Global Markets Research

Weekly Market Highlights

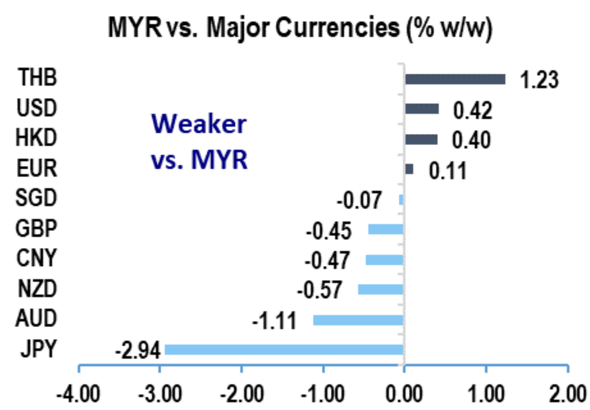
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	31,774.52	0.37	-12.56
S&P 500	4,006.18	0.99	-15.95
FTSE 100	7,262.06	1.59	-1.66
Hang Seng	18,854.62	-3.79	-19.42
KLCI	1,494.73	0.19	-4.64
STI	3,233.61	0.30	3.52
Dollar Index	109.64	0.01	14.67
WTI oil ($/bbl)	82.73	-4.21	8.51
Brent oil ($/bbl)	88.61	-3.86	84.77
Gold (S/oz)	1,710.00	0.65	-7.53

Source: Bloomberg

- Global markets saw some consoldiation after massive selloffs in recent weeks. While major central banks continued to project a hawkish rhetoric implying the rate hike cycle is far from over, markets appeared to have turned less concern, in part helped by some positive vibes from recent dataflow which supported believes that the potential economic fallout is not as severe. Fed Chair Powell followed up and reiterated in a speech saying that the Fed would need to act forthrigthly and strongly, sugesting a 75bps hike is still very much on the cards.
- BOE policy meeting will be in focus next. Unlike its peers, BOE has been refraining from striking a hawkish tone and chances are it will maintain its steady rate hike course. Key watch will be on any change in policy tone on slower rate rise ahead. On the data front, US CPI will top investors' radar, to gauge the Fed's next possible move where markets are split between a 50bps and 75bps hike currently. China first tier data dump is due end of next week, which is not expected to paint a rosy picture given the recent containment measures and economic challenges, hence the need for more stimulus measures.

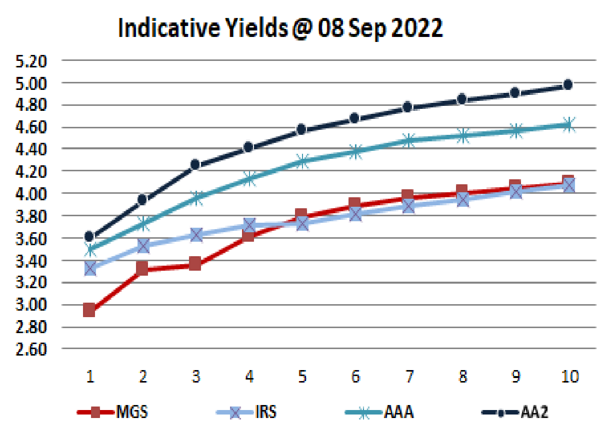
Forex



Source: Bloomberg

- **MYR:** USD/ MYR continued to trade on a bullish note, in a higher range of 4.4830-4.5050 during the week (prior: 4.4665-4.4905). The pair broke above the 4.50 key handle, on the back of extended USD strength. We maintain our ***Slightly Bullish*** view on USD/ MYR, potentially testing higher grounds in a range of 4.48-4.52 as aggressive Fed rate hike expectations is expected to continue drive USD bulls and undermine emerging currencies including the MYR.
- **USD**: The USD consolidated somewhat as expected but remained firm, ended the week little changed at 109.64, supported by hawkish Fed speaks that drummed up odds of a 75bps hike at the upcoming September FOMC meeting, proving the post-NFP pullback as just a blip. The USD strengthened against the JPY, AUD, NZD, and GBP, but weakened against other G10s. DXY remains ***Bullish*** in our view spurred by Fed rate hike expectations, and is expected to trade in more bullish ranges of 108-112, more so if US CPI surprised on the upside next week.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries were sold off over continued adamant Fed remarks on hiking rates to bring inflation down to the 2.0% handle. The heavy corporate bonds IG issuance slate of almost $40b also impinged on bonds. The curve bear-steepened with the longer-ends pressured higher as overall benchmark yields ended 1-8bps higher. The yield curve remains inverted in a signal that aggressive Fed rate hikes may trigger the risk of recession going forward. Elsewhere, investors are expected to await the all-important US inflation data expected on 13-Sept. At the time of writing swap reference pricing are currently indicating a 94% probability of a 75bps rate hike in the upcoming FOMC meeting. Expect bonds to trend sideways next week as attention wanes following the conclusion of the ongoing FedSpeak ahead of the 20th-21st September FOMC meeting.
- **MGS/GII:** Local govvies saw both MGS/GII end weaker w/w, impacted by the hawkish rhetoric in US and thoughts of a drastic 50bps rate hike before the conclusion of the MPC meeting yesterday. The MGS curve shifted prominently higher compared to the GII curve whilst overall benchmark yields for both closed higher between 0-6bps across (save for the short-end GII). The average daily secondary market volume inched 6% higher at RM3.50bn with interest seen mainly in the off-the-run 22-23's, 25's, 28's and also benchmark 5Y,10Y MGS/GII. Expect local govvies to perform better next week as uncertainties regarding the MPC meeting outcome has dissipated whilst focus will eventually shift to the National Budget come 7-October.

Macroeconomic Updates

- **Market selloffs took a breather:** Global markets saw some consoldiation after massive selloffs in recent weeks. While major central banks continued to project a hawkish rhetoric implying the rate hike cycle is far from over, markets appeared to have turned less concern, in part helped by some positive vibes from recent dataflow which supported believes that the potential economic fallout is not as severe. Fed Chair Powell followed up and reiterated in a speech saying that the Fed would need to act forthrigthly and strongly, sugesting a 75bps hike is still very much on the cards. The Dow reported a 0.4% w/w gain (Thurs-Thurs) wile the broader S&P advanced close to 1.0%. Locally, the KLCI notched 0.2% gain but remained below 1,500 level. Oil extended its losing streak into a fourth week amid lingering demand risks.

- **Continuous policy tightening by the ECB, BOC, RBA and BNM:** No surprises from central banks' policy decisions this week. The European Central Bank delivered a hawkish hike, raising all three benchmark interest rates by 75bps and guided that rates would be raise above neutral level, raising expectations that the ECB would maintain a 75bps in the next meeting in October. The Reserves Bank of Australia raised rates by 50bps to 2.35% and guided for slower rate hikes ahead. Bank of Canada also slowed the pace of rate increase to 75bps (previous 100bps hike), still a sizeable quantum amid sticky inflation and tight labour market. Back home, BNM raised the OPR by a further 25bps. However, we sense that the policy statement has turned a tad cautious, and highlighting that the "MPC is not on any pre-set course", potentially hinting at a pause in November.

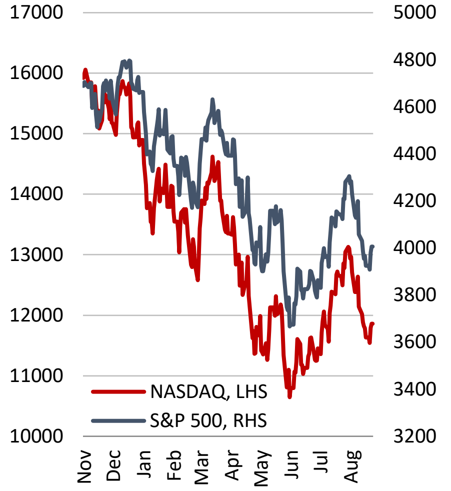
- **2Q GDP prints from the EU, Australia and Japan were surprisingly resilient:** Contrary to general believes of slower growth momentum and contraction in US GDP in the 2Q, the Eurozone economy expanded at a faster pace of 0.8% q/q and 4.1% y/y in 2Q, driven by improvement in household consumption, government spending, and investment. The Australian economy also gained traction in 2Q, expanding 0.9% q/q and 3.6% y/y (1Q: +0.7% q/q and +3.3% y/y). Growth was underpinned by sustained increase in household spending and rebound in exports. Japan's 2Q GDP also surprised on the upside growing 0.9% q/q (1Q: +0.1%) bringing the Japanese economy back into pre-pandemic levels. Nonetheless, growth is expected to moderate going into 3Q amid a softening global outlook and higher inflationary pressure.

- **Weaker August services prints point to softer growth momentum ahead:** With the exception of US ISM services, that ticked higher for the 2nd straight month to a 4-month high, services indices weakened by and large in other major and/ or emerging economies. The PMI services for the US contracted for the 2nd straight month, to its lowest since May-20. The Eurozone and Japan services indices slipped into contraction territory. While similar gauges in the UK, Australia, China, Hong Kong, and Singapore all showed slower growth momentum. Again, Vietnam outperformed, with the PMI edging up in August, confirming continued economic performance of the country among its peers.

- **China at risk of greater economic downturn:** Exports grew at a much slower pace of 7.1% y/y in August, down from the 18.0% y/y increase in July and almost half the expected pace of 13.0%. Imports growth also came to a near halt (+0.3% vs +2.3% y/y), adding to concerns of slowing domestic demand and exports going forward. This implies the need for more stimulus measures in the near term as China strives to contain the fallout and sustain the economy.

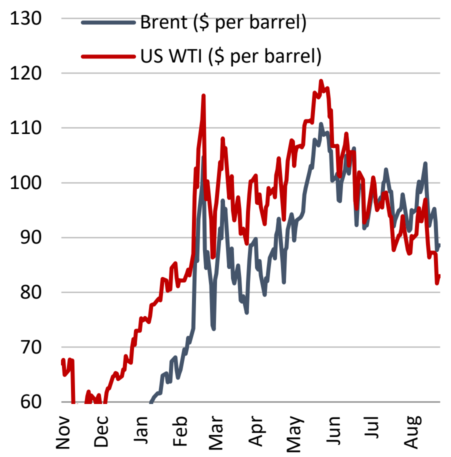
- **Next week data:** BOE policy meeting will be in focus next. Unlike its peers, BOE has been refraining from striking a hawkish tone and chances are it will maintain its steady rate hike course. Key watch will be on any change in policy tone on slower rate rise ahead. On the data front, US CPI will top investors' radar, to gauge the Fed's next possible move where markets are split between a 50bps and 75bps hike currently. In addition, the Eurozone and the UK will also release CPI readings for August, which we expect to remain near recent high levels. On top of that, China first tier data dump is due end of next week, which is not expected to paint a rosy picture given the recent containment measures and economic challenges, hence the need for more stimulus measures.

Selloffs in US stocks took a breather



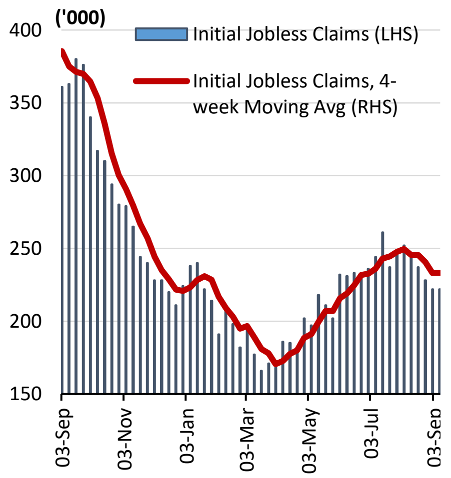
Source: Bloomberg

Extended decline in oil prices on demand fear



Source: Bloomberg

Initial jobless claims fell for fourth week



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/ MYR continued to trade on a bullish note, in a higher range of 4.4830-4.5050 during the week (prior: 4.4665-4.4905). The pair broke above the 4.50 key handle, on the back of extended USD strength. We maintain our ***Slightly Bullish*** view on USD/ MYR, potentially testing higher grounds in a range of 4.48-4.52 as aggressive Fed rate hike expectations is expected to continue drive USD bulls and undermine emerging currencies including the MYR.

- **USD**: The USD consolidated somewhat as expected but remained firm, ended the week little changed at 109.64, supported by hawkish Fed speaks that drummed up odds of a 75bps hike at the upcoming September FOMC meeting, proving the post-NFP pullback as just a blip. The USD strengthened against the JPY, AUD, NZD, and GBP, but weakened against other G10s. DXY remains ***Bullish*** in our view spurred by Fed rate hike expectations, and is expected to trade in more bullish ranges of 108-112, more so if US CPI surprised on the upside next week.

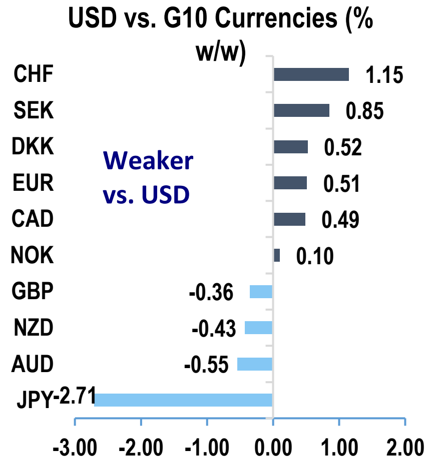
- **EUR**: EUR snapped three weeks of losses, rebounded 0.5% w/w against the USD to 0.9997 on Thursday's close. The pair briefly recaptured the parity level mid-week but failed to hang on to its gains. A pick-up in 2Q GDP growth and hawkish ECB appeared to have little impact on EUR, as the Fed, and hence the USD, remain firmly in the driver seat. The next catalyst for the pair will be CPI out of both the US and Eurozone next week. A higher than expected reading in the Eurozone may be overshadowed by that of the US, hence our view for a ***Neutral-to-Slightly*** Bearish outlook on EUR/ USD, potentially in a range of 0.98-1.00 in the week ahead.

- **GBP**: The sterling went through a week of choppy trade before settling at 1.1504 on Thursday, weaker by 0.4% w/w. Lingering USD strength as well as "less hawkish" speech by BOE Governor Bailey who stopped short of offering a more aggressive policy tightening path exerted downward pressure on the sterling. Meanwhile, PMI services pointed to further softening in the UK economic outlook. GBP/ USD remains ***Bearish*** in our view, still eyeing a range of 1.14-1.17 for now. Next week's BOE policy meet will be in focus and would unlikely significantly change the GBP outlook unless BOE surprises. Other key data to watch include employment, industrial production and monthly GDP.

- **JPY**: The JPY registered another week of deep losses (-2.7%) against the greenback, last settled at 144.11 on Thursday, its weakest in over two decades and the worst performing G10. Broad USD strength continued to dampen the Japanese Yen, overshadowing a resilient 2Q GDP. Widening policy divergence between the BOJ and other major central banks are expected to continue undermining the JPY, hence our ***Bullish*** outlook on the pair going into next week, potentially testing the 145 level, with support at 140 for now. BSI outlook, industrial production and exports are key data in the pipeline.

- **AUD**: AUD remained near the bottom of the G10 list, weakening by a further 0.5% w/w to 0.6751 as at Thursday's close. AUD/ USD were seen hovering near the 0.67 handle for most part of the week, as the Aussie remained under pressure amid signals from RBA implying odds of slower pace of rate rise going forward. This was compounded by weaker China growth outlook, which was reflected in its external trade numbers released earlier this week. AUD/ USD outlook remains ***Slightly Bearish***, likely eyeing a range of 0.66-0.69 in the week ahead. Employment numbers, consumer and business outlook will be key data watch.

- **SGD**: SGD remained under selling pressure for the 4th straight week, weakening 0.2% w/w to 1.4051 as at Thursday's close. The pair was seen trading near the 1.40 handle for most part of the week, although it briefly dipped to a low of 1.3984 in intraday trading. USD/ SGD remains ***Bullish*** but the SGD appeared to be showing greater resiliency against its regional peers and may consolidate after recent selloffs before the next leg up. Will go with a range of 1.40-1.42 for next week. NODX is on the deck next week to gauge the impact of slower global growth on Singapore.



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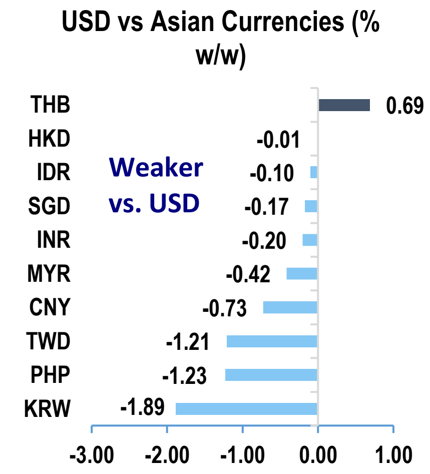


Source: Bloomberg

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

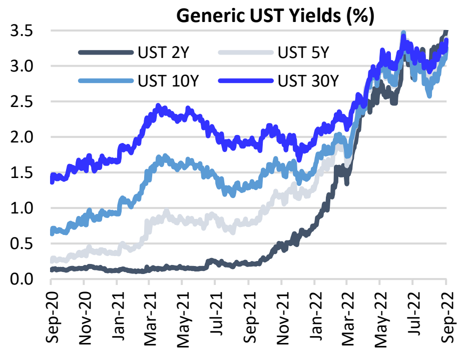
Fixed Income

- **UST:** For the week under review, US Treasuries sold-off over continued remarks with the Fed adamant on hiking rates as long as needed to bring inflation down to the 2.0% handle. The heavy corporate bonds IG issuance slate of almost $40b also impinged on bonds. The curve bear-steepened with the longer-ends pressured higher as overall benchmark yields ended 1-8bps higher. **The UST 2Y edged 1bps up w/w at 3.51%, reaching close to its highest level since 2007 whilst the much-watched UST 10Y (which ranged tighter but higher between 3.19-3.35%), jumped 6bps higher to 3.32%**. The yield curve remains inverted in a signal that aggressive Fed rate hikes may trigger the risk of recession going forward. Elsewhere, investors are expected to await the all-important US inflation data expected out on the 13th of September. At the time of writing swap reference pricing are currently indicating a 94% probability of a 75bps rate hike in the upcoming FOMC meeting. Expect bonds to trend sideways next week as attention wanes following the conclusion of the ongoing FedSpeak before entering a customary blackout period at the end of this week; ahead of the 20th-21st September FOMC meeting.

- **MGS/GII:** Local govvies saw both MGS/GII end weaker w/w, impacted by the hawkish rhetoric in US and thoughts of a drastic 50bps rate hike before the conclusion of the MPC meeting yesterday. Nevertheless, to recap, BNM raised the OPR as per our house view by 25bps to 2.50%. The MGS curve shifted prominently higher compared to the GII curve whilst overall benchmark yields for both closed higher between 0-6bps across (save for the short-end GII). **The benchmark 5Y MGS 11/26 rose 6bps to 3.78% whilst the 10Y MGS 7/32 similarly moved 5bps higher to 4.05%.** The average daily secondary market volume inched 6% higher at RM3.50bn with interest seen mainly in the off-the-run 22-23's, 25's, 28's and also benchmark 5Y,10Y MGS/GII. Given the increasing uncertainties and fluid conditions pertaining to the surrounding global outlook and impact from earlier rate hikes, the likelihood of a pause in rate hikes is expected at the next MPC meeting in November. Expect local govvies to perform better next week as uncertainties regarding the MPC meeting outcome has dissipated whilst focus will eventually shift to the National Budget come October.

- **MYR Corporate bonds/ Sukuk**: The week under review saw decent activity despite the cautious surrounding, ahead of the MPC meeting which was concluded yesterday. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-higher amid the sustenance of average daily market volume of ~@ RM520m.** Topping the weekly volume were DANA 5/36 (GG) again which spiked 31bps compared to previous-done levels to 4.53%. This was followed by its PRASA 2/21 (GG) which jumped 7bps higher to 4.27% and subsequently AAA-rated CAGAMAS 5/23 which ballooned 130bps to 3.40%. Higher frequency of bond trades was seen in DANA, PRASA, CAGAMAS, DRB Hicom and also TENAGA bonds. Odd-lot transactions were seen in Sabah Development bonds, TROPICANA, YNH Property and YTL Power bonds. The prominent fresh issuances for the week included both CIMB Group Holdings and CIMB Bank's AA@-rated 10NC5 bonds totaling RM1.5b each with a coupon of 4.4% and YTL Power's RM225m AA1-rated 5Y bonds with a coupon of 5.05%.

- **Singapore Government Securities:** SGS ended weaker w/w, correlating with UST movements. The curve shifted higher as overall benchmark yields rose between 6-11bps. The SGS 2Y spiked the most by 11bps to 2.89% whilst the 10Y bonds rose 6bps to 3.08% (the SGS 10Y ranged tighter but at higher levels i.e.; 3.03-3.14%). Singapore's sovereign bonds reversed to post a wider loss of 0.4% w/w (prior week: -0.2%). The SGD is expected to outperform due to strong fiscal and monetary policy whilst the broad greenback is seen holding its strength. YTD, the government has successfully issued bonds totaling ~S$110b. The last issuance for the year is scheduled on 28th Sep with the 30Y reopening potentially whetting the appetite of institutional investors. Meanwhile, Frasers Property Treasury Pte Ltd has successfully priced its SGD420m 5Y Green bonds at 4.49%. Meanwhile, Housing & Development Board (HDB) also looked to issue S1.0b 7Y bonds with a 3.437% coupon. Moody's affirmed the Baa2 issuer rating of Bright Food Group but revised its Outlook from Stable to Negative.



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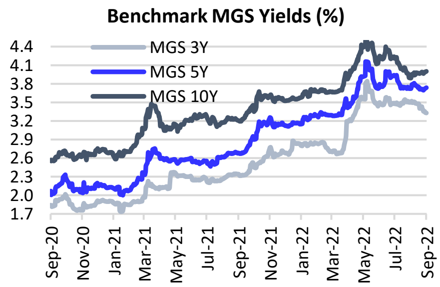

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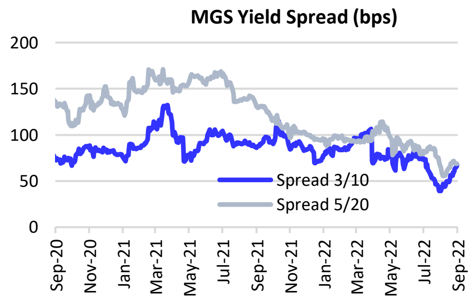

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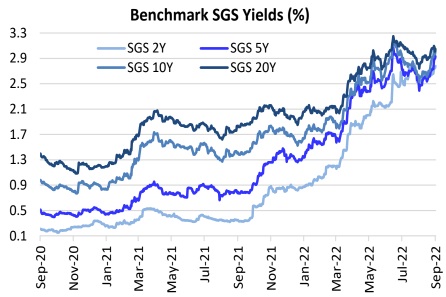

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
VS Capital Management Sdn Bhd	Islamic Medium-Term Notes (IMTN) programme of up to RM1.0 billion	AA IS(CG)/Stable	Assigned
Southern Power Generation Sdn Bhd	Outstanding Sukuk Wakalah of RM3.6 billion	AA-IS/Stable	Affirmed
Time Dotcom Berhad	RM1 bil Islamic Medium-Term Notes Programme (2017/2037)	AA2/Stable	Reaffirmed
Eco World Capital Berhad	Proposed Islamic Medium-Term Notes (Sukuk Wakalah) programme of RM1.2 billion	AA-IS(CG)/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
12/09	14:00	UK	Monthly GDP (MoM)	Jul	-0.6%
	14:00	UK	Industrial Production MoM	Jul	-0.9%
	14:00	UK	Index of Services MoM	Jul	-0.5%
	14:00	UK	Visible Trade Balance GBP/Mn	Jul	-£22847m
13/09	07:50	JP	BSI Large Manufacturing QoQ	3Q	-9.9
	08:30	AU	Westpac Consumer Conf Index	Sep	81.2
	09:30	AU	NAB Business Confidence	Aug	7.0
	14:00	UK	Average Weekly Earnings 3M/YoY	Jul	5.1%
	14:00	UK	ILO Unemployment Rate 3Mths	Jul	3.8%
	14:00	UK	Employment Change 3M/3M	Jul	160k
	17:00	EZ	ZEW Survey Expectations	Sep	-54.9
	18:00	US	NFIB Small Business Optimism	Aug	89.9
	20:30	US	CPI YoY	Aug	8.5%
14/09	07:50	JP	Core Machine Orders MoM	Jul	0.9%
	12:30	JP	Industrial Production MoM	Jul F	1.0%
	14:00	UK	CPI YoY	Aug	10.1%
	17:00	EZ	Industrial Production SA MoM	Jul	0.7%
	19:00	US	MBA Mortgage Applications	07 Sep	-0.8%
	20:30	US	PPI Final Demand YoY	Aug	9.8%
15/09	06:45	NZ	GDP SA QoQ	2Q	-0.2%
	07:50	JP	Exports YoY	Aug	19.0%
	09:30	AU	Employment Change	Aug	-40.9k
	09:30	AU	Unemployment Rate	Aug	3.4%
	17:00	EZ	Trade Balance NSA	Jul	-24.6b
	19:00	UK	Bank of England Bank Rate	15 Sep	1.75%
	20:30	US	Initial Jobless Claims	10 Sep	222k
	20:30	US	Empire Manufacturing	Sep	-31.3
	20:30	US	Retail Sales Advance MoM	Aug	0.0%
	20:30	US	Philadelphia Fed Business Outlook	Sep	6.2
	20:30	US	Import Price Index YoY	Aug	8.8%
	21:15	US	Industrial Production MoM	Aug	0.6%
16/09	06:30	NZ	BusinessNZ Manufacturing PMI	Aug	52.7
	08:30	SG	Non-oil Domestic Exports YoY	Aug	7.0%
	09:30	CN	New Home Prices MoM	Aug	-0.11%
	10:00	CN	Residential Property Sales YTD YoY	Aug	-31.4%
	10:00	CN	Industrial Production YoY	Aug	3.8%
	10:00	CN	Retail Sales YoY	Aug	2.7%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Aug	5.7%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Aug	0.3%
	17:00	EZ	CPI YoY	Aug F	8.9%
	22:00	US	U. of Mich. Sentiment	Sep P	58.2

Source: Bloomberg

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