

Global Markets Research

Weekly Market Highlights

Markets

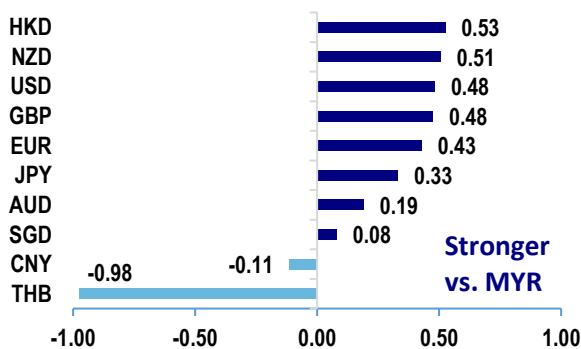
	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,196.82	1.10	11.73
S&P 500	4,266.49	1.06	13.59
FTSE 100	7,109.97	-0.61	10.05
Hang Seng	28,882.46	1.13	6.06
KLCI	1,555.71	-0.96	-4.39
STI	3,119.62	-0.60	9.70
Dollar Index	91.81	-0.08	2.09
WTI oil (\$/bbl)	73.30	3.18	51.38
Brent oil (\$/bbl)	75.56	3.39	45.87
Gold (\$/oz)	1,775.60	0.10	-6.31

Source: Bloomberg

- US stocks rebounded from the post-FOMC selloff last week, as market sentiment was supported by optimistic growth outlook. The rotation to the tech sector helped NASDAQ notch three record setting sessions within a week while President Biden's infrastructure deal helped gave a push to the S&P 500 to a record high on Thursday. All three main benchmarks secured a week-on-week gain of over 1%, with NASDAQ outperforming at +1.5% w/w. Crude oils notched over 3% w/w gains amid higher risk appetites, while gold and dollar were flattish.
- The BOE kept its policy framework and did not make any apparent hawkish shift. Similar to the ECB, it warned of the risk of premature tightening on the economic recovery. Overall the US reported a mixed set of data throughout the week with the manufacturing sector continued to enjoy solid growth but the housing market appeared weighed down by weaker sales. Focus turned to the NFP report and ISM data next week.

Forex

MYR vs. Major Currencies (% w/w)

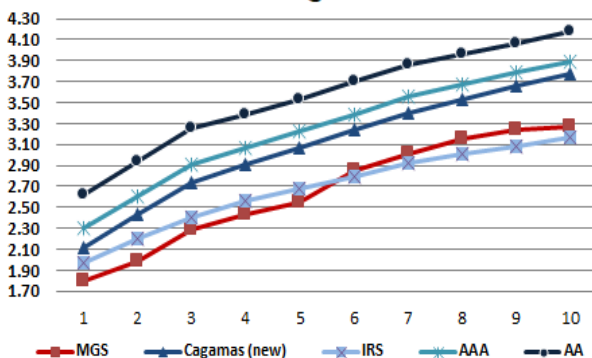


Source: Bloomberg

- **MYR:** MYR remained under pressure for the second week in a row, weakening by 0.48% w/w to 4.1595 as at yesterday's close, despite a relatively flattish greenback in past few sessions. The pair lost almost 1.0% over the last two weeks, shaken by an elevated USD post-FOMC. After having briefly surpassed the 4.16 handle this week, we note **bullishness in USD/MYR** has built up, potentially eyeing 4.17/4.1780 next. Near overbought position in the pair however suggests there could be some consolidation before any move higher again. Expect a range of 4.13-4.18 in the week ahead.
- **USD:** The USD registered some mixed performances over the past week, weakening against most G10 currencies but strengthening against Asian pairs. This was perhaps due to the backdrop of future US monetary policy tightening and Asia's lower vaccination rates that discourage faster economic rebound. Markit PMIs were strongly positive for June. DXY was down 0.08% (last close: 91.81) over the past five sessions, as gains in EUR weighed against losses in the JPY. For the week ahead, we are **Neutral**. Markets will likely turn to ISM and non-farm payrolls as cues for inflationary trends ahead.

Fixed Income

Indicative Yields @ 24 June 2021



Source: Bloomberg

- **UST:** The week under review saw USTs trade cautiously, as investors grappled with a slew of mixed-data and comments from Fed speakers. The front-ends were seen pressured as overall benchmark yields closed between -3 to +5bps across the curve. UST movements seem to revert back to the reflation-themed trades which were unwound the past several days on profit-taking activities. All three (3) auctions involving 2Y, 5Y and 7Y bonds saw strong bidding metrics between 2.36-2.54x. Expect bond yields to range side-ways-to-higher in the coming week as new bipartisan infrastructure aid package takes shape.
- **MGS/GII:** Local govies saw MGS better-bid extending out from 5Y tenures whilst GII closed mostly mixed w/w. Some volatility arose due to earlier FOMC-led hawkish tone and also S & P's Global Ratings negative outlook on the long-term rating even as its affirmed Malaysia's "A-" long-term and "A-2" short-term sovereign credit ratings on Malaysia. Expect bonds to weaken slightly next week as supply concerns may resurface following expectations for additional economic aid package to assist citizens and businesses hurt by the nationwide lockdown.

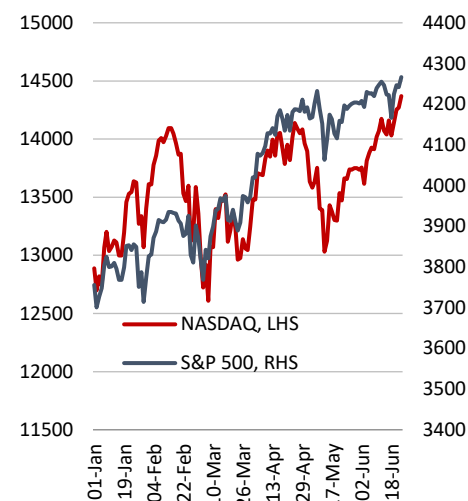
Macroeconomic Updates

- US stocks rebounded from the post-FOMC selloff last week, as market sentiment was supported by optimistic growth outlook. The rotation to the tech sector helped NASDAQ notched three record setting sessions within a week while President Biden's infrastructure deal helped gave a push to the S&P 500 to a record high on Thursday. All three main benchmarks secured a week-on-week gain of over 1.0%, with NASDAQ outperforming at +1.5% w/w. Crude oils notched over 3% w/w gains amid higher risk appetites, while gold and dollar were flattish.
- The Bank of England kept its policy rate at 0.1% and the asset purchase program unchanged at £895b as expected. Unlike the Federal Reserve last week, the BOE did not make any apparent hawkish shift that indicates that it would tighten policy sooner than expected. Similar to the ECB, it warned of the risk of premature tightening on the economic recovery. The statement and minutes focused on the rising inflation as officials weighed whether rising prices were short or long term. BOE reaffirmed that inflation is transitory but said this near-term prices gain could be larger than expected. It insisted that inflation and growth would fall back after a period of strong readings. The UK yields and GBP retreated after the decision. Futures markets showed investors reducing bets on a potential rate hike in May 2022. The probability went down to less than 45%, compared to pre-BOE of nearly 55%.
- Markit preliminary PMIs suggest that manufacturing growth may have peaked in the US, UK, Eurozone and Japan. Services sector growth remained supported by the post-lockdown pent-up demand in the US and UK. The Eurozone's services PMI was lifted by the reopening while Japan continued to see contraction. Other than the PMIs, the US' latest set of data are mixed. Initial jobless claims fell slightly to 411k last week, from the revised 418k prior, marking its second week above 400k and further highlighted the labour market's struggles in recovering to the pre-Covid level. Durable goods orders rebounded by 2.3% m/m after recent decline. The strong growth in imports implied at solid consumption outlook. Housing data weakened as existing home sales fell for the fourth month (-0.9% m/m) while new home sales recorded its second monthly fall (-5.9% m/m). The limited housing supply and the resulting higher prices had weighed on affordability and turned away potential buyers. In fact, the median prices of the existing homes surged to a record high of above \$350k per unit.

The Week Ahead

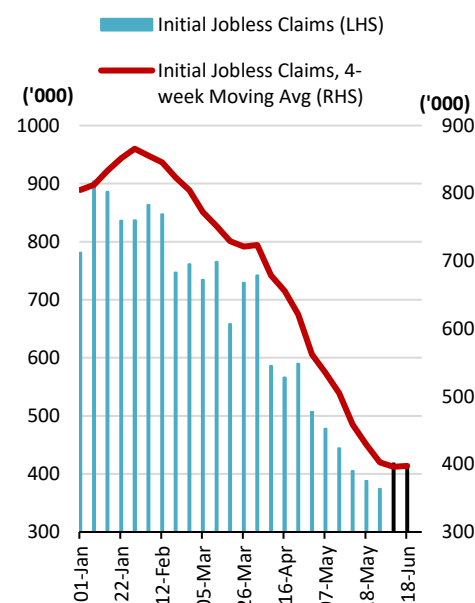
- PMIs make up the bulk of economic data next week as Markit released the final estimates for the US, UK, Eurozone and Japan. The ISM indexes for the US as well as China's official NBS PMIs are due same week as usual.
- The US' job market comes back in focus next week as the BLS released its monthly nonfarm payroll numbers alongside the unemployment and wage data. The latest survey showed an expected job gains of 695k in June, following the 559k increases in May. Economists have turned cautious on forecasting NFP recently, following several disappointments. Surveys continued to suggest firms' challenges in filling up available positions even though number of unemployed individuals remains high in the US. Other key US data are trade report, factory orders and construction spending.
- Several top-tiered data are also coming out from Europe. They include the Eurozone's CPI and unemployment rates as well as the UK's final 1Q GDP estimate. The Asian data docket also carries important readings such as Japan's jobless rate, industrial production and the BOJ's quarterly Tankan Survey. Australia, Hong Kong and Malaysia are set to publish their respective trade report as well which should see another hefty double-digit print.

S&P 500 and NASDAQ soared to record highs



Source: Bloomberg

Initial jobless claims stayed at above 400k for the second week.

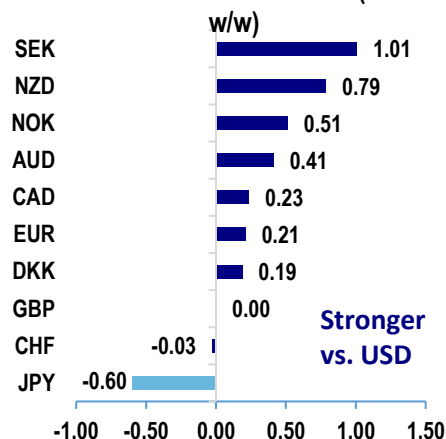


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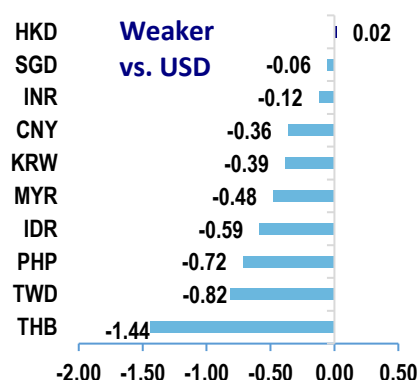
Foreign Exchange Market

- MYR:** MYR remained under pressure for the second week in a row, weakening by 0.48% w/w to 4.1595 as at yesterday's close, despite a relatively flattish greenback in past few sessions. The pair lost almost 1.0% over the last two weeks, shaken by an elevated USD post-FOMC. After having briefly surpassed the 4.16 handle this week, we note **bullishness in USD/MYR** has built up, potentially eyeing 4.17/4.1780 next. Near overbought position in the pair however suggests there could be some consolidation before any move higher again. Expect a range of 4.13-4.18 in the week ahead.
- USD:** The USD registered some mixed performances over the past week, weakening against most G10 currencies but strengthening against Asian pairs. This was perhaps due to the backdrop of future US monetary policy tightening and Asia's lower vaccination rates that discourage faster economic rebound. Markit PMIs were strongly positive for June. DXY was down 0.08% (last close: 91.81) over the past five sessions, as gains in EUR weighed against losses in the JPY. For the week ahead, we are **Neutral**. Markets will likely turn to ISM and non-farm payrolls data releases as cues for inflationary trends ahead.
- EUR:** EUR/USD returned above the 1.19 big figure, despite hitting a 1.1848 low in the process, managing to edge out slight gains over the past week. Market sentiments recovered from US FOMC reactions, and Markit services PMI notably improved significantly. We are **Neutral-to-Bullish** on EUR/USD for the week ahead. Downside momentum is slightly coming off. We place support at 1.1800 and resistance (psychological) at 1.2000. Data focus is on CPI and PPI for the Eurozone, for signs of price pressures.
- GBP:** GBP/USD's recovery lost steam on Thursday's session. The pair was overall flat over the past sessions (last close: 1.3922) as the much-awaited Bank of England monetary policy decision disappointed hawks. The central bank warned against tightening too soon, even as inflation surges. We are **Neutral** on GBP/USD for the week ahead. Bias from technicals is still on the downside. We eye a range of 1.3810 to 1.4090.
- JPY:** They key story for USD/JPY was breaking 111 on two separate sessions (last close: 110.87), as the yen underperformed other G10 currencies. This is likely from a relatively more dovish Bank of Japan compared to other central banks. Improvements in sentiments are also unfavourable to the JPY. We are **Neutral-to-Bullish** on USD/JPY for the coming week. Technicals still point towards an upside trend. Retail sales, industrial production and Tankan are the highlights for data release next week.
- AUD:** AUD/USD registered modest gains over the past week, helped by some rebounds in market sentiments (last close: 0.7583). Pair appeared to have found footing above 0.75, around the 200-day MA. Retail sales barely grew for May, while Markit PMIs stayed in positive territory. We are **Neutral** on AUD/USD for the coming week. Technicals have a downside bias for the pair. We eye support at 0.7500 and resistance at 0.7721 (100-day MA).
- SGD:** USD/SGD steadied over the past week, despite hitting highs of 1.3476 on 22 June. Pair slightly headed downwards by Thursday, as the SGD NEER recovered. This was helped by recovering global market sentiment, higher-than-expected Singapore inflation print and progress in reopening the economy. We tilt towards a **Neutral-to-Bearish** view of USD/SGD for the coming week. We eye the 100-day MA of 1.3336 as the support, while resistance is around 1.3490. Momentum is fading on the upside. For the week ahead, Singapore will release PMI figures for June.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

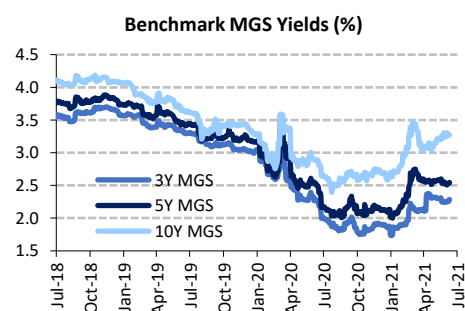
Forecasts

	Q2-21	Q3-21	Q4-21	Q1-22
DXY	89.00	88.00	89.50	90.50
EUR/USD	1.23	1.24	1.22	1.21
GBP/USD	1.43	1.44	1.42	1.40
AUD/USD	0.79	0.80	0.78	0.77
USD/JPY	108.00	107.50	109.00	110.00
USD/MYR	4.13	4.15	4.10	4.10
USD/SGD	1.32	1.31	1.33	1.33
	Q2-21	Q3-21	Q4-21	Q1-22
EUR/MYR	5.08	5.15	5.00	4.96
GBP/MYR	5.91	5.98	5.82	5.74
AUD/MYR	3.26	3.32	3.20	3.16
SGD/MYR	3.13	3.17	3.08	3.08

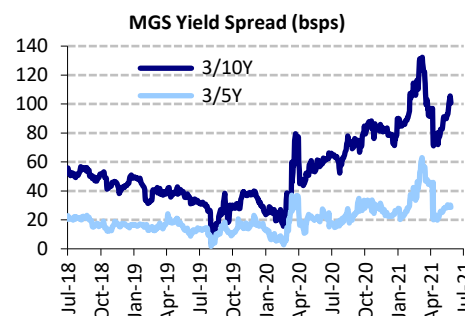
Source: HLBB Global Markets

Fixed Income

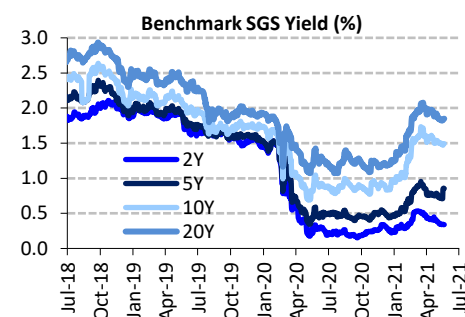
- UST:** The week under review saw USTs trade cautiously, as investors grappled with a slew of mixed-data and comments from Fed speakers. The front-ends were seen pressured as overall benchmark yields closed between -3 to +5bps across the curve. The benchmark UST 2Y; reflective of interest rate predictions jumped 5bps at 0.26% whilst the much-watched 10Y (which traded within a tighter 1.44%-1.50% range); declined 3bps at 1.48%. UST movements seem to revert back to the reflation-themed trades which were unwound the past several days on profit-taking activities. All three (3) auctions involving 2Y, 5Y and 7Y bonds saw strong bidding metrics between 2.36-2.54x. Powell reiterated that the central bank projection of rising inflationary pressures, will be transitory only. Meanwhile, the usage of the Fed's facility for overnight Reverse Repo surged to a new record high of \$813b this week at the rate of 0.05%. Expect bond yields to range side-ways-to-higher in the coming week as new bipartisan infrastructure aid package takes shape.
- MGS/GII:** Local govies saw MGS better-bid extending out from 5Y tenures whilst GII closed mostly mixed w/w. Some volatility arose due to earlier FOMC-led hawkish tone and also S & P's Global Ratings negative outlook on the long-term rating even as its affirmed Malaysia's "A-" long-term and "A-2" short-term sovereign credit ratings on Malaysia. It also affirmed its 'A' long-term and 'A-1' short-term local currency ratings on the country. Overall benchmark yields closed mostly mixed-to-lower save for the skewed levels seen for the 20Y MGS. The benchmark 5Y MGS 9/25 yield rose 4bps at 2.54% whilst the 10Y MGS 4/31 yields fell 6bps to 3.29% instead. The average weekly secondary market volume fell 30% @ RM15.5b versus prior week's RM22.0b. Expect bonds to weaken slightly next week as supply concerns may resurface following expectations for additional economic aid package to assist citizens and businesses hurt by the nationwide lockdown.
- MYR Corporate Bonds/ Sukuk:** The week under review continued to witness strong appetite in the secondary market for govt-guaranteed/sukuk/corporate bonds. Activity was seen mostly across the GG-AA part of the curve as yields closed mostly mixed amid a marginal 4% decline in average weekly market volume of RM4.72b compared to prior week's RM4.9m. Topping the weekly volume were DANAINFRA 10/26 (GG) balloon 65bps at 3.00% compared to previous-done levels, followed by DANUM 5/23 (AAA) bonds, which edged 2bps lower at 2.51%. Third largest volume was seen for YTL Power 10/24 tranche which also jumped 40bps to 3.80%. Higher frequency of bond trades was seen in DANA, CAGAMAS, PASB, TNB, PLUS, PKNS, Genting-related names, EDRA, JEP, SEB, Maybank perps and several odd-lot trades in CIMB perps and YNH Property-related names. Meanwhile the prominent issuances for the week consisted of Chellam Plantations (Sabah) Sdn Berhad's unrated 3-9Y bonds totaling RM150m with coupons ranging between 3.35-44%.
- SGS:** SGS (govvies) ended weaker w/w, with the curve shifting higher as overall benchmark yields rose between 3-8bps. The 2Y yield jumped 5bps at 0.90% whilst the 10Y (which traded wider within 1.45-1.55% range) spiked 8bps at 1.56%. Bond investors are likely to prepare for the record S\$3.2b 10Y auction by MAS on the 28th of June. Although the government is seen to have increased issuance sizes, especially for the longer-tenures, real money investors based in the republic are believed to be able to absorb these. Separately, the SGD movements were restrained despite higher inflation recorded for May due to the inherent strength of the greenback. MAS may however maintain its policy parameters at its next review in October in view of the slow improvement in economic data going forward as the city state plans for a phased reopening. Elsewhere, transportation company Global Logistics Property Ltd (GLP) has successfully issued USD\$300m Perpetual international bonds at 4.6%. Expect attention to shift to the upcoming industrial production data.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Small Medium Enterprise Development Bank Malaysia Berhad	Proposed Islamic Medium-Term Notes (IMTNs) Programme of up to RM3.0 billion	AAA-IS	Assigned
	Islamic Commercial Papers (ICPs) Programme of up to RM1.0 billion	MARC-1 IS	Assigned
Yinson Holdings Berhad	Corporate credit rating	A+/Stable A1/Stable/P1	Assigned
MBSB Bank Berhad	Structured Covered Sukuk Tranche 1	AAA/Stable	Reaffirmed
	Tranche 2 to 4	AA1/Stable	
	RM10.0 bil Wakalah Bi Al-Istithmar Sukuk Programme (2019/-)		
	Senior Sukuk Wakalah*	A2/Stable	Reaffirmed
	Tier-2 Sukuk Wakalah*	A3/Stable	Reaffirmed
	Additional Tier-1 (AT-1) Capital Sukuk Wakalah	BBB2/Stable	Reaffirmed
	Financial Institution Rating	A2/Stable/P1	Reaffirmed
Southern Power Generation Sdn Bhd	Sukuk Wakalah of up to RM4.0 billion	AA-IS/Stable	Affirmed
Premier Auto Assets Berhad	RM20 million Senior Class B Notes under Premier Auto Assets Berhad's (Premier Auto or the Issuer) RM105 million Tranche 1 Medium Term Notes (Tranche 1 MTN)	Upgraded from AA1/Stable to AAA/Stable	Upgraded
	RM35 million Senior Class A Notes	AAA/Stable	Reaffirmed
Trinity Asia Ventures Berhad	RM52 mil Tranche 1 IMTN under Trinity Asia Ventures Berhad's (the Issuer) RM1.5 bil Sukuk Musharakah Programme (IMTN Programme)	AA3/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
28/06	12:00	MA	Exports YoY	May	63.0%
	16:30	HK	Exports YoY	May	24.4%
	22:30	US	Dallas Fed Manf. Activity	Jun	34.9
29/06	07:30	JP	Jobless Rate	May	2.8%
	07:30	JP	Job-To-Applicant Ratio	May	1.09
	07:50	JP	Retail Sales MoM	May	-4.6%
	14:00	UK	Nationwide House Px NSA YoY	Jun	10.9%
	17:00	EZ	Economic Confidence	Jun	114.5
	21:00	US	S&P CoreLogic CS 20-City YoY NSA	Apr	13.27%
	22:00	US	Conf. Board Consumer Confidence	Jun	117.2
	00:00	VN	Exports YoY	Jun	35.6%
	00:00	VN	CPI YoY	Jun	2.9%
	00:00	VN	Retail Sales YTD YoY	Jun	7.6%
	00:00	VN	Industrial Production YoY	Jun	11.6%
	00:00	VN	GDP YoY	2Q	4.5%
30/06	07:50	JP	Industrial Production MoM	May P	2.9%
	09:00	NZ	ANZ Business Confidence	Jun F	-0.4
	09:00	CN	Non-manufacturing PMI	Jun	55.2
	09:00	CN	Manufacturing PMI	Jun	51.0
	14:00	UK	GDP QoQ	1Q F	-1.5%
	16:30	HK	Retail Sales Value YoY	May	12.1%
	17:00	EZ	CPI Estimate YoY	Jun	2.0%
	19:00	US	MBA Mortgage Applications	25 May	2.1%
	20:15	US	ADP Employment Change	Jun	978k
	21:45	US	MNI Chicago PMI	Jun	75.2
	22:00	US	Pending Home Sales MoM	May	-4.4%
	01/07	07:50	JP	Tankan Large Mfg Index	2Q
07:50		JP	Tankan Large Non-Mfg Index	2Q	-1.0
08:30		VN	Markit Vietnam PMI Mfg	Jun	53.1
08:30		MA	Markit Malaysia PMI Mfg	Jun	51.3
08:30		JP	Jibun Bank Japan PMI Mfg	Jun F	51.5
09:30		AU	Exports MoM	May	3%
09:45		CN	Caixin China PMI Mfg	Jun	52.0
16:00		EZ	Markit Eurozone Manufacturing PMI	Jun F	63.1
16:30		UK	Markit UK PMI Manufacturing SA	Jun F	64.2
17:00		EC	Unemployment Rate	May	8.0%
19:30		US	Challenger Job Cuts YoY	Jun	-93.8%
20:30		US	Initial Jobless Claims	26 Jun	--
21:45		US	Markit US Manufacturing PMI	Jun F	62.6
22:00		US	Construction Spending MoM	May	0.2%
22:00		US	ISM Manufacturing	Jun	61.2
02/07	06:00	NZ	ANZ Consumer Confidence MoM	Jun	-1.2%
	09:30	AU	Home Loans Value MoM	May	3.7%
	20:30	US	Change in Nonfarm Payrolls	Jun	559k
	20:30	US	Unemployment Rate	Jun	5.8%
	20:30	US	Average Hourly Earnings YoY	Jun	2.0%
	20:30	US	Labor Force Participation Rate	Jun	61.6%
	20:30	US	Trade Balance	May	-\$68.9b
	21:00	SG	Purchasing Managers Index	Jun	50.7
22:00	US	Factory Orders	May	-0.6%	

Source: Bloomberg

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