Global Markets Research

Weekly Market Highlights

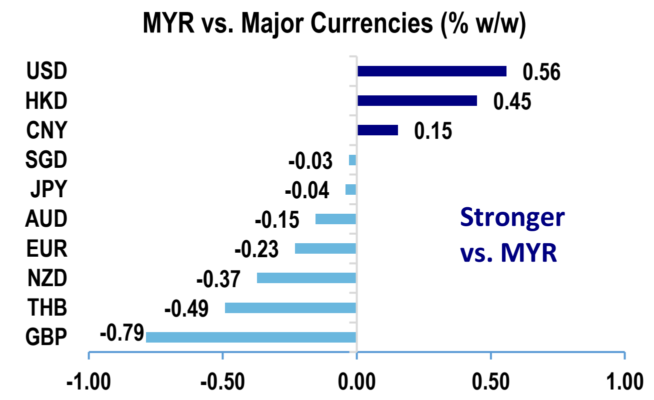
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,764.82	0.04	13.59
S&P 500	4,448.98	-0.55	18.45
FTSE 100	7,078.35	0.72	9.56
Hang Seng	24,510.98	-0.64	-9.99
KLCI	1,555.26	-0.01	-5.40
STI	3,076.44	0.39	8.18
Dollar Index	93.09	0.16	3.50
WTI oil ($/bbl)	73.30	0.95	51.38
Brent oil ($/bbl)	77.25	2.09	49.13
Gold (S/oz)	1,747.70	-0.39	-8.07

Source: Bloomberg

- Markets were unnerved by the ongoing Evergrande saga earlier this week until the Fed's hawkish shift on Thursday which helped reverse the course, renewing risk rally and safe haven assets in the like of government bonds and gold, were sold off as a result. Hawkish policy shifts by both the Fed and BOE offered comfort that global recovery remained on track, despite the lingering uncertainties, and this spurred gains in crude oils. BOJ brought little surprises as expected as the Governor highlighted impact of supply chain constraints.
- As we place policy meets behind us, next week's focus will be back on fundamentals with numerous first tier data await. PMIs across the globe as well as US GDP and personal outlay reports are key watch for further assessment on the recovery momentum. In the Asia Pacific, Japan's job report, retail sales, industrial productions and the BOJ quarterly Tankan survey are in next week's calendar. Australia's retail sales and home loans are important indicators down under. Malaysia's exports is also in the data docket.

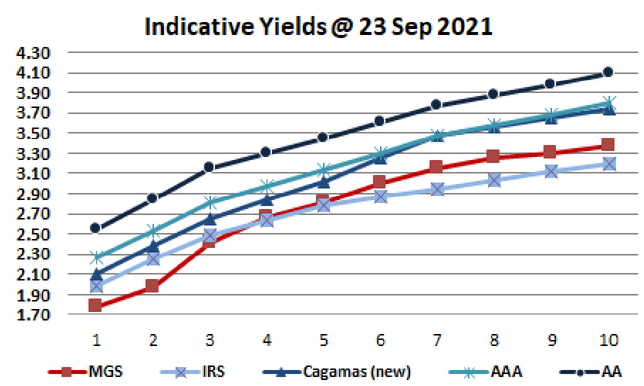
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded on a biddish tone, pushing through the 4.18-4.19 regions for the larger part of the week driven by a firmer greenback. We expect the pair to continue exhibit a ***Neutral-to-Slightly Bullish*** tilt in the week ahead attempting to breach the key 4.20 psychological handle. Upside will likely be capped by the Upper Bollinger of 4.2075 for now, rendering in a possible range of 4.16-4.20.
- **USD**: The dollar strengthened over the past week. DXY peaked at 93.52 on 23 September, before easing to a 93.09 close. Dollar earlier rose from expectations of Fed tapering. Fed's announcement thereafter firmed up the November tapering timeline, and about 4 rate hikes in 2022-2023. Meanwhile, US initial jobless claims unexpectedly rose a second week. September PMIs stayed positive, slightly moderating from a month ago. We are ***Neutral*** on the USD for the week ahead, within 92-94. Markets will likely focus on data like the core PCE, initial jobless claims and ISM for the week ahead.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs pressured across the curve as the curve bear-steepened post-FOMC meeting as Fed Chair Powell said that tapering may commence in November and conclude by mid-2022. Some earlier uncertainties over the fallout of China's real-estate sector namely Evergrande also spooked markets. The $24b 20Y bond auction yielded 1.795% (previous auction: 1.85%) on a BTC ratio of 2.36x (previous auction: 2.44x). Expect bonds to range sideways-to-weaker next week as news of asset-tapering continues to be digested with portfolio managers and traders possibly reducing positions going forward for now.
- **MGS/GII:** Local govvies ended weak w/w influenced by higher IRS and concerns over upcoming supply. Further talks about the government's possible imposition of capital gains tax and also a one-off higher tax rate on companies earning extra-ordinary profit during the pandemic dented appetite. Overall benchmark yields for MGS/GII closed mostly higher between 1-10bps. Expect bonds to range sideways-to-weaker next week in tandem with rising global bond yields and hawkish tilt by both the Fed and BOE whilst on the local front, risk appetite may improve following the country's strong vaccination drive.

Macroeconomic Updates

- **Evergrande crisis spurred global equity rout**: Global equities took a beating at the start of the week as the negative headlines surrounding Chinese property developer Evergrande's debt problems prompted investors to flee the stock markets for safer assets. Stocks managed to turn around in mid-week after the Federal Reserve said that it could begin taper its $120b asset purchase program as soon as this November. As of Thursday close, US stock benchmarks ended the week mixed while the Hang Seng lost 0.6% w/w.

- **Hawkish FOMC statement:** The Federal Reserve said that "a moderation in the pace of asset purchases may soon be warranted" and the latest dot plot showed that half of the 18 policy makers now expect at least a 25-basis-point hike in the fed funds rate next year; only seven officials had such an expectations in the June meeting. The Fed downgraded this year's GDP growth (from 7.0% to 5.9%) due to the rise in Covid-19 cases in the US but foresaw growth to pick up momentum in 2022 onwards. It also revised upwards its core PCE inflation forecast to 3.7% (from 3.0% prior), reflecting impact of the supply chain bottlenecks. Fed Chair Jerome Powell said that there was no need for a very strong job report for tapering to happen as many policymakers think that the employment bar for tapering has been met. It can also speed up or slow down taper if it is appropriate.

- **BOE:** The Bank of England left its benchmark interest rate unchanged at 0.10% and QE at £875bn as expected. The decision for the QE was with a 7-2 split, reflecting a tentative move towards a slight tightening bias. We expect the BOE to stay cautious in its policy course awaiting better clarity on recovery outlook and price developments even as markets are now placing bets for an earlier rate hike in 2022.

- **Little surprises from BOJ:** As expected, the BOJ left its monetary policy unchanged. It released more details about its Climate Response Financing Operations and said that it would begin offering loans under the program. Notably, the BOJ pointed out the impact of supply chain constraints on Japanese exports and industrial production and said that spending remained weak. Governor Haruhiko Kuroda attributed the weak consumption to the public's cautious behaviour instead of the small wage growth.

- **Mixed US data:** Initial jobless claims in the US unexpectedly climbed to 351k for the week ended 18-September, offering concerns recovery in the labour market may be losing steam. Various manufacuting indices also showed expansion has slowed further going into September. On the housing front, existing home sales fell 2.0% m/m in August alongside the decline in the median house prices to $356.7k. Tight inventory had weighed on sales, turning potential buyers away.

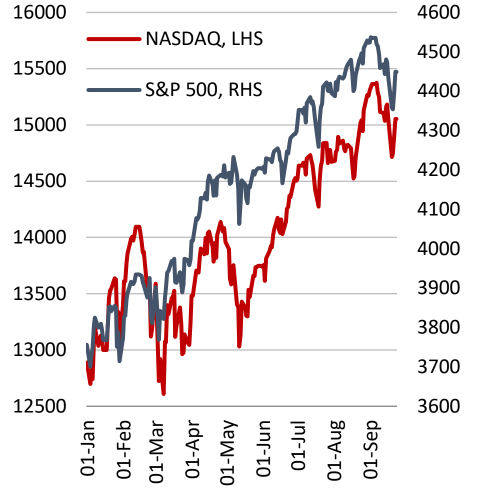
The week ahead

- **PMI data in focus next week:** Now that the key central banks have made their respective policy stance clear, focus shifts back to top-tiered economic data next week. Markets will be watching out for a slew of manufacturing and services PMIs, particularly the Chinese official NBS readings as well as the US ISM indexes to gauge the growth momentum amid the spread of the Delta variant.

- **US reports personal spending data:** The US personal income and spending data are also among the highlights alongside key releases such as the third estimate for 2Q GDP growth, durable goods orders, advanced goods trade and construction spending. In Europe, the Eurozone will report HICP inflation and unemployment rate while the UK releases the final 3Q GDP report.

- **Busy week for Japan**: In the Asia Pacific, Japan's job report, retail sales, industrial productions and the BOJ quarterly Tankan survey are in next week's calendar. Hong Kong's exports and retail sales are also in the pipeline. Australia's retail sales and home loans are important indicators down under. Malaysia's exports is also in the data docket.

Rebounds in S&P500 and Nasdaq



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded on a biddish tone, pushing through the 4.18-4.19 regions for the larger part of the week driven by a firmer greenback. We expect the pair to continue exhibit a ***Neutral-to-Slightly Bullish*** tilt in the week ahead attempting to breach the key 4.20 psychological handle. Upside will likely be capped by the Upper Bollinger of 4.2075 for now, rendering in a possible range of 4.16-4.20.

- **USD**: The dollar strengthened over the past week. DXY peaked at 93.52 on 23 September, before easing to a 93.09 close. Dollar earlier rose from expectations of Fed tapering. Fed's announcement thereafter firmed up the November tapering timeline, and about 4 rate hikes in 2022-2023. Meanwhile, US initial jobless claims unexpectedly rose a second week. September PMIs stayed positive, slightly moderating from a month ago. We are ***Neutral*** on the USD for the week ahead, within 92-94. Markets will likely focus on data like the core PCE, initial jobless claims and ISM for the week ahead.

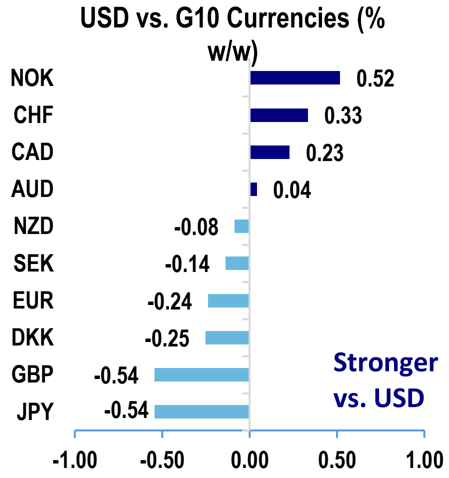
- **EUR**: EUR/USD dipped to a low of 1.1684 on 23 September before recovering to a close of 1.1739. Markit PMIs continued to display positivity, albeit subdued from a month ago. We are ***Neutral*** on EUR/USD for the week ahead, within a range of 1.1684 to 1.1900. Technicals are slightly biased on the downside. Confidence indexes will likely be the key indicators to watch, alongside September CPI figures (after August's 3% y/y & 0.4% m/m print).

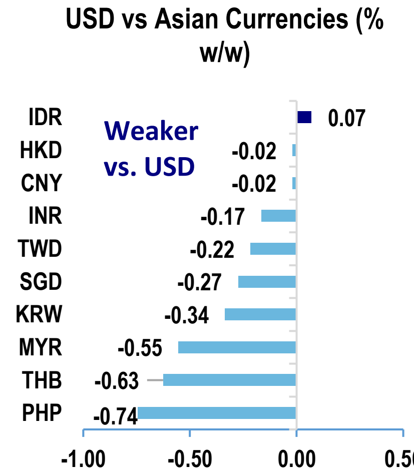
- **GBP**: GBP/USD was down by 0.54% over the past 5 sessions, closing at 1.3720 on Thursday after a 1.3612 low. Bank of England is seeing more of a case to tighten monetary policy, and markets are now anticipating a hike in February 2022. PMIs moderated like other major economies. We are ***Neutral*** on GBP/USD for the week ahead, within a range of 1.3570 to 1.3900. Technicals point to modest downsides.

- **JPY**: USD/JPY was moving in a bid tone over the past week, due to central bank divergences (close of 110.33). In contrast to Fed, the Bank of Japan maintained its accommodative stance, with Governor Kuroda said that they will add easing if needed. Covid-19 remains a key worry in Japan. Inflation (ex-fresh food) improved to 0% y/y in August from -0.2% prior. We are ***Neutral-to-Bullish*** on USD/JPY over the coming week. Resistance levels are 110.80 and 111.40, while support is at 108.80. Week ahead data focus is on retail sales, labour market and Tankan.

- **AUD**: AUD/USD has seen a slight recovery close to 0.73 big figure, after dipping to lows of around 0.7220 in previous sessions. Markit PMIs showed services staying negative in September, although improving. This has been due to Covid-19. Manufacturing PMI picked up. We are ***Neutral*** on AUD/USD for the week ahead, within a range of 0.7110 to 0.7500. Technicals appear subdued. Pair may benefit from positive risk sentiments and some easing of Covid-19 pressures in Australia. Australia releases retail sales figures on 28 September.

- **SGD**: USD/SGD peaked at 1.3552 on 23 September over the past week, due to US Fed and China uncertainty. Pair slipped after August inflation report showed that core inflation rose slightly more than expected, and headline inflation is expected to be relatively persistent. We are ***Neutral*** on USD/SGD for the week ahead, within a range of 1.3430 to 1.3560. If expectations of MAS tightening rise further, we anticipate support of 1.3380 to be tested. Immediate focus is on Singapore's Covid-19 situation, and whether authorities may tweak their stance towards tightening/loosening.





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: HLBB Global Markets

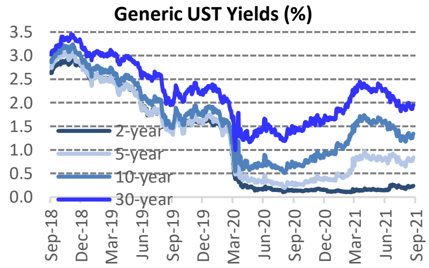
Fixed Income

- **UST:** The week under review saw USTs pressured across the curve as the curve bear-steepened post-FOMC meeting which saw the Fed Fund Rates maintain between 0.00-0.25%, whilst Fed Chair Powell said that the gradual tapering of monthly asset purchases to the tune of $120b may commence in November and conclude by mid-2022. The benchmark UST 2Y; reflective of interest rate predictions, rose 4bps to 0.26% whilst the much-watched 10Y (which traded wider i.e. 1.31%-1.44% range); spiked 9bps to 1.33%. Some earlier uncertainties over the fallout of China's real-estate sector namely Evergrande also spooked markets. The $24b 20Y bond auction yielded 1.795% (previous auction: 1.85%) on a BTC ratio of 2.36x (previous auction: 2.44x). The updated dot plot projections which turned more hawkish overall for the next 3 years also supported higher yields extending out to 5Y tenures. Policy makers were evenly split with the lift-off next year with at least one (1) hike next year. Expect bonds to range sideways-to-weaker next week as news of asset-tapering continues to be digested with portfolio managers and traders possibly reducing positions going forward for now.

- **MGS/GII:** Local govvies ended weak w/w influenced by higher IRS and concerns over upcoming supply for the remainder of the month and October auctions. Further talks about the government's possible imposition of capital gains tax and also a one-off higher tax rate on companies earning extra-ordinary profit during the pandemic dented appetite. Overall benchmark yields for MGS/GII closed mostly higher between 1-10bps with the benchmark 5Y MGS 11/26 spiking 7bps to 2.81% whilst the 10Y MGS 4/31 rose 5bps to 3.35% from prior week's close. Interest was mainly seen in the shorter off-the-run 21-23's, 24's, 28's and also benchmark 5Y, 10Y bonds. The average daily secondary market volume eased 6.8% @ RM2.74b versus prior week's RM2.94b. Expect bonds to range sideways-to-weaker next week in tandem with rising global bond yields and hawkish tilt by both the Fed and BOE whilst on the local front, risk appetite may improve following the country's strong vaccination drive.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw decent interest in the secondary market for govt-guaranteed/corporate bonds/sukuk. Trades were mainly seen along the GG-AA part of the curve as yields closed mostly mixed-to-higher despite reduced daily market volume of RM510m (prior week: RM618m). Topping the weekly volume were TSH which rallied 83bps compared to previous-done levels, followed by energy-related bonds i.e. SEB (A1) which edged 1bps at 2.07%. Third largest volume was seen for INFRACAP Resources 4/29 which declined 12bps to 3.68%. Higher frequency of bond trades was seen in DANA, energy-related bonds i.e. EDRA, QSPS Green and also odd-lot transactions in ALLIANCE Bank, TROPICANA Bhd. Meanwhile the prominent issuances consisted of IGB Commercial REIT Capital Sdn Bhd's unrated 9-11Y callable bonds totaling RM850m and also UEM Sunrise Berhad's (AA3) RM150m 4Y bonds with a coupon of 4.25%.

- **SGS:** SGS (govvies) saw slight weakness w/w, in tandem with UST movements as overall benchmark yields closed between 1-3bps higher. The curve moved slightly higher with the 2Y yield edging 1bps up at 0.34% whilst the 10Y (which traded wider between 1.41-1.46% range) rose 2bps to 1.41%. The republic has sold almost S$109b of bonds to-date as at the time of writing; up 15% for the same period last year Meanwhile MAS has offered S$2.6b 30Y of infrastructure-funding debt for its inaugural sale come 28th September. The "Singa" bonds are expected to be a timely boost for top-rated bond demand as global recovery may stall going forward. The issuance falls under the Significant Infrastructure Government Loan Act passed by parliament in May, allowing the government to borrow up to S$90b over the next 15 years. Meanwhile, MAS is projected to maintain its policy stance at its next bi-yearly review in October. Elsewhere, Frasers Property has successfully issued S$200m 7Y notes at 3.00% which was issued under its subsidiary i.e. Frasers Property AHL Ltd.



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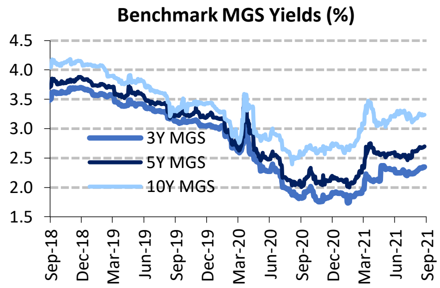

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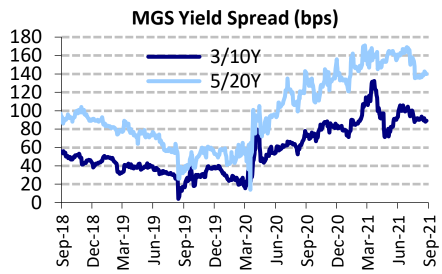

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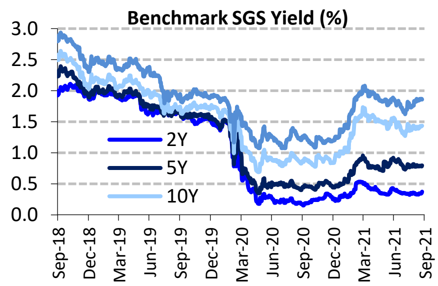

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
UMW Holdings Berhad	RM2.0 billion Islamic Medium-Term Notes (IMTN) Programme (Sukuk Musharakah	AA+ IS/Stable	Assigned
	RM2.0 billion Perpetual Sukuk Programme (Perpetual Sukuk)	AA- IS/Stable	Assigned
Malaysia Steel Works (KL) Bhd	RM130.0 million Sukuk Ijarah Programme	AAA IS (FG)	Affirmed
Salvare Assets Bhd	RM17 mil Senior Class A RM1 mil Senior Class B Notes (collectively, First Tranche MTN) 10-year RM300 mil Medium-Term Notes (MTN) programme	A1/Stable A3/Stable	Assigned
Putrajaya Bina Sdn Bhd	RM1.58 billion Islamic Medium-Term Notes (Sukuk Wakalah) Programme	AAA IS/Stable	Affirmed
Putrajaya Holdings Sdn Bhd	RM370.0 million Sukuk Musharakah Programme (due 2030)	AAA IS/Stable	Affirmed
	RM3.0 billion Sukuk Musharakah Programme (due 2032)	AAA IS/Stable	Affirmed
	RM1.5 billion Sukuk Musharakah Medium-Term Notes (MTN) Programme (due 2033)	AAA IS/Stable	Affirmed
	RM1.0 billion 20-year Sukuk Wakalah Programme (due 2041)	AAA IS/Stable	Affirmed
West Coast Expressway Sdn Bhd's (WCE or the Company)	RM1 bil Guaranteed Sukuk Murabahah Programme (2015/2036)	AAA(bg/fg)/Stable	Reaffirmed
Kapar Energy Ventures Sdn Bhd	RM790.0m Sukuk Ijarah	AA+ IS/Negative	Affirmed
BNP Paribas Malaysia Berhad	Long-Term Financial Institution rating	From AA2 to AA1/Stable	Upgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
27/09	20:30	US	Durable Goods Orders	Aug P	-0.1%
	22:30	US	Dallas Fed Manf. Activity	Sep	9.0
28/09	09:30	CN	Industrial Profits YoY	Aug	16.4%
	09:30	AU	Retail Sales MoM	Aug	-2.7%
	12:00	MA	Exports YoY	Aug	5.0%
	16:30	HK	Exports YoY	Aug	26.9%
	20:30	US	Advance Goods Trade Balance	Aug	-$86.4b
	21:00	US	FHFA House Price Index MoM	Jul	1.6%
	21:00	US	S&P CoreLogic CS US HPI YoY NSA	Jul	18.61%
	22:00	US	Conf. Board Consumer Confidence	Sep	113.8
	22:00	US	Richmond Fed Manufact. Index	Sep	9.0
29/09	17:00	EZ	Economic Confidence	Sep	117.5
	19:00	US	MBA Mortgage Applications	24 Sep	4.9%
	22:00	US	Pending Home Sales MoM	Aug	-1.8%
30/09	07:50	JP	Retail Sales MoM	Aug	1.0%
	07:50	JP	Industrial Production MoM	Aug P	-1.5%
	08:00	NZ	ANZ Business Confidence	Sep F	-6.8
	09:00	CN	Non-manufacturing PMI	Sep	47.5
	09:00	CN	Manufacturing PMI	Sep	50.1
	09:45	CN	Caixin China PMI Mfg	Sep	49.2
	14:00	UK	GDP QoQ	2Q F	4.8%
	16:30	HK	Retail Sales Value YoY	Aug	2.9%
	17:00	EZ	Unemployment Rate	Aug	7.6%
	20:30	US	Initial Jobless Claims	25 Sep	--
	20:30	US	GDP Annualized QoQ	2Q T	6.6%
	21:45	US	MNI Chicago PMI	Sep	66.8
01/10	05:00	NZ	ANZ Consumer Confidence Index	Sep	109.6
	07:30	JP	Job-To-Applicant Ratio	Aug	1.15
	07:30	JP	Jobless Rate	Aug	2.8%
	07:50	JP	Tankan Large Mfg Index	3Q	14.0
	08:30	VN	Markit Vietnam PMI Mfg	Sep	40.2
	08:30	MA	Markit Malaysia PMI Mfg	Sep	43.4
	08:30	JP	Jibun Bank Japan PMI Mfg	Sep F	--
	09:30	AU	Home Loans Value MoM	Aug	0.2%
	16:00	EZ	Markit Eurozone Manufacturing PMI	Sep F	--
	16:30	UK	Markit UK PMI Manufacturing SA	Sep F	--
	17:00	EZ	CPI Estimate YoY	Sep	3.0%
	20:30	US	Personal Income	Aug	1.1%
	20:30	US	Personal Spending	Aug	0.3%
	20:30	US	PCE Core Deflator YoY	Aug	3.6%
	21:45	US	Markit US Manufacturing PMI	Sep F	--
	22:00	US	U. of Mich. Sentiment	Sep F	71.0
	22:00	US	Construction Spending MoM	Aug	0.3%
	22:00	US	ISM Manufacturing	Sep	59.9
28/09-03/10	NA	UK	Nationwide House Px NSA YoY	Sep	11.0%
25-30/09	NA	VN	Industrial Production YoY	Sep	5.6%
	NA	VN	GDP YoY	3Q	6.61%
	NA	VN	CPI YoY	Sep	2.82%
	NA	VN	Exports YoY	Sep	-5.4%
	NA	VN	Retail Sales YTD YoY	Sep	-4.7%

Source: Bloomberg

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