Global Markets Research

Weekly Market Highlights

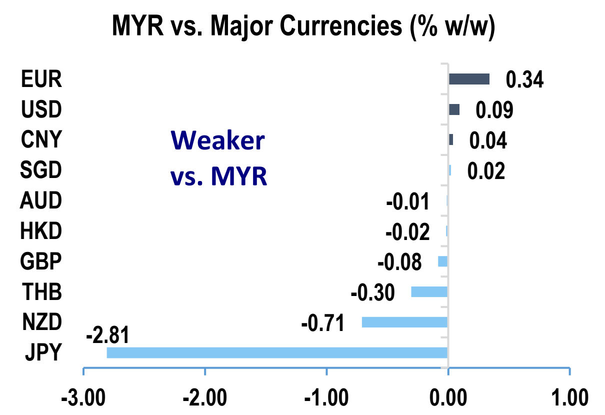
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	32,272.79	-2.93	-11.19
S&P 500	4,017.82	-3.81	-15.70
FTSE 100	7,476.21	-0.75	1.24
Hang Seng	21,869.05	3.73	-6.53
KLCI	1,509.71	-2.59	-3.69
STI	3,209.62	-0.53	2.75
Dollar Index	103.22	1.37	7.89
WTI oil ($/bbl)	121.51	3.97	57.83
Brent oil ($/bbl)	123.07	4.64	58.23
Gold (S/oz)	1,848.80	-0.95	1.10

Source: Bloomberg

- The US equity market plunged this week as tighter monetary conditions and higher inflation clouded growth outlook. The S&P 500 was down by 2.2% on a week-to-date basis as treasury yields climbed higher ahead of next week's FOMC meeting and tonight's US CPI data. The ECB turned hawkish on Thursday and said that it will raise its key interest rates by 25bps in July, followed by a potentially larger adjustment in September. The RBA unexpectedly raised the cash rate by 50bps to 0.85% on Tuesday, when the markets and economists had been predicting a 40bp increase the most. The Reserve Bank of India (RBI) also surprised the markets with a 50bp hike in its repo rate, bringing the policy rate to 4.90% in a bid to tackle inflation.
- The FOMC meeting overshadows other events and data next week. The 50bp rate hike is pretty much a done deal, so the question largely centers on whether the Fed will pause after the two expected 50bp increases. The Bank of England likely proceed with another 25bp hike next week while the BOJ is set to keep its policy unchanged, highlighting the stark policy stance with its Western counterparts.

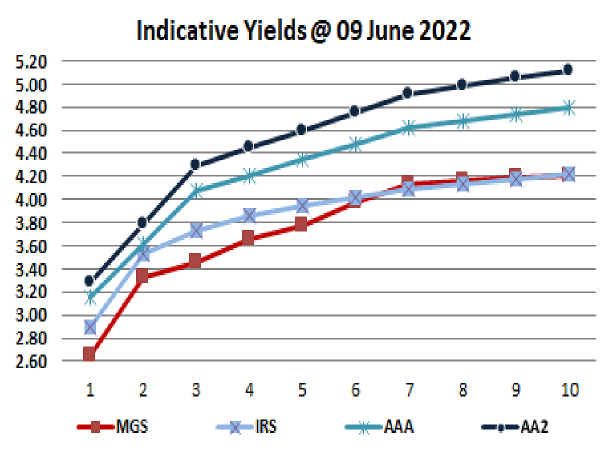
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded higher again and settled marginally up by 0.1% at 4.3930 (prior 4.3895). Weekly trading range was seen tightened to 4.3805-4.3990 amid lack of fresh catalysts and as investors preferred to stay on the sideline ahead of FOMC meeting next week. We expect USD/MYR to remain on a ***Neutral-to-Slightly Bullish*** trajectory in the week ahead, likely in a range of 4.37-4.42. Upside is capped by the slight overbought position in the pair while downside is limited given expectations for a still strong USD outlook.
- **USD**: The Dollar Index managed to shrug off selling pressure seen in the past three weeks, ended the week two big figures higher, by 1.4% at 103.22 as at Thursday's close. While the greenback has been steadily making small gains through the week, the spike post-ECB meeting was the most phenomenal as renewed growth concerns from higher interest rates unnerved investors and boosted safe haven flows into the USD. USD outlook is ***Slightly Bullish*** probably in a range of 102-104 next week, benefitting from the favourable yield differentials and haven demand. FOMC rhetoric and dot plot will be key for clues on the Fed's policy direction especially from September onwards.

Fixed Income



Source: Bloomberg

- **UST:** USTs under-performed following fears and dwindling volumes ahead of the May inflation data release later tonight coupled with the blackout period until the FOMC meeting next week. Overall benchmark yields rose between 10-18bps and the curve bear-flattened. The UST 2Y yield spiked the most by 18bps to 2.81% whilst the much-watched UST 10Y ended 13bps higher at 3.04%. A slew of coupon offerings totaling $96b saw softer-than-expected auctions for both the 3Y notes and 10Y bonds. However, the 30Y auction drew strong demand with BTC ratio at 2.35x and awarded at 3.185%. **Expect bonds to be slightly better-bid next week as inflation expectations are priced into bonds whilst concerns remain over economic growth.**
- **MGS/GII:** Local govvies closed mixed w/w, lacking direction despite higher IRS levels. Overall benchmark yields ended mixed -3 to +24bps**.** The benchmark 5Y MGS 11/26 yield closed unchanged at 3.75% whilst the 10Y MGS 7/32 eased 3bps to 4.22%. Average daily secondary market volume dropped 34% to RM1.98b with interest seen mainly in the off-the-run 22's, 29's and benchmark 7Y MGS, 10Y MGS/GII. The 15Y MGS 4/37 auction registered strong bidding metrics with BTC ratio at 2.211x and awarded at 4.599%. **Expect local govvies to range sideways next week with foreign-led news likely to dictate yield movements.**

Macroeconomic Updates

- **Stocks plunged as ECB turned hawkish:** The US equity market plunged this week as tighter monetary conditions and higher inflation clouded growth outlook. The S&P 500 was down by 2.2% on a week-to-date basis as treasury yields climbed higher ahead of next week's FOMC meeting and tonight's US CPI data. The ECB turned hawkish on Thursday and said that it will raise its key interest rates by 25bps in July, followed by a potentially larger adjustment in September to tackle the elevated Eurozone inflation. The central bank also ended its asset purchase program (effective 1 July) and revised down its growth outlook as well as expects inflation to be higher this year, citing the impact of the Ukraine-Russia war and China's Covid policy.

- **RBA delivered 50 basis point rate hike:** The RBA unexpectedly raised the cash rate by 50bps to 0.85% on Tuesday, when the markets and economists had been predicting a 40bp increase at the most. The RBA foresees inflation to increase further but will decline back towards 2-3% range next year. The RBA said that the 50bp move took into account current inflation pressures and the still very low level of interest rates. It also reaffirms commitment to further normalise monetary conditions over the months ahead. Elsewhere, the Reserve Bank of India (RBI) also surprised the markets with a 50bp hike in its repo rate, bringing the policy rate to 4.90% in a bid to tackle inflation.

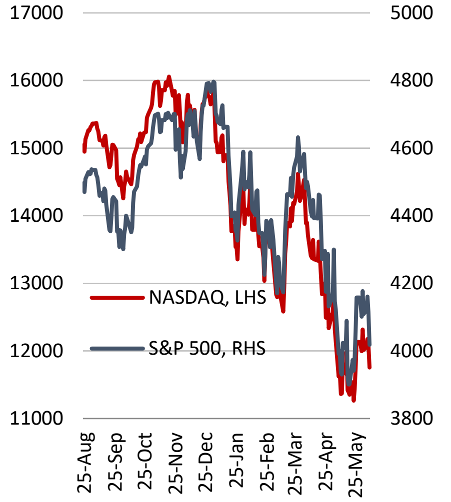
- **US imports fell in April:** US data were generally limited this week ahead of the all-important CPI index due today. Initial jobless claims rose by 27k last week and the 4-week moving average continued to climb, adding to signs of more layoffs in the economy. The US trade deficit narrowed to $87.1b in April, its smallest in four months thanks to higher monthly exports and a contraction in imports that month. The latter being affected by China's lockdown of Shanghai which prevented goods from being loaded and shipped to the US. The MBA mortgage applications fell 6.5% w/w last week, marking its fourth consecutive since mid-May. The mortgage and the broader housing markets are emanating signs of a slowdown as the Fed raised rates, making buying a home less affordable. The average 30Y fixed rate contracts rose to 5.40%, compared to 3.15% a year ago.

- **Eurozone's 1Q GDP revised higher:** Elsewhere, the Eurozone's first quarter GDP growth was revised higher to 0.6% q/q, from 0.3% previously. The y/y growth was also higher at 5.4% (vs 5.1% prior). First quarter employment gained 0.6% q/q and was 2.9% higher compared to the same period last year. This illustrates the continued tightening of the Eurozone labour market as the unemployment rate is at a record low. Other than that, the Sentix investor confidence index improved significantly to -15.8 in June but the negative reading reflects the ongoing pessimism with regards to the euro area's inflation and growth outlook especially when the Ukraine-Russia conflict rages on. China's trade activity improved in May as the lockdown in Shanghai was eased. Export growth surged to nearly 17% y/y while imports gained 4.1% y/y.

- **Fed's 50bp hike a done deal next week:** The FOMC meeting overshadows all other events and data next week. While the 50bp increase is pretty much a done deal as FOMC officials repeatedly support the case for two half-percentage-point hikes, which is consistent with the guidance offered in the latest FOMC minutes. The question largely centers on whether the Fed will pause after the said two hikes although traders very much threw this notion out of the window after a brief period of speculation. Key US data next week include retail sales, industrial production, home building data, PPI and import price inflations.

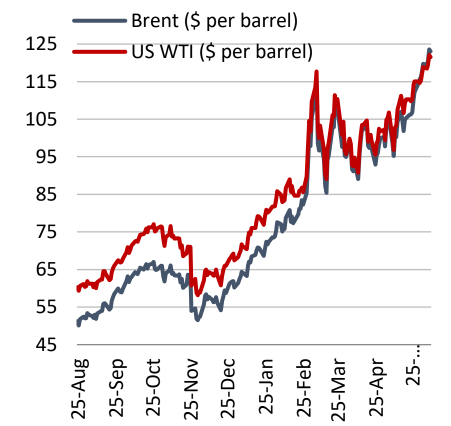
- **BOE and BOJ meetings are happening too:** The Bank of England likely proceed with another 25bp hike in the bank rate next week but the market will look for cautious tone that indicates an incoming halt. Next week's move will mark the BOE's fifth upward adjustment since December last year. Key UK data next week are the monthly GDP data and a series of job indicators. The Bank of Japan is set to keep its policy unchanged, highlighting the stark policy stance with its Western counterparts.

US stocks fell ahead of FOMC next week



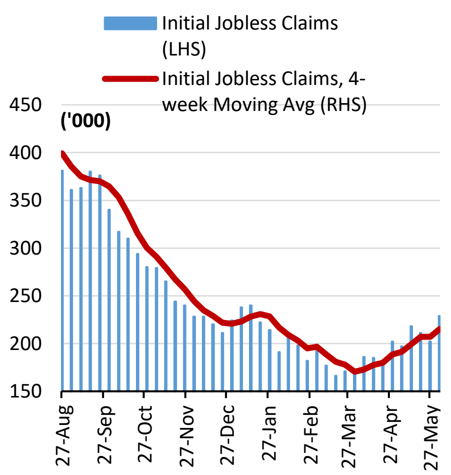
Source: Bloomberg

Oil prices stayed above $120/barrel



Source: Bloomberg

Initial jobless claims on the rise



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR traded higher again and settled marginally up by 0.1% at 4.3930 (prior 4.3895). Weekly trading range was seen tightened to 4.3805-4.3990 amid lack of fresh catalysts and as investors preferred to stay on the sideline ahead of FOMC meeting next week. We expect USD/MYR to remain on a ***Neutral-to-Slightly Bullish*** trajectory in the week ahead, likely in a range of 4.37-4.42. Upside is capped by the slight overbought position in the pair while downside is limited given expectations for a still strong USD outlook.

- **USD**: The Dollar Index managed to shrug off selling pressure seen in the past three weeks, ended the week two big figures higher, by 1.4% at 103.22 as at Thursday's close. While the greenback has been steadily making small gains through the week, the spike post-ECB meeting was the most phenomenal as renewed growth concerns from higher interest rates unnerved investors and boosted safe haven flows into the USD. The USD was the sole winner, strengthening against all G10s and major Asian currencies. USD outlook is ***Slightly Bullish*** probably in a range of 102-104 next week, benefitting from the favourable yield differentials and haven demand. FOMC rhetoric and dot plot will be key for clues on the Fed's policy direction especially from September onwards.

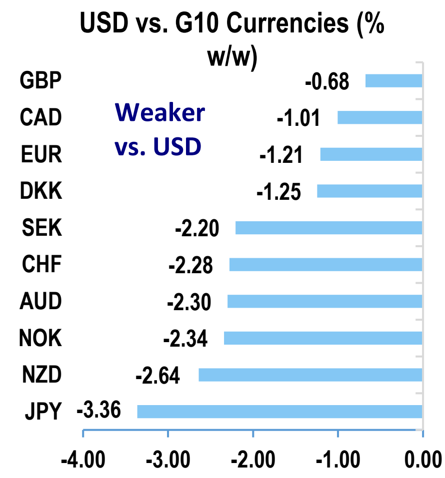
- **EUR**: EUR reversed course and fell 1.2% w/w to 1.0617 against the greenback. EUR/USD was seen trading sideways in a range of 1.0680-1.0750 before the sharp gap-down of over 100pips to 1.0611 after markets digested ECB's hawkish guidance for bolder and bigger move going forward, totally wiping out the cheer from reaffirmation of a 25bps rate hike and end to its APP programme in July. Concerns over growth fallout from rapid rate increases took center stage, as the ECB has also downgraded growth outlook concurrently whilst raising inflation forecast. EUR will likely trade in a ***Slightly Bearish*** mode, eyeing a range of 1.05-1.07 in the week ahead as the USD is expected to remain firm. Eurozone's CPI, industrial production and ZEW sentiments will likely be sidelined relative to FOMC headlines.

- **GBP**: The GBP depreciated against the USD for the 2nd straight week, but turned out to be the best performing G10 among its other peers. The sterling weakened 0.7% w/w vs the USD to 1.2493 this week, the least compared to other G10s which fell 1.0-3.4%, probably supported by expectations for gradual normalization by a further 25bps hike by BOE next week. We expect GBP/USD outlook to be ***Neutral*** within familiar ranges of 1.24-1.26 in the week ahead as markets await BOE decision on 16-June. BOE has been withdrawing its policy accommodation in a steady manner so far and any deviation from this could be detrimental to the sterling, taking cue from the EUR post ECB's hawkish tilt.

- **JPY**: The JPY weakness stayed extended, inching up steadily through the week from the 130 handle to 134.36 as at Thursday's close, despite ongoing swings between risk-on and risk-off sentiments. The JPY fell 3.4% w/w against the USD, the most among G10s. The pair is now in overbought condition following recent sharp gains. Some technical correction is imminent in our view although the pair remains overall bullish amid ongoing concerns over policy divergence between the BOJ and other major central banks. We are therefore ***Neutral*** on the pair in the week ahead within recent ranges of 131-134. BOJ policy meet towards end of the week (17-June) is also expected to keep the JPY sideways.

- **AUD**: AUD took a sharp turn and fell 2.3% w/w, erasing all gains the preceding week back to the 0.7098 level as at Thursday's close. The pair has been holding on to the 0.7150-0.7250 ranges for most part of the week taking little heed from stronger than expected China exports data, before the spike in USD post-ECB announcement push the pair down to the 0.70 big figure. AUD/USD will be ***Neutral-to-Slightly Bearish*** potentially eyeing a range of 0.70-0.72 in the week forward in anticipation of a still firm USD. Australian job data and confidence readings will likely take a back seat.

- **SGD**: SGD weakened for the first time in five weeks, and turned out to be the worst performing major Asian currencies losing 0.9% w/w against the USD to 1.3831 as at Thursday's close. USD/ SGD was seen hanging on to the 1.37 big figure as markets swayed between global growth and inflationary concerns before the jump in Thursday's European session to as high as 1.3838. Outlook for USD/SGD is ***Slightly Bullish*** next week, likely edging up to a higher range of 1.37-1.39 on expectations of a firm USD outlook. NODX will be the only major Singapore data on the deck.



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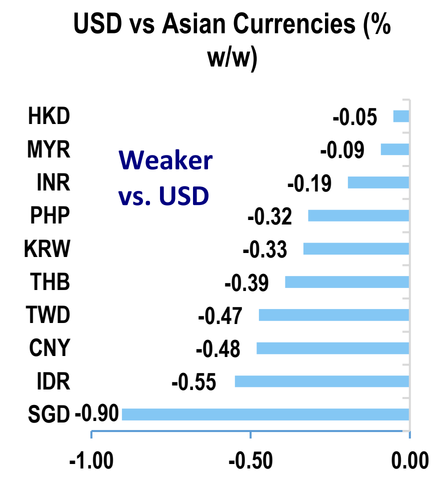


Source: Bloomberg

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

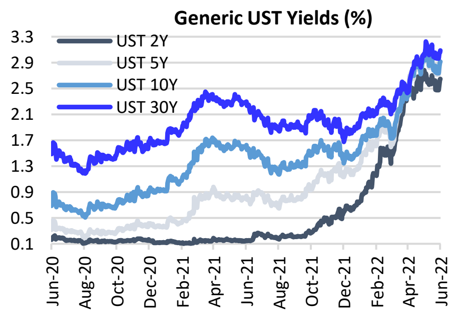
Fixed Income

- **UST:** For the week under review, USTs under-performed following fears and dwindling volumes ahead of the May inflation data release later tonight coupled with the blackout period until the FOMC meeting next week. The curve bear-flattened as overall benchmark yields rose between 10-18bps. **The UST 2Y yield spiked the most by 18bps to 2.81% whilst the much-watched UST 10Y (which ranged tighter between 2.97-3.05%) ended 13bps higher at 3.04%.** A slew of coupon offerings totaling $96b saw softer-than-expected auctions for both the 3Y notes and 10Y bonds. However, the 30Y auction drew strong demand with BTC ratio at 2.35x and awarded at 3.185%. A stronger-than-expected May jobs report last Friday revealed that the US economy added 390k jobs with the unemployment rate steady at 3.6%. Japanese investors continued to off-load USTs in April for the 6th consecutive month. The Fed's reverse repo facility usage surged again to top yet another new high for a 3rd straight session to $2.14 trillion with balances having climbed by ~$157b over the past week. **Expect bonds to be slightly better-bid next week as inflation expectations are priced into bonds whilst concerns remain over economic growth.**

- **MGS/GII:** Local govvies closed mixed w/w, lacking direction despite higher IRS levels. Overall benchmark yields ended mixed -3 to +24bps**. The benchmark 5Y MGS 11/26 yield closed unchanged at 3.75% whilst the 10Y MGS 7/32 eased 3bps to 4.22%.** Average daily secondary market volume dropped 34% to RM1.98b versus prior week's RM2.99b with interest seen mainly in the off-the-run 22's, 29's and benchmark 7Y MGS, 10Y MGS/GII. The 15Y MGS 4/37 auction registered strong bidding metrics with BTC ratio at 2.211x and awarded at 4.599%; drawing favorable participation from pension funds, insurance companies and also offshore financial institutions. Elsewhere, market participants are awaiting the government's update on the envisaged targeted fuel subsidies. **Expect local govvies to range sideways next week with foreign-led news likely to dictate yield movements.**

- **MYR Corporate bonds/ Sukuk**: The week under review saw slightly lower appetite for govt-guaranteed bonds, corporate bonds and Sukuk amid rising yields due to the long weekend break extending until Monday. **Trades were seen along the across GG-AA part of the curve as yields closed mostly mixed amid a 12% decrease in daily market volume to RM238m.** Topping the weekly volume CIMB 2116NC23 Perps (A1) which jumped 15bps higher compared to previous-done levels to 3.86%. This was followed by RANTAU 3/29 (AAA) bonds which spiked a whopping 65bps to 4.47% and subsequently AMAN 4/24 (AAA), which moved 3bps lower instead to 3.60%. Higher frequency of bond trades was seen in PRASA, TNB-related bonds and TG BIN Energy; along with odd-lot transactions in Sabah Development Bank and TROPICANA bonds. The prominent fresh issuance for the week consisted of Pengurusan Air SPV Sdn Bhd's AAA-rated 3-5Y bonds totaling RM1.335b with coupons ranging between 4.10-4.40%.

- **Singapore Government Securities:** SGS ended weaker taking cue from UST performance for the week under review. The curve shifted higher as overall benchmark yields climbed between 3-10bps across. The SGS 2Y yield moved 3bps up to 2.19% whilst the 10Y (which ranged tighter between 2.81-2.91%) spiked 9bps to 2.91%. Singapore's sovereign bonds posted a loss of 0.5% w/w (prior week: -1.4%). Elsewhere, the government is expected to issue up to S$35b worth of green bonds by 2030, including an augural sale in the near future. Meanwhile, OCBC has priced $750m 10NC5 worth of subordinated notes at a coupon of 4.602%, and are expected to qualify as Tier-2 capital of the bank. It is expected to be rated A2 by Moody's. Elsewhere China Construction Bank Corp Singapore branch has also priced its 2Y notes at 2.85%.



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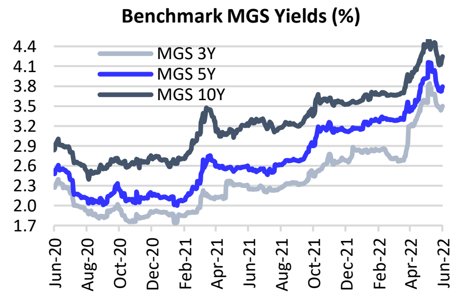

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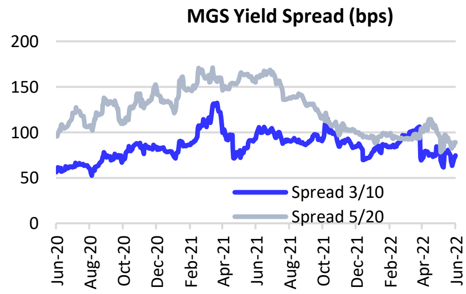

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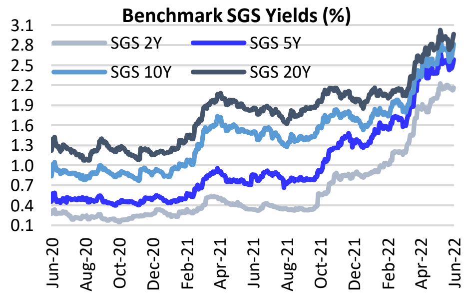

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Cagamas Berhad	Conventional and Islamic Commercial Papers (CP/ICP) programmes with a combined aggregate limit of RM20.0 billion	MARC-1/MARC-1IS/Stable	Affirmed
	Conventional and Islamic Medium-Term Notes (MTN/IMTN) programmes of up to RM60.0 billion	AAA/AAA IS/Stable	Affirmed
UniTapah Sdn Bhd	Sukuk Murabahah of up to RM600 mil (2014/2035)	AA1 Stable	Reaffirmed
SPR Energy (M) Sdn Bhd	Senior Sukuk Ijarah of RM580 mil	From A3/Negative to BBB2/Negative	Downgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
13/06	07:50	JP	BSI Large Manufacturing QoQ	2Q	-7.6
	14:00	UK	Monthly GDP (MoM)	Apr	-0.1%
	14:00	UK	Construction Output MoM	Apr	1.7%
	14:00	UK	Industrial Production MoM	Apr	-0.2%
	14:00	UK	Index of Services MoM	Apr	-0.2%
	14:00	UK	Visible Trade Balance GBP/Mn	Apr	-£23897m
14/06	09:30	AU	NAB Business Confidence	May	10.0
	12:30	JP	Industrial Production MoM	Apr F	-1.3%
	14:00	UK	Payrolled Employees Monthly Change	May	121k
	14:00	UK	Average Weekly Earnings 3M/YoY	Apr	7.0%
	14:00	UK	ILO Unemployment Rate 3Mths	Apr	3.7%
	14:00	UK	Employment Change 3M/3M	Apr	83k
	17:00	EZ	ZEW Survey Expectations	Jun	-29.5
	18:00	US	NFIB Small Business Optimism	May	93.2
	20:30	US	PPI Final Demand YoY	May	11.0%
15/06	07:50	JP	Core Machine Orders MoM	Apr	7.1%
	08:30	AU	Westpac Consumer Conf SA MoM	Jun	-5.6%
	10:00	CN	Industrial Production YoY	May	-2.9%
	10:00	CN	Retail Sales YoY	May	-11.1%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	May	6.8%
	17:00	EZ	Industrial Production SA MoM	Apr	-1.8%
	17:00	EZ	Trade Balance SA	Apr	-17.6b
	19:00	US	MBA Mortgage Applications	10 Jun	-6.5%
	20:30	US	Empire Manufacturing	Jun	-11.6
	20:30	US	Retail Sales Advance MoM	May	0.9%
	20:30	US	Import Price Index YoY	May	12.0%
	22:00	US	NAHB Housing Market Index	Jun	69
16/06	02:00	US	FOMC Rate Decision	15 Jun	0.75-1.00%
	06:45	NZ	GDP SA QoQ	1Q	3.0%
	07:50	JP	Exports YoY	May	12.5%
	09:30	AU	Employment Change	May	4.0k
	09:30	AU	Unemployment Rate	May	3.9%
	17:00	EZ	Labour Costs YoY	1Q	1.9%
	19:00	UK	Bank of England Bank Rate	16 Jun	1.0%
	20:30	US	Building Permits MoM	May	-3.0%
	20:30	US	Housing Starts MoM	May	-0.2%
	20:30	US	Philadelphia Fed Business Outlook	Jun	2.6
	20:30	US	Initial Jobless Claims	11 June	--
17/06	06:30	NZ	BusinessNZ Manufacturing PMI	May	51.2
	08:30	SG	Non-oil Domestic Exports YoY	May	6.4%
	11:00	JP	BOJ Policy Balance Rate	Jun-17	-0.1%
	12:00	MA	Exports YoY	May	20.7%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	May	1.4%
	16:30	HK	Unemployment Rate SA	May	5.4%

17:00	EZ	CPI YoY	May F	7.4%
21:15	US	Industrial Production MoM	May	1.1%
22:00	US	Leading Index	May	-0.3%

Source: Bloomberg