

Global Markets Research

Weekly Market Highlights

Markets

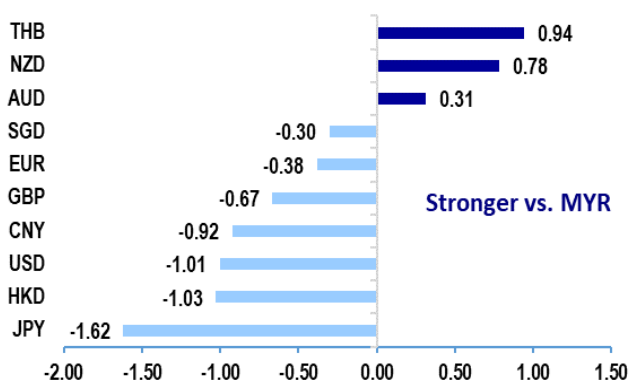
	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,213.12	0.91	15.05
S&P 500	4,470.00	1.46	19.01
FTSE 100	7,124.98	0.94	10.28
Hang Seng	25,415.69	0.39	-6.67
KLCI	1,585.74	4.67	-2.55
STI	3,109.42	0.73	9.34
Dollar Index	93.06	-0.54	3.47
WTI oil (\$/bbl)	67.42	5.86	38.95
Brent oil (\$/bbl)	71.07	6.95	37.20
Gold (\$/oz)	1,792.20	0.67	-5.43

Source: Bloomberg

- US stocks rallied to record high levels this week before trimming gains on Thursday ahead of the Jackson Hole Symposium. Optimism was boosted by the FDA's full approval of the Pfizer vaccine, an upgrade from the approval which had been granted on an emergency basis last year. Risk-on sentiment was also powered by solid US corporate earnings as well as the adoption of a \$3.5trillion budget resolution at the House which paves way for President Biden to advance its infrastructure agenda.
- Data flow was lighter this week but key data include the upward revision to US 2Q GDP growth to 6.6% q/q annualised rate and a series of preliminary Markit PMIs that showed weaker activity in the US, UK and Japan. In the week ahead, investors turned their attentions to the August NFP job report, as well as the US ISM PMIs and China's official NBS PMIs. The Eurozone's HICP inflation and Australia's 2Q GDP report are among the key releases as well.

Forex

MYR vs. Major Currencies (% WOW)

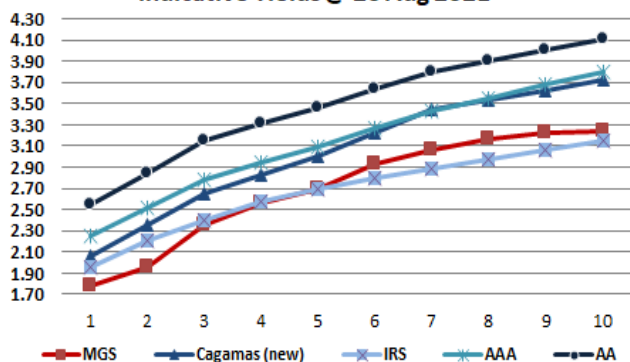


Source: Bloomberg

- MYR:** USD/MYR saw a rapid descent and MYR was among the best performing Asian currencies the past week, breaking four big figures to 4.1950 as at Thursday's close. This marked a 1.0% w/w pullback, replicating similar big move last seen in late December 2020. Swift USD weakness coupled with abating domestic political uncertainties helped the MYR regain some footing. The latest sharp move has reinstated **Bearishness** in the pair although we expect some form of stabilization in a holiday-shortened week ahead. Breaking the 4.20 key support will pave the way towards 4.18 followed by 4.15 next. Upside is capped at 4.22-4.23.
- USD:** The USD broadly weakened against most majors and Asian currencies over the week, amid risk-on sentiments ahead of the Fed's Jackson Hole Symposium despite a mixed bag of US data. The Dollar Index however managed to bounce back up to close at 93.06, still weaker vs prior week's 93.57. We are **Neutral** on the USD for the week ahead. Resistance is close to 94 level while support at 92.90. On top of potential spill over from the Jackson Hole Symposium and PCE reports tonight, nonfarm and other job data along with ISM readings will likely be key market influence, not forgetting potential escalation in geo-political risks.

Fixed Income

Indicative Yields @ 26 Aug 2021



Source: Bloomberg

- UST:** The week under review saw USTs end weaker with the curve bear-steepening as investors and traders adopted a wait-and-see stance ahead of the Fed's high profile annual Jackson Hole Symposium. Overall benchmark yields ended 2-11bps higher. This week's auctions were met with decent demand. Expect bonds to react to clues surrounding asset tapering at the ongoing symposium.
- MGS/GII:** Local govies saw MGS yields generally lower w/w, save for the short-ends which were pressured whilst GII's closed mixed as there was relief over the political climate. Overall benchmark yields for MGS/GII closed mixed between -7 to +4bps. The average daily secondary market volume jumped 48.3% @ RM12.78b. The reopening of 3Y MGS 6/24 saw decent bidding metrics despite the unusually large issuance size of RM5.0b with BTC ratio registering 1.95x and awarded at 2.355%. Despite movement restrictions get lifted in stages under the NRP to resuscitate economic activities, expect bonds to be reasonably supported next week following the current stability on the political front.

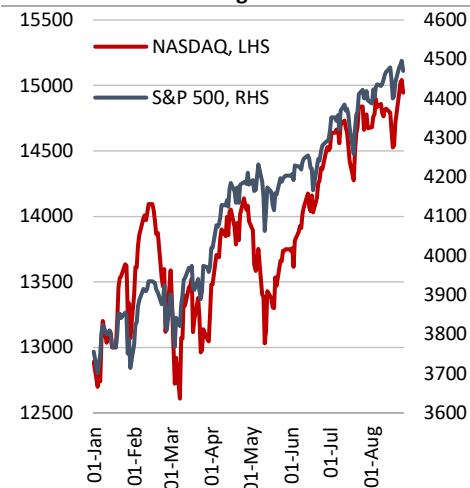
Macroeconomic Updates

- US stocks rallied to record high levels this week before trimming gains on Thursday ahead of the Jackson Hole Symposium. Optimism was boosted by the FDA's full approval of the Pfizer vaccine, an upgrade from the approval which had been granted on an emergency basis last year. Risk-on sentiment was also powered by solid US corporate earnings as well as the adoption of a \$3.5trillion budget resolution at the House which paves way for President Biden to advance its infrastructure agenda. As of Thursday, the S&P 500 was 1.5% higher w/w while NASDAQ outperformed with 2.8% gain. The Dow Jones rose 0.9% w/w. Crude oil benchmarks recouped last week's losses; Brent crude traded at \$71.07/barrel on Thursday, nearly 7% w/w higher compared to the week before.
- Data flow was lighter this week and investors anticipated the Federal Reserve's annual Jackson Hole Symposium (26-28 August). A series of preliminary Markit PMIs showed weaker activity in the US, UK and Japan. The Eurozone stood out with more solid survey results. The ongoing supply chain delays remained an existing challenge and the spread of the Delta variant added to the burden.
- The US 2Q GDP growth was revised higher to 6.6% q/q annualised rate, from 6.5% prior. Initial jobless claims rose slightly to 353k but still near the pandemic-era low. Durable good orders fell 0.1% m/m in July% and the small decrease reflects resilience in manufacturing orders and solid business investment remained solid. Housing data turned positive. US new home sales rose for the first time in four months, alongside the concurrent gain in existing home sales, reaffirming that the underlying housing demand remained solid in the US despite recent weakness that was spurred by limited inventory and higher prices. European sentiment slumped in August as the reopening optimism waned; this was evident in the lower European Commission consumer sentiment index (-5.3 vs -4.4 prior). The Germany IFO business survey also painted a mixed picture as firms raised their assessment of current conditions but saw a weaker outlook.
- In the Asia Pacific, Hong Kong's export growth weakened to 26.9% y/y in July (versus 33.0% previously) as Chinese demand was hampered by floods and a recent surge in Covid cases in the Mainland. Singapore's core inflation increased to 1.0% y/y in July due to higher electricity and gas costs compared to a year ago. Malaysia's headline CPI inflation moderated more than expected to 2.2% y/y in July on sharper than expected easing in housing & utilities prices alongside softer gain in transport prices. New Zealand's consumer sentiment slumped in August as inflation expectations surged. The nationwide lockdown since 17 Aug may further dampen consumer confidence as the country raced to contain the new Covid outbreak.

Focus turns to NFP and PMIs:

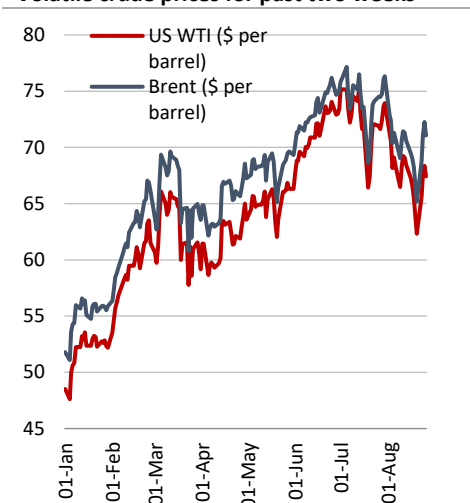
- Data come in full force next week. After the Jackson Hole Symposium, investors look towards the nonfarm payroll data next which are scheduled on a usual Friday. August's data would mark the 16th month since the US economy reopened after its initial lockdown in March-April 2020 period. Thus far, the labour market has recovered 16.7mil jobs, still 5.7mil short of the total job losses during the said lockdown.
- A series of manufacturing and services PMIs are also slated for next week's releases, with focus on the US ISM indexes and China's NBS official PMIs. These surveys ought to offer a clearer picture of whether the US and Chinese economic growths have slowed in August. Other key US data include construction spending, trade balance, factory orders, Conference Board consumer confidence as well as key housing data such as pending home sales and a number of house price gauges. Elsewhere, the Eurozone's HICP inflation and unemployment rate are also in the data docket. Japan will also report its retail sales and job data. Australia's 2Q GDP growth and trade report are key readings down under.

US stocks hit record highs this week



Source: Bloomberg

Volatile crude prices for past two weeks

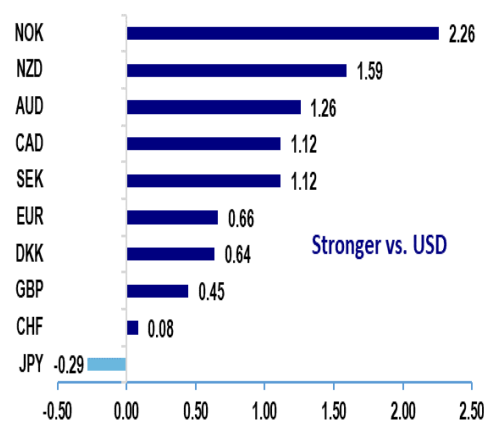


Source: Bloomberg

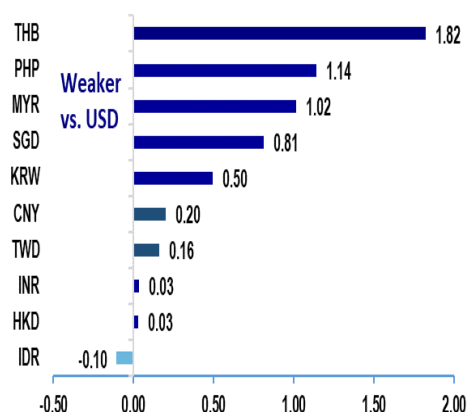
Foreign Exchange Market

- MYR:** USD/MYR saw a rapid descent and MYR was among the best performing Asian currencies the past week, breaking four big figures to 4.1950 as at Thursday's close. This marked a 1.0% w/w pullback, replicating similar big move last seen in late December 2020. Swift USD weakness coupled with abating domestic political uncertainties helped the MYR regain some footing, back to its strongest level in six weeks. The latest sharp move has reinstated **Bearishness** in the pair although we expect some form of stabilization in a holiday-shortened week ahead. Breaking the 4.20 key support will pave the way towards 4.18 followed by 4.15 next. Upside is capped at 4.22-4.23.
- USD:** The USD broadly weakened against most majors and Asian currencies over the week, amid risk-on sentiments ahead of the Fed's Jackson Hole Symposium despite a mixed bag of US data. Manufacturing prints were largely weaker while housing data remained decent. The Dollar Index eased below the 93.0 level for the most part of the week but managed to bounce back up to close at 93.06, still weaker vs prior week's 93.57. We are **Neutral** on the USD for the week ahead. Resistance is close to 94 level while support at 92.90. On top of potential spill over from the Jackson Hole Symposium and PCE, nonfarm and other job data along with ISM readings will likely be key market influence in the week ahead, not forgetting potential escalation in geo-political risks.
- EUR:** EUR/USD bounced back from a 10-month low of 1.1675 seen last week, strengthening 0.7% w/w to 1.1752 as at Thursday's close, near the week's high. EUR gains came mainly from a reversal in USD strength over the past week, as markets were hopeful of some clues on the Fed tapering plans at the annual Jackson Hole meeting. The softer PMI readings have had little impact on the EUR. We are **Neutral** on EUR/USD over a 1-week period, likely within a range of 1.1650-1.1830. Momentum indicators are still negative albeit narrowing. CPI will likely be key watch to gauge the trajectory in inflation and hence, the ECB's policy stance going forward.
- GBP:** GBP/USD advanced resembling movement in the EUR. The pair bounced off 1.36 to end the week higher at 1.3700, up 0.45% w/w. Gains spurred by USD weakness far outweighed growth concerns reflected in the weaker data bag as well as resurging Covid-19 cases in the UK. We are **Neutral-to-Bearish** on GBP/USD over the coming week, with support at 1.35 and resistance at 1.3847. Technicals remain overall bearish but expectation for a subdued USD will likely cap downside in the sterling. The pair is expected to be largely USD driven amid lack of catalyst in the UK.
- JPY:** USD/JPY whipsawed during the week before settling 0.3% higher at 110.09 as at Thursday's close. Overall improvement in risk appetite pared demand for safety refuge in JPY, making it the only G10 that weakened against the greenback. The pair hit a low of 109.41 and a high of 110.23 in the past week. We are expecting **Neutral** trading in USD/JPY in the week ahead, eyeing a range of 109.50-110.50. The slew of first tier Japanese data releases which include jobs, retail sales, industrial production and CPI will unlikely influence movement in the pair, which will be largely USD driven.
- AUD:** AUD/USD was one of the outperformers among G10, trailing behind only the NOK and NZD, despite weaker PMI and capex data as well as growing concerns over the Covid situation Down Under. The pair advanced more than 1.0% w/w to last settle at 0.7237, on the back of renewed USD weakness, but still failed to recapture the recent highs of 0.73-0.74. We are **Neutral** on AUD/USD over a 1-week period, eyeing a 0.7090 support and 0.7365 resistance. Focus is on 2Q GDP, retail sales, building approvals and external trade numbers on whether there was further adverse impact from Covid-19 lockdowns.
- SGD:** USD/SGD traded steadily lower by about 100pips from 1.36 to 1.35 levels, riding on the latest bout of risk-on sentiments in the markets as USD strength made a reversal. USD/SGD pulled back 0.8% w/w to 1.3537 as at Thursday's close. CPI came in largely within expectations reaffirming our view for a policy tightening by MAS in 2022. Industrial production meanwhile missed estimates. We are **Neutral-to-Bearish** on USD/SGD for the week ahead, expecting a range of 1.3480 and 1.3600. Focus will shift to August PMI towards later part of the week.

USD vs. G10 Currencies (% WOW)



USD vs Asian Currencies (% WOW)



Source: Bloomberg

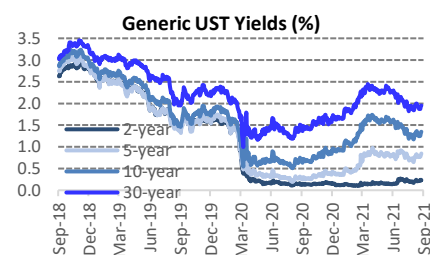
Forecasts

	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

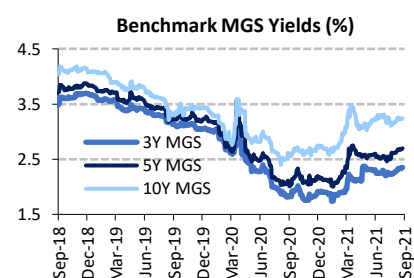
Source: HLBB Global Markets

Fixed Income

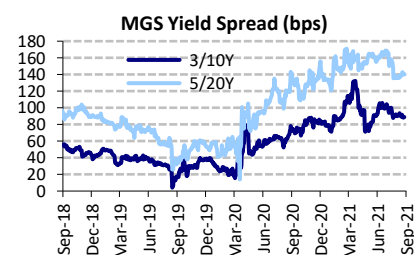
- UST:** The week under review saw USTs end weaker with the curve bear-steepening as investors and traders adopted a wait-and-see stance ahead of the Fed's high profile annual Jackson Hole symposium this week between 26-28th August. Overall benchmark yields ended 2-11bps higher with the benchmark UST 2Y; reflective of interest rate predictions edging 2bps up at 0.24% whilst the much-watched 10Y (which traded within a similar 1.24%-1.36% range); spiked 11bps to 1.35%. The \$61b 5Y auction tailed despite decent demand on a cover of 2.65x (in line with the average for previous six) whilst being awarded at 0.831% (12bps above the equivalent July auction) whilst the \$62b 7Y auction registered a BTC ratio of 2.34x (previous six previous auction: 2.26x) and awarded at 1.155% (previous auction: 1.05%). The US Treasury's cash balance which ballooned last year as the government ramped up borrowing and spending to combat the economic effects of COVID-related shutdowns has now shrunk by ~\$1.5 trillion to ~\$314b likely due to the decline in T-bill issuances. Expect bonds to react to clues surrounding asset tapering tonight at the ongoing symposium.
- MGS/GII:** Local govies saw MGS yields generally lower w/w, save for the short-ends which were pressured whilst GII's closed mixed as there was relief over the political climate with the announcement of the new Prime Minister and moderation in July inflation data. Overall benchmark yields for MGS/GII closed mixed between -7 to +4bps. The benchmark 5Y MGS 9/25 moved 3bps to 2.70% whilst the 10Y MGS 4/31 edged 2bps up at 3.25% from prior week's close. Interest was mainly seen in the off-the-run 21-23's, 28's and also benchmark 3Y, 10Y bonds. The average daily secondary market volume jumped 48.3% @ RM12.78b versus prior week's RM8.61b. The reopening of 3Y MGS 6/24 saw decent bidding metrics despite the unusually large issuance size of RM5.0b with BTC ratio registering 1.95x and awarded at 2.355%. Despite movement restrictions get lifted in stages under the NRP to resuscitate economic activities, expect bonds to be reasonably supported next week following the current stability on the political front.
- MYR Corporate Bonds/ Sukuk:** The week under review continued to witness strong secondary market activity for govt-guaranteed/corporate bonds/Sukuk as. Trades were mainly seen across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a whopping 36.8% rise in weekly market volume of RM4.39b compared to prior week's RM3.21b. Topping the weekly volume were PR1MA 10/24 (GG) which spiked 42bps compared to previous-done levels to 2.59%, followed by PRASA 9/22 (GG), which settled 3bps lower at 2.01%. Third largest volume was seen for BGSM 10/21 bonds, which rallied 22bps to 2.32%. Higher frequency of bond trades was seen in DANA, PRASA, PASB, PLUS, INFRACAP Resources, GENTING-related names, SABAH Development bank, energy-related bonds i.e. EDRA, SEB and odd-lot transactions in TROPICANA Bhd. Meanwhile the prominent issuances for the week consisted of Hong Leong Financial Group's RM200m AA1-rated 3Y papers with a coupon of 2.85% and also Pengurusan Air SPV Bhd's RM200m AAA-rated 7Y bonds with a coupon of 3.68%.
- SGS:** SGS (govvies) continued to mirror UST movements w/w as the curve steepened with overall benchmark closing higher between 1-5bps. The 2Y yield edged 1bps up at 0.36% whilst the 10Y (which traded similar i.e. between 1.35-1.45% range) rose 5bps at 1.42%. Meanwhile Singapore Exchange Ltd has successfully managed to receive orders in excess of S\$2.3b for its maiden dollar bond offering consisting of 5Y issuance at 1.234% i.e. 40bps spread over USTs, which makes it the latest entrant in a rush by Asian entities to lock-in cheaper borrowing costs. MAS will also have an inaugural SGS infrastructure bond issuance in September this year. The republic's sovereign issuance has risen 15% to ~S\$99b YTD. The SGD's elevated NEER meantime may imply limited downside for USDSGD pair. Elsewhere, Fitch Ratings has affirmed Mapletree Industrial Trust's BBB+ Long-Term Issuer Default Rating and its S\$405m of outstanding senior unsecured MTN whilst also reaffirming the BBB rating on its S\$300m of perpetual securities. UOL Group has also completed its S\$400m 7Y issuance at 2.44%, via its subsidiary i.e. UOL Treasury Services Pte Ltd.



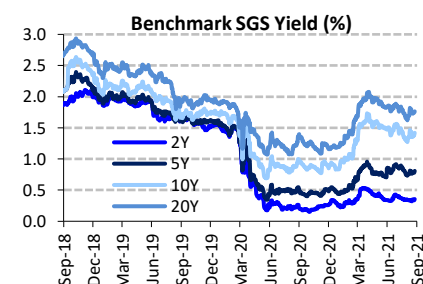
Source: Bloomberg



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Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Alpha Circle Sdn Bhd	RM140 million Senior Sukuk Musharakah	From BBB- IS/Negative to BB-IS/Negative	Downgraded
	RM55 million Junior Sukuk Musharakah	From BB- IS/Negative to B- IS/Negative	Downgraded
Pac Lease Berhad	CP/MTN Programme of up to RM1.0 billion (2017/2024)	AA3/Stable/P1	Reaffirmed
United Overseas Bank (Malaysia) Bhd	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM8 bil Medium Term Notes Programme: Senior Notes	AAA/Stable	Reaffirmed
	Tier-2 Subordinated Notes	AA1/Stable	Reaffirmed
UiTM Solar Power Sdn Bhd	Green Sustainable and Responsible Investment (SRI) Sukuk of RM202.3 million	AA-IS/Stable	Affirmed
Konsortium KAJV Sdn Bhd	RM1.0 billion Sukuk Wakalah Programme	AA-IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
30/08	07:50	JP	Retail Sales MoM	Jul	3.1%
	17:00	EZ	Economic Confidence	Aug	119.0
	22:00	US	Pending Home Sales MoM	Jul	-1.9%
	22:30	US	Dallas Fed Manf. Activity	Aug	27.3
31/08	07:30	JP	Job-To-Applclicant Ratio	Jul	1.13
	07:30	JP	Jobless Rate	Jul	2.9%
	07:50	JP	Industrial Production MoM	Jul P	6.5%
	09:00	CN	Non-manufacturing PMI	Aug	53.3
	09:00	CN	Manufacturing PMI	Aug	50.4
	09:00	NZ	ANZ Business Confidence	Aug	-3.8
	16:30	HK	Retail Sales Value YoY	Jul	5.8%
	17:00	EZ	CPI Estimate YoY	Aug	2.2%
	21:00	US	FHFA House Price Index MoM	Jun	1.7%
	21:00	US	S&P CoreLogic CS 20-City YoY NSA	Jun	17.0%
	21:45	US	MNI Chicago PMI	Aug	73.4
	22:00	US	Conf. Board Consumer Confidence	Aug	129.1
	01/09	08:30	VN	Markit Vietnam PMI Mfg	Aug
08:30		MA	Markit Malaysia PMI Mfg	Aug	40.1
08:30		JP	Jibun Bank Japan PMI Mfg	Aug F	52.4
09:30		AU	GDP SA QoQ	2Q	1.8%
09:45		CN	Caixin China PMI Mfg	Aug	50.3
16:00		EZ	Markit Eurozone Manufacturing PMI	Aug F	61.5
16:30		UK	Markit UK PMI Manufacturing SA	Aug F	60.1
17:00		EZ	Unemployment Rate	Jul	7.7%
19:00		US	MBA Mortgage Applications	27 Aug	1.6%
20:15		US	ADP Employment Change	Aug	330k
21:45		US	Markit US Manufacturing PMI	Aug F	61.2
22:00		US	Construction Spending MoM	Jul	0.1%
22:00		US	ISM Manufacturing	Aug	59.5
02/09		09:30	AU	Exports MoM	Jul
	09:30	AU	Home Loans Value MoM	Jul	-1.6%
	20:30	US	Initial Jobless Claims	28 Aug	353k
	20:30	US	Trade Balance	Jul	-\$75.7b
	21:00	SG	Purchasing Managers Index	Aug	51.0
	22:00	US	Factory Orders	Jul	1.5%
03/09	08:30	SG	Markit Singapore PMI	Aug	56.7
	08:30	HK	Markit Hong Kong PMI	Aug	51.3
	08:30	JP	Jibun Bank Japan PMI Services	Aug F	43.5
	09:45	CN	Caixin China PMI Services	Aug	54.9
	13:00	SG	Retail Sales YoY	Jul	25.8%
	16:00	EZ	Markit Eurozone Services PMI	Aug F	59.7
	16:30	UK	Markit/CIPS UK Services PMI	Aug F	55.5
	17:00	EZ	Retail Sales MoM	Jul	1.50%
	20:30	US	Change in Nonfarm Payrolls	Aug	943k
	20:30	US	Unemployment Rate	Aug	5.4%
	20:30	US	Average Hourly Earnings YoY	Aug	4.0%
	21:45	US	Markit US Services PMI	Aug F	55.2
	22:00	US	ISM Services Index	Aug	64.1

Source: Bloomberg

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