

Global Markets Research

Weekly Market Highlights

Markets

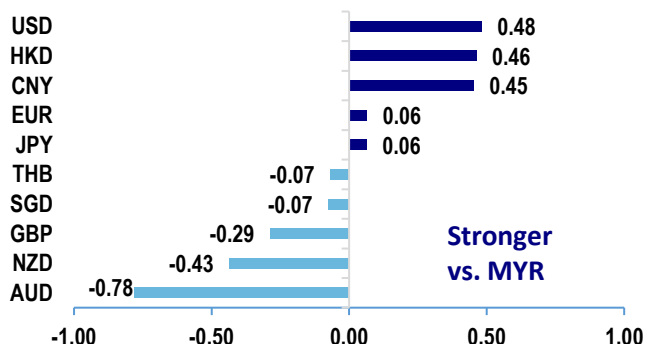
| | Last Closing | WOW% | YTD % |
|--------------------|--------------|-------|-------|
| Dow Jones Ind. | 34,823.35 | -0.47 | 13.78 |
| S&P 500 | 4,367.48 | 0.17 | 16.28 |
| FTSE 100 | 6,968.30 | -0.62 | 7.86 |
| Hang Seng | 27,723.84 | -0.97 | 1.81 |
| KLCI | 1,527.62 | 0.45 | -6.12 |
| STI | 3,159.26 | 0.61 | 11.09 |
| Dollar Index | 92.82 | 0.21 | 3.21 |
| WTI oil (\$/bbl) | 71.91 | 0.36 | 48.52 |
| Brent oil (\$/bbl) | 73.79 | 0.44 | 42.45 |
| Gold (\$/oz) | 1,805.40 | -1.29 | -4.56 |

Source: Bloomberg

- Global equities sold off while safe havens advanced at the start of the week as Delta variant-related fear gripped the markets. The risk aversion however lasted only one day as stocks subsequently rose for three consecutive sessions, proving that stocks remained the most attractive asset class. Oil prices fell sharply on Monday, but picked up in the ensuing sessions as investors predicted a tighter oil market. The ECB enhanced its dovish policy stance, indicating that accommodative policy would stay for a longer period of time.
- The US' corporate earnings are likely to drive the equity markets next week as more S&P 500 companies released their second quarter reports. The FOMC statement is expected to be little changed as the Fed sticks to their policy stance. Fed Chair Jerome Powell's press conference is expected to command more attention. The economic calendar is packed with top-tiered data; among them the US and Eurozone's GDP report for 2Q.

Forex

MYR vs. Major Currencies (% w/w)

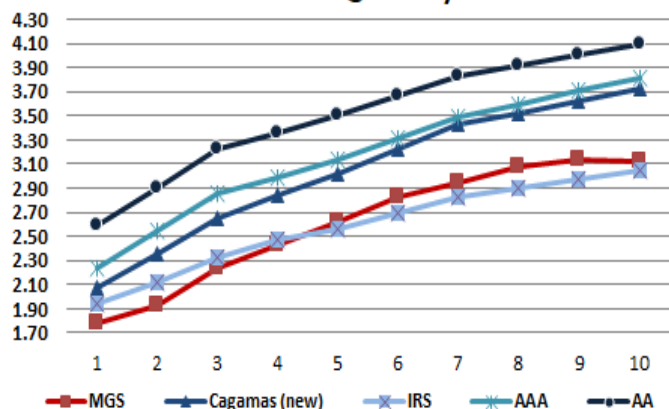


Source: Bloomberg

- MYR:** USD/MYR made a modest reversal on Thursday at 4.2225, after having risen for six successive sessions. Compared to last Thursday, the pair was still 0.5% w/w higher and looks set to close out the week with its sixth consecutive weekly gain amid strong USD sentiment and pandemic related concerns on the domestic front. We are **Neutral-to-Bullish** on USD/MYR as the reversal in the overbought condition gave rise to further upsides given that USD is expected to strengthen modestly next week. Another break of 4.23 will clear the ways towards the 4.25 key level. We watch out for a range of 4.21-4.25 next week.
- USD:** USD remained in strengthening mode. DXY advanced by 0.21% over the past 5 sessions, although momentum petered out by Thursday. This was on the back of an unexpected rebound in initial jobless claims, despite other economic indicators looking positive. We are **Neutral-to-Bullish** on the USD for the coming week, anticipating only modest increases to Thursday's close of 92.82. Technicals show some resistance close to the 93 big figure. After PMIs on Friday, focus shifts to 29 July's FOMC decision and 2Q advance GDP figures.

Fixed Income

Indicative Yields @ 22 July 2021



Source: Bloomberg

- UST:** USTs closed strong this week, brushing aside the increase in swap spread purchases due to rising corporate issuance slate as focus was tuned to the higher-than-expected new claims for jobless benefits. Overall benchmark yields ended lower between 1-6bps across the curve which bull-steepened. The \$24b 20Y bond auction tailed as the BTC ratio dipped to the lowest since January at 2.33x while being awarded above market expectations at 1.89%. The Treasury also revealed it plans to sell \$60b of 2Y, \$6b of 5Y and \$62b of 7Y bonds next week. Expect bond volatility and volumes to ease as market participants await next week's FOMC meeting.
- MGS/GII:** Local govies were generally better-bid w/w with most tenures ending stronger (save for the shorter-end GII's) across the curve in what was a shorter-trading week due to the Hari Raya Haji holiday. Overall benchmark yields closed mostly lower between 0-10bps save for the 3Y, 5Y GII. The 10Y MGS 4/31 however rallied 10bps at 3.12%. The average daily secondary market volume rose 10.1% @ RM3.38b versus prior week's RM3.07b. Fitch Ratings affirmed Malaysia's long-term foreign currency issuer default rating at BBB+ with a stable outlook.

Macroeconomic Updates

- Global equities sold off while safe havens advanced at the start of the week as Delta variant-related fear gripped the markets. The risk aversion however lasted only one day as stocks subsequently rose for three consecutive sessions, proving that stocks remained the most attractive asset class. As of Thursday, the Dow was down by 0.5% w/w while the S&P 500 rose 0.2%. NASDAQ outperformed at +1% w/w. Oil prices fell sharply on Monday, but picked up in the ensuing sessions as investors predicted a tighter oil market. Brent crude and WTI both rose 0.4% w/w as of Thursday, settling at \$73.79/barrel and \$71.91/barrel.
- The ECB enhanced its dovish policy stance, indicating that accommodative policy would stay for a longer period of time. The central bank revised its inflation goal to a “symmetric inflation target of 2% over the medium term” and said that rates will stay at present levels or lower until it sees inflation stabilising at 2% over the medium term. The frontloading of purchases under the €1850b PEPP program will continue in this quarter. ECB also stressed that the PEPP envelope may not be used fully. The RBA meeting minutes showed that officials had decided to adjust its weekly asset purchases as well as retain the April 2024 bonds as the target bond for its 3Y yield curve control measure, mainly because economic outlook had improved. Bank Indonesia kept its benchmark rate at the record low of 3.5% as the raging pandemic weakened Indonesia’s outlook.
- Data flow are on the lighter side this week. US initial jobless claims unexpectedly rose 51k to 419k last week despite the record high job openings in country. Existing home sales rose for the first time in five months, picking up 1.4% m/m to an annualised 5.86mil units in June. This suggests that housing demand remained strong in the US although buyers were turned away by record high prices and limited inventory for the past few months. Homebuilding activity picked up to as housing starts rose 6.3% m/m in June. The 5.1% m/m decline in building permits indicates that developers sought to work through the backlogs accumulated in the past couple of months as construction costs declined. Inflation remained subdued in Japan as the CPI ex-fresh food rose a mere 0.2% y/y in June, reflecting cheaper mobile phone charges. Australia’s retail sales fell 1.8% m/m in June as multiple regional lockdowns impeded consumer spending.

The Week Ahead

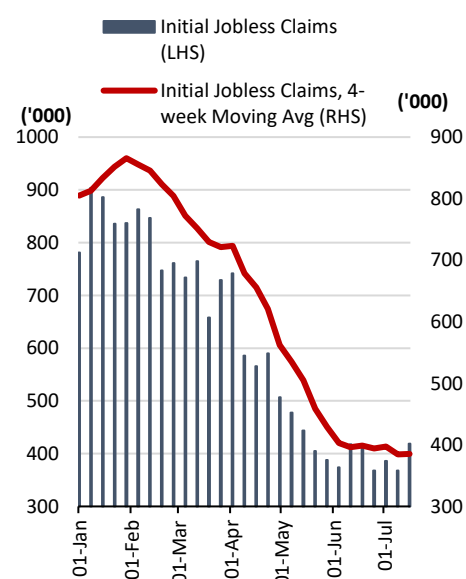
- The US’ corporate earnings are likely to drive the equity markets next week as more S&P 500 companies released their second quarter reports. The Federal Reserve officials meet again next week; the FOMC statement is expected to be little changed as the Fed sticks to their policy stance; last changed at the 15-16 June meeting. Recall that the Fed brought forward its first potential rate hike to 2023. Fed Chair Jerome Powell’s press conference is expected to command more attention but he is likely to deliver the same message as he did before Congress last week.
- The economic calendar is packed with top-tiered data, with the US’ second quarter GDP growths topping the list. Another key US release is the monthly personal outlay report which include the personal income, personal spending and core PCE inflation indexes, allowing markets to gauge the US’ latest consumer spending conditions. Employment cost index, durable goods orders, the advance goods trade report, new home sales and a couple of house price indexes are also in the US docket.
- Apart from that, the EuroStat is expected to publish the Eurozone’s 2Q GDP report, as well as other key indicators such as the HICP inflation and unemployment rate next week. In Asia, key data are the Hong Kong’s advance 2Q GDP growth and its exports data and China’s industrial profits. Japan’s jobless rate, retail sales and industrial production are slated for a same-day release. We also watch out for Singapore’s industrial production, Australia’s CPI and respective trade report from Malaysia and New Zealand.

Stocks recovered from early week’s selloff



Source: Bloomberg

First-time jobless claims came in higher last week.

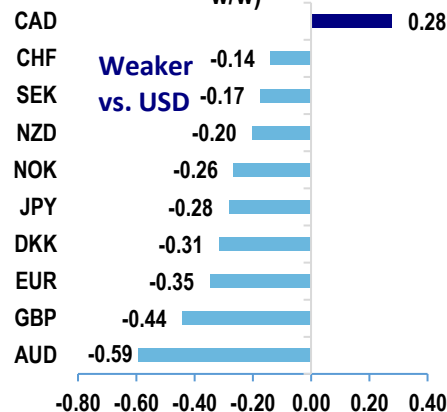


Source: Bloomberg

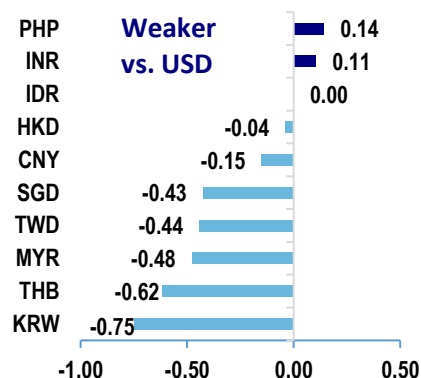
Foreign Exchange Market

- MYR:** USD/MYR made a modest reversal on Thursday at 4.2225, after having risen for six successive sessions. Compared to last Thursday, the pair was still 0.5% w/w higher and looks set to close out the week with its sixth consecutive weekly gain amid strong USD sentiment and pandemic related concerns on the domestic front. We are **Neutral-to-Bullish** on USD/MYR as the reversal in the overbought condition gave rise to further upsides given that USD is expected to strengthen modestly next week. Another break of 4.23 will clear the ways towards the 4.25 key level. We watch out for a range of 4.21-4.25 next week.
- USD:** USD remained in strengthening mode. DXY advanced by 0.21% over the past 5 sessions, although momentum petered out by Thursday. This was on the back of an unexpected rebound in initial jobless claims, despite other economic indicators looking positive. We are **Neutral-to-Bullish** on the USD for the coming week, anticipating only modest increases to Thursday's close of 92.82. Technicals show some resistance close to the 93 big figure. After PMIs on Friday, focus shifts to 29 July's FOMC decision and 2Q advance GDP figures.
- EUR:** EUR/USD dipped below 1.18, and found some support around the 1.1750 level over an offered tone the past week. This came as the ECB officially increased the inflation target to 2%, and allowed some temporary overshooting of inflation. We are **Neutral-to-Bearish** on EUR/USD for the week ahead. Technicals retain a downside bias. Focus on supports of 1.1710 and 1.1640, while resistance is pegged around 1.1910. For the coming week, the Eurozone releases GDP and CPI data.
- GBP:** GBP/USD dipped briefly to a low of 1.3572 on 20 July and found support around 1.3620 levels, before rebounding to close Thursday at 1.3768. This came amid optimism on the economy from full reopening, versus a spike in Covid-19 from the reopening. We are **Neutral-to-Bearish** on GBP/USD for a 1-week period, partly as technical point towards some downside bias. We watch support of 1.3710 and 1.3620, while placing resistance at 1.3910.
- JPY:** USD/JPY saw a bid tone gradually took hold, after a low of 109.07 on 19 July. Pair appears anchored within 1 big figure around the 110 mark. Inflation ex fresh food came in as expected at 0.2% y/y, at subdued levels. We are **Neutral** on USD/JPY for the week ahead, congruent with technical indicators. We eye a range of 108.80 to 110.80. Japan releases retail sales, industrial production and labour market data for the coming week.
- AUD:** AUD/USD had reached a low of 0.7290 on 21 July, but rebounded to close to 0.74 thereafter. Covid-19 related closures affected AUD strength, albeit mitigated by NZD resilience. We are **Neutral-to-Bearish** on the AUD/USD for the coming week. Technicals hint at an offered tone ahead. We place support at 0.7270 and resistance at 0.7500. Eyes are on 2Q CPI on 28 July and PPI on 30 July on clues on inflationary pressures.
- SGD:** Over the past week, USD/SGD has climbed to a peak of 1.3693 on 20 July, before coming off to close at 1.3599 on Thursday's session. The SGD NEER has also briefly dipped to the bottom half of the policy band (in our estimates) on 19 to 20 July, before recovering. We are **Neutral** on USD/SGD at this stage, eyeing an immediate range of 1.3520 to 1.3670. Technical indicators point at some upward moves despite being at stretched levels. Singapore releases industrial production and unemployment rate over the coming week.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

Forecasts

| | Q3-21 | Q4-21 | Q1-22 | Q2-22 |
|---------|--------|-------|-------|-------|
| DXY | 88.00 | 89.50 | 90.50 | 91.50 |
| EUR/USD | 1.24 | 1.22 | 1.21 | 1.20 |
| GBP/USD | 1.44 | 1.42 | 1.40 | 1.38 |
| AUD/USD | 0.80 | 0.78 | 0.77 | 0.76 |
| USD/JPY | 107.50 | 109 | 110 | 111 |
| USD/MYR | 4.15 | 4.10 | 4.10 | 4.08 |
| USD/SGD | 1.31 | 1.33 | 1.33 | 1.32 |
| | Q3-21 | Q4-21 | Q1-22 | Q2-22 |
| EUR/MYR | 5.15 | 5.00 | 4.96 | 4.90 |
| GBP/MYR | 5.98 | 5.82 | 5.74 | 5.63 |
| AUD/MYR | 3.32 | 3.20 | 3.16 | 3.10 |
| SGD/MYR | 3.17 | 3.08 | 3.08 | 3.09 |

Source: HLBB Global Markets

Fixed Income

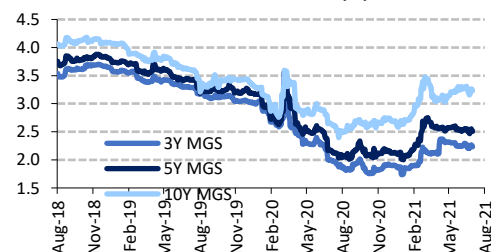
UST: The week under review saw USTs close strong, brushing aside the increase in swap spread purchases due to rising corporate issuance slate as focus was tuned to the higher-than-expected new claims for jobless benefits as at 17th July. Overall benchmark yields ended lower between 1-6bps across the curve which bull-steepened. Both the benchmark UST 2Y and the much-watched 10Y (which traded within a 1.19%-1.30% range); closed 3bps lower at 0.20% and 1.27% each. The \$24b 20Y bond auction tailed as the BTC ratio dipped to the lowest since January at 2.33x (average for previous six auctions: 2.41x), whilst being awarded above market expectations at 1.89% (previous auction: 2.12%). The Treasury also revealed it plans to sell \$60b of 2Y, \$6b of 5Y and \$62b of 7Y bonds next week. Expect bond volatility and volumes to ease as market participants await next week's FOMC meeting.

MGS/GII: Local govies were generally better-bid w/w with most tenures ending stronger (save for the shorter-end GII's) across the curve in what was a shorter-trading week due to the Hari Raya Haji holiday. Overall benchmark yields closed mostly lower between 0-10bps save for the 3Y, 5Y GII. The old benchmark 5Y MGS 9/25 which was replaced yesterday by the 11/26, rose 4bps to 2.53% whilst the latter settled at 2.62%. The 10Y MGS 4/31 however rallied 10bps at 3.12%. The average daily secondary market volume rose 10.1% @ RM3.38b versus prior week's RM3.07b. The auction exercise involving the reopening of 5Y MGS 11/26 saw muted reception with a BTC ratio of only 1.505x; yielding 2.616%. Fitch Ratings affirmed Malaysia's long-term foreign currency issuer default rating at BBB+ with a stable outlook. Elsewhere, vaccination rates were seen gathering further momentum with ~15% of population fully inoculated with ~32% having at least one dose. Expect govies to trade range-bound in the coming week.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw sustained investor interest in the secondary market for govt-guaranteed/sukuk/corporate bonds. Activity was seen mainly across the GG-AA part of the curve as yields closed mostly mixed instead amid a similar average daily market volume of RM564m compared to prior week's RM560m. Topping the weekly volume were PTPTN 12/24 (GG) which edged 1bps lower compared to previous-done levels at 2.49%, followed by MAYBANK 2117nc26 perps which closed unchanged at 3.40%. Third largest volume was seen for the PRASA 3/25 (GG) bonds, which declined 4bps instead to 2.50%. Higher frequency of bond trades was seen in DANA, Genting-related names, CYPARK, PLUS, INFRACAP, QSPS Green and EDRA. Meanwhile the prominent issuance for the week consisted of Sunway Treasury Sukuk Sdn Berhad's unrated 3Y papers totaling RM300m with a coupon of 2.96%.

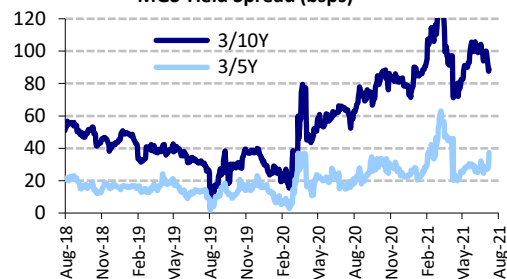
- **SGS:** SGS (govies) saw the curve bull-flatten w/w as overall benchmark yields extending out beyond 2Y sector were well-bid; resulting in yields declining between 1-8bps. The 2Y yield edged 1bps lower at 0.36% whilst the 10Y (which traded within 1.36-1.43% range) rallied 8bps at 1.37%. The republic is set to offer up to SGD3.0b of 11/25 bonds via auction on 28th of July. Separately, the city-state's proposed transition from a pandemic to endemic approach is derailed by a recent rise in cases which has prompted a return to stricter social measures. The MD for MAS had also suggested that an inheritance tax be studied to address wealth inequality. Elsewhere, Singapore-based Vertex Venture Holding, a global venture capital investment entity has successfully priced its SGD450m unrated 7Y bond at par with a coupon of 3.30% at a spread of ~224bps over swap offer rate.

Benchmark MGS Yields (%)



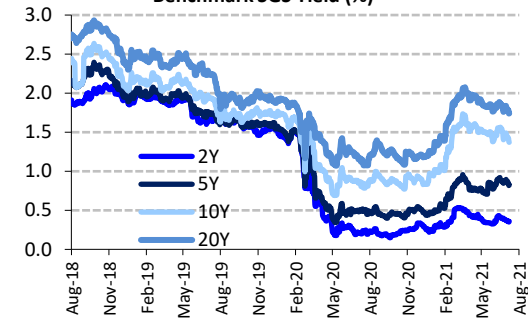
Source: Bloomberg

MGS Yield Spread (bps)



Source: Bloomberg

Benchmark SGS Yield (%)



Source: Bloomberg

Rating Actions

| Issuer | PDS Description | Rating/ Outlook | Action |
|---|---|--------------------|----------|
| Small Medium Enterprise Development Bank Malaysia Berhad's (SME Bank) | Islamic Medium-Term Notes (IMTNs) Programme of up to RM3.0 billion (which include Sustainability IMTNs) and Islamic Commercial Papers (ICPs) Programme of up to RM1.0 billion with a combined limit in nominal value of up to RM3.0 billion | AAAIS/MARC-1 IS | Assigned |
| MISC Berhad | RM2.5 billion Islamic Medium-Term Notes programme | AAA-IS/Stable | Affirmed |

Source: MARC/RAM

Economic Calendar

| Date | Time | Country | Event | Period | Prior |
|-------------|-------|-----------------------|---------------------------------|--------|----------|
| 26/07 | 06:45 | NZ | Trade Balance 12 Mth YTD NZD | Jun | -62m |
| | 08:30 | JP | Jibun Bank Japan PMI Composite | Jul P | 48.9 |
| | 13:00 | SG | Industrial Production YoY | Jun | 30.0% |
| | 16:30 | HK | Exports YoY | Jun | 24.0% |
| | 22:00 | US | New Home Sales MoM | Jun | -5.9% |
| | 22:30 | US | Dallas Fed Manf. Activity | Jul | 31.1 |
| 27/07 | 09:30 | CN | Industrial Profits YoY | Jun | 36.4% |
| | 20:30 | US | Durable Goods Orders | Jun P | 2.3% |
| | 21:00 | US | FHFA House Price Index MoM | May | 1.8% |
| | 21:00 | US | S&P CoreLogic CS 20-City MoM SA | May | 1.6% |
| | 22:00 | US | Conf. Board Consumer Confidence | Jul | 127.3 |
| 28/07 | 22:00 | US | Richmond Fed Manufact. Index | Jul | 22 |
| | 09:30 | AU | CPI YoY | 2Q | 1.1% |
| | 12:00 | MA | Exports YoY | Jun | 47.3% |
| | 19:00 | US | MBA Mortgage Applications | 23 Jul | -4.0% |
| 28/07-03/08 | 20:30 | US | Advance Goods Trade Balance | Jun | -\$88.1b |
| | NA | UK | Nationwide House Px NSA YoY | Jul | 13.4% |
| 29/07 | 02:00 | US | FOMC Rate Decision | 28 Jul | 0-0.25% |
| | 09:00 | NZ | ANZ Business Confidence | Jul | -0.6 |
| | 17:00 | EZ | Economic Confidence | Jul | 117.9 |
| | 20:30 | US | Initial Jobless Claims | 24 Jul | 419k |
| | 20:30 | US | GDP Annualized QoQ | 2Q A | 6.4% |
| | 22:00 | US | Pending Home Sales MoM | Jun | 8.0% |
| 30/07 | 06:00 | NZ | ANZ Consumer Confidence Index | Jul | 114.1 |
| | 07:30 | JP | Jobless Rate | Jun | 3.0% |
| | 07:30 | JP | Job-To-Applicant Ratio | Jun | 1.09 |
| | 07:50 | JP | Industrial Production MoM | Jun P | -6.5% |
| | 07:50 | JP | Retail Sales MoM | Jun | -0.4% |
| | 16:30 | HK | GDP YoY | 2Q A | 7.9% |
| | 17:00 | EZ | Unemployment Rate | Jun | 7.9% |
| | 17:00 | EZ | GDP SA QoQ | 2Q A | -0.3% |
| | 17:00 | EZ | CPI Estimate YoY | Jul | 1.9% |
| | 20:30 | US | Employment Cost Index | 2Q | 0.9% |
| | 20:30 | US | Personal Income | Jun | -2.0% |
| | 20:30 | US | Personal Spending | Jun | 0.0% |
| | 20:30 | US | PCE Core Deflator YoY | Jun | 3.4% |
| | 21:45 | US | MNI Chicago PMI | Jul | 66.1 |
| 22:00 | US | U. of Mich. Sentiment | Jul F | 80.8 | |
| 25-31/07 | NA | VN | Industrial Production YoY | Jul | 6.8% |
| | NA | VN | CPI YoY | Jul | 2.41% |
| | NA | VN | Exports YoY | Jul | 17.3% |
| | NA | VN | Retail Sales YTD YoY | Jul | 4.9% |

Source: Bloomberg

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