Hong Leong Bank

Global Markets Research

Weekly Market Highlights

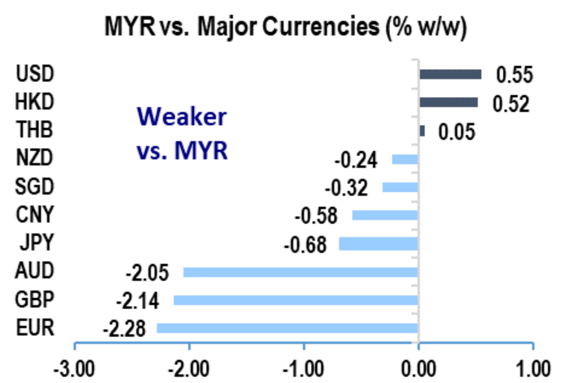
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	32,001.25	-0.10	-11.94
S&P 500	3,719.89	-2.30	-21.95
FTSE 100	7,188.63	1.62	-2.65
Hang Seng	15,339.49	-0.57	-34.44
KLCI	1,420.38	-2.32	-9.39
STI	3,102.51	2.89	-0.68
Dollar Index	112.99	2.17	18.10
WTI oil ($/bbl)	87.96	-1.26	14.52
Brent oil ($/bbl	94.43	-2.61	21.41
Gold (S/oz)	1,632.10	-1.72	-10.75

Source: Bloomberg

- **Choppy US stock markets ended the week in the red:** That first "shock" sent stocks briefly higher on Wednesday, but those gains reversed when Fed Chair Jerome Powell said it was premature to discuss a rate pause and that the so-called terminal rate, would likely be higher than what the Fed previously stated. As of Thursday's close, all major averages broke its winning streak. The Dow and S&P slid 0.1% w/w and 2.3% w/w. The Nasdaq shed 4.2% w/w. Markets is expected to continue seesaw until it is clear that inflation has cooled and the Fed will stop hiking.
- **Next week data:** Both the UK and Malaysia are set to release its 3Q GDP numbers next week and we are looking at a very strong double-digit growth for the latter. EU Commission will unveil its economic forecasts for 2023. Other key indicators would be the China's exports as well as CPI numbers from both China and the US.

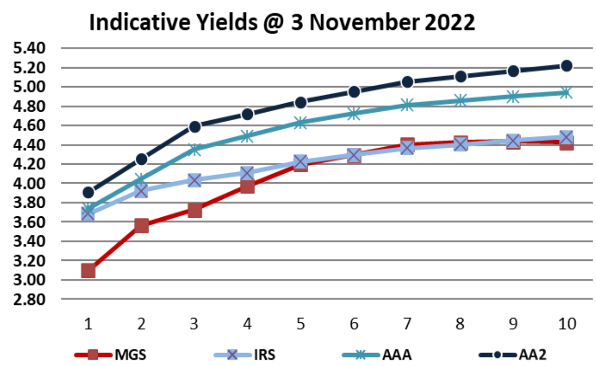
Forex



Source: Bloomberg

- **MYR:** MYR retraced from its previous weekly gain, weakening 0.5% w/w against USD to close at 4.7435 on Thursday. MYR however traded firmer against selective majors (EUR, GBP, AUD) and regional currencies (CNY and SGD). We are ***Neural-to-Slightly Bullish*** on USD/MYR next week, with a forecast range of 4.72-4.78. Upside surprises in 3Q GDP will likely lend support to the MYR but the key risk lies with GE15 further down the road.
- **USD**: We saw sustained strength around the 111 handle before the Dollar Index gained traction and broke above 112 to end the week up 2.2% at 112.99 as Federal Reserve Chair Jerome Powell said inflation was still too high and indicated that the central bank has more rate hikes ahead. We are still ***Slightly-Bullish*** on DXY but expect some consolidations due to its stretched positions in the near term and while the market awaits the October inflation number due next week. We go with a range of 110-115 in the week ahead for now.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries reversed gains seen in the prior week, coming under renewed pressure ahead of the much anticipated FOMC meeting. Overall yields ended 10-44bps higher led by the front end, bear flattening the curve. While the Fed's guidance for slower pace of rate increase going forward did offer a relief rally, it was indeed just a blip, Continued elevated Fed rate hike expectation is expected to continue suppress the UST and drive yields higher, albeit more modestly compared to previous spikes. Tonight's nonfarm payroll, next week's CPI, Fed speaks as well as bond sale of 3Y, 10Y and 30Y notes will drive UST performance in the week ahead.
- **MGS/GII:** Local govvies ended generally firmer, although a tad more mixed in the MGS space. Overall benchmark MGS/ GII yields closed mixed between -7 to +3bps across the curves. The benchmark 5Y MGS 11/27 inched up 1bp to 4.14% whilst the 10Y MGS 7/32 rose 2bps to 4.35%. The average daily secondary market volume jumped 56% w/w to RM2.45b (prior RM1.57b) with interest seen mainly in the off-the-run 23s and 28s, benchmark 3Y MGS/ GII, 5Y MGS, 10Y GII, and 20Y MGS. Focus will shift to the release of 3Q GDP next Friday where we are expecting a double-digit print.

Macroeconomic Updates

- **Choppy US stock market ended the week in the red:** Investors have generally stayed sideline this week while waiting the Fed's monetary policy decision as well as guidance on the rates going forward, with S&P and Nasdaq bearing the brunt of it. That first "shock" sent stocks briefly higher on Wednesday, but those gains reversed when Fed Chair Jerome Powell said it was premature to discuss a rate pause and that the so-called terminal rate, would likely be higher than the Fed previously stated. As of Thursday's close, all major averages broke its winning streak. The Dow and S&P slid 0.1% w/w and 2.3% w/w. The Nasdaq shed 4.2% w/w. Many expect the market to continue to seesaw until it's clear that inflation has cooled and the Fed will stop hiking.

- **PMIs point to a weak start to 4Q:** October PMIs signalled a weak start to 4Q. US-ISM and Eurozone PMI manufacturing weakened to the lowest since May 2020. Both the official Chinese and Caixin PMI currently stood below the 50-threshold level suggesting contractions in economic activities. The S&P Manufacturing PMI for the UK, also fell to a 29-month low. The Jibun Bank PMI reported the lowest reading in 21 months, albeit still expansionary. The services sector did not fare better either. The PMI services for the US, UK and China dipped further in the contractionary threshold.

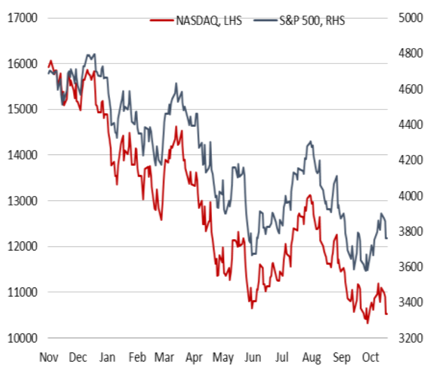
- **Still favourable employment and wages:** The US Employment Cost Index increased solidly at 1.2% in 3Q. Personal income increased 0.4% m/m in September. Personal spending was also stable at +0.6% m/m. On the last business day of September, the number of job openings increased to 10.7m, totally eclipsing August by nearly half a million. In Japan, unemployment rate remained low at 2.6% and the country's job availability ratio increased to 1.34 , highest since March 2020. Unemployment rate in the Euro also eased to 6.6%.

- **Entrenched inflationary pressure**: Overall inflaionary outlook remains skewed to the upside. In the US, core PCE-price index accelerated to +5.1% y/y, significantly above Federal Reserve's target of 2.0%. In Australia, producer prices quickened the highest since the series began in September 1998. Euro Inflation came in at +10.7% y/y , the highest ever monthly reading since the euro zone's formation.

- **More policy tighteing on the cards:** In view of a persistent inflationary pressures, Federal Reserve Chair Jerome Powell indicated that the central bank has more rate hiking ahead, although the pace of the increase will most likely be slower. This comes after the Fed raised the fed funds rate by 75bps to 3.75-4.00% during the week. The BOE also raised rates by 75bps to 3.00% but guided for lower terminal rate. RBA hiked the cash rate by 25bps to 2.85%, but was not as dovish as expected. On the domestic front, BNM decided to raise the OPR by a further 25bps to 2.75% as widely expected. We believe BNM could deliver another 25bps hike at its next meeting in January, bringing the OPR to 3.00%. BOJ, on the other hand, remained the lone ranger, unanimously voting to maintain its policy rate unchanged at -0.1%.

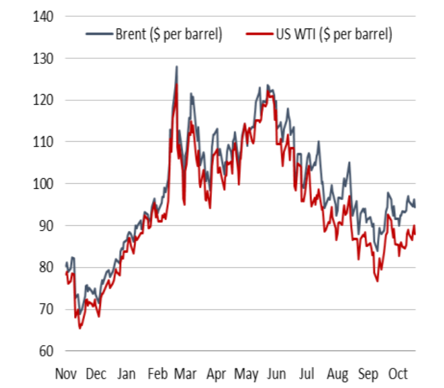
- **Next week data:** Both the UK and Malaysia are set to release its 3Q GDP numbers next week and we are looking at a very strong double-digit growth for the latter. EU Commission will unveil its economic forecasts for 2023. Other key indicators would be the China's exports as well as CPI numbers from both China and the US.

Stocks fell post FOMC



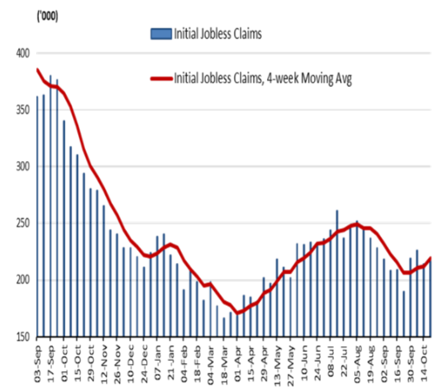
Source: Bloomberg

Oil prices were generally weaker



Source: Bloomberg

Initial jobless claims edged up



Source: Bloomberg

Foreign Exchange

- **MYR:** MYR retraced from its previous weekly gain, weakening 0.5% w/w against USD to close at 4.7435 on Thursday. MYR however traded firmer against selective majors (EUR, GBP, AUD) and regional currencies (CNY and SGD). The sharp retreat in USD/ MYR to as low as 4.7373 in late Asian trading yesterday and this morning's lower opening failed to sustain, as USD bulls take command. We are ***Neural-to-Slightly Bullish*** on USD/MYR next week, with a forecast range of 4.72-4.78. Upside surprises in 3Q GDP will likely lend support to the MYR but the key risk lies with GE15 further down the road.

- **USD**: The greenback held firm in the week, hovering in the range of 110-112 ahead of Fed meeting as investors stayed cautious ahead of the announcement. We saw sustained strength around the 111 handle before the Dollar Index gained traction and broke above 112 to end the week up 2.2% at 112.99 as Federal Reserve Chair Jerome Powell said inflation was still too high and indicated that the central bank has more rate hikes ahead. We are still ***Slightly-Bullish*** on DXY but expect some consolidations due to its stretched positions in the near term and while the market awaits the October inflation number due next week. We go with a range of 110-115 in the week ahead for now.

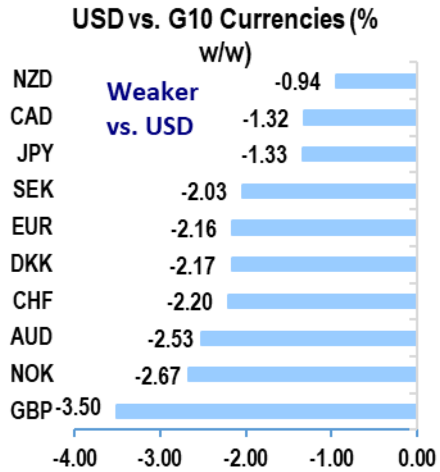
- **EUR**: Similar to the sterling, ECB's decision to raise rates by 75bps the prior week as well as the highest inflation rate seen on record failed to support the EUR/USD pair. EUR/USD dipped 2.2% w/w this week to close at 0.9749. We are ***Neutral-to-Slightly-Bearish*** on the pair next week, eyeing a range of 0.96-1.00 in anticipation of sustained USD strength. Key risk to this pair will be US CPI, the release of European Commission's economic forecast next week which could send the pair retreating further should recession noises and energy crisis gain traction.

- **GBP**: The pound was seen losing some luster but still holing up above the 1.14 handle in early week trading before the sharp decline on 3-November on the back of the USD rally. The sterling plunged over 2.0% overnight after the dovish BOE hike, leading to a weekly loss of 3.5% at 1.1160 as at Thursday's close, rendering the sterling the worst performing G10s this week. Downbeat growth forecasts by BOE, as well as Governor Bailey's hint that the peak rate will be lower than what market had priced in is expected to be negative for the GBP. We are ***Bearish*** on GBP/USD next week, expecting it to trade within the 1.10 to 1.14 range.

- **JPY**: The selloff in JPY deepened this week, leaving USD/JPY at 148.26 as of Thursday (-1.3% w/w) as market continued to focus on the FED-BOJ policy divergence. Nevertheless, official intervention to shore up the battered currency means yen will most likely be capped below the 150-handle. We are ***Neutral*** on this pair and expect it to consolidate around recent familiar ranges of 146-149.

- **AUD**: AUD weakened against USD and major currencies as RBA's less dovish statement failed to sustain previous' weeks gain. AUD spiked to its high of 0.6513 before retreating to below the 0.64 handle and closing 2.5% w/w weaker against the greenback. Nevertheless, AUD appears to be finding some support from positive Australia trade data while PMI services also dipped less than initially estimated. We are ***Neutral-to-Slightly-Bearish*** on AUD/USD, eyeing a potential break below 0.6300, with a weekly range of 0.62-0.64.

- **SGD**: SGD weakened 0.9% w/w against the USD to a close of 1.4219 on Thursday but strengthened against all other G10s. The SGD traded mixed against regional currencies, stronger vs the CNY and PHP but weaker against the HKD, KRW as well as MYR. This week's PMI readings showed a mixed picture of economic activities in Singapore, pointing to an uneven outlook ahead. We are ***Bullish*** on this pair and look for it to break above the 1.42 resistance heading towards 1.43-1.44. Moreover, US is set to release its October inflation number next week and this could provide further support to this pair. We go with a range of 1.41-1.43 for now.



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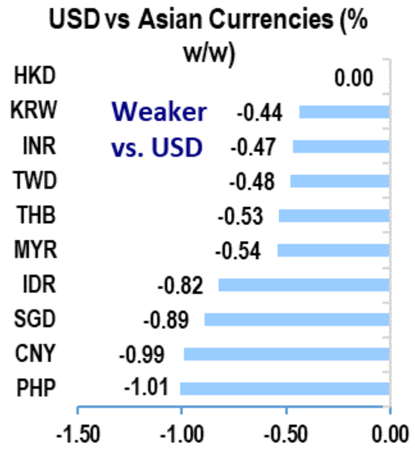


Source: Bloomberg

Forecasts

	Q4-22	Q1-23	Q2-23	Q3-23
DXY	115	113	110	110
EUR/USD	0.95	0.97	0.98	0.98
GBP/USD	1.10	1.10	1.11	1.12
AUD/USD	0.62	0.63	0.64	0.64
USD/JPY	147	146	145	144
USD/MYR	4.68	4.64	4.62	4.60
USD/SGD	1.45	1.44	1.42	1.40
USD/CNY	7.15	7.22	7.18	7.15

	Q4-22	Q1-23	Q2-23	Q3-23
EUR/MYR	4.45	4.49	4.52	4.51
GBP/MYR	5.15	5.10	5.13	5.16
AUD/MYR	2.90	2.92	2.96	2.94
SGD/MYR	3.23	3.23	3.25	3.29
CNY/MYR	0.66	0.64	0.64	0.64

Source: HLBB Global Markets Research

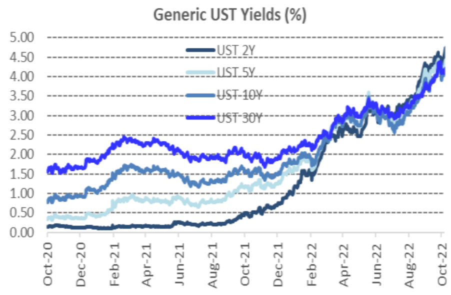
Fixed Income

- **UST:** US Treasuries reversed gains seen in the prior week, coming under renewed pressure ahead of the much anticipated FOMC meeting which did not disappoint as far as the 75bps hike to 3.75-4.00% is concerned. Overall yields ended 10-44bps higher led by the front end, bear flattening the curve. While the Fed's guidance for slower pace of rate increase going forward did offer a relief rally, it was indeed just a blip, completely overturned by Fed Chair Powell's comment on a higher than initially projected terminal rate. He also cautioned that the risk of not tightening enough is bigger than over-tightening, reaffirming the Fed's inflation-fighting mode and that rate hike is still on the cards in the next several meetings. While the Fed does not provide new guidance on the new terminal rate, market is pricing for rates to be raised to 5.25%-5.50% by March and 5.50-5.75% by May next year. For the first time, traders also saw a very slim (less than 1%) chance that fed funds rate may drift higher to 5.75-6.00% by June. We are keeping to our house view for a 50bps hike in December but will be reviewing our 2023 rates outlook to 5.25-5.50% (prior 4.25-4.50%). Continued elevated Fed rate hike expectation is expected to continue suppress the UST and drive yields higher, albeit more modestly compared to previous spikes. Tonight's nonfarm payroll, next week's CPI, Fed speaks as well as bond sale of 3Y, 10Y and 30Y notes will drive UST performance in the week ahead.

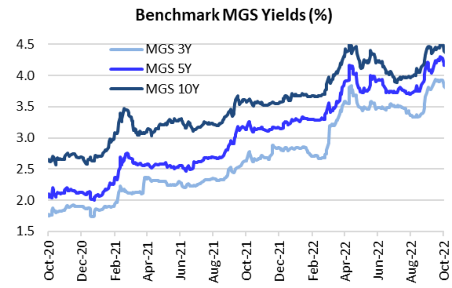
- **MGS/GII:** Local govvies ended generally firmer, although a tad more mixed in the MGS space, after going through some choppy trade this week in the wake of central bank event risks. Both the Fed and BNM delivered hawkish hikes in our view, prioritizing upside inflationary risks over downside growth risks, with volatility in financial markets, tightening financial conditions, and protracted strong USD environment imposing some concerns. Overall benchmark MGS/ GII yields closed mixed between -7 to +3bps across the curves. The benchmark 5Y MGS 11/27 inched up 1bp to 4.14% whilst the 10Y MGS 7/32 rose 2bps to 4.35%. The average daily secondary market volume jumped 56% w/w to RM2.45b (prior RM1.57b) with interest seen mainly in the off-the-run 23s and 28s, benchmark 3Y MGS/ GII, 5Y MGS, 10Y GII, and 20Y MGS. Focus will shift to the release of 3Q GDP next Friday where we are expecting a double-digit print.

- **MYR Corporate bonds/ Sukuk**: The week under review saw more subdued and mixed trading in the corporate bond/ sukuk space as investors preferred to stay on the sideline ahead of FOMC and BNM policy announcements. Average daily market transactions fell by about 18% to RM236m (prior RM287m), with interests remaining at the GG-AA part of the curve. GG trades were almost absent in earlier part of the week before making a return on Thursday (BNM MPC day). GG papers which attracted investors' interest included DANA '28, '31 and '39, as well as PRASA '39 and '40. In the AAA-rated segment, CAGA '10/25 notched RM100m worth of nominal trades' in just one single day. Other CAGA papers being traded include CAGA '02/23 and '04/23. The maiden debut of AAA-rated Amanah Lebuhraya Rakyat 10/30 saw RM60m dealt at 5,10%.

- **Singapore Government Securities:** SGS traded in much more muted moves compared to the UST. Overall SGS yields were seen climbing 2-13bps w/w across led by the long end, hence bear steepening the curve. The SGS 2Y yield rose 2bps to 3.15% whilst the 10Y bonds moved 3bps up to 3.48%. The 20Y jumped 13bps to 3.33%. Expect yields to continue exhibit an upward bias tracking the UST as the Fed remains committed to further policy tightening. Again, the spike will likely be more modest as the Singapore economy continues to show favourable expansion despite some signs of softening. Just released retail sales reported a smaller than expected moderation to a 11.2% y/y growth in September (Aug: +13.3%), underscoring resiliency among the consumers. This, coupled with elevated inflation, should support the case for a hawkish MAS policy, boost the appeal of SGS. Lack of bond supply is also expected to keep SGS supported.



Source: Bloomberg



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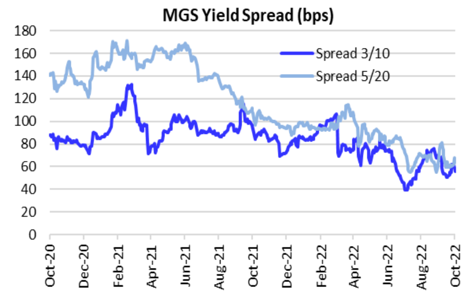

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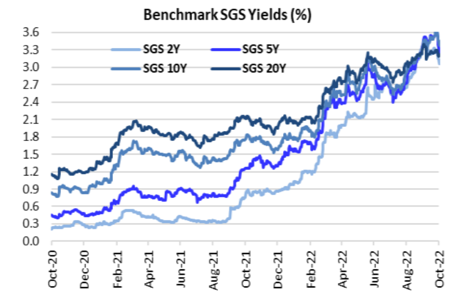

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Notable Vision Sdn Bhd	RM750 mil MTN Programme, a property securitisation involving The Westin Kuala Lumpur		
	Class A Senior MTNs	AAA/Stable	Reaffirmed
	Class B Junior MTNs	B2/Stable	Reaffirmed
	Class C Junior MTNs	C3/Stable	Reaffirmed
Malaysia Debt Ventures Berhad	Corporate Credit Rating	AA3/Stable/P1	Reaffirmed
	RM2 bil Conventional and Islamic Commercial Papers/Medium-Term Notes Programmes	AA3/Stable/P1	Reaffirmed
Qiradh Capital Sdn Bhd	10-year RM200 mil Sukuk Wakalah Programme	AA3/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
7-Nov	15:00	MA	Foreign Reserves	Oct-31	$104.5b
	17:30	EC	Sentix Investor Confidence	Nov	-38.3
	0:00	CH	Exports YoY	Oct	5.70%
7-14 Nov	0:00	EC	EU Commission Economic Forecasts		
8-Nov	4:00	US	Consumer Credit	Sep	$32.241b
	6:00	AU	CBA Household Spending MoM	Oct	-0.50%
	7:30	AU	Westpac Consumer Conf Index	Nov	83.7
	7:30	JN	Household Spending YoY	Sep	5.10%
	7:30	JN	Labor Cash Earnings YoY	Sep	1.70%
	7:30	JN	Real Cash Earnings YoY	Sep	-1.70%
	8:30	AU	NAB Business Conditions	Oct	25
	8:30	AU	NAB Business Confidence	Oct	5
	10:00	NZ	2Yr Inflation Expectation	4Q	3.07%
	12:00	MA	Industrial Production YoY	Sep	13.60%
	12:00	MA	Manufacturing Sales Value YoY	Sep	24.40%
	13:00	JN	Leading Index CI	Sep P	
	13:00	JN	Coincident Index	Sep P	
	18:00	EC	Retail Sales MoM	Sep	-0.30%
	19:00	US	NFIB Small Business Optimism	Oct	92.1
9-Nov	7:50	JN	BoP Current Account Balance	Sep	¥58.9b
	9:30	CH	PPI YoY	Oct	0.90%
	9:30	CH	CPI YoY	Oct	2.80%
	13:00	JN	Eco Watchers Survey Current SA	Oct	48.4
	13:00	JN	Eco Watchers Survey Outlook SA	Oct	49.2
	20:00	US	MBA Mortgage Applications	4-Nov	-0.5%
	23:00	US	Wholesale Inventories MoM	Sep F	1.30%
	23:00	US	Wholesale Trade Sales MoM	Sep	0.10%
9-15 Nov	0:00	CH	Aggregate Financing CNY	Oct	3530.0b
	0:00	CH	New Yuan Loans CNY	Oct	2470.0b
10-Nov	7:50	JN	Money Stock M3 YoY	Oct	2.90%
	8:00	AU	Consumer Inflation Expectation	Nov	5.40%
	8:01	UK	RICS House Price Balance	Oct	32%
	17:00	EC	ECB Publishes Economic Bulletin		
	21:30	US	CPI YoY	Oct	8.20%
	21:30	US	Real Avg Hourly Earning YoY	Oct	-3.00%
	21:30	US	Initial Jobless Claims	5-Nov	217k
10-14 Nov	0:00	NZ	REINZ House Sales YoY	Oct	-10.90%
11-Nov	5:30	NZ	BusinessNZ Manufacturing PMI	Oct	52
	5:45	NZ	Food Prices MoM	Oct	0.40%
	7:50	JN	PPI MoM	Oct	0.70%
	12:00	MA	BoP Current Account Balance MYR	3Q	4.4b
	12:00	MA	GDP YoY	3Q	8.90%
	15:00	UK	Monthly GDP (MoM)	Sep	-0.30%
	15:00	UK	GDP YoY	3Q P	4.40%
	16:30	HK	GDP YoY	3Q F	-4.50%
	23:00	US	U. of Mich. Sentiment	Nov P	59.9

Source: Bloomberg

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