HongLeong Bank

Global Markets Research

Weekly Market Highlights

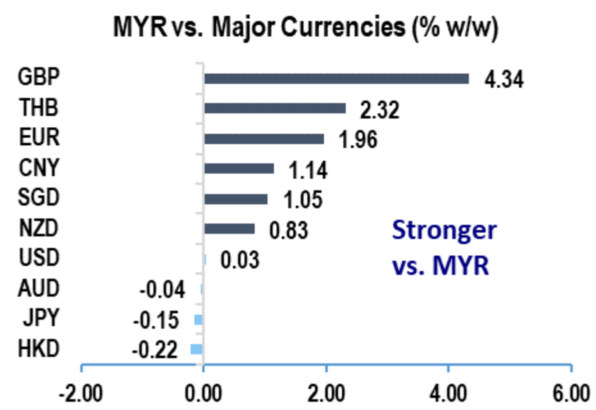
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	29,926.94	2.40	-17.64
S&P 500	3,744.52	2.86	-21.44
FTSE 100	6,997.27	1.68	-5.24
Hang Seng	18,012.15	4.93	-23.02
KLCI	1,420.43	1.64	-9.62
STI	3,151.56	1.17	1.06
Dollar Index	112.26	0.00	17.30
WTI oil ($/bbl)	88.45	8.89	14.89
Brent oil ($/bbl)	94.42	6.70	21.34
Gold ($/oz)	1,711.70	3.21	-6.48

Source: Bloomberg

- The sharp rally in the US stock indices was reversed in the 2H of the week as latest comments from Federal officials have remained hawkish. Still, the three main US stock indices managed to chalk up growth of more than 2.0% w/w each. In terms of data, manufacturing numbers released over the week were generally softer across major economies, but services indicators held steady with the exception Europe: A string of mixed employment numbers were released, but we remain positive on this front amid a tight labour market.
- The Federal Reserve is due to release the minutes to September FOMC meeting offering more clues on policy guidance going forward. Singapore is also due to release its preliminary 3Q GDP numbers in the week and we also expect another round of tightening by the MAS as inflation stayed elevated. Key data to look out will be US CPI and retail sales, Sentix investors sentiment and industrial producion in the Eurozone, and job and industiral production from the UK. On the local front, industrial production and wholesale & retail trade will be scrutinized.

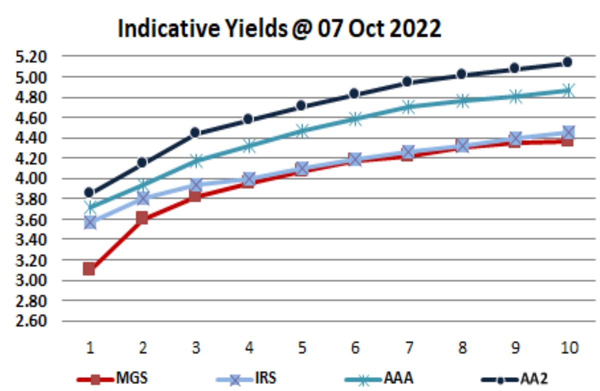
Forex



Source: Bloomberg

- **MYR:** MYR bears continued to take charge for the 6th week in a row, last closed at 4.6375 (-0.03% w/w) on Thursday. Outlook for the pair remains ***Slightly Bullish*** potentially eyeing a range of 4.62-4.68 amid sustained bullish USD outlook. Positive vibes from likelihood of a people-friendly expansionary budget could potentially be mitigated by GE15-related uncertainties, rendering the MYR at the mercy of USD strength still., in tandem with other regional currencies.
- **USD:** The Dollar Index settled little changed w/w at 112.26, snapping a 7th straight week of advance. The DXY was seen slipping to a low of 110.06 on 5-October as chatters on central banks' policy pivot gained traction after RBA's surprised dovish hike. The USD has since slowly but surely regained grounds as hawkish Fed speaks revived expectations that the Fed would stay the course in raising rates. USD outlook remains on a ***Bullish*** mode in our view, with the DXY likely trading in a range of 110-115. Tonight's nonfarm job data, coupled with US CPI and retail sales data next week, will shed more lights on the Fed policy outlook, and hence USD movement in the week ahead.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries generally drifted weaker over constant hawkish FedSpeak. Heavy dealing in futures at the close of last month also contributed to weakness. The curve shifted higher as overall benchmark yields ended between 2-4bps higher. The yield curve remains deeply inverted; signaling recessionary risks going forward. At the time of writing, swaps pricing indicates peak rate of ~4.60% come March 2023. Expect bonds to react sharply early next week with volatility tapering off upon the release off the NFP jobs data for September later tonight.
- **MGS/GII:** Local govvies saw both MGS/GII slightly better-bid w/w, partially ignoring the hawkish rhetoric emanating out of US and attractive yields arising following the softer market seen in prior weeks. Both bond curves shifted lower as overall benchmark yields closed mostly lower between 3-27bps across (save for the short-ends and 20Y GII). The weekly secondary market volume dropped 22% to ~RM14.8b w/w with interest seen mainly in the off-the-run 23's, 25's, 31's and benchmark 3Y, 5Y MGS and 10Y MGS/GII. The 3Y MGS 3/25 auction saw average demand with participation mainly by inter-bank participants as the exercise notched a BTC ratio of 1.92x and awarded at 3.823%. Expect local govvies to initially weaken next week should expectations build up for any potential increase in bond supply following the unveiling of the 2023 National Budget, which is expected to be expansionary, this afternoon.

Macroeconomic Updates

- **Markets rally made a reversal later in the week.** The sharp rally in the US stock indices was reversed in the 2H of the week as latest comments from Federal Reserve officials have remained hawkish. Still, the S&P 500 and DJIA indices managed to gain more than 2.0% w/w with Chevron leading the latter as Biden administration plans to bring down sanctions on Venezuela as well as on the back of higher oil prices. Both the Brent and WTI rose by 6.7% w/w and 8.9% w/w as OPEC+ decided to cut production by 2m barrels a day starting in November to shore up prices.

- **Continuous policy tightening by the RBA and RBNZ:** No surprises from central banks' policy decisions this week. The Reserve Bank of Australia raised rates at a slower, and slower than expected pace of 25bps to 2.60% and guided for continued hikes ahead. Consequently, we expect another two hikes of 25bps each to 3.10% by end 2022. Similarly, the Reserves Bank of New Zealand also increased the OCR by 50bps to 3.50% as committee members are confident there is sufficient restraint on spending to bring inflation back within its 1-3% per annum target range. The central bank reiterated that the economy is still constrained by labour shortages and heightened wage pressures, suggesting expectation of further rate hikes.

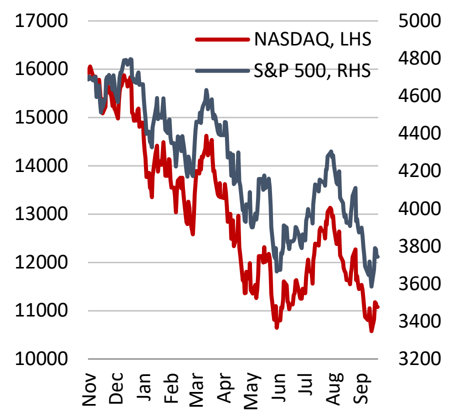
- **Weaker PMIs manufacturing overall a sign of slowing demand:** Manufacturing numbers were generally softer across major economies with the both the US ISM and Japan's Jibun PMI recording slower expansion. This is in line with a relatively flat durable goods order for the former and weaker sentiment amongst manufacturers for the latter. Nevertheless, we do not believe that these will fall of the cliff soon given the Tankan survey pointed to further strengthening of capital spending, while orders for nondefense capital goods, excluding aircraft were revised upwards. The same, however, does not hold true for the European region with both the Eurozone and UK manufacturing sector recording contraction.

- **Services sector generally strong except for Europe:** With the exception of Europe, the services sector seems to hold the fort for most economies. The US ISM-Services remained solid at 56.7 in September. The S&P Global Singapore PMI rose to the strongest in record, while the Jibun Bank services business activity also reported the quickest expansion since June. The latter will also benefit from the lifting of restrictions on foreign tourism in October. In contrast, the Eurozone fell to its lowest since February 2021 as weak demand conditions were underscored by a renewed reduction in backlogs of work.

- **Mixed employment numbers:** The closely watched US non-farm payroll is due to be released on 7th October but recent employment numbers was mixed. The ADP employment report showed that businesses created 208,000 jobs in September, while job changers and annual pay continue notching double-digit, y/y gains. While a separate report earlier in the week showed that the number of job openings decreased to the lowest since June 2021 in the month of August and initial jobless claims has risen, we remain positive amidst the tight labour market as reaffirmed by the improved employment index in ISM-services. Even the sluggish Eurozone services PMI showed that employment levels continued to rise.

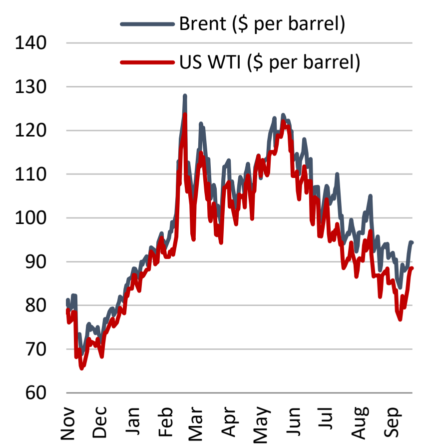
- **Next week data:** The Federal Reserve is due to release the minutes to September FOMC meeting and guidance on fed funds rate going forward. As it is, the latest comments from Federal Reserve has remained hawkish and we expect the Fed Funds Target Rate to increase to 4.25-4.50% by end 2022. Singapore is also due to release its preliminary 3Q numbers in the week and we also expect another round of tightening by the MAS as inflation stayed elevated . In terms of data, key watch will be US CPI and retail slaes, Sentix investors sentiment and industrial production in Europe, UK employment numbers and industrial production, China CPI, PPI and exports. Back home, industrial production and wholesale & retail trade will be scrutinized.

US stocks clocked another week of gain



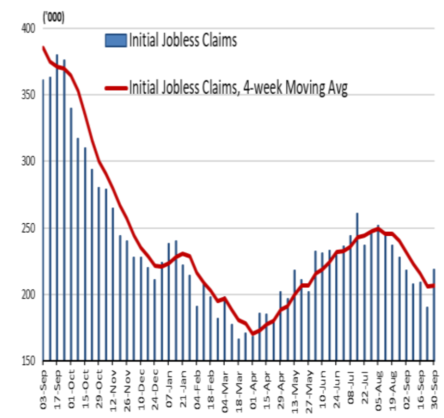
Source: Bloomberg

Oil prices rallied on OPEC+ output cut plan



Source: Bloomberg

Initial jobless claims started to tick higher again



Source: Bloomberg

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Foreign Exchange

- **MYR:** MYR bears continued to take charge for the 6th week in a row, although the rate of depreciation has slowed materially to just 0.03% w/w (prior: -1.5%). USD/ MYR was seen trading in a more constrained range of 4.6200-4.6572 in the week under review, compared to the seven big figures spike (from 4.57s to 4.64s) the preceding week, last closed at 4.6375 on Thursday. Outlook for the pair remains ***Slightly Bullish*** potentially eyeing a range of 4.62-4.68 amid sustained bullish USD outlook. Positive vibes from likelihood of a people-friendly expansionary budget could potentially be mitigated by GE15-related uncertainties, rendering the MYR at the mercy of USD strength still., in tandem with other regional currencies.

- **USD:** The Dollar Index settled little changed w/w at 112.26, snapping a 7th straight week of advance. The DXY was seen slipping to a low of 110.06 on 5-October as chatters on central banks' policy pivot from recent aggressive rate hike path gained traction after RBA's surprised dovish hike. The USD has since slowly but surely regained grounds as hawkish Fed speaks revived expectations that the Fed would stay the course in raising rates. Haven currency CHF led losers this week, followed by commodity currencies. USD outlook remains on a ***Bullish*** mode in our view, with the DXY likely trading in a range of 110-115. Tonight's nonfarm job data, coupled with US CPI and retail sales data next week, will shed more lights on the Fed policy outlook, and hence USD movement in the week ahead.

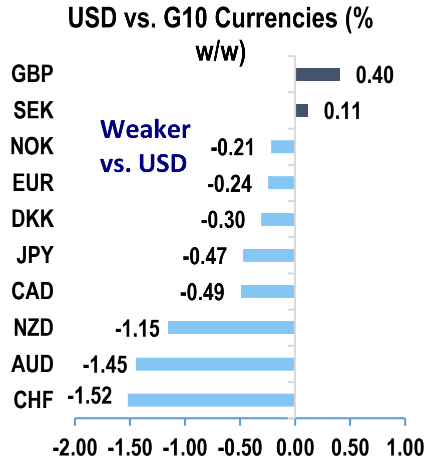
- **EUR:** EUR remained below parity and hovered around the 0.98 handles for the most part of the week (range of 0.9735-0.9999). EUR/ USD last closed at 0.9791, down 0.2% w/w. PMI readings reaffirmed a somber outlook in the Eurozone economy but upside surprises in CPI reinforced the case for a 75bps ECB hike, somewhat limiting downside in the EUR. We maintain a more ***Neutral*** trading in the EUR/ USD next week, keeping to a range of 0.95-1.00. Technicals still point to a bearish EUR/ USD but the negative momentum appears to be muted, likely keeping the pair above the 0.95 support now.

- **GBP:** GBP/ USD was the only G10 pair other than SEK that registered weekly gains, as the sterling continued to recoup lost ground from recent selloffs, further boosted by news of a reversal in Liz Truss's tax hike plan. The sterling ended the week 0.4% stronger vs the USD at 1.1162, as it failed to sustain the mid-week rally to a 1.1495 high. GBP/ USD remains technically bearish although negative momentum is softening. We are therefore turning ***Neutral-to-Slight Bearish*** on GBP/ USD in the week ahead, eyeing a range of 1.10-1.14. UK job and industrial production data will be key watch in the sterling space.

- **JPY:** The JPY weakened along with most other G10s, losing 0.5% w/w to a Thursday's close of 145.12, just a tad below the week's high of 145.30. USD/ JPY was seen gyrating in a narrower range of 143.53-145.30 this week (prior 140.70-145.90), a sign of some consolidation in the pair. We maintain our view for a Slightly Bearish JPY on the back of sustained USD strength (USDJPY ***bullish***), with the pair potentially pushing higher to the 148 handle, with support at 143s.

- **AUD:** AUD depreciated for a 3rd straight week, by 1.5% w/w to 0.6406 against the USD, making it the second worst performing G10s after CHF. The dovish RBA hike while infused some volatilities to the AUD/ USD, it failed to materially set back the Aussie. However, a break of the 0.65 key level paves the way for further downside in AUD/ USD, leading it to the 0.6280 next. Will go with a ***Slightly Bearish*** range of 0.63-0.67 next week.

- **SGD:** SGD strengthened for the first time in eight weeks, advancing 0.2% to 1.4293 against the USD as at Thursday's close, after having traded within 1.4198-1.4376. Sustained double-digit growth in retail sales which painted a still favourable consumer sector could have provided some support to the pair, on top of advances along with other regional currencies. Despite prospects of a firm USD, we expect USD/ SGD to trade on a more ***Neutral*** note in the week ahead, as expectation of further policy tightening by MAS next Friday, shall be positive for the SGD. We maintain a range of 1.42-1.45 for USD/SGD in the week ahead.



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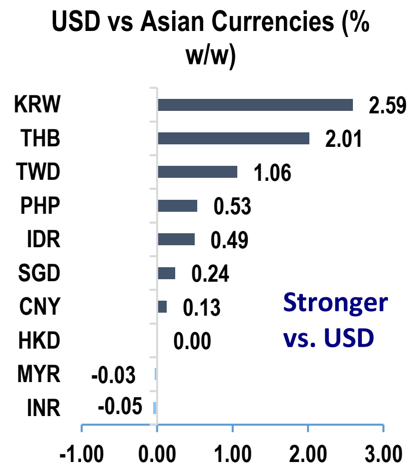


Source: Bloomberg

Forecasts

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

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

Source: HLBB Global Markets Research

Fixed Income

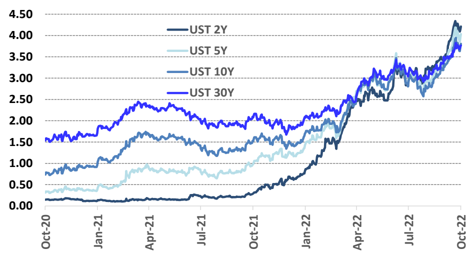
- **UST:** For the week under review, US Treasuries generally drifted weaker over constant hawkish FedSpeak and some economic data covering higher ADP employment data. Heavy dealing in futures at the close of last month also contributed to weakness. The curve shifted higher as overall benchmark yields ended between 2-4bps higher. **Both the UST 2Y the much-watched UST 10Y (which ranged wider between 3.63-3.83%), edged 2bps higher w/w at 4.22% and 3.81% respectively**. The yield curve remains deeply inverted; signaling recessionary risks going forward. UST yields have been sensitive this week to any signs the labor market might be slowing in hopes it would give the U.S. Federal Reserve room to pivot to a less hawkish policy stance and slow its rate of interest rate hikes after three (3) straight increases of 75bps. At the time of writing, swaps pricing indicates peak rate of ~4.60% come March 2023. Expect bonds to react sharply early next week with volatility tapering off upon the release off the NFP jobs data for September later tonight.

- **MGS/GII:** Local govvies saw both MGS/GII slightly better-bid w/w, partially ignoring the hawkish rhetoric emanating out of US and attractive yields arising following the softer market seen in prior weeks. Both bond curves shifted lower as overall benchmark yields closed mostly lower between 3-27bps across (save for the short-ends and 20Y GII). **The benchmark 5Y MGS 11/27 rallied with yields closing 27bps lower to 3.79% whilst the 10Y MGS 7/32 declined 7bps to ~4.36%.** The weekly secondary market volume dropped 22% to ~RM14.8b w/w with interest seen mainly in the off-the-run 23's, 25's, 31's and benchmark 3Y, 5Y MGS and 10Y MGS/GII. The 3Y MGS 3/25 auction saw average demand with participation mainly by inter-bank participants as the exercise notched a BTC ratio of 1.92x and awarded at 3.823%. Expect local govvies to initially weaken next week should expectations build up for any potential increase in bond supply following the unveiling of the 2023 National Budget, which is expected to be expansionary, this afternoon.

- **MYR Corporate bonds/ Sukuk**: The week under review saw major improvement in secondary market activity following the passing of FOMC meeting and attractive corporate spreads. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly higher amid the near-doubling of weekly market volume at RM1.57b.** Topping the weekly volume were DANA 11/25 (GG) which edged 2bps higher compared to previous-done levels at 4.02%. This was followed by its MRCB20 perp callable 2023 (AA3) bonds which jumped 37bps higher to 4.62% and subsequently AA3-rated PKNS 2/23 which ballooned 51bps to 3.89%. Higher frequency of bond trades was seen in DANA and TENAGA bonds. Odd-lot transactions were seen in Sabah Development and TROPICANA bonds. The prominent fresh issuances for the week consisted of CAGAMAS Berhad's AAA-rated 1-3Y papers totaling RM100m with coupons between 3.49-4.00% and Johor Port's RM600m AA3-rated 5-10Y bonds with coupons ranging from 5.10 to 5.35%%.

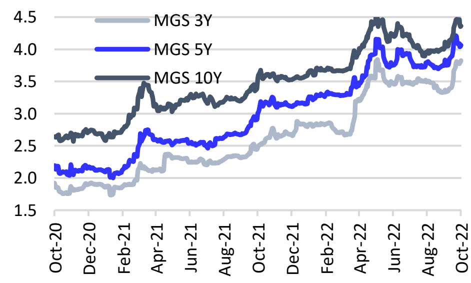
- **Singapore Government Securities:** SGS ended much stronger w/w compared to UST's. The curve shifted sharply lower as overall benchmark yields fell between 10-18bps. The SGS 2Y declined 12bps to 3.31% whilst the 10Y bonds moved 11bps down to 3.37% (the SGS 10Y ranged wider between 3.25-3.46%). Singapore's sovereign bonds reversed to post a gain of 1.4% w/w (prior week: -1.5%). The republic's fixed income asset class may outperform as its positive interest rate differential compared to global rates may see strength in the SGD, partly attributed to tightening in liquidity conditions. Meanwhile, DBS Bank Ltd has successfully priced its (Aaa/AAA-rated Moody's/Fitch) EUR750m 3Y notes at par-to-yield of 2.812%. Elsewhere, Singapore Savings Bonds have hit record high; offering a 1st year interest rate of 3.08% and a 10-year average of 3.21%. Expect MAS to release its monetary policy statement on 14th October next week.

Generic UST Yields (%)



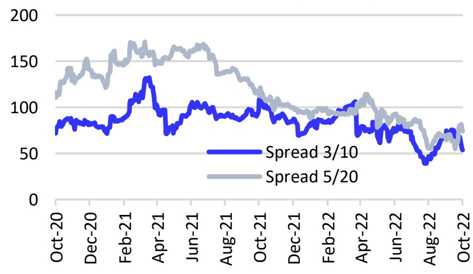
Source: Bloomberg

Benchmark MGS Yields (%)



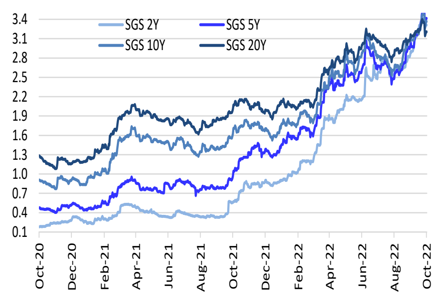
Source: Bloomberg

MGS Yield Spread (bps)



Source: Bloomberg

Benchmark SGS Yields (%)



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Exsim Capital Resources Berhad	RM2 bil Sukuk Musharakah Programme	AA3/Stable	Reaffirmed
Jimah East Power Sdn Bhd	Outstanding RM8.72 billion Sukuk Murabahah	AA-IS/Stable	Affirmed
Malaysia Steel Works (KL) Bhd (Masteel)	RM130.0 million Danajamin Nasional Berhad-guaranteed Sukuk Ijarah Programme	AAAIS(FG)/Stable	Affirmed
Sime Darby Plantation Berhad (SD Plantation)	Corporate credit rating	AAA/Stable	Affirmed
	Subordinated Sukuk Programme	AA-IS/Stable	Affirmed
APM Automotive Holdings Berhad	RM1.5 bil Islamic Medium-Term Notes (IMTN) Programme (2016/2036)	AA2/Stable	Reaffirmed
Zamarad Assets Berhad	Al Dzahab RM45m Tranche 1	AAA/Stable	Reaffirmed
	Class A & Class B		
	Al Dzahab RM60m Tranche 2	AAA/Stable	Reaffirmed
	Class A & B		
	Zamarad RM90m Tranche 2	AAA/Stable	Reaffirmed
	Class A & B		
	Zamarad RM105m Tranche 3		
	Class A	AAA/Stable	Reaffirmed
	Class B	From AA1/Stable to AAA/Stable	Upgraded
	Zamarad RM90m Tranche 5		
	Class A	AAA/Stable	Reaffirmed
	Class B	From AA1/Stable to AAA/Stable	Upgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
08/10	09:45	CH	Caixin China PMI Services	Sep	55
10/10	16:30	EC	Sentix Investor Confidence	Oct	-31.8
11/10	07:30	AU	Westpac Consumer Conf SA MoM	Oct	3.90%
	07:50	JN	Trade Balance BoP Basis	Aug	-¥1212.2b
	08:30	AU	NAB Business Confidence	Sep	10
	13:00	JN	Eco Watchers Survey Outlook SA	Sep	49.4
	14:00	UK	Payrolled Employees Monthly Change	Sep	71k
	14:00	UK	Claimant Count Rate	Sep	3.90%
	14:00	UK	Jobless Claims Change	Sep	6.3k
	14:00	UK	Average Weekly Earnings 3M/YoY	Aug	5.50%
	14:00	UK	ILO Unemployment Rate 3Mths	Aug	3.60%
	18:00	US	NFIB Small Business Optimism	Sep	91.8
11-21/10		CH	FDI YTD YoY CNY	Sep	16.40%
12/10	07:50	JN	Core Machine Orders MoM	Aug	5.30%
	12:00	MA	Industrial Production YoY	Aug	12.50%
	12:00	MA	Manufacturing Sales Value YoY	Aug	23.80%
	14:00	JN	Machine Tool Orders YoY	Sep P	10.70%
	14:00	UK	Monthly GDP (MoM)	Aug	0.20%
	14:00	UK	Industrial Production MoM	Aug	-0.30%
	14:00	UK	Index of Services MoM	Aug	0.40%
	14:00	UK	Visible Trade Balance GBP/Mn	Aug	-£19362m
	17:00	EC	Industrial Production SA MoM	Aug	-2.30%
	19:00	US	MBA Mortgage Applications	7-Oct	-14.2%
	20:30	US	PPI Final Demand MoM	Sep	-0.10%
13/10	02:00	US	FOMC Meeting Minutes		
	07:01	UK	RICS House Price Balance	Sep	53%
	07:50	JN	PPI YoY	Sep	9.00%
	08:00	AU	Consumer Inflation Expectation	Oct	5.40%
	20:30	US	CPI MoM	Sep	0.10%
	20:30	US	Initial Jobless Claims	8-Oct	219k
	20:30	US	Real Avg Hourly Earning YoY	Sep	-2.80%
13-16/10		CH	1-Yr Medium-Term Lending Facility Rate		2.75%
14/10	05:30	NZ	BusinessNZ Manufacturing PMI	Sep	54.9
	08:00	SI	GDP YoY	3Q A	4.40%
	08:00	SI	Singapore MAS October 2022 Monetary Policy Statement		
	09:30	CH	PPI YoY	Sep	2.30%
	09:30	CH	CPI YoY	Sep	2.50%
	17:00	EC	Trade Balance SA	Aug	-40.3b
	20:30	US	Retail Sales Advance MoM	Sep	0.30%
	20:30	US	Import Price Index MoM	Sep	-1.00%
	20:30	US	Export Price Index MoM	Sep	-1.60%
	22:00	US	U. of Mich. Sentiment	Oct P	58.6
	00:00	CH	Exports YoY	Sep	7.10%

Source: Bloomberg

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