17 September, 2021

Global Markets Research

Weekly Market Highlights

Markets

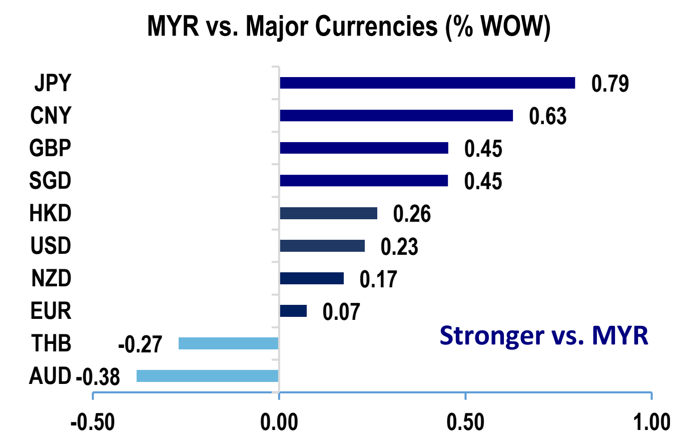
	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,751.32	-0.37	13.5
S&P 500	4,473.75	-0.43	19.1
FTSE 100	7,027.48	0.05	8.78
Hang Seng	24,667.85	-4.08	-9.4
KLCI	1,555.26	-1.50	-4.4
STI	3,064.54	-0.23	7.76
Dollar Index	92.93	0.49	3.33
WTI oil ($/bbl)	72.61	6.56	49.6
Brent oil ($/bbl)	75.67	5.91	46.0
Gold (S/oz)	1,754.60	-2.40	-7.5

Source: Bloomberg

- The expectations of a softer global growth outlook prompted investors to sell equities this week, leading US benchmarks to close moderately lower on Thursday when compared to the prior week. Stocks pulled back in Hong Kong and China amid concerns over the Chinese developer Evergrande's debt problem as well as the broader worries of a casino crackdown by the central government. Crude oil prices rallied this week on supply disruptions as Hurricane Ida led to partial output shutdown in the Gulf of Mexico. Gold prices were pressured by USD rally.

- The US reported mixed data this week as CPI, industrial production and initial jobless claims came in weaker but retail sales beat forecasts to report a growth. China's latest growth indicators confirmed the broad-based slowdown in the Mainland. Central bank meetings are back into spotlight next week as markets look towards the Federal Reserve's FOMC decision as well as announcements from the BOE and BOJ.

Forex

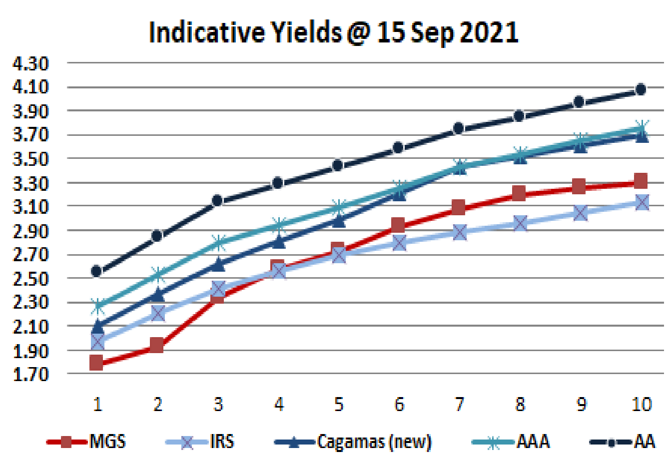


Source: Bloomberg

- **MYR:** USD/MYR strengthened for two consecutive sessions at the start of the week before retreating modestly on Wednesday ahead of Thursday's public holiday. The pair was 0.2% w/w higher at 4.1580 as at Wednesday and is currently trading at above 4.1700 following the retail sales-inspired USD strength. Looking ahead, the anticipation for a stronger USD next week related to FOMC meeting may inspire further upside in the pair. We are ***Neutral-to-Bullish*** on USD/MYR, anticipating a weekly range of 4.15-4.19.

- **USD**: The dollar was gradually strengthening over the past week, with DXY up by 0.5% to close at 92.93 on Thursday. Some risk aversion, upbeat US data translating to expectations of Fed tapering and Covid-19 concerns supported the dollar. This is even as the dollar was relatively anchored ahead of the upcoming FOMC meeting on 22 September. We are ***Neutral-to-Slightly Bullish*** on the USD for the week ahead, within a range of 92.00 to 93.80 for the DXY. Apart from the Fed, market focus will also likely be on the September Markit PMIs.

Fixed Income



Source: Bloomberg

- **UST:** USTs closed mostly weaker as the curve flattened despite better-than-expected US retail sales data. Overall benchmark yields ended 1-4bps higher saves for the long bond which eased 2bps instead. The benchmark UST 2Y; reflective of interest rate predictions, edged 1bp up at 0.22% while the much-watched 10Y (which traded within a tighter 1.28%-1.35% range) rose 3bps to 1.33%. Foreign holdings of US government debt rose to its highest ever in July by $46.2b to $7.54 trillion (the 4th consecutive monthly rise). Expect bonds to range sideways next week as investors continue to look for further clues regarding the timing of the Fed's asset-tapering exercise.

- **MGS/GII:** Local govvies ended weaker w/w influenced by the after-effects of the sizeable issuance of RM5.5b for the 10Y MGS auction despite economic data release that saw y/y declines in July's industrial production data. Overall benchmark yields for MGS/GII closed mostly higher between 1-8bps with the benchmark 5Y MGS 11/26 rising 5bps to 2.74% while the 10Y MGS 4/31 spiked 8bps to 3.30% from prior week's close. Expect bonds to see slightly improved levels next week.

Macroeconomic Updates

- **Investors worried about growth slowdown**: The expectations of a softer global growth outlook prompted investors to sell equities this week, leading US benchmarks to close moderately lower on Thursday when compared to the prior week. Stocks pulled back in Hong Kong and China amid concerns over the Chinese developer Evergrande's debt problem as well as the broader worries of a casino crackdown by the central government. Crude oil prices rallied this week on supply disruptions as Hurricane Ida led to partial output shutdown in the Gulf of Mexico. Gold prices were pressured by USD rally.

- **Mixed US data:** The much anticipated US inflation data came in weaker for August, in line with the Federal Reserve's transitory inflation view. The headline CPI rates eased to 0.3% m/m and 5.3% y/y, while the core readings also slumped to 0.1% m/m and 4.0% y/y. The softer data point, alongside the recently dissapppointing job data offered some leeways for the Fed as a tapering announcement next week is definitely off the table. Industrial output meanwhile rose at a slower pace of 0.4% m/m in August as the arrival of Hurricane Ida led to late-month shutdown and disrupted production. Initial jobless claims also rose by 20k to 332k last week due to hurricane related factors. On the other hand, the August retail sales data defied expectations to rise 0.7% m/m, suggesting that consumer spending had not wavered despite the spread of the Delta variant, although the flat sales performance in the "eating & drinking" group reflects some consumer wariness.

- **Growth slowed in China:** China's growth momentum slowed further in August with retail sales showing a marked slowdown in growth (+2.5% y/y vs +8.5% prior). This came as spending at restaurants and consumer goods pulled back as the country struggled with the Delta variant. Industrial production also rose at smaller magnitude (+5.3% y/y vs 6.4% prior) amid tighter restrictions and supply chain constraints.

Central banks back into spotlight

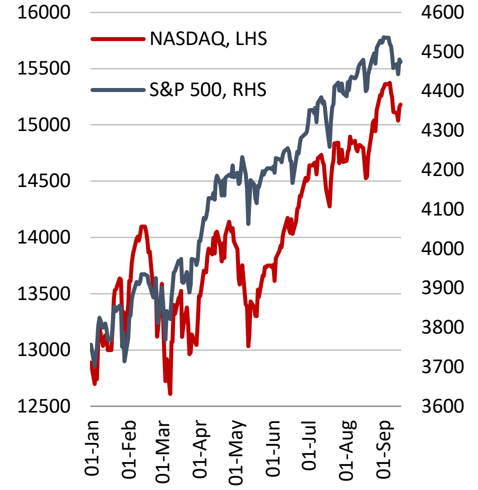
- **The Fed will wait until November:** As mentioned above, the weaker US data means that the Fed is in no rush to announce tapering of its $120b per month asset purchase program. Jackson Hole had offered assurance that the Fed would start to reduce the bond buying pace this year and most are looking towards a November announcement. The Fed would also publish its updated forecasts and a new dot plot next week.

- **BOE likely to stay cautious:** The surge in the UK's August inflation is well within the Bank of England's expectation as it had expected CPI to go all the way to 4% y/y at year end. The BOE's last month "hawkish" mention of a rate hike carried a dovish undertone in our view, and Governor Bailey's recent remark of a "levelling off" of UK growth momentum suggests that the central bank may remain cautious in view of the high number of Covid-19 cases, supply chain constraints and labour shortage.

- **No surprise from BOJ:** The Bank of Japan's meeting shall offer little surprises as the bank reassures market of its commitment to accommodative policy given that consumer spending and inflation remain weak. The government's decision to extend the State of Emergency measures in Tokyo and 18 other prefectures through 30 September may continue to weigh on services activity and expenditure in general.

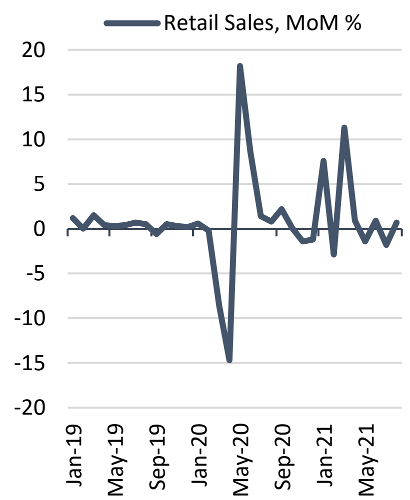
- **Data flow on the light side:** The data calendar is lighter compared to this week. Key releases include the preliminary Markit PMI readings for developed economies (US, Eurozone, UK and Japan) as well as a series of US housing data (housing starts & permit, new & existing home sales). Apart from that, Japan, Hong Kong, Singapore and Malaysia also reported CPI inflation data.

US stocks fell amid global growth concerns



Source: Bloomberg

US retail sales rose 0.7% m/m in August, reflecting consumer spending resilience



Source: Bloomberg

Foreign Exchange Market

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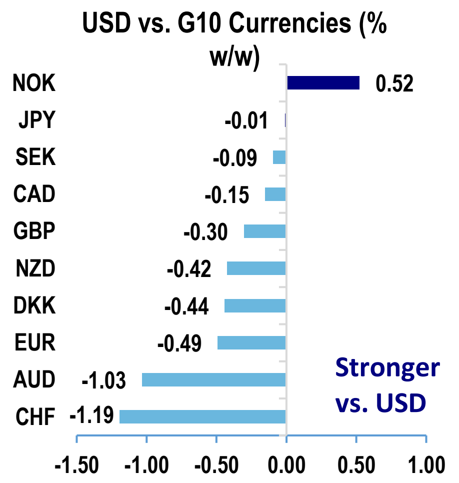
- **EUR**: EUR/USD was down on Thursday to close at 1.1767, after stabilising in recent sessions. Dollar movements impacted the pair, as the trade improved slightly in July compared to a month ago. We are ***Neutral-to-Bearish*** on EUR/USD for the week ahead, eyeing support at 1.1664 and resistance at 1.1900. Market focus is likely on CPI numbers and Markit PMI figures.

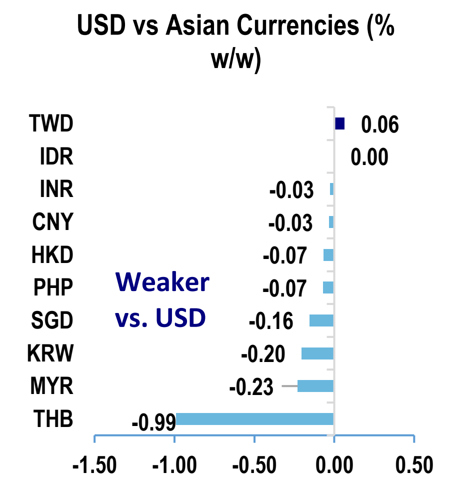
- **GBP**: GBP/USD was hit by dollar strength, closing at 1.3795 on Thursday. Data showed persistent price pressures, and positive industrial production growth. We are ***Neutral*** on GBP/USD for the coming week, anticipating some possible downsides but within a range of 1.3570 to 1.3980. The Bank of England announces its policy decision on 23 September and markets will anticipate updates to its monetary policy stance.

- **JPY**: USD/JPY was flat over the past week, closing at 109.73 on Thursday. This came after a 109.11 low on 15 September, and the first monthly trade deficit (since May) in August. We are ***Neutral*** on USD/JPY over the coming week, between 108.80 to 110.80. Any risk aversion should support the yen. Bank of Japan announces its policy decision on 22 September, but markets anticipate consistency in its policy stance. Japan releases CPI figures for August as well.

- **AUD**: AUD/USD underperformed G10 currencies for the past week, even as crude prices surged. The pair was down by more than 1% to close at 0.7292, from risk aversion and dollar strength. Australia's employment numbers fell in August, by more than market expectations. We are ***Neutral-to-Bearish*** on AUD/USD for the week ahead, placing support at 0.7110 and resistance at 0.7500. Data focus for the week ahead will be on Markit PMI figures, as well as RBA minutes of September policy meeting.

- **SGD**: USD/SGD stayed relatively range-bound since a 1.3380 low on 10 September, although last in a bid tone to close at 1.3449 on 16 September. This came as Singapore's NODX slowed to 2.7% y/y in August from 12.7% in July, partly from non-electronics exports and NODX to China/Europe. We are ***Neutral*** on USD/SGD for the week ahead, within a range of 1.3380 to 1.3520. The pair is likely to be affected by reactions to US FOMC meeting. Besides, Singapore's inflation data will be keenly watched for any clues towards MAS policy in October. We do not expect any changes to that for now.





Source: Bloomberg

Forecasts

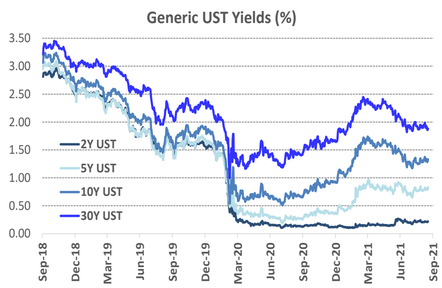
	Q3-21	Q4-21	Q1-22	Q2-22
DXY	92.00	91.50	90.00	89.00
EUR/USD	1.18	1.19	1.21	1.22
GBP/USD	1.40	1.41	1.43	1.45
AUD/USD	0.74	0.74	0.76	0.77
USD/JPY	109	108	107	105
USD/MYR	4.23	4.20	4.20	4.15
USD/SGD	1.35	1.35	1.34	1.33

	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

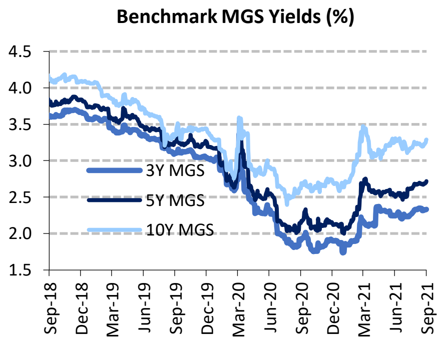
Fixed Income

UST: The week under review saw USTs closed mostly weaker as the curve flattened despite US retail sales for August exceeded expectations by rising 0.7% m/m. Overall benchmark yields ended 1-4bps higher save for the long bond which eased 2bps instead. The benchmark UST 2Y; reflective of interest rate predictions, edged 1bps up at 0.22% while the much-watched 10Y (which traded within a tighter 1.28%-1.35% range); rose 3bps to 1.33%. The 5s10s spreads narrowed to below 108bps, its lowest in slightly more than a year. Foreign holdings of US government debt rose to its highest ever in July by $46.2b to $7.54 trillion (the 4th consecutive monthly rise). Elsewhere, the US federal budget recorded a narrower deficit of $2.71 trillion; down ~10% from the $3.0 trillion deficit over the same period i.e. 11 month of the fiscal year. Expect bonds to range sideways next week as investors continue to look for further clues as to the timing and implementation of the asset-tapering exercise ahead of the FOMC meeting next Thursday.



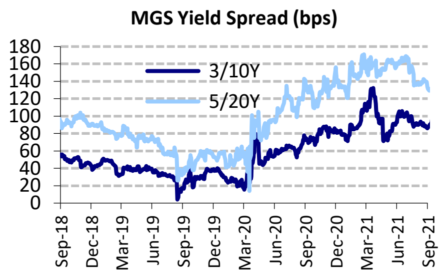
Source: Bloomberg

MGS/GII: Local govvies ended weaker w/w influenced by the after-effects of the sizeable issuance of RM5.5b for the 10Y MGS auction despite economic data release that saw y/y declines in July's industrial production data. Overall benchmark yields for MGS/GII closed mostly higher between 1-8bps with the benchmark 5Y MGS 11/26 rising 5bps to 2.74% while the 10Y MGS 4/31 spiked 8bps to 3.30% from prior week's close. Interest continued to be mainly seen in the shorter off-the-run 21-23's and also benchmark 5Y, 10Y bonds. The average daily secondary market volume **jumped 39.3%** @ RM2.94b versus prior week's RM2.11b. The 10Y MGS auction saw tepid bidding metrics with BTC ratio fetching a mere 1.606x while being awarded at 3.292%. Expect bonds to see slightly improved levels next week despite some supply concerns arising from additional funding concerns as some optimism for longer-term bonds may be expected with the economy seen recovering in stages due to aggressive vaccine rollouts.



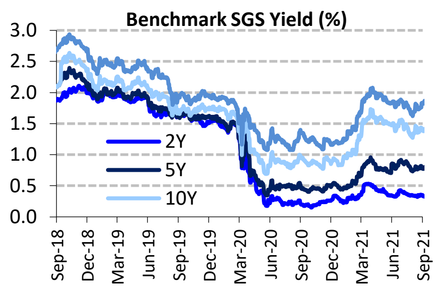
Source: Bloomberg

- **MYR Corporate Bonds/ Sukuk:** The week under review saw steady interest in the secondary market for govt-guaranteed/corporate bonds/sukuk. Trades were again mainly seen along the GG-AA part of the curve as yields closed mostly mixed on a **similar** daily market volume of RM618m (prior week: RM610m). Topping the weekly volume were PR1MA 10/24 (GG) which declined 4bps compared to previous-done levels to 2.55% followed by Sarawak Hidro 8/24 (AAA), which spiked by 27bps to 2.77%. Third largest volume was seen for another tranche of Sarawak Hidro i.e. 8/22 which eased 6bps to 2.26%. Higher frequency of bond trades was seen in DANA, PRASA, PASB, energy-related bonds i.e. EDRA, SARAWAK Hidro, UITM Solar and odd-lot transactions in TROPICANA Bhd. Meanwhile the prominent issuances consisted of Magnum Corporation Sdn Berhad's unrated 4-5Y bonds totaling RM100m with coupons between 3.61-3.90% and also Tropicana Corporation Berhad's (A2) RM270m 2119NC26 perps with a coupon of 6.6%.



Source: Bloomberg

- **SGS:** SGS (govvies) saw small deviation w/w, with slightly weaker bias; in tandem with UST movements as overall benchmark yields closed between 0-2bps higher. The curve inched slightly higher with the 2Y yield edging 1bps up at 0.34% whilst the 10Y (which traded tighter between 1.38-1.41% range) rose 2bps to 1.41%. Meanwhile the SGD IRS fell from a 5-month high following weaker-than-expected US inflation which ignited a slide in UST yields earlier. MAS may be expected to maintain its policy stance at its next bi-yearly review in October. Moody's Investor Service has upgraded the **Singapore Power** to Aa1 and upgraded its BCA to a2/Stable. It also upgraded its Long-Term foreign currency credit rating to Aa1/Stable from Aa2/Stable. Elsewhere, property developer OUE, through its wholly-owned subsidiary OUE Treasury, is proposing to issue S$150m 5Y notes with a coupon of 3.5% p.a. Also, Keppel REIT had priced its S$150m bonds due 2028 at 2.07% successfully. The highlight of the week's issuances consisted of Frasers Property's 7Y sustainable bonds at 3.25% which was issued under its subsidiary i.e. Frasers Property AHL Ltd (ALZAU).



Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
International General Insurance Co Ltd (IGI)	Insurer financial strength rating)	AA+/Stable	Affirmed
Indera Persada Sdn Bhd	RM280 mil Fixed Rate Serial Bonds (2013/2028)	AA1/Stable	Reaffirmed
Hanwha Q CELLS Malaysia Sdn Bhd	Proposed RM150 mil Guaranteed Medium-Term Notes (2021/2024)	AAA(FG)/Stable	Assigned
Notable Vision Sdn Bhd	Medium-Term Notes (MTNs) issued under the RM750 mil MTN Programme Class A Senior MTNs Class B Junior MTNs Class C Junior MTNs	AAA/Stable B2/Stable C3/Stable	Reaffirmed Reaffirmed Reaffirmed
Pengurusan Air Selangor Sdn Bhd	Islamic Medium-Term Notes Programme of up to RM10b in nominal value and Islamic Commercial Papers Programme of up to RM10b in nominal value	AAA/Stable and P1	Reaffirmed
Deutsche Bank (Malaysia) Berhad	Financial institution ratings	AA1/Stable/P1	Reaffirmed
TNB Northern Energy Berhad	Outstanding sukuk of RM1.35 billion	AAA-IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
20/09	06:30	NZ	Performance Services Index	Aug	57.9
	07:01	UK	Rightmove House Prices YoY	Sep	5.6%
	16:30	HK	CPI Composite YoY	Aug	3.7%
	22:00	US	NAHB Housing Market Index	Sep	75.0
21/09	09:30	AU	RBA Minutes of Sep. Policy Meeting		
	14:00	JP	Machine Tool Orders YoY	Aug F	86.2%
	20:30	US	Building Permits MoM	Aug	2.3%
	20:30	US	Housing Starts MoM	Aug	-7.0%
22/09	08:30	AU	Westpac Leading Index MoM	Aug	-0.11%
	09:30	CN	1-Year Loan Prime Rate	Sep-22	3.85%
	19:00	US	MBA Mortgage Applications	Sep-17	0.3%
	22:00	US	Existing Home Sales MoM	Aug	2.0%
	22:00	EZ	Consumer Confidence	Sep A	-5.3
	00:00	JP	BOJ Policy Balance Rate	Sep-22	-0.1%
23/09	02:00	US	FOMC Rate Decision	Sep-22	0-0.25%
	13:00	SG	CPI YoY	Aug	2.5%
	15:00	MA	Foreign Reserves	Sep-15	$116.3b
	16:00	EZ	Markit Eurozone Composite PMI	Sep P	59.0
	16:30	UK	Markit/CIPS UK Composite PMI	Sep P	54.8
	19:00	UK	Bank of England Bank Rate	Sep-23	0.1%
	20:30	US	Chicago Fed Nat Activity Index	Aug	0.53
	20:30	US	Initial Jobless Claims	Sep-18	332k
	21:45	US	Markit US Composite PMI	Sep P	55.4
	22:00	US	Leading Index	Aug	0.9%
	23:00	US	Kansas City Fed Manf. Activity	Sep	29.0
24/09	06:45	NZ	Trade Balance 12 Mth YTD NZD	Aug	-1104m
	07:01	UK	GfK Consumer Confidence	Sep	-8.0
	07:30	JP	Natl CPI Ex Fresh Food YoY	Aug	-0.2%
	08:30	JP	Jibun Bank Japan PMI Composite	Sep P	45.5
	12:00	MA	CPI YoY	Aug	2.2%
	13:00	SG	Industrial Production YoY	Aug	16.3%
	22:00	US	New Home Sales MoM	Aug	1.0%

Source: Bloomberg

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