and NASDAQ fell 0.1%. The US' earnings season kicked off this week with big banks delivering stellar earnings reports. Powell remained persistent that rising inflation in the US is transitory and that they would not hesitate to adjust policy should inflation rose materially higher above its target. Powell continued to send the message that tapering of its bond-buying program is "ways off", maintaining an overall accomodative stance on monetary policy.

- Oil prices fell this week on news that the UAE is closing in on a deal with OPEC after an internal deadlock that spark uncertainties over future oil output in the already tight oil market. OPEC also forecasts global oil demand to return to its pre-pandemic level next year, led by strong growth in the US, China and India. Brent crude fell 0.9% w/w to close at $73.47/barrel on Thursday.

- The RBNZ caught the market by surprise with an announcement to halt additional purchases under its LSAP program by Friday next week. The move sent the NZD soaring against the USD as markets had expected the RBNZ to only offer hawkish signals. The OCR was kept unchanged at 0.25% as predicted. This was prior to the release of the CPI data this morning that showed inflation (+3.3% y/y) breaching the central bank's 1-3% target band.

- US CPI inflation accelerated in June, at 0.9% m/m and 5.4% y/y while the core reading also picked up at the same time, reflecting the higher underlying price pressure arising from supply bottlenecks in the system as the US economy reopened and recovered further. This is evident in the record high PPI inflation (+7.3% y/y) in the same month as businesses passed the higher costs to consumers. Initial jobless claims fell to new low in the pandemic era, at 360k last week as hiring outpaced layoff. Industrial production growth in the US slowed to 0.4% m/m as semiconductor shortage led to a decline in motor vehicle output. The UK added 25k jobs in the three months to May. Australia employment rose 29.1k in June. China's 2Q GDP growth came in at 7.9% y/y while retail sales, industrial production and fixed investment recorded decent gains.

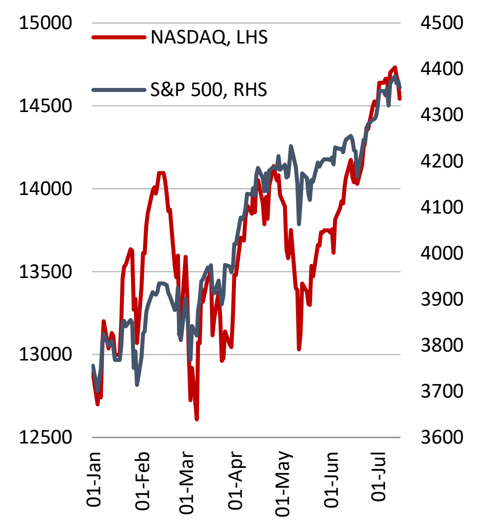
The Week Ahead

- US' corporate earnings remain the key stock driver next week as more S&P 500 companies released their second quarter earnings. The main event of the week is the ECB's governing council meeting on Thursday where markets are expecting a change in forward guidance. The whole process from raising inflation target last week to announcing the coming adjustment of forward guidance was well telegraphed and markets may have priced in the move. Apart from that, the RBA is publishing its meeting minutes while the PBOC announced the 1Y loan prime rate (now at 3.85%).

- Economic data are on the lighter side next week, with a number of CPI data (Japan, Hong Kong, Singapore and Malaysia) and the preliminary composite PMI readings for developed economies (US, Eurozone, UK and Japan) in the docket.

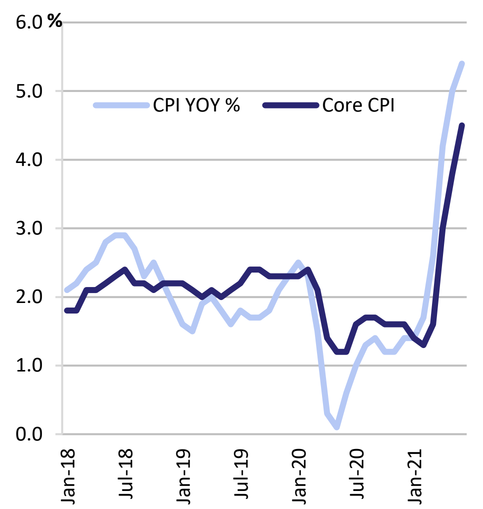
- US data come mostly from the housing market and they include housing starts, building permits, existing home sales and NAHB homebuilding confidence index). In Europe, key data are the UK's retail sales as well as consumer confidence gauges for both Eurozone (European Commission) and the UK (GfK). We also watch out for Japan's latest trade data and Australia's retail sales.

Stocks still hover near all-time high levels



Source: Bloomberg

US CPI inflation soared in June



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR was holding relatively steady at the beginning of the week before the gap up on Wednesday amid a surge in the greenback ahead of Powell's Congressional testimony, breaking the 4.20 psychological handle. MYR recouped some losses as the USD weakened post Fed Powell's reaffirmation of transitory inflation view and no change in the Fed policy path. The pair ended 0.5% higher w/w, closing at 4.2025 yesterday after having traded within 4.1810-4.2040. MYR is expected to remain ***Slightly Bearish***, but expectations for a neutral USD outlook could provide some support, keeping the pair in a range of 4.18-4.22.

- **USD**: The Dollar Index erased its earlier gains to close out the week 0.2% higher at 92.62, mixed against the G10s and major Asian currencies overall. Fed Chair Powell's reaffirmation of a transitory inflation outlook and that tapering is still way off dampened the USD. The Dollar Index climbed to a high of 92.83 but pulled back to the 92.30-92.40 levels after the Congressional testimony although it managed to stage some rebound yesterday. We are ***Neutral to Slightly Bullish*** on the USD within familiar ranges of 92.3-92.9 next week as any attempts for rebound may be set back by potentially weaker data flow and heightened risks from virus variants in the US. The calendar is relatively light next week and focus will be on PMIs and housing data.

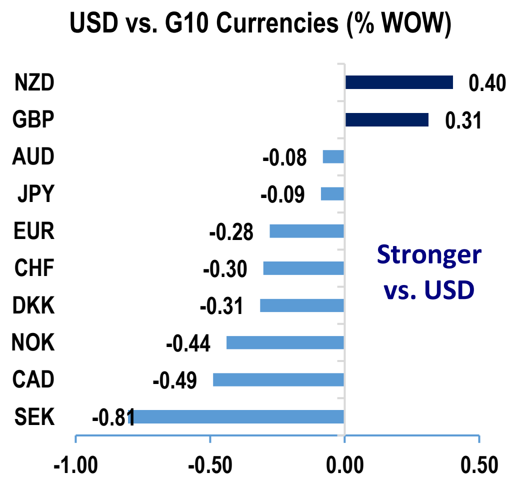
- **EUR**: EUR/USD went through some swings tracking movement in the greenback but holding near the 1.18 handle the past five days. The pair last closed at 1.1812 yesterday, down 0.3% w/w. The shift in ECB's forward policy guidance framework continued to reverberate while the decline in industrial production in the region has had little impact on the EUR. We are ***Neutral-to-Bearish*** on EUR/USD for the week ahead. Negative momentum indicator has built up. We see support at 1.1710 and resistance close to 1.2000. ECB policy meeting will be key watch in the week ahead where markets will be looking out for some details on the new policy guidance framework.

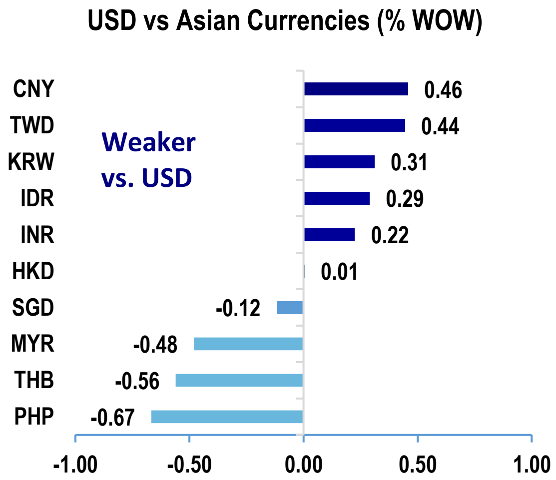
- **GBP**: GBP/USD rangetraded within the 1.38 big figure and was among the few majors outperforming the USD this week, advancing 0.3% w/w to 1.3829 as at Thursday's close. Inflation data that showed softer monthly momentum somewhat soothed inflationary concern, although annual gains spiked from the low base last year. The sterling remains ***Neutral-to-Bearish*** in the week ahead, likely keeping within the 1.37-1.39 ranges with support at 1.3708. Elevated Covid cases would also pose some risks to the pair. Data calendar is light with focus on PMI towards the end of the week.

- **JPY**: USD/JPY was seen climbing up steadily before Powell's testimony but these gains had since been wiped out almost completely following a turn in the USD's fate, bringing the pair below the 110 handle again. The JPY saw a rather flat close for the week, shedding 0.1% to 109.83 against the USD as at yesterday's close. The pair traded steadily after BOJ policy announcement this morning which offered no surprises. Technical momentum appears ***Neutral*** and points to some sideway movement next week, probably between the ranges of 109.67-110.23. Key data watch include CPI and external trade balance.

- **AUD**: AUD/USD eked out a weekly gain after seeing some volatility, even as it traded less than 100pips apart (0.7410-0.7503). The pair weakened 0.1% w/w to 0.7423, as spill over gains arising from the appreciation in the NZD following a hawkish RBNZ decision to stop its QE programme starting 23-July failed to sustain. The pair also saw little movement from mixed Australian and China data. We are ***Bearish*** on AUD/USD for the week ahead. Downside momentum continued to build up and we foresee a weekly range of 0.7350 to 0.7470. All eyes will be on RBA minutes on 20 July.

- **SGD**: USD/SGD traded steadily before the big move on 13-July ahead of Fed Powell's testimony. After having traded between 1.3496 and 1.3579, the pair closed out the week 0.1% w/w higher at 1.3541. Advance estimate of 2Q GDP grew 14.3% y/y skewed by the statistical effect from last year's slump, and had no obvious impact on USD/SGD. SGD weekly outlook is ***Neutral-to-Bearish***. The pair is susceptible to some upside risk in view of the new community cluster, and is expected to range higher between 1.3541-1.3581. Key data to watch is CPI.





Source: Bloomberg

Forecasts

	Q3-21	Q4-21	Q1-22	Q2-22
DXY	88.00	89.50	90.50	91.50
EUR/USD	1.24	1.22	1.21	1.20
GBP/USD	1.44	1.42	1.40	1.38
AUD/USD	0.80	0.78	0.77	0.76
USD/JPY	107.50	109	110	111
USD/MYR	4.15	4.10	4.10	4.08
USD/SGD	1.31	1.33	1.33	1.32

	Q3-21	Q4-21	Q1-22	Q2-22
EUR/MYR	5.15	5.00	4.96	4.90
GBP/MYR	5.98	5.82	5.74	5.63
AUD/MYR	3.32	3.20	3.16	3.10
SGD/MYR	3.17	3.08	3.08	3.09

Source: HLBB Global Markets

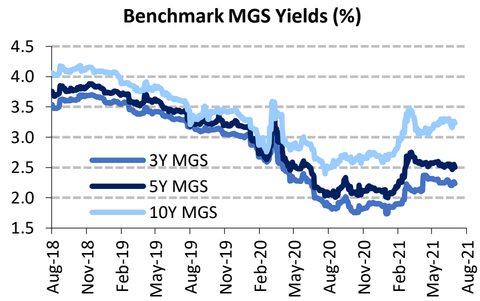
Fixed Income

- **UST:** The week under review continued to see USTs close weaker over flaming inflationary pressures going forward coupled with lower jobless claims. Overall benchmark yields ended higher between 2-5bps across the curve. The curve shifted higher as the benchmark UST 2Y; reflective of interest rate predictions edged 2bps up at 0.22% whilst the much-watched 10Y (which traded within a tighter 1.29%-1.42% range); rose 4bps to 1.33%. The reopening auction of $24b 30Y bonds registered poor biding metrics unlike the earlier reopening auctions of $38b 10Y bonds and $58b 3Y auctions which saw tremendous participation. Fed Chair Powell in his Congressional testimony said that "achieving substantial progress" is still way off and that the FOMC will continue to debate over the existing asset purchase programme. He reiterated that the recent strength in inflation was said to arise from temporary supply issues as the economy recovers. Elsewhere the Beige Book reported that 3/4 of Fed districts saw slight or modest job gains whilst the remainder reported moderate or strong job increases. In the week ahead, we expect some profit-taking activities that would result in slightly higher yields.

- **MGS/GII:** Local govvies were pressured and ended weaker across the steeper curve, taking cue from the Finance Minister's remarks that the nation's fiscal deficit may be revised higher to between 6.5-7.5% and that the debt ceiling may rise further from 60% to 65%, resulting in supply concerns. Overall benchmark yields closed mostly higher between 1-7bps save for the 20Y MGS and 5Y GII. The benchmark 5Y MGS 9/25 yield rose 6bps to 2.49% from prior week's close whilst the 10Y MGS 4/31 yield spiked 7bps to 3.22%. The average weekly secondary market volume plunged 26.0% @ RM15.4b versus prior week's RM20.8b. The auction exercise involving the reopening of 15Y GII 7/36 saw solid bidding metrics with a cover of 3.056x; yielding 3.982%. Elsewhere, movement restrictions may be expected to be lifted in more states as vaccination rollouts gather speed. Expect local govvies to range sideways next week.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw stronger investor activity in the secondary market for govt-guaranteed/sukuk/corporate bonds. Activity was again seen wider across the GG to single-A part of the curve as yields closed mostly mixed-to-lower amid a 24.8% rise in weekly market volume of RM2.82b compared to prior week's RM2.26b. Topping the weekly volume were energy-related bonds, JEP 6/29 (AA3) which edged 1bps compared to previous-done levels at 4.14%, followed by the longer-end PTPTN 12/34 (GG) bonds, which spiked 54bps to 4.01% since its last trade in February. Third largest volume was also seen for the PTPTN 8/32 tranche, which declined 7bps instead to 3.73%. Higher frequency of bond trades was seen in PRASA, DANA, PTPTN, Genting-related names, MMC Corp, EDRA, JEP, and several odd-lot trades in property-based Tropicana. Meanwhile the prominent issuances for the week consisted of CIMB Thai Bank Public Company Ltd's AA3-rated 2031NC25 bonds totaling RM660m with a coupon of 3.90%.

- **SGS:** SGS (govvies) saw the curve steepen w/w as overall benchmark yields extending out from 5Y sector were pressured; mirroring UST movements. The 2Y yield however edged 3bps lower at 0.37% whilst the 10Y (which traded tighter within 1.39-1.48% range) rose 4bps at 1.45%. Singapore sold ~SGD80b worth of sovereign bonds YTD, up 16% from last year. MAS has recently seen ramping up bill issuances especially in the 12-week tenures with money market rates seen easing due to surplus liquidity. The SGS 10Y is now seen trading at a discount versus the UST 10Y due to the latter's recent rally; reversing the earlier position for most part of the year. Nevertheless we expect demand for SGS bond to emerge as the republic's AAA-rating and healthy financial position attracts fund managers. Separately, NODX expanded 15.9% in June on low base as growth picked up broadly across electronics and non-electronics sectors. Meanwhile, the Housing & Development Board (HDB) has successfully priced its SGD750m 12Y bond @1.865%.



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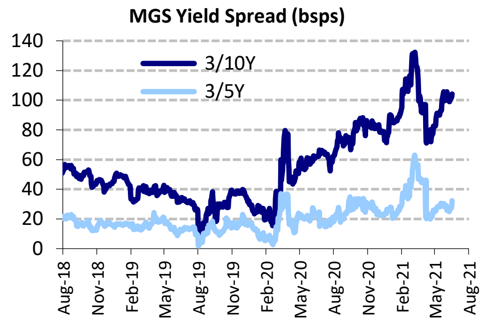

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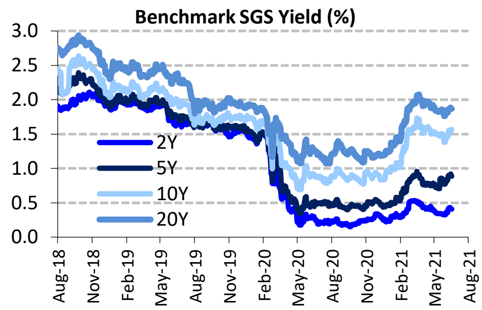

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Tropicana Corporation Berhad	RM2.0 billion existing Perpetual Sukuk programme	A-IS/Stable	Assigned
Grand Sepadu (NK) Sdn Bhd (Grand Sepadu)	RM210 million Sukuk Murabahah Issuance	AA-IS/Stable	Affirmed
Cagamas Berhad	Conventional and Islamic Commercial Papers (CP/ICP) programmes with a combined aggregate limit of RM20.0 billion	MARC-1/MARC-1IS/Stable	Affirmed
	Conventional and Islamic Medium-Term Notes (MTN/IMTN) programmes of up to RM60.0 billion	AAA/AAAIS/Stable	Affirmed
HSBC Bank Malaysia Berhad	Financial Institution (FI) ratings	AAA/Stable/P1	Reaffirmed
KAF Investment Bank Berhad	Financial Institution (FI) ratings	AA-/MARC-1/Stable	Affirmed
AEON Co (M) Bhd	RM1 bil Islamic Medium-Term Notes Programme (2016/2031)	AA2/Stable	Reaffirmed
	RM300 mil Islamic Commercial Papers Programme (2016/2023)	P1 ratings	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
19/07	06:30	NZ	Performance Services Index	Jun	56.1
	07:01	UK	Rightmove House Prices YoY	Jul	--
	22:00	US	NAHB Housing Market Index	Jul	81.0
20/07	07:30	JP	Natl CPI Ex Fresh Food YoY	Jun	0.1%
	09:30	CN	1-Year Loan Prime Rate	20 Jun	3.85%
	09:30	AU	RBA Minutes of July Policy Meeting		
	20:30	US	Building Permits MoM	Jun	-2.9%
	20:30	US	Housing Starts MoM	Jun	3.6%
21/07	07:50	JP	Trade Balance	Jun	-¥189.4b
	07:50	JP	Exports YoY	Jun	49.6%
	08:30	AU	Westpac Leading Index MoM	Jun	-0.06%
	09:30	AU	Retail Sales MoM	Jun P	0.4%
	14:00	JP	Machine Tool Orders YoY	Jun F	96.6%
	19:00	US	MBA Mortgage Applications	16 Jul	16.0%
22/07	09:30	AU	NAB Business Confidence	2Q	17
	16:30	HK	CPI Composite YoY	Jun	1.0%
	19:45	EZ	ECB Deposit Facility Rate	22 Jul	-0.5%
	20:30	US	Chicago Fed Nat Activity Index	Jun	0.29
	20:30	US	Initial Jobless Claims	17 Jul	--
	22:00	US	Leading Index	Jun	1.3%
	22:00	US	Existing Home Sales MoM	Jun	-0.9%
	22:00	EZ	Consumer Confidence	Jul A	-3.3
	23:00	US	Kansas City Fed Manf. Activity	Jul	27.0
23/07	07:01	UK	GfK Consumer Confidence	Jul	-9.0
	12:00	MA	CPI YoY	Jun	4.4%
	13:00	SG	CPI YoY	Jun	2.4%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Jun	-1.4%
	15:00	MA	Foreign Reserves	15 Jul	$111.1b
	16:00	EZ	Markit Eurozone Composite PMI	Jul P	59.5
	16:30	UK	Markit/CIPS UK Composite PMI	Jul P	62.2
	21:45	US	Markit US Composite PMI	Jul P	63.7

Source: Bloomberg

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