

Global Markets Research

Weekly Market Highlights

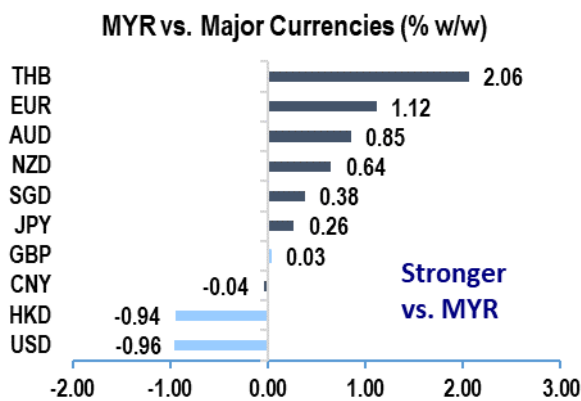
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	33,715.37	5.36	-7.22
S&P 500	3,956.37	6.36	-16.99
FTSE 100	7,375.34	2.60	-0.12
Hang Seng	16,081.04	4.83	-27.50
KLCI	1,449.74	2.07	-6.60
STI	3,173.18	2.28	3.14
Dollar Index	108.21	-4.18	13.15
WTI oil (\$/bbl)	86.47	-1.93	12.31
Brent oil (\$/bbl)	93.67	-1.06	20.69
Gold (\$/oz)	1,753.70	7.53	-4.10

Source: Bloomberg

- CPI, midterm congress election and crypto sell off on investors' minds:** Stocks in the US rallied earlier in the week as investors looked ahead to congressional midterm elections and key inflation but took a short breather midweek after indecisive midterm election outcome and crypto selloff. They staged their biggest V-shape rebound on Thursday after October's reading of CPI raised investor hopes that inflation has peaked. At the end of the day, the Dow Jones Industrial Average ended the week 5.4% w/w and the S&P 500 surged 6.4% w/w
- Next week data:** In view of the positive Sentix sentiment, we believe that investors will be also be watching the ZEW and GfK consumer sentiment indices closely next week. In terms of inflation, US will release its October PPI while Japan is scheduled to release its CPI data for the same month. US will release housing related indicators from existing home sales to housing starts as well as retail sales, leading index and IPI. Closer to home, both Malaysia and Singapore are set to release its trade numbers for October.

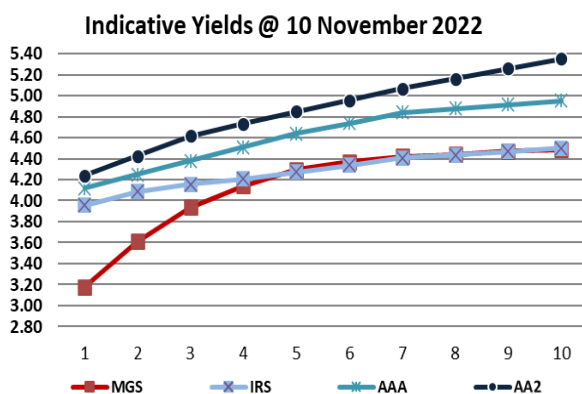
Forex



Source: Bloomberg

- MYR:** Ringgit broke below the 4.70 level ahead of the release of Malaysia's 3Q GDP and ended the week at 4.6978. Successive close below 4.70 is strengthening the bears in USD/ MYR especially if the USD continues pulling back. That said, we expect downside in the pair to be limited by building up market jitters as Malaysian goes to the poll on 19 November, hence our Neutral-to-Slightly Bearish call on USD/MYR next week, with a range of 4.60 to 4.70.
- USD:** The greenback broke below the 110 handle earlier part of week and closed the week at 108.21. We expect a Bearish outlook for the USD next week probably staying below the 110 handle in a range of 105-110, potentially marking the beginning of a reversal in the USD trend.

Fixed Income



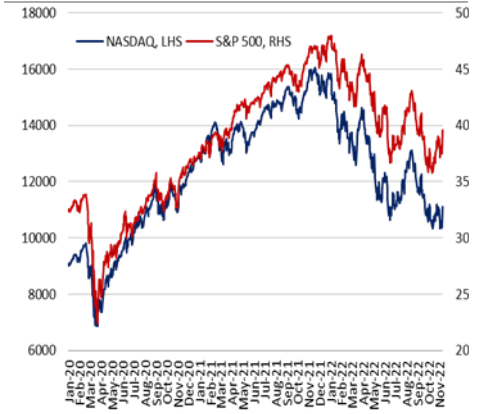
Source: Bloomberg/ BPAM

- UST:** US Treasuries made a huge turnaround and advanced across the curve led by the front ends as US midterm election and US CPI took center stage. The weaker than expected CPI, both headline and core, significantly pushed back Fed rate hike expectations, prompted a rally in UST. Yields were seen plunging 12-42bps across the curve, with the 2s and 10s last settled at 4.32% and 3.81% respectively, with the curve inversion narrowed to -51 (prior -57). One-year implied Fed fund rates based on future pricing pulled back to 4.38%, from 4.70% pre-CPI release, while expectations for December hike somewhat softened from 57bps to 50bps. Futures pricing also showed the "terminal rate" will peak at 4.91% in May-2023, down from 5.04%. US retail sales and consumer inflation expectation will be key data watch along with a series of Fed speaks in the week ahead. Dampened rate hike outlook will keep UST bullish in our view.
- MGS/GII:** Local govies staged a rebound from early week selloffs, but still ended the week weaker with MGS yields up 3-14bps across the curve, led by the 10Y (+14bps at 4.49%) whilst the 5Y added 7bps w/w to 4.28%. Markets were cautious tracking global bonds amid US midterm election and US CPI anxiety, with lower daily secondary market volume of RM1.82bn (prior RM2.45bn). The reopening of 7Y GII 7/29 were met with soft demand and all eyes will be on next Monday's RM5.0bn 5Y MGS sale. Today's 3Q GDP from Malaysia will reaffirm a positive growth trajectory offering room for further policy normalization. Major event risk i.e. GE15 will be take center stage in next week's trading.

Macroeconomic Updates

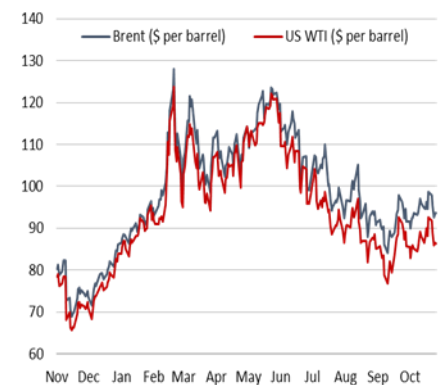
- CPI, midterm congress election and crypto sell off on investors' minds:** Stocks in the US and Europe rallied earlier in the week as investors looked ahead to congressional midterm elections and key inflation while the latter also had impetus from improved Sentix investor sentiment and German IPI data. US stocks took a short breather midweek after indecisive midterm election outcome and crypto selloff but staged their biggest V-shape rebound on Thursday after October's reading of consumer prices (CPI) raised investor hopes that inflation has peaked. Tech stocks were the clear winners, led by gains in Amazon, Apple, Meta and Microsof. At the end of the day, the Dow Jones Industrial Average ended the week 5.4% w/w, the S&P 500 surged 6.4% w/w while the Nasdaq Composite surged 7.5% w/w.
- Has inflation peaked?** US consumer prices took the spotlight this week. CPI rose by 0.4% m/m, unchanged from the previous month but below consensus' +0.6% m/m. On a y/y basis, the CPI increased 7.7%, the first time since February that the annual increase in the CPI was below 8% y/y. This data raised investor hopes that inflation has peaked and traders bet the Federal Reserve would slow its aggressive tightening campaign. China's CPI meanwhile, eased in October but more importantly, the producer prices fell into deflation for the first time in nearly two years (-1.3% y/y). New Zealand's near-term rate of inflation was higher than previously predicted but is expected to ease going forward. The Reserve Bank of New Zealand's (RBNZ) quarterly survey of expectations showed business managers forecast annual inflation would average 5.08% over the coming year, easing to 3.62% for the second year.
- Resilient consumer sentiment:** As mentioned earlier, the Sentix investor sentiment index in the Eurozone took the spotlight in the week, surprising on the positive side by adding 7.4 points to -30.9 in November. Germany's expectations rose to -32 points, the highest since June although these readings reaffirmed pessimism in the Eurozone. In Asia, Australia Household Spending Intentions rebounded to rise by +0.9% m/m, in contrast to Westpac Melbourne Institute Consumer Sentiment Index which fell 6.9% m/m.
- Consumer spending indicators were also favourable.** Retail sales in Eurozone rose 0.4% m/m in September, while Japanese households ramped up spending (+2.3% y/y in September) in view of the reopening of the economy and marking a four-month growth streak. In the US, consumer credit increased 6.4% in September as employment market remains favourable. This was supported by still healthy labour market. US non-farm payroll grew 261k while unemployment rate is still low at 3.7% despite the uptick. On the local front, unemployment rate improved to 3.6% in September.
- Mixed business indicators:** Euro Services PMI dipped to 48.6 in October, but the Jibun Bank Japan Services Business Activity Index rose to 53.2 to signal a second consecutive monthly expansion in Japan's service sector output. China's exports and imports, meanwhile, unexpectedly contracted in October, the first simultaneous slump since May 2020, partially due to its lockdown. In Australia, NAB's index of business confidence eased 5 points to 0, leaving it below the long-run average, suggesting that firms are growing wary of the potential for a slower period ahead, despite ongoing strong demand. Domestically, Malaysia's IPI grew at a more moderate pace for the first time in four months, although overall growth remained hefty at 10.8% y/y in September, suggesting that 3Q GDP, due to be released today, will be strong.
- Next week data:** We believe that investors will be also be watching the ZEW and GfK consumer sentiment indices closely next week. In terms of infation, US will release its October PPI while Japan is scheduled to release its CPI. In terms of real economy, Japan and Eurozone will release its 3Q GDP during the week. More importantly, a string of indicators for the first month of 4Q are set to be released. These include Japan's IPI, Eurozone's IPI and trade data, China's IPI, retail sales, fixed asset investment as well as jobless rate data. US will release housing related indicators from existing home sales to housing starts as well as retail sales, leading index and IPI. Closer to home, both Malaysia and Singapore are set to release its trade numbers for October.

V-Shape week for the stock market



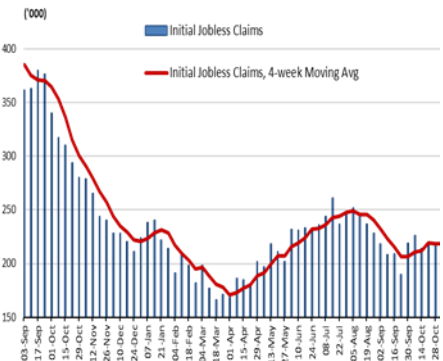
Source: Bloomberg

Oil prices retreat on US inventory and Chinese demand



Source: Bloomberg

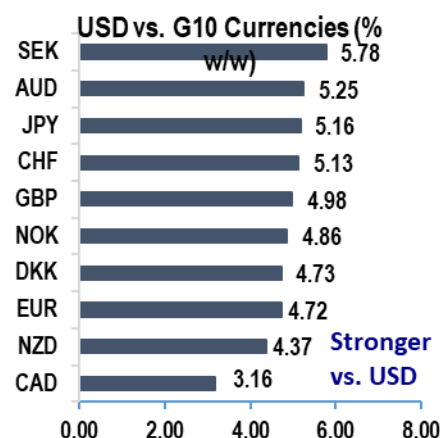
Initial jobless claims on the rise



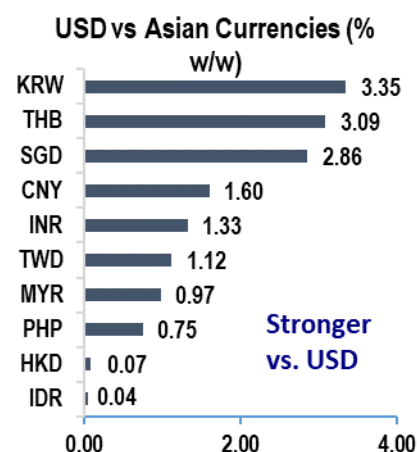
Source: Bloomberg

Foreign Exchange Market

- MYR:** Ringgit broke below the 4.70 level ahead of the release of Malaysia's 3Q GDP and ended the week at 4.6978. Successive close below 4.70 is strengthening the bears in USD/ MYR especially if the USD continues pulling back. That said, we expect downside in the pair to be limited by building up market jitters as Malaysian goes to the poll on 19 November, hence our **Neutral-to-Slightly Bearish** call on USD/MYR next week, with a range of 4.60-4.70.
- USD:** The greenback broke below the 110 handle earlier part of week and closed the week at 108.21. We expect a **Bearish** outlook for the USD next week probably staying below the 110 handle in a range of 105-110, potentially marking the beginning of a reversal in the USD trend.
- EUR:** The euro strengthened earlier in the week on improved data, namely the Sentix investor sentiment and German IPI. The two-year German bund also rose during the week, lending support for the currency. EUR ended the week 4.7% w/w stronger at 1.03. We are **Slightly Bullish** on the pair next week, eyeing a range of 0.99 to 1.04. Key risk will be to this pair will be weaker IPI in Europe and if it breaks below 0.97.
- GBP:** Sterling's rallied earlier in the week and posted its largest 1-day gain since March 2020 on Thursday, ending the week 5.0% w/w stronger at 1.17. For next week, we expect the pair to exhibit a **Slightly Bullish** outlook trending towards 1.13-1.19 on the back of prospect of USD weakness although UK fundamentals remain a weak link. Investors will remain on edge ahead to British finance minister Jeremy Hunt's planned fiscal statement on Nov 17. The likelihood of UK economy entering recession is also higher vis-à-vis US and the BOE is relatively not as hawkish as the Fed.
- JPY:** The JPY made notable gains this week, with USD/ JPY traded down six big figures from 147s to 141s, leaving USD/JPY at 140.98 as of Thursday (-5.2% w/w) as markets continued to pare Fed rate hike expectations especially after the release of weaker than expected US CPI overnight. We are **Slightly Bearish** on USD/ JPY and we expect it to trade in a range of 140-145 in the week ahead.
- AUD:** The Australian Dollar benefitted from perceived change in policy from China this week as well as support from positive Australia trade data and less than initially estimated dip in PMI services. Consequently, AUD ended the week 5.25% stronger at 0.66. Nevertheless, should there be continuous movement restrictions in China going forward, the Aussie could be vulnerable given its dependence on China. That said, expectations for a weaker USD will translate into a firmer Aussie, hence our **Slightly Bullish** view on AUD/ USD, potentially in a range of 0.64 to 068.
- SGD:** SGD weakened vis-à-vis G10 currencies this week but strengthened against most regional currencies. Nevertheless, SGD ended the week 2.8% w/w stronger vis-à-vis USD at 1.38. We are **Neutral-to-Slightly Bearish** on this pair and look for it to trade within the 1.38 to 1.40 range.



Source: Bloomberg



Source: Bloomberg

	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

Economic Calendar

Date	Time	Country	Event	Period	Prior
14-Nov	5:30	NZ	Performance Services Index	Oct	55.8
	8:01	UK	Rightmove House Prices MoM	Nov	0.90%
	18:00	EC	Industrial Production SA MoM	Sep	1.50%
15-Nov	4:00	NZ	REINZ House Sales YoY	Oct	-10.90%
	7:50	JN	GDP SA QoQ	3Q P	0.90%
	8:30	AU	RBA Minutes of Nov. Policy Meeting		
	10:00	CH	Industrial Production YoY	Oct	6.30%
	10:00	CH	Retail Sales YoY	Oct	2.50%
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Oct	5.90%
	10:00	CH	Surveyed Jobless Rate	Oct	5.50%
	12:30	JN	Industrial Production MoM	Sep F	-1.60%
	15:00	UK	ILO Unemployment Rate 3Mths	Sep	3.50%
	18:00	EC	ZEW Survey Expectations	Nov	-59.7
	18:00	EC	Trade Balance SA	Sep	-47.3b
	18:00	EC	Employment QoQ	3Q P	0.40%
	18:00	EC	GDP SA QoQ	3Q P	0.20%
	21:30	US	Empire Manufacturing	Nov	-9.1
	21:30	US	PPI Final Demand YoY	Oct	8.50%
16-Nov	7:30	AU	Westpac Leading Index MoM	Oct	-0.04%
	7:50	JN	Core Machine Orders MoM	Sep	-5.80%
	8:30	AU	Wage Price Index QoQ	3Q	0.70%
	9:30	CH	New Home Prices MoM	Oct	-0.28%
	12:30	JN	Tertiary Industry Index MoM	Sep	0.70%
	15:00	UK	CPI MoM	Oct	0.50%
	15:00	UK	Retail Price Index	Oct	347.6
	15:00	UK	PPI Output NSA MoM	Oct	0.20%
	15:00	UK	PPI Input NSA MoM	Oct	0.40%
	20:00	US	MBA Mortgage Applications	4-Nov	-0.10%
	21:30	US	Retail Sales Advance MoM	Oct	0.00%
	21:30	US	Import Price Index MoM	Oct	-1.20%
	21:30	US	Export Price Index MoM	Oct	-0.80%
	22:15	US	Industrial Production MoM	Oct	0.40%
	23:00	US	Business Inventories	Sep	0.80%
23:00	US	NAHB Housing Market Index	Nov	38	
17-Nov	5:45	NZ	PPI Input QoQ	3Q	3.10%
	5:45	NZ	PPI Output QoQ	3Q	2.40%
	7:50	JN	Exports YoY	Oct	28.90%
	8:30	AU	Employment Change	Oct	0.9k
	8:30	SI	Non-oil Domestic Exports SA MoM	Oct	-4.00%
	8:30	AU	Unemployment Rate	Oct	3.50%
	12:00	MA	Exports YoY	Oct	30.10%
	16:30	HK	Unemployment Rate SA	Oct	3.90%
	18:00	EC	Construction Output MoM	Sep	-0.60%
	18:00	EC	CPI MoM	Oct F	1.50%
	21:30	US	Housing Starts	Oct	1439k
	21:30	US	Building Permits	Oct	1564k
21:30	US	Philadelphia Fed Business Outlook	Nov	-8.7	
21:30	US	Initial Jobless Claims	5-Nov	225k	
18-Nov	0:00	US	Kansas City Fed Manf. Activity	Nov	-7
	7:30	JN	Natl CPI YoY	Oct	3.00%
	8:01	UK	GfK Consumer Confidence	Nov	-47
	15:00	UK	Retail Sales Inc Auto Fuel MoM	Oct	-1.40%
	23:00	US	Existing Home Sales MoM	Oct	-1.50%
	23:00	US	Leading Index	Oct	-0.40%

Source: Bloomberg

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