Global Markets Research

Weekly Market Highlights

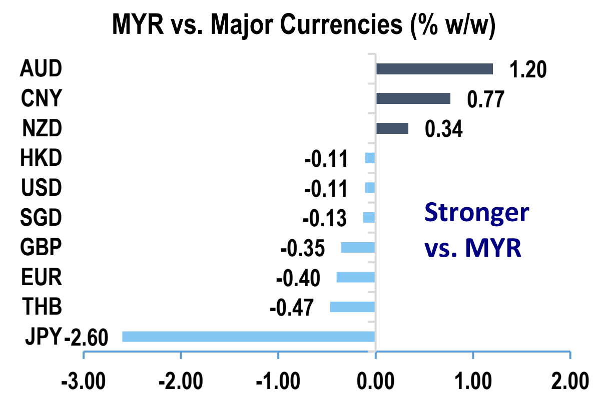
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	33,248.28	1.87	-8.50
S&P 500	4,176.82	2.93	-12.37
FTSE 100	7,532.95	-0.40	2.01
Hang Seng	21,082.13	4.80	-9.90
KLCI	1,549.90	0.57	-1.12
STI	3,226.72	0.55	3.30
Dollar Index	101.82	0.00	6.43
WTI oil ($/bbl)	116.87	2.44	51.80
Brent oil ($/bbl)	117.61	0.18	51.21
Gold (S/oz)	1,866.50	1.02	2.07

Source: Bloomberg

- The US stock market started the week on a weak note but rebounded to post a modest increase on a WTD basis. Investors continued to mull the surging global inflation and the expected monetary policy tightening by central banks. The global bond markets were pressured and yields surged across the board. The dollar had a choppy week, as investors were torn between views regarding the US growth outlook which may affect the path of Fed policy tightening. Brent crude and WTI went on a different trajectory this week but converged at $116-$117/barrel. This week, the EU announced a partial embargo on Russian oil while Saudi-led OPEC+ agreed to a 648k bpd boost in production in July and August, versus 432k bpd prior.
- We are heading into a scanty economic data week preceding the FOMC meeting on 15 June. The highlight of the week is none other than the ECB Governing Council meeting on Thursday. The ECB is expected to firm up its guidance on a July rate hike. The RBA meeting takes place early in the week and the MPC is expected to deliver its second rate hike after the 25bp increase in May. Analysts and markets seemed to be indecisive over the potential move taken by the RBA i.e., 25bps or 40bps.

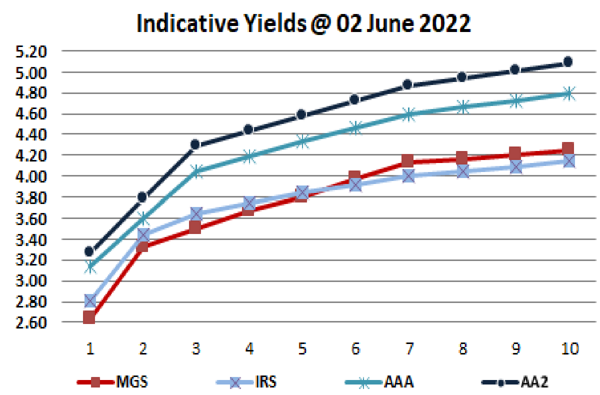
Forex



Source: Bloomberg

- **MYR:** USD/MYR closed out the week 0.11% lower at 4.3895, off its intraweek low of 4.3663 seen on 30-May as renewed rally in the USD mid-week drove the pair back above the 4.38-4.39 handles. Technicals for USD/MYR outlook has turned more ***Neutral*** in our view, with upside capped by 4.40 for now and 4.35 serving as a key support. Malaysia IPI data due next Friday will offer more insights into the sustainability of growth momentum going into 2Q.
- **USD**: The Dollar Index remained under pressure for the 3rd straight week and settled little changed at 101.82 (prior 101.83). The post-ISM spike to a high of 102.73 proved to be shortlived as weaker ADP job print and renewed risk appetite in the markets put an abrupt halt to the USD advances. The greenback weakened against all G10s save for the GBP and JPY and was also largely weaker against most major Asian currencies in the week under review. We expect the USD to trade on a more ***Neutral*** note, in a range of 101-103 next week in our view, barring any surprises from nonfarm job data tonight and CPI reading next week.

Fixed Income



Source: Bloomberg

- **UST:** USTs under-performed following renewed inflationary conditions. Hawkish comments from Fed official Waller, Brainard, Mester; coupled with stronger-than-expected US data, caused bonds to be on the receiving end. The curve shifted higher as overall benchmark yields rose between 10-20bps. Both the UST 2Y and much-watched 10Y yields ended 15bps higher at 2.63% and 2.91% respectively. June will see the commencement of the Fed's balance sheet tapering with $47.5b monthly runoff until August (September onwards will see an a bigger $95b monthly shrinkage of the balance sheet). **Expect bonds to be range-bound next week as wavering views between inflation and recessionary fears alternate, with impact largely to be seen from the May jobs data release tonight.**
- **MGS/GII:** Local govvies closed weaker w/w, whilst taking cue from higher IRS levels and also Malaysian PM's reminder that the hike in food prices and other living costs has given rise to inflationary conditions. The benchmark 5Y MGS 11/26 yield rose 9bps to 3.74% whilst the 10Y MGS 7/32 jumped 14ps to 4.26%. Average weekly secondary market volume climbed 11% to RM14.96b with interest seen mainly in the off-the-run 22's, 29's and 3Y, 10Y MGS/GII. The 3Y GII auction registered solid bidding metrics with BTC ratio at 3.632x and awarded at 3.539%. **Expect local govvies to range sideways next week in the absence of market-moving data.**

Macroeconomic Updates

- **US stocks posted modest gains this week; oil prices mixed:** The US stock market started the week on a weak note but rebounded to post a modest increase (0.1-1.5% across three main benchmarks) on a week-to-date basis. Investors continued to mull the surging global inflation and the expected monetary policy tightening by central banks. The global bond markets were pressured and yields surged across the board. The dollar had a choppy week, as investors were torn between views regarding the US growth outlook which may affect the path of Fed policy tightening. Fed Vice Chair Lael Brainard said she supports the case for two 50bp rate hikes in June and July but sees no reason to hit the pause button yet. Brent crude and WTI went on a different trajectory this week but converged at $116-$117/barrel levels on Thursday. Brent pared gains after hitting $122/barrel, and was seen lower 1.5% WTD. The US WTI managed to climb 1.6% WTD. This week, the European Union announced a partial embargo on Russian oil while Saudi-led OPEC+ agreed to a 648,000 bpd boost in production in July and August, versus 432,000 bpd prior.

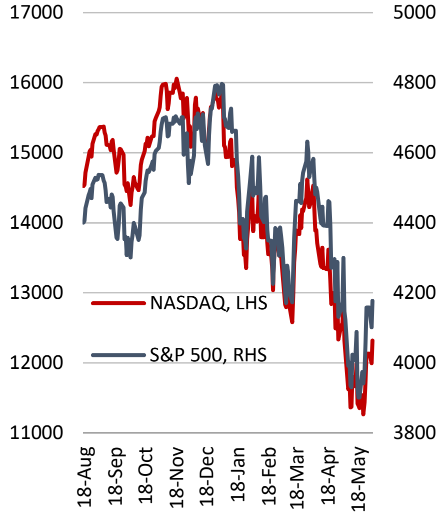
- **US reported mixed data this week:** Some positive US data this week may have countered the notion of an imminent US recession. The US ISM index unexpectedly ticked higher, a sign of manufacturing resilience. Factory orders picked up but at a softer rate of 0.3% m/m. Private residential construction spending recorded a solid 0.9% m/m increase, although the housing market is generally expected to cool further in reaction to higher interest rates. Mortgage applications also fell for the third consecutive week as of last week. House prices nonetheless, picked up further in March as inventory was lean. Meanwhile, the ADP private payrolls rose a mere 128k in May, indicating firms' struggle to hire new staff amid a super tight labour market. Job openings came off the recent record level to 11.4mil in April but remained historically high. Initial jobless claims fell to 200k last week. In general, hiring demand in the US appears to remain strong. The high quit rate (2.9%) shows that people continued to leave incumbent roles in search of jobs with better pays and incentives.

- **Mixed PMI readings elsewhere**: Manufacturing PMI in the UK and Eurozone weakened in May, as factories struggled with cost pressures and supply chain bottlenecks. China's NBS official PMIs remained below 50.0 neutral level but showed smaller contraction in the manufacturing, services and construction activity. Japan's manufacturing PMI recorded little changes at above 53, reflecting solid operating conditions. Vietnam's PMI jumped substantially as factory activity continued to recover from the early-year Omicron related setback. Malaysia's PMI fell to just a tad above 50, pointing to stagnation.

- **ECB in focus next week:** We are heading into a scanty economic data week preceding the FOMC meeting on 15 June. The highlight of the week is none other than the ECB Governing Council meeting on Thursday. The ECB is expected to firm up its guidance on a July rate hike. The HICP inflation had come in at a record high of 8.1% y/y in May, a jump from 7.5% previously, with the core inflation also surging to an all-time high of 3.8% y/y. Unemployment rate had stayed unchanged at a record low of 6.8% for the third month in a row, a level certainly comfortable enough for the ECB to tighten policy. The question is how much (hikes) will the ECB go with as the ongoing cost pressures certainly call for a steeper 50bp adjustment. The market is pricing in a 75bp hike although the chances of such a move appeared dim in our view.

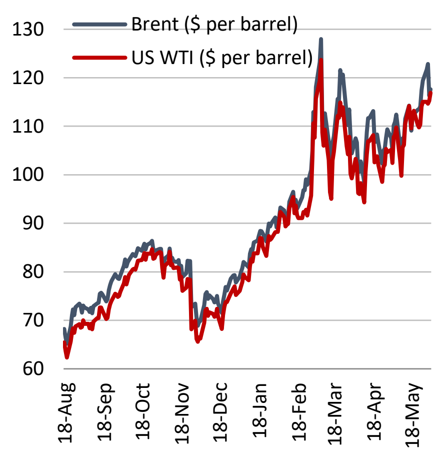
- **RBA expected to lift rates higher:** The RBA meeting takes place early in the week and the MPC is expected to deliver its second rate hike after the 25bp increase in May. Australian yields jumped amid a broader rise in global yields, led by the front end of the curve. Australia had disclosed in the latest minutes that officials did consider a 40bp increase in the cash rate but ended up with 25bps instead. Australia's first quarter GDP growth (+0.8% q/q) had turned out better than expectations but softer than the previous quarter, reflecting the continuous build-up in inventory that dragged on net exports as consumption looks pretty solid. Economists and markets seemed to be indecisive over the potential move taken by the RBA i.e., 25bps or 40bps.

US stocks recorded small gains



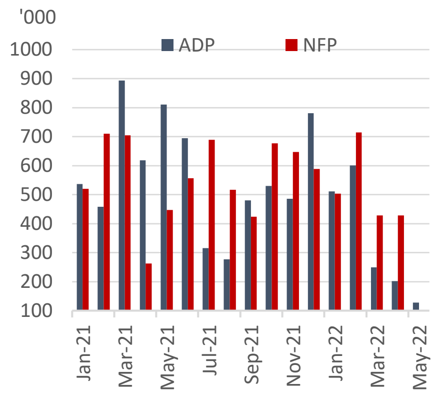
Source: Bloomberg

Brent pared gains after hitting $122/barrel



Source: Bloomberg

ADP payrolls rose only 128k in May



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR closed out the week 0.11% lower at 4.3895, off its intraweek low of 4.3663 seen on 30-May as renewed rally in the USD mid-week drove the pair back above the 4.38-4.39 handles. We expect the MYR to continue track movement in the USD in the absence of fresh catalysts locally although there has been some noises surrounding timing of the next general election. Technicals for USD/MYR outlook has turned more ***Neutral*** in our view, with upside capped by 4.40 for now and 4.35 serving as a key support. Malaysia IPI data due next Friday will offer more insights into the sustainability of growth momentum going into 2Q.

- **USD**: The Dollar Index remained under pressure for the 3rd straight week and settled little changed at 101.82 (prior 101.83) after holding on to the 101 big figure for the larger part of the week. The post-ISM spike to a high of 102.73 proved to be shortlived as weaker ADP job print and renewed risk appetite in the markets put an abrupt halt to the USD advances. The greenback weakened against all G10s save for the GBP and JPY and was also largely weaker against most major Asian currencies in the week under review. We expect the USD to trade on a more ***Neutral*** note. The DXY appeared to be finding some support above 100-101 for now, and likely continue to trade in a range of 101-103 next week in our view, barring any surprises from nonfarm job data tonight and CPI reading next week.

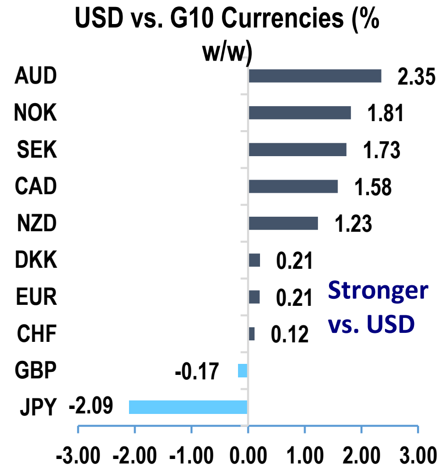
- **EUR**: EUR continued to make inroads and strengthened 0.21% w/w. The close to 100pips gap-down to 1.0627 post surprised improvement in US ISM manufacturing was quickly erased with the pair last settled at 1.0747 on Thursday's close, just 40pips shy of the week-high of 1.0787. EUR/USD outlook remains ***Slightly Bullish*** in our view as the record high CPI reading in Eurozone is expected to reaffirm the case for a ECB rate hike in July. A hawkish ECB at next week's policy meeting could potentially add more fuel to fire, spearheading further gains in the EUR, hence a weekly range of 1.06-1.09 in the week ahead.

- **GBP**: The GBP weakened for the first time in three weeks, down a marginal 0.17% to last closed at 1.2578 vs the USD on Thursday. The pair indeed traded in the ranges of 1.2600-1.2650 for most part of the week before the EUR-like gap-down on 1-June. The pair however did not manage to recoup all the losses, hence resulted in a weekly loss. Technicals however showed bearishness in the pair is softening. We opine GBP could play some catch-up next week amid lack of catalysts on the UK front with only PMI services and house prices on the deck. Expect a ***Neutral*** range of 1.25-1.27 for GBP/USD next week.

- **JPY**: The JPY failed to hang on to its gains, weakening against the USD for the first time in five weeks, by 2.1% w/w to 129.84, making it the worst performing G10s as investors shied away from safe currencies amid better risk sentiments in the markets. Meanwhile, Japanese data which remained lackluster offered little support. Technicals remained bullish for USD/JPY although positive momentum indicator is softening, suggesting ***Slight-Bullishness*** in the pair still. We eye a range of 127-131 in the week ahead with USD remaining as the dominant driver despite series of first tier Japanese data including 1Q GDP, current account balance, machine tool orders, leading index and PPI.

- **AUD**: AUD emerged as the top gainer in the G10 universe, strengthening 2.35% w/w against the USD to 0.7265 as at Thursday's close. Overall USD weakness aside, we believe upbeat Australia data including retail sales and trade surplus helped support the Aussie, while 1Q GDP is deemed decent despite the moderation, hence reaffirming expectations that the RBA will continue to raise rates at next Tuesday's policy meeting. We are cautiously optimistic over AUD/USD outlook next week given the policy event risks, but believe the pair is ***Slightly Bullish*** overall, likely eyeing a range of 0.71-0.73 in the week ahead.

- **SGD**: SGD strengthened for the 4th consecutive week, but continued to see narrower gains of 0.2% w/w against the USD, last settling at 1.3706 on Thursday. The pair traded within familiar ranges of 1.3660-1.3777 tracking consolidation in the USD. May PMI showed continuous recovery in the Singapore economy but mounting growth uncertainties could dampen future growth prospects and policy normalization path by MAS, exerting downward pressure on the SGD. In conjunction with its release of 1Q GDP performance last week, the Singapore government had indeed forewarned that full year growth will likely come in at the lower end of its 3-5% forecast range. We are ***Neutral*** on USD/SGD next week, maintaining a range of 1.36-1.38.



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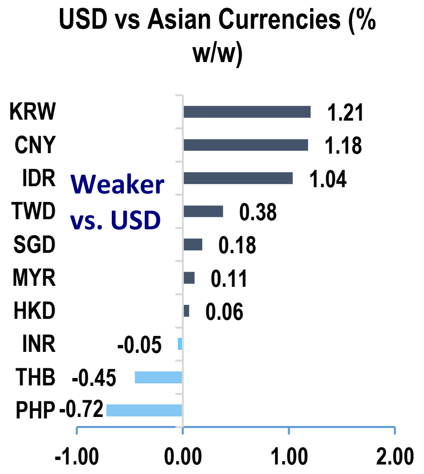


Source: Bloomberg

Forecasts

	Q2-22	Q3-22	Q4-22	Q1-23
DXY	106	108	105	103
EUR/USD	1.02	1.00	1.01	1.03
GBP/USD	1.21	1.20	1.22	1.24
AUD/USD	0.69	0.68	0.69	0.70
USD/JPY	133	135	133	132
USD/MYR	4.38	4.40	4.38	4.35
USD/SGD	1.39	1.40	1.38	1.37
USD/CNY	6.73	6.75	6.73	6.72

	Q2-22	Q3-22	Q4-22	Q1-23
EUR/MYR	4.47	4.40	4.42	4.48
GBP/MYR	5.30	5.28	5.34	5.39
AUD/MYR	3.02	2.99	3.02	3.05
SGD/MYR	3.15	3.14	3.17	3.18
CNY/MYR	1.54	1.53	1.54	1.54

Source: HLBB Global Markets Research

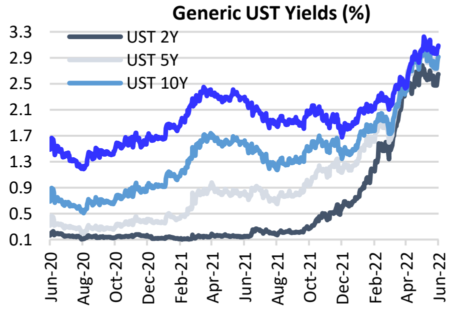
Fixed Income

- **UST:** For the shortened week under review, USTs under-performed following renewed inflationary conditions that made its rounds again due to several economic data releases. Hawkish comments from Fed official Waller, Brainard, Mester; coupled with stronger-than-expected reports on US consumer confidence, Chicago-area business conditions and also stronger-than-expected US manufacturing activity in May caused bonds to be on the receiving end. The curve shifted higher as overall benchmark yields rose between 10-20bps. **Both the UST 2Y and much-watched 10Y yields (which ranged wider between 2.74-2.92%) ended 15bps higher at 2.63% and 2.91% respectively.** Elsewhere, June will see the commencement of the Fed's balance sheet tapering with $47.5b monthly runoff until August (September onwards will see an a bigger $95b monthly shrinkage of the balance sheet). **Expect bonds to be range-bound next week as wavering views between inflation and recessionary fears alternate, with impact largely to be seen from the May jobs data release tonight.**

- **MGS/GII:** Local govvies closed weaker w/w, whilst taking cue from higher IRS levels and also Malaysian PM's reminder that the hike in food prices and other living costs has given rise to inflationary conditions. **The benchmark 5Y MGS 11/26 yield rose 9bps to 3.74% whilst the 10Y MGS 7/32 jumped 14ps to 4.26%.** Average weekly secondary market volume climbed 11% to RM14.96b versus prior week's RM13.47b with interest seen mainly in the off-the-run 22's, 29's and 3Y, 10Y MGS/GII. Elsewhere, the cost of subsidies to ensure price control measures is expected to weigh on the government's coffers. The 3Y GII auction registered solid bidding metrics with BTC ratio at 3.632x and awarded at 3.539%. It was reflective of strong participation from both onshore and offshore banking institutions. Meanwhile, traders are expected to price-in a higher peak to the rate cycle in EM Asian markets as they foresee central banks hiking more aggressively. **Expect local govvies to range sideways next week in the absence of market-moving data.**

- **MYR Corporate bonds/ Sukuk**: The week under review saw reduced appetite for govt-guaranteed bonds, corporate bonds and Sukuk amid rising yields. **Trades were seen along the across GG to single-A part of the curve as yields closed mostly mixed-to-higher amid a 40% drop in weekly market volume of RM1.35b.** Topping the weekly volume were the short-end Turus Pesawat 11/22 (GG) which jumped 24bps higher compared to previous-done levels to 2.76%. This was followed by HLFG 2117NC24 Perps (A1) bonds which spiked a whopping 89bps to 4.12% and subsequently P METAL 8/25 (AA3), which rallied to end 15bps lower at 4.18%. Higher frequency of bond trades was seen in DANA, PRASA, Genting-related bonds, MAHB and Southern Power; along with odd-lot transactions in Sabah Development Bank, MBSB bank, YNH Properties and TROPICANA bonds. The prominent fresh issuance for the week consisted of TNB Power Generation Sdn Bhd's AAA-rated 10-20Y bonds totaling RM1.5b with coupons ranging between 4.70-5.20%.

- **Singapore Government Securities:** SGS ended weaker following the performance of UST movements closely for the week under review. The curve bear-flattened as overall benchmark yields climbed between 1-24bps across. The SGS 2Y yield edged 1bps up to 2.16% whilst the 10Y (which ranged between 2.64-2.82%) spiked the most by 24bps to 2.82%. Singapore's sovereign bonds posted a loss of 1.4% w/w (prior week: +0.1%). Singapore rates may have underperformed due to combination of hawkish monetary policy coupled with some recessionary fears and re-pricing of risk that has hurt risk appetite. An upcoming long-tenures infrastructure-related bond issuance by the government may be on the cards soon. The republic's strong PMI data for May coupled with high inflation could prompt MAS to continue on a tight monetary trajectory. Meanwhile, RBC Investor Services Trust Singapore Ltd (as trustee for ESR-LOGOS REIT) has successfully priced its SGD150m PerpNC5 at a yield of 5.5%. Elsewhere, OCBC has priced SGD500m in 3.9% AT1 perpetual capital securities, callable in 2027.



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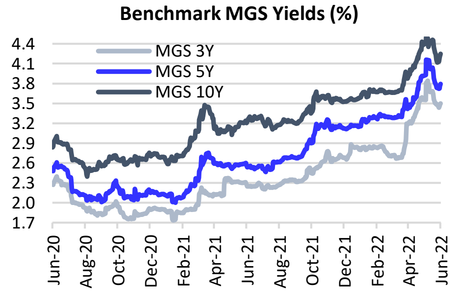

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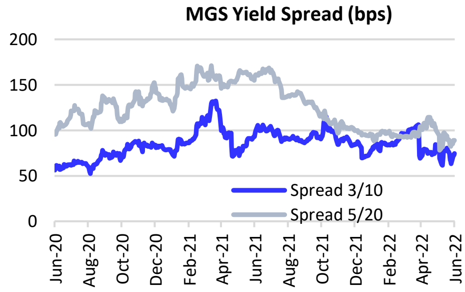

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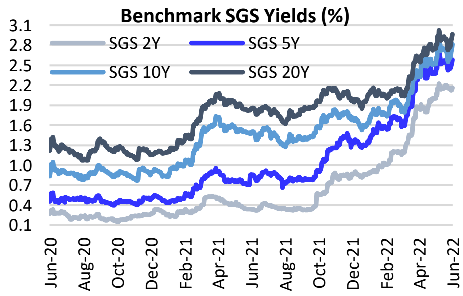

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Bank Muamalat Malaysia Berhad	Financial institution ratings (FIRs)	A2/Stable/P1	Reaffirmed
AC First Genesis Berhad	Senior Class A and Senior Class B First Tranche under the RM3 billion Sukuk Ijarah Programme	AAA/Stable and AA2/Stable	Reaffirmed
	Senior Class A Senior Class B	AAA/Stable AA2/Stable	Reaffirmed Reaffirmed
Zamarad Assets Berhad	Tranche 4 Class A Sukuk Murabahah Tranche 4 Class B Sukuk Murabahah	AAA/Stable From AA2/Stable to AAA/Stable	Reaffirmed Upgraded
	Tranche 1 Class A Tranche 1 Class B	AAA/Stable AAA/Stable	Reaffirmed Reaffirmed
Al Dzahab Assets Berhad	Tranche 3 Class A and Class B Sukuk Tranche 4 Class A and Class B Sukuk	AAA/Stable AAA/Stable	Reaffirmed Reaffirmed
	Tranche 5 Class A and Class B Sukuk	AAA/Stable	Reaffirmed
Cypark Ref Sdn Bhd	RM550 mil SRI Sukuk Murabahah Programme (2019/2041	AA3/Negative	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
06/06	08:30	HK	S&P Global Hong Kong PMI	May	51.7
	09:45	CN	Caixin China PMI Services	May	36.2
07/06	07:30	JP	Household Spending YoY	Apr	-2.3%
	07:30	JP	Labor Cash Earnings YoY	Apr	2.0%
	12:30	AU	RBA Cash Rate Target	07 Jun	0.35%
	16:30	EZ	Sentix Investor Confidence	Jun	-22.6
	16:30	UK	S&P Global/CIPS UK Services PMI	May F	51.8
	20:30	US	Trade Balance	Apr	-$109.8b
08/06	07:50	JP	GDP SA QoQ	1Q F	-0.2%
	17:00	EZ	GDP SA QoQ	1Q F	0.3%
	19:00	US	MBA Mortgage Applications	03 Jun	-2.3%
09/06	07:01	UK	RICS House Price Balance	May	80%
	14:00	JP	Machine Tool Orders YoY	May P	25.0%
	19:45	EZ	ECB Deposit Facility Rate	09 Jun	-0.5%
	20:30	US	Initial Jobless Claims	04 Jun	200k
	00:00	CN	Exports YoY	May	3.9%
	00:00	CN	Imports YoY	May	0.0%
10/06	00:00	US	Household Change in Net Worth	1Q	$5297b
	06:45	NZ	Card Spending Retail MoM	May	7.0%
	07:50	JP	PPI YoY	May	10.0%
	09:30	CN	PPI YoY	May	8.0%
	09:30	CN	CPI YoY	May	2.1%
	12:00	MA	Industrial Production YoY	Apr	5.1%
	20:30	US	CPI YoY	May	8.3%
	22:00	US	U. of Mich. Sentiment	Jun P	58.4

Source: Bloomberg

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