

## Global Markets Research

### Weekly Market Highlights

#### Markets

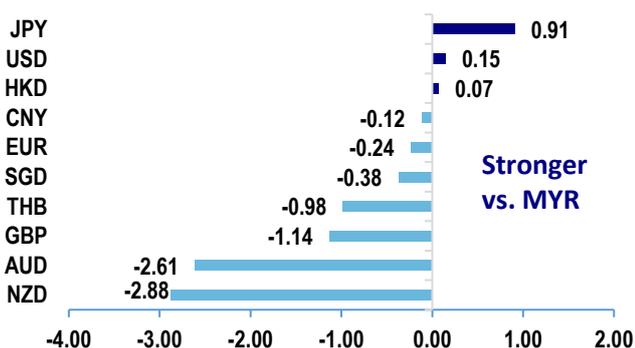
	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,894.12	-1.71	14.01
S&P 500	4,405.80	-1.23	17.30
FTSE 100	7,058.86	-1.87	9.26
Hang Seng	25,316.33	-4.53	-7.03
KLCI	1,514.95	0.86	-6.90
STI	3,086.97	-3.01	8.55
Dollar Index	93.57	0.57	4.04
WTI oil (\$/bbl)	63.69	-7.82	31.27
Brent oil (\$/bbl)	66.45	-6.82	28.28
Gold (\$/oz)	1,780.20	1.78	-6.06

Source: Bloomberg

- The surge in the Delta variant and the associated weaker growth outlook dominated and brought about a gloomy sentiment this week, pressuring risk assets and boosting safe havens. US key stock benchmarks were down while crude oils took a huge blow. The dollar strengthened alongside gains in treasuries and gold. The FOMC minutes revealed that Fed officials discussed the potential timing to start tapering its \$120mil/month asset purchase program. The RBNZ surprised the market by holding its Official Cash Rate (OCR) steady at 0.25%, citing Covid lockdown.
- The Jackson Hole Symposium (26-28 August), the Federal Reserve's most important annual event, is set to take the center stage next week. Markets look forward to any new signals on the part of the central bank with regards to the perfect timing to taper its asset purchase program. Participants are expected to focus on the broader issue of inequality based on the program theme "Macroeconomic Policy in an Uneven Economy".

#### Forex

MYR vs. Major Currencies (% w/w)

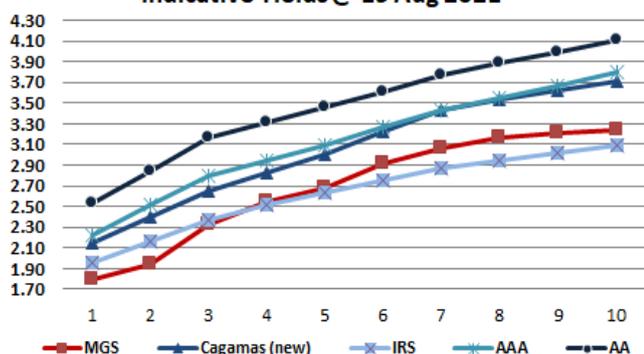


Source: Bloomberg

- MYR:** USD/MYR traded on a steady note over the week despite escalating political impasse and extended USD strength. The pair held on to the big figure 4.23 and ended the week only 0.1% w/w weaker at 4.2380 as at Thursday's close. Technicals show neutral momentum currently although we still see some overall bullishness in USD/MYR amid a combo of firm USD and lingering political noises. The pair is expected to trade **Neutral to Slightly Bullish** in a range of 4.22-4.26 in the week ahead. A break of 4.25 would pave the way towards 4.28 next. Support sits at 4.2300-4.2330 levels.
- USD:** The USD mostly strengthened against G10 and Asian currencies over the past week. DXY was up by 0.57%, closing at 93.57 on Thursday. Dollar strength was partially brought about by FOMC minutes, where markets were rocked by disclosures that members are looking at tapering the quantitative easing program. Retail sales were slightly below expectations in the meanwhile. We are **Neutral-to-Bullish** on the USD for the week ahead. Resistance is close to 94 level while support at 92.90. Markets will likely focus on Markit PMIs on 23 August, as well as core PCE due on 26 August, not forgetting Jackson Hole Symposium.

#### Fixed Income

Indicative Yields @ 19 Aug 2021



Source: Bloomberg

- UST:** The week under review saw USTs end stronger with the curve bull-flattening as the release of FOMC minutes indicated officials shared the same view of stimulus unwinding although differed in terms of the timing. The benchmark UST 2Y yield was unchanged at 0.22% whilst the 10Y yield rallied 12bps to 1.24%. China's holdings of USTs fell for the 4<sup>th</sup> straight month in June by ~\$17b to \$1.062 trillion but overall foreign holdings of US debt rose ~\$67b to \$7.202 trillion; the highest since February 2020. Concerns about the spread of COVID-19 Delta variant infections which is believed to threaten economic outlook may continue to lend a bid to bonds next week.
- MGS/GII:** Local govies were seen slightly pressured w/w, as participants preferred to stay sidelined on political concerns on the local scene following Muhyiddin's resignation and role as caretaker Prime Minister early in the week. Overall benchmark yields for MGS/GII closed mostly mixed. Interest was mainly seen in the off-the-run bonds. The 7Y GII auction saw decent BTC ratio of 1.98x with total bids totaling RM7.91b. Expect another quiet week for bonds next week as investors await and digest the upcoming announcement of the appointment of Prime Minister and the formation of the Cabinet.

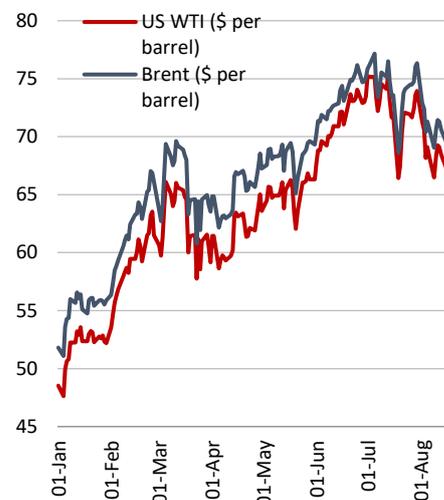
## Macroeconomic Updates

- The surge in the Delta variant and the associated weaker growth outlook dominated and brought about a gloomy sentiment this week, pressuring risk assets and boosting safe havens. US key stock benchmarks were down by 1.2-1.9% w/w as of Thursday while crude oils took a huge blow, suffering 6.8-7.8% w/w losses. The dollar strengthened alongside gains in treasuries and gold. The FOMC minutes revealed that Fed officials discussed the potential timing to start tapering its \$120mil per month asset purchase program. Despite some difference in terms of preference (for the timing), the minutes showed a general consensus that the central bank may soon need to reduce the pace of the so-called quantitative easing as the US undergoes further recovery. Factors that may delay the Fed's move is the resurgence of the Covid-19 cases that were associated with the highly infectious Delta variant as well as a labour market that has yet to recover to its pre-pandemic conditions. The RBA's August meeting minutes were interpreted as being dovish as it emphasised the uncertainties surrounding the Delta variant and related lockdowns.
- The RBNZ surprised the market by holding its Official Cash Rate (OCR) steady at 0.25%. Investors and economists alike had been predicting a 25-basis-point hike in line with the RBNZ's hawkish signals in the previous meeting and the solid economic recovery in New Zealand. The decision to leave OCR rate unchanged came in concurrence with the New Zealand government's reimposition of a nationwide lockdown after the emergence of one locally transmitted Covid-19 case. Bank Indonesia left its seven-day reverse repo rate unchanged at 3.5% for the sixth consecutive time in order to support the economic recovery even as the rupiah is facing threat of selloff amid Fed tapering talks. Norges Bank signalled that it would raise rate next month, its policy rate now stood at 0%.
- US initial jobless claims fell to a new pandemic-era low last week, at 348k. The retail sector suffered a setback in July amid the pandemic resurgence and higher inflation; sales plunged 1.1% m/m. Industrial production rose 0.9% m/m thanks to the jump in motor vehicle production as manufactures cancelled or trimmed their usual July shutdown. Housing data were less positive as homebuilding sentiment weakened while housing starts declined 7% m/m; the labour supply shortage had delayed constructions. Meanwhile, the Eurozone's 2Q GDP growth was unrevised at 2.0% q/q and HICP inflation rose to 2.2% y/y in July. The UK CPI inflation eased to 2.0% y/y in July, but hiring spree continued as evident in the 95k gains in employment. Japan's industrial output managed to recover the June's 6.5% m/m decline. Its trade balance swung to a surplus thanks to solid exports. China's latest set of economic data came in weaker compared to the previous month, reflecting disruptions from the new Covid outbreaks and floods in the Henan province.

### Jackson Hole in focus next week:

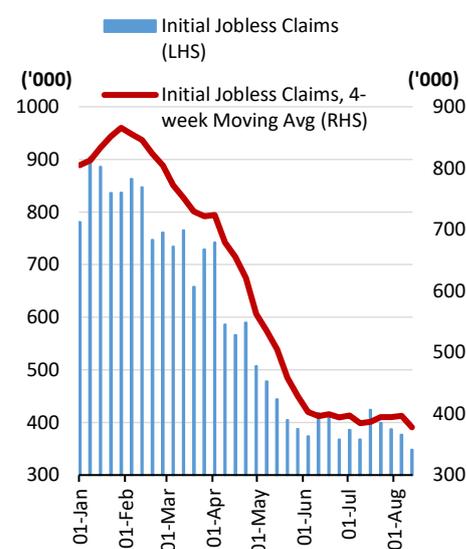
- The Jackson Hole Symposium (26-28 August), the Federal Reserve's most important annual event, is set to take the center stage next week. Markets look forward to any new signals on the part of the central bank with regards to the perfect timing to taper its asset purchase program. Participants are expected to focus on the broader issue of inequality based on the program theme "Macroeconomic Policy in an Uneven Economy".
- Data flow turns lighter next week which kicks off with Markit's preliminary composite PMIs for the US, Eurozone, UK and Japan. Apart from that, most key data come from the US, including the second estimate of 2Q GDP as well as the all-important core PCE inflation alongside the personal income and spending. Adding to these top tiered readings are both new and existing home sales, durable goods orders and the advance goods trade balance. The final reading for University of Michigan consumer sentiment index is due as well. Other key economic releases include the Eurozone's consumer confidence index, Hong Kong's exports, China's industrial profits and Malaysia and Singapore's CPI inflation.

### Crude oil prices plunged to three-month lows



Source: Bloomberg

### Initial jobless claims hit pandemic low

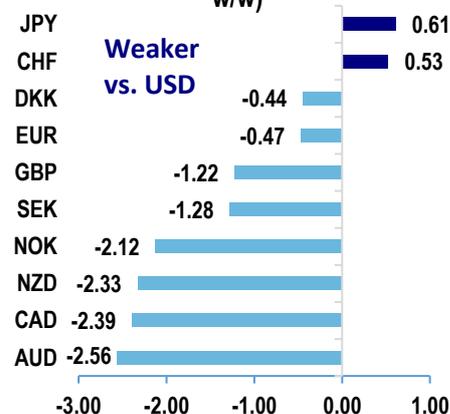


Source: Bloomberg

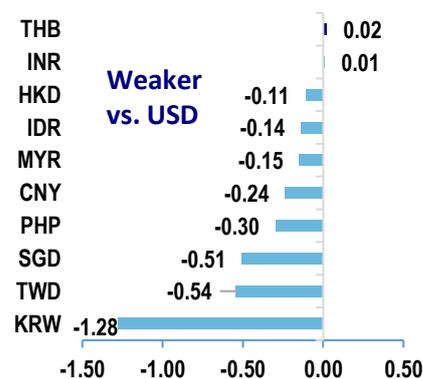
## Foreign Exchange Market

- MYR:** USD/MYR traded on a steady note over the week despite escalating political impasse and extended USD strength. The pair held on to the big figure 4.23 against the USD and ended the week only 0.1% w/w weaker at 4.2380 as at Thursday's close. Technicals show neutral momentum currently although we still see some overall bullishness in USD/MYR amid a combo of firm USD and lingering political noises. The pair is expected to trade **Neutral to Slightly Bullish** in a range of 4.22-4.26 in the week ahead. A break of 4.25 would pave the way towards 4.28 next. Support sits at 4.2300-4.2330 levels.
- USD:** The USD mostly strengthened against G10 and Asian currencies over the past week. DXY was up by 0.57%, closing at 93.57 on Thursday. Dollar strength was partially brought about by FOMC minutes, where markets were rocked by disclosures that members are looking at tapering the quantitative easing program. Retail sales were slightly below expectations in the meanwhile. We are **Neutral-to-Bullish** on the USD for the week ahead. Resistance is close to 94 level while support at 92.90. Markets will likely focus on Markit PMIs on 23 August, as well as core PCE due on 26 August, not forgetting Jackson Hole Symposium.
- EUR:** EUR/USD closed at 1.1675, lower than the almost 1.18 level seen a week ago. This was triggered by dollar strength. 2Q GDP saw a 2.0% q/q expansion, with a positive outlook ahead depending on Covid-19 trends. CPI also pulled back 0.1% m/m. We are **Neutral-to-Bearish** on EUR/USD over a 1-week period, eyeing a 1.15 support and 1.1750 resistance. Technicals signal downside risks for the pair. Markets will likely eye Markit PMI figures for signs of sustained economic expansion.
- GBP:** GBP/USD followed most G10 currencies on a slide against the USD. Pair was more than 1.2% down w/w, closing at 1.3639. A recent resurgence in Covid-19 cases in the UK did not help the pound either, alongside news that the population will likely need booster vaccine shots. We are **Neutral-to-Bearish** on GBP/USD over the coming week, watching a 1.35 support and 1.3847 resistance. Momentum is building for more downsides. For the week ahead, Markit PMI figures may support or hinder a weaker GBP
- JPY:** USD/JPY was down for the week, as markets searched for safe haven currencies due to concerns of tighter Fed policy. Pair was down 0.61%, closing at 109.74 after a 5-day low of 109.11 on 16 August. 2Q GDP figures showed a slight 2Q rebound (+0.3% q/q), after a 0.9% drop prior. Trade surplus improved slightly in July compared to June. We are **Neutral** on USD/JPY over the coming sessions, within a range of 108.80 to 110.80. Technicals are more nuanced at this stage.
- AUD:** AUD/USD underperformed among G10 currencies, and was down by more than 2.5% w/w. This was due to Australia's Covid-zero strategy, extended lockdowns and spillovers from RBNZ surprised hold (instead of hike). Employment increases was supported by part timers in July. RBA said that it is prepared to act if there is further downside risks from the recent Covid-19 outbreak. We are **Neutral-to-Bearish** on AUD/USD over a 1-week period, eyeing a 0.7000 support and 0.7240 resistance. Focus is likely on Markit PMI figures in July, on whether there was further adverse impact from Covid-19 lockdowns.
- SGD:** USD/SGD saw renewed bids after US FOMC minutes, which shifted market focus towards Fed tapering and tightening. Pair closed Thursday at 1.3647, close to the recent high in July. This came despite Singapore's reopening on track. Singapore's non-oil domestic exports stayed relatively resilient in July with a 12.7% y/y expansion. We are **Neutral-to-Bullish** on USD/SGD for the week ahead, eyeing 1.37 and 1.3790 resistances. Technicals point towards further upsides. Week ahead focus is on CPI and industrial production figures for July.

### USD vs. G10 Currencies (% w/w)



### USD vs Asian Currencies (% w/w)



Source: Bloomberg

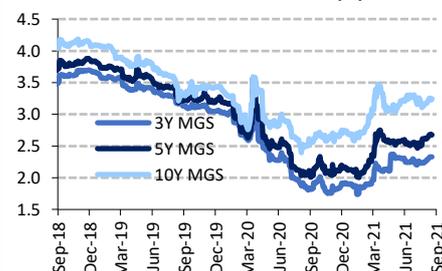
### Forecasts

	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

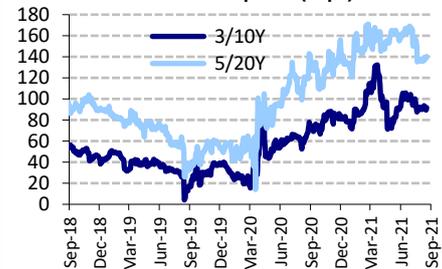
Source: HLB Global Markets

## Fixed Income

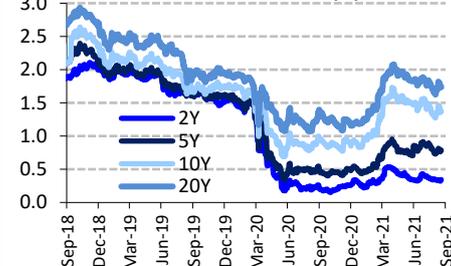
- UST:** The week under review saw USTs end stronger with the curve bull-flattening as the release of FOMC minutes indicated officials shared the same view of stimulus unwinding although differed in terms of the timing of asset tapering. The benchmark UST 2Y yield, reflective of interest rate predictions was unchanged at 0.22% whilst the much-watched 10Y yield (which traded within a tighter 1.24%-1.36% range); rallied 12bps to 1.24%. The FOMC minutes showed policy makers discussed but no decisions were made regarding future adjustments to asset purchases. Nevertheless the minutes implied that a formal decision is likely during the November-December period. Asset purchases are also to be viewed separately from rate hikes. Meanwhile, China's holdings of USTs fell for the 4<sup>th</sup> straight month in June by ~\$17b to \$1.062 trillion but overall foreign holdings of US debt rose ~\$67b to \$7.202 trillion; the highest since February 2020. Concerns about the spread of COVID-19 Delta variant infections which is believed to threaten economic outlook may continue to lend a bid to bonds next week.
- MGS/GII:** Local govies were seen slightly pressured w/w, as participants preferred to stay sidelined on political concerns on the local scene following Muhyiddin's resignation and role as caretaker Prime Minister early in the week. Overall benchmark yields for MGS/GII closed mostly mixed with MGS yields settling between -3 to +4bps whilst GII's saw little movements save for the 30Y. Both the benchmark 5Y MGS 9/25 and 10Y MGS 4/31 edged 1bps lower to 2.67% and 3.23% respectively from prior week's close. Interest was mainly seen in the off-the-run bonds. The average daily secondary market volume dipped 15% @ RM1.7b versus prior week's RM2.0b Meanwhile, the 7Y GII auction saw decent bidding metrics at BTC ratio of 1.98x with total bids totaling RM7.91b. Expect another quiet week for bonds next week as investors await and digest the upcoming announcement of the appointment of Prime Minister and the formation of the Cabinet.
- MYR Corporate Bonds/ Sukuk:** The week under review saw solid activity in the secondary market for govt-guaranteed/sukuk/corporate bonds as investors ignored skepticism on the political front. Participation continued to be seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 17% rise in daily market volume of RM642m compared to prior week's RM548m. Topping the weekly volume were PRASA 9/22 (GG) which edged 1bps compared to previous-done levels to 2.01%, followed by PR1MA 10/22 (GG), which moved 2bps up at 2.10%. Third largest volume was seen for JKSB bonds, which closed unchanged at 2.62%. Higher frequency of bond trades was seen in DANA, PRASA, PASB, CAGAMAS, Genting-related names, IJM, SABAH Development, energy-related bonds i.e. TBEI, SEB and odd-lot transactions in YNH property bonds and Tropicana Bhd. Meanwhile issuances were far and few with the prominent issuance for the week consisting of Pac Lease Bhd's (AA3) 3Y papers amounting to RM50m with a coupon of 3.28%.
- SGS:** SGS (govvies) somewhat mirrored UST movements w/w as the curve flattened with overall benchmark mostly lower i.e. between -8 to +1bps. The 2Y yield however edged 1bps up at 0.35% whilst the 10Y (which traded tighter between 1.34-1.44% range) spiked 13bps at 1.45%. Meanwhile Singapore's NODX in July showed that global demand for its products and services was impacted m/m due to the spread on the Delta variant. Meanwhile the upcoming announcement on the 20Y issuance is expected to take into account the republic's 1<sup>st</sup> 30Y SGS (infrastructure) supply later this year. Elsewhere, Fitch Ratings has placed AXA Insurance Ltd's (AXA Singapore) Insurer Financial Strength (IFS) Rating of A+ on Rating Watch Negative following the joint announcement with HSBC Holdings plc on its planned USD575m sale of AXA Singapore to the latter's subsidiary. Singapore's National Environment Agency (NEA) had also launched a S\$3.0b multicurrency MTN programme and a green bond framework to finance the development of sustainable waste management infrastructure.

**Benchmark MGS Yields (%)**


Source: Bloomberg

**MGS Yield Spread (bps)**


Source: Bloomberg

**Benchmark SGS Yield (%)**


Source: Bloomberg

## Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Danajamin Nasional Berhad	Insurer financial strength rating (IFS)	AAA/Stable/P1	Reaffirmed
Genting Berhad	Corporate credit rating		Reaffirmed
	Global scale	gA3/Negative/gP2	Reaffirmed
	ASEAN scale	seaAA1/Negative/s eaP1	Reaffirmed
	National scale	AA1/Negative/P1	Reaffirmed
	RM2 bil MTN Programme (2012/2032) (Issued by Genting Capital Berhad)	AA1(s)/Negative	Reaffirmed
	RM10 bil MTN Programme (2019/2119) (Issued by Genting RMTN Berhad)	AA1(s)/Negative	Reaffirmed
	Genting Malaysia Berhad	Corporate credit ratings	
National scale		AA1/Negative/P1	Reaffirmed
RM5 bil MTN Programme (2015/2035) (Issued by GENM Capital Berhad)		AA1(s)/Negative	Reaffirmed
Tadau Energy Sdn Bhd	RM3 bil MTN Programme (2018/2038) (Issued by GENM Capital Berhad)	AA1(s)/Negative	Reaffirmed
Dynasty Harmony Sdn Bhd	RM250 mil SRI Sukuk Programme (2017/2033)	AA3/Stable	Reaffirmed
OCBC Bank (Malaysia) Berhad	RM165 mil Islamic Medium-Term Notes (the Sukuk) (2018/2033)	AA3/Stable	Reaffirmed
	Bank Simpanan Nasional	AAA/Stable/P1	Reaffirmed
Bank Simpanan Nasional	Financial institution ratings		Assigned
	Proposed RM3.5 billion Islamic Medium-Term Notes Sukuk Wakalah Programme (2021/-).	AAA/Stable	

Source: MARC/RAM

## Economic Calendar

Date	Time	Country	Event	Period	Prior
23/08	08:30	JP	Jibun Bank Japan PMI Composite	Aug P	48.8
	13:00	SG	CPI YoY	Jul	2.4%
	16:00	EZ	Markit Eurozone Composite PMI	Aug P	60.2
	16:30	UK	Markit/CIPS UK Composite PMI	Aug P	59.2
	20:30	US	Chicago Fed Nat Activity Index	Jul	0.09
	21:45	US	Markit US Composite PMI	Aug P	59.9
	22:00	US	Existing Home Sales MoM	Jul	1.4%
	22:00	EZ	Consumer Confidence	Aug A	-4.4
	24/08	22:00	US	Richmond Fed Manufact. Index	Aug
22:00		US	New Home Sales MoM	Jul	-6.6%
25/08	06:45	NZ	Trade Balance 12 Mth YTD NZD	Jul	-252m
	12:00	MA	CPI YoY	Jul	3.4%
	14:00	JP	Machine Tool Orders YoY	Jul F	93.4%
	19:00	US	MBA Mortgage Applications	20 Aug	-3.9%
	20:30	US	Durable Goods Orders	Jul P	0.9%
26/08	13:00	SG	Industrial Production YoY	Jul	27.5%
	16:30	HK	Exports YoY	Jul	33.0%
	20:30	US	Initial Jobless Claims	21 Aug	348k
	20:30	US	GDP Annualized QoQ	2Q S	6.50%
	23:00	US	Kansas City Fed Manf. Activity	Aug	30.0
27/08	06:00	NZ	ANZ Consumer Confidence Index	Aug	113.1
	09:30	CN	Industrial Profits YoY	Jul	20.0%
	12:00	MA	Exports YoY	Jul	27.2%
	20:30	US	Advance Goods Trade Balance	Jul	-\$91.2b
	20:30	US	Personal Income	Jul	0.1%
	20:30	US	Personal Spending	Jul	1.0%
	20:30	US	PCE Core Deflator YoY	Jul	3.5%
	22:00	US	U. of Mich. Sentiment	Aug F	70.2
25-31/08	NA	VN	Industrial Production YoY	Aug	2.2%
	NA	VN	CPI YoY	Aug	2.64%
	NA	VN	Exports YoY	Aug	8.4%
	NA	VN	Retail Sales YTD YoY	Aug	0.7%

Source: Bloomberg

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