Hong Leong Bank

Global Markets Research

Weekly Market Highlights

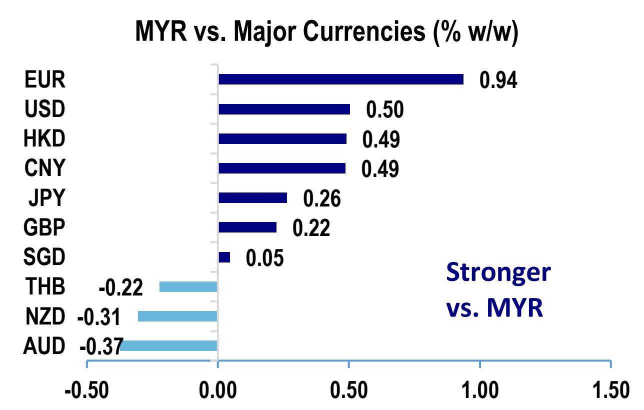
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,084.15	0.18	11.36
S&P 500	4,159.12	1.13	10.73
FTSE 100	7,019.79	0.81	8.66
Hang Seng	28,450.29	2.64	4.48
KLCI	1,575.32	-0.50	-3.19
STI	3,109.81	-0.40	9.35
Dollar Index	89.81	-1.04	-0.14
WTI oil ($/bbl)	62.05	-2.77	27.89
Brent oil ($/bbl)	65.11	-2.89	25.69
Gold (S/oz)	1,881.90	3.17	-0.99

Source: Bloomberg

- US stocks fell this week as concerns on recently higher inflation dominated market sentiment and the slump in the cyptocurrencies market heightened oveall risk aversion. Markets were slightly caught off guard by the FOMC minutes that hinted at possible talks on tapering the Fed's asset purchase program in the future, although the Fed maintained its accomodative stance.
- The main US' benchmarks fell for three straight sessions before staging a reversal on Thursday but still posted a w/w gains. Gold prices rose around 3.0% amid weaker dollar and retreating treasury yields. crude oil prices plunged nearly 3.0% w/w as markets anticipated higher crude supply from the possible lifting of US sanctions on Iran. In the week ahead, we watch out for the US' second estimate of GDP data and the personal income, spending and core PCE inflation numbers.

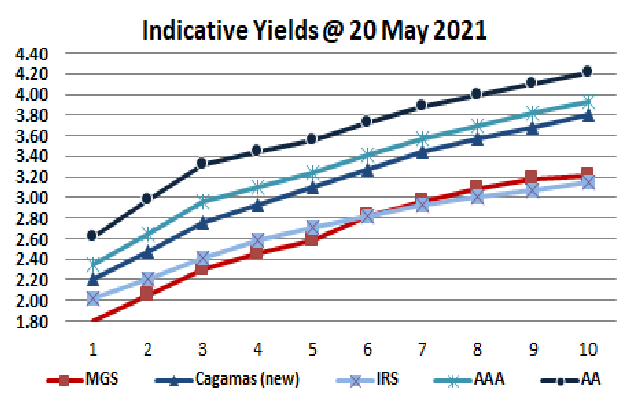
Forex



Source: Bloomberg

- **MYR:** USD/MYR trended steadily higher through the week, last closed at 4.1460 yesterday, up 0.5% from 4.1250 prior to the Raya festive break last Wednesday. Overall retreat in risk sentiments and heightening concerns over surging infection cases could have weighed on the MYR, outweighing USD weaknesses. We are ***Neutral to Bullish on USDMYR*** outlook in the week ahead potentially eyeing a range of 4.13-4.17 (prior: 4.1225-4.1475), as talks of a full lockdown, if materialize, could exert pressure on the MYR amid renewed growth and policy concerns.
- The USD has weakened against all G10 currencies over the past five sessions, although the trend is less clear compared to Asian currencies. This has been due to optimism over the fight against Covid-19 in major economies, while Asia suffered outbreaks from the B1617 variant. Fed mention of future tapering discussions did impact on FX movements but faded thereafter. For the DXY, we are ***Bearish USD*** and look for further moves downwards below 90 for the next few sessions. For the week ahead, initial jobless claims, PCE and U. of Michigan sentiment are the main datasets we track.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs hold steady under less volatile conditions, as earlier losses stemming from the FOMC minutes (which underlined the Fed's view to discussions on scaling back asset purchases in the near future) was however counter-balanced by investors view that the recent acceleration in consumer prices are unlikely to be sustained. Overall benchmark yields closed between 1-5bps lower across, as the curve bull-flattened. The Fed was seen embarking on its 1st purchase operations into newly defined maturity range that included 20Y tenures. Elsewhere China's holdings of USTs retreated in March from its highest levels since mid-2019; decreasing by $3.9b to $1.10 trillion. Japan's holdings too fell by $17.7b to $1.24 trillion.
- **MGS/GII:** Local govvies were better-bid w/w, ending mostly mixed due to low-staffing levels arising from the long Hari Raya break. Overall benchmark MGS/GII yields closed mostly mixed with MGS between -9 to +6bps and GII seeing lesser volatility whilst settling between -5 to +2bps. The recent surge in COVID-19 infections partly contributed to mixed views by investors as not all players were seen seeking safety in the bond asset class. Expect bonds to be range-bound next week as investors stay tuned to ongoing updates on local virus infection rates and containment measures.

Macroeconomic Updates

- US stocks fell this week as concerns on recently higher inflation dominated market sentiment and the slump in the cyptocurrencies market heightened overall risk aversion. Markets were slightly caught off guard by the FOMC minutes that hinted at possible talks on tapering the Fed's asset purchase program in the future, although the Fed maintained its accomodative stance. The main US' benchmarks fell for three straight sessions before staging a reversal on Thursday as risk sentiment turned around on positive economic data.

- The concern that Fed would tighten policy soon also eased in Thursday's session as the risk that it may withdraw support earlier than expected was low given that the job market condition remained considerably weaker compared to the pre-pandemic era. Compared to the last Thursday, stock benchmarks however, posted positive changes due to last week's selloff. The Dow rose 0.2% w/w while the S&P 500 gained 1.1%. NASDAQ outperformed again at +3.1%, thanks to the tech rally. Gold prices rose around 3.0% amid weaker dollar and retreating treasury yields. Meanwhile, crude oil prices plunged nearly 3.0% w/w as markets anticipated higher crude supply from the possible lifting of US sanctions on Iran.

- In the US, the number of first-time claimer for jobless benefits continued to trend down, reaching a fresh pandemic-era low of 444k last week. This reflects fewer layoffs in the economy as social distancing rules were lifted and the number of Covid-19 infections turned lower. Elsewehere, notably, the UK reported its first average 3M job gains since March last year and also surging inflation. Eurozone's GDP contracted 0.6% q/q in 1Q, according to second estimate, confirming that it was in a technical recession. Japan's 1Q GDP shrank 1.3% q/q according to first estimate, but other indicators such as exports and inflation data for April were positive. China's economic recovery saw weaker momentum in April, particularly the retail sales growth (+17.7%) came in lower than expectations. Australia reported job losses of 30.6k after months of gains, mainly driven by seasonal factors. Wage growth was also higher at 1.5% y/y in 1Q.

The Week Ahead…

- In the week ahead, we turn our attention to more US data but the narrative is expected to be consistent with the ongoing bullish recovery outlook. Data calendar is light on Monday, limited to Singapore's CPI and the US Chicago Fed's National Activity Index.

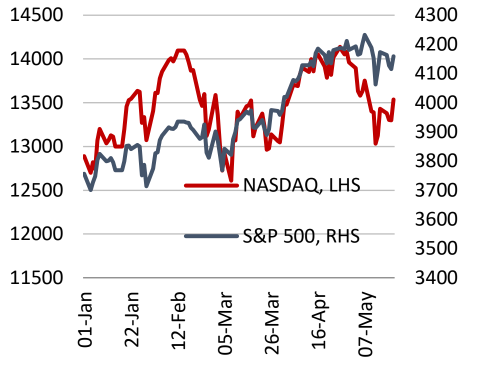
- Among the highlights of Tuesday is the Singapore's 1Q GDP report. The advance estimate for GDP growth was at 0.2% y/y. US' data to watch out for that day are the Conference Board Consumer Confidence Index as well as the US' key housing price indexes (FHFA and Case Shiller) and new home sales data.

- On Wednesday, the RBNZ's policy decision is the main event in the morning. The New Zealand's trade report is due earlier before the central bank's statement.

- On Thursday, China's industrial profits data are out in the morning, followed by Hong Kong's trade report. The highlight of the day is the US' second GDP estimate for the first quarter (first estimate of the annualised q/q rate was at 6.4%). The weekly jobless claims, durable goods, Kansas City Fed Manufacturing and pending home sales are also in the US data docket.

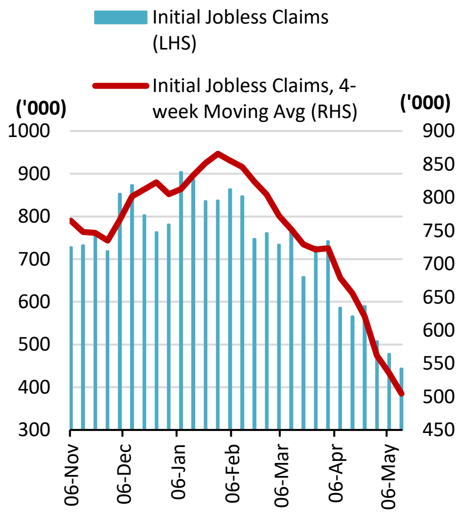
- Last but not least on Friday, Japan's jobless rate and job-to-applicants data are out in the morning, followed by Malaysia's trade report. Investors' focus however is on the US' personal income, spending and core PCE inflation data in the US session. The week closes out with the University of Michigan Sentiment Index and the MNI Chicago PMI.

Tech shares outperformed



Source: Bloomberg

Initial jobless claims extended downtrend



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR trended steadily higher through the week, last closed at 4.1460 yesterday, up 0.5% from 4.1250 prior to the Raya festive break last Wednesday. Overall retreat in risk sentiments and heightening concerns over surging infection cases could have weighed on the MYR, outweighing USD weaknesses. We are ***Neutral to Bullish on USDMYR*** outlook in the week ahead potentially eyeing a range of 4.13-4.17 (prior: 4.1225-4.1475), as talks of a full lockdown, if materialize, could exert pressure on the MYR amid renewed growth and policy concerns.

- **USD**: The USD has weakened against all G10 currencies over the past five sessions, although the trend is less clear compared to Asian currencies. This has been due to optimism over the fight against Covid-19 in major economies, while Asia suffered outbreaks from the B1617 variant. Fed mention of future tapering discussions did impact on FX movements but faded thereafter. For the DXY, we are ***Bearish USD*** and look for further moves downwards below 90 for the next few sessions. For the week ahead, initial jobless claims, PCE and U. of Michigan sentiment are the main datasets we track.

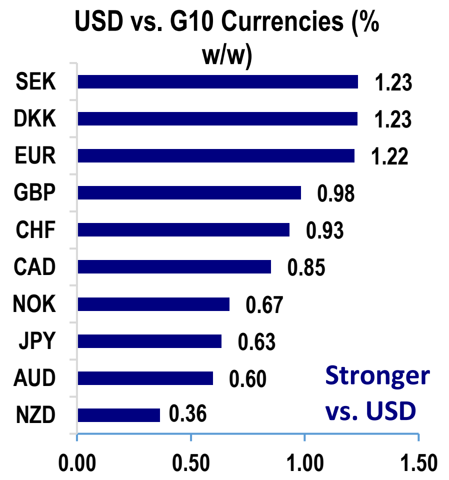
- **EUR**: EUR/USD mostly traded in a bid over the past 5 sessions, touching a high of 1.2245 on 19 May. This was supported by loosening Covid-19 restrictions in the region, despite another decrease in the preliminary 1Q GDP print. For the coming week, we are ***Neutral-to-Bullish*** on the EUR. Upside momentum stayed high despite levels looking elevated. Resistance at 1.2349 while support at 1.2040. Eurozone releases confidence indexes over the coming period.

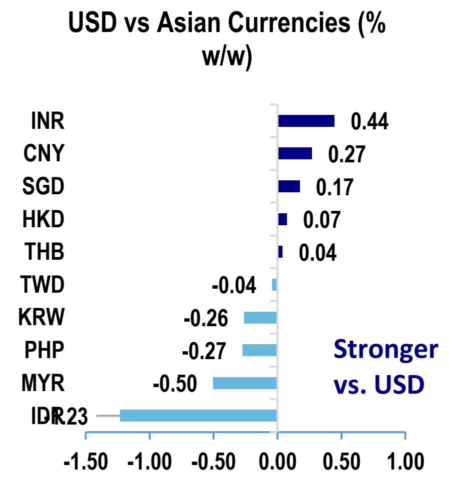
- **GBP**: GBP/USD hit a high of 1.4220 on 18 May, buoyed by reopening measures. Since then, pair has mostly hovered around a 1.41 to 1.42 range. PPI print (3.9% y/y) has been higher than expected in April, consistent with other major economies. We are ***Neutral-to-Bullish*** on the GBP over the coming week. Momentum is still upwardly biased at elevated levels. Resistance at 1.4237 while support lies at 1.4000.

- **JPY**: USD/JPY has slightly come off since the 13 May high of 109.79, although the yen underperformed relative to G10 performances. Deflationary pressures persisted despite slightly better than expected CPI prints (PPI is strong though). 1Q preliminary GDP showed a sharper-than-expected contraction. We are ***Neutral*** on the JPY over the coming week, within a range of 108.00 to 109.80. Momentum looks subdued as Covid-19 cases are elevated. Week ahead data includes jobless rate and leading index.

- **AUD**: AUD/USD moved mostly within the 0.77 to 0.78 big figures, despite slight improvements over the past week. Markit PMIs stayed positive as full time employment rose (even though total numbers fell). April retail sales numbers came in stronger than expected, at 1.1% m/m. We are ***Neutral*** on the AUD for the coming sessions, examining a range of 0.7660 to 0.7820. Momentum is low at evenly balanced levels.

- **SGD**: USD/SGD been relatively range-bound (around 1.3280 to 1.3380) over the past week, despite dollar weakness. Pair has been lately hovering closer to the bottom half of the range, as markets brushed off Fed tapering fears. Singapore's community Covid-19 cases continue to weigh on the SGD. For the week ahead, we anticipate further horizontal movements along a similar range. Singapore's data releases (April CPI and industrial production, final 1Q GDP) over the coming week may be looking at the rear mirror.





Source: Bloomberg

Forecasts

	Q2-21	Q3-21	Q4-21	Q1-22
DXY	92.50	92.00	91.50	90.75
EUR/USD	1.1850	1.1900	1.2000	1.2100
GBP/USD	1.3850	1.3950	1.4000	1.4100
AUD/USD	0.76	0.77	0.78	0.79
USD/JPY	111	110	109	108
USD/MYR	4.15	4.10	4.08	4.05
USD/SGD	1.36	1.35	1.33	1.32

	Q2-21	Q3-21	Q4-21	Q1-22
EUR/MYR	4.92	4.88	4.90	4.90
GBP/MYR	5.75	5.72	5.71	5.71
AUD/MYR	3.15	3.16	3.18	3.20
SGD/MYR	3.05	3.04	3.07	3.07

Source: HLBB Global Markets

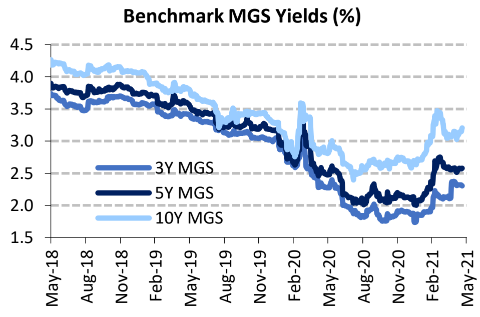
Fixed Income

- **UST:** The week under review saw USTs hold steady under less volatile conditions, as earlier losses stemming from the FOMC minutes (which underlined the Fed's view to discussions on scaling back asset purchases in the near future) was however counter-balanced by investors view that the recent acceleration in consumer prices are unlikely to be sustained. Overall benchmark yields closed between 1-5bps lower across, as the curve bull-flattened. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps lower at 0.15% whilst the much-watched 10Y (which traded within a tighter range of 1.63%-1.67%); settled 3bps lower at 1.63%. The auction involving $27b 20Y of new issuance notched a BTC ratio of 2.24x (previous average for 6 auctions: 2.30x) and awarded higher than WI at 2.286%. The Fed was seen embarking on its 1st purchase operations into newly defined maturity range that included 20Y tenures. Elsewhere China's holdings of USTs retreated in March from its highest levels since mid-2019; decreasing by $3.9b to $1.10 trillion. Japan's holdings too fell by $17.7b to $1.24 trillion.

- **MGS/GII:** Local govvies were better-bid w/w, ending mostly mixed due to low-staffing levels arising from the long Hari Raya break. Overall benchmark MGS/GII yields closed mostly mixed with MGS between -9 to +6bps and GII seeing lesser volatility whilst settling between -5 to +2bps. The recent surge in COVID-19 infections partly contributed to mixed views by investors as not all players were seen seeking safety in the bond asset class. Interest was seen mainly in the off-the-run 21-22's, 24's, 28's and also benchmark 3Y, 5Y MGS/GII bonds. The benchmark 5Y MGS 9/25 closed within 1bps lower at 2.57% whilst the 10Y MGS 4/31 benchmarks spiked 6bps at 3.20% levels. The average daily secondary market volume saw a huge jump of ~38% @ RM2.46b versus prior week's RM1.68b. The latest survey of 33 economists by Bloomberg shows that the economy is expected to notch 5.7% y/y growth versus prior 5.5% for 2021. Our house view remains at 5.0% for now amid prevailing uncertainties. Expect bonds to be range-bound next week as investors stay tuned to ongoing updates on local virus infection rates and containment measures.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw to strong investor interest in the secondary market for corporate bonds/sukuk/govt-guaranteed bonds. Activity was seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 27% rise in average daily market volume of RM625m compared to prior week's RM492m. Topping the weekly volume was the Bank ISLAM 28NC23 (A1) which declined 3bps at 3.33% compared to previous-done levels, followed by Petroleum Sarawak 3/28 tranche which rose 6bps instead to 3.74%. Third largest volume was seen for energy-related bond SEB 11/33 which rallied 13bps to 4.26%. Higher frequency of bond trades was seen in DANA, LPPSA, PTPTN, Genting-related names, SEB and utility bonds namely TELEOKM and TNB. Meanwhile the prominent issuances for the week consisted of CAGAMAS Berhad's (AAA) 3Y PAPERS totaling RM400m with a coupon of 2.78% followed by UEM Sunrise Bhd's AA3-rated 5Y bonds amounting to RM300m with a coupon of 4.6%.

- **SGS:** SGS (govvies) saw movements correlate to UST movements whilst ending stronger w/w across the curve with overall benchmark yields declining between 3-8bps. The curve shifted lower as the 2Y rallied 5bps at 0.35% levels whilst the 10Y (which traded within a tighter 4bps range), declined 3bps at 1.51%. Meanwhile the SGD is seen trading in narrow ranges having reached a low of 1.3371 against the greenback earlier on Monday. Tighter restrictions following the rise in COVID-19 cases may see some impact on the economy going forward. MAS will carry out a mini-auction involving the reopening of SGD1.3b of existing SGS 2/24 on the 27th of May. This is in addition to the existing SGD2.9b 5Y auction on even date. Separately Keppel Land has successfully priced its SGD280m 5Y bonds at a guidance of ~2.0% as part of its $3.0b multicurrency MTN program. Elsewhere UOB saw strong investor interest for EUR750m fixed-rate covered bonds; priced at 0.1%. Tis falls under its USD8.0b global covered bond program.



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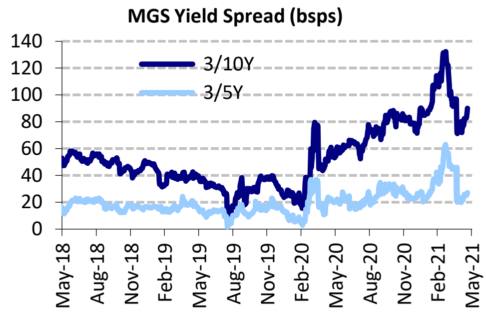

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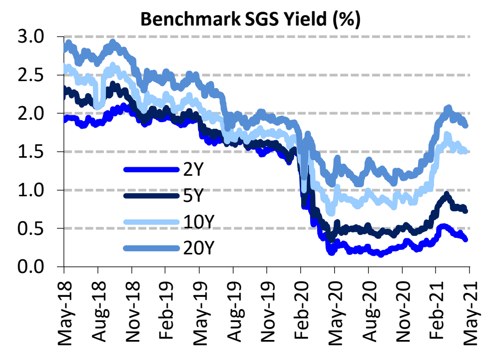

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Tanjung Bin Power Sdn Bhd	M4.5 billion Sukuk Ijarah Programme	AA2/Stable	Affirmed
Kimanis Power Sdn Bhd	RM650.0 million Sukuk Programmes	From AA-IS/Stable to AA-IS	Upgraded
IGB Commercial REIT Capital Sdn Bhd	Perpetual RM5.0 billion MTN Program Class A Class B Class C	 AAA/Stable AA2/Stable AA3/Stable	 Assigned
Sinar Kamiri Sdn Bhd	RM245.0 million Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah	AA-IS/Stable	Affirmed
Zamarad Assets Berhad	Tranche 6 RM80 mil Class A Sukuk RM20 mil Class B Sukuk	AAA/Stable AA2/Stable	Assigned Assigned
UniTapah Sdn Bhd	Sukuk Murabahah of up to RM600 mil (2014/2035)	AA1/Stable	Reaffirmed
Belleview Group-sponsored Sukuk Ijarah backed by Aman Central Mall	RM785 million First Tranche Sukuk Ijarah under AC First Genesis Berhad's (the Issuer) RM3 billion Sukuk Ijarah Programme (the Programme) Senior Class A Senior Class B Guaranteed Class C Subordinated Class D	 AAA/Stable AA2/Stable Unrated Unrated	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
24/05	06:45	NZ	Retail Sales Ex Inflation QoQ	1Q	-2.7%
	13:00	SG	CPI YoY	Apr	1.3%
	20:30	US	Chicago Fed Nat Activity Index	Apr	1.71
25/05	08:00	SG	GDP YoY	1Q F	0.2%
	13:00	SG	Industrial Production YoY	Apr	7.6%
	14:00	JP	Machine Tool Orders YoY	Apr F	120.8%
	21:00	US	FHFA House Price Index MoM	Mar	0.9%
	21:00	US	S&P CoreLogic CS 20-City YoY NSA	Mar	11.94%
	22:00	US	New Home Sales MoM	Apr	20.7%
	22:00	US	Conf. Board Consumer Confidence	May	121.7
	22:00	US	Richmond Fed Manufact. Index	May	17.0
26/05	06:45	NZ	Trade Balance 12 Mth YTD NZD	Apr	1688m
	08:30	AU	Westpac Leading Index MoM	Apr	0.38%
	10:00	NZ	RBNZ Official Cash Rate	26 May	0.25%
	13:00	JP	Leading Index CI	Mar F	103.2
	19:00	US	MBA Mortgage Applications	21 May	1.2%
27/05	09:30	CH	Industrial Profits YoY	Apr	92.3%
	16:30	HK	Exports YoY	Apr	26.4%
	20:30	US	Durable Goods Orders	Apr P	0.8%
	20:30	US	GDP Annualized QoQ	1Q S	6.4%
	20:30	US	Initial Jobless Claims	22 May	--
	22:00	US	Pending Home Sales MoM	Apr	1.9%
	23:00	US	Kansas City Fed Manf. Activity	May	31.0
28/05	06:00	NZ	ANZ Consumer Confidence Index	May	115.4
	07:30	JP	Jobless Rate	Apr	2.6%
	07:30	JP	Job-To-Applicant Ratio	Apr	1.1
	12:00	MA	Exports YoY	Apr	31.0%
	17:00	EZ	Economic Confidence	May	110.3
	20:30	US	Advance Goods Trade Balance	Apr	-$90.6b
	20:30	US	Personal Income	Apr	21.1%
	20:30	US	Personal Spending	Apr	4.2%
	20:30	US	PCE Core Deflator YoY	Apr	1.8%
	21:45	US	MNI Chicago PMI	May	72.1
	22:00	US	U. of Mich. Sentiment	May F	82.8
25-31/05	NA	VN	Trade Balance	May	-$1500m
	NA	VN	Exports YoY	May	44.9%
	NA	VN	CPI YoY	May	2.7%
	NA	VN	Retail Sales YTD YoY	May	10.0%
	NA	VN	Industrial Production YoY	May	24.1%

Source: Bloomberg

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