Global Markets Research

Weekly Market Highlights

Markets

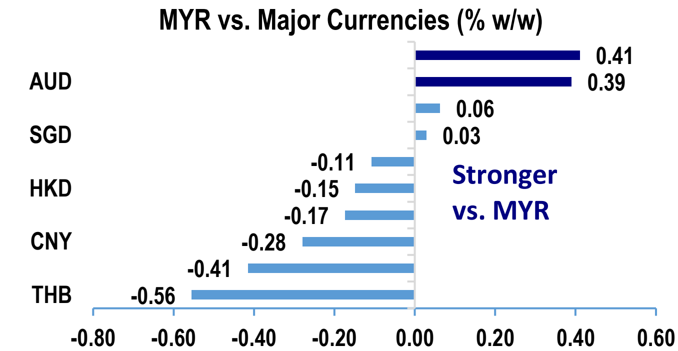
	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,950.56	0.15	17.46
S&P 500	4,725.79	1.22	25.82
FTSE 100	7,373.34	1.55	14.13
Hang Seng	23,193.64	-1.20	-14.83
KLCI	1,516.42	2.14	-6.81
STI	3,096.81	-1.02	8.90
Dollar Index	96.02	-0.02	6.76
WTI oil ($/bbl)	73.79	1.95	51.98
Brent oil ($/bbl)	76.85	2.44	48.36
Gold (S/oz)	1,811.20	0.81	-4.43

Source: Bloomberg

- A turnaround in global risk sentiment helped boost the equity market this week as investors assessed a slew of positive US economic data and Covid related news; The S&P 500 closed at a new record just ahead of Christmas, locking in a solid 1.2% w/w gain. Meanwhile, crude oil benchmarks recorded sharp increases for three successive sessions, supported by risk-on sentiment as well as large withdrawal in US crude inventory last week. Brent crude closed 2.4% w/w higher at $76.85/barrel as of Thursday.

- In the week ahead, the focus remains on Covid headlines but trading volume likely to be low in the last week of 2021. Economic data releases are limited; Key US data include advanced goods trade, pending home sales, a couple of house price indexes, regional manufacturing index and initial jobless claims. China will report its monthly PMI readings. Japan releases retail sales, industrial production and jobless rate data.

Forex

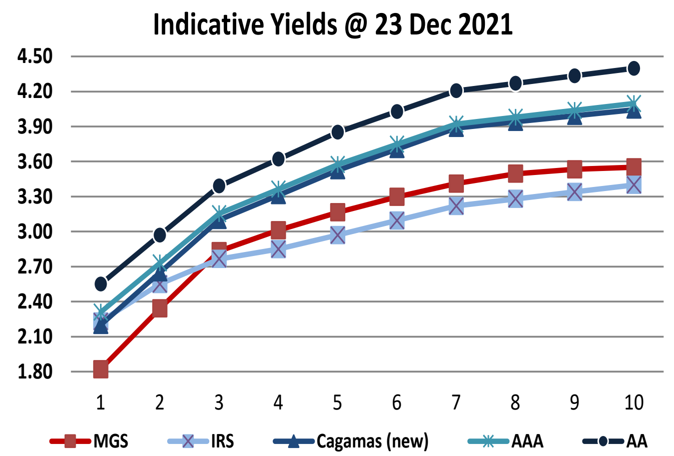


Source: Bloomberg

- **MYR:** MYR: USD/MYR had a rather choppy session this week, closing 0.2% w/w lower at 4.2000 as of Thursday in the wake of weaker USD. Malaysia's CPI inflation surged to 3.3% y/y in November, but did not drive the market. In the week ahead, we turn ***Neutral-to-Bullish*** on USD/MYR, attributed to our stronger USD view ahead of the year end, expecting the pair to range 4.1900-4.2300.

- **USD**: The dollar lost momentum and weakened throughout the week thanks to a turnaround in global risk sentiment that boosted risk assets. This was despite the US reporting generally solid economic data. The dollar index stayed relatively flat (-0.02% w/w) at 96.02 at Thursday's closing, in part supported by the weaker JPY (one of the index's components). We are ***Neutral-to-Bullish*** on broad USD next week in view of higher speculators' net long bet and potentially grimmer pandemic-related headlines

Fixed Income



Source: Bloomberg

- **UST:** USTs were pressured w/w following the jump in the US core PCE inflation. Overall benchmark yields spiked between 6-8bps with the UST 2Y yield ticking up 7bps to 0.69% and the 10Y bond (which ranged tighter between 1.42-49%) jumping the most by 8bps to 1.49%. Investors are expected to hedge their bets on whether the Fed will stick to its aggressive rate hike plans, given likely challenges to economic growth from the Omicron variant and gridlocked fiscal stimulus package in the US. We expect little action next week with low-staffing levels due to year-end festivities.

- **MGS/GII:** Local govvies bucked the trend seen for UST and SGS, with MGS generally better-bid w/w while GII ending mixed with the belly slightly pressured instead as levels were unperturbed by the release of slightly higher November CPI data. Overall benchmark MGS yields closed between 3-10bps lower and GII settled mixed between -3 to +6bps across. Elsewhere, the recent release of the 2022 Auction Calendar saw a reduction in issuances within the belly i.e. 5-7Y sector and the 15Y sector saw an uptick in issuances. Separately, the government has announced several measures including an RM100m fund for post-flood recovery activities.

Macroeconomic Updates

- **Risk sentiment improved this week:** A turnaround in global risk sentiment helped boost the equity market this week as investors assessed a slew of positive US economic data and Covid related news; among them, the US government's Omicron plan that include distributing 500mil self-testing kits, mobilising 1,000 military medical personnel in US hospitals as well as setting up more testing sides. The US FDA also approved a Covid pill invented by Pfizer, the first Covid antiviral oral treatment. Scotland researchers said that those affected with the Omicron variant appeared to have less severe symptoms and thus lower chances of hospitalisation.

- **S&P 500 hit record high; oil prices kept surging**: The S&P 500 closed at a new record just ahead of Christmas, locking in a solid 1.2% w/w gain. Meanwhile, crude oil benchmarks recorded sharp increases for three successive sessions, supported by risk-on sentiment as well as large withdrawal in US crude inventory last week. Brent crude closed 2.4% w/w higher at $76.85/barrel as of Thursday.

- **US consumer spending cooled but overall data are solid:** Personal spending growth eased to 0.6% m/m in November, from 1.4% previously, in the wake of continuously high inflation and consumers bringing forward holidays spending for fear of year-end shortages. The core PCE inflation jumped to 4.7% y/y. Nonetheless separate surveys by Conference Board and University of Michigan indicated improvement in sentiment thanks to higher future income expectations and positive labour market outlook.

- **Gain in durable goods orders, home sales add sign to solid demand:** Durable goods orders registered a super strong 2.5% m/m growth in November, accompanied by an upward revision of October's orders. On the housing front, existing home sales rose 1.9% m/m in November, alongside a 12.4% m/m growth in new home sales. Low interest rates and strong housing demand continued to support the housing market.

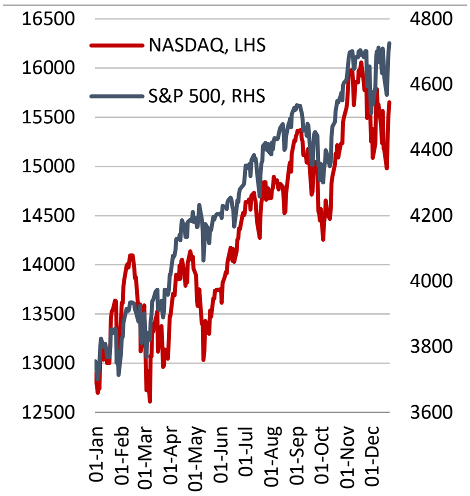
- **US GDP growth revised higher:** Apart from the above, notably, the US third quarter GDP growth was revised upwards to 2.3% q/q annualised rate, from 2.1% prior. This followed a steeper 6.7% expansion in the second quarter; the economic slowdown observed in 3Q reflects weaker consumer spending attributed to Covid restrictions in some parts of the US, not to mention the waning reopening impact.

- **Downward revision to UK GDP:** The UK third quarter GDP growth, meanwhile, was revised lower to 1.1% q/q, from the initial estimate of 1.3%. This marked a slowdown from the strong 5.4% q/q growth in 2Q as the effect of economic reopening waned.

- **Inflation rose in Japan, Malaysia & Singapore: J**apan's headline CPI rose 0.6% y/y in November, driven by higher prices of fresh food and energy. Excluding fresh food, CPI inflation also surged to 0.5% y/y, from 0.1% previously. The weaker JPY in recent months contributed to higher prices of imported goods, but the 0.5% reading remained well below the BOJ's 2% target, suggesting any tightening of its ultra-loose policy unlikely in the near future, although it is expected to pare back its pandemic stimulus next April (announced last Friday). Apart from Japan, Malaysia and Singapore also registered higher CPI inflation in November, at +3.3% y/y and +3.8%y/y respectively.

- **Light data flow in the last week of 2021:** In the week ahead, the focus remains on Covid headlines but trading volume likely to be low in the last week of 2021. Economic data releases are limited; Key US data include advanced goods trade, pending home sales, a couple of house price indexes, regional manufacturing index and initial jobless claims. China will report its monthly PMI readings for manufacturing and non-manufacturing sectors as well as the industrial profits. Japan releases retail sales, industrial production and jobless rate data. Vietnam reported its 4Q GDP growth and other main indicators. Hong Kong and Malaysia are also slated to release their respective trade reports.

S&P 500 rose to record level this week



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR had a rather choppy session this week, closing 0.2% w/w lower at 4.2000 as of Thursday in the wake of weaker USD. Malaysia's CPI inflation surged to 3.3% y/y in November, but did not drive the market. In the week ahead, we turn N***eutral-to-Bullish*** on USD/MYR, attributed to our stronger USD view ahead of the year end, expecting the pair to range 4.1900-4.2300.

- **USD**: The dollar lost momentum and weakened throughout the week thanks to a turnaround in global risk sentiment that boosted risk assets. This was despite the US reporting generally solid economic data. The dollar index stayed relatively flat (-0.02% w/w) at 96.02 at Thursday's closing, in part supported by the weaker JPY (one of the index's components). We are ***Neutral-to-Bullish*** on broad USD next week in view of higher speculators' net long bet and potentially grimmer pandemic-related headlines.

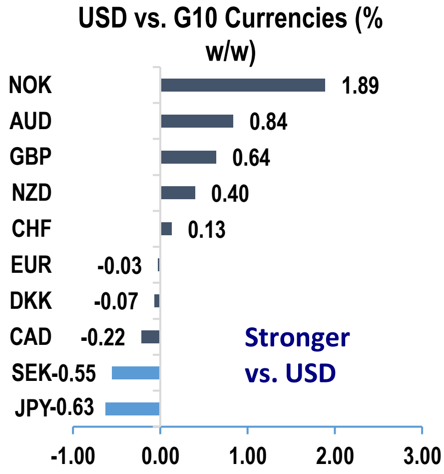
- **EUR**: EUR/USD picked up moderately this week as the dollar strength reversed. Compared to Thursday last week, the pair was little changed (-0.03% w/w) at 1.1327. We are ***Neutral to Bearish*** on EUR/USD for the week ahead; EUR/USD's failure to hit 1.1350 may lead the pair back to 1.1300. The Omicron variant continues to spread across Europe, leading European governments to reimpose restrictions. France and Italy reported record daily cases, suggesting that the situation is not turning any better in the short-term. There would be no European data release next week.

- **GBP**: GBP/USD recovered from the selloff last Friday and locking in a 0.6% w/w gain at 1.3408 on Thursday, despite the local Covid situation turned gloomy this week, thanks to weaker USD; We are ***Neutral-to-Bearish*** on GBP/USD as the pair may experience some corrections from 1.3400 while also taking into account the larger CFTC net short position. Although the government had ruled out imposing tighter restrictions during Christmas time, the depressingly higher Covid cases may still cloud overall sentiment and outlook. We are eyeing a range of 1.3200-1.3450.

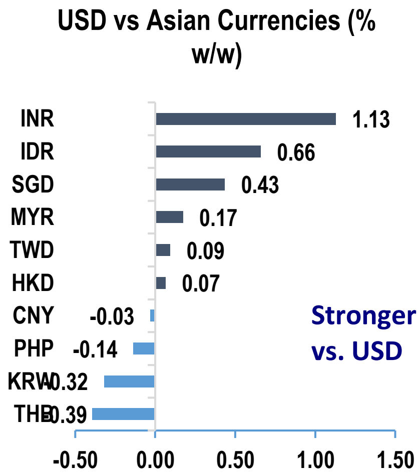
- **JPY**: USD/JPY closed 0.6% w/w higher at 114.46 as of Thursday, as positive risk sentiment weighed on the safe haven yen. Japan's CPI ex-fresh food rose 0.5% y/y, from 0.1% previously, reflecting higher energy prices and higher imported inflation that stemmed from weaker yen in the past few months. The higher inflation rate is unlikely to move the BOJ. We are ***Neutral*** on USD/JPY, expecting some consolidations within 113-115 after the pair's recent strength and in line with the expected sideway trading in US treasuries. Key Japan data next week include retail sales, industrial production and jobless rate.

- **AUD**: AUD/USD strengthened this week, riding on the risk-on sentiment as well as higher crude oil prices. The pair closed 0.8% w/w higher at 0.7244 on Thursday. We are ***Neutral*** on AUD/USD next week, foreseeing some consolidations around the 0.7200 area as we weigh investors' slight trimming of net AUD shorts and the potentially stronger USD next week.

- **SGD**: USD/SGD closed 0.4% w/w lower at 1.3584 on Thursday as the Singaporean dollar strengthened alongside other currencies amid broad dollar weakness. We are ***Neutral-to-Bullish*** on USD/SGD for the week ahead, attributed to our stronger USD view, expecting the pair to climb back up to above 1.3600 levels.



Source: Bloomberg



Source: Bloomberg

Forecasts

	Q4-21	Q1-22	Q2-22	Q3-
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

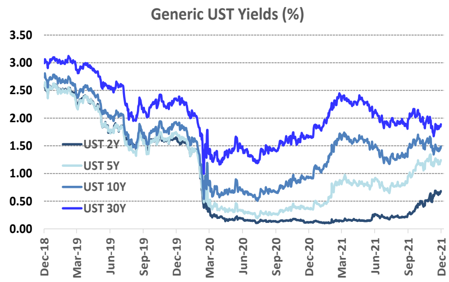
Fixed Income

- **UST:** USTs were pressured w/w following the 5.7% y/y jump in the Fed's preferred inflation gauge i.e., the core PCE in November. Overall benchmark yields spiked between 6-8bps with the UST 2Y yield edging up 7bps to 0.69% and the much-watched 10Y bond (which ranged tighter between 1.42-49%) jumping the most by 8bps to 1.49%. The 20Y bond auction saw solid bidding metrics; notching a cover of 2.59x (previous auction: 2.34x) while being awarded at 1.942% (previous auction: 2.065%). Investors are expected to hedge their bets on whether the Fed will stick to its aggressive rate hike plans, given likely challenges to economic growth from the Omicron variant factor and a gridlocked fiscal stimulus package. We expect little action next week with low-staffing levels due to Christmas celebrations followed by the New Year festivities.

- **MGS/GII:** Local govvies bucked the trend seen for UST and SGS, with MGS generally better-bid w/w and GII ended mixed with the belly slightly pressured instead as levels were unperturbed by the release of the slightly higher November CPI data. Overall benchmark MGS yields closed between 3-10bps lower and GII settled mixed between -3 to +6bps across. The benchmark 5Y MGS 11/26 moved 3bps lower to 3.12% and the 10Y MGS 4/31 closed 4bps lower at 3.54%. The average weekly secondary market volume **plunged by 44%** to RM5.61b versus prior week's RM10.07b. Elsewhere, the recent release of the 2022 Auction Calendar saw a reduction in issuances within the belly i.e., 5-7Y sector while the 15Y sector saw an uptick in issuances. Separately, the government has also announced several measures including an RM100m fund for post-flood recovery activities.

- **MYR Corporate bonds/ Sukuk**: The week under review saw a further pullback in investor appetite for govt-guaranteed bonds, Sukuk and corporate bonds transactions. Trades were seen mainly along the GG-AA part of the curve as yields closed mostly mixed-to higher amid a **13% decrease** in average weekly market volume to RM1.30b compared to prior week's RM1.49b. Topping the weekly volume were CIMB 5/27 (AAA) which edged 2bps higher compared to previous-done levels at 3.72%, followed by CIMB 6/22 (AA1) bonds, which rallied 31bps to 2.28%. The 3rd largest volume were energy-related bonds i.e. EDRA 7/31 which declined 17bps lower instead to 4.35%. Higher frequency of bond trades were seen in DANA, PRASA, PASB, IMTIAZ, energy-related bonds i.e. TNB, EDRA and also odd-lot transactions in GENM Capital and Sabah Development Bank. Meanwhile the prominent issuances for the week consisted of CENERGI SEA Bhd's AGAMAS Bhd's A1-rated 5-7Y bonds totaling RM210m with coupons between 5.30-55%.

- **SGS:** SGS (govvies) saw the curve shift slightly higher w/w, slightly influenced by the US economic events and UST yield movements; as overall benchmark yields ended between a mere 1-2bps higher. The 2Y yield settled 2bps up at 0.86% while the 10Y (which ranged lower and traded tighter within 1.52-1.60% range) edged 1bps higher to 1.60%. Meanwhile the republic's sovereign bonds YTD outstanding amount stood at SGD$149.1b, off the highest seen recently in September with about S$24.9b issued to-date. SGS have turned in an almost flat w/w performance (notching a mere 0.05% negative returns). The MAS said that the $60b swap arrangement with the US Fed will expire on the 31st of December. Elsewhere, Singapore Engineering's unit i.e. ST Engineering North America has completed the update of its US Commercial Paper Program, upsizing it from $1.5b to $3.0b. Meanwhile the republic is vying to be Asia's leading green financing hub with about 350 sustainability, green, social and transition bonds listed on its bourse; compared to ~85 in Hong Kong and 4 in Australia.



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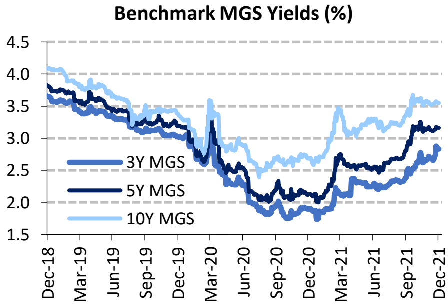

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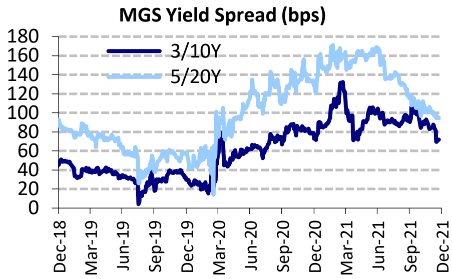

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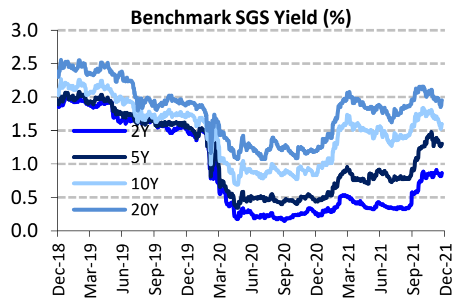

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Bintulu Port Holdings Berhad	Corporate credit rating	AA1/Stable/P1	Reaffirmed
Samalaju Industrial Port Sdn Bhd	Sukuk Murabahah Programme of up to RM950 mil (2015/2036)	AA1(s)/Stable	Reaffirmed
MMC Corporation Berhad	RM2.5 billion Sukuk Murabahah Programme	AA-IS/Stable	Affirmed
Berjaya Land Berhad	RM500.0 million Medium-Term Notes (MTN) Programme guaranteed by Danajamin Nasional Berhad (Danajamin)	AAA(fg)/Stable	Affirmed
IJM Corporation Berhad	RM3 bil Sukuk Murabahah Programme	AA3/Stable	Reaffirmed
IJM Land Berhad	RM2.0 bil Perpetual Sukuk Programme	A2/Stable	Reaffirmed
Jimah East Power Sdn Bhd	RM8.82 billion Sukuk Murabahah	AA-IS/Stable	Affirmed
Cerah Sama Sdn Bhd	RM420.0 million Sukuk	AA-IS/Stable	Affirmed
Projek Lebuhraya Usahasama Berhad's (PLUS)	RM23.35 billion Sukuk Musharakah Programme	AAA-IS/Stable	Affirmed
Press Metal Aluminium Holdings Berhad	RM5.0 bil Islamic MTN (IMTN) Programme (2019/2049)	AA3/Stable	Reaffirmed
RHB Bank Berhad	Financial institution ratings	From AA2/Stable to AA2/Positive	Rating reaffirmed Outlook revised
	RM3 billion Multi-Currency Medium-Term Note Programme (2011/2031)		
	Senior Notes	AA2/Positive	Rating reaffirmed
	Subordinated Notes	AA3/Positive	Outlook revised
	RM5 billion Multi-Currency Medium-Term Note Programme (2015/2045)		
	Senior Notes	AA2/Positive	Rating reaffirmed
	Subordinated Notes	AA3/Positive	Outlook revised
RHB Islamic Bank	Financial institution ratings	From AA2/Stable toAA2/Positive AA2/Positive	Rating reaffirmed Outlook revised
	RM5 billion Subordinated Sukuk Murabahah Programme (2014/2034)	AA3/Positive	

RHB Investment Bank Berhad	Financial institution ratings	From AA2/Stable toAA2/Positive	Rating reaffirmed Outlook revised
	RM1 billion Multi-Currency Medium-Term Note Programme (2015/2045)		
	Senior Notes	AA2/Positive	Rating reaffirmed
	Subordinated Notes	AA3/Positive	Outlook revised
Cypark Ref Sdn Bhd	RM550 mil SRI Sukuk Murabahah Programme (2019/2041)	From AA3/Stable to AA3/NEgative	Rating reaffirmed Outlook revised
Bank Pembangunan Malaysia Berhad	Financial institution rating	AAA/Stable/P1	Reaffirmed
	RM7 billion Conventional MTN and/or Islamic Murabahah MTN Programmes (2006/2036)	AAA/Stable	Reaffirmed
Edra Energy Sdn Bhd	Sukuk Wakalah of up to RM5.085 bil in nominal value (2018/2038)	AA3/Stable	Reaffirmed
Edra Power Holdings Sdn Bhd	Corporate credit rating	AA1/Stable/P1	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
27/12	07:50	JP	Retail Sales MoM	Nov	1.0%
	09:30	EZ	Industrial Profits YoY	Nov	24.6%
	23:30	US	Dallas Fed Manf. Activity	Dec	11.8
28/12	07:30	JP	Jobless Rate	Nov	2.7%
	07:50	JP	Industrial Production MoM	Nov P	1.8%
	12:00	MA	Exports YoY	Nov	25.5%
	16:30	HK	Exports YoY	Nov	21.4%
	22:00	US	FHFA House Price Index MoM	Oct	0.9%
	22:00	US	S&P CoreLogic CS US HPI YoY NSA	Oct	19.5%
	23:00	US	Richmond Fed Manufact. Index	Dec	11
29/12	NA	VN	Industrial Production YoY	Dec	3.6%
	NA	VN	GDP YoY	4Q	-6.2%
	NA	VN	CPI YoY	Dec	2.1%
	NA	VN	Exports YoY	Dec	18.5%
	21:30	US	Advance Goods Trade Balance	Nov	-$82.9b
	23:00	US	Pending Home Sales MoM	Nov	7.5%
30/12	15:00	UK	Nationwide House Px NSA YoY	Dec	10.0%
	21:30	US	Initial Jobless Claims	25 Dec	205k
	22:45	US	MNI Chicago PMI	Dec	61.8
31/12	09:00	CN	Non-manufacturing PMI	Dec	52.3
	09:00	CN	Manufacturing PMI	Dec	50.1
	09:00	CN	Composite PMI	Dec	52.2
	00:00	CN	BoP Current Account Balance	3Q F	$80.1b

Source: Bloomberg

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