HongLeong Bank

Global Markets Research
Weekly Market Highlights

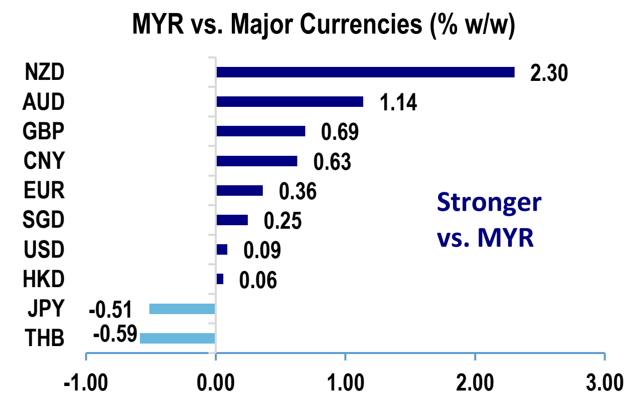
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,603.08	1.98	16.33
S&P 500	4,549.78	2.51	21.13
FTSE 100	7,190.30	-0.24	11.30
Hang Seng	26,017.53	2.70	-4.46
KLCI	1,591.62	-0.06	-2.19
STI	3,188.50	0.75	12.12
Dollar Index	93.77	-0.20	4.26
WTI oil ($/bbl)	82.50	1.46	71.58
Brent oil ($/bbl)	84.61	0.73	92.08
Gold (S/oz)	1,781.90	-0.89	-6.43

Source: Bloomberg

- It was generally a risk-on week with global equities traded in a bid tone spurred by robust corporate earnings. While the rally appeared to be somewhat set back by renewed inflationary concern and potential default by China's Evergrande, major stock indices still managed to close out the week on stronger footing up till Thursday's close. The Dow was up 2.0% w/w as of Thursday while the S&P 500 rose 2.5% w/w. NASDAQ outperformed with a 2.6% w/w gain. Key data released the past week confirmed a slowdown in the China economy and elevated inflation in the Eurozone and the UK.
- It will be a busy week ahead packed with first tier data, as well as ECB and BOJ policy meetings. We do not expect any big shift in BOJ policy stance but we would be keenly watching ECB, for any change in its rhetoric to a more hawkish stance given upside risks to inflation aggravated by the enrgy crisis in Europe. On the data front, advance estimate of 3Q GDP in the US and Eurozone will certainly be closely scrutinized for the pace of the normalization from 2Q's distortion, The release of personal outlay report in the US will also be another key watch, for inflation outlook and health of the consumer sector.

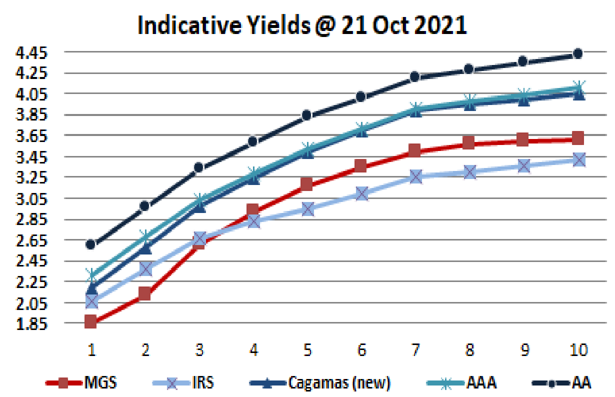
Forex



Source: Bloomberg

- **MYR:** USD/MYR largely traded within the 4.15-4.16 big figures save for the sharp spike to a high of 4.1720 on Monday. For the week, the pair settled 0.1% w/w higher at 4.1580 as at Thursday's close. Technicals remain slightly bearish but momentum indicators are rather neutral indicating likelihood of rangetrading in the near term. We maintain our ***Neutral*** view on USD/MYR, continue eying a range of 4.14-4.17 in the week ahead where focus will be on the tabling of the 2022 Budget on 29 October.
- **USD**: Positive sentiments dominated markets over the past week, helping to correct some USD strength. DXY was down 0.2% (21 Oct close: 93.77) since 14 Oct close. Retail sales was positive, and initial jobless claims came in better than expected. We are ***Neutral*** on the USD for the week ahead, within a range of 93 to 95. Technicals show that range-movements may persist near-term before markets focus on upcoming central bank decisions. Market focus turns to US PMIs and thereafter advance GDP figures, alongside PCE data on price pressures.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs sharply weaker with the belly pressured the most. Overall benchmark yields spiked between 10-19bps across. Contributing factors included the unexpected drop in first-time claims for US unemployment benefits, impact from heavy corporate issuance slate and also a weak 20Y auction. The benchmark UST 2Y jumped 10bps to 0.46% whilst the much-watched 10Y spiked 19bps to 1.70%. The Fed's holdings of Treasury securities as of 20th October increased by ~33.3 billion to $5.5 trillion; its highest level since May 2020 whilst its total assets increased to ~$8.61 trillion. We expect yields to stay sideways with an upward bias in the week ahead.
- **MGS/GII:** Local govvies ended weaker with MGS seeing the front-end along with the belly largely pressured, influenced by movements in MYR IRS levels and low-staffing levels due to the public holiday on Tuesday. Overall benchmark yields for MGS closed higher between 0-11bps save for the 30Y MGS. Interest was mainly seen in the shorter off-the-run 22's, 28's and also benchmark 3Y, 5Y and 10Y bonds. Meanwhile, the 5Y MGS auction benefitted from attractive yield levels and absence of private placement; notching a BTC ratio of 2.042X whist being awarded at 3.209%. Expect a quieter session next week ahead of the unveiling of the National Budget 2022 next Friday.

Macroeconomic Updates

- **Markets weighed strong corporate earnings and inflationary risks:** It was generally a risk-on week with global equities traded in a bid tone. Robust corporate earnings kickstarted by major US banks followed by other technology companies and positive earnings guidance sent cheers to the markets. While the rally appeared to be somewhat set back by renewed inflationary concern and potential default by China's Evergrande after it ditched a deal on asset disposal to raise funds, major stock indices still managed to close out the week on stronger footing up till Thursday's close. The Dow was up 2.0% w/w as of Thursday while the S&P 500 rose 2.5% w/w. NASDAQ outperformed with a 2.6% w/w gain.

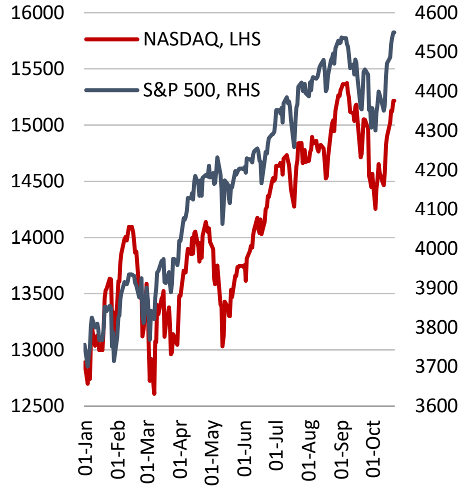
- **Latest data confirmed a slowdown in the China economy:** The China economy grew at a slower pace of 4.9% y/y in 3Q, easing from the 7.9% y/y growth in 2Q as new wave of Covid-19 outbreak took a toll on the already fragile recovery aggravated by bottlenecks in the global supply chain. The economy grew a mere 0.2% q/q in 3Q, suggesting a near no-growth scenario on a quarterly basis. Monthly high frequency data like industrial production and fixed asset investment also lost steam. The only comfort was probbaly from the quicker increase in retail sales, although it remianed subdued at 4.4% y/y in September, indicating still cautious spending in discretoinary items. The government is expected to maintain the current acommodative policy stance to achieve its "above 6.0%" growth target, which is within reach given YTD average growth of 9.8% y/y.

- **Inflation remains elevated overall:** Recent slew of inflation readings which generally showed further pick-up in price pressure or stabilzing prices at elevated levels suggests inflation will stay high for longer than initially anticipated before tapering off to longer run levels eventually. CPI in the Eurozone quickened to 3.4% y/y and rose 0.5% m/m n September as iInflation picked up in 25 member states, fell in one and stabilized in one member country, a sign of broad-based inflationary pressure in the region. In the UK, while CPI increased at a slightly slower rate of 3.1% y/y in September (Aug: +3.2% y/y), it was distorted by the decline in restaurant meal prices which was boosted by the expiry of an Eat Out to Help Out Scheme last September. Prices in all other categories mainly Food & beverages, housing, furniture and transport, all confirmed that inflation remained at elevated levels. The only exception was Japan. Although hedline CPI turned positive at 0.2% y/y in September, CPI ex fresh food and energy sustained a 0.5% y/y decline.

- **RBA stayed acommodative and maintained pledge for rate pause:** Minutes of the latest RBA meeting showed that policy makers were maintaining their pledge for keeping interest rates unchanged to achieve a return to full employment until the CPI is stable within the 2.0-3.0% target band. CPI reading accelerated to 3.9% y/y in 2Q, and the RBA's central scenario showed that this condition will not be met before 2024.

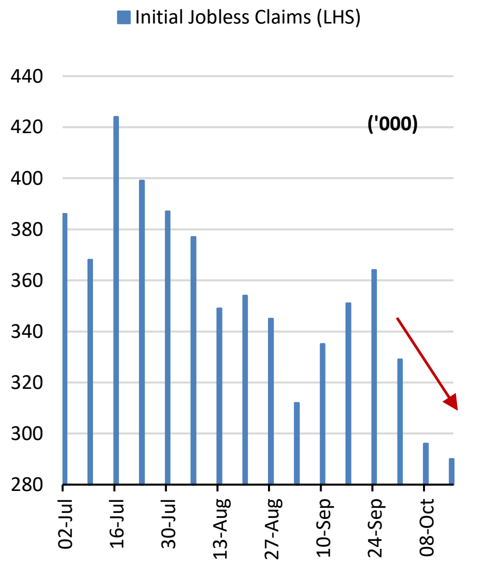
- **ECB policy meeting and US 3Q GDP in focus:** It will be a busy week ahead packed with first tier data, as well as ECB and BOJ policy meetings. We do not expect any big shift in BOJ policy stance but we would be keenly watching ECB, for any change in its rhetoric to a more hawkish stance given prospects of continuous recovery and upside risks to inflation aggravated by the enrgy crisis in Europe. On the data front, advance estimate of 3Q GDP in the US and Eurozone will certainly be closely scrutinized for the pace of the normalization from 2Q's distortion, and to what extent the resurgence in Covid cases caused by the Delta variants has impacted the recovery momentum. The release of personal outlay report in the US will also be another key watch, for inflation outlook and health of the consumer sector. We expect some moderation in consumer income and spending following the expiry of earlier stimulus aids to consumers. We also expect inflation gauges to stay elevated. Countries which are due to release their inflation readings include the US, Australia, Singapore, and Vietnam.

US stocks stayed biddish amid strong corporate earnings



Source: Bloomberg

Initial jobless claims fell a 4th straight week to a fresh pandemic era low



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR largely traded within the 4.15-4.16 big figures save for the sharp spike to a high of 4.1720 on Monday. For the week, the pair settled 0.1% w/w higher at 4.1580 as at Thursday's close. Technicals remain slightly bearish but momentum indicators are rather neutral indicating likelihood of rangetrading in the near term. We maintain our ***Neutral*** view on USD/MYR, continue eying a range of 4.14-4.17 in the week ahead where focus will be on the tabling of the 2022 Budget on 29 October.

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- **EUR**: EUR/USD was up over the past week but retreated after a 5-day high of 1.1669 on 19 Oct. Pair was 0.22% up w/w. This was helped by positive market risk sentiments. We are ***Neutral-to-Slightly-Bullish*** on EUR/USD for the week ahead. The European Central Bank policy decision on 28 Oct will likely be instrumental to the pair's outlook, with a more hawkish ECB likely to support EUR/USD further. We see a range of 1.1400 to 1.1770 for the week ahead. Eurozone also releases CPI and GDP data for the coming week.

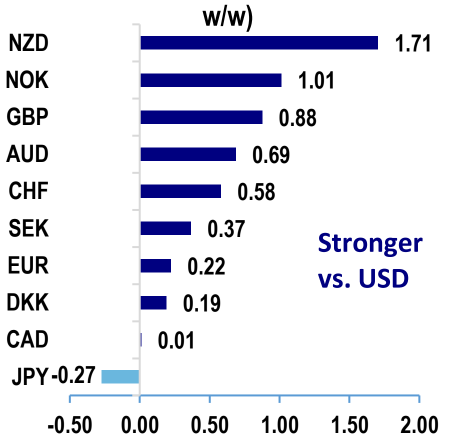
- **GBP**: GBP/USD outperformed compared to EUR/USD and was up 0.88% w/w, closing at 1.3793 on Thursday. This was on bullish market views on Bank of England rate hikes. We are ***Neutral-to-Slightly-Bearish*** on GBP/USD on possible profit taking or BOE disappointments. Pair has slightly corrected since 1.3835 hit on 20 Oct. Technical indicators are still slightly biased on the upside. We see a range of 1.3520 to 1.3850 for the week ahead.

- **JPY**: USD/JPY has appeared to be stabilising, since topping out at the 114.70 high on 21 Oct. Pair closed Thursday at 113.99, 0.27% higher w/w. This has been due to positive market sentiments and positioning from central bank divergence. September inflation stayed subdued. We are ***Neutral*** on USD/JPY for the week ahead, with the pair at overbought territory. Focus on a range of 111.50 to 116.00. Markets will likely eye Bank of Japan policy decision (28 Oct) with little anticipation. Japan also releases employment, industrial production and retail sales data in the coming week.

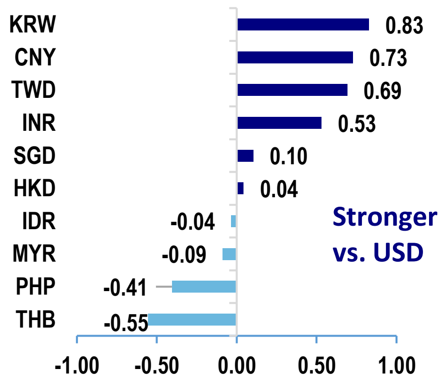
- **AUD**: AUD/USD was up 0.69% w/w, closing at 0.7467 on Thu after a high of 0.7546. Positive sentiments, commodity prices and strong CNY supported the AUD. Markit composite PMI turned positive (52.2, from 46.0), helped by services. We are ***Neutral*** on AUD/USD after the recent rally of around 3 big figures since end-September. We eye a range of 0.7250 to 0.7600. Technicals hint at some modest upsides ahead. Attention turns to 3Q CPI on 27 Oct and PPI on 29 Oct, for cues on potential future RBA policy moves.

- **SGD**: USD/SGD hit a weekly low of 1.3419 on 21 October but rebounded upwards to close at 1.3474 on Thursday. This was due to USD weakness, but otherwise there was little progress in USD/SGD compared to a week ago. Non-oil domestic exports stayed robust on strong demand amid supply chain issues regionally. We are only ***Neutral-to-Slightly-Bearish*** on USD/SGD for the week ahead, anticipating an immediate range of 1.3380 to 1.3540. Technicals show stabilising momentum. Singapore releases CPI and industrial production data for the coming week.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

Forecasts

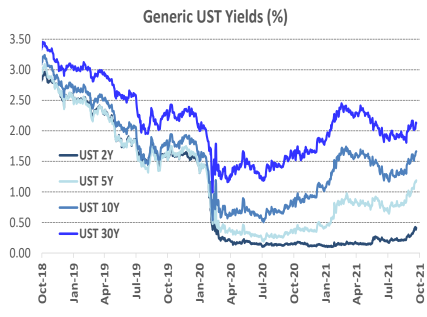
	Q4-21	Q1-22	Q2-22	Q3-22
DXY	94.50	95.00	95.50	96.50
EUR/USD	1.15	1.14	1.14	1.13
GBP/USD	1.35	1.35	1.34	1.33
AUD/USD	0.72	0.71	0.71	0.70
USD/JPY	112	113	114	115
USD/MYR	4.15	4.15	4.15	4.15
USD/SGD	1.35	1.34	1.33	1.34

	Q4-21	Q1-22	Q2-22	Q3-22
EUR/MYR	4.77	4.73	4.73	4.69
GBP/MYR	5.60	5.60	5.56	5.52
AUD/MYR	2.99	2.95	2.95	2.91
SGD/MYR	3.07	3.10	3.12	3.10

Source: HLBB Global Markets

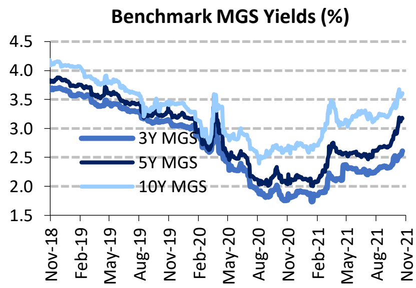
Fixed Income

- **UST:** The week under review saw USTs sharply weaker with the belly pressured the most. Overall benchmark yields spiked between 10-19bps across. Contributing factors included the unexpected drop in first-time claims for US unemployment benefits for week ending 16th October, impact from heavy corporate issuance slate and also a weak 20Y auction which tailled by 2.5bps. The benchmark UST 2Y; reflective of interest rate predictions, jumped 10bps to 0.46% whilst the much-watched 10Y (which ranged within 1.60%-1.70%); spiked 19bps to 1.70%. Treasury's the $19b 5Y TIPS auction was well-received amid rising inflation concerns; and was awarded at -1.685% for a 2.45 cover. The Fed's Beige Book noted that most areas in US were seeing steady growth in the US economy at a modest-to-moderate rate amid a low supply of workers and elevated prices The Fed's holdings of Treasury securities as of 20th October increased by ~33.3 billion to $5.5 trillion; its highest level since May 2020 whilst its total assets increased to ~$8.61 trillion.



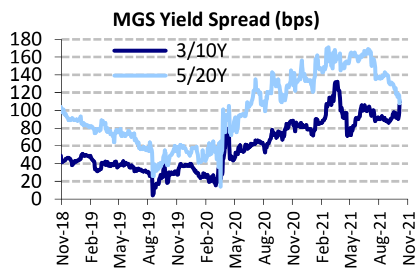
Source: Bloomberg

- **MGS/GII:** Local govvies ended weaker for the week with MGS seeing the front-end along with the belly largely pressured, influenced by movements in MYR IRS levels and low-staffing levels due to the public holiday on Tuesday. Overall benchmark yields for MGS closed higher between 0-11bps save for the 30Y MGS. The benchmark 5Y MGS 11/26 spiked 11bps to 3.21% whilst the 10Y MGS 4/31 rose 7bps to 3.60% from prior week's close. Interest was mainly seen in the shorter off-the-run 22's, 28's and also benchmark 3Y, 5Y and 10Y bonds. The average daily secondary market volume slid 11% @ RM2.60b versus prior week's RM2.92b. Meanwhile, the 5Y MGS auction benefitted from attractive yield levels and absence of private placement; notching a BTC ratio of 2.042X whist being awarded at 3.209%. Expect a quieter session next week ahead of the unveiling of the National Budget 2022 next Friday.



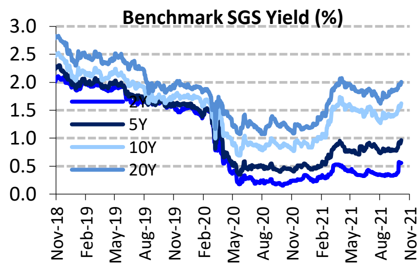
Source: Bloomberg

- **MYR Corporate Bonds/ Sukuk:** The week under review saw slightly stronger investor interest in the secondary market for govt-guaranteed/corporate bonds/sukuk emanating from the recent rise in yields. Transactions continued to be seen mainly along the AAA-AA part of the curve as yields closed mostly mixed-to-higher amid the slight 5% rise in daily market volume of RM458m (prior week: RM436m). Topping the weekly volume were PUTRAJAYA 4/24 (AAA) which jumped 21bps compared to previous-done levels to 2.80%, followed by RHB Islamic 29NC24 (AA3) bonds which edged 1bps lower at 3.34%. Third largest volume was seen for SP SETIA 6/26 (AA) which closed 19bps higher at 3.83% levels. Higher frequency of bond trades was seen in PRASA, GENM Capital, MRCB20 Perps, GAMUDA, ALLIANCE bank bonds, energy-related bonds i.e. SEB and also odd-lot transactions in YNH Properties. Meanwhile the prominent issuance for the week consisted of Bank Simpanan Nasional Berhad's AAA-rated 3-7Y bonds totaling RM750m; with coupons between 2.75-3.09%.



Source: Bloomberg

- **SGS:** SGS (govvies) saw overall weakness with the curve bear-flattening, influenced by rising UST yields for the week under review. Overall benchmark yields closed higher between 7-15bps. The 2Y yield spiked 14bps to 0.72% whilst the 10Y (which traded tighter between 1.70-1.75% range) jumped 8bps to 1.73%. Meanwhile, MAS said that it would issue S$2.5b of 5Y bonds on 27th October, which is slightly lower than its previous issuance of S$3.0b in July. The de facto central bank which tightened policy in October is seen to be confident for the republic to outperform on growth this year despite the current high COVID-19 cases and hospital utilization rates. Elsewhere, Nanyang Technological University (NTU) has successfully issued S$650m of Aaa-rated 15Y bonds under its MTN programme. DBS Bank meantime had issued Aaa-rated EUR 750m worth of 5Y bonds at a yield of 0.015%. Guocoland, via GLL IHT Pte Ltd similarly issued 5Y bonds at par to yield 3.29%. Meanwhile, Fitch has affirmed OCBC's covered Bonds at AAA with a Stable Outlook.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Edra Solar Sdn Bhd	RM245 mil ASEAN Sustainability SRI Sukuk	AA2/Stable	Reaffirmed
WCT Holdings Berhad	RM1.0 billion Medium-Term Notes (MTN) Programme	AA-/Stable	Affirmed
	RM1.5 billion Sukuk Murabahah Programme	AA-IS/Stable	Affirmed
Segi Astana Sdn Bhd	RM415.0 million ASEAN Green Medium-Term Notes (MTN) facility	From AA-/Negative to A+/Negative	Downgraded
Country Garden Real Estate Sdn Bhd	RM1.5 bil Islamic Medium-Term Notes Programme (2015/2035)	AA3(s)/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
25/10	13:00	SG	CPI YoY	Sep	2.4%
	15:00	MA	Foreign Reserves	15 Oct	$115.2b
	20:30	US	Chicago Fed Nat Activity Index	Sep	0.29
	22:30	US	Dallas Fed Manf. Activity	Oct	4.6
26/10	13:00	SG	Industrial Production YoY	Sep	11.2%
	16:30	HK	Exports YoY	Sep	25.9%
	21:00	US	FHFA House Price Index MoM	Aug	1.4%
	21:00	US	S&P CoreLogic CS US HPI YoY NSA	Aug	19.7%
	22:00	US	New Home Sales MoM	Sep	1.5%
	22:00	US	Conf. Board Consumer Confidence	Oct	109.3
	22:00	US	Richmond Fed Manufact. Index	Oct	-3.0
27/10	05:45	NZ	Trade Balance 12 Mth YTD NZD	Sep	-2944m
	08:00	NZ	ANZ Business Confidence	Oct F	-8.6
	08:30	AU	CPI YoY	3Q	3.8%
	09:30	CN	Industrial Profits YoY	Sep	10.1%
	19:00	US	MBA Mortgage Applications	22 Oct	--
	20:30	US	Advance Goods Trade Balance	Sep	-$87.6b
	20:30	US	Durable Goods Orders	Sep P	1.8%
	20:30	US	Cap Goods Orders Nondef Ex Air	Sep P	0.6%
28/10	07:50	JP	Retail Sales MoM	Sep	-4.1%
	12:00	MA	Exports YoY	Sep	18.4%
	17:00	EZ	Economic Confidence	Oct	117.8
	19:45	EZ	ECB Deposit Facility Rate	28 Oct	-0.5%
	20:30	US	Initial Jobless Claims	23 Oct	--
	20:30	US	GDP Annualized QoQ	3Q A	6.7%
	22:00	US	Pending Home Sales MoM	Sep	8.1%
	23:00	US	Kansas City Fed Manf. Activity	Oct	22.0
	00:00	JP	BOJ Policy Balance Rate	28 Oct	-0.1%
29/10	05:00	NZ	ANZ Consumer Confidence Index	Oct	104.5
	07:30	JP	Job-To-Applicant Ratio	Sep	1.14
	07:30	JP	Jobless Rate	Sep	2.8%
	07:50	JP	Industrial Production MoM	Sep P	-3.6%
	08:30	AU	Retail Sales MoM	Sep	--
	17:00	EZ	GDP SA QoQ	3Q A	2.2%
	17:00	EZ	CPI Estimate YoY	Oct	3.4%
	20:30	US	Personal Income	Sep	0.2%
	20:30	US	Personal Spending	Sep	0.8%
	20:30	US	PCE Core Deflator YoY	Sep	3.6%
	21:45	US	MNI Chicago PMI	Oct	64.7
	22:00	US	U. of Mich. Sentiment	Oct F	--
	10:00	VN	Industrial Production YoY	Oct	4.1%
	10:00	VN	CPI YoY	Oct	2.1%
	10:00	VN	Exports YoY	Oct	-0.6%
	10:00	VN	Retail Sales YTD YoY	Oct	-7.1%

Source: Bloomberg

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