

## Global Markets Research

### Weekly Market Highlights

#### Markets

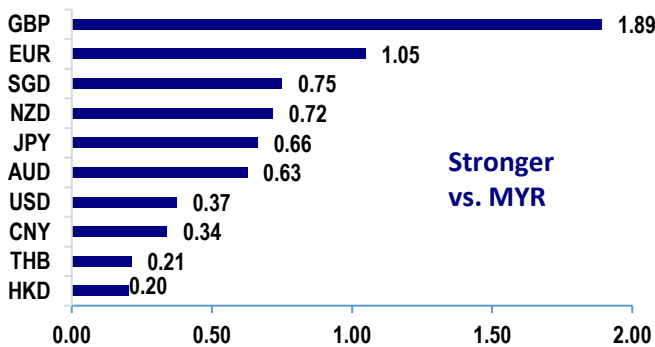
	Last Closing	WOW%	YTD %
Dow Jones Ind.	35,084.53	0.75	14.63
S&P 500	4,419.15	1.18	17.65
FTSE 100	7,078.42	1.58	9.56
Hang Seng	26,315.32	-5.08	-3.36
KLCI	1,512.93	-0.96	-7.02
STI	3,180.61	0.68	11.84
Dollar Index	91.86	-1.03	2.14
WTI oil (\$/bbl)	73.62	2.38	51.73
Brent oil (\$/bbl)	76.05	3.06	46.81
Gold (\$/oz)	1,831.20	1.43	-3.44

Source: Bloomberg

- US stocks rallied this week, riding on the strong US corporate earnings as well as generally positive economic data. The Fed's positive economic assessment also helped support equity prices. Gold prices advanced as the USD weakened. Crude oils gathered further momentum as investors expected a tightening oil market. The FOMC statement hinted that officials would begin discussing tapering of its \$120b asset purchase program in the coming meetings.
- The US economy expanded by an annualised rate of 6.5% q/q in the second quarter. The latest reading also lifted the US GDP back to its pre-pandemic levels. Initial jobless claims fell to 400k last week. The Eurozone's economic sentiment hit a fresh high. Japan's economic indicators came in positive. The RBA and BOE meetings are the main central bank events next week. A series of PMI readings are on the deck before focus shifts to the US July nonfarm payrolls on next Friday.

#### Forex

MYR vs. Major Currencies (% w/w)

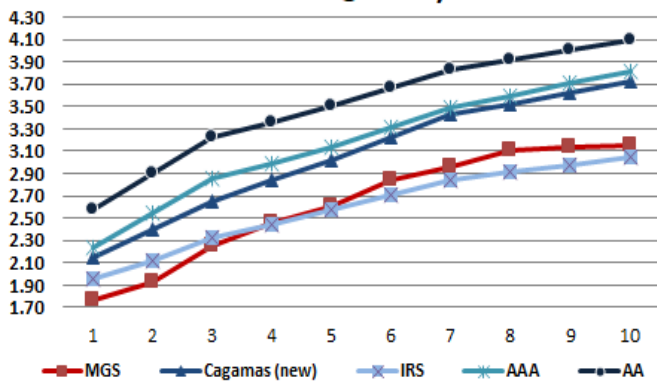


Source: Bloomberg

- MYR:** USD/MYR climbed higher by 0.37% w/w to a close of 4.2385 on Thursday. While there were some daily fluctuations, trading was confined within 4.2210-4.2405 and the pair maintained the big figure 4.23 at close. We are **Neutral** on MYR, continuing to see some range trading within 4.21-4.25 in the week ahead. Support from a weaker USD outlook may be negated by domestic noises on the pandemic and political front. We continue to see 4.25 as a major resistance and a break will lead the pair towards 4.28. The pair is supported at 4.20.
- USD:** The USD weakened against G10 currencies and some Asian currencies over the past week. DXY was down by 1.0%, closing at 91.86 on Thursday, after a weekly high of 93.02 (23 July). US FOMC meeting revealed no significant changes to the timeline towards tighter monetary policy, with inflation still viewed as transitory and employment some way off targets. We are **Neutral-to-Bearish** on the USD over a one-week period, within a range of 91.00 to 92.90. After PCE on clues of inflationary pressures, focus shifts towards ISM and non-farm payrolls results.

#### Fixed Income

Indicative Yields @ 29 July 2021



Source: Bloomberg

- UST:** The week under review saw USTs drifted within tight ranges as attention loomed over the FOMC meeting with overall benchmark yields ending between a mere -2 to +1bps across the curve. The benchmark UST 2Y; reflective of interest rate predictions closed unchanged at 0.20% whilst the much-watched 10Y (which traded within a tighter 1.23%-1.29% range); edged 2bps lower at 1.26%. The auctions involving \$60b of 2Y notes and \$61b of 5Y notes saw strong participation whereas the 7Y note auction saw tepid demand. Expect slight pressure for USTs as further updates on taper exercise surface next week.
- MGS/GII:** Local govies were seen pressured earlier in the week following supply concerns arising from the massive issuance of 10Y GII auction announcement. Overall benchmark yields for MGS rose mostly between 4-18bps as the curve steepened whereas GII were seen more resilient. The benchmark 5Y MGS 9/25 yield spiked 8bps to 2.61% from prior week's close whilst the 10Y MGS 4/31 yield settled 4bps higher at 3.16%. The average daily secondary market volume plunged 23.7% @ RM2.58b versus prior week's RM3.38b. Expect govies to range sideways on cautious sentiment next week.

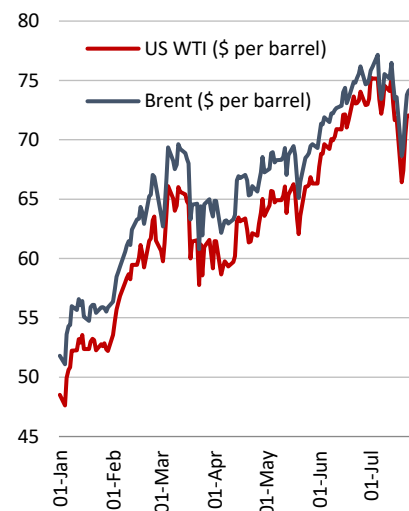
## Macroeconomic Updates

- US stocks rallied this week, riding on the strong US corporate earnings as well as generally positive economic data. The Dow Jones rose 0.8% w/w as of Thursday, while the S&P 500 picked up 1.2% w/w. NASDAQ underperformed slightly (+0.6%) although big tech generally reported upbeat earnings. The Fed's positive economic assessment also helped support equity prices. Gold prices advanced as the USD weakened. Crude oils gathered further momentum as investors expected a tightening oil market. Brent crude closed 3.1% w/w higher on Thursday at \$76.05/barrel.
- The Federal Reserve maintained its policy setting this week as widely predicted. The FOMC statement showed more positive economic assessment and sent an obvious signal that officials would begin discussing tapering of its \$120b asset purchase program. Chair Jerome Powell continued to highlight the lagging labour market, citing that it remained "some ways" to the Fed's goal of achieving "substantial progress" towards its employment target. He also stuck to the view of inflation being transitory but added that "inflation could turn out to be higher and more persistent" than expected". He also revealed that there is little support for tapering Mortgage Back Securities (MBS) earlier than treasuries but there was some support to taper MBS at a faster rate once the process begins.
- The US economy expanded by an annualised rate of 6.5% q/q in the second quarter, up from the first quarter's growth (+6.3%) but missed the consensus estimate of 8.4%. The latest reading also lifted the US GDP back to its pre-pandemic levels, further reaffirming views that the Federal Reserve would be on track to normalise policy. Initial jobless claims fell to 400k last week, after an unexpected increase in the previous week. US import of goods from overseas hit a record high, driven by the robust consumer spending. Pending home sales which gauged the number of contract signings for existing home sales fell as record home prices and limited inventory drove away potential buyers. Elsewhere, the Eurozone's economic sentiment hit a fresh high this month as the reopening of the services sector alongside the higher vaccination rates further boosted confidence. Japan's economic indicators came in positive as well (lower jobless rate, higher job to applicant ratio, industrial output and retail sales) after the government lifted the State of Emergency measures in affected prefectures.

### The Week Ahead

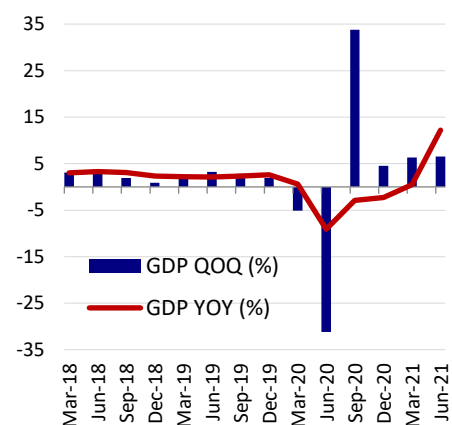
- Next week will kick off with a series of Markit manufacturing PMI data. The countries that we normally pay attention to are Vietnam, Malaysia, Japan, China, the UK, Eurozone and US. The US ISM Manufacturing Index also scheduled for a same day release as per practice. Apart from the PMI data, Hong Kong's retail sales and the US construction spending are also in the docket.
- The RBA is expected to maintain its policy setting on Tuesday although markets will be searching for any hawkish signals given the recent surge in CPI inflation (+3.8% y/y in 2Q). The RBA had in the previous meeting, announced the reduction of its weekly bond buying pace from AUD5b to AUD4b. The separate release of Australia's home loan approvals data may offer some latest indication of the current property boom. The US also released its factory orders data.
- On Wednesday, New Zealand's employment and wage data will be out early in the morning, followed by the Markit services PMIs for China, Japan, the UK, Eurozone and US as well as the whole economy PMI for Singapore and the private economy PMI for Hong Kong. Australia and the Eurozone both reported their retail sales figures while the US ADP private sector job report and ISM services index are due night time.
- The Bank of England's MPC meeting is the main event of Thursday and is expected to drive the sterling market. Markets are searching for any hawkish shift from the BOE as economic recovery was underway in the UK. Key data include Australia and the US trade data as well as the weekly US jobless claims numbers.
- Last but not least on Friday, Japan reports its labour cash earnings and household spending. The focus is mostly on the US NFP job report.

### Oil prices continued to rise on a tight market outlook



Source: Bloomberg

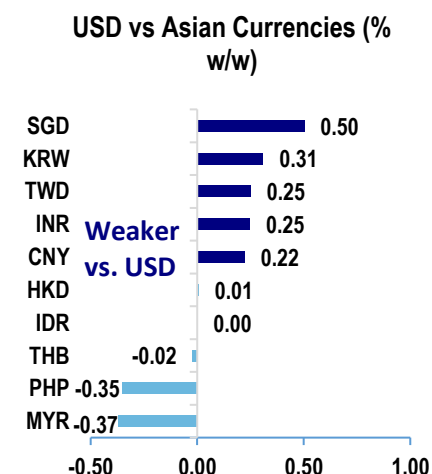
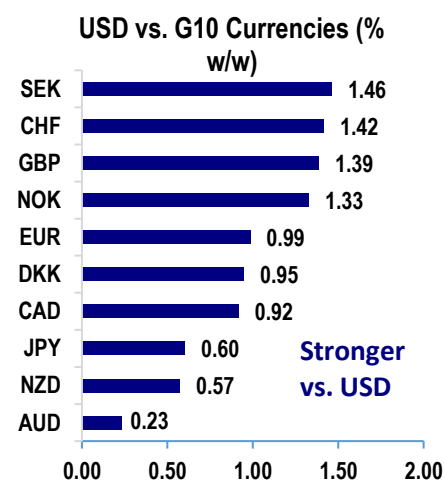
### US GDP growth came in at a solid 6.5% q/q annualised rate



Source: Bloomberg

## Foreign Exchange Market

- MYR:** USD/MYR climbed higher by 0.37% w/w to a close of 4.2385 on Thursday. While there were some daily fluctuations, trading was confined within 4.2210-4.2405 and the pair maintained the big figure 4.23 at close. We are **Neutral** on MYR, continuing to see some range trading within 4.21-4.2500 in the week ahead. Support from a weaker USD outlook may be negated by domestic noises on the pandemic and political front. We continue to see 4.2500 as a major resistance and a break will lead the pair towards 4.28. The pair is supported at 4.2000.
- USD:** The USD weakened against G10 currencies and some Asian currencies over the past week. DXY was down by 1%, closing at 91.87 on Thursday, after a weekly high of 93.02 (23 July). US FOMC meeting revealed no significant changes to the timeline towards tighter monetary policy, with inflation still viewed as transitory and employment some way off targets. We are **Neutral-to-Bearish** on the USD over a one-week period, within a range of 91.00 to 92.90. After PCE data offers clues on inflationary pressures, focus shifts towards ISM and non-farm payrolls results.
- EUR:** EUR/USD's recovery had gathered pace over the past week, even as Friday's Asia session saw some pullbacks southwards of the 1.19 big figure. PMIs showed recovery is gathering steam, even as Covid-19 concerns are not eliminated. We are **Neutral-to-Bullish** on EUR/USD, as technical indicators shifted towards a slight upside bias. We estimate resistance at 1.2000 and support at 1.1800. After GDP and CPI data on Friday, the Eurozone releases PPI and retail sales figures in the coming week.
- GBP:** GBP/USD outperformed as the dollar weakened. Pair moved within a touching distance of 1.4000, after hitting as low as 1.3720 on 23 July. We are **Neutral** on GBP/USD over the coming week, ahead of the Bank of England's policy meeting. GBP/USD may break resistance of 1.4150 in the event of a bullish view from BOE, conversely with support at 1.3710 if markets react to perceived dovishness. Technical indicators show an upside momentum gathering pace.
- JPY:** USD/JPY moved downwards over the past week, although slightly underperforming the G10 rally against the dollar. Pair closed at 109.48 on Thursday. Japan remains clouded by the Covid-19 pandemic, although data was relatively resilient. We are **Neutral** on USD/JPY over the coming week, although technicals point at a slightly downward bias. Momentum looks muted. We anticipate a range of 108.55 to 110.52 for the week ahead.
- AUD:** AUD/USD was up by 0.23% w/w, but movements were more subdued compared to other G10 pairs. PPI climbed by 0.7% q/q for 2Q, compared to 0.4% in 1Q. 2Q CPI was slightly above expectations (0.8% q/q versus 0.7%). We are **Neutral** on AUD/USD over the coming week, ahead of the Reserve Bank of Australia policy meeting. Momentum still looks slightly towards slight downsides. We eye resistance of 0.7500 and support of 0.7270 for the week ahead. We also zoom into retail sales and trade balance data for the coming week.
- SGD:** USD/SGD come off since peaking on 20 July. Pair was down 0.5% w/w to close at 1.3531. This was helped by a peaking USD. Domestic drivers are fairly less influential the past week. Industrial production stayed strong, expanding by 27.5% y/y in June. We are **Neutral-to-Bearish** on USD/SGD for the coming week. Focus for the week ahead will likely be on manufacturing PMI.



Source: Bloomberg

### Forecasts

	Q3-21	Q4-21	Q1-22	Q2-22
DXY	88.00	89.50	90.50	91.50
EUR/USD	1.24	1.22	1.21	1.20
GBP/USD	1.44	1.42	1.40	1.38
AUD/USD	0.80	0.78	0.77	0.76
USD/JPY	107.50	109	110	111
USD/MYR	4.15	4.10	4.10	4.08
USD/SGD	1.31	1.33	1.33	1.32
	Q3-21	Q4-21	Q1-22	Q2-22
EUR/MYR	5.15	5.00	4.96	4.90
GBP/MYR	5.98	5.82	5.74	5.63
AUD/MYR	3.32	3.20	3.16	3.10
SGD/MYR	3.17	3.08	3.08	3.09

Source: HLBB Global Markets

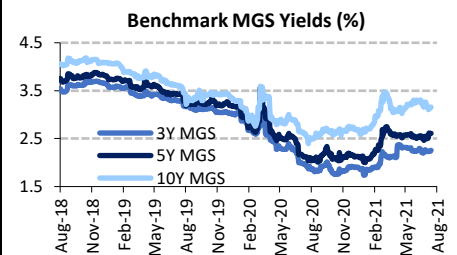
## Fixed Income

**UST:** The week under review saw USTs drift within tight ranges as attention loomed over the FOMC meeting with overall benchmark yields ending between a mere -2 to +1bps across the curve. The benchmark UST 2Y yield; reflective of interest rate predictions closed unchanged at 0.20% whilst the much-watched 10Y yield (which traded within a tighter 1.23%-1.29% range); edged 2bps lower at 1.26%. The auctions involving \$60b of 2Y notes and \$61b of 5Y notes saw strong participation yielding 0.213% and 0.71% each whereas the 7Y note auction saw tepid demand at a yield of 1.05%. The Fed which left the target range for its Fed Funds rate unchanged between 0-0.25% at its Thursday FOMC meeting, said that it is getting closer to tapering its bond-buying program as the economy progresses towards its goals. It continues to view inflation as transitory and also intends to make permanent the domestic and foreign standing repo facilities it rolled out last year increases. Expect slight pressure for USTs as further updates on taper exercise surface next week.

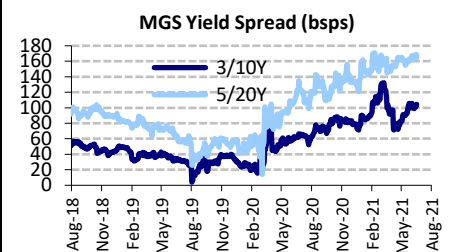
**MGS/GII:** Local govies were seen were pressured earlier in the week following supply concerns arising from the massive issuance of 10Y GII auction announcement. Investors were also inclined to be cautious as parliament convened its 1<sup>st</sup> sitting for the year. Overall benchmark yields for MGS rose mostly between 4-18bps as the curve steepened whereas GII were seen more resilient. The benchmark 5Y MGS 9/25 yield spiked 8bps to 2.61% from prior week's close whilst the 10Y MGS 4/31 yield settled 4bps higher at 3.16%. The average daily secondary market volume plunged 23.7% @ RM2.58b versus prior week's RM3.38b. The auction exercise involving the reopening of 10Y GII 10/30 saw solid bidding metrics with total bids submitted at a YTD high of RM11.9b resulting in a BTC ratio of 3.403x; yielding 3.286%. Elsewhere, the Parliament sitting saw the government terminate its current COVID-19 state of emergency effective 1<sup>st</sup> August. Meanwhile, we continue to maintain our full-year GDP growth forecast at 3.7%. Expect govies to range sideways on cautious sentiment next week.

- MYR Corporate Bonds/ Sukuk:** The week under review saw solid investor activity in the secondary market for govt-guaranteed/sukuk/corporate bonds. Participation was seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 35.0% jump in average daily market volume of RM756m compared to prior week's RM560m. Topping the weekly volume were PTPTN 2/34 (GG) which closed 3bps lower compared to previous-done levels at 4.00%, followed by the recently-issued SABAH Dev 7/24 (AA1) bonds, which settled 6bps lower at 4.04%. Third largest volume was seen for energy-related bonds i.e. BGSM 12/22, which rallied 8bps to 2.65%. Higher frequency of bond trades was seen in PRASA, DANA, PASB, SABAH Dev, Genting-related names and also energy-related bonds i.e. SEB, Southern Power, EDRA, TBEI. Meanwhile the prominent issuance for the week consisted of govt-guaranteed Malaysia Rail Link Sdn Berhad's 5-25Y bonds totaling RM3.0b with coupons ranging between 2.88-4.48%.

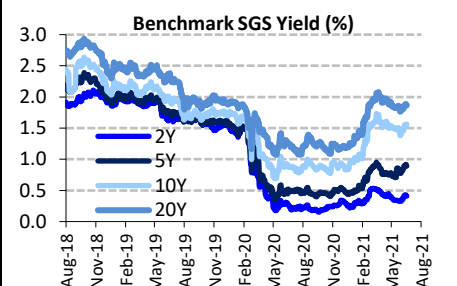
- SGS:** SGS (govies) saw the curve bull-flatten w/w as overall benchmark bonds ended stronger, somewhat decoupling from UST movements. The 2Y yield however edged 1bps down at 0.36% whilst the 10Y (which traded tighter within 1.30-1.36% range) rallied 6bps at 1.31%. The recent S\$3.0b 5Y bond auction by MAS saw decent demand despite a lower BTC ratio of 1.97x (previous auction: 2.04x. Singapore's bonds have thus gained ~1.5% month-to-date in July. We continue to expect steady demand for SGS bond based on the republic's AAA-rating and healthy financial position. Meanwhile the SGD which took a toll earlier due to recent surge in COVID-19 community cases is poised to strengthen, taking cue from government's intention to allow quarantine-free travel as soon as September based on ~80% of the population being fully vaccinated. Elsewhere, Temasek entity i.e. Temasek Financial I Ltd had successfully priced its \$2.5b, 3-part debt offering consisting of \$750m 10Y @ +40bps (1.688%), \$750m 20Y @+65bps (2.506%) and \$1.0b 40Y @ +85bps (2.799%).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

## Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
CIMB Islamic Bank Berhad	Financial Institution (FI) ratings	AAA/MARC-1/stable	Affirmed
	RM10.0 billion senior Sukuk Wakalah programme (Sukuk Wakalah)	AAA-IS/Stable	Affirmed
	RM5.0 billion Tier 2 Junior Sukuk programme	AA+IS/Stable	Affirmed
CIMB Group Holdings Berhad	Long-term and short-term corporate credit ratings	AA+/MARC-1/Stable	Affirmed
	RM10.0 billion Basel III-compliant Tier 2 Subordinated Debt Programme	AA/Stable	Affirmed
CIMB Bank Berhad	Financial institution (FI) ratings	AAA/MARC-1/Stable	Affirmed
	RM10.0 billion Basel III-compliant Tier 2 Subordinated Debt Programme	AA+/Stable	Affirmed
	RM5.0 billion Subordinated Debt and Junior Sukuk Programmes		
Menara ABS Berhad	RM345 mil Sukuk consisting of: Tranche A1	From AAA/Stable to AA2/Negative	Downgraded
	Tranche A2, A3 and A4	From AA2 and AA3/Stable to A1 and A3/Stable	Downgraded
Solar Management (Seremban) Sdn Bhd	RM260 mil ASEAN Green SRI Sukuk (2020/2038)	AA3/Stable	Reaffirmed
Kuwait Finance House (Malaysia) Berhad (KFH Malaysia)	Long- and short-term financial institution (FI) ratings	AA+/MARC-1	Affirmed
Puncak Wangi Sdn Bhd	Guaranteed IMTN Programme of up to RM200 mil (2014/2022)	AAA(FG)/Stable	Reaffirmed
Agroto Business (M) Sdn Bhd's	Proposed RM200 mil 5-year tranche	AA1(BG)/Stable	Assigned
Malaysian Resources Corporation Berhad	Islamic Medium-Term Notes Programme of up to RM5.0 billion (Sukuk Murabahah)	AA-IS/Stable	Affirmed
Sabah Credit Corporation	RM3.5 billion Islamic Medium-Term Notes Programme (2014/2039)	AA1/Stable	Reaffirmed
	RM1 billion Islamic Medium-Term Notes Programme (2011/2031)	AA1/Stable	Reaffirmed
	RM1.75 billion Islamic Commercial Papers Programme (2021/2028)	P1	Reaffirmed

Source: MARC/RAM

## Economic Calendar

Date	Time	Country	Event	Period	Prior
02/08	08:30	VN	Markit Vietnam PMI Mfg	Jul	44.1
	08:30	MA	Markit Malaysia PMI Mfg	Jul	39.9
	08:30	JN	Jibun Bank Japan PMI Mfg	Jul F	52.2
	09:45	CH	Caixin China PMI Mfg	Jul	51.3
	16:00	EC	Markit Eurozone Manufacturing PMI	Jul F	62.6
	16:30	HK	Retail Sales Value YoY	Jun	10.5%
	16:30	UK	Markit UK PMI Manufacturing SA	Jul F	60.4
	21:00	SI	Purchasing Managers Index	Jul	50.8
	21:45	US	Markit US Manufacturing PMI	Jul F	63.1
	22:00	US	Construction Spending MoM	Jun	-0.3%
	22:00	US	ISM Manufacturing	Jul	60.6
	03/08	09:30	AU	Home Loans Value MoM	Jun
12:30		AU	RBA Cash Rate Target	03 Aug	0.1%
22:00		US	Factory Orders	Jun	1.7%
04/08	06:45	NZ	Pvt Wages Inc Overtime QoQ	2Q	0.4%
	06:45	NZ	Employment Change QoQ	2Q	0.6%
	06:45	NZ	Unemployment Rate	2Q	4.7%
	08:30	SI	Markit Singapore PMI	Jul	50.1
	08:30	HK	Markit Hong Kong PMI	Jul	51.4
	08:30	JN	Jibun Bank Japan PMI Services	Jul F	46.4
	09:30	AU	Retail Sales MoM	Jun F	-1.8%
	09:45	CH	Caixin China PMI Services	Jul	50.3
	16:00	EC	Markit Eurozone Services PMI	Jul F	60.4
	16:30	UK	Markit/CIPS UK Services PMI	Jul F	57.8
	17:00	EC	Retail Sales MoM	Jun	4.6%
	19:00	US	MBA Mortgage Applications	Jul-30	5.7%
	20:15	US	ADP Employment Change	Jul	692k
	21:45	US	Markit US Services PMI	Jul F	59.8
22:00	US	ISM Services Index	Jul	60.1	
05/08	09:30	AU	Exports MoM	Jun	6%
	19:00	UK	Bank of England Bank Rate	05 Aug	0.1%
	20:30	US	Trade Balance	Jun	-\$71.2b
	20:30	US	Initial Jobless Claims	31 Jul	400k
06/08	07:30	JN	Labor Cash Earnings YoY	Jun	1.9%
	07:30	JN	Household Spending YoY	Jun	11.6%
	15:00	MA	Foreign Reserves	30 Jul	\$111.1b
	20:30	US	Change in Nonfarm Payrolls	Jul	850k
	20:30	US	Unemployment Rate	Jul	5.9%
	20:30	US	Average Hourly Earnings YoY	Jul	3.6%

Source: Bloomberg



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