Hong Leong Bank

Global Markets Research

Weekly Market Highlights

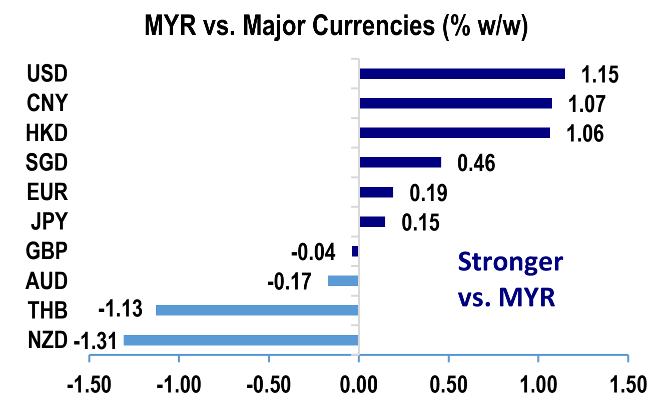
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,804.38	-0.19	16.98
S&P 500	4,701.46	-0.07	25.17
FTSE 100	7,310.37		13.15
Hang Seng	24,740.16		-9.15
KLCI	1,517.60	-0.41	-6.74
STI	3,221.52	-0.48	13.28
Dollar Index	96.79	1.30	7.62
WTI oil ($/bbl)	78.39	-0.78	61.56
Brent oil ($/bbl)	82.22	1.21	89.49
Gold (S/oz)	1,784.30	-4.14	-6.19

Source: Bloomberg

- US equities traded on a mixed note this week ahead of the Thanksgiving holiday on Thursday. Major market driver at the start of the week was the re-nomination of Fed Chair Jerome Powell to a second term that signalled leadership stabilisation and monetary policy continuity. The US said it would tap into the Strategic Petroleum Reserves, as it coordinated such move with other large oil consumers namely China, South Korea, Japan, India and the UK. Russia and Saudi Arabia plan to counter the move by adjusting its plan to hike output.
- The FOMC minute revealed that the Fed is open to accelerating tapering if inflation goes overboard and threatens long-term price stability. US data from consumer and housing to manufacturing and trade came in generally solid this week. The RBNZ raised its official cash rate by 25bps to 0.75%, marking its second consecutive hike since early October. Focus shifts to the US nonfarm payrolls next Friday. Prior to that, key data include a slew of PMI readings for the major economies. Australia will release its 3Q GDP report. Malaysia is slated to publish international trade figures.

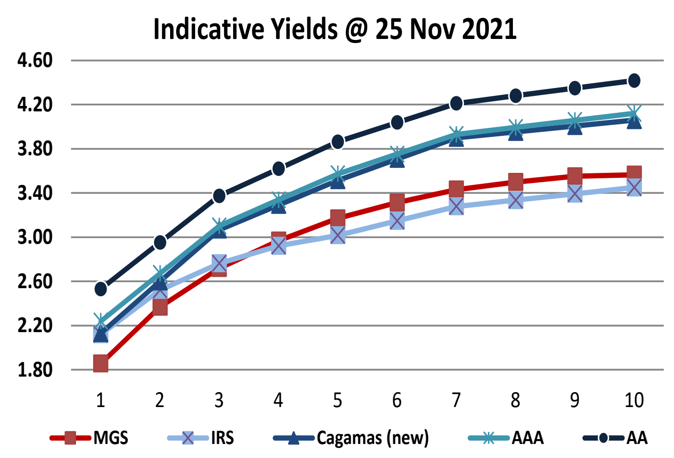
Forex



Source: Bloomberg

- **MYR:** The climb in USD/MYR stayed extended for another week, with the pair moving four big figures from 4.18 and breaking the key psychologically resistance of 4.20 on Wednesay. The pair nudged further up to 4.2295 on Thursday's close, up 1.1% w/w as the USD gained further grounds. We remain ***Neutral-to-Bullish*** on USD/MYR in the week ahead, although overbought position suggests some imminent pullback before further move higher. We therefore expect a range of 4.20-4.25 in the week ahead.
- **USD**: DXY jumped 1.3% w/w to 96.79, its highest in sixteen months, as positive US data and FOMC minutes heightened expectations of quicker tapering pace and earlier Fed rate hike. We continue to expect sustained USD strength in the week ahead although gains will likely be more muted after this week's sharp move. We are ***Neutral-to-Slightly Bullish*** on the USD with a range of 96.00-97.20 in the dollar index. For the week ahead, markets will closely watch nonfarm job data and ISM readings for more clues on the US recovery momentum.

Fixed Income



Source: Bloomberg

- **UST:** USTs ended weaker in a holiday-shortened week, influenced by a hawkish Fedspeak and also the re-nomination of Powell as the Fed Chair. Markets took a slight twist by pricing in a 25bps hike by June 2022. The FOMC minutes were thought to send vibes that although elevated inflation is likely transitory, its pressures could possibly take longer to subside than previously assessed. The curve bear-flattened as overall yields closed between 0-14bps higher w/w. Expect some demand for the relatively safe-haven of bonds arising from concerns over the impact of a 4th wave of the COVID pandemic in parts of Europe.
- **MGS/GII:** Local govvies were seen mostly mixed-to-weaker w/w despite lower IRS levels. Overall benchmark MGS yields closed between 0-2bps lower save for the 3Y, whilst GII were mostly pressured resulting in higher yields between 1-12bps. The average weekly secondary market volume fell 20.4% @ RM11.91b. Focus was centered on the successful switch auction on Thursday, which encompassed higher amount of RM3.86b worth of MGS 2022 bonds; with longer-maturity bonds consisting of MGS 6/31, MGS 9/43, MGS 7/48 and MGS 6/50. The RM4.5b 3Y GII 10/24 auction saw muted participation with BTC ratio at a mere 1.412x whilst being awarded at 2.787%. Expect bonds to find some support next week as more news updates on the South African COVID variant makes its rounds.

Macroeconomic Updates

- **Powell's nominated for second term:** US equities traded on a mixed note this week ahead of the Thanksgiving holiday on Thursday. Major market driver at the start of the week was the re-nomination of Fed Chair Jerome Powell to a second term that signalled leadership stabilisation and monetary policy continuity. Fed Governor Lael Brainard, a democrat, is elevated to vice-chair, replacing the outgoing Richard Clarida. Rate hike expectations jumped in the US on Powell news as well as FOMC minutes that showed potentially quicker pace of asset tapering. Elsewhere, ECB board member Isabel Schnabel said that the Eurozone's inflation risks are skewed to the upside and the plan to end the pandemic emergency bond buying program (PEPP) are still valid despite the fourth Covid-19 wave in Europe. BOE Governor Andrew Bailey said that the MPC may reduce forward guidance on rates and these decisions could be made meeting-by-meeting.

- **Fed open to quicken tapering pace:** The FOMC minutes showed that Fed officials decided to reduce the asset purchase program by $15b each in November and December because substantial progress had been met in terms of its maximum employment and inflation goals. Notably, they discussed at length the issue of high inflation with some pointing out that high inflation could prove more persistent. Some participants preferred a somewhat faster pace of reductions that would complete the process sooner. There were also those who prefer a patient attitude, citing uncertainty about supply chains, production logistics, and the pandemic. The Fed concluded that it would not hesitate to take appropriate actions to address inflation pressures should they post risks to longer-term price stability and employment objective, suggesting that the Fed is open to accelerating tapering.

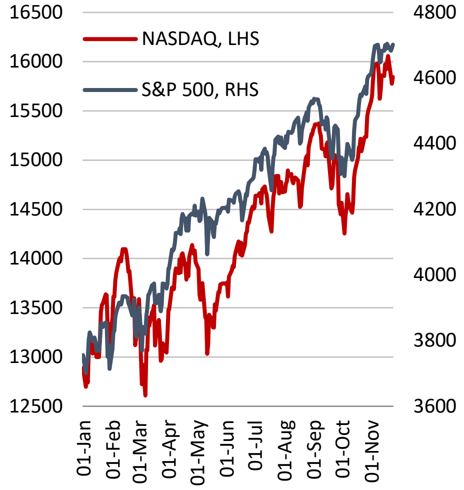
- **US and major countries to tap into oil reserves:** Brent crude oil prices rose this week as traders weighed mixed headlines. The US said it would tap into the Strategic Petroleum Reserves, as it coordinated such move with other large oil consumers namely China, South Korea, Japan, India and the UK. Russia and Saudi Arabia plan to counter the move by adjusting its plan to hike output.

- **US reported generally positive data:** US data from consumer and housing to manufacturing and trade came in generally solid this week. The initial jobless claims fell sharply to 199k last week, lower than levels prior to the pandemic, reaffirming views that the labour market is strengthening. Meanwhile, personal income (+0.5%) and personal spending (+1.3% m/m) both picked up although consumer sentiment appeared to be wavering. On the manufacturing front, durable goods orders were down last month (-0.5% m/m) but the core capital orders sustained the solid growth trend. Exports rose to record level of $157b, similarly, imports were also at an all-time high of $240b, resulting in a narrower goods trade deficit of $82.9b. Both existing and new home sales unexpectedly rose 0.8% m/m and 0.4% m/m, underscoring strong underlying housing demand.

- **RBNZ raised OCR by 25bps, disappointing market:** The RBNZ raised its official cash rate by 25bps to 0.75%, marking its second consecutive hike since early October as it embarked on a policy normalisation process. The NZD sold off by 1% following the move as traders had expected a larger rate hike (50bps) instead of the consensus forecast of 25bps by economists. The central bank's forward guidance offered little surprise as it reiterated the plan to withdraw stimulus, citing "higher interest rates are now needed to maintain price stability and maximum sustainable employment, and that the OCR remains their preferred tool" to normalise policy.

- **Week ahead data:** Focus shifts to the US nonfarm payrolls next Friday. Prior to that, key data include a slew of PMI readings for the major economies. Other than PMIs and jobs report, key US data are factory orders, construction spending and house price indexes. Eurozone's retail sales is also in the pipeline. Japan is set to report many top-tiered data such as retail sales and jobless rate. Australia will release its 3Q GDP report. Malaysia is slated to publish international trade figures.

Consolidation in US stock indices



Source: Bloomberg

Foreign Exchange Market

- **MYR:** The climb in USD/MYR stayed extended for another week, with the pair moving four big figures from 4.18 and breaking the key psychologically resistance of 4.20 on Wednesay. The pair nudged further up to 4.2295 on Thursday's close, up 1.1% w/w as the USD gained further grounds. We remain ***Neutral-to-Bullish*** on USD/MYR in the week ahead, although overbought position suggests some imminent pullback before further move higher. We therefore expect a range of 4.20-4.25 in the week ahead.

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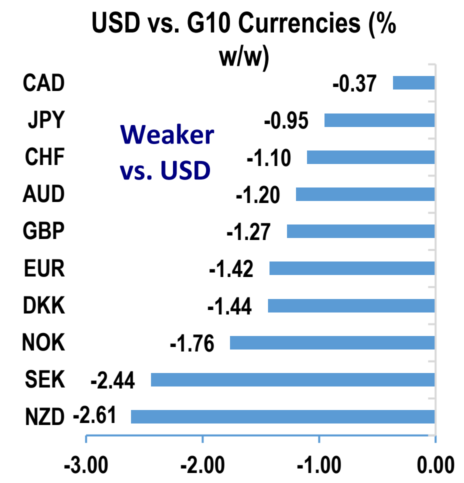
- **EUR**: EUR/USD extended its 4th weekly losses, and was down 1.4% w/w to 1.1209 on Thursday, bouncing back slightly from a week-low of 1.1186. USD strength aside, renewed lockdown fear following Austria's lockdown reimposition and Germany's warning on a new wave dented EUR performance. We are ***Bearish*** on EUR/USD on a 1-week basis. The momentary break of the 1.12 psychological support on Wednesday and increasing negative momentum signal room for further bearishness ahead. Support is at 1.1115 and resistance is at 1.1310. Markets will focus on consumer confidence, CPI, Markit PMIs and retail sales data next week.

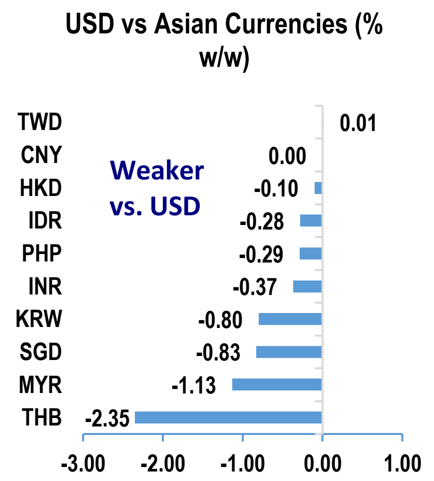
- **GBP**: GBP/USD shed 1.3% w/w to 1.3322, its lowest in almost a year. A rally in the USD far outweighed the relatively decent set of UK economic releases that showed bigger than expected rebound in retail sales and quicker expansion in manufacturing activities. We remain ***Neutral-to-Bearish*** on GBP/USD over the coming week, eyeing 1.3220 as support and 1.3540 as resistance.

- **JPY**: USD/JPY extended its leg up for the 4th consecutive week, rising further by 1.0% w/w to a close of 115.36 on Thursday, breaking the 115 big figure. Japan indicators showed some signs of stabilization and improvement but not enough to sway any policy direction in our view. We are ***Neutral-to-Bullish*** on the USD/JPY for the week ahead. After breaking the psychological resistance of 115, the pair looks well poised to test 116.00 next with support at 113.90. Some of the key Japanese data to watch next week include jobs, retail sales, industrial production and housing starts.

- **AUD**: In tandem with other major FX, AUD/USD also printed losses for the 4th week in a row, down from big figure 0.75 to 0.71 currently. The pair last closed at 0.7190 on Thursday, down 1.2% w./w. We are ***Neutral-to-Bearish*** on AUD/USD over the coming week, eyeing 0.70 as support and 0.73 as resistance. Australia 3Q GDP will likely be the key next week. Any negative surprises will likely exert more pressure on the Aussie.

- **SGD**: USD/SGD continued to head north, by 0.8% w/w to close at 1.3676 on Thursday, and is seen inching further up at time of writing. A rally in the USD overshadowed Singapore 3Q GDP print, which confirmed a slower growth of 7.1% y/y as a result of broad-based moderation across all key sectors from manufacturing to services and construction. We are ***Neutral-to-Bullish*** on USD/SGD for the week ahead, eyeing resistance at 1.3720 and support at 1.3600. Technicals look bullish but the pair is currently in overbought levels hinting at some imminent pullback. Retail sales and PMI will be key data watches next week.





Source: Bloomberg

Forecasts

	Q4-21	Q1-22	Q2-22	Q3-22
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

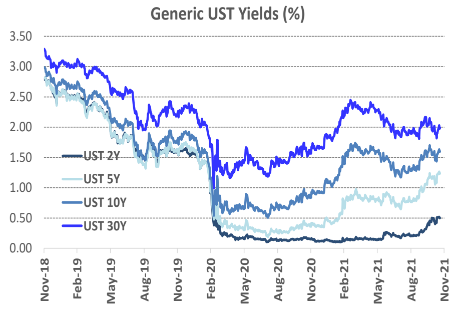
Fixed Income

- **UST:** USTs ended weaker in a holiday-shortened week, influenced by a hawkish Fedspeak indicating a potentially strong 4Q GDP and also the re-nomination of Powell as the Fed Chair, as investors believed that he will be hawkish-centric and supportive on rate-normalization exercises. The curve bear-flattened as overall yields closed between 0-14bps higher w/w. The UST 2Y note spiked 14bps whilst the much-watched 10Y bond rose 5bps to 1.64%. Treasury sold $59b 5Y notes at weaker-than-expected levels of 1.319% on a BTC ratio of 2.34x (previous six auction average: 2.41x). Likewise the $58b 2Y note auction saw poor response with WI rising 6bps and awarded at 0.623% on a 2.36 cover (previous six auction average: 2.56x). Elsewhere, markets took a slight twist by pricing in a 25bps hike by June 2022. The FOMC minutes were thought to send vibes that although elevated inflation is likely transitory, its pressures could possibly take longer to subside than previously assessed. Meantime, the return of debt-ceiling anxiety has seen T-bill maturities in mid-December cheapen relative to other maturities; as investors seek compensation for potential risks. Expect some demand for the relatively safe-haven of bonds arising from concerns over the impact of a 4th wave of the COVID pandemic in parts of Europe.

- **MGS/GII:** Local govvies were seen mostly mixed-to-weaker w/w despite IRS levels largely drifting lower. Overall benchmark MGS yields closed between 0-2bps lower save for the 3Y, whilst GII were mostly pressured resulting in higher yields between 1-12bps. Both the benchmark 5Y MGS 11/26 and 10Y MGS 4/31 edged 1bps lower at 3.14% and 3.56% respectively. The average weekly secondary market volume fell 20.4% @ RM11.91b versus prior week's RM14.96b. Focus was centered on the successful switch auction on Thursday, which encompassed higher amount i.e. RM3.86b (compared to the initial estimated RM3.50b) worth of MGS 2022 bonds; with longer-maturity bonds consisting of MGS 6/31, MGS 9/43, MGS 7/48 and MGS 6/50. The RM4.5b 3Y GII 10/24 auction saw muted participation with BTC ratio at a mere 1.412x whilst being awarded at 2.787%. Expect bonds to find some support next week as more news updates on the South African COVID variant makes its rounds.

- **MYR Corporate bonds/ Sukuk**: The week under review saw slower momentum in govt-guaranteed bonds, Sukuk and corporate bonds transactions. Participation was seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to higher amid a 21% pullback in average weekly market volume of RM1.77b compared to prior week's RM2.24b. Topping the weekly volume were SEB 1/22 (AAA) which edged 2bps compared to previous-done levels at 2.05%, followed by CAGAMAS 5/23 (AAA) bonds, which rose 7bps to 2.33%. The 3rd largest volume was seen for DIALOG 2120NC27perpetual bonds which rallied 7bps to 4.45%. Higher frequency of bond trades was seen in DANA, TNB, Genting-related names like GENM Cap, Fortune Premier, energy-related bonds i.e. EDRA bonds, QSPS Green and also odd-lot transactions in Alliance Bank, Tropicana-related bonds. Meanwhile the prominent issuances for the week consisted of CAGAMAS Berhad's AAA-rated 1-3Y papers totaling RM1.3b with coupons ranging between 2.30-3.04% and also Tenaga Nasional Bhd's (AAA) 7-20Y bonds with coupons between 3.92-4.67%.

- **SGS:** SGS (govvies) saw the curve slightly steeper, somewhat the opposite of UST movements w/w, as overall benchmark bonds closed higher between 1-4bps. The 2Y yield edged 1bps up at 0.85% whilst the 10Y (which traded tighter within 1.75-1.79% range) climbed 3bps to 1.80%. The recent upward revision to GDP and higher CPI data may allow MAS to tighten policy in the April 2022 semi-annual review. Elsewhere, Temasek Holdings increased its 5-year 1.8% bond offering to S$500m; from the initial S$350m based on upbeat demand from both institutional and retail investors. Keppel Infrastructure Fund Management Pte Ltd had successfully priced its S$200m 5Y papers at 3.0%. Meanwhile, the republic's Housing and Development Board i.e. HDB has also issued S$1.0b of 5-year notes with a coupon of 1.645%.



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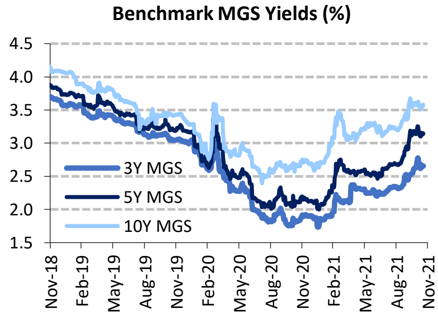

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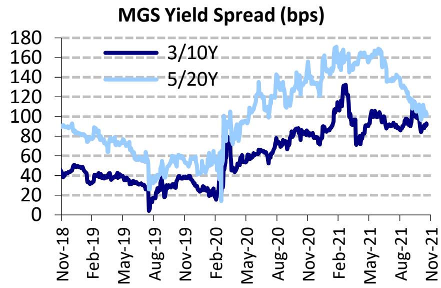

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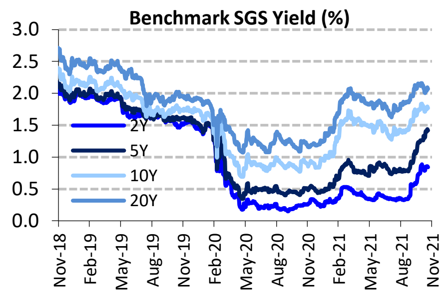

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Malakoff Power Berhad	Outstanding RM2.93 billion Sukuk Murabahah	AA-IS/Stable	Affirmed
Yinson Holdings Berhad	RM1.0 billion Islamic Medium-Term Notes (IMTN) Programme	A+IS/Stable	Assigned
CIMB Group Holdings Bhd	Corporate Credit Rating	AA1/Stable/P1	Assigned
	Proposed RM15b Sukuk Wakalah Programme		
	Senior Sukuk	AA1/Stable	Assigned
	Tier-2 Subordinated Sukuk	AA2/Stable	Assigned
	Additional Tier-1 Sukuk	A1/Stable	Assigned
CIMB Bank Bhd	Financial Institution Ratings	AAA/Stable/P1	Assigned
	Senior Sukuk	AAA/Stable	Assigned
	Tier-2 Subordinated Sukuk	AA2/Stable	Assigned
	Additional Tier-1 Sukuk	A1/Stable	Assigned
MCIS Insurance Berhad	Insurer financial strength (IFS) ratings	A1/Stable/P1	Assigned
Northport (Malaysia) Bhd	Islamic Commercial Papers (ICP) Programme	MARC-1 IS	Affirmed
	Islamic Medium-Term Notes (IMTN) Programme	AA-IS/Stable to Positive	Outlook upgraded
Toyota Capital Malaysia Sdn Bhd	RM2.5 billion Conventional and Islamic CP/MTN Programme	AAA(s)/Stable/P1	Reaffirmed
Sports Toto Malaysia Sdn Bhd	RM800.0 million 15-year Medium-Term Notes (MTN) Programme	AA- (Stable)	Affirmed
UEM Sunrise Berhad	Proposed Islamic Commercial Papers (ICP) Programme and Islamic Medium-Term Notes (IMTN) Programme with a combined nominal value of RM4.0 billion (ICP/IMTN-3)	MARC-1IS /AA-IS (Stable)	Assigned
EKVE Sdn Bhd	Guaranteed Sukuk Murabahah Facility of up to RM1 billion	AAA(BG)/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
29/11	07:50	JP	Retail Sales MoM	Oct	2.8%
	12:00	MA	Exports YoY	Oct	24.7%
	18:00	EZ	Economic Confidence	Nov	118.6
	23:00	US	Pending Home Sales MoM	Oct	-2.3%
	23:30	US	Dallas Fed Manf. Activity	Nov	14.6
	10:00	VN	CPI YoY	Nov	1.77%
	10:00	VN	Exports YoY	Nov	0.3%
	10:00	VN	Retail Sales YTD YoY	Nov	-8.6%
	10:00	VN	Industrial Production YoY	Nov	-1.6%
30/11	07:30	JP	Job-To-Applicant Ratio	Oct	1.16
	07:30	JP	Jobless Rate	Oct	2.8%
	07:50	JP	Industrial Production MoM	Oct P	-5.4%
	08:00	NZ	ANZ Business Confidence	Nov F	-18.1
	09:00	CN	Non-manufacturing PMI	Nov	52.4
	09:00	CN	Manufacturing PMI	Nov	49.2
	16:30	HK	Retail Sales Value YoY	Oct	7.3%
	18:00	EZ	CPI Estimate YoY	Nov	4.1%
	22:00	US	FHFA House Price Index MoM	Sep	1.0%
	22:00	US	S&P CoreLogic CS US HPI YoY NSA	Sep	19.84%
	22:45	US	MNI Chicago PMI	Nov	68.4
	23:00	US	Conf. Board Consumer Confidence	Nov	113.8
01/12	08:30	AU	GDP SA QoQ	3Q	0.70%
	08:30	VN	Markit Vietnam PMI Mfg	Nov	52.1
	08:30	MA	Markit Malaysia PMI Mfg	Nov	52.2
	08:30	JP	Jibun Bank Japan PMI Mfg	Nov F	53.2
	09:45	CN	Caixin China PMI Mfg	Nov	50.6
	17:00	EZ	Markit Eurozone Manufacturing PMI	Nov F	58.3
	17:30	UK	Markit UK PMI Manufacturing SA	Nov F	57.8
	20:00	US	MBA Mortgage Applications	26 Nov	1.8
	21:15	US	ADP Employment Change	Nov	571k
	22:45	US	Markit US Manufacturing PMI	Nov F	58.4
	23:00	US	Construction Spending MoM	Oct	-0.5%
	23:00	US	ISM Manufacturing	Nov	60.8
02/12	03:00	US	U.S. Federal Reserve Releases Beige Book		
	08:30	AU	Exports MoM	Oct	-6%
	08:30	AU	Home Loans Value MoM	Oct	-1.4%
	18:00	EZ	Unemployment Rate	Oct	7.4%
	21:00	SG	Purchasing Managers Index	Nov	50.8
	21:30	US	Initial Jobless Claims	27 Nov	199k
03/12	08:30	HK	Markit Hong Kong PMI	Nov	50.8
	08:30	JP	Jibun Bank Japan PMI Services	Nov F	50.7
	09:45	CN	Caixin China PMI Services	Nov	53.8
	13:00	SG	Retail Sales YoY	Oct	6.6%
	17:00	EZ	Markit Eurozone Services PMI	Nov F	54.6
	17:30	UK	Markit/CIPS UK Services PMI	Nov F	59.1
	18:00	EZ	Retail Sales MoM	Oct	-0.30%
	21:30	US	Change in Nonfarm Payrolls	Nov	531k
	21:30	US	Unemployment Rate	Nov	4.6%
	21:30	US	Average Hourly Earnings YoY	Nov	4.9%
	22:45	US	Markit US Services PMI	Nov F	58.7
	23:00	US	ISM Services Index	Nov	66.7
	23:00	US	Factory Orders	Oct	0.2%

Source: Bloomberg

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