Global Markets Research
Weekly Market Highlights

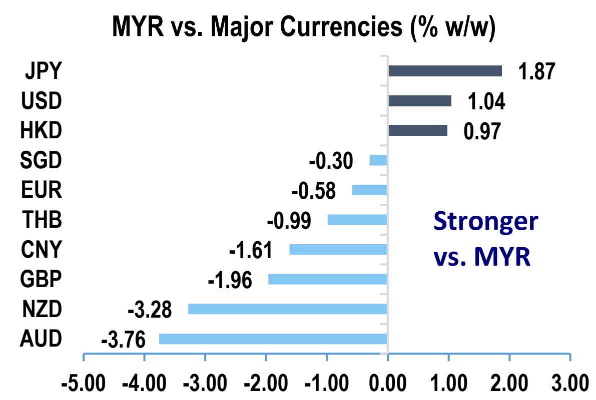
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	31,730.30	-3.84	-12.68
S&P 500	3,930.08	-5.23	-17.54
FTSE 100	7,233.34	-3.60	-2.05
Hang Seng	19,380.34	-6.80	-17.17
KLCI	1,538.80	-2.79	-1.83
STI	3,165.18	-5.34	1.33
Dollar Index	104.85	1.06	9.60
WTI oil ($/bbl)	106.13	-1.97	37.85
Brent oil ($/bbl)	107.45	-3.11	38.15
Gold (S/oz)	1,824.60	-2.72	-0.59

Source: Bloomberg

- US stocks slumped again this week while treasury curve flattened as investors continue to grapple with the impact of monetary policy normalisation on the US economy amid continuously high inflationary pressure. Meanwhile, European and Asian shares largely tracked the US market, all ending in the red region this week. Fed Chair Powell was confirmed for a second term. China eased Covid rules in parts of Shanghai while the PBOC pledged policy support. The HKMA intervened in the currency market to keep the dollar-pegged HKD from drifting lower. Crude oil prices plunged as the EU still fail to impose the proposed oil embargo on Russia. US CPI inflation eased from its high levels to 8.3% y/y. BNM surprised the markets with a 25bp hike in the OPR.
- The data calendar next week includes China's monthly indicators and a slew of US top-tiered data namely retail sales, industrial production and housing data. The Eurozone and Japan will report their first quarter GDP growth readings. The RBA minutes will offer insights on why the central bank to bring us insights into policy normalization plan which had been brought forward to early May.

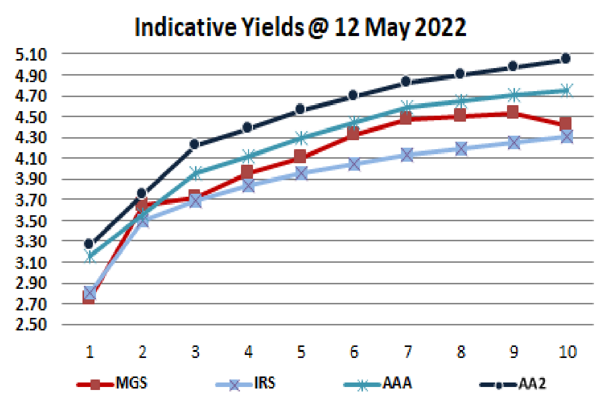
Forex



Source: Bloomberg

- **MYR:** USD/MYR climbed steadily and settled 1.0% w/w up at 4.3940 on Thursday, no thanks to relentless USD strength. The pair traded within a higher range of 4.3505-4.3940, compared to preceding week's 4.3342-4.3637. The ~100pips pullback post surprised OPR hike on 11-May was proven to be a knee-jerk reaction, as the pair was quick to resume its upward move, breaking the 4.39 handle on Thursday. USD/MYR outlook remains ***Bullish*** amid expectations for sustained USD strength and removal of event risks from BNM MPC and Malaysia 1Q GDP, with an expected weekly range of 4.37-4.43.
- **USD**: The Dollar Index continued to push higher, to a week high of 104.93 before settling just a tad lower at 104.85, up 1.1% w/w. The USD appreciated 1-4% against all G10s save for the JPY. US CPI which cooled less than expected in April did little to assuage inflationary fear. We expect the USD to maintain a ***Bullish*** stance going into next week. The slew of Fed speaks which could potentially reinforce the Fed's hawkish move could continue to drive USD bulls, possibly in a range of 103-106. Market-moving data to watch include retail sales, housing starts, existing home sales and leading index.

Fixed Income



Source: Bloomberg

- **UST:** USTs saw handsome gains as the moderating US CPI was not sufficient to ease concerns over the Fed's agenda to cool inflation and ignite a possible recession. Bonds were also resilient despite Fed official Mester's comments of possible 75bps rate hikes going forward. The curve shifted lower as overall benchmark yields declined between 11-16bps. The coupon offerings for $45b 3Y, $36b 10Y and $22b 30Y bonds saw strong participation on improved BTC ratios between 2.38-2.59x.
- **MGS/GII:** Local govvies closed weaker w/w, taking cue from rising global yields arising from persistent high inflation in the US coupled with BNM's surprisingly earlier-than-expected 25bps rate hike in the OPR to 2.00%. Rising IRS levels weighed on the govvies curve in the absence of local catalysts. Overall benchmark yields spiked between 5-25bps. Average daily secondary market volume dropped 21% to RM2.79b versus prior week's RM3.53b. The smaller-than-expected size for the new 30Y GII auction saw decent demand from Lifers, GLC's and pension funds; notching a BTC ratio of 2.57x whilst being awarded at 5.357%. Better than expected 1Q GDP may impinge on bond yields going forward. Expect bonds to range sideways with a slightly-negative bias next week as portfolio managers may tempt to stay sidelined with some intermittent-dip buying by traders.

Macroeconomic Updates

- **Stock market selloff extended to this week:** US stocks slumped again this week while treasury curve flattened as investors continue to grapple with the impact of monetary policy normalisation on the US economy amid continuously high inflationary pressure. Meanwhile, European and Asian shares largely tracked the US market, all ending in the red this week. On a week-to-date basis, the Dow Jones lost 3.6% while the S&P 500 was down by 4.7%. The tech-focus NASDAQ recorded the steepest drop of 6.4%. Fed Chair Powell was confirmed for a second term. In China, local authorities eased some Covid rules in parts of Shanghai while the PBOC stressed its top priority of stabilising growth and pledged to use new policy tools to do so. Meanwhile, neighbouring HKMA intervened in its currency market for the first time since 2019 to defend the HKD's peg to the USD as the local unit hit the weak-end of its permitted 7.75-7.85 trading band.

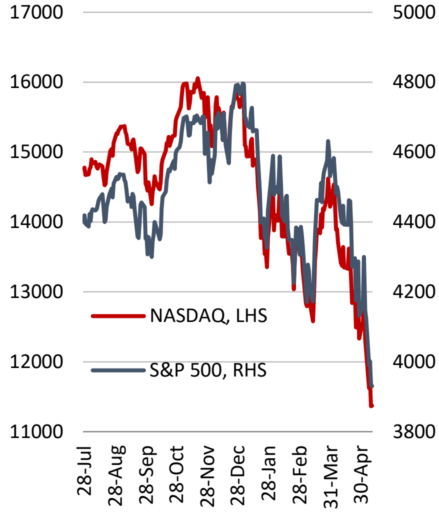
- **Crude oil prices slipped amid risk aversion:** Crude oil prices had a choppy session this week as oil prices plunged in reaction to the most recent Saudi price cut and a looming global growth slowdown before rebounding on Wednesday. The European Union still failed to convince the Hungarian government to back the proposed oil embargo on Russia. In the US, the American Automobile Association (AAA) said that US gasoline prices hit a record high of $4.374/gallon. The EIA weekly data showed a large 8.5million barrels in US crude stockpiles thanks to the release from the Strategic Petroleum Reserve (SPR). As of Thursday, Brent crude settled at $107.45/barrel, registering a week-to-date loss of 4.4% while the WTI was down by 3.3% to $106.13/barrel after briefly slipping below $100 this week.

- **US headline CPI eased but core CPI showed elevated price pressure:** The US consumer price inflation moderated in April but remained at elevated levels. CPI rose 0.3% m/m, down from 1.2% prior, thanks to the fall in gasoline prices as well as that of apparel and used cars. Food inflation eased a little to 0.9% m/m, but still considered high. It is important to note that services-ex-energy inflation picked up further to 0.7% m/m, supported by the robust consumer demand that were in turn a result of the solid labour market conditions. The rise in the core CPI rate to 0.6% m/m, from 0.3% indicated that price pressure remains high and may stay for a while in the economy. The annual inflation rate slipped to 8.3% y/y in April, from 8.5% previously while the core CPI also pulled back to 6.2% y/y (Mar: +6.5%).

- **BNM surprised markets with a 25bp OPR hike:** BNM raised the Overnight Policy Rate (OPR) by 25bps to 2.00% in an unexpected move on Wednesday. Most economists surveyed by Bloomberg had expected the central bank to maintain OPR at the record low of 1.75%. BNM justified the hike with the firmer growth backdrop in Malaysia although the recent increase in core inflation as well as other central banks' normalisation policy were the additional contributing factors in our view. BNM projected 2022 headline inflation to be between 2.2-3.2% but said that upward pressure on prices would be partly offset by the existing price controls and the continued spare capacity in the economy. It continues to adopt a cautious approach by saying that policy normalisation will be done in a measured and gradual manner, indicating more 25bps hike is on the cards in the second half of the year.

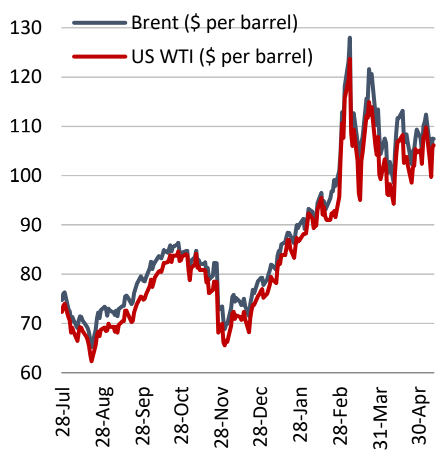
- **Next week's data:** The data calendar turned busy next week, kicking off with the release of China's monthly major indicators i.e., industrial production, retail sales and fixed investment which will reflect the full impact of the Shanghai lockdown. In the same week, the PBOC will also announce the decision on its loan prime rates (1Y now at 3.75%). Key US data include retail sales, industrial production, housing starts and existing home sales. The Eurostat, meanwhile, will report the preliminary 1Q GDP growth as well as the HICP inflation, employment and trade data. The UK's job report, retail sales and CPI data are also on the deck. Elsewhere, Japan will release the 1Q GDP report, trade, core machinery orders and also CPI numbers. The RBA minutes will offer insights on why the central bank to bring us insights into policy normalization plan which had been brought forward to early May. Back home, we will see the release of April trade numbers.

US stocks still on downhill this week



Source: Bloomberg

Crude oil recorded loss despite mid-week respite



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR climbed steadily higher through the week and settled 1.0% w/w up at 4.3940 on Thursday, no thanks to relentless USD strength. The pair traded within a higher range of 4.3505-4.3940, compared to preceding week's 4.3342-4.3637. The ~100pips pullback post surprised OPR hike on 11-May was proven to be a knee-jerk reaction, as the pair was quick to resume its upward move, breaking the 4.39 handle on Thursday. USD/MYR outlook remains ***Bullish*** amid expectations for sustained USD strength and following the removal of event risks from BNM MPC and Malaysia 1Q GDP. Positive momentum indicator is still building up but upside is likely capped at 4.42-4.43 for now, with an expected weekly range of 4.37-4.43 next week.

- **USD**: The Dollar Index continued to push higher, past the 104 handle to a week high of 104.93 before settling just a tad lower at 104.85, leading to a 1.1% w/w gain. The USD appreciated 1-4% against all G10s save for the JPY, which outperformed the greenback by 1.5% as risk aversion during the week boosted its haven appeal. US CPI which cooled less than expected in April did little to assuage inflationary fear. We expect the USD to maintain a ***Bullish*** stance going into next week. The slew of Fed speaks which could potentially reinforce the Fed's hawkish move could continue to drive USD bulls, possibly in a range of 103-106. Market-moving data to watch include retail sales, housing starts, existing home sales and leading index.

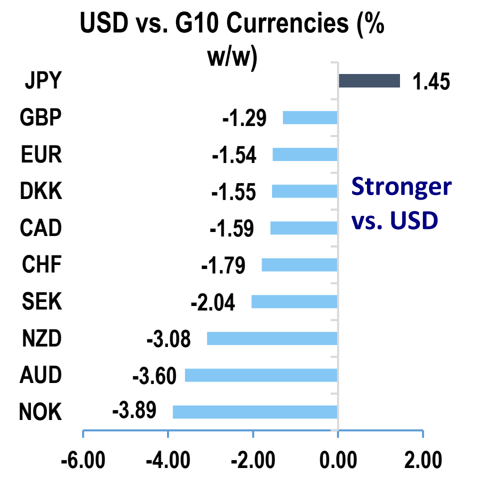
- **EUR**: EUR's gain in the preceding week proved to be shortlived, weakening against the USD again by two big figures this week, down 1.5% to 1.0380 pressured by the USD. Growth prospects in the Euro region remained soft and surveys on investor and market sentiments turned in mixed. EUR/USD remains ***Bearish*** in our view, likely heading towards a range of 1.02-1.05 in the week ahead, from 1.0334-1.0599 this week. Any downside surprises in 1Q GDP reading and CPI could aggravate selloff in the EUR.

- **GBP**: The GBP remained under pressure and fell against the USD for the 7th straight week, down 1.3% w/w to 1.2202 against the USD as at Thursday's close. The pair continued to trade in a lower range of 1.2166-1.2406 (prior week 1.2325-1.2638.) The outlook for GBP/USD remains ***Bearish*** and is expected to nudge down to the 1.20-1.23 handles next week. The UK economy expanded at a slower than expected pace of 0.8% q/q in 1Q while industrial production and index of services contracted, pointing to a less sanguine outlook ahead. Inflation readings, jobs data, and retail sales will be key watches in the GBP space.

- **JPY**: The JPY outperformed all G10s again this week as risk aversion boosted demand for safety in the JPY. The JPY advanced 1.5% w/w against the greenback, to a 128.53 close on Thursday. The pair remains technically bullish but positive momentum is reducing, likely lead to a ***Neutral to Slightly Bearish*** outlook in USD/JPY. We are eyeing a range of 127-131 for the week ahead. While USD sentiments are expected to rule, key Japanese data including 1Q GDP, CPI, industrial production and trade balance could add some spice to the pair.

- **AUD**: AUD/USD reversed course and fell again. The pair gyrated steadily lower through the week, breaking below 0.70 followed by 0.69 to a low of 0.6829. The pair last settled at 0.6856 on Thursday's close, down a whopping 3.6% on the week, the second biggest loser after NOK (-3.9%). AUD may trade in a more cautious note in the wake of RBA minutes next Tuesday, but China first tier data due on 16-May potentially pointing to further deceleration in the China economy, coupled with strong USD sentiments will likely drive the pair lower to 0.67-0.69 in the week forward, reflecting a ***Bearish*** weekly outlook.

- **SGD**: USD/SGD advanced again, by 0.8% w/w to last settle at 1.3963 on Thursday, just shy of its week high of 1.3986. Expectations for a strong USD will continue to exert upward pressure on the pair, breaching the 1.40 psychological level soon. The pair is ***Bullish*** likely trading in a range of 1.39-1.41 next week. Upcoming final 1Q GDP report and NODX are not expected to significantly alter the growth and MAS policy outlook, leaving the SGD at the mercy of USD performance.



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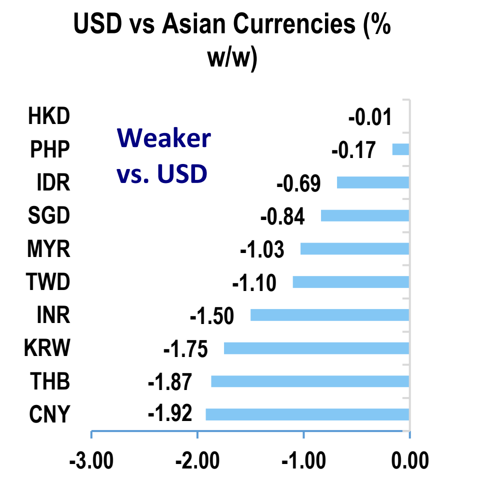


Source: Bloomberg

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

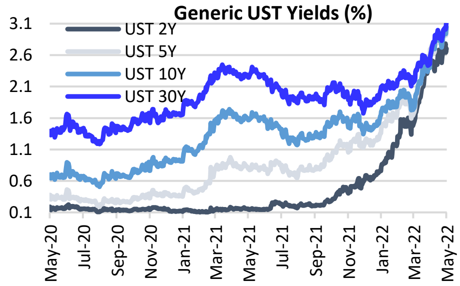
Fixed Income

- **UST:** For the week under review, USTs saw handsome gains following key US inflation data which despite slowing in April, was not sufficient enough to ease concerns over the Fed's agenda to cool inflation and ignite a possible recession. Bonds were also resilient despite Fed official Mester's comments of possible 75bps rate hikes going forward. Fed Chair Powell reiterated that 50bps rate hikes may be likely in the next two (2) FOMC meetings. The curve shifted lower as overall benchmark yields declined between 11-16bps. **The UST 2Y yield ended 12bps lower at 2.59% whilst the much-watched UST 10Y (which ranged wider between 2.88-3.13%) fell 16bps to 2.87**%. The coupon offerings for $45b 3Y, $36b 10Y and $22b 30Y bonds saw strong participation on improved BTC ratios between 2.38-2.59x. Recent volatile swings were due to fears of inflation and also possible "stagflation"; with both making its rounds felt during the weekly course of trading. Traders are seen also concerned that aggressive moves by global central banks to contain inflation may lead to a possible recession.

- **MGS/GII:** Local govvies closed weaker w/w, taking cue from rising global yields arising from persistent high inflation in the US coupled with BNM's surprisingly earlier-than-expected 25bps rate hike in the OPR to 2.00%. Rising IRS levels weighed on the govvies curve in the absence of local catalysts. Overall benchmark yields spiked between 5-25bps. **The benchmark 5Y MGS 11/26 yield rose 7bps to 4.03% whilst the 10Y MGS 7/32 jumped 13bps higher to 4.45%.** Average daily secondary market volume dropped 21% to RM2.79b versus prior week's RM3.53b. The smaller-than-expected size for the new 30Y GII auction saw decent demand from Lifers, GLC's and pension funds; notching a BTC ratio of 2.57x whilst being awarded at 5.357%. Whilst BNM is expected to adopt a cautious path in its policy normalization, we opine that it is adjusting the degree of monetary accommodation and not tightening to ensure that the policy is supportive of growth. GDP data for 1Q2022 which was better than consensus may impinge on bond yields going forward. Expect bonds to range sideways with a slightly-negative bias next week as portfolio managers may tempt to stay sidelined with some intermittent-dip buying by traders.

- **MYR Corporate bonds/ Sukuk**: The week under review saw improved appetite for govt-guaranteed bonds, corporate bonds and Sukuk overall following the extended long holiday break prior week. **Trades were seen mainly across GG-AA part of the curve as yields closed mostly higher amid a slight decrease in daily market volume of 22% to RM210m.** Topping the weekly volume were PLUS 37 (AAA) which moved 3bps higher compared to previous-done levels to 5.20%. This was followed by DANA 2/28 (GG) bonds which spiked 70bps to 4.51% and subsequently WESTPORTS 4/26 (AAA), which ballooned 153bps to 431%. High frequency of bond trades was seen in DANA, PRASA along with odd-lot transactions in TROPICANA perps and also YNH Properties bonds. One of the prominent fresh issuances for the week consisted of IMTIAZ Sukuk II Bhd's AA2-rated 5Y, 7Y bonds totaling RM1.5b with coupons of 4.38% and 4.77%.

- **Singapore Government Securities:** SGS surprisingly decoupled from UST movements for the week under review. The curve shifted higher as overall benchmark yields climbed between 5-10bps across. The SGS 2Y yield rose 8bps to 2.14% whilst the 10Y (which ranged wider between 2.60-2.88%) jumped 10bps higher to 2.72%. Singapore's sovereign bonds continued to post a small loss of a 1.1% w/w (prior week: 0.46%). Demand for Singapore Savings Bonds has risen to the highest since mid-2019, as yields continue its upward march. Meanwhile, Fraser & Neave issued SGD140m worth of 3.00% bonds due in 2025 under its SGD2b multicurrency debt issuance program on Monday. Elsewhere, Moody's Investor Service has affirmed the Baa3 issuer rating of Frasers Hospitality Trust whilst also affirming the provisional Baa3 backed senior unsecured rating on the SGD1b multicurrency MTN program issued by its wholly-owned subsidiary i.e., FH-REIT Treasury Pte Ltd. Moody's changed the Outlook from Negative to Stable.



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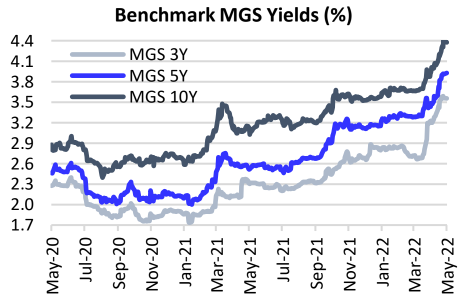

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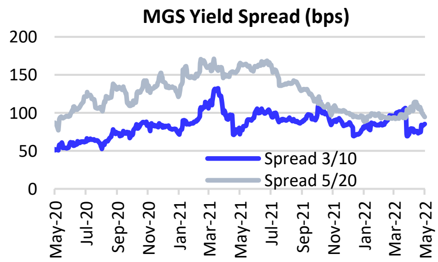

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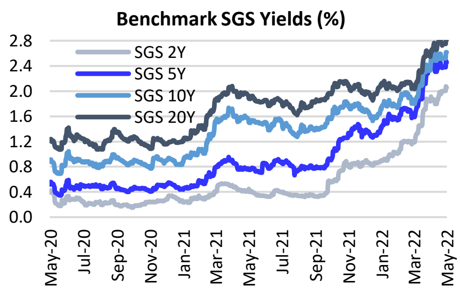

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Sinar Kamiri Sdn Bhd	RM245 million Green Sustainable and Responsible Investment (SRI) Sukuk Wakalah	AA-IS/Stable	Affirmed

Source: MARC/RAM

HongLeong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
16/05	06:30	NZ	Performance Services Index	Apr	51.6
	07:01	UK	Rightmove House Prices YoY	May	9.9%
	07:50	JP	PPI YoY	Apr	9.5%
	10:00	CN	Industrial Production YoY	Apr	5.0%
	10:00	CN	Retail Sales YoY	Apr	-3.5%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Apr	9.3%
	14:00	JP	Machine Tool Orders YoY	Apr P	30.0%
	17:00	EZ	Trade Balance SA	Mar	-9.4b
	20:30	US	Empire Manufacturing	May	24.6
17/05	08:30	SG	Non-oil Domestic Exports YoY	Apr	7.7%
	09:30	AU	RBA Minutes of May Policy Meeting		
	14:00	UK	Payrolled Employees Monthly Change	Apr	35k
	14:00	UK	Average Weekly Earnings 3M/YoY	Mar	5.4%
	14:00	UK	ILO Unemployment Rate 3Mths	Mar	3.8%
	14:00	UK	Employment Change 3M/3M	Mar	10k
	17:00	EZ	Employment QoQ	1Q P	0.5%
	17:00	EZ	GDP SA QoQ	1Q P	0.2%
	20:30	US	Retail Sales Advance MoM	Apr	0.7%
	21:15	US	Industrial Production MoM	Apr	0.9%
	22:00	US	NAHB Housing Market Index	May	77.0
18/05	07:50	JP	GDP SA QoQ	1Q P	1.1%
	08:30	AU	Westpac Leading Index MoM	Apr	0.35%
	09:30	AU	Wage Price Index YoY	1Q	2.3%
	12:30	JP	Industrial Production MoM	Mar F	0.3%
	14:00	UK	CPI YoY	Apr	7.0%
	17:00	EZ	CPI YoY	Apr F	7.4%
	19:00	US	MBA Mortgage Applications	May-13	--
	20:30	US	Building Permits MoM	Apr	0.3%
	20:30	US	Housing Starts MoM	Apr	0.3%
19/05	07:50	JP	Exports YoY	Apr	14.7%
	07:50	JP	Core Machine Orders MoM	Mar	-9.8%
	09:30	AU	Employment Change	Apr	17.9k
	09:30	AU	Unemployment Rate	Apr	4.0%
	12:00	MA	Exports YoY	Apr	25.4%
	16:30	HK	Unemployment Rate SA	Apr	5.0%
	20:30	US	Philadelphia Fed Business Outlook	May	17.6
	20:30	US	Initial Jobless Claims	May-14	203k
	22:00	US	Existing Home Sales MoM	Apr	-2.7%
	22:00	US	Leading Index	Apr	0.3%
20/05	06:45	NZ	Trade Balance 12 Mth YTD NZD	Apr	-9108m
	06:45	NZ	Exports NZD	Apr	6.67b
	07:01	UK	GfK Consumer Confidence	May	-38
	07:30	JP	Natl CPI Ex Fresh Food YoY	Apr	0.8%
	09:15	CN	1-Year Loan Prime Rate	May-20	3.7%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Apr	-1.4%
	22:00	EZ	Consumer Confidence	May A	-22.0
13-16/05	NA	CN	1-Yr Medium-Term Lending Facility Rate	May-15	2.85%
19-26/05	NA	SG	GDP YoY	1Q F	3.4%

Source: Bloomberg

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