Global Markets Research

Weekly Market Highlights

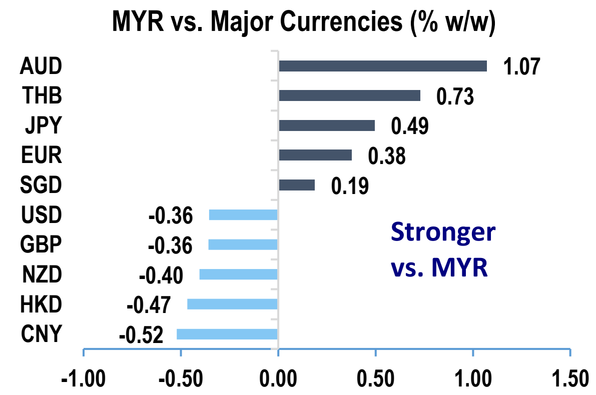
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	32,997.97	-2.71	-9.19
S&P 500	4,146.87	-3.28	-12.99
FTSE 100	7,503.27	-0.08	1.61
Hang Seng	20,793.40	2.55	-11.13
KLCI	1,582.98	-0.90	0.99
STI	3,343.57	0.25	7.04
Dollar Index	103.75	0.12	8.45
WTI oil ($/bbl)	108.26	2.75	40.62
Brent oil ($/bbl)	110.90	3.08	64.52
Gold ($/oz)	1,875.70	-0.82	2.37

Source: Bloomberg

- US equities ended the week lower after a choppy trading week. Markets were seen swinigng between pre-FOMC anxiety and post-FOMC relief rally and finally resorted to a massive market sell-off on Thursday as concerns over stagflation, geopolitical risks and China Covid uncertainties dominated investors' radar again. Global bond yields were seen edging higher generally while the USD continued to strengthen. Gold prices softened somewhat by 0.8% while global crude oil prices rose close to 3.0% w/w.
- Policy meets took center stage this week, led by the Fed who hiked rates by 50bps as expected. Meanwhile, the BOE and RBA raised rates by 25bps each. All signaled that further rate hikes are warranted to tackle inflation. Meanwhile, economic releases remained mixed with a softening bias, adding to signs market pricing of policy moves may have gone beyond fundamentals.
- Next week, inflation reading from the US and China first tier data will be key, trailing tonight's nonfarm job reports. UK 1Q GDP and industrial production from the Eurozone and the UK will also be closely watched. Locally, expect more moderate growth in 1Q GDP and an OPR pause at BNM policy meeting on 11-May.

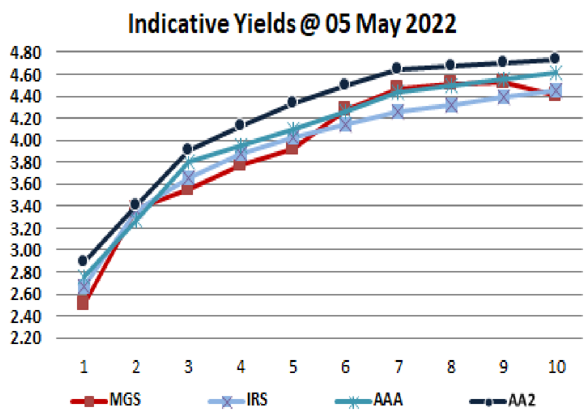
Forex



Source: Bloomberg

- **MYR:** USD/MYR pulled back 0.4% w/w to 4.3490 as at Thursday's close. Despite the holiday shortened week, the pair was seen gyrating between two big figures of 4.33-4.35 yesterday and extended its rally to the 4.37 handle this morning on the back of renewed USD strength. Weekly USD/MYR outlook remains ***Neutral-to-Slightly Bullish***, potentially staying within a range of 4.33-4.38. Growth and geopolitical uncertainties are expected to keep the USD supported but reduced bets of a more hawkish Fed will likely limit further advances in the greenback for now.
- **USD**: The Dollar Index continued to see sustained strength, hovering close to the 103.00-103.50 region throughout the most part of the week, save for the huge gap down to as low as 102.35 post FOMC meeting when Fed Chair Powell downplayed the chance of a 75bps hike. The DXY last settled at 103.75 as at Thursday's close, up 0.1% w/w. USD outlook remained ***Slightly Bullish*** in the week ahead as the Fed looks on track to hike rates at similar pace of 50bps in subsequent meetings, which is not at all a dovish guidance in our view. In addition, market jitters stemming from stagflation and geopolitical concerns will also augur well with USD bulls. We are eyeing a range of 102-105 in DXY next week where more inflation readings will be on the cards.

Fixed Income



Source: Bloomberg

- **UST:** USTs reversed the immediate rally post-FOMC and ended weaker following fears of continued inflation. The curve bear-flattened as overall benchmark yields spiked between 9-25bps. The UST 2Y yield ended 9bps higher at 2.71% whilst the 10s spiked 21bps to 3.04%. Recent massive volatile swings were due to fears of inflation and also possible economic slowdown or "stagflation". Expect to see unabated volatility in bonds the coming week following the release of the all-important April jobs data tonight.
- **MGS/GII:** Local govvies closed mixed w/w despite the vagaries seen in UST bond movements the past week. The MGS belly was slightly pressured but bonds extending out from 10-year tenures were well-bid. Nevertheless, rising IRS levels did impact both MGS/GII to a certain extent in the absence of local catalysts. Overall benchmark yields closed mixed between -12 to +15bps. The benchmark 5Y MGS 11/26 yield rose 5bps to 3.96% whilst the 10Y MGS 7/32 rallied 12bps to 4.32%. The average daily secondary market volume eased 5.9% to RM3.53b versus prior week's RM3.75b. It is believed that the wariness of BNM over potential downside risks to the economic growth may see it maintain its current monetary policy stance. Expect bonds to range sideways with a slightly-negative bias next week as sellers may be expected to dominate with intermittent-dip buying seen by traders amid further updates on US interest rate outlook coupled with the Fed's balance sheet runoff.

Macroeconomic Updates

- **Relief rally post FOMC took an abrupt turn:** US equities ended the week lower after a choppy trading week. Markets were seen swinigng between pre-FOMC anxiety and post-FOMC relief rally and finally resorted to a massive market sell-off on Thursday as concerns over stagflation, geopolitical risks and China Covid uncertainties dominated investors' radar again. Global bond yields were seen edging higher generally while the USD continued to strengthen. Gold prices softened somewhat while global crude oil prices rose close to 3.0% w/w.

- **The Fed hiked rates by 50bps as expected and will begin QE tapering in June:** The Fed did not disappoint, delivering a 50bps inrease in the Fed funds target rate to 0.75-1.00% in an unanimous vote, its biggest increase since 2000. This move was widely expected and what indeed moved markets was the guidance towards similar pace of rate hikes going forward, and Fed Chair Powell's remark saying a 75bps is not being seriously considered, literally squashing expectations for a more aggressive 75bps hike that could potentially be detrimental to growth. We expect the Fed to raise rates by 50bps each in June and July before reverting to quarter-point increase in the subsequent meetings during the year, bringing the Fed funds rate to 2.50-2.75% at end-2022. There were also no surprises from the Fed's plan on balance sheet reduction, due to begin on 1-June. The Fed will unwind its asset purchases at an initial pace of $47.5bn a month comprising $30bn in treasuries (UST) and $17.5bn in mortgage-backed securities (MBS). This will be slowly increased to $95bn a month ($60bn UST and $35bn MBS) over three months.

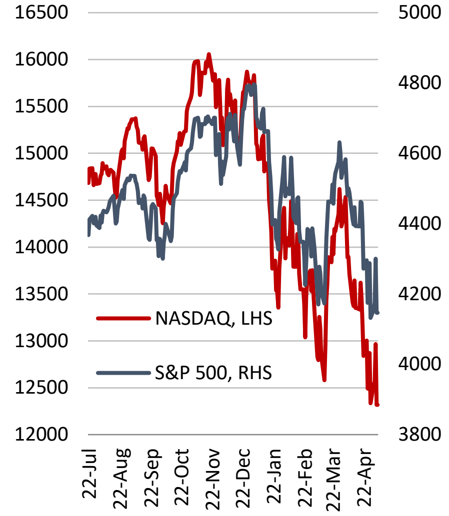
- **BOE hiked rates by 25bpst to 1.00% as expected.** What was interesting was the vote was split between 6-3 with the minority favouring a 50bps hike, as the latest inflation print came in more than 3x from BOE's 2.0% target. In its latest May Report central projection, the BOE projects that inflation will quicken to 9.0% in 2Q22 (Mar: +7.0%), and further accelerate to just over 10% in 4Q22. On the contrary, GDP growth is expected to slow sharply in 1H2022 dragged by impact of higher global energy and goods prices on household's real incomes and companies' profit margins. The BOE also said it will consider kickstarting the sale of UK government bonds under its Asset Purchase Facility, timing of which would depend on economic circumstances.

- **RBA surprised with a bigger than expected 25bps hike:** Soon after it dropped its "patient" languange, RBA raised rates for the first time since Nov-2010, by a bigger than expected pace of 25bps to 0.35%. Markets have been expecting a 15bps rate increase earlier after Australia 1Q CPI surprised on the upside last week at a two decade high of 5.1%. RBA signaled the need for further rate increases going forward to tame inflation, marking a shift in policy stance and prompted us to bring forward our rate projection to 0.50% at end-2Q22 while maintaining our year end projection at 1.00%.

- **PMI services readings point to weaker activities in April:** Services prints broadly retreated in April, adding to signs the global economy is losing steam as geopolitical uncertainties and the resulting supply chain disruption and reconfiguration continue to cloud growth outlook. Aggressive policy normalization seen from major central banks including the Fed, BOC, and RBNZ and to a lesser extent RBA, further raised concerns over the dampening effect from higher interest rates on growth. On a separate note, China's official and Caixin PMI services readings have been mired in contraction territory for the last two months, confirming that the China economy has started to take the brunt from localised lockdown.

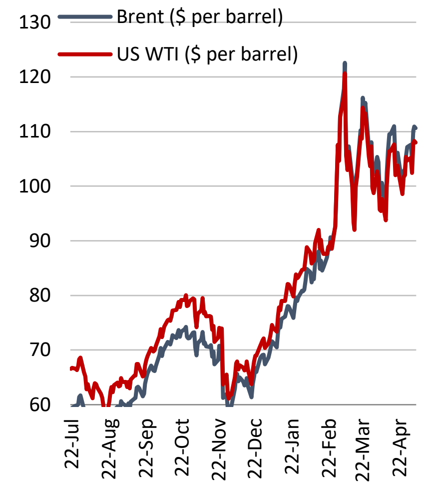
- **Malaysia 1Q GDP and BNM policy meet up next:** Next week will see a combo of first tier and second tier data. US CPI and other price indicators (PPI and import price index) willl offer more clues if inflation is peaking after the smaller than expected gain in core PCE last week. UK 1Q GDP, UK and Eurozone industrial production, China exports, CPI and PPI are other key economic releases on the deck. Back home, it will be a busy week starting with industiral production and labour market data on Tuesday, followed by wholesale & retail trade numbers on Thursday in the run-up to the release of 1Q GDP print on Friday where we are expecting a more moderate growth compared to 4Q's 3.6% expansion. Prior to that, BNM policy announcement is scheduled on 11-May, and we are expecting a pause given prevailing growth risks and absence of demand-pull inflation.

Broad market sell-off pushed stocks into the red this week



Source: Bloomberg

Crude oil prices continued to gain grounds



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR pulled back 0.4% w/w to 4.3490 as at Thursday's close. The holiday shortened week has helped shield the MYR from pre-FOMC volatility but not post-FOMC market swings. The pair was seen gyrating between two big figures of 4.33-4.35 yesterday and extended its rally to the 4.37 handle this morning on the back of renewed USD strength. Weekly USD/MYR outlook remains ***Neutral-to-Slightly Bullish*** next week, potentially staying within a range of 4.33-4.38 in our view. Growth and geopolitical uncertainties are expected to keep the USD supported but reduced bets of a more hawkish Fed will likely limit further advances in the greenback for now.

- **USD**: The Dollar Index continued to see sustained strength, hovering close to the 103.00-103.50 region throughout the most part of the week, save for the huge gap down to as low as 102.35 post FOMC meeting when Fed Chair Powell downplayed the chance of a 75bps hike, followed by the subsequent rebound to a 103.94 high. The DXY last settled at 103.75 as at Thursday's close, up 0.1% w/w, near two-decade high still. The greenback strengthened against most G10s, save for the JPY, DKK, EUR and AUD. USD outlook remained ***Slightly Bullish*** in the week ahead as the Fed looks on track to hike rates at similar pace of 50bps in subsequent meetings, which is not at all a dovish guidance in our view. In addition, market jitters stemming from stagflation and geopolitical concerns will also augur well with USD bulls. We are eyeing a range of 102-105 in DXY next week where more inflation readings will be on the cards.

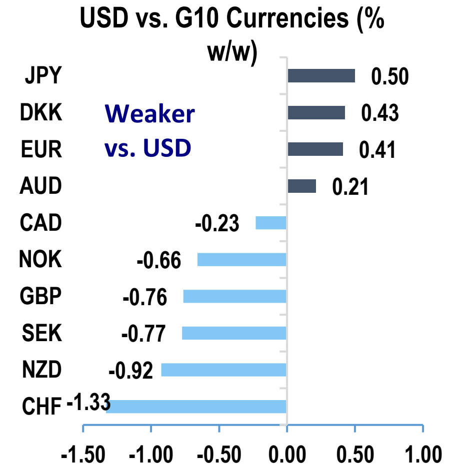
- **EUR**: EUR rebounded from preceding week's sharp losses, ending the week firmer by 0.4% against the USD at 1.0542 on Thursday after going through choppy trading, between 1.0490 and 1.0642. The pair was swayed by the Fed policy event as well as Europe's ban on Russian oil. We continue to expect a ***Bearish*** EUR/USD, although the pair will likely continue trading in familiar ranges of 1.04-1.06 on expectation of sustained USD strength and bearish technicals. ZEW survey and industrial production will be key watch next week.

- **GBP**: The GBP remained under pressure and fell against the USD for the 6th straight week to a near two-year low, down 0.8% w/w to 1.2362 against the USD as at Thursday's close. The pair traded within a lower range of 1.2325-1.2638 (prior week: 1.2412-1.3035). Weekly outlook for GBP/USD remains ***Slightly Bearish***, and we eye a potential range of 1.22-1.25 in the week ahead. BOE's guidance of a downbeat growth outlook will likely hurt the sterling although upbeat inflation outlook will underpin rate hike expectations. Preliminary 1Q UK GDP and industrial production will be key watch in the GBP space next week.

- **JPY**: USD/JPY retreated from a two-decade high as cautiousness reigned in the markets, making the JPY the best performing G10 currency this week. The JPY strengthened 0.5% w/w against the USD to 130.20 on Thursday's close, after having traded between 128.63 and 130.95 through the week. We are turning ***Neutral*** on USD/JPY outlook eyeing a range of 129-131 next week in the absence of fresh leads with markets likely continue focusing on growth and inflation risks. Jibun Bank services index and household spending due next week will unlikely have any bearing on JPY movement.

- **AUD**: AUD/USD advanced for the first time in six weeks, mainly spurred by sharp gains post-FOMC. The Aussie ended the week 0.2% w/w stronger at 0.7112, shrugging off the mixed bag of Australian data. RBA's bigger than expected rate increase (25bps vs 15bps expected) also provided some lift to the Aussie. We foresee more ***Neutral*** trading in AUD/USD in the week ahead, probably in a range of 0.70-0.72 given sustained strength in the USD while RBA's guidance for further rate hikes will be positive for the AUD as well. NAB business confidence and Westpac consumer confidence are the few key, but not marking-moving data on the cards for Aussie next week.

- **SGD**: USD/SGD retreated somewhat by 0.2% w/w to a Thursday's close of 1.3846. Similar to other crosses, the biggest swing happened on the day post-FOMC, by about 140pips vs the usual daily swings of below 100pips. Positive PMIs and retail sales data was overshadowed by USD movement. We maintain a ***Neutral-to-Slightly Bullish*** outlook on USD/SGD in a range of 1.38-1.39 next week, as the USD will likely stay firm on lingering nervousness in the markets. The pair will continue to take cue from broad market sentiments most notably the USD in the absence of any local economic events and data.



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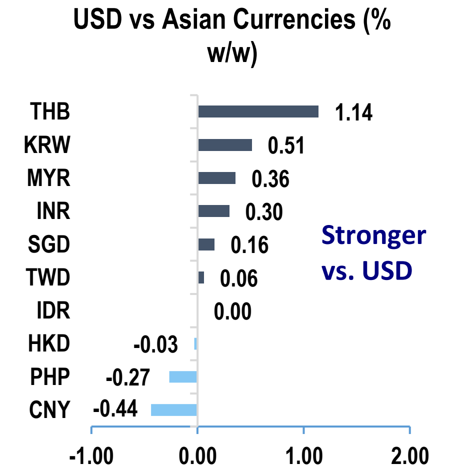


Source: Bloomberg

Forecasts

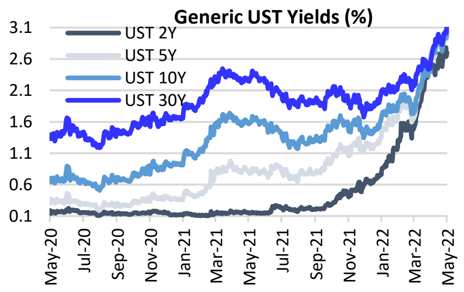
	Q2-22	Q3-22	Q4-22	Q1-23
DXY	98.50	99.00	98.00	97.50
EUR/USD	1.10	1.09	1.10	1.12
GBP/USD	1.29	1.28	1.30	1.31
AUD/USD	0.76	0.77	0.76	0.76
USD/JPY	121	120	120	120
USD/MYR	4.20	4.18	4.16	4.16
USD/SGD	1.36	1.35	1.34	1.33
USD/CNY	6.37	6.37	6.36	6.36

	Q2-22	Q3-22	Q4-22	Q1-23
EUR/MYR	4.62	4.56	4.58	4.66
GBP/MYR	5.42	5.35	5.41	5.45
AUD/MYR	3.19	3.22	3.16	3.16
SGD/MYR	3.09	3.10	3.10	3.13
CNY/MYR	1.52	1.52	1.53	1.53

Source: HLBB Global Markets Research

Fixed Income

- **UST:** For the week under review, USTs reversed the immediate rally post-FOMC rate hike of 50bps mid-week (due to the initial belief of the "dovish rate hike"); and ended up weaker instead following fears of continued inflation. The curve bear-flattened as overall benchmark yields spiked between 9-25bps. **The UST 2Y yield ended 9bps higher at 2.71% whilst the much-watched UST 10Y (which ranged wider between 2.94-3.07%) spiked 21bps to 3.04**%. The Fed also announced the commencement of the balance sheet runoff effective 1st June that would comprise an initial combined monthly pace of reduction totaling $47.5b over 3 months followed by an increase to $95b. Recent massive volatile swings were due to fears of inflation and also possible economic slowdown or "stagflation". **Expect to see unabated volatility in bonds the coming week following the release of the all-important April jobs data tonight.**



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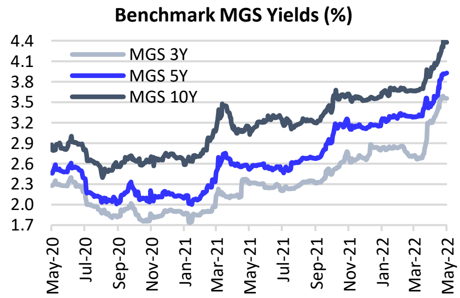
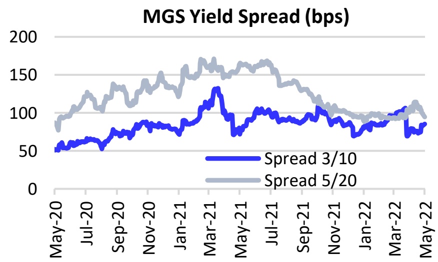


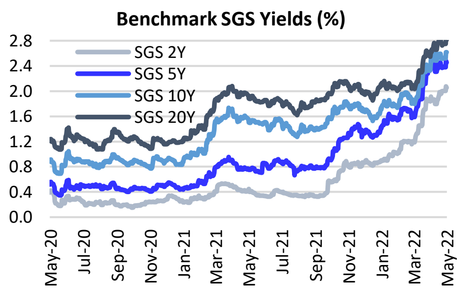
Source: Bloomberg

- **MYR Corporate bonds/ Sukuk**: The week under review saw a slight dip in investor appetite for govt-guaranteed bonds, corporate bonds and Sukuk due to investors reluctance of taking on fresh positions due to the long weekend break. **Trades were seen mainly across GG-AA part of the curve as yields closed mostly higher amid a slight decrease in weekly market volume of 19.3% to RM305m.** Topping the weekly volume were Kedah Cement 7/22 (AA3) which decreased 7bps compared to previous-done levels to 2.96%. This was followed by KHAZANAH 8/23 (GG) bonds which jumped 20bps higher to 2.92% and subsequently Hong Bank Bhd's 2117NC27 green perpetual bonds (A1), which spiked 49bps to 4.45%. The frequency of bond trades was low given the extended break arising from the combined holidays of Labor Day and Hari Raya Aidil Fitr celebrations. One of the prominent fresh issuances for the week consisted of Sabah Credit Corporation's AA1-rated 3Y bonds totaling RM65m with a coupon of 4.25%.



Source: Bloomberg

- **Singapore Government Securities:** SGS mirrored UST movements albeit by smaller margins following renewed concerns in the US over inflation. The curve shifted higher as overall benchmark yields climbed between 6-9bps across. The SGS 2Y yield rose 6bps to 2.06% whilst the 10Y (which ranged wider between 2.50-2.60%) jumped 9bps higher to 2.62%. Singapore's sovereign bonds continued to post a small loss of a 0.46% w/w. Meantime it is believed that the restrained issuance of SGD bonds in the market has caused the market to be well-anchored and supported with lesser volatility compared to other Asian markets. The republic's PMI released by S&P Global saw a rise from 52.9 prior month to 56.7 in April, denoting strength with output and new orders which came in at the highest since July 2021. Elsewhere, OUE Commercial REIT, via its wholly-owned subsidiary, OUE CT Treasury has successfully issued SGD$100m of 5Y fixed-rate notes at a coupon of 4.20%. Meanwhile, Straits Trading too issued SGD$170m of 4.10% bonds due in 2026 under its SGD500m multicurrency debt issuance program. Expect less volatility in bonds for the coming week.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Special Coral Sdn Bhd	RM250.0 million Senior Class A Medium-Term Notes (MTN)	AAA/Stable	Affirmed
	RM50.0 million Senior Class B MTN	AA/Stable	Affirmed
	RM800.0 million Subordinated Class MTN	B-/Stable	Affirmed
Sarawak Petchem Sdn Bhd	Proposed RM6.0 bil Islamic Medium-Term Notes Programme (proposed Sukuk Wakalah	AAA(s)/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
09/05	07:30	JP	Labor Cash Earnings YoY	Mar	1.2%
	08:30	JP	Jibun Bank Japan PMI Services	Apr F	50.5
	16:30	EZ	Sentix Investor Confidence	May	-18.0
	00:00	CN	Exports YoY	Apr	14.7%
	00:00	CN	Imports YoY	Apr	-0.1%
10/05	06:45	NZ	Card Spending Retail MoM	Apr	-1.3%
	07:00	AU	CBA Household Spending MoM	Apr	9.2%
	07:30	JP	Household Spending YoY	Mar	1.1%
	09:30	AU	NAB Business Confidence	Apr	16.0
	12:00	MA	Industrial Production YoY	Mar	3.9%
	17:00	EZ	ZEW Survey Expectations	May	-43.0
	18:00	US	NFIB Small Business Optimism	Apr	93.2
11/05	08:30	AU	Westpac Consumer Conf SA MoM	May	-0.9%
	09:30	CN	PPI YoY	Apr	8.3%
	09:30	CN	CPI YoY	Apr	1.5%
	15:00	MA	BNM Overnight Policy Rate	11 May	1.75%
	15:00	MA	Foreign Reserves	29 Apr	$114.4b
	19:00	US	MBA Mortgage Applications	06 May	2.5%
	20:30	US	CPI YoY	Apr	8.5%
12/05	06:45	NZ	Food Prices MoM	Apr	0.7%
	07:01	UK	RICS House Price Balance	Apr	74.0%
	09:00	AU	Consumer Inflation Expectation	May	5.2%
	14:00	UK	Monthly GDP (MoM)	Mar	0.1%
	14:00	UK	GDP QoQ	1Q P	1.3%
	14:00	UK	Industrial Production MoM	Mar	-0.6%
	14:00	UK	Index of Services MoM	Mar	0.2%
	14:00	UK	Visible Trade Balance GBP/Mn	Mar	-£20594m
	20:30	US	PPI Final Demand YoY	Apr	11.2%
	20:30	US	Initial Jobless Claims	07 May	200k
13/05	06:30	NZ	BusinessNZ Manufacturing PMI	Apr	53.8
	12:00	MA	GDP YoY	1Q	3.6%
	16:30	HK	GDP YoY	1Q F	-4.0%
	17:00	EZ	Industrial Production SA MoM	Mar	0.7%
	20:30	US	Import Price Index YoY	Apr	12.5%
	22:00	US	U. of Mich. Sentiment	May P	65.2

Source: Bloomberg

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