HongLeong Bank

Global Markets Research

Weekly Market Highlights

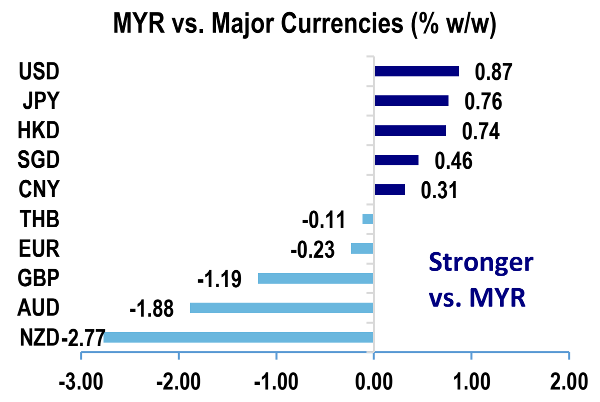
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	32,619.48	-0.74	6.58
S&P 500	3,909.52	-0.15	4.09
FTSE 100	6,674.83	-1.55	3.32
Hang Seng	27,899.61	-5.12	2.45
KLCI	1,597.73	-1.86	-1.81
STI	3,141.71	0.13	10.48
Dollar Index	92.85	1.07	3.24
WTI oil ($/bbl)	58.56	-2.40	20.55
Brent oil ($/bbl)	61.95	-2.10	19.59
Gold ($/oz)	1,725.10	-0.43	-8.89

Source: Bloomberg

- US stocks and treasury yields fell this week as risk aversion dominated global markets amid growing concerns over Europe's third Covid-19 waves. In the US, President Biden said they now target 200mil doses of vaccines being administered by end-April. Oil prices traded volatilely as a massive container ship is stuck at the Suez Canal. Fed Chair Jerome Powell reiterated before Congress that inflation is not a concern despite the recent increase in US' long term yield.
- Initial jobless claims fell to below 700k last week, its best reading since the pandemic shocked the labour market a year ago. US home sales were disrupted in February by adverse weather. A series of flash Markit PMI readings show that the manufacturing industry strengthened further whereas the services sector activity remained subdued in Japan and the Eurozone. Key data to watch out for next week are the US' nonfarm payroll number as well as the ISM manufacturing index. Vietnam's 1Q GDP is due Monday.

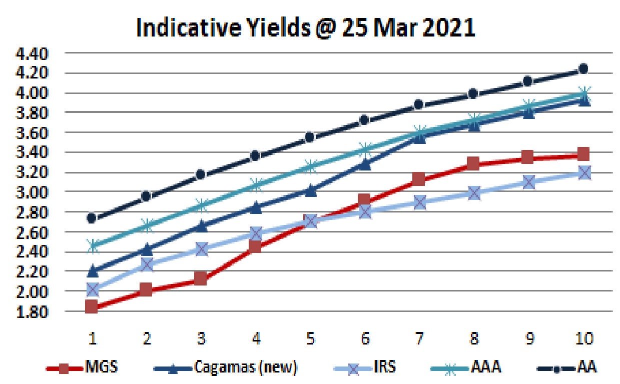
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded in a clear bullish trend, consistently climbing higher in the last four days. The pair hit an intraday high of 4.1470 yesterday before closing at 4.1460. This resulted in a 0.7% w/w loss in the MYR against a strengthening USD amid risk aversion that spurred demand for the greenback. We continue to expect ***bearishness*** in the MYR supported by a bullish USD outlook, eyeing a range of 4.13-4.18. The pair is currently in sight overbought position suggesting some consolidation is on the cards but positive momentum indicators signal there is still room for the pair to climb higher.
- **USD**: The USD has broadly strengthened over the past sessions, with DXY up by 1.07%. This brought DXY to a high of 92.92, higher than our 2Q forecast of 92.50. Dollar strength came amid some risk aversion from Europe's Covid-19 outbreak, Suez Canal disruptions, and market volatility. Data was generally positive. We are ***Neutral-to-Bullish*** on the USD for the week ahead, examining a range of 91.80-93.50. This is despite some improvements in market sentiment from Biden's raised vaccination goal. We watch ISM and non-farm payrolls data for the week ahead.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw UST's recover some lost ground, partly aided by Fed Chair Powell's comments that the underlying economic outlook was improving and that the recent rise in yields was not threatening. Overall benchmark yields declined between 2-9bps across, causing the curve to flatten. The Treasury's auctions of $60b 2Y, $61b 5Y saw strong bidding metrics drawing BTC ratios of 2.54x and 2.36x respectively; whist the 7Y exercise disappointed. Expect UST yields to range sideways and possibly drift higher in anticipation of better economic data and ongoing vaccine rollouts.
- **MGS/GII:** Local govvies ended stronger w/w with the curve shifting lower. Overall benchmark MGS/GII yields closed lower between 5-16bps save for the 7Y and 20Y GII. The weekly secondary market volume jumped 21% @ RM17.2b. Sentiment was slightly better led by lower IRS and reports of Norway's Government Pension Fund Global increasing its foreign holdings of both MGS and GII by ~RM5.4b as at end-Dec 2020. Separately, the government's recent PEMERKASA stimulus package is expected to be funded by FCY loan/debt, local bills issuances and also gains from higher oil prices. Expect yields to range sideways-to-higher next week ahead of FTSE Russell announcement of any impending changes on Malaysia's weightage in the WBGI.

Macroeconomic Updates

- US stocks and treasury yields fell this week as risk aversion dominated global markets amid growing concerns over Europe's third Covid-19 waves. The effort to vaccinate the European population was slow, obstructed by the temporary halt of the AstraZeneca vaccines. Major countries such as Germany, France, Italy have either tightened or extended lockdowns. Germany however pulled back a decision to impose a harder lockdown for the Easter weekend following strong criticisms. In the US, President Biden said they now target 200 million doses of vaccines being administered by end-April. Oil prices traded volatilely as a massive container ship is stuck at the Suez Canal.

- Fed Chair Jerome Powell reiterated before Congress that inflation is not a concern despite the recent increase in US' long term yield. He said that this reflected optimism surrounding vaccination progress as well as brighter recovery prospects. Powell testified alongside Janet Yellen, a former colleague and now the Treasury Secretary this week in an oversight of the Fed's and Treasury Department's pandemic responses.

- A series of flash Markit PMI readings show that the manufacturing industry strengthened further whereas the services sector activity remained subdued in Japan and the Eurozone. Initial jobless claims fell to below 700k last week, its best reading since the pandemic shocked the labour market a year ago. The US' final 4Q GDP growth was revised higher to 4.3% q/q. Durable good orders fell for the first time in ten months. Housing data weakened in February as both new and existing home sales were disrupted by the adverse weather in mid-February. Potential buyers also held back as mortgage rates-tied to US yields, rose last month. Limited supply and hence a surge in home prices also undermined affordability. Elsewhere, the UK's unemployment rate fell to 5.0% in the three months to January. Inflation data were mixed – The UK's CPI slowed substantially as retailers slashed prices of apparels, Hong Kong's CPI inflation eased as well while Malaysia reported its first positive CPI print in a year in February.

The Week Ahead…

- On Monday, Vietnam released its first quarter's GDP report alongside the usual monthly indicators namely trade, inflation, industrial production and retail sales data. Analysts are expecting Vietnam to record a 5.7% y/y growth in 1Q, accelerating from the 4.5% expansion in 4Q20 as a new Covid wave at end-Jan was brought under control. Malaysia's trade data is also due the same day and exports are expected to have increased by 6.0% y/y in February.

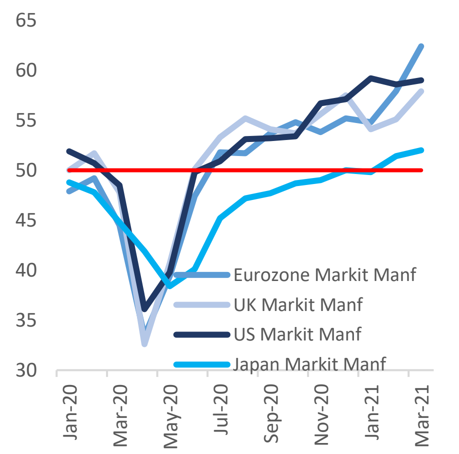
- Tuesday begins with Japan's labour market data and retail sales number. The jobless rate is likely to hover at 2.9-3.0% level as the country remained in lockdown in February. The job-to-applicant ratio is expected to be steady. Japan's retail sales are likely to have rebounded in February after two months of declines. Meanwhile, Hong Kong's retail sales are expected to fall less steeply thanks to the Lunar New Year celebration in February. The Eurozone's economic sentiment index and the US' Conference Board Consumer Confidence are slated for release in the evening.

- On Wednesday, Japan's flash industrial production reading is due Monday morning and leading indicators (strong PMI, machine tool orders) suggest extended growth in output. China's official PMI data are morning's highlight followed by the UK's final 4Q GDP reading, the Eurozone's HICP inflation and lastly the US' ADP payrolls and pending home sales.

- Throughout Thursday, the focus is on a series of Markit manufacturing PMI data and in the case of the US, the ISM manufacturing index. Australia's trade report and retail sales are scheduled for morning releases. The US' initial jobless claims and construction spending are also in Thursday's data docket.

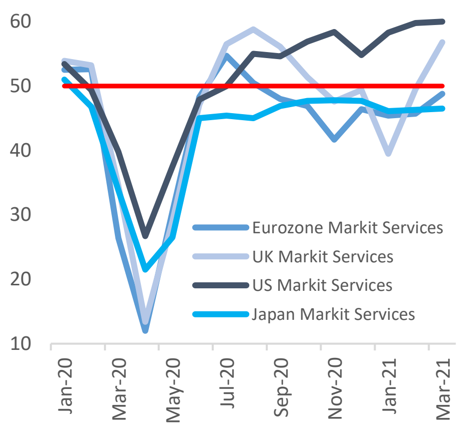
- Good Friday fell on 2 April next week hence there is a limited number of economic data. The US' nonfarm payroll report however is still scheduled to be released in the evening that day. Consensus estimate currently stands at 580k gain in jobs and the unemployment rate is expected to decline by 0.2ppts to 6.0%.

Manufacturing activity turned stronger



Source: Bloomberg

Services in Japan & Euro area still on the backfoot.



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded in a clear bullish trend over the last week, consistently climbing higher in the last four days. The pair hit an intraday high of 4.1470 yesterday before closing at 4.1460. This resulted in a 0.7% w/w loss in the MYR against a strengthening USD amid risk aversion that spurred demand for the greenback. We continue to expect ***bearishness*** in the MYR in the week ahead supported by a bullish USD outlook, eyeing a range of 4.13-4.18. The pair is currently in sight overbought position suggesting some consolidation is on the cards but positive momentum indicators signal there is still room for the pair to climb higher.

- **USD**: The USD has broadly strengthened over the past sessions, with DXY up by 1.07%. This brought DXY to a high of 92.92, higher than our 2Q forecast of 92.50. Dollar strength came amid some risk aversion from Europe's Covid-19 outbreak, Suez Canal disruptions, and market volatility. Data was generally positive (e.g. US Markit Composite PMI at 59.1). We are ***Neutral-to-Bullish*** on the USD for the week ahead, examining a range of 91.80-93.50. This is despite some improvements in market sentiment from Biden's raised vaccination goal. We watch ISM and non-farm payrolls data for the week ahead.

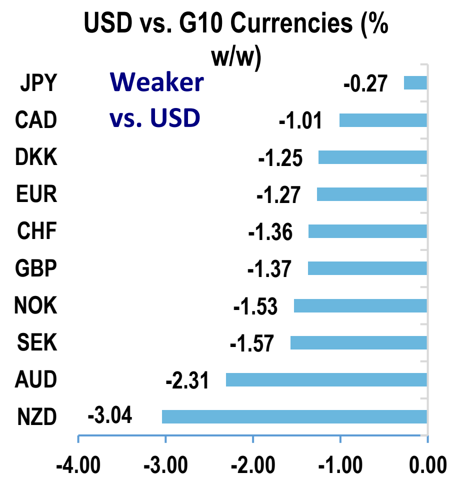
- **EUR**: EUR/USD fell to November 2020 levels over the past week, weighed down by deteriorating Covid-19 situation in Europe. This was despite positive composite Eurozone PMI (52.5) Pair was down by more than 1 big figure in the process, hitting a low of 1.1762 on 25 March from a close of 1.1915 close on 18 March. We are ***Neutral-to-Bearish*** on the EUR for the week ahead, within a range of 1.1600-1.1900. Watch confidence indices on 30 March and CPI data on 31 March.

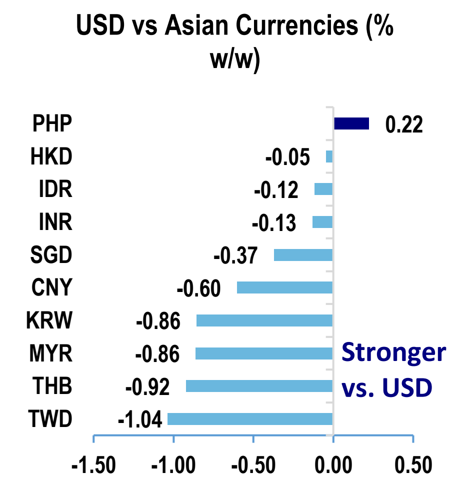
- **GBP**: GBP/USD stayed on the downside from dollar strength. Pair bottomed out around 25 March, at a low of 1.3670. Pair was rebounding since, after some improvement in risk sentiments. We are ***Neutral-to-Bearish*** on the GBP, seeing a range of 1.3600-1.3800 for the week ahead. GBP may stay more resilient in dollar strength, due to less accommodative moves from the BOE compared to the ECB in the near-term.

- **JPY**: USD/JPY reached and stayed around June 2020 highs over the past week, with a high of 109.24 on 25 March. This came from dollar strength. Risk aversion appeared to dampen upward momentum a little but was not sustained. We are ***Neutral-to-Bearish*** on the JPY for the coming week. We see some scope for the yen to weaken further, with resistance at 110.00 and support at 108.50 for the week ahead. Watch Tankan data for the week ahead.

- **AUD**: AUD/USD (alongside other commodity related currencies) were hit by some retreat in elevated oil prices. Pair was down to sub-0.76 levels over the past week, down by more than 2.3%. We are ***Neutral-to-Bearish*** on the AUD for the week ahead. Support close to 0.7420, while resistance at 0.7730. This is weighed down by falling commodity prices from peaks, alongside rising yields and dollar strength.

- **SGD**: USD/SGD continued to grind higher since 22 March, from broad dollar strength. In the process, pair almost hit the 1.35 big figure after the 5-day low of 1.3392. We are ***Neutral-to-Bearish*** on the SGD versus the USD. We see pair testing 1.3531 over the coming week, towards psychological resistance of 1.3600. Support is at 1.3400 should there be some reversal. Still, the SGD should perform better than other currencies. Markets view MAS as less dovish than other major central banks, with markets now anticipating some tightening in early 2022. This should spur some SGD outperformance.





Source: Bloomberg

Forecasts

	Q2-21	Q3-21	Q4-21	Q1-22
DXY	92.50	92.00	91.50	90.75
EUR/USD	1.1850	1.1900	1.2000	1.2100
GBP/USD	1.3850	1.3950	1.4000	1.4100
AUD/USD	0.76	0.77	0.78	0.79
USD/JPY	111	110	109	108
USD/MYR	4.15	4.10	4.08	4.05
USD/SGD	1.36	1.35	1.33	1.32
	Q2-21	**Q3-21**	**Q4-21**	**Q1-22**
EUR/MYR	4.92	4.88	4.90	4.90
GBP/MYR	5.75	5.72	5.71	5.71
AUD/MYR	3.15	3.16	3.18	3.20
SGD/MYR	3.05	3.04	3.07	3.07

Source: HLBB Global Markets

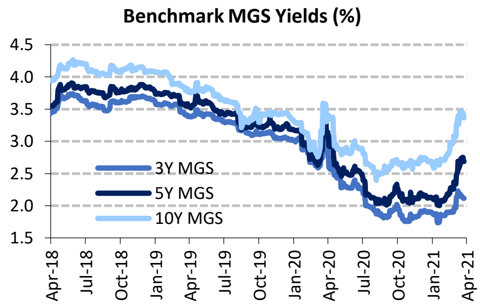
Fixed Income

- **UST:** The week under review saw UST's recover some lost ground, partly aided by Fed Chair Powell's comments that the underlying economic outlook was improving and that the recent rise in yields was not threatening. Overall benchmark yields declined between 2-9bps across, causing the curve to flatten. The benchmark UST 2Y; reflective of interest rate predictions edged 2bps lower at 0.14% whilst the much-watched 10Y (which traded within a narrower range this week @ 1.61%-1.72%); closed 7bps lower at 1.64%. Bonds were well-bid also due to the turmoil in Turkey coupled with extended lockdowns in parts of Europe. The Treasury's auctions of $60b 2Y, $61b 5Y saw strong bidding metrics drawing BTC ratios of 2.54x and 2.36x respectively; whist the 7Y exercise disappointed. Expect UST yields to range sideways and possibly drift higher nearer to the month-end in anticipation of better economic data and ongoing vaccine rollouts.

- **MGS/GII:** Local govvies ended stronger w/w taking cue from the performance of UST's with the curve shifting lower. Overall benchmark MGS/GII yields closed lower between 5-16bps save for the 7Y and 20Y GII. Interest was seen mainly in the off-the-run 21-22's, 29's and also benchmark 5Y, 10Y MGS/GII bonds. Both the benchmark 5Y MGS 9/25 and 10Y MGS 4/31 rallied 7bps at 2.69% and 3.35% respectively. The weekly secondary market volume jumped 21% @ RM17.2b versus prior week's RM14.1b. Sentiment was slightly better led by lower IRS and reports of Norway's Government Pension Fund Global increasing its foreign holdings of both MGS and GII by ~RM5.4b as at end-Dec 2020. Separately, the government's funding requirements due to the recent PEMERKASA stimulus package is expected to be funded by FCY loan/debt, local bills issuances and also gains from higher oil prices. The government's debt-to-GDP ratio is also projected to reach 58.5% by year-end; remaining below the statutory limit of 60%. Expect yields to range sideways-to-higher next week ahead of FTSE Russell announcement of any impending changes on Malaysia's weightage in the WBGI.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw strong demand in the secondary market for government-guaranteed/corporate bonds/sukuk which sold-off at higher attractive yields across the GG-AA part of the curve amid a spike in volume @ RM3.83b compared to prior week's RM1.55b. Topping the weekly volume was GOVCO 2/24 (GG) which spiked 67bps at 2.78% compared to previous-done levels, followed by energy-related bond SEB 4/31 (AAA) which rose 12bps at 4.21% levels. Third largest volume was seen for Sarawak Hidro 8/21 (AAA) bonds which also ended 9bps up at 3.28%. Higher frequency of bond trades was seen in DANAINFRA, CAGAMAS, DANGA, PLUS, EDRA, MMC Corp, JEP and Affin Islamic perps whilst odd-lot transactions were noted in Tropicana bonds. Meanwhile the prominent issuances for the week consisted of FELDA's (GG) 5-15Y bonds totaling RM2.0b with coupons ranging between 3.04-4.05% and also LPPSA's (GG) 5-30Y bonds amounting to RM4.0b with coupons between 3.07-4.91%.

- SGS (govvies) ended slightly weaker w/w across the curve save for the long end in tandem with the rise in UST yields. Overall benchmark yields moved higher between 0-2bps compared to prior week; save for the 20Y. The curve shifted higher slightly extending out to the 10Y with the SGS 2Y yield closing unchanged at 0.53% levels whilst the 10Y (which traded within a narrow 3bps range), edged 1bps up at 1.59%. The balance of risk to the republic's inflation is tilted to the upside following the release of February's CPI data which rose 0.7% y/y (0.6% m/m). Meanwhile the auction of SGD2.52b of 10Y bonds by MAS on the 29th of March is seen as a major test in investor appetite for longer tenures following the nation's plans to finance several infrastructure-related projects in mid-Feb. Overall SGS has pulled back by ~3.6% since the announcement compared to a ~2.3% drop in global bonds. Separately, Olam International has successfully priced its $100m 5Y notes due 2026 at a coupon of 3.25%, via a private placement under its $5b EMTN program.



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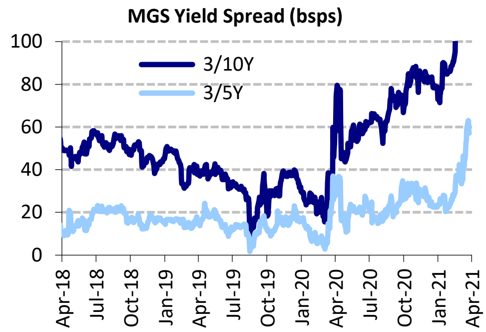

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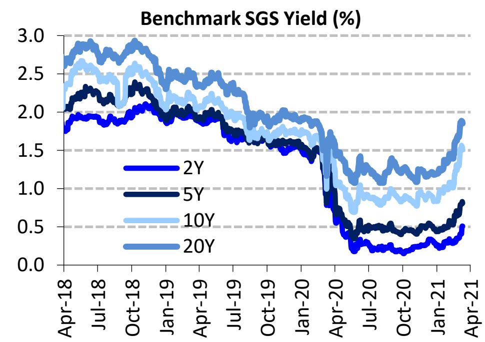

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Agroto Business (M) Sdn Bhd	ASEAN Sustainability Sustainable and Responsible Investment (SRI) Sukuk Programme Framework (Framework)	"Gold" Sustainability Sukuk Assessment	Assigned
Cellco Capital Bhd	RM520 million issuance (Issue 1) under its Islamic Commercial Papers/Islamic Medium-Term Notes (Sukuk Ijarah Programme) with a combined limit of up to RM1.0 billion	MARC-1IS /AA-IS	Assigned
Putrajaya Holdings Sdn Bhd	Proposed RM1.0 billion 20-year Sukuk Wakalah Programme.	AAA-IS/Stable	Assigned
Cagamas MBS Berhad	Asset-backed Sukuk Musyarakah issuances (CMBS 2007-1-i)	AAA-IS/Stable	Affirmed
	Fixed rate serial bonds issuances (CMBS 2005-2; CMBS 2007-2)	AAA/Stable	Affirmed
Sabah Credit Corporation	Proposed RM1.75 bil Islamic Commercial Papers Programme	P1	Assigned
	RM1.75 billion Islamic Commercial Papers Programme (2014/2021) and RM3.5 billion Islamic Medium-Term Notes Programme (2014/2039)*	AA1/Stable/P1	Reaffirmed
	RM1 billion Islamic Medium-Term Notes Programme (2011/2031)	AA1/Stable	Reaffirmed
MEX I Capital Berhad	RM1.35 bil Sukuk Musharakah (2014/2031)	FromBB1/Negative to C3/Negative	Downgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
29/03	12:00	MA	Exports YoY	Feb	6.60%
	22:30	US	Dallas Fed Manf. Activity	Mar	17.2
		VN	Exports YoY	Mar	-4.70%
		VN	CPI YoY	Mar	0.70%
		VN	Retail Sales YTD YoY	Mar	5.50%
		VN	Industrial Production YoY	Mar	-7.20%
		VN	GDP YoY	1Q	4.48%
30/03	07:30	JN	Job-To-Applicant Ratio	Feb	1.1
	07:30	JN	Jobless Rate	Feb	2.90%
	07:50	JN	Retail Sales MoM	Feb	-1.70%
	16:30	HK	Retail Sales Value YoY	Feb	-13.60%
	17:00	EC	Consumer Confidence	Mar F	-10.8
	17:00	EC	Economic Confidence	Mar	93.4
	21:00	US	FHFA House Price Index MoM	Jan	1.10%
	22:00	US	Conf. Board Consumer Confidence	Mar	91.3
31/03	07:50	JN	Industrial Production MoM	Feb P	4.30%
	08:00	NZ	ANZ Business Confidence	Mar F	0
	09:00	CH	Non-manufacturing PMI	Mar	51.4
	09:00	CH	Manufacturing PMI	Mar	50.6
	14:00	UK	Nationwide House Px NSA YoY	Mar	6.90%
	14:00	UK	GDP QoQ	4Q F	1.00%
	17:00	EC	CPI Estimate YoY	Mar	0.90%
	19:00	US	MBA Mortgage Applications	26 Mar	-2.50%
	20:15	US	ADP Employment Change	Mar	117k
	21:45	US	MNI Chicago PMI	Mar	59.5
	22:00	US	Pending Home Sales MoM	Feb	-2.80%
01/04	05:00	NZ	ANZ Consumer Confidence Index	Apr	113.1
	05:30	AU	AiG Perf of Mfg Index	Mar	58.8
	07:50	JN	Tankan Large Mfg Index	1Q	-10
	08:30	VN	Markit Vietnam PMI Mfg	Mar	51.6
	08:30	MA	Markit Malaysia PMI Mfg	Mar	47.7
	08:30	JN	Jibun Bank Japan PMI Mfg	Mar F	52
	08:30	AU	Trade Balance	Feb	A$10142m
	08:30	AU	Retail Sales MoM	Feb F	-1.10%
	09:45	CH	Caixin China PMI Mfg	Mar	50.9
	16:00	EC	Markit Eurozone Manufacturing PMI	Mar F	62.4
	16:30	UK	Markit UK PMI Manufacturing SA	Mar F	57.9
	20:30	US	Initial Jobless Claims	27 Mar	--
	21:45	US	Markit US Manufacturing PMI	Mar F	59
	22:00	US	Construction Spending MoM	Feb	1.70%
	22:00	US	ISM Manufacturing	Mar	60.8
02/04	20:30	US	Unemployment Rate	Mar	6.20%
	20:30	US	Change in Nonfarm Payrolls	Mar	379k

Source: Bloomberg

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