Global Markets Research

Weekly Market Highlights

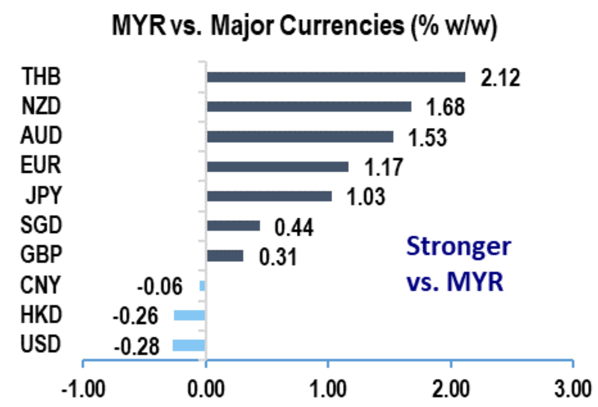
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	33,336.67	1.86	-8.26
S&P 500	4,207.27	1.33	-11.73
FTSE 100	7,465.91	0.24	1.10
Hang Seng	20,082.43	-0.45	-14.17
KLCI	1,505.56	-0.14	-3.95
STI	3,301.96	0.98	5.71
Dollar Index	105.09	-0.57	9.85
WTI oil ($/bbl)	94.34	6.55	22.54
Brent oil ($/bbl)	99.60	5.82	28.05
Gold ($/oz)	1,789.70	0.07	-2.13

Source: Bloomberg

- The US stock rallied in mid-week, more than offsetting the tiny losses recorded earlier in the week. The renewed appetites for risk assets on Wednesday came after the US reported a weaker-than-expected CPI inflation for July, leaving the market to reprice the Federal Reserve's remaining rate hikes this year. Notably, NASDAQ was pushed out of bear territory this week despite tech stocks having suffered some early selling on the back of semiconductor-related concerns. The US annual headline CPI inflation came in at 8.5% y/y in July, coming off the 9.1% rate in June, which took some pressure off the Fed to deliver another 75bp rate hike.
- In the week ahead, the FOMC meeting minutes will be a major event while key US data include the US retail sales, industrial production and a bunch of housing indicators. the Eurozone will report the preliminary GDP growth for the second quarter as well as the final HICP inflation rate for July. The UK is also set to produce several key data such as the job gains and unemployment rate as well as CPI and retail sales. China will also publish retail sales and IPI. The RBNZ is expected to raise OCR by 50bps.

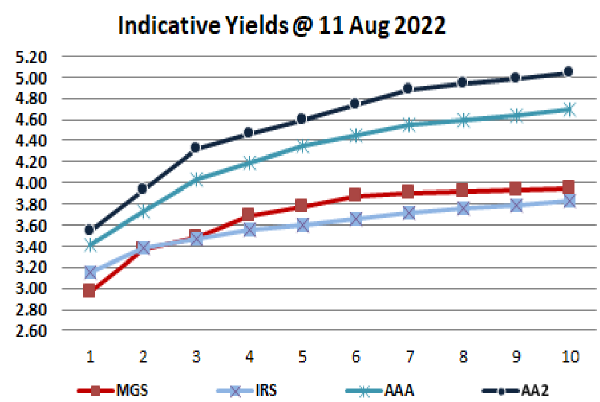
Forex



Source: Bloomberg

- **MYR:** The MYR traded steadily in the 4.4550 levels for the larger part of the week before gapping down to as low as 4.4375 on 11-August after US headline CPI cooled more than expected in July. The MYR strengthened 0.3% w/w to 4.4455 vs the USD as at Thursday's close, but was weaker against most other G10s, and traded mixed against its Asian peers. We are expecting continued ***Slight Bearishness*** in USD/ MYR, eyeing a range of 4.42-4.45 in the week ahead. A slightly bearish USD outlook coupled with firm growth prospects in the Malaysian economy are expected to be supportive of the MYR in our view. Malaysia July exports due for release on 19-August will likely show another hefty double-digit print.
- **USD**: The Dollar Index posted its fourth consecutive weekly losses, hitting an intraday low of 104.64 as softer than expected US CPI print spurred expectations for a less aggressive Fed rate hike in September. DXY however managed to claw back some losses to close at 105.09 on Thursday, losing 0.6% on the week. The greenback weakened against all G10s save for the minor gain against the JPY. Trading in the USD is expected to remain cautious but maintain an overall ***bearish*** bias potentially in a range of 104-106 as investors set their eyes on FOMC minutes, retail sales and housing data.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries underperformed due to flight to safety led by losses in the front-ends after July jobs data release blew away estimates. Later in the week however, the front-ends rallied as investors pared bets on earlier aggressive bets following softer headline inflation for July. The curve shifted sharply higher as overall benchmark yields closed higher between 13-17bps. The 2s10s yield curve which inverted to its deepest level for the week at ~50bps, eased slightly but remains a valid recession predictor going forward. The demand for $21b of 30Y bonds saw average demand of 2.31x, whereas the 10Y and 3Y note auction metrics however beat expectations. The Fed may now be prompted to restrict its September interest rate hike to 50bps and complete the year-end with another 25bps in December. **Expect bond volatilities to be more sanguine; whilst trending rangebound next week.**
- **MGS/GII:** Local govvies closed stronger pivoted along the 10Y w/w, with the GII seeing slightly higher deviation compared to MGS with some bargain-hunting activities. The curve shifted lower as overall benchmark yields closed lower between 0-7bps with interest seen mainly in the off-the-run 22-23's and also benchmark 5Y MGS/GII, 10Y MGS/GII. Foreign holdings of Government bonds fell RM4.67b totaling ~23% of outstanding as at end-July. **Expect local govvies to range sideways next week in the absence of market-moving data until Friday's exports releases.**

Macroeconomic Updates

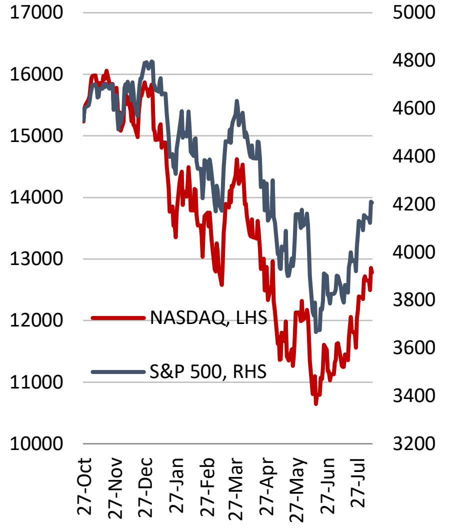
- **Stocks rallied in mid-week but momentum faded:** The US stock rallied in mid-week, more than offsetting the tiny losses recorded earlier in the week. The renewed appetites for risk assets on Wednesday came after the US reported a weaker-than-expected CPI inflation for July, leaving the market to reprice the Federal Reserve's remaining rate hikes this year. Notably, NASDAQ was pushed out of bear territory this week despite tech stocks having suffered some early selling on the back of semiconductor-related concerns. Chipmakers Nvidia, Intel, Advanced Micro Devices and Micron Technology reported disappointing 2Q earnings, spurring worries that global chip demand may soon slow down sharply as the outlook turned less favourable in recent months. However, the positive momentum for equities was brief as the market wavered on Thursday. On a week-to-date basis, the Dow Jones rose 1.6%, roughly matching the 1.5% gain in the S&P 500; tech-focus NASDAQ underperformed, advancing 1%. Meanwhile, oil benchmarks modestly by 4.9-6.0% WTD amid choppy trading. Traders digested mixed headlines such as the fall in US gasoline price to sub-$4/gallon as well as the shutdown in six Gulf of Mexico O&G fields. Brent crude was seen at circa $99/barrel as of writing while the US WTI at $93.74/barrel.

- **Cooling headline inflation in US:** The US annual headline CPI inflation came in at 8.5% y/y in July, versus the consensus forecast of 8.7% and the June reading of 9.1%. On a m/m basis, CPI was flat, reflecting the drop in prices of gasoline, used cars and airfare which were countered by continued increase in prices of food and shelter. Services inflation eased on a m/m basis (+0.3% vs +0.9% prior) but remained elevated at 6.2% y/y. Producer price index unexpectedly fell 0.5% m/m in July, its first decline in more than two years. The annual PPI rate also softened to 9.8% y/y (Jun: +11.3%). The milder inflation reading removes the need for the Fed to deliver another 75bp rate hike in September but the Fed is unlikely to pivot from its hawkish stance soon as services inflation is expected to remain supported by the elevated rent and the continued rise in wage growth. Fed meeting-dated swap market now priced in only 40% chance of a 75bp hike, versus 67% three days ago. Apart from that, initial jobless claims continued to trend higher to 262k last week, firming up the view that the labour market conditions are indeed easing. This was despite the July NFP job gains coming in at a robust 528k last week. The NFIB Small Business Optimism Index rose marginally to 89.9 in July (Jun: 89.5); the tiny improvement in small biz optimism reflects weaker price pressure and less pessimistic economic outlook although the hiring difficulties persisted.

- **China's inflation weakened**: China's inflationary pressures cooled as well in July. The headline CPI inflation accelerated to 2.7% y/y (Jun: +2.5%) but lower than the estimates of 2.9%. However, this was largely driven by higher food prices (+6.3% y/y) particularly, the 20.2% y/y jump in prices of pork (Chinese household's main poultry choice). Core CPI inflation eased to 0.8% y/y (Jun: +1.0%), a sign of weaker underlying price pressure. China's strict Covid policy also weighed on services inflation which had slowed to 0.7% y/y, from 1.0% previously. Factory gate inflation, measured via the producer price index rate also continued its downward trend for the ninth consecutive month, coming in at a 16-month low of 4.2% y/y in July (Jun: +6.1%).

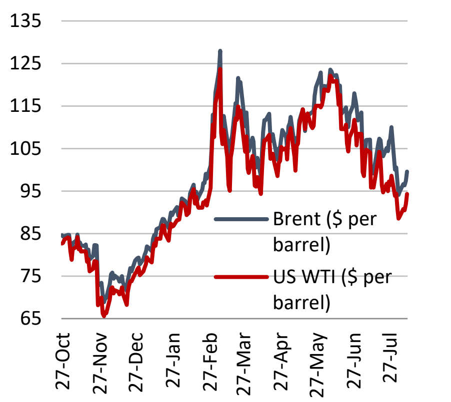
- **Week ahead data:** While the FOMC meeting minutes will be a major event in the US next week, data such as retail sales and industrial production are expected to offer an updated assessment of the US economic conditions. Other key US data are mostly in housing, namely the homebuilding indicators (housing starts and building permits), existing home sales and the NAHB Housing Market Index. Across the Atlantic, the Eurozone will report the preliminary GDP growth for the second quarter as well as the final HICP inflation rate for July. The UK is also set to produce several key data such as the job gains and unemployment rate as well as CPI and retail sales. In Asia, China's retail sales, industrial production and fixed asset investment are the focus. Japan's data include preliminary 2Q22 GDP growth, trade, core machine orders, industrial production and CPI.. Key Aussie data are wage growth and job indicators. The RBNZ is expected to raise OCR by 50bps.

US stocks rallied but stalled



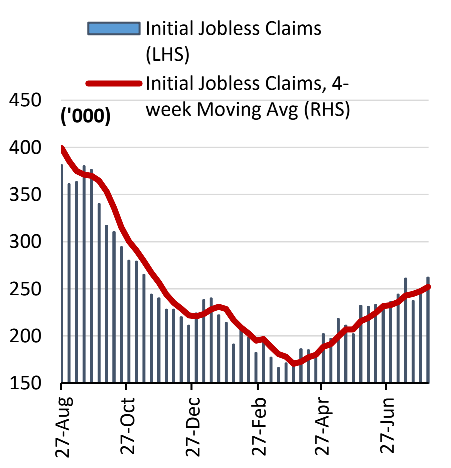
Source: Bloomberg

Oil rose modestly



Source: Bloomberg

Initial jobless claims saw further increase



Source: Bloomberg

Foreign Exchange

- **MYR:** The MYR traded steadily in the 4.4550 levels for the larger part of the week before gapping down to as low as 4.4375 on 11-August after US headline CPI cooled more than expected in July. The MYR strengthened 0.3% w/w to 4.4455 vs the USD as at Thursday's close, but was weaker against most other G10s, and traded mixed against its Asian peers. We are expecting continued ***Slight Bearishness*** in USD/ MYR, eyeing a range of 4.42-4.45 in the week ahead. A slightly bearish USD outlook coupled with firm growth prospects in the Malaysian economy are expected to be supportive of the MYR in our view. Malaysia July exports due for release on 19-August will likely show another hefty double-digit print.

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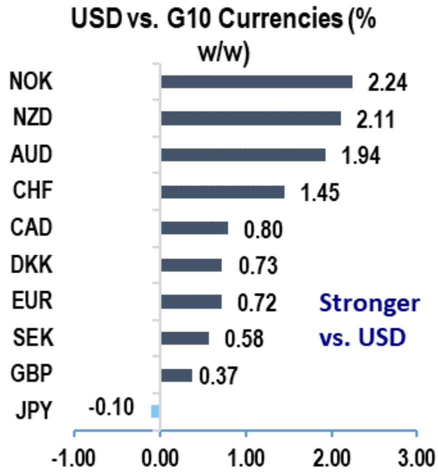
- **EUR**: The EUR advanced for the 2nd straight week, gaining 0.7% w/w to 1.0320 as at Thursday's close, recapturing the 1.03 handle for the first time since early July. A weaker USD was the main catalysts, overshadowing lingering weakness in Sentix investor confidence in the Eurozone. We are ***Slightly Bullish*** on EUR/USD in the week ahead, likely trading higher to a range of 1.02-1.04 on the back of anticipated lacklusterness in the greenback, barring negative surprises from 2Q GDP and CPI out of the Eurozone. Other upcoming Eurozone data worth watching include trade numbers and ZEW surveys.

- **GBP**: The GBP rallied again after the brief pullback last week. The sterling has been rangetrading around the 1.21 levels before spiking to a high of 1.2276 on the back of a plunge in the USD post US CPI. GBP/ USD ended 0.4% w/w higher to last settle at 1.2205 on Thursday, near its week-high of 1.2276 (low of 1.2004). Relative to other majors, the sterling largely underperformed, probably due to dimmer growth outlook and policy gap, as well as ahead of 2Q GDP today. Weekly outlook is ***Slightly Bullish***, taking cue from prospect of a softer USD and positive build-up in momentum indicator. We expect a range of 1.21-1.23 for the pair in the week ahead. UK CPI will top investor's radar on top of job reports, retail sales, GfK consumer confidence and Rightmove house prices.

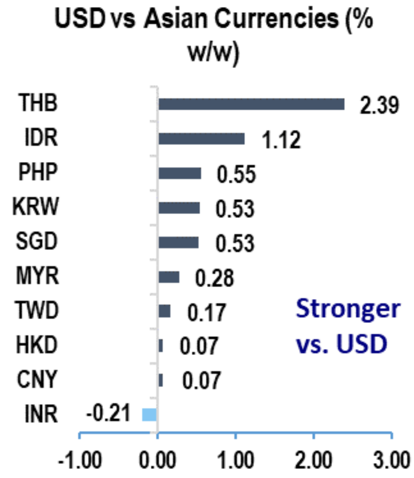
- **JPY**: The JPY was the only G10s that weakened against the USD over the week under review. USD/JPY gapped down from the 135 big figure to 131.74 following the plunge in the USD before recovering to 133.02 as at Thursday's close, losing 0.1% on the week. JPY outlook remains ***Slightly Bullish*** in our view, underpinned by its safety appeal and anticipation of continued softness in the USD. USD/JPY will likely test the 130 key support with resistance lying at 133. FOMC minutes an market sentiments aside, Japanese 2Q GDP, IPI, tertiary industry index, exports and CPI may add noises to JPY trading next week.

- **AUD**: AUD regained lost ground and advanced 1.9% w/w during the week. Mirroring trading in other majors, the Aussie was seen rangetrading between 0.6900-0.6950 prior to the release of US CPI, after which the pair gapped up by about 170pips to the 0.71 levels, and extended gains to 0.7137 on 11-August. The pair last closed at 0.7106 on Thursday, back above the 0.70 handle for the first time in two months. AUD/ USD outlook remains ***Slightly Bullish*** potentially eyeing a range of 0.70-0.72 in the week ahead. RBA minutes would be the key watch, besides job data.

- **SGD**: SGD strengthened for the 4th consecutive week, in line with the broad appreciation in major Asian currencies. SGD traded within a range of 1.3666-1.3832 against the USD before closing at 1.3692 on Thursday, marking a 0.5% w/w gain and its strongest level in nearly four months. The final 2Q GDP reading came in lower than initially estimated at 4.4% y/y but nevertheless still marked an acceleration from 1Q's +3.8% y/y. Increasing external headwinds are expected to dampen growth prospect going forward, as evident in the narrowing in full year 2022 growth forecast by MTI from 3.0-5.0% to 3.0-4.0%. Growing uncertainties and softening growth prospects will likely limit policy space, but a softening USD shall keep SGD supported nonetheless. We remain ***Slightly Bearish*** on USD/ SGD likely in a range of 1.36-1.38 in the following week on the back of a soft USD.



Source: Bloomberg



Source: Bloomberg

Forecasts

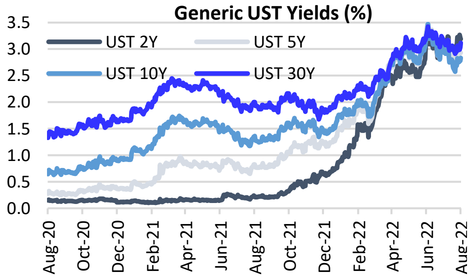
	Q3-22	Q4-22	Q1-23	Q2-23
DXY	106	105	103	102
EUR/USD	1.02	1.03	1.05	1.04
GBP/USD	1.21	1.22	1.24	1.23
AUD/USD	0.67	0.69	0.70	0.70
USD/JPY	138	135	133	132
USD/MYR	4.42	4.40	4.38	4.35
USD/SGD	1.40	1.38	1.37	1.36
USD/CNY	6.72	6.70	6.68	6.67

	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

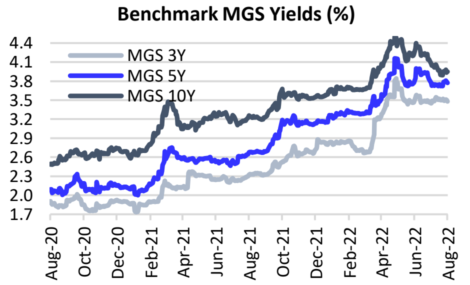
Fixed Income

- **UST:** For the week under review, US Treasuries underperformed due to flight to safety led by losses in the front-ends after July jobs data release blew away estimates. The 528k jump in nonfarm payrolls impacted bonds with markets reviving expectations of further Fed tightening in September. Later in the week however, the front-ends rallied as investors pared bets on earlier aggressive bets following softer headline inflation for July. The curve shifted sharply higher as overall benchmark yields closed higher between 13-17bps. **The UST 2Y spiked 17bps to 3.22% whilst the much-watched UST 10Y (which ranged tighter but higher between 2.69-2.84%) jumped higher by 15bp to 2.84%.** The 2s10s yield curve which inverted to its deepest level for the week at ~50bps, eased slightly but remains a valid recession predictor going forward. The demand for $21b of 30Y bonds saw average demand of 2.31x, whereas the 10Y and 3Y note auction metrics however beat expectations. The Fed may now be prompted to restrict its September interest rate hike to 50bps and complete the year-end with another 25bps in December. **Expect bond volatilities to be more sanguine; whilst trending rangebound next week.**



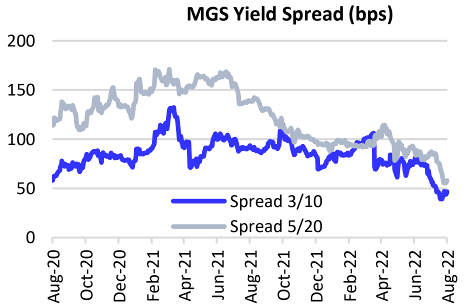
Source: Bloomberg

- **MGS/GII:** Local govvies closed stronger pivoted along the 10Y w/w, with the GII seeing slightly higher deviation compared to MGS with some bargain-hunting activities from tailwind due to Finance Minister Tengku Zafrul's view of slower growth in 2023 last Friday. The stronger industrial production and manufacturing sales numbers in June, that beat consensus also lent bonds a bid. The curve shifted lower as overall benchmark yields closed lower between 0-7bps. **The benchmark 5Y MGS 11/26 settled 3bps lower at 3.77% whilst the 10Y MGS 7/32 closed unchanged at 3.95%.** The weekly secondary market volume fell 17% to ~RM15.04b versus prior week's RM18.01b with interest seen mainly in the off-the-run 22-23's and also benchmark 5Y MGS/GII, 10Y MGS/GII. Elsewhere foreign holdings of Government bonds fell RM4.67b totaling ~23% of outstanding as at end-July. **Expect local govvies to range sideways next week in the absence of market-moving data until Friday's exports releases.**



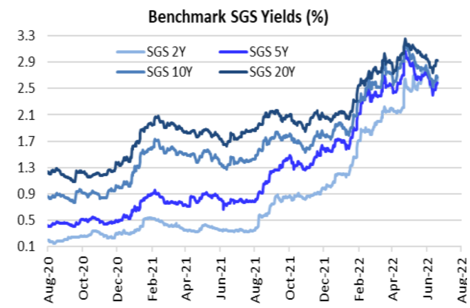
Source: Bloomberg

- **MYR Corporate bonds/ Sukuk**: The week under review saw higher investor interest in govt-guaranteed bonds, corporate bonds and Sukuk. **Trades were seen mostly across the AAA to single-A part of the curve as yields closed mostly mixed amid an 27% increase in weekly market volume @ RM1.94b.** Topping the weekly volume were TENAGA 6/47 (AAA) which settled almost unchanged compared to previous-done levels at 5.08%. This was followed by BGSM 8/23 (AA3) which closed unchanged at 3.02% and subsequently its 12/22 tranche which edged 1bps higher at 3.90%. Higher frequency of bond trades was seen in Sarawak Petchem and Air Selangor bonds along with odd-lot transactions in Alliance callable bonds, Sabah Development Bank, Eco World and TROPICANA 2023-2028 bonds and its perps. The prominent fresh issuances for the week included CAGAMAS Berhad's AAA-rated RM1.1b govt-guaranteed 1-3-year papers with coupons ranging between 3.45-3.93% and also PKNS's RM80m 1-year paper rated AA3 with 3-year papers with coupons between 4.05-4.12%.



Source: Bloomberg

- **Singapore Government Securities:** SGS ended weaker w/w, mirroring UST movements as elevated inflation both in the US and the republic remained elevated. The curve shifted higher as overall benchmark yields climbed between 5-12bps. The SGS 2Y spiked 12bps to 2.64% whilst the 10Y bond rose 5bps to 2.66% (the SGS 10Y ranged higher between 2.59-2.68%). Singapore's sovereign bonds reversed to post a loss of 0.7% w/w (prior week: +0.7%). MAS in a public notice said that the retail portion for the inaugural public offer of Singapore green bonds notched 1.06x @ S$52.9m. To recap, it raised S$2.40b (on the back of a S$5.3b order book) of 50Y green bonds known as "Green SGS" at 3.04%. The govt has trimmed 2022 growth forecast to a range of 3-4% (prior 3-5%) after the economy contracted 0.2% q/q for 2Q2022. Meanwhile international credit rating agency AM Best has upgraded the Financial strength rating of Reinsurance Corporation (Singapore Re) to A from A- and the Long-Term Issuer Credit Rating of "a-" to an "a" with a Stable outlook.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Putrajaya Holdings Sdn Bhd	RM1.0 billion 20-year Sukuk Wakalah Programme (due 2041	AAA IS/Stable	Affirmed
	RM370.0 million Sukuk Musharakah Programme (due 2030)	AAA IS/Stable	Affirmed
	RM3.0 billion Sukuk Musharakah Programme (due 2032)	AAA IS/Stable	Affirmed
	RM1.5 billion Sukuk Musharakah Medium-Term Notes (MTN) Programme (due 2033)	AAA IS/Stable	Affirmed
Tropicana Corporation Berhad	RM1.5 billion Islamic Medium-Term Notes Programme (Sukuk Wakalah)	A+IS/ Negative	Affirmed
	RM2.0 billion existing Perpetual Sukuk programme	A IS/Negative	Affirmed
Northern Gateway Infrastructure Sdn Bhd	RM340 mil MTN Programme (2017/2034)	AA1/Stable	Reaffirmed
IGB REIT Capital Sdn Bhd	Proposed RM1.20 bil second issuance (Second Tranche MTN) under RM5.0 bil MTN Programme	AAA/Stable	Assigned
Putrajaya Bina Sdn Bhd	RM1.58 billion Islamic Medium-Term Notes (Sukuk Wakalah) Programme	AAA IS/Stable	Affirmed
SAJ Capital's Sdn Bhd	Sukuk Murabahah of up to RM650 million	AA IS/Stable	Affirmed
Tune Protect Group Berhad	Corporate Credit ratings	From A2/P1/Negative to A2/P1/Stable	Outlook revised
AEON Credit Service (M) Berhad	Proposed RM1.0 billion Islamic Commercial Papers Programme	P1	Assigned
	Senior and Subordinated Sukuk Wakalah	AA3/Stable and A1/Stable	Reaffirmed
	Existing RM1.0 bil Islamic Commercial Papers Programme	P1	Reaffirmed
George Kent (Malaysia) Berhad	RM100.0 million Islamic Commercial Papers (ICP) and RM500.0 million Islamic Medium-Term Notes (IMTN) Programmes, subject to a combined limit of RM500.0 million	MARC-1IS/Stable and A+IS/Stable	Affirmed
Solar Management (Seremban) Sdn Bhd	RM260 mil ASEAN Green SRI Sukuk (2020/2038)	AA3/Stable	Reaffirmed
Hanwha Q CELLS Malaysia Sdn Bhd	RM150 mil Guaranteed Medium-Term Notes (2021/2024)	AAA(FG)	Reaffirmed
Malaysia Marine and Heavy Engineering Holdings Berhad	RM1.0 billion Sukuk Murabahah Programme	AA-IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
15/08	06:30	NZ	Performance Services Index	Jul	55.4
	07:50	JP	GDP SA QoQ	2Q P	-0.1%
	10:00	CN	Industrial Production YoY	Jul	3.9%
	10:00	CN	Retail Sales YoY	Jul	3.1%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Jul	6.1%
	12:30	JP	Industrial Production MoM	Jun F	8.9%
	20:30	US	Empire Manufacturing	Aug	11.1
	22:00	US	NAHB Housing Market Index	Aug	55.0
16/08	09:30	AU	RBA Minutes of Aug. Policy Meeting		
	14:00	UK	Payrolled Employees Monthly Change	Jul	31k
	14:00	UK	Average Weekly Earnings 3M/YoY	Jun	6.20%
	14:00	UK	ILO Unemployment Rate 3Mths	Jun	3.80%
	14:00	UK	Employment Change 3M/3M	Jun	296k
	17:00	EZ	ZEW Survey Expectations	Aug	-51.1
	17:00	EZ	Trade Balance SA	Jun	-26.0b
	20:30	US	Building Permits MoM	Jul	0.1%
	20:30	US	Housing Starts MoM	Jul	-2.0%
	21:15	US	Industrial Production MoM	Jul	-0.2%
	21:15	US	Capacity Utilization	Jul	80.0%
	21:15	US	Manufacturing (SIC) Production	Jul	-0.5%
17/08	07:50	JP	Exports YoY	Jul	19.3%
	07:50	JP	Core Machine Orders MoM	Jun	-5.6%
	08:30	AU	Westpac Leading Index MoM	Jul	-0.16%
	08:30	SG	Non-oil Domestic Exports YoY	Jul	9.0%
	09:30	AU	Wage Price Index YoY	2Q	2.4%
	10:00	NZ	RBNZ Official Cash Rate	17 Aug	2.5%
	14:00	UK	CPI YoY	Jul	9.4%
	17:00	EZ	GDP SA QoQ	2Q P	0.7%
	19:00	US	MBA Mortgage Applications	12 Aug	0.20%
	20:30	US	Retail Sales Advance MoM	Jul	1.0%
18/08	02:00	US	FOMC Meeting Minutes	27 Jul	--
	09:30	AU	Employment Change	Jul	88.4k
	09:30	AU	Unemployment Rate	Jul	3.5%
	17:00	EZ	CPI Core YoY	Jul F	4.0%
	20:30	US	Philadelphia Fed Business Outlook	Aug	-12.3
	20:30	US	Initial Jobless Claims	13 Aug	362k
	22:00	US	Existing Home Sales MoM	Jul	-5.4%
	22:00	US	Leading Index	Jul	-0.8%
19/08	06:45	NZ	Trade Balance NZD	Jul	-701m
	06:45	NZ	Exports NZD	Jul	6.42b
	07:01	UK	GfK Consumer Confidence	Aug	-41.0
	07:30	JP	Natl CPI Ex Fresh Food YoY	Jul	2.2%
	12:00	MA	Exports YoY	Jul	38.8%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Jul	-0.1%

Source: Bloomberg

DISCLAIMER

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