Global Markets Research

Weekly Market Highlights

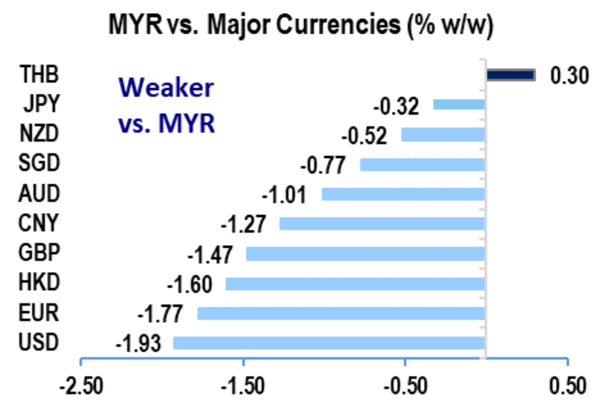
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	34,395.01	0.59	-5.35
S&P 500	4,076.57	1.22	-14.47
FTSE 100	7,558.49	1.23	2.36
Hang Seng	18,736.44	6.09	-19.92
KLCI	1,491.51	-0.69	-4.85
STI	3,292.73	1.23	5.41
Dollar Index	104.73	-1.27	9.46
WTI oil ($/bbl)	81.35	4.38	5.49
Brent oil ($/bbl)	86.98	1.92	11.91
Gold ($/oz)	1,801.40	3.20	-1.49

Source: Bloomberg

- **Powell signaled slower rate hike:** It was the battle between Fed speaks and economic data this week. US markets were soft earlier in the week before staging a rebound after Fed Chair Jerome Powell signalled that the Fed will slow the pace of rate increases as soon as in December. He also reiterated that borrowing costs will keep rising and remain restrictive to beat inflation. This outbeat the raft of economic numbers but US markets gave way on Thursday as investors await data on jobs, while the softer PCE prices reaffirmed expectations of smaller rate hike. US stock market and commodities ended the week marginally up.
- **Next week data:** There will a a slew of services PMIs across the globe, from the US, Eurozone, UK, Japan, Australia to China. Both Australia, Eurozone and Japan are also set to release its 3Q GDP. Focus of US data will be on factory orders, durable goods orders and trade, while Japan is set to release its labour cash earnings and household spending indicators. China is schedueld to release its November export numbers as well as CPI and PPI.

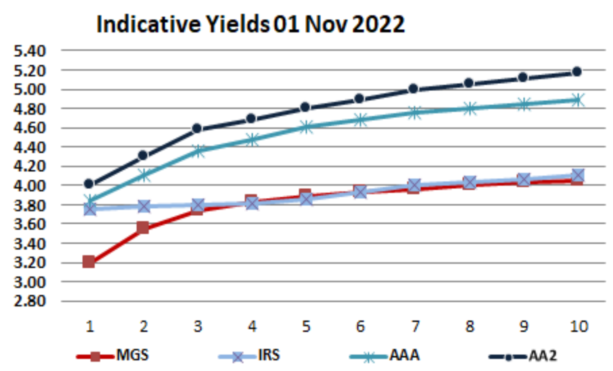
Forex



Source: Bloomberg

- **MYR:** Ringgit continued to gain grounds, strengthening further by 2.0% w/w to 4.4065 against the USD as at Thursday's close. MYR also appreciated against most majors and was the third best performing currency among its regional peers, only behind the THB and KRW. Weekly USD/ MYR outlook is ***Bearish*** as recent sharp retreat has increased bearishness in the pair. We expect a range of 4.35-4.45 next week, amid USD weakness and paring of event risk locally.
- **USD**: The Dollar Index went through some volatile trade largely in the 106-107 handle this week trailing various Fed speaks especially Fed Williams and Bullard, but nothing compared to Fed Chair Powell's hint on smaller rate hike in December, that prompted further selling pressure on the USD. The Dollar Index closed out the week 1.3% lower at 104.73, just a tad off its week-low of 104.66. As mentioned last week, we believe Fed rate hike bets supporting the USD is diminishing suggesting weaker USD outlook ahead. We are ***Bearish*** on USD with the DXY potentially trading in a range of 102-105 next week with milder swings in the absence of Fed speaks and lesser market-moving data other than ISM services, durable goods orders, PPI, and Uni Michigan consumer confidence.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries rallied, brushing aside earlier hawkish comments from Fed officials. Investors were seen seeking safety of bonds following softer PCE inflation data and ISM Manufacturing whilst taking cognizance of Fed Chair Powell's indication that the pace of rate hikes would be stepped down at the upcoming FOMC meeting. The curve shifted sharply lower as overall benchmark bonds rallied with yields ending sharply lower between 13-25bps. **Expect bonds to range sideways next week as profit-taking emerges following recent strong moves; with some impact seen from the important November NFP data release tonight.**
- **MGS/GII:** Local govvies saw both MGS/GII end stronger w/w as markets were anticipating that central bank rates may have edged closer to peak expectations. Overall benchmark MGS/GII yields closed sharply lower i.e.; between 5-25bps across as levels were influenced by lower IRS yields due to strong receiving interest. The average daily secondary market volume decreased 11% to ~RM2.37b with interest seen mainly in the off-the-run 23-24's and benchmark 5Y MGS, 10Y MGS/GII. The RM2.5b 30Y GII auction saw decent participation by real-money investors with BTC at 2.243x and awarded at 4.768%. **Expect local govvies to be well-bid amid intermittent profit-taking next week with all eyes on the upcoming announcement of key cabinet ministerial posts.**

Macroeconomic Updates

- **Powell indicated slower rate hike in December:** It was the battle between Fed speaks and economic data this week. US markets were soft earlier in the week before staging a rebound after Fed Chair Jerome Powell signalled that the Fed will slow the pace of rate increases as soon as December. He also reiterated that borrowing costs will keep rising and remain restrictive to beat inflation. However, US markets gave way on Thursday as investors await data on jobs, while the softer PCE prices reaffirmed expectations of smaller rate hike. US stock market ended the week marginally up by 0.6% w/w for the Dow Jones Industrial Average and 1.2% w/w for S&P 500. Commodity prices were higher in the week with gold prices breaking above the $1,800 per ounce level on a weak greenback. Oil prices also rose on lower inventory in the US, hopes of another potential output cut from OPEC+ on Dec 4th and after top crude importer China eased COVID curbs in Guangzhou and Chongqing.

- **China cut RRR by 25bps**: Other from Fed speaks, the most notable policy decision for the week was People's Bank of China (PBOC) decision to cut the reserve requirement ratio for banks to 7.8% and release 500bn yuan in long-term liquidity to prop the economy. This move is expected to help counter growing pressure on the economy as seen by profits at industrial firms contracting 3.0% YTD. RBA is set to meet next week and expectation is for the rates to increase by 25bps to 3.10%.

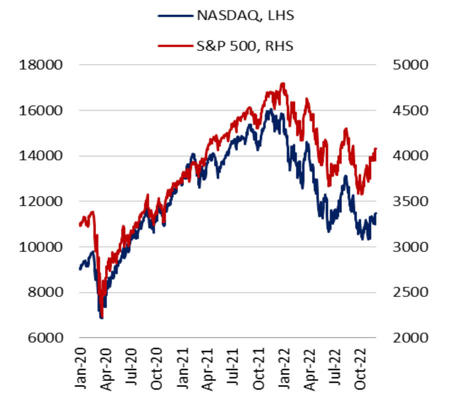
- **Added signs of moderation in inflation**: There are emerging signs that inflation has peaked. Malaysia's CPI eased for the second straight month in October to 4.0% y/y despite core CPI hitting a fresh record high at 4.1% y/y. Australia's inflation also eased to 6.9% y/y, while Japan's CPI eased slightly to 1.8% y/y. The exception was Tokyo's November inflation excluding fresh foods which rose 3.6% y/y to the quickest since April 1982. Similarly, Eurozone finally showed signs of slower inflation at +10.0% y/y. In the US, Core-PCE price index moderated to 5.0% y/y in October from +5.2% y/y in September.

- **Softer jobs, exports and output data:** In the US, both the ADP National Employment report and JOLTS survey showed that job creation slowed, while pending home sales slid for the fifth consecutive month in October. The Chicago Business Barometer tumbled for the third consecutive month of contraction and excluding the 2020 pandemic shock, this was the lowest reading since the 2008/09 Global Financial Crisis. Latest S&P indices also suggest that there were signs of global demand weakness feeding through manufacturing PMIs across the globe.

- As it is, impact from higher interest rate and inflation was more pronounced in 4Q. Australian retail sales registered its first contraction of 2022 at 0.2% m/m while building approvals fell 3x more than expectation at 6.0% m/m. Hong Kong exports registered its sixth consecutive month of decline. Singapore's manufacturing output shrank for the first time in a year at 0.8% y/y on continued weakness in the electronics sector. China's activity contraction deepened for both the manufacturing and services sector. IPI in Japan fell 2.6% m/m and METI downgraded its assessment of industrial production, saying that it is picking up slowly but still shows signs of weakness in places.

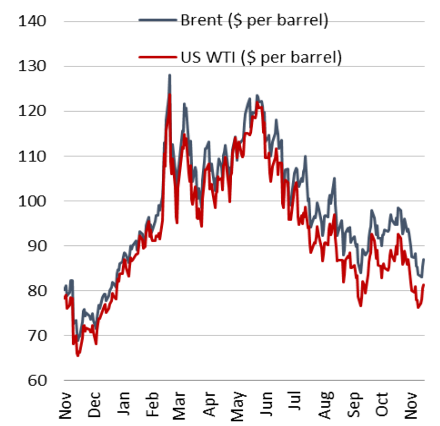
- **Next week data:** There will a a slew of services PMIs across the globe, from the US, Eurozone, UK, Japan, Australia to China. Both Australia, Eurozone and Japan are also set to release its 3Q GDP. Focus of US data will be on factory orders, durable goods orders and trade, while Japan is set to release its labour cash earnings and household spending indicators. China is schedueld to release its November export numbers as well as CPI and PPI.

Stock markets ended the week marginally higher



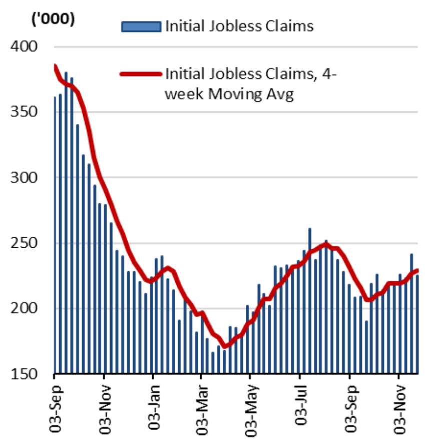
Source: Bloomberg

Higher oil prices on expectations of lower supply and resumption of China demand



Source: Bloomberg

Initial jobless claims on the rise



Source: Bloomberg

Foreign Exchange

- **MYR:** Ringgit continued to gain grounds, strengthening further by 2.0% w/w to 4.4065 against the USD as at Thursday's close. MYR also appreciated against most majors and was the third best performing currency among its regional peers, only behind the THB and KRW. USD/ MYR was seen holding on to the 4.48-4.50 ranges in early week before the sharp move lower to 4.45 and subsequently to the 4.40 handle (weekly range of 4.4018-4.5130). Weekly USD/ MYR outlook is ***Bearish*** as recent sharp retreat has increased bearishness in the pair. We expect a range of 4.35-4.45 in the week ahead, amid USD weakness and paring of event risk locally.

- **USD**: The Dollar Index went through some volatile trade largely in the 106-107 handle this week trailing various Fed speaks especially Fed Williams and Bullard, but nothing compared to Fed Chair Powell's hint on smaller rate hike in December, that prompted further selling pressure on the USD. The Dollar Index closed out the week 1.3% lower at 104.73, just a tad off its week-low of 104.66. As mentioned last week, we believe Fed rate hike bets supporting the USD is diminishing suggesting weaker USD outlook ahead. We are ***Bearish*** on USD with the DXY potentially trading in a range of 102-105 next week with milder swings in the absence of Fed speaks and lesser market-moving data other than ISM services, durable goods orders, PPI, and Uni Michigan consumer confidence.

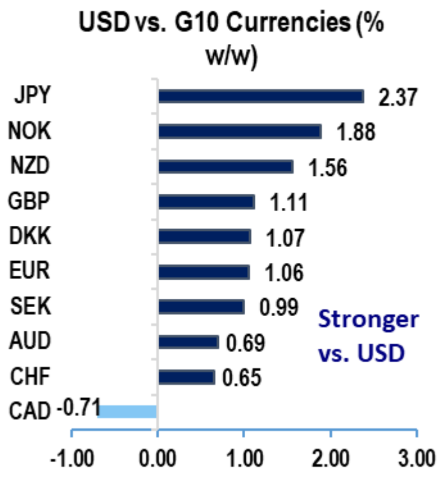
- **EUR**: The EUR strengthened further to 1.0520 against a weaker USD as at Thursday's close, up 1.1% w/w. Expectations for a less hawkish Fed rate hike path have dented USD bulls, benefitting the EUR as a result although the Eurozone fundamentals continued to lag behind that of the US. EUR/ USD is turning technically less bearish and positive momentum indicator is building up, hence our ***Bullish*** view on the pair, eyeing a range of 1.04-1.07 in the week ahead. There will be more data check from the region including 3Q GDP print, retail sales and PMI services.

- **GBP**: Closely tracking the broad FX market moves, USD and EUR in particular, the GBP was seen rangetrading in the earlier part of the week, around the 1.19-1.20 levels before the Powell-triggered swing to as high as 1.2310. The pair has since pulled back to the 1.22 handle, settling the week 1.1% w/w stronger at 1.2247. Outlook for GBP/ USD is ***Bullish*** in our view but we may see more modest move in the week ahead with both the USD and GBP likely turning a tad more cautious ahead of the FOMC and BOE meetings, on 15-December. Still, we expect a higher range of 1.21-1.25 for the pair next week.

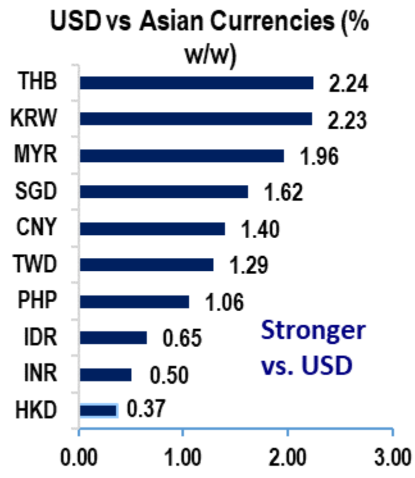
- **JPY**: The JPY continued to outperform other majors, posted the biggest weekly gain against the USD (+2.4% w/w to 135.33). Mirroring other majors, Powell's speech was the game changer. USD/ JPY failed to hold on to the 138-140 ranges after Powell's strong signal for slower rate hike in December, plunging to a week low of 135.05. Weekly outlook for USD/ JPY is Slightly Bearish likely in a range of 133-138. While there are a number of key Japanese data on the deck (3Q GDP, leading index, Eco Watcher surveys), overall market sentiments and USD movement will remain the key driver.

- **AUD**: The Australian Dollar advanced further to 0.6811 as at Thursday's close, strengthening a further 0.7% w/w (prior +1.2%). Aussie performance this week was somewhat hindered by a softer than expected CPI print down under, that could provide leeway for further downshift in RBA rhetoric. China's Covid-related issues have also had some impact on the Aussie. We continue to expect ***Slight Bullishness*** in AUD/ USD eyeing a range of 0.67-0.69. RBA policy meeting will be key risk, where a 25bps rate hike is expected. 3Q GDP and services index are also on the deck.

- **SGD**: SGD was seen trading on firmer ground this week, appreciating 1.6% w/w against the USD at 1.3535. Gradual SGD appreciation in early week picked up steam after Powell's dovish hint, pushing USD/ SGD down two big figures from 1.37 to 1.35. We remain ***Slightly Bearish*** on USD/SGD (1.34-1.36) in anticipation of continuous USD weakness while upcoming Singapore retail sales data, if surprises on the downside pointing to increasing signs of a slower Singapore economy, could limit the downside in USD/SGD.



Source: Bloomberg



Source: Bloomberg

Forecasts

	Q4-22	Q1-23	Q2-23	Q3-23
DXY	100	98	96	96
EUR/USD	1.08	1.10	1.11	1.11
GBP/USD	1.25	1.26	1.27	1.27
AUD/USD	0.69	0.70	0.72	0.72
USD/JPY	133	130	128	128
USD/MYR	4.36	4.31	4.28	4.28
USD/SGD	1.33	1.32	1.30	1.30
USD/CNY	7.00	6.95	6.80	6.80

	Q4-22	Q1-23	Q2-23	Q3-23
EUR/MYR	4.71	4.76	4.77	4.77
GBP/MYR	5.46	5.43	5.45	5.45
AUD/MYR	3.02	3.02	3.08	3.08
SGD/MYR	3.26	3.26	3.29	3.29
CNY/MYR	0.62	0.62	0.63	0.63

Source: HLBB Global Markets Research

Hong Leong Bank

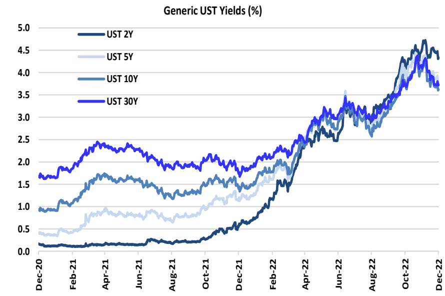
Fixed Income

- **UST:** For the week under review, US Treasuries rallied, brushing aside earlier hawkish comments from Fed officials namely Bullard, Brainard and Williams. Investors were seen seeking safety of bonds following softer PCE inflation data and ISM Manufacturing data for November whilst taking cognizance of Fed Chair Powell's indication that the pace of rate hikes would be stepped down to 50bps at the upcoming FOMC. The curve shifted sharply lower as overall benchmark bonds rallied with yields ending sharply lower between 13-25bps. **The UST 2Y yield rallied the most with yields ending 25bps lower at 4.23% whilst the much-watched UST 10Y yield plunged 19bps to 3.51%**. There were no UST auctions save for bills issuances which saw solid demand. Although bond traders were pricing in another 75bps rate hike in next week's FOMC meeting, implied Fed-dated OIS contracts were seen shifting the rate-hike premium lower; with expected peak rates retreating to ~4.88% in May 2023. **Expect bonds to range sideways next week as profit-taking emerges following recent strong moves; with some impact seen from the important November NFP data release tonight.**

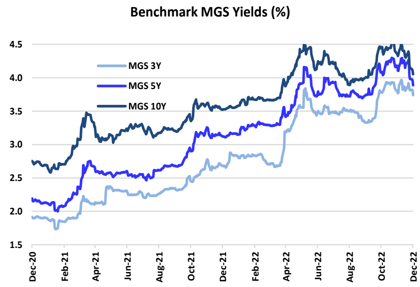
- **MGS/GII:** Local govvies saw both MGS/GII end stronger w/w as markets were anticipating that central bank rates may have edged closer to peak expectations. The appointment of the new government following weeks of speculation in the recently-concluded GE15 also lent credence to markets. Overall benchmark MGS/GII yields closed sharply lower i.e.; between 5-25bps across as levels were influenced by lower IRS yields due to strong receiving interest. **Both the benchmark 5Y MGS 11/27 and the 10Y MGS 7/32 fell 9bps to 3.89% and 4.04% each.** The average daily secondary market volume decreased 11% to ~RM2.37b with interest seen mainly in the off-the-run 23-24's and benchmark 5Y MGS, 10Y MGS/GII. The RM2.5b 30Y GII auction saw decent participation by real-money investors with BTC at 2.243x and awarded at 4.768%. **Expect local govvies to be well-bid amid intermittent profit-taking next week with all eyes on the upcoming announcement of key cabinet ministerial posts.**

- **MYR Corporate bonds/ Sukuk**: The week under review saw improved appetite in the secondary market with confidence returning following the conclusion of GE15. Investors were seen dabbling in papers with attractive yields with a stark increase in odd-lot transactions as well. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly higher amid the doubling in average daily market volume to RM315m.** Topping the weekly volume were INVERFIN 2/22 (AAA) which spiked 44bps compared to previous-done levels to 5.29%. This was followed by TENAGA 6/47 (AAA) which declined 18bps instead to 5.15% and subsequently GENTING Cap 6/27 (AA1) which also jumped 33bps higher to 5.15%. High frequency of bond trades was seen in DANAINFRA, PASB and TENAGA bonds. Odd-lot transactions were seen in Sabah Development, AmBank callable bonds and UEM Sunrise bonds. The prominent fresh issuances for the week consisted of CIMB Islamic Bank Bhd's AA1-rated 10NC5 bonds Y papers totaling RM300m with a coupon of 4.90% and MMC Corporation Bhd's AA3-rated 7Y bonds also totaling RM300m with a coupon of 5.40%.

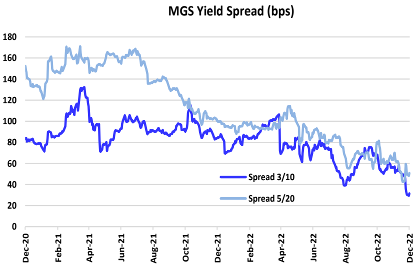
- **Singapore Government Securities:** SGS surprisingly decoupled from UST movements w/w, ending weaker especially along the short-mid-tenures as investors mulled existing inflationary conditions in the republic. The curve shifted higher as overall benchmark yields rose between 0-12bps across. The SGS 2Y yield spiked 12bps to 3.13% whilst the 10Y bonds closed unchanged at 3.03% (the SGS 10Y ranged between 2.95-3.05%). Singapore's sovereign bonds posted a small loss of 0.05% w/w (prior week: +0.9%). The government recently concluded its auction consisting of 2Y notes at a yield of 3.26%. It also issued S$1.0b of Singapore Savings Bonds on 28th of November at a coupon of 3.26%. Elsewhere, the Housing & Development Board (HDB) has successfully priced its S$900m 7Y bonds at a coupon of 3.995% and is expected to be rated AAA by Fitch. Meanwhile, S&P has also affirmed Grab Holdings ratings at B- with a Stable outlook.



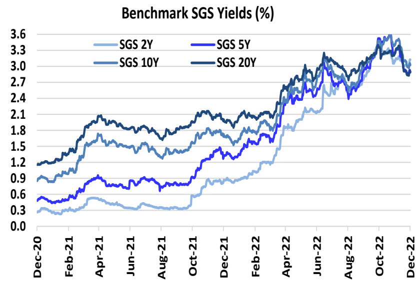
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Alliance Bank Malaysia Berhad	Financial Institution ratings	A1/Stable/P1	Reaffirmed
	RM500 million Commercial Papers Programme (2022/2029)	P1	Reaffirmed
	RM1.5 billion Senior Medium-Term Notes Programme (2015/2045)	A1/Stable	Reaffirmed
	RM2.0 billion Subordinated Medium-Term Notes Programme (2015/2045)	A2/Stable	Reaffirmed
	RM1.0 billion Additional Tier-1 Capital Securities Programme (2017/-)	BBB1/Stable	Reaffirmed
	Financial Institution Ratings	A1/Stable/P1	Reaffirmed
	RM300 million Islamic Commercial Papers Programme (2019/2026)	P1	Reaffirmed
	iii. RM2.5 billion Perpetual Sukuk Programme (2019/-):		
	- RM1.2 billion Senior Sukuk Murabahah	A1/Stable	Reaffirmed
	- RM800 million Tier-2 Sukuk Murabahah	A2/Stable	Reaffirmed
	- RM500 million Additional Tier-1 Capital Sukuk Wakalah	BBB1/Stable	Reaffirmed
Alliance Islamic Bank Berhad	Financial Institution Rating	A1/Stable/P1	Reaffirmed
Alliance Investment Bank Berhad	Financial Institution Rating	A1/Stable/P1	Reaffirmed
Citibank Berhad	Financial Institution Rating	AAA/Stable/P1	Reaffirmed
Ranhill Solar Ventures Sdn Bhd	Sukuk Murabahah Programme of up to RM310 mil (2022/2042)	AA3/Stable	Assigned
Suria KLCC Sdn Bhd	RM600 mil Islamic Medium-term Notes (MTN) Programme (2014/2044)	AAA/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
5-Dec	6:00	AU	S&P Global Australia PMI Services	Nov F	47.2
	8:00	AU	Melbourne Institute Inflation MoM	Nov	0.40%
	8:30	JN	Jibun Bank Japan PMI Services	Nov F	49.4
	8:30	HK	S&P Global Hong Kong PMI	Nov	49.3
	8:30	SI	S&P Global Singapore PMI	Nov	57.7
	9:45	CH	Caixin China PMI Services	Nov	48.4
	13:00	SI	Retail Sales YoY	Oct	11.20%
	17:00	EC	S&P Global Eurozone Services PMI	Nov F	48.6
	17:30	EC	Sentix Investor Confidence	Dec	-30.9
	17:30	UK	S&P Global/CIPS UK Services PMI	Nov F	48.8
	18:00	EC	Retail Sales MoM	Oct	0.40%
	22:45	US	S&P Global US Services PMI	Nov F	46.1
	23:00	US	Factory Orders	Oct	0.30%
	23:00	US	Durable Goods Orders	Oct F	1.00%
	23:00	US	Cap Goods Orders Nondef Ex Air	Oct F	0.70%
	23:00	US	ISM Services Index	Nov	54.4
6-Dec	7:30	JN	Household Spending YoY	Oct	2.30%
	7:30	JN	Labor Cash Earnings YoY	Oct	2.10%
	11:30	AU	RBA Cash Rate Target		2.85%
	17:30	UK	S&P Global/CIPS UK Construction PMI	Nov	53.2
	21:30	US	Trade Balance	Oct	-$73.3b
7-Dec	8:30	AU	GDP SA QoQ	3Q	0.90%
	13:00	JN	Leading Index CI	Oct P	97.5
	18:00	EC	GDP SA QoQ	3Q F	0.20%
	20:00	US	MBA Mortgage Applications	2-Dec	-0.80%
	21:30	US	Unit Labor Costs	3Q F	3.50%
	0:00	CH	Foreign Reserves	Nov	$3052.43b
	0:00	CH	Exports YoY	Nov	-0.30%
	0:00	CH	Imports YoY	Nov	-0.70%
8-Dec	4:00	US	Consumer Credit	Oct	$24.976b
	7:50	JN	GDP Annualized SA QoQ	3Q F	-1.20%
	8:01	UK	RICS House Price Balance	Nov	-2%
	8:30	AU	Exports MoM	Oct	7%
	13:00	JN	Eco Watchers Survey Outlook SA	Nov	46.4
	21:30	US	Initial Jobless Claims	3-Dec	225k
	21:30	US	Continuing Claims	26-Nov	1608k
9-Dec	9:30	CH	PPI YoY	Nov	-1.30%
	9:30	CH	CPI YoY	Nov	2.10%
	21:30	US	PPI Ex Food and Energy YoY	Nov	6.70%
	23:00	US	Wholesale Inventories MoM	Oct F	
	23:00	US	U. of Mich. Sentiment	Dec P	56.8

Source: Bloomberg

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.