Hong Leong Bank

Global Markets Research
Weekly Market Highlights

Markets

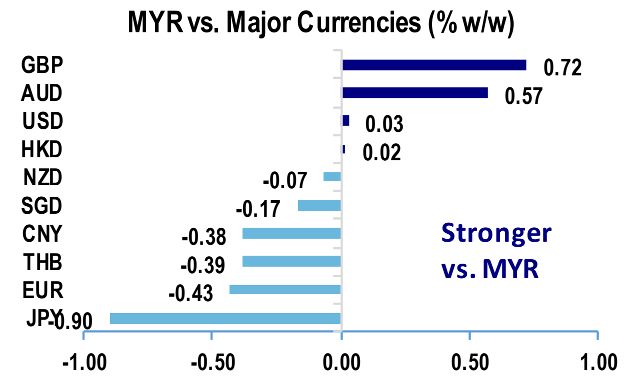
	Last Closing	WOW%	YTD %
Dow Jones Ind.	31,493.34	0.2	2.9
S&P 500	3,913.97	-0.1	4.2
FTSE 100	6,617.15	1.4	2.4
Hang Seng	30,595.27	1.4	12.4
KLCI	1,575.84	-1.5	-3.2
STI	2,908.85	-0.6	2.3
Dollar Index	90.59	0.2	0.7
WTI oil ($/bbl)	60.52	3.9	24.7
Brent oil ($/bbl)	63.93	4.6	25.5
Gold ($/oz)	1,775.00	-2.8	-6.8

Source: Bloomberg

- US stocks pulled back from all-time highs this week, weighed by tech shares. Investores weighed the overvaluation of tech shares, strong US data and its impact on Biden's stimulus plan as well as the electric outtage crisis in Texas. Treasury yields continued their climbs this week, while the dollar also strengthened modestly. Gold prices fell amid higher demand for the USD. Oil prices forged on this week, on stronger recovery outlook as well as the said electricity crisis in the US.

- The latest Federal Reserve's minutes indicates that the Fed has little reasons to tweak its monetary policy for now despite concerns over higher inflation. Secretary Janet Yellen assured the importance of going ahead with the Biden Administration's planned $1.9 trillion stimulus bill. US data were mixed this week with retail sales staging an impressive 5.3% rebound. Industrial production growth also came in at a solid 0.9% m/m rate that indicates a resilient manufacturing sector. Jobless claims data however disapointed. Key data next week are the second estimate for US 4Q GDP as well as the core PCE inflation rate.

Forex

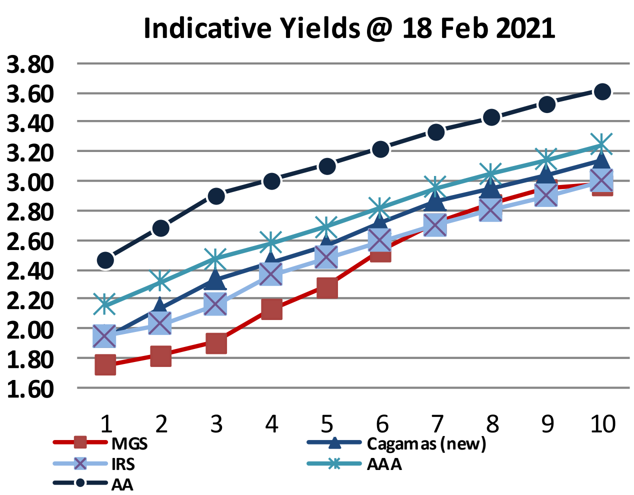


Source: Bloomberg

- MYR traded within a range of 4.0260-4.475 in a mixed trading week that saw the USD strengthened and then staged a reversal. We maintain the view that rising US yields is likely to help support USD/MYR in the short term as the 10s looks set to hit 1.5%. USD could firm up further if the selloff in USTs resumes. Having said that, markets are now reassessing the potential difficulties for Biden's $1.9trillion stimulus bills to pass at Congress. We turned ***Neutral*** on USD/MYR for the week ahead, anticipating a range of 4.03-4.06.

- The DXY edged out a modest 0.19% w/w gain (Friday to Thursday). It gained mostly against the JPY and EUR, although weakening compared to GBP and AUD. Fed minutes showed that current policy stance may continue "for some time". Dollar was also supported by some equity market correction and higher oil prices. We are Neutral on the USD for the week ahead, within a range of 89.80-91.10. For the week ahead, focus is on PMIs and initial jobless claims data.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw UST's end mostly pressured extending out of the curve as investors and traders digested the upcoming economic stimulus of $1.9 trillion and forecasts for accelerating economic growth as the vaccine rollouts gather steam. The reflation trade is also seen to be making its rounds. Overall benchmark yields rose between 0-13bps bps across with the benchmark UST 2Y; reflective of interest rate predictions ending unchanged at 0.11% whilst the much-watched 10Y (which traded within a range of 1.21%-1.31%); spiked 13bps to a 12-month high at 1.30%.

- **MGS/GII:** Local govvies continued to end weaker as traders aggressively paid IRS; taking cue from BNM's indication last week that OPR cuts in 2020 were deemed to be sufficient to drive growth for now. The improved trajectory in secondary market activity nevertheless saw the curve steepen and shift higher. Overall benchmark MGS/GII yields closed higher between 4-30bps for both MGS/GII. Interest was seen mainly in the off-the-run 21's, 27-30's-24's and also benchmark 3Y, 5Y, 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 yield rose 16bps at 2.47% whilst the 10Y MGS 4/31 benchmark spiked 21bps at 2.99% levels.

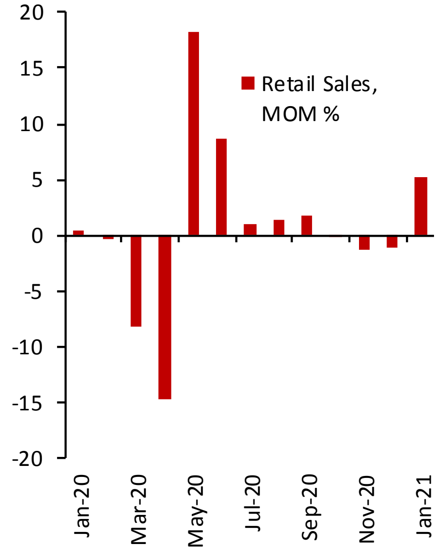
Macroeconomic Updates

- **US stocks pulled back from all-time highs this week, weighed by tech shares.** Investores weighed the overvaluation of tech shares, mixed US data and its impact on Biden's stimulus plan as well as the electric outtage crisis in Texas. This led to a mixed performances of major US benchmarks with the Dow Jones picking up 0.2% w/w while the S&P 500 staying little changed. The tech-heavy NASDAQ index shed over 1% over the course of the week. Treasury yields continued their climbs this week, while the dollar also strengthened modestly. Gold prices fell around 2.7-2.8% amid higher demand for the USD. Oil prices forged on this week, on stronger recovery outlook as well as the said electricity crisis in the US. Brent crude was seen sustaining above $62/barrel for the time being. WTI however has retreated from the $60/barrel mark as of writing.

- **The latest Federal Reserve's minutes indicates that the Fed has little reasons to tweak its monetary policy for now despite concerns over higher inflation**. Officials continued to see uncertainty surrounding the US growth outlook although they did express optimism regarding the progress of vaccinations. On the fiscal policy front, Secretary Janet Yellen assured the importance of going ahead with the Biden Administration's planned $1.9 trillion stimulus bill in light of recent concerns that strong US data could dampen the chances of (its) congressional approvals.

- **US data were mixed this week. Retail sales staged an impressive 5.3% m/m rebound after three successive months of decline**. Industrial production growth also came in at a solid 0.9% m/m rate that indicates a resilient manufacturing sector. The pull-back in housing starts were also offset by a surge in building permits. Developers likely have delayed their projects in view of higher construction costs and cold temperatures. Initial jobless claims meanwhile disappointed at a four-week high of 861k last week, dragging on overall upbeat sentiment surrounding the US outlook recovery. The higher than expected unemployment claims suggests that the labour market is indeed still weak in the US.

US retail sales saw strong rebound in January after three lacklustre months.



Source: Bloomberg

The Week Ahead…

- On Tuesday, the UK ONS publishes its monthly job data (unemployment rate and job gains for December) as well as the January jobless claims number. Markets are looking towards some good news in the labour market as the vaccines rollout gathered steam and the lockdowns helped reduce the infection rates in the UK. The final reading of Eurozone's HICP inflation rate is also due on the same day, followed by the US Conference Board Consumer Confidence Index.

- On Wednesday, the RBNZ is expected to keep the Official Cash Rate at 0.25% and expressed a more optimistic outlook for New Zealand. Prior to that, Australia's wage price index, a gauge of wage growth and thus future consumer spending will be released. Malaysia's CPI, Hong Kong's GDP growth and also US new home sales are the key data for the rest of the day.

- Moving on Thursday, we watch out for Hong Kong's trade data and Eurozone's overall economic sentiment index. The US' second estimate of 4Q GDP growth alongside the weekly jobless claims and monthly durable goods orders are expected to drive markets.

- Last but not least on Friday, New Zealand's trade data and Japan's industrial production growth are due morning, followed by Malaysia's exports and Singapore's IPI. The focus is likely on the key US' personal income, spending and mainly the core PCE price index (the Fed's key inflation gauge). Markets are looking towards any signs of rising inflationary pressures in the US that would warrant any shift in the Fed's monetary policy.

Please refer to appendix for next week's economic calendar.

Foreign Exchange Market

- **MYR:** MYR traded within a range of 4.0260-4.475 in a mixed trading week that saw the USD strengthened and then staged a reversal. USD/MYR is holding steadily at above 4.04 as of writing after the rally in USD took a breather overnight. We maintain the view that rising US yields is likely to help support USD/MYR in the short term as the 10s looks set to hit 1.5%. USD could firm up further if the selloff in USTs resumes. Having said that, markets are now reassessing the potential difficulties for Biden's $1.9trillion stimulus bills to pass at Congress. We turned ***Neutral*** on USD/MYR for the week ahead, anticipating a range of 4.03-4.06. Malaysia's CPI and exports data are unlikely to elicit much market movements.

- **USD**: The DXY edged out a modest 0.19% w/w gain (Friday to Thursday). It gained mostly against the JPY and EUR, although weakening compared to GBP and AUD. Data was mixed. Retail sales were buoyed by stimulus measures. Industrial production was constructive. However, initial jobless claims are unexpectedly high, showing vulnerability in the labour market. Fed minutes showed that current policy stance may continue "for some time". Dollar was also supported by some equity market correction and higher oil prices. We are ***Neutral*** on the USD for the week ahead, within a range of 89.80-91.10. For the week ahead, focus is on PMIs and initial jobless claims data.

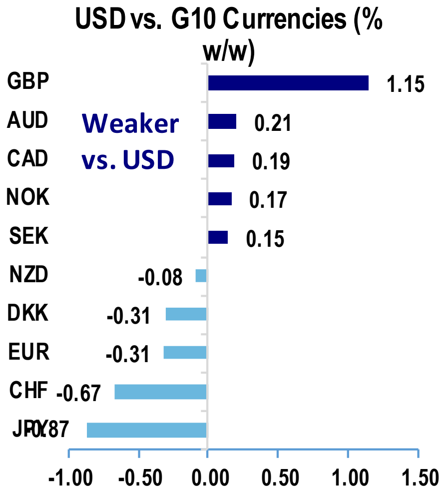
- **EUR**: EUR/USD touched a high of 1.2169 on 16 February, but retreated thereafter, to turn below levels seen a week ago. 4Q GDP revealed no surprises (-5% y/y) as the economy was hard hit by closures. We are ***Neutral*** on the EUR for the week ahead, within a range of 1.2010-1.2180. After Markit PMI data on Friday, Eurozone releases CPI and confidence data the coming week.

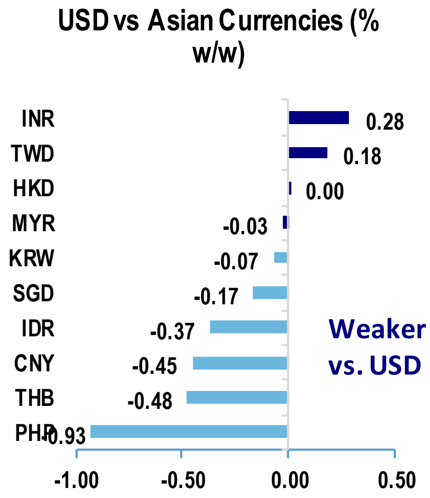
- **GBP**: GBP/USD gained over the past week and was an outperformer among G10 peers, with a 1.15% w/w increase. Pair is now consolidating just below 1.4000 with a high of 1.3986 hit on 18 February. We stay ***Neutral-to-Bullish*** on the GBP. This is helped by leading vaccination rates, compared to other major economies. If the 1.4000 resistance is breached, attention may shift towards the 2018 high of 1.4377. Only a correction to 1.3800 may turn momentum away from current uptrend. Watch PMI and employment data for the week ahead.

- **JPY**: USD/JPY was almost 0.9% w/w up, as the yen underperformed with slight dollar resurgence. Pair hit a weekly high of 106.22, after a low of 104.74. At this stage, pair is just somewhat below 106 big figure. This came despite slightly better than expected 4Q GDP data, although trade balance deteriorated in January compared to December. CPI improved, but stayed negative. We are ***Neutral-to-Bearish*** on the JPY for the coming week. We now look towards a range of 106.00-107.00 should positioning continue to go against the yen. For the coming week, CPI, retail sales and IP data are due for release.

- **AUD**: AUD/USD was modestly supported by rising commodity prices, touching a 0.7805 on 16 February. However, it was somewhat defensive as risk aversion affected markets. RBA minutes were AUD neutral, without signals for change in stance. Employment data came in within expectations, while m/m retail sales slightly improved in January. We are ***Neutral*** on the AUD for the week ahead, after recent volatility. We anticipate a range of 0.7720-0.7820 near-term, with a break-away of the range signalling momentum either side of the equation.

- **SGD**: USD/SGD was overall higher over the past 5 sessions by 0.17%, despite touching a 1.3211 low on 16 February. Expectations of Budget support helped buoy the SGD before Tuesday. We still expect no changes to current MAS stance to the SGD NEER in April. Hence, expected future policy stance is not impacting on the SGD for now. For a weekly-to-monthly horizon, we are ***Neutral*** and expect USD/SGD to stay within a range of 1.3157-1.3390. CPI and industrial production are the key data to watch.





Source: Bloomberg

Forecasts

	Q1-21	Q2-21	Q3-21	Q4-21
DXY	88.50	89.00	88.50	87.50
EUR/USD	1.245	1.240	1.245	1.255
GBP/USD	1.385	1.375	1.385	1.400
AUD/USD	0.780	0.770	0.780	0.795
USD/JPY	102.5	103.5	103.0	101.0
USD/MYR	3.900	3.950	3.900	3.880
USD/SGD	1.305	1.310	1.300	1.285

	Q1-21	Q2-21	Q3-21	Q4-21
EUR/MYR	4.86	4.90	4.86	4.87
GBP/MYR	5.40	5.43	5.40	5.43
AUD/MYR	3.04	3.04	3.04	3.08
SGD/MYR	2.99	3.02	3.00	3.02

Source: HLBB Global Markets

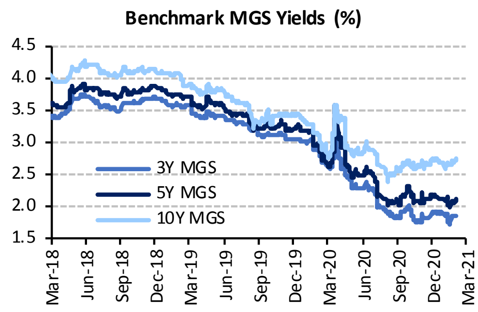
Fixed Income

- **UST:** The week under review saw UST's end mostly pressured extending out of the curve as investors and traders digested the upcoming economic stimulus of $1.9 trillion and forecasts for accelerating economic growth as the vaccine rollouts gather steam. The reflation trade is also seen to be making its rounds. Overall benchmark yields rose between 0-13bps bps across with the benchmark UST 2Y; reflective of interest rate predictions ending unchanged at 0.11% whilst the much-watched 10Y (which traded within a range of 1.21%-1.31%); spiked 13bps to a 12-month high at 1.30%. The curve bear-steepened, pushing both the 2s10s and 5s30s spreads to a 5-year high of 117bps and 210bps respectively. Meanwhile the $20b UST 20Y which averaged 1.92%, saw weak bidding metrics with BTC ratio at a 1-year low of 2.15x (previous auction: 2.28x). Elsewhere foreign holdings of UST's reveal a 5th straight month of declines in December @ $7.05 trillion. Both Japan and China have reduced outstanding amounts of $1.257 trillion and $1.062 trillion respectively. Expect UST's to continue being pressured in the coming week.

- **MGS/GII:** Local govvies continued to end weaker as traders aggressively paid IRS; taking cue from BNM's indication last week that OPR cuts in 2020 were deemed to be sufficient to drive growth for now. The improved trajectory in secondary market activity nevertheless saw the curve steepen and shift higher. Overall benchmark MGS/GII yields closed higher between 4-30bps for both MGS/GII. Interest was seen mainly in the off-the-run 21's, 27-30's-24's and also benchmark 3Y, 5Y, 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 yield rose 16bps at 2.47% whilst the 10Y MGS 4/31 benchmark spiked 21bps at 2.99% levels. Average daily secondary market volume however improved @ RM4.13b versus prior week's tepid RM3.52b. The auction exercise for 20Y MGS 5/40 saw larger institution support due to lower private placement amounts. The auction was awarded at 3.969% on a decent BTC ratio of 2.224x. Expect trading next week to be range-bound in the absence of positive catalysts whilst investors look for bargain-hunting opportunities at key support levels during the MCO period which has been extended until early-March.

- **MYR Corporate Bonds/ Sukuk:** The holiday-shortened week under review saw investor interest in the secondary market ease for corporate bonds/Sukuk/govt-guaranteed bonds; taking cue from weaker govvies. Activity was mainly centered across the GG-AA part of the curve as yields closed mostly mixed-to-higher amid lower average daily market volume of RM430m compared to prior week's RM534m. Topping the weekly volume was telco provider CTX 8/27(AA1) which closed unchanged at 2.99%, followed by DANUM 2/26 (AAA) which eased 1bps at 2.64%. Third largest volume was seen in Public Islamic 8/27 (AA1) which closed 7bps lower at 2.49% levels. Higher frequency of bond trades were seen in DANA, AMAN, CTX and odd-lot transactions in YNH Property and Tropicana-related bonds. Meanwhile the prominent issuances for the week included MAYBANK Islamic Bhd's AA-1-rated 2031NC26 bonds totaling RM1.0b with a coupon of 2.9%; followed by UEM Sunrise Bhd's 3-5Y bonds amounting to RM400m with coupons ranging between 4.0-4.3%.

- **SGS:** SGS (govvies) mirrored UST movements and also ended weaker w/w across the curve with overall benchmark yields rising substantially between 2-19bps. The curve bear-steepened with the 2Y rising 2bps at 0.32% levels whilst the 10Y (which traded within a wider 17bps range0 spiked 17bps at 1.18%. The government's plans to finance public infrastructure-related projects of up to SGD19b via green bonds. This coupled with rising US interest rates is deemed to have driven the yield curve steeper. Separately, Fitch Ratings has upgraded Jubilant Pharma Ltd's Long-Term Foreign Currency Issuer Default rating to BB from BB- and affirmed its senior unsecured rating and rating on its senior unsecured notes at BB. The new Significant Infrastructure Government Loan Act (SINGA) bonds will rank pari passu and qualify as liquid assets that financial institutions can hold to meet regulatory requirements. Meanwhile we expect investors to await the $ 2.8b 20Y SGS auction on 24th February next week.



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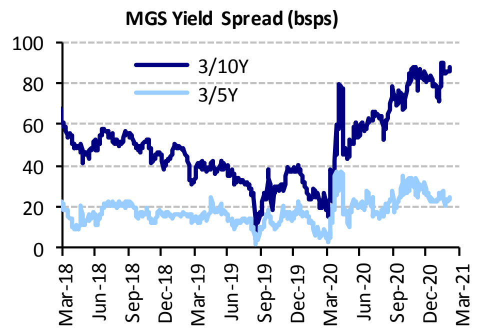

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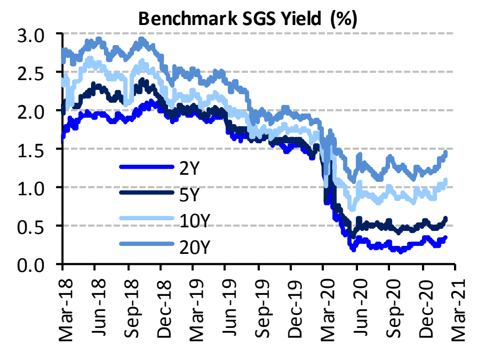

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Manjung Island Energy Berhad	RM3.86 bil Islamic Securities (2011/2030) (Series 1)	AAA/Stable	Reaffirmed
	RM990 mil Islamic Securities (2011/2031) (Series 2)	AAA(s)/Stable	Reaffirmed
Jimah East Power Sdn Bhd	RM8.98 billion Sukuk Murabahah	AA-IS/Stable	Affirmed

Source: MARC/RAM

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Economic Calendar

Date	Time	Country	Event	Period	Prior
22/02	15:00	MA	Foreign Reserves	Feb-15	$108.6b
	16:30	HK	CPI Composite YoY	Jan	-0.7%
	21:30	US	Chicago Fed Nat Activity Index	Jan	0.52
	23:00	US	Leading Index	Jan	0.30%
	23:30	US	Dallas Fed Manf. Activity	Feb	7.0
23/02	05:45	NZ	Retail Sales Ex Inflation QoQ	4Q	28.0%
	13:00	SI	CPI YoY	Jan	0.0%
	15:00	UK	Jobless Claims Change	Jan	7.0k
	15:00	UK	ILO Unemployment Rate 3Mths	Dec	5.0%
	15:00	UK	Employment Change 3M/3M	Dec	-88k
	18:00	EC	CPI YoY	Jan F	-0.3%
	22:00	US	FHFA House Price Index MoM	Dec	1.0%
	22:00	US	S&P CoreLogic CS 20-City YoY NSA	Dec	9.1%
	23:00	US	Conf. Board Consumer Confidence	Feb	89.3
	23:00	US	Richmond Fed Manufact. Index	Feb	14.0
24/02	08:30	AU	Wage Price Index YoY	4Q	1.4%
	09:00	NZ	RBNZ Official Cash Rate	Feb-24	0.3%
	12:00	MA	CPI YoY	Jan	-1.4%
	16:30	HK	GDP YoY	4Q F	-3.0%
	20:00	US	MBA Mortgage Applications	Feb-19	-5.1%
	23:00	US	New Home Sales MoM	Jan	1.6%
25/02	08:00	NZ	ANZ Business Confidence	Feb F	11.8
	16:30	HK	Exports YoY	Jan	11.7%
	18:00	EC	Economic Confidence	Feb	91.5
	21:30	US	Durable Goods Orders	Jan P	0.50%
	21:30	US	Initial Jobless Claims	Feb-20	--
	21:30	US	GDP Annualized QoQ	4Q S	4.0%
	23:00	US	Pending Home Sales MoM	Jan	-0.3%
26/02	00:00	US	Kansas City Fed Manf. Activity	Feb	17.0
	05:00	NZ	ANZ Consumer Confidence Index	Feb	113.8
	05:45	NZ	Exports NZD	Jan	5.35b
	07:50	JN	Industrial Production MoM	Jan P	-1.0%
	07:50	JN	Retail Sales MoM	Jan	-0.7%
	12:00	MA	Exports YoY	Jan	10.8%
	13:00	SI	Industrial Production YoY	Jan	14.3%
	21:30	US	Advance Goods Trade Balance	Jan	-$82.5b
	21:30	US	Personal Income	Jan	0.6%
	21:30	US	Personal Spending	Jan	-0.2%
	21:30	US	PCE Core Deflator YoY	Jan	1.5%
	22:45	US	MNI Chicago PMI	Feb	63.8
	23:00	US	U. of Mich. Sentiment	Feb F	76.2
25-28/02	NA	VN	Exports YoY	Feb	50.5%
	NA	VN	CPI YoY	Feb	-0.97%
	NA	VN	Retail Sales YTD YoY	Feb	6.4%
	NA	VN	Industrial Production YoY	Feb	22.2%

Source: Bloomberg

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