Global Markets Research

Weekly Market Highlights

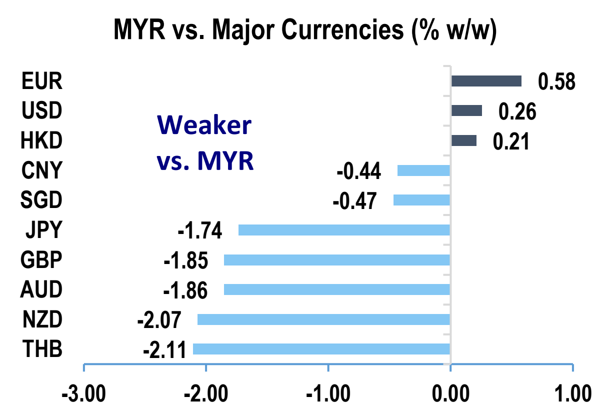
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	31,656.42	-4.91	-12.88
S&P 500	3,966.85	-5.53	-16.77
FTSE 100	7,148.50	-4.43	-3.20
Hang Seng	19,597.31	-1.86	-16.24
KLCI	1,491.95	-0.24	-4.82
STI	3,224.08	-0.73	3.21
Dollar Index	109.69	1.13	14.66
WTI oil ($/bbl)	86.61	-6.39	12.50
Brent oil ($/bbl)	92.36	-7.03	94.44
Gold (S/oz)	1,699.60	-3.53	-8.12

Source: Bloomberg

- Global markets experienced an equity and bond rout this week amid firmer expectations that central banks will hike rates aggressively to contain inflation despite worsening growth outlook particularly in Europe. This followed last Friday's Federal Reserve annual retreat at Jackson Hole that saw central bank officials reaffirming their commitment to fight inflation. Oil prices tumbled as global growth concerns returned to haunt traders while the strong dollar this week also compelled markets to ditch the asset class.
- The US data were generally positive and indicate that a much-feared recession may be overdone. The ISM manufacturing index held up at 52.8 in August while job openings remained near record high levels and initial jobless claims came in lower for the third successive week. The NFP job report is in the spotlight today after which, the focus will be on the ECB's Governing Council meeting next week where the expectations for a 75bp rate hike is running high after the Eurozone's inflation hit 9.1% y/y in August. RBA is expected to raise rates by a further 50bps.

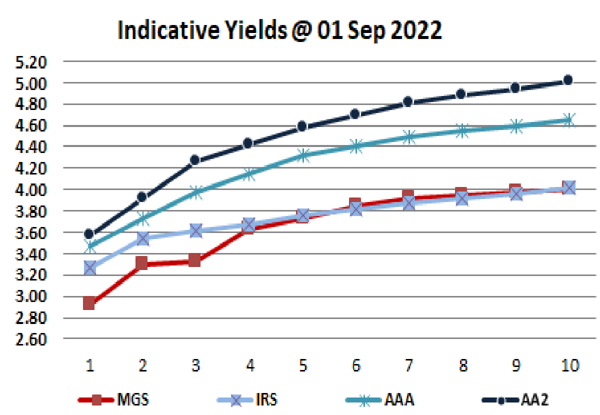
Forex



Source: Bloomberg

- **MYR:** USD/ MYR remained bullish and traded in a wider 4.4665-4.4905 range in the week under review (prior 4.4700-4.4913) on the back of continued rally in the greenback spurred by hawkish Fed guidance. The pair however retreated from early week gains to close the week only 0.3% higher at 4.4830. USD/ MYR remains ***Slightly Bullish*** in our view after closing above the 4.49 big figure and is poised to test the 4.50 record high level, potentially breaching this psychological level should US nonfarm data surprised on the upside tonight. We eye a range of 4.46-4.50 for now in the week ahead, with some support from BNM OPR hike.
- **USD**: Rally in the USD stayed unperturbed for a third consecutive week, with the Dollar Index reaching out to a fresh 20-year high and closing above the 109 handle at 109.69 on Thursday, up 1.1% w/w. Hawkish rhetoric at Jackson Hole was followed through with positive US data which reinforced expectations of a 75bps hike at the upcoming September FOMC meeting. DXY remains ***Bullish*** in our view spurred by Fed rate hike expectations. Tonight's nonfarm and other job data will be key. A positive print is expected to accelerate USD bulls but we caution risks of some potential consolidation before further move towards the 110 handle, hence keeping to a range of 107-110 next week.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries sold-off over Fed's hawkish outlook at the Jackson Hole symposium; as rate hike premium re-emerged into OIS-related swaps pricing. The curve shifted higher as overall benchmark yields spiked between 12-25bps. The inverted yield curve still signals that steep Fed rate hikes may trigger the risk of recession going forward. Money-market investors continued to gyrate towards short-tenured bills, especially in 3-month investments following Fed Chair Powell and his other top official's comments which raised expectations for another potential 75bps rate hike in the September FOMC meeting as seen from current swaps pricing. **Expect bonds yields to drift further upwards next week unless Nonfarm payroll data for August disappoints on the downside later tonight.**
- **MGS/GII:** Local govvies saw both MGS/GII end slightly weaker w/w, impacted by the hawkish outcome at the Jackson Hole and also Malaysia's further acceleration in July inflation which may cement a further normalization of policy in September. Both the MGS and GII curve shifted slightly higher whilst overall benchmark yields closed mixed between 2-3bps across (save for the short-end MGS). The average daily secondary market volume sustained at ~RM3.30bn with interest seen mainly in the off-the-run 22-24's and also benchmark 5-20Y MGS and 5Y GII. **Expect local govvies to see some support whilst decoupling slightly from UST movements with yield-seeking institutional investors searching for buy opportunities.**

Macroeconomic Updates

- **Tumultuous selloff in stocks and bonds:** Global markets experienced an equity and bond rout this week amid firmer expectations that central banks will hike rates aggressively to contain inflation despite worsening growth outlook particularly in Europe. This followed last Friday's Federal Reserve annual retreat at Jackson Hole that saw central bank officials reaffirming their commitment to fight inflation. Chair Powell further acknowledged that the Fed's continuous resolve to tighten policy will bring some pain to households and businesses; this helped remove previous doubts that the Fed might pivot to a dovish tightening in view of emerging data weakness. In the US, all three benchmarks fell for four consecutive sessions before posting a minor rebound on Thursday. Equities also saw a sharp sell-down in Europe and the UK as well as across Asia.

- **Oil prices battered by growth fear & strong USD:** Oil prices tumbled as global growth concerns returned to haunt traders while the strong dollar this week also compelled markets to ditch the asset class. After hitting $105/barrel at the start of the week (a result of last week's supply related concerns), Brent crude collapsed over 11% to $92/barrel as of Thursday. The US WTI went up to $97/barrel on Monday but sliding down to $86/barrel at yesterday's close. Both benchmarks have now fallen for the third month in a row since June and have erased the gains made from the Ukraine-Russia war.

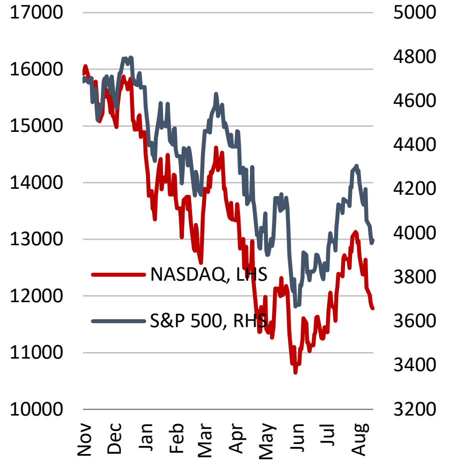
- **US data suggest recession unlikely:** The US data were generally positive and indicate that a much-feared recession is unlikely. The ISM manufacturing index held up at 52.8 in August thanks to the rebound in new orders and employment. The JOLTS openings came in at 11.24bil in July, a near record level, suggesting that the labour market remains tight and hiring demand is still robust. Initial jobless claims slipped for the third week to 232k. The Conference Board Consumer Confidence Index recovered sharply to 103 in August, reflecting rebounds in the present situation and expectations index. On a less positive note, the ADP payrolls (resumed publication in September) rose a mere 132k in August (Jul: +268k) while in the housing market, mortgage applications dropped 3.7% w/w, while home prices recorded smaller gains- the S&P CoreLogic CS Index for 20 US cities rose 0.4% m/m in June (May: +1.2%) while the FHFA House Price eked out a small 0.1% m/m gain (May: +1.3%). The July private residential construction spending dropped 1.5% m/m, extending from June's over-1% decline.

- **Japan reported strong IPI and retail sales:** Unsurprisingly, PMI data showed that the manufacturing conditions continued to weaken in major economies such as the Eurozone, UK, China and Japan. However, not all things look dire. The Eurozone's unemployment rate fell to 6.6% in July, from 6.7% prior. Japan's industrial production (+1.0% m/m) and retail sales (+0.8%) beat expectations in July, as the economy began the third quarter on a solid note thanks to looser Covid restrictions and Shanghai reopening. Jobless rate also stayed unchanged at 2.6%. Australia's retail sales picked up more than 1% m/m in July, indicating consumer spending resilience.

- **Malaysia's CPI hit 4.4%:** On the local front, Malaysia's headline CPI inflation hit a 14-month high of 4.4% y/y in July, compared to the 3.4% y/y increase in June. Nearly all key sectors registered larger price gains with the biggest increase seen in food prices. Our house view called for the headline CPI rate to stay above the 4.0% levels before tapering towards year end. The full year CPI for 2022 is expected to hit the upper end of the official BNM forecast of 2.2-3.2%. As such, we maintain our view that the BNM will continue to normalize policy rates further at next week's MPC meeting, followed by another one in November.

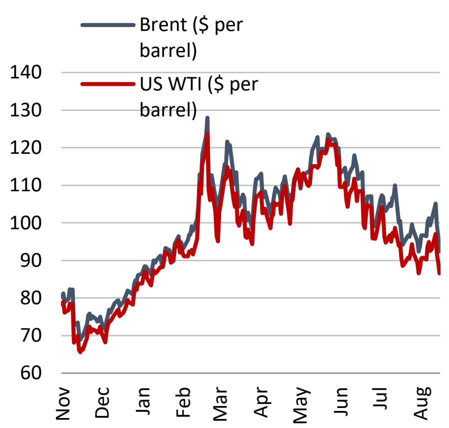
- **Next week data:** The NFP job report is in the spotlight today after which, the focus will be on the ECB's Governing Council meeting next week where the expectations for a 75bp rate hike is running high after the Eurozone's inflation hit 9.1% y/y in August. RBA will also meet and expectation is for a 50bps hike. Key data include a series of services PMI as well as GDP readings from the Eurozone, Japan and Australia. Major US data are limited to the ISM services index and trade report while China will release its trade and inflation data.

US stocks saw extended selloff



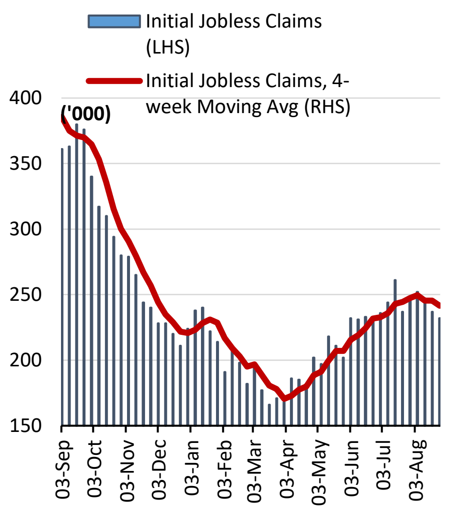
Source: Bloomberg

Oil prices faltered on demand fear



Source: Bloomberg

Initial jobless claims fell for third week



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Foreign Exchange

- **MYR:** USD/ MYR remained bullish and traded in a wider 4.4665-4.4905 range in the week under review (prior 4.4700-4.4913) on the back of continued rally in the greenback spurred by hawkish Fed guidance. The pair however retreated from early week gains to close the week only 0.3% higher at 4.4830. USD/ MYR remains ***Slightly Bullish*** in our view after closing above the 4.49 big figure and is poised to test the 4.50 record high level, potentially breaching this psychological level should US nonfarm data surprised on the upside tonight. We eye a range of 4.46-4.50 for now in the week ahead, with some support from BNM OPR hike.

- **USD**: Rally in the USD stayed unperturbed for a third consecutive week, with the Dollar Index reaching out to a fresh 20-year high and closing above the 109 handle at 109.69 on Thursday, up 1.1% w/w, just a tad below its intraday high of 109.98. Hawkish rhetoric from Fed Chair Powell at Jackson Hole was followed through with positive US data which reinforced expectations of a 75bps hike at the upcoming September FOMC meeting. DXY remains ***Bullish*** in our view spurred by Fed rate hike expectations. Tonight's nonfarm and other job data will be key as it will be the last major job report running up to the next FOMC meeting on 22-September. A positive print is expected to accelerate USD bulls but we caution risks of some potential consolidation before further move towards the 110 handle, hence keeping to a range of 107-110 next week.

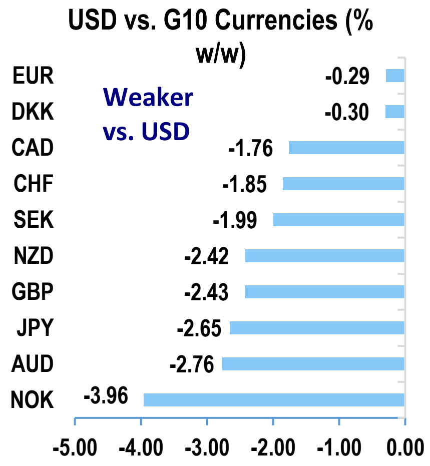
- **EUR**: EUR bears stayed extended for the third consecutive week, but losses were kept small at 0.3% (the best among G10s), as the pair struggled to find floors in this week trading. It successfully closed above parity in two of the last five days, but succumbed to selling pressure again to last settle at 0.9946 as at Thursday's close. A hawkish shift in the ECB and building expectations for a 75bps rate increase by the ECB next week shall limit downside in the EUR for now, keeping it above the 0.98 levels but upside likely capped by 1.01 as the USD maintains its supremacy, hence our overall ***Neutral*** outlook on EUR/ USD. Besides ECB meeting, 2Q GDP out of the Eurozone will also be in focus for clues of any slowdown in the region. Preliminary print showed the region managed to sustained a 0.6% q/q growth in the 2Q.

- **GBP**: Selling pressure in the sterling intensified. The GBP weakened for the third straight week, falling at a faster pace of 2.4% w/w. GBP/ USD briefing broke below the 1.15 handle to 1.1499 but managed to bounce back up to last settle at 1.1545 on Thursday. Hawkish rhetoric from the Fed and ECB relative to a "silent" BOE are exerting downward pressure on the sterling. GBP/ USD outlook remains ***Bearish*** in our view, potentially trading within a range of 1.14-1.17 in the week ahead. A break below the 1.15 key handle will likely accelerate the bears, leading the pair towards 1.14 next. Any further deterioration in UK PMI services reading will be negative for the pair.

- **JPY**: The JPY was the spared, turning in as the third worst performing G10 currencies during the week in review. The JPY broke the critical 140 level and hit as high as 140.23 before closing just a tad lower at 140.21 on Thursday, 2.7% weaker against the greenback w/w. USD/ JPY remains ***Slightly Bullish*** overall but overbought position implies odds of some pullback before further upmove. We eye a range of 137-141 in the week ahead as the pair will be largely USD-driven despite some key Japanese data including 2Q GDP, leading index, trade balance and Eco Watcher surveys in the pipeline.

- **AUD**: AUD's fortune took an abrupt turn, from the best performing G10s in the preceding week to the second worst performing G10s this week, hit by generally risk-off sentiments, lower commodity prices in addition to overall weaknesses in Australian and China economic data. The lockdown of Chengdu signaled China remains fixated on its Covid-Zero policy, which would continue to jeopardize China's growth prospects and demand for minerals and raw materials. The pair traded within 0.6771-0.7009 during the week before last settled at 0.6788 on Thursday, down 2.8% w/w. We expect AUD/ USD outlook to be ***Neutral-to-Slightly Bearish*** going into next week in anticipation of a firm USD outlook, barring any surprises from RBA.

- **SGD**: SGD weakness stayed extended for a third straight week, losing 1.0% w/w against a strengthening USD, in line with selloffs seen in the Asian FX space. The pair traded above 1.40 for the first time since 15-July, last closed at 1.4027 on Thursday, just a tad below its intraday high of 1.4032. The SGD however managed to advance against 8 G10s, the most vs the NOK, AUD and JPY, a sign of resiliency in the currency. We maintain our view for a ***Slightly Bullish*** USD/SGD in the week ahead in a range of 1.39-1.41 amid bullish USD outlook. Singapore PMI and retail sales are key watch on the data front.



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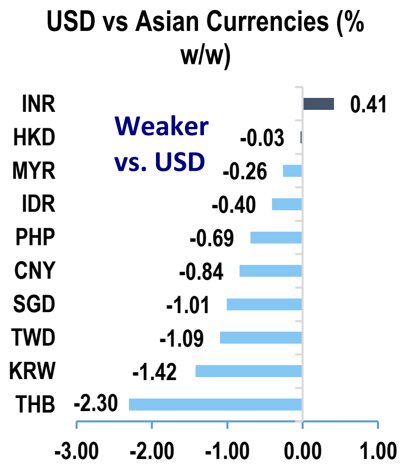


Source: Bloomberg

Forecasts

	Q3-22	Q4-22	Q1-23	Q2-23
DXY	106	105	103	102
EUR/USD	1.02	1.03	1.05	1.04
GBP/USD	1.21	1.22	1.24	1.23
AUD/USD	0.67	0.69	0.70	0.70
USD/JPY	138	135	133	132
USD/MYR	4.42	4.40	4.38	4.35
USD/SGD	1.40	1.38	1.37	1.36
USD/CNY	6.72	6.70	6.68	6.67

	Q3-22	Q4-22	Q1-23	Q2-23
EUR/MYR	4.51	4.53	4.60	4.52
GBP/MYR	5.35	5.37	5.43	5.35
AUD/MYR	2.96	3.04	3.07	3.05
SGD/MYR	3.16	3.19	3.20	3.20
CNY/MYR	0.66	0.66	0.66	0.65

Source: HLBB Global Markets Research

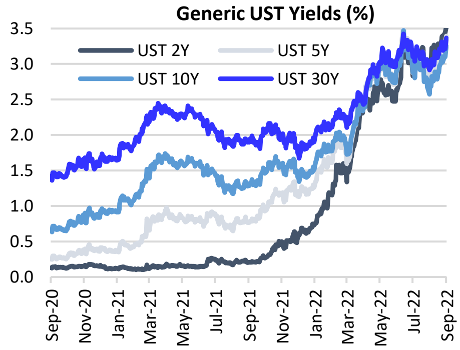
Fixed Income

- **UST:** For the week under review, US Treasuries sold-off over Fed's hawkish outlook at the Jackson Hole symposium; as rate hike premium re-emerged into OIS-related swaps pricing. The curve shifted higher as overall benchmark yields spiked between 12-25bps. **The UST 2Y jumped 13bps higher to 3.50%, reaching its highest level since 2007 whilst the much-watched UST 10Y spiked 23bps to 3.26%**. The inverted yield curve still signals that steep Fed rate hikes may trigger the risk of recession going forward. Elsewhere money-market investors continued to gyrate towards short-tenured bills, especially in 3-month investments given following Fed Chair Powell and his other top official's comments which raised expectations for another potential 75bps rate hike in the Fed's September meeting as seen from current swaps pricing. **Expect bonds yields to drift further upwards next week unless the upcoming Nonfarm payroll data for August disappoints on the downside later tonight.**

- **MGS/GII:** Local govvies saw both MGS/GII end slightly weaker w/w, impacted by the hawkish outcome at the Jackson Hole and also Malaysia's further acceleration in July inflation which may cement a further normalization of policy in September. Both the MGS and GII curve shifted slightly higher whilst overall benchmark yields closed mixed between 2-3bps across (save for the short-end MGS). **The benchmark 5Y MGS 11/26 climbed 3bps to 3.72% whilst the 10Y MGS 7/32 rose 4bps to ~4.00%.** The average daily secondary market volume sustained at ~RM3.30bn with interest seen mainly in the off-the-run 22-24's and also benchmark 5-20Y MGS and 5Y GII. Meanwhile, the 15Y MGS 4/37 auction on Monday saw decent demand with BTC at 2.244x and awarded at 4.249%. **Expect local govvies to see some support whilst decoupling slightly from UST movements with yield-seeking institutional investors searching for buy opportunities.**

- **MYR Corporate bonds/ Sukuk**: The week under review saw improved investor appetite spurred by yield-carry requirements. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly mixed amid a 14% increase in average daily market volume @ RM515m.** Topping the weekly volume were PRASA 12/32 (GG) again which rose 5bps compared to previous-done levels to 4.20%. This was followed by its other 3/30 tranche (GG) which jumped 7bps higher to 4.20% and subsequently SARAWAKHIDRO 8/26 which spiked 55bps to 4.13%. Higher frequency of bond trades was seen in DANA, PRASA, DRB Hicom, SEB and also TENAGA bonds. Odd-lot transactions were seen in YNH Property and Sabah Development bonds, TROPICANA and also YNH Property perps. The prominent fresh issuances for the week included Prasarana Malaysia Bhd's RM1.5b 10Y, 15Y and 20Y govt-guaranteed bonds with coupons ranging between 4.18-4.59% and also Cagamas Bhd's AAA-rated RM500m 2-3Y papers with coupons between 3.74-3.85%.

- **Singapore Government Securities:** SGS ended weaker w/w, mirroring UST rate movements. The curve shifted sharply higher as overall benchmark yields rose between 8-13bps, save for the long bond. Both the he SGS 2Y and 10Y bonds spiked 13bps to 2.78% and 3.02% each (the SGS 10Y ranged substantially wider between 2.63-2.89%). Singapore's sovereign bonds reversed to post a narrower loss of 0.2% w/w (prior week: -1.2%). MAS is expected to tighten monetary policy in October. The government issued S$3b 5-year notes on a muted BTC ratio of 1.71x at the cut-off yield of 2.92% and an average yield of 2.66%. The last issuance for the year is scheduled on 28th Sep with the 30Y reopening on the minds of institutional investors. Meanwhile, Westpac is in the midst of issuing tier-2, 10NC5 bonds at an initial target area below 5.0% and has received ~S$925m worth of orders.



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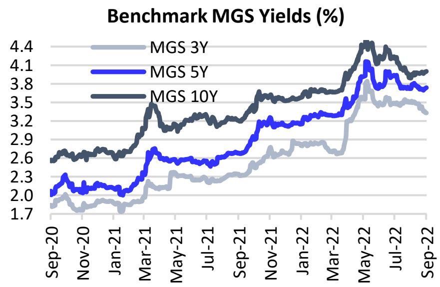

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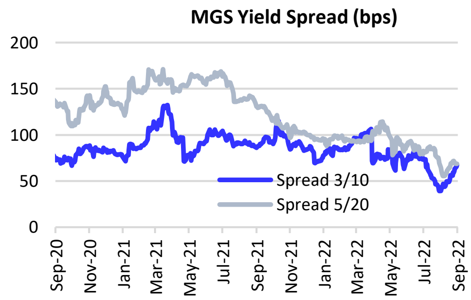

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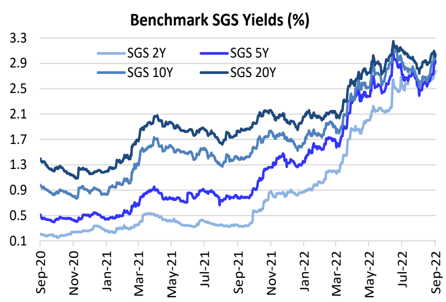

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Danajamin Nasional Berhad	Insurer Financial Strength	AAA/Stable/P1	Reaffirmed
edotco Malaysia Sdn Bhd	Proposed Islamic Medium-Term Notes Programme (Sukuk Wakalah Programme) of up to RM3.0 billion)	AA+ IS/Stable	Assigned
EKVE Sdn Bhd	Guaranteed Sukuk Murabahah Facility of up to RM1 bil in Nominal Value	AAA(BG)/Stable	Reaffirmed
Indera Persada Sdn Bhd	RM280 mil Fixed Rate Serial Bonds (2013/2028)	AA1/Stable	Reaffirmed
Hong Leong Financial Group Berhad	Corporate credit ratings	AA1/Stable	Reaffirmed
	RM25 billion Multi-Currency Senior Notes, Tier-2 Subordinated Notes, and Additional Tier-1 Capital Securities Programme (2017/2117)	AA1/Stable, AA2/Stable and A1/Stable	Reaffirmed
	RM3 billion Commercial Papers Programme (2017/2025)*	P1	Reaffirmed
Hong Leong Bank Berhad (HLBB)	Financial institution rating	AAA/Stable/P1	Reaffirmed
	RM10 billion Multi-Currency Subordinated Notes Programme (2014/2044)	AA1/Stable	Reaffirmed
	RM10 billion Multi-Currency Additional Tier-1 Capital Securities Programme (2017/2117)	A1/Stable	Reaffirmed
Hong Leong Islamic Bank Berhad	Financial institution rating	AAA/Stable/P1	Reaffirmed
	RM2 billion Multi-Currency Tier-2 Subordinated Sukuk Murabahah and Additional Tier-1 Sukuk Wakalah (2017/2117)		
	Tier-2 Subordinated Sukuk Murabahah	AA2/Stable	Reaffirmed
	Additional Tier-1 Sukuk Wakalah	A1/Stable	Reaffirmed
Hong Leong Investment Bank Berhad (HLIB)	Financial institution rating	AAA/Stable/P1	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
05/09	08:30	JP	Jibun Bank Japan PMI Services	Aug F	49.2
	08:30	VN	S&P Global Vietnam PMI Mfg	Aug	51.2
	08:30	HK	S&P Global Hong Kong PMI	Aug	52.3
	08:30	SG	S&P Global Singapore PMI	Aug	58.0
	09:45	CN	Caixin China PMI Services	Aug	55.5
	13:00	SG	Retail Sales YoY	Jul	14.8%
	16:00	EZ	S&P Global Eurozone Services PMI	Aug F	50.2
	16:30	EZ	Sentix Investor Confidence	Sep	-25.2
	16:30	UK	S&P Global/CIPS UK Services PMI	Aug F	52.5
	17:00	EZ	Retail Sales MoM	Jul	-1.2%
06/09	07:30	JP	Household Spending YoY	Jul	3.5%
	07:30	JP	Labor Cash Earnings YoY	Jul	2.0%
	21:45	US	S&P Global US Services PMI	Aug F	44.1
	22:00	US	ISM Services Index	Aug	56.7
07/09	09:30	AU	GDP SA QoQ	2Q	0.8%
	15:00	MA	Foreign Reserves	30 Aug	$110.9b
	17:00	EZ	GDP SA QoQ	2Q F	0.6%
	19:00	US	MBA Mortgage Applications	02 Sep	--
	20:30	US	Trade Balance	Jul	-$79.6b
	00:00	CN	Exports YoY	Aug	18.0%
	00:00	CN	Imports YoY	Aug	2.3%
08/09	02:00	US	U.S. Federal Reserve Releases Beige Book		
	07:50	JP	GDP SA QoQ	2Q F	0.5%
	09:30	AU	Exports MoM	Jul	5%
	15:00	MA	BNM Overnight Policy Rate	08 Sep	2.25%
	20:15	EZ	ECB Deposit Facility Rate	08 Sep	0.00%
	20:30	US	Initial Jobless Claims	03 Sep	--
09/09	06:45	NZ	Card Spending Retail MoM	Aug	-0.2%
	09:30	CN	PPI YoY	Aug	4.2%
	09:30	CN	CPI YoY	Aug	2.7%
	12:00	MA	Industrial Production YoY	Jul	12.1%

Source: Bloomberg

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