Global Markets Research

Weekly Market Highlights

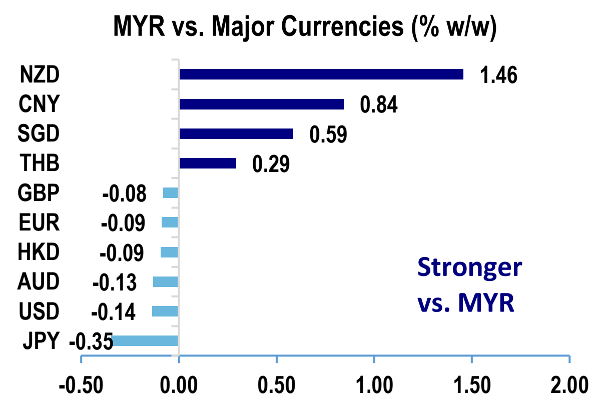
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,464.64	1.12	12.61
S&P 500	4,200.88	1.00	11.84
FTSE 100	7,019.67	0.00	8.65
Hang Seng	29,113.20	2.33	6.91
KLCI	1,593.90	1.18	-2.05
STI	3,164.82	1.77	11.29
Dollar Index	89.97	0.18	0.04
WTI oil ($/bbl)	66.85	7.74	37.78
Brent oil ($/bbl)	69.46	6.68	34.09
Gold (S/oz)	1,895.70	0.73	0.09

Source: Bloomberg

- US stocks are set to close out this week with second weekly gain. Stocks largely rose throughout the week, as investors focused on the upbeat economic recovery and temporarily looked past the recent inflation concerns. President Biden is expected to unveil a $6 trillion federal budget, offering some extra fiscal policy optimism to the broader market. Gold prices retained its bullish sentiment, still shy of the $1900 mark. The dollar was supported by risk aversion. Crude oil prices rallied this week on more upbeat demand outlook.
- The RBNZ delivered hawkish signals. BOE's Vlieghe said they could raise rates as soon as 1H22. The US' initial jobless claims went down further but housing data are showing further moderations. In the week ahead, the focus is on the NFP job report as well as a slew of PMI readings (US ISM indexes and China's NBS PMIs).

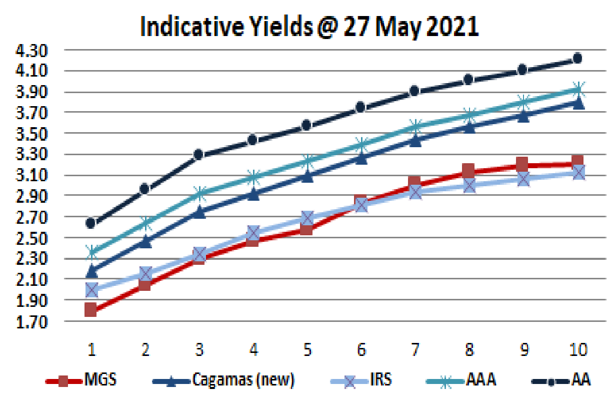
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded cautiously within a tight range of 4.1370-4.1495 in this holiday-shortened week, staying largely neutral around the 4.14 handle as the earlier much talked about full lockdown did not materialize. The pair last settled at 4.1405 yesterday, down 0.14% w/w. We continue to expect a ***Neutral*** outlook for the pair next week. Technical momentum indicator remains positive but has softened slightly, indicating no compelling push upwards, with 4.1500 serving as a key resistance. We eye a range of 4.13-4.15 in the week ahead, barring any shocks in pandemic development.
- **USD**: The USD registered mixed performances against G10 currencies while generally strengthening against Asian ones. This was mainly driven by global Covid-19 trends and central bank rhetoric/expectations. DXY was overall slightly up over the past 5 sessions, as the JPY weakened and EUR corrected from elevated levels. US economic data was generally favourable. We are ***Neutral-to-Bearish*** on the USD for the coming week. Week ahead focus shifts to ISM and non-farm payrolls, after more details emerge from President Joe Biden's budget plan.

Fixed Income



Source: Bloomberg

- **UST:** The week under review saw USTs oscillate under less volatile conditions as overall benchmark yields closed between -3 to +1bps across with the curve flattening slightly extending out from 5Y tenures. All three (3) auctions involving $60b 2Y, $61b 5Y and $62b 7Y tenures nevertheless saw strong bidding metrics in excess of 2.4x. Meanwhile the Fed's reverse repo agreement facility continues to see heavy usage due to a cash glut. Although traders may remain optimistic about the economic outlook, they are wary of signs that the Fed will consider tapering its asset purchases amid inflationary pressures. Expect attention to shift to further details over President Biden's purported increase in federal debt to 117% of GDP over the next decade.
- **MGS/GII:** Local govvies saw MGS close mostly unchanged to within a mere 2bps change w/w, whilst GII were pressured between 2-7bps higher save for the 3Y sector. Investor activity remained constant w/w with some effect arising from the mid-week Wesak holidays. The government has further tightened movement restrictions via MCO 3.0; which emphasizes among others the need to reduce personnel working from office premises coupled with shorter business operating hours. Expect the economy to be marginally impacted from reduced economic activities. Expect bonds to be range-bound on lower volumes next week on lack of market-moving catalysts.

Macroeconomic Updates

- US stocks are set to close out this week with second weekly gain. Stocks largely rose throughout the week, as investors focused on the upbeat economic recovery and temporarily looked past the recent inflation concerns. Markets appeared convinced for now that the Fed would maintain its monetary support, instead of tightening policy soon, in response to surging price pressures not only in the US but across the globe. President Biden is expected to unveil a $6 trillion federal budget, offering some extra fiscal policy optimism to the broader market. As of Thursday, the Dow was 1.1% higher on a week-on-week basis, the S&P 500 rose 1.0% w/w while the NASDAQ still outperformed at +1.5% w/w despite some milder selling of tech shares on Thursday. Gold prices retained its bullish sentiment, still shy of the $1900 mark. The dollar was supported by risk aversion. Crude oil prices rallied this week on solid consumption outlook and lower possibility that the Iranian supply would return to the market.

- The RBNZ left its current monetary policy framework unchanged but surprised us with hawkish signals that it would raise OCR in the second half of next year. The NZD surged afterwards. Bank Indonesia and Bank of Korea maintained their benchmark rates as well. A BOE official Gertjan Vlieghe said that they could raise rates as soon as the first half of next year if the job market recovered faster than expected, prompting a rally in the sterling.

- The US continued to fare well in its main economic data. Initial jobless claims extended its downward trend to 406k last week, indicating fewer layoffs in the labour market. The first quarter GDP growth was left unrevised at the annualised rate of 6.4% q/q in the latest estimate. Durable goods orders unexpectedly declined 1.3% m/m but orders excluding the volatile transportation segment recorded a relatively decent growth. The core capital orders growth also accelerated to 2.3% m/m, implying at solid investment demand. The housing market is showing more signs of moderation as lean inventory which in turn led to higher prices dampened affordability and thus sales as a whole. Elsewhere, Japan's jobless rate ticked up to 2.8% in April, as rising Covid-19 cases weakened the services sector employment. China reported a 57% y/y increase in industrial profits, easing from the nearly 100% y/y gain prior amid a simultaneous drag on industral production. Singapore's 1Q GDP growth was revised substantially higher to 1.3% y/y, from 0.2% in the advance report.

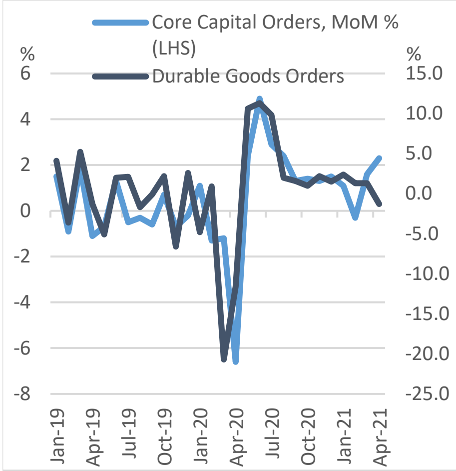
The Week Ahead…

- In the week ahead, the focus is on the US nonfarm job report due Friday. After a disappointing print in April (+266k), analysts currently call for a more robust but relatively realistic gain of above 600k in May. Despite stronger growth outlook and stabilising pandemic situation, not to mention around 8mil individuals remained unemployed, businesses still reported ongoing struggles to fill out vacancies. The participation rate (61.7% in May) is still comparatively low compared to the pre-Covid era, leading some to blame government's generous aid package that has inhibited job growth. The ADP private payrolls will come first on Thursday but it hasn't been a very good predictor for the NFP.

- Markets will also focus to a series of PMI data, both manufacturing and services, for the US, UK, Eurozone, Japan and China to gauge the latest recovery progress. The US' ISM readings are expected to offer more insights into the current supply chain constraints in the US. The prices paid index for manufacturing could help us gauge the factory gate inflation which could be passed along to consumers.

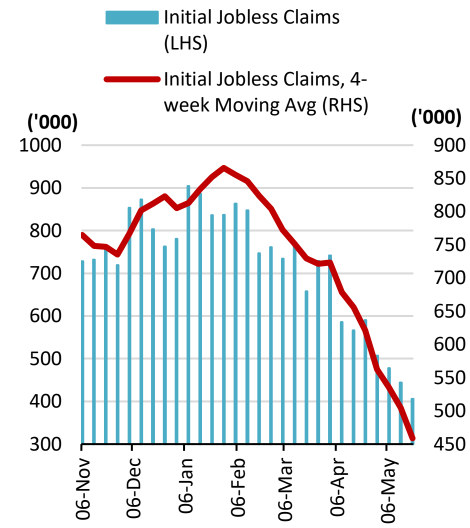
- Other key data include the Eurozone's HICP inflation and its retail sales and unemployment data as well as Japan's industrial production and retail sales. The RBA is expected to shed some lights on tapering of its bond buying program. Australia's 1Q GDP report and its trade, retail sales and home loan data are due next week too.

Core capital orders rose for second month



Source: Bloomberg

Initial jobless claims' 4-week moving average fell below 500k



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded cautiously within a tight range of 4.1370-4.1495 in this holiday-shortened week, staying largely neutral around the 4.14 handle as the earlier much talked about full lockdown did not materialize. The pair last settled at 4.1405 yesterday, down 0.14% w/w. We continue to expect a ***Neutral*** outlook for the pair next week. Technical momentum indicator remains positive but has softened slightly, indicating no compelling push upwards, with 4.1500 serving as a key resistance. We eye a range of 4.13-4.15 in the week ahead, barring any shocks in pandemic development.

- **USD**: The USD registered mixed performances against G10 currencies while generally strengthening against Asian ones. This was mainly driven by global Covid-19 trends and central bank rhetoric/expectations. DXY was overall slightly up over the past 5 sessions, as the JPY weakened and EUR corrected from elevated levels. US economic data was generally favourable. We are ***Neutral-to-Bearish*** on the USD for the coming week. Week ahead focus shifts to ISM and non-farm payrolls, after more details emerge from President Joe Biden's budget plan.

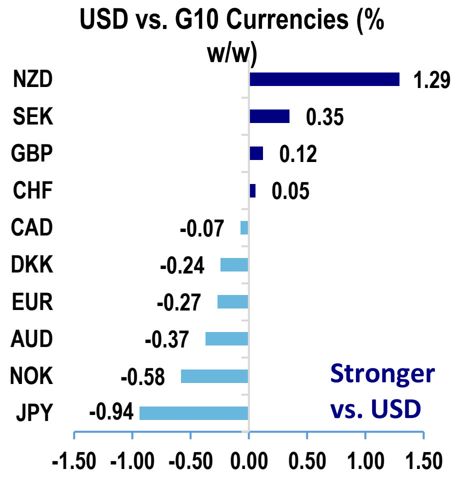
- **EUR**: EUR/USD hit a high of 1.2266 on 25 May, but failed on hold onto the 1.22 big figure, pulling back on Thursday close. The bids came as PMIs stayed strong in May (composite 56.9 from 53.8 a month ago). Despite some previous possible pullback on profit taking, we still remain ***Neutral-to-Bullish*** on the EUR on positive fundamentals. Upward momentum stays high. Focus turns to the 1.23 big figure as resistance, while 1.2040 is the support. Week ahead data focus is on CPI, PPI and retail sales.

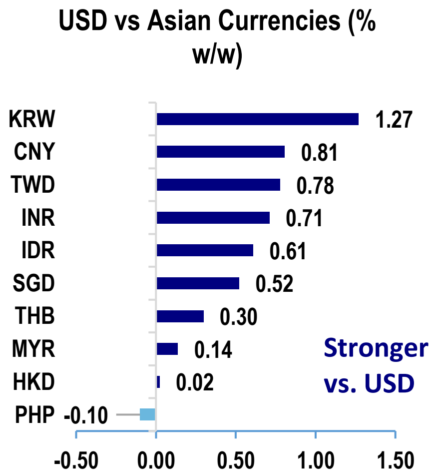
- **GBP**: GBP/USD staged a late surge on 27 May to a weekly high of 1.4234, after being modestly retreating over the previous sessions. Confidence was supported by the lifting of certain Covid-19 restrictions. We are ***Neutral-to-Bullish*** on the GBP for the week ahead, eyeing resistance at 1.4300 and support at 1.4090. Momentum is biased on the upside. Covid-19 developments will likely be integral to GBP performance over the coming week.

- **JPY**: The yen underperformed over the past week, having been burdened with domestic concerns on Covid-19 and positive global market sentiments. USD/JPY is now within touching distance of the 110 big figure once again, and the 31 March high of 110.97 will likely serve as a significant resistance. We are ***Neutral-to-Bearish*** on the JPY. Economic docket for week ahead includes industrial production and retail sales. Support is at 108.90 for any pullback.

- **AUD**: AUD/USD were mostly range bound over the past sessions, despite attempting a bid with a high of 0.7796 on 26 May. Victoria state has introduced more restrictions after rising Covid-19 cases. Meanwhile, commodity prices stayed elevated. The Reserve Bank of New Zealand's hawkish tone may have slightly supported AUD as a spill-over. We are ***Neutral*** on the AUD for the week ahead. Data focus turns to RBA on 1 June, GDP on 2 June and trade/retail sales on 3 June. Watch range of 0.7660 to 0.7820.

- **SGD**: USD/SGD continued to dip over the past week, as the dollar weakened and the SGD NEER recovered. The pair closed on Thursday at 1.3243 after 21 May's close above the 1.33 big figure (1.3320). The Covid-19 situation stayed fluid and did not deteriorate, helping confidence return. Meanwhile, GDP and industrial production data were encouraging. We are ***Neutral-to-Bullish*** on the SGD for the coming week, on some downward momentum. Watch China and Singapore PMIs for SGD drivers.





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

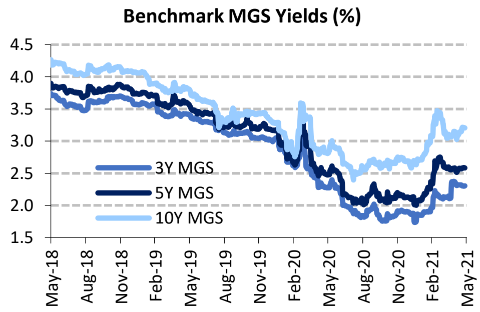
Fixed Income

- **UST:** The week under review saw USTs oscillate under less volatile conditions as overall benchmark yields closed between -3 to +1bps across with the curve flattening slightly extending out from 5Y tenures. The benchmark UST 2Y; reflective of interest rate predictions closed unchanged at 0.15% whilst the much-watched 10Y (which traded within a slightly wider range of 1.61%-1.67%); settled 1bps lower at 1.62%. All three (3) auctions involving $60b 2Y, $61b 5Y and $62b 7Y tenures nevertheless saw strong bidding metrics in excess of 2.4x. Meanwhile the Fed's reverse repo agreement facility continues to see heavy usage due to a cash glut. Although traders may remain optimistic about the economic outlook, they are wary of signs that the Fed will consider tapering its asset purchases amid inflationary pressures. Expect attention to shift to further details over President Biden's purported increase in federal debt to 117% of GDP over the next decade.

- **MGS/GII:** Local govvies saw MGS close mostly unchanged to within a mere 2bps change w/w, whilst GII were pressured between 2-7bps higher save for the 3Y sector. Investor activity remained constant w/w with some effect arising from the mid-week Wesak holidays. Overall benchmark MGS/GII yields closed mostly mixed with MGS between -9 to +6bps and GII seeing lesser volatility whilst settling between -5 to +2bps. Both the benchmark 5Y MGS 9/25 and 10Y MGS 4/31 yields closed almost unchanged at 2.57% and 3.20% respectively. The average daily secondary market volume saw a slight increase of 4.0% @ RM2.56b versus prior week's RM2.46b. Elsewhere the government has further tightened movement restrictions via MCO 3.0; which emphasizes among others the need to reduce personnel working from office premises coupled with shorter business operating hours. Expect the economy to be marginally impacted from reduced economic activities arising from the MCO from 12th May until 7th June. Expect bonds to be range-bound on lower volumes next week on lack of market-moving catalysts.

- **MYR Corporate Bonds/ Sukuk:** The week under review saw lesser investor interest in the secondary market for corporate bonds/sukuk/govt-guaranteed bonds. Activity was seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-higher amid a 26% drop in average daily market volume of RM495m compared to prior week's RM625m. Topping the weekly volume was the AmBank Islamic 3/22 (AA3) which spiked 14bps at 2.75% compared to previous-done levels, followed by the long-end TNB 8/40 (AAA)tranche which edged 2bps higher instead at 4.51%. Third largest volume was seen for energy-related bond SEB 4/36 (AAA) which also edged 2bps up at 4.48%. Higher frequency of bond trades was seen in DANA, LPPSA, Genting-related names, SEB, QSPS Green SRI sukuk and several odd-lot trades in Tropicana and YNH Property-related names. Meanwhile the prominent issuances for the week consisted of CAGAMAS Berhad's (AAA) 2Y PAPERS totaling RM1.5b with a coupon of 2.50%.

- **SGS:** SGS (govvies) ended in positive territory w/w across the curve with overall benchmark yields declining between 1-2bps. The curve flattened slightly as the 2Y yield edged 1bps down at 0.34% levels whilst the 10Y (which traded within a tighter 2bps range), declined 2bps at 1.49%. The results of the twin auctions of S$1.3b of SGD 2/24 and S$2.9b SGS 6/26 saw decent bidding metrics @ BTC ratios of 2.03x (awarded at 0.47%) and 2.04x (awarded at 0.89%) respectively possibly due to carry and roll-down benefits supporting the auctions. Meanwhile the SGD extended its gain to its highest levels in almost 2 weeks following strong GDP growth of 3.1% q/q for 1Q2021 versus consensus of 2.7%. Elsewhere corporate bond issuances among listed companies jumped ~64% from S$11.8b last year to S$19.4b this year. Separately Lendlease Global Commercial REIT is issuing its unrated perpetual NC5 securities at ~4.35% area under its S$1.0b Multicurrency Debt Issuance Programme. Separately, OUE Commercial REIT had successfully priced its S$150m 5Y bonds at 3.95%



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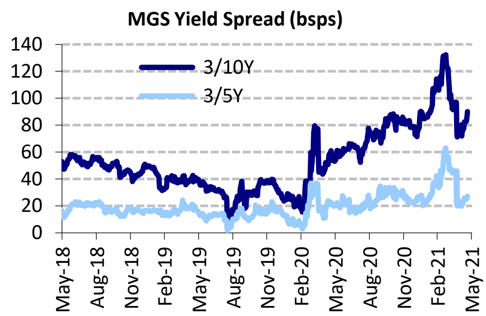

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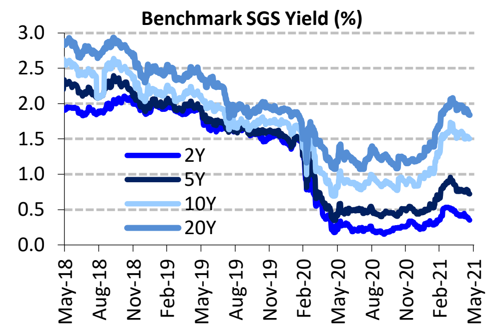

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Kinabalu Capital Sdn Bhd	Issue 2 Medium-Term Notes (MTN) of RM130 million Class A, RM25 million Class B and RM15 million Class C	AAA/Stable, AA/Stable and A/Stable	Affirmed
	Issue 2 of up to RM170 million Commercial Papers (CP)	MARC-1/Stable	Affirmed
F&N Capital Sdn Bhd (F&N Capital)	Islamic Medium-Term Notes (IMTN) and Islamic Commercial Papers (ICP) programmes with a combined limit of up to RM3.0 billion	AAA-IS (CG) /MARC-1-IS (CG)	Assigned
Ranhill Powertron II Sdn Bhd	RM90.0 million outstanding Islamic Medium-Term Notes (IMTN)	AA-IS/Stable	Affirmed
Alpha Circle Sdn Bhd	RM350.0 million outstanding guaranteed IMTN	AAA-IS/Stable	Affirmed
	RM140 million Senior Sukuk Musharakah RM55 million Junior Sukuk Musharakah	From A-IS to BBB-IS From BBB-IS to BB-IS	Downgraded
Encorp Systembilt Sdn Bhd	RM1.575 bil Sukuk Murabahah	AA1/Stable	Reaffirmed
The Holstein Milk Company Sdn Bhd	RM1.0 billion Sukuk Wakalah Programme	AA-IS/Stable	Assigned

Source: MARC/RAM

HongLeong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
31/05	07:50	JP	Industrial Production MoM	Apr P	1.7%
	07:50	JP	Retail Sales MoM	Apr	1.2%
	09:00	NZ	ANZ Business Confidence	May F	7
	09:00	CN	Non-manufacturing PMI	May	54.9
	09:00	CN	Manufacturing PMI	May	51.1
01/06	08:30	VN	Markit Vietnam PMI Mfg	May	54.7
	08:30	MA	Markit Malaysia PMI Mfg	May	53.9
	08:30	JP	Jibun Bank Japan PMI Mfg	May F	52.5
	09:45	CN	Caixin China PMI Mfg	May	51.9
	12:30	AU	RBA Cash Rate Target	Jun-01	0.1%
	14:00	UK	Nationwide House Px NSA YoY	May	7.1%
	16:00	EZ	Markit Eurozone Manufacturing PMI	May F	62.8
	16:30	HK	Retail Sales Value YoY	Apr	20.1%
	16:30	UK	Markit UK PMI Manufacturing SA	May F	66.1
	17:00	EZ	Unemployment Rate	Apr	8.1%
	17:00	EZ	CPI Estimate YoY	May	1.6%
	21:45	US	Markit US Manufacturing PMI	May F	61.5
	22:00	US	Construction Spending MoM	Apr	0.2%
	22:00	US	ISM Manufacturing	May	60.7
	22:30	US	Dallas Fed Manf. Activity	May	37.3
	00:00	NZ	CoreLogic House Prices YoY	May	18.4%
02/06	09:30	AU	GDP SA QoQ	1Q	3.1%
	09:30	AU	GDP YoY	1Q	-1.1%
	19:00	US	MBA Mortgage Applications	May-28	-4.2%
	21:00	SG	Purchasing Managers Index	May	50.9
03/06	02:00	US	U.S. Federal Reserve Releases Beige Book		
	08:30	SG	Markit Singapore PMI	May	51.8
	08:30	HK	Markit Hong Kong PMI	May	50.3
	08:30	JP	Jibun Bank Japan PMI Services	May F	45.7
	09:30	AU	Trade Balance	Apr	A$5574m
	09:30	AU	Exports MoM	Apr	-2%
	09:30	AU	Retail Sales MoM	Apr F	1.10%
	09:45	CN	Caixin China PMI Services	May	56.3
	16:00	EZ	Markit Eurozone Services PMI	May F	55.1
	16:30	UK	Markit/CIPS UK Services PMI	May F	61.8
	20:15	US	ADP Employment Change	May	742k
	20:30	US	Initial Jobless Claims	May-29	--
	20:30	US	Continuing Claims	May-22	--
	21:45	US	Markit US Services PMI	May F	70.1
	22:00	US	ISM Services Index	May	62.7
04/06	07:30	JP	Household Spending YoY	Apr	6.20%
	09:30	AU	Home Loans Value MoM	Apr	5.50%
	13:00	SG	Retail Sales YoY	Apr	6.20%
	17:00	EZ	Retail Sales MoM	Apr	2.70%
	20:30	US	Change in Nonfarm Payrolls	May	266k
	20:30	US	Unemployment Rate	May	6.10%
	22:00	US	Factory Orders	Apr	1.10%

Source: Bloomberg

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