21 January, 2022

Global Markets Research

Weekly Market Highlights

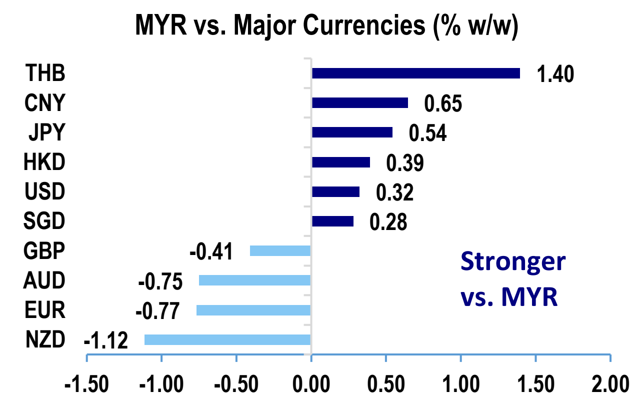
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	34,715.39	-3.87	-4.47
S&P 500	4,482.73	-3.78	-5.95
FTSE 100	7,585.01	0.28	2.71
Hang Seng	24,952.35	2.14	6.64
KLCI	1,527.75	-2.66	-2.54
STI	3,294.82	1.15	5.48
Dollar Index	95.74	1.00	0.07
WTI oil ($/bbl)	86.90	5.82	12.87
Brent oil ($/bbl)	88.38	4.63	13.63
Gold (S/oz)	1,842.60	1.16	0.62

Source: Bloomberg

- Equity selloff deepened in the US this week, pushing the NASDAQ to a correction territory as the markets began to contemplate the possibility of the Fed delivering a larger-than-25-bp rate hike in March. Oil prices continued to advance thanks to renewed supply concerns stemming from geopolitical issues and a Turkey-Iraq pipeline outage. The UK reported strong job data and high inflation, bolstering the case for a rate hike in early February. The BOJ revised upwards its 2022 inflation outlook but ruled out policy tightening. The PBOC trimmed the MLF and LPR rates this week to combat China's slowdown. BNM and BI kept respective policy rates unchanged.
- Focus shifts to the first FOMC meeting of the year next week. Key data include the preliminary Markit PMIs for developed economies as well as US data dump such as the first estimate of 4Q GDP growth, personal spending, income & core PCE inflation data, as well as home sales, durable goods orders, advance goods trade, inventory and consumer confidence.

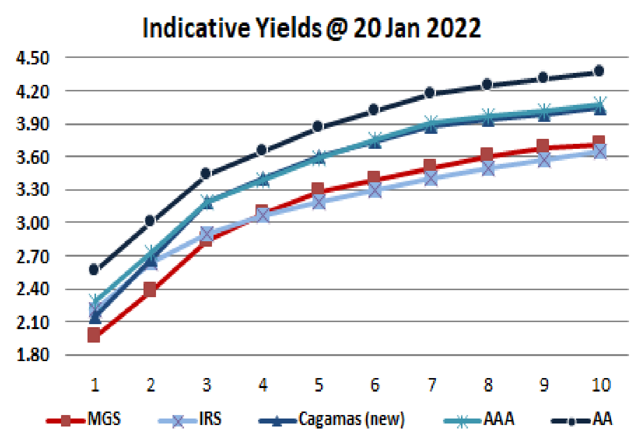
Forex



Source: Bloomberg

- **MYR:** USD/MYR reversed course and traded up 0.2% w/w to 4.1895 as at Thursday's close. The pair nudged to a high of 4.1960 despite a softer USD on 19-Jan, amid cautiousness ahead of BNM OPR decision. The pair has since retreated back to the 4.18 big figure, with little movement post MPC announcement on an extended OPR pause, and neutral policy guidance. We are ***Neutral*** on USD/MYR going into next week, eyeing a range of 4.17-4.20. Any surprised policy guidance from next week's FOMC meeting could be a swing factor.
- **USD**: The Dollar Index shrugged off preceding week's losses and strengthened again, hovering above the 95 handle through and week to end 1.0% w/w stronger at 95.74 on Thursday's close. Broad selloffs in the US markets led by the tech sector have boosted the appeal of the greenback. In the week ahead, upcoming FOMC meeting on 27-Jan will be key. We expect a ***Neutral*** USD with a slight bullish tilt in the region of 94.5-96.0 barring any surprises in the Fed rhetoric which will reaffirm market expectations of a March rate hike. In addition, advance 4Q GDP print and personal outlay report including the core PCE reading will be keenly watched.

Fixed Income



Source: Bloomberg

- **UST:** USTs continued to end weaker as the curve bear-flattened aggressively compared to prior week. Overall benchmark yields jumped between 7-13bps. The 2Y yield spiked the most by 13bps to 1.03% whilst the 10Y rose 10bps to 1.81%. Meanwhile, foreign holdings of US government securities rose to a record $7.75 trillion in November. The auction of $20b of 20Y bonds saw decent demand while demand for the US 10Y TIPS auction turned in otherwise. TIPS are seen underperforming nominal USTs in a sell-off due to expectations of higher interest rates. Investors are seen fully pricing in a rate hike in March, followed by another three hikes this year. The FOMC meeting scheduled for 27-Jan will be in the limelight nex.
- **MGS/GII:** Local govvies ended weaker w/w with both MGS/GII seeing net sellers across the curve ahead of the MPC meeting, and also the threat of quicker rate hike in the US. Overall benchmark MGS/GII yields closed between 1-14bps higher. The benchmark 5Y MGS 11/26 yield spiked 7bps to 3.29% whilst the recently-issued 10Y MGS 7/32 closed 4bps higher at 3.68%. The average daily secondary market volume decreased 15.4% to RM3.45b. BNM continued to pause and strike a neutral tone as expected but we expect BNM to commence normalizing by raising rates in 2H2022; should the current recovery momentum hold ground. Expect govvies to see some strength next week following some easing of fears over rising rates in Malaysia.

Macroeconomic Updates

- **NASDAQ plunged into correction amid tech rout:** Equity selloff deepened in the US this week, pushing the tech-focus NASDAQ index to a correction territory as the markets began to contemplate the possibility of the Federal Reserve delivering a larger-than-25-bp rate hike in March. Stock benchmarks all closed lower as of Thursday, extending from the decline started since the new year. Investors also digested the softer US banks' profits in the fourth quarter as well as President Biden's acknowledgement that his $2 trillion spending plan centered around taxes, infrastructure and climate change would have to be broken up for easier Congressional passage. Oil prices continued to advance despite the general risk-off sentiment, thanks to renewed supply concerns stemming from geopolitical issues and a Turkey-Iraq pipeline outage.

- **UK strong data paved the way for February rate liftoff:** The UK reported solid job numbers for November as well as a 30-year high inflation rate this week, boosting the case for the previously uncertain rate outlook come February. Consumer prices rose 5.4% y/y in December, after having risen by 5.1% previously, reflecting broad-based rise in prices across most goods and services sectors. The ending of the government's furlough program in September had less impact on the labour market recovery as the economy added 60k jobs in the three months to November while the unemployment rate slipped to 4.1%. The BOE had raised the bank rate to 0.25%, from 0.1% in December and the money market has now priced in one hike on 03 February. The UK government has decided to end its Plan B restrictions which include mandatory mask wearing next week even as the Omicron outbreak rages on in the country.

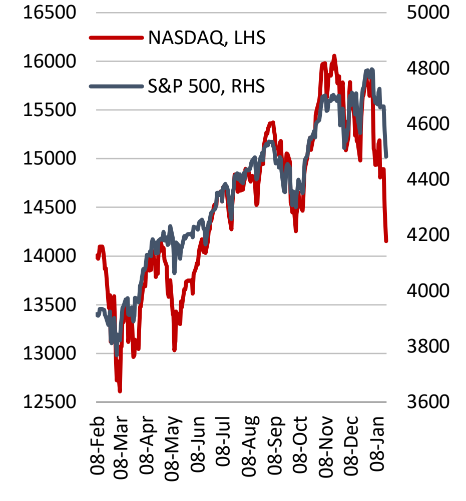
- **BOJ sees higher inflation but ruled out normalisation:** The Bank of Japan kept its ultra-loose monetary policy setting unchanged and revised upwards its 2022 growth and inflation outlook. The main inflation gauge, CPI ex-fresh food is now expected to rise 1.1% in the fiscal year 2022, versus the previous forecast of 0.9% (in December, CPI ex-fresh food rose 0.5% y/y). It said that the y/y CPI ex-fresh food rate is likely to "increase in positive territory for the time being" and is expected to stay around 1% toward the end of the projection period, indicating that it began to see Japan steering out of the deflationary period. Governor Haruhiko Kuroda said at the post-meeting press conference that they expect long and short-term rates to remain at current low levels or fall even lower, ending speculations that the BOJ may raise rates, confirming the expected policy divergence between Japan and other major economies such as the US and UK.

- **PBOC cut rates this week as economy expected to slow:** The People's Bank of China cut its one-year loan prime rate (LPR) by 10bps to 3.7% this week, while the five-year LPR was also reduced by 5bps to 4.6%. This followed the 10-bp cut in the medium term lending facility rate (MLF) on Monday, right before the NBS reported China's 4Q and 2021 GDP data. To recap, the economy expanded by 4.0% y/y in 4Q and the full year growth came in at 8.1%, rebounding from 2020's 2.2% rate. The recent moves firmed up expectations that China intends to utilise monetary policy to combat the expected slowdown this year.

- **BNM, BI kept rates steady:** BNM kept the OPR unchanged at 1.75% in a widely expected move while also maintaining its policy stance remained appropriate suggesting any rate hike is not imminent. Neighbouring Bank Indonesia left the 7-day reverse repo rate steady at 3.5% to support growth but also announced that it would raise the reserve requirement from 3.5% to 5.0% in March.

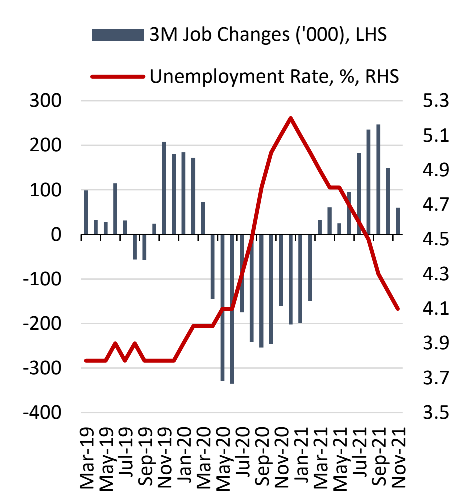
- **Week-ahead events:** Focus shifts to the first FOMC meeting of the year next week of which the Fed is expected to send firmer signals of a rate hike in March; Key data are a slew of preliminary Markit PMIs for the US, Eurozone, UK and Japan to gauge developed economies' activity and output levels. The US reports the first estimate of 4Q GDP growth, personal spending, income & core PCE inflation data, as well as home sales, durable goods orders, advance goods trade, inventory and consumer confidence. Markets are also expecting CPI readings from Australia, New Zealand and Singapore.

US stocks had been falling since new year



Source: Bloomberg

UK labour market recovered further



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR reversed course and traded up 0.2% w/w to 4.1895 as at Thursday's close. The pair nudged to a high of 4.1960 despite a softer USD on 19-Jan, amid cautiousness ahead of BNM OPR decision. The pair has since retreated back to the 4.18 big figure, with little movement post MPC announcement on an extended OPR pause, and neutral policy guidance. We are ***Neutral*** on USD/MYR going into next week, eyeing a range of 4.17-4.20 but would like to highlight that any surprised policy guidance from next week's FOMC meeting could be a swing factor.

- **USD**: The Dollar Index shrugged off preceding week's losses and strengthened again, hovering above the 95 handle through and week to end 1.0% w/w stronger at 95.74 on Thursday's close. Broad selloffs in the US markets led by the tech sector have boosted the appeal of the greenback. In the week ahead, upcoming FOMC meeting on 27-Jan will be the key. We expect a ***Neutral*** USD with a slight bullish tilt in the region of 94.5-96.0 barring any surprises in the Fed rhetoric which will reaffirm market expectations of a March rate hike. In addition, advance 4Q GDP print and personal outlay report including the core PCE reading will be keenly watched.

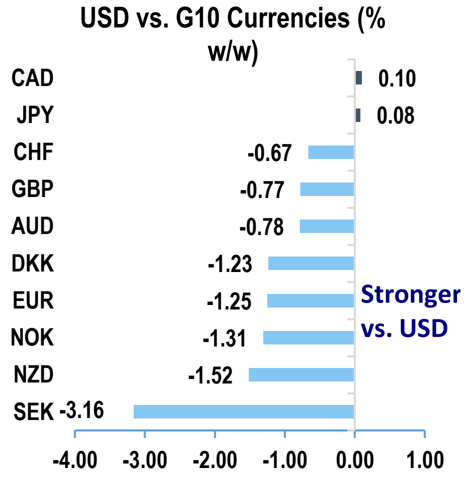
- **EUR**: EUR/USD somewhat weakened towards the end of the week, inching below the 1.14 level again to close at 1.1311 on Thursday, down 1.3% on the week. This came on the back of renewed USD strength which overwhelmed the spike in confidence and acceleration in CPI to a record high of 5.0% in December. Moving into next week, we remain generally ***Neutral to Slightly Bearish*** on EUR/USD, eyeing a range of 1.13-1.15. The pair is threading just above the 1.13 key support and a break of this will lead the pair towards 1.1245. Resistance lies at 1.1373 followed by 1.1400. The Eurozone will see the first glimpse of January indicators from Markit PMI readings, and economic confidence data that will likely show the hit from the surge of Omicron infections.

- **GBP**: The sterling lost two big figures to 1.3593 on Thursday's close, marking a weekly loss of 0.8% as the USD regained some of its lost ground. Similar to the EUR, positive UK data did little to boost the sterling. Bullishness in the pair is softening and the pair is currently trading close to the mid Bollinger Band, after hovering at the upper band for the past one month. Momentum indicator remain ***Slightly Bullish*** but upside likely capped by 1.3700. There are added signs the pair may continue to see some technical correction after the lower close this week. Support lies at 1.3550 and we eye a range of 1.35-1.37. Markit PMI data will be the key data to watch in the UK.

- **JPY**: USD/JPY traded sideways holding on to the 114 big figure this week, in a tight range of 113.49-115.06. USD/JPY closed flat at 114.14, down only marginally from last Thursday's 114.20. Risk-off market sentiments lent support to the safe haven JPY, as investors sought shelter from selloffs in equities in the US. Meanwhile, Japan Prime Minister Fumio Kishida called for the BOJ to continue work towards achieving its 2.0% inflation target. To recap, BOJ has at its policy meeting this week upgraded both its growth and inflation forecasts to 3.8% and 1.1% respectively. BOJ's neutral stance and continued demand for refuge are expected to keep the USD/JPY ***Neutral*** in a range of 113.50-114.50 in the week ahead where the FOMC is scheduled to meet.

- **AUD**: AUD/USD traded on a softer note this week amid risk-off market sentiments following the tech-led selloff in US equities which raised concerns if the years-long rally is coming to an end. The AUD weakened 0.8% to 0.7225 as at Thursday's close, even as it managed to hover above the 0.72 handle for most sessions except for the brief dip to 0.7185 on Tuesday. AUD/USD outlook is ***Neutral to Slightly Bullish*** for the week ahead, potentially eyeing a range of 0.72-0.73 amid return of risk appetite. Australia 4Q inflation reports will likely reinforce inflation expectations although Omicron and pandemic related uncertainties is expected to keep RBA on their toes.

- **SGD**: In tandem with weaknesses seen in most regional currencies as the USD regained footing, USD/SGD closed 0.2% w/w higher at 1.3463 on Thursday. The SGD however traded mixed against its major Asian peers in the absence of fresh catalysts domestically to drive the SGD either way. Weekly outlook ahead is ***Neutral to Slightly Bearish***, likely still within a range of 1.34-1.35. Singapore CPI and industrial production will be the key data to watch.



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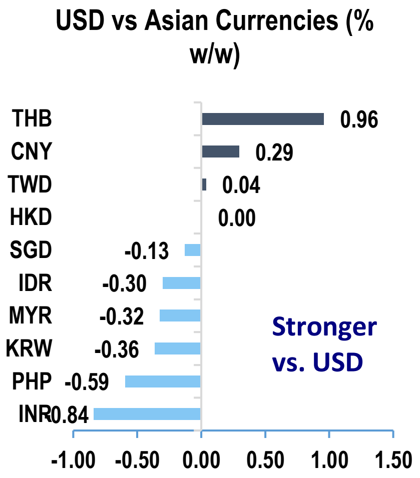


Source: Bloomberg

Forecasts

	Q1-22	Q2-22	Q3-22	Q4-22
DXY	96.15	96.40	96.30	96.30
EUR/USD	1.13	1.12	1.12	1.13
GBP/USD	1.34	1.33	1.35	1.36
AUD/USD	0.72	0.72	0.74	0.75
USD/JPY	115	116	115	114
USD/MYR	4.17	4.15	4.15	4.10
USD/SGD	1.35	1.34	1.34	1.33

	Q4-21	Q1-22	Q2-22	Q3-22
EUR/MYR	4.71	4.65	4.65	4.63
GBP/MYR	5.59	5.52	5.60	5.58
AUD/MYR	3.00	2.99	3.07	3.08
SGD/MYR	3.09	3.10	3.10	3.08

Source: HLBB Global Markets Research

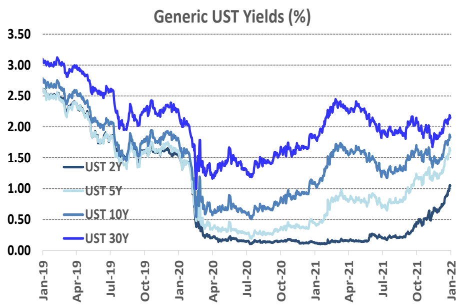
Fixed Income

- **UST:** USTs continued to end weaker as the curve bear-flattened aggressively compared to prior week. Overall benchmark yields jumped between 7-13bps. The 2Y yield spiked the most by 13bps to 1.03% whilst the 10Y (which ranged wider between 1.77-87%) rose 10bps to 1.81%. Meanwhile, foreign holdings of US government securities rose to a record $7.75 trillion in November with both Japan and China seeing jumps of between $15-20b each to $1.34 trillion and $1.08 trillion respectively. The auction of $20b of 20Y bonds saw decent demand with BTC ratio registering 2.48x (previous auction: 2.59x) whilst being awarded at 2.21% (previous auction: 1.492%) Elsewhere the US 10Y TIPS auction saw softer demand, hitting a high yield of -0.54% (previous auction: -1.145%) whilst BTC ratio notched 2.30x (previous auction: 2.43x). TIPS are seen underperforming nominal USTs in a sell-off due to expectations of higher interest rates. Investors are seen fully pricing in a rate hike in March, followed by another three (3) hikes this year. Meanwhile, the FOMC meeting is scheduled for next Thursday, 27th of January.

- **MGS/GII:** Local govvies ended weaker w/w with both MGS/GII seeing net sellers across the curve ahead of the MPC meeting to decide on the OPR yesterday, and also the threat of rising rates in US. Overall benchmark MGS/GII yields closed between 1-14bps higher. The benchmark 5Y MGS 11/26 yield spiked 7bps to 3.29% whilst the recently-issued 10Y MGS 7/32 closed 4bps higher at 3.68%. The average daily secondary market volume decreased 15.4% to RM3.45b versus prior week's RM3.98b. The MPC meeting held yesterday i.e. on the 20th of January saw BNM state a neutral policy tone which resulted in the OPR staying pat as per our house view. We expect BNM to commence normalizing policy by raising rates in 2H2022; should the current recovery momentum hold ground. Expect govvies to see some strength next week following some easing of fears over rising rates in Malaysia.

- **MYR Corporate bonds/ Sukuk**: The week under review saw solid investor appetite for govt-guaranteed bonds, Sukuk and corporate bonds transactions. Trades were seen mainly along the GG-AA part of the curve as yields closed mostly mixed-to higher amid the further increase of 17% in average daily market volume of RM500m compared to prior week's RM428m. Topping the weekly volume were the short-end CAGAMAS 12/22 (AAA) which closed unchanged compared to previous-done levels at 2.12%, followed by PUBLIC Bank 2029NC24 (AA1) bonds, which rose 6bps to 3.20%. The 3rd largest volume was PR1MA 10/22 (GG) which rallied 15bps instead to 2.10%. Higher frequency of bond trades was seen in DANA, PRASA, DANUM, TNB, MAYBANK, UEM Sunrise and Tropicana-related bonds. Meanwhile there was a dearth of new issuances for the week with the prominent one consisting of Perbadanan Kemajuan Negeri Selangor's AA3-rated 1-2Y papers totaling RM200m with coupons ranging from 3.50-75%.

- **SGS:** SGS (govvies) which also mimicked UST movements w/w, saw the curve bear-flatten, as overall benchmark yields jumped between 3-10bps higher, taking cue from UST movements. The 2Y yield spiked 7bps to 0.99% whilst the 10Y (which ranged higher and traded within 1.77-1.84% range) rose 4bps to 1.82%. The republic is poised to auction S$2.7b of bonds (due 1st November 2026), on the 27th of January. To recap, the lighter supply at the longer-ends is deemed to be attraction for portfolio managers. A preview into Singapore's inflation is likely to see this data elevated in December following the 0.6% jump to 3.8% y/y in the prior month. Ongoing price pressures may suggest that MAS could tighten at its next semi-annual meeting come April. Elsewhere, the Housing & Development Board (HDB) successfully priced its upsized $950m 7Y bonds at a yield of 1.971%. CIMB Bank Bhd is also expected to issue USD$500m of 5Y debt notes on SGX come Friday, the 21st of January at 2.125%. Also, SIA managed to raise USD$600m of notes due 2029 at 3.375% under its current MTN program.



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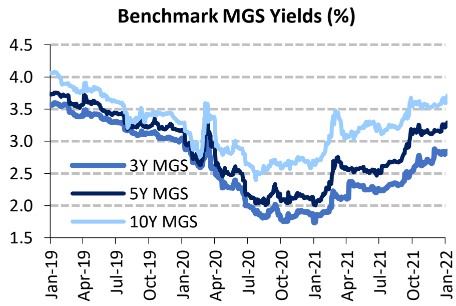

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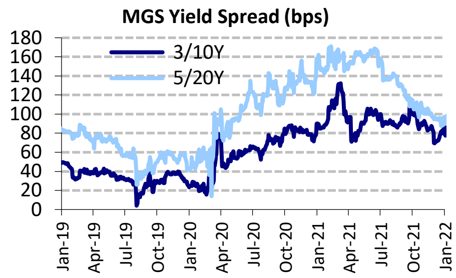

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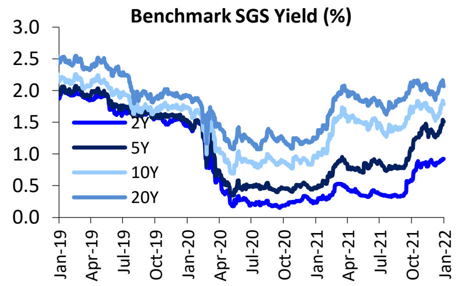

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
MBSB Bank Berhad	Financial institution (FI) rating	A+/Stable	Assigned
	Proposed RM5.0 billion Sukuk Wakalah programme	A+ IS/Stable	Assigned
Bermaz Auto Berhad	RM500 mil Islamic Commercial Papers Programme (2020/2027)	P1/Stable	Reaffirmed
	RM500 mil Islamic Medium-Term Notes Programme	AA3/Stable	Reaffirmed
MEX I Capital Berhad	RM1.126 bil Islamic Medium-Term Notes (Islamic MTN or the Sukuk)	A2/Stable	Assigned

Source: MARC/RAM

HongLeong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
24/01	08:30	JP	Jibun Bank Japan PMI Services	Jan P	52.1
	08:30	JP	Jibun Bank Japan PMI Mfg	Jan P	54.3
	13:00	SI	CPI YoY	Dec	3.8%
	15:00	MA	Foreign Reserves	14 Jan	$116.9b
	17:00	EZ	Markit Eurozone Manufacturing PMI	Jan P	58
	17:00	EZ	Markit Eurozone Services PMI	Jan P	53.1
	17:30	UK	Markit/CIPS UK Services PMI	Jan P	53.6
	17:30	UK	Markit UK PMI Manufacturing SA	Jan P	57.9
	21:30	US	Chicago Fed Nat Activity Index	Dec	0.37
	22:45	US	Markit US Manufacturing PMI	Jan P	57.7
	22:45	US	Markit US Services PMI	Jan P	57.6
25/01	05:30	NZ	Performance Services Index	Dec	46.5
	08:30	AU	CPI YoY	4Q	3.00%
	08:30	AU	NAB Business Confidence	Dec	12.0
	22:00	US	FHFA House Price Index MoM	Nov	1.1%
	22:00	US	S&P CoreLogic CS 20-City MoM SA	Nov	0.92%
	23:00	US	Conf. Board Consumer Confidence	Jan	115.8
	23:00	US	Richmond Fed Manufact. Index	Jan	16.0
26/01	05:45	NZ	Exports NZD	Dec	5.86b
	13:00	SI	Industrial Production YoY	Dec	14.6%
	20:00	US	MBA Mortgage Applications	21 Jan	2.3%
	21:30	US	Advance Goods Trade Balance	Dec	-$98.0b
	23:00	US	New Home Sales MoM	Dec	12.4%
27/01	03:00	US	FOMC Rate Decision	26 Jan	0-0.25%
	05:45	NZ	CPI YoY	4Q	4.9%
	07:30	AU	Westpac Leading Index MoM	Dec	0.12%
	09:30	CH	Industrial Profits YoY	Dec	9.0%
	14:00	JP	Machine Tool Orders YoY	Dec F	40.5%
	16:30	HK	Exports YoY	Dec	25.0%
	21:30	US	Initial Jobless Claims	22 Jan	286k
	21:30	US	Durable Goods Orders	Dec P	2.6%
	21:30	US	Cap Goods Orders Nondef Ex Air	Dec P	0.0%
	21:30	US	GDP Annualized QoQ	4Q A	2.3%
	23:00	US	Pending Home Sales MoM	Dec	-2.2%
28/01	00:00	US	Kansas City Fed Manf. Activity	Jan	24.0
	05:00	NZ	ANZ Consumer Confidence MoM	Jan	1.8%
	08:30	VN	Markit Vietnam PMI Mfg	Jan	52.5
	12:00	MA	Exports YoY	Dec	32.4%
	16:30	HK	GDP YoY	4Q A	5.4%
	18:00	EZ	Economic Confidence	Jan	115.3
	21:30	US	Employment Cost Index	4Q	1.3%
	21:30	US	Personal Income	Dec	0.4%
	21:30	US	Personal Spending	Dec	0.6%
	21:30	US	PCE Core Deflator YoY	Dec	4.7%
	23:00	US	U. of Mich. Sentiment	Jan F	68.8

Source:

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