Global Markets Research

Weekly Market Highlights

Markets

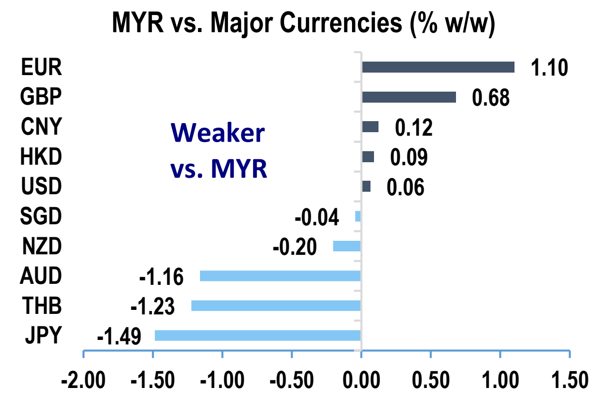
	Last Closing	WOW%	YTD %
Dow Jones Ind.	30,677.36	2.51	-15.58
S&P 500	3,795.73	3.52	-20.36
FTSE 100	7,020.45	-0.35	-4.93
Hang Seng	21,273.87	2.06	-9.08
KLCI	1,431.05	-2.83	-8.71
STI	3,092.80	-0.15	-0.99
Dollar Index	104.41	0.75	9.13
WTI oil ($/bbl)	104.27	-11.33	37.84
Brent oil ($/bbl)	110.05	-8.15	41.49
Gold (S/oz)	1,825.70	-1.08	-0.16

Source: Bloomberg

- The US stocks rebounded from last week's post-FOMC selloff while the European and Asian equities traded mixed this week. The talks of recession are gathering speed after the Fed lifted rates by 75bps with Fed Chair Powell pointing to the possibility of a recession during his bi-annual congressional testimony. Even so, Powell has made it clear that the Fed sees fighting inflation as its top priority, when grilled by lawmakers over the issue of trading off growth for lowering inflation. Norges Bank raised its benchmark rate by 50bps this week, joining a group of increasingly hawkish central banks.

- US data generally came in weaker, with PMIs coming lower and initial jobless claims hovering at near 230k while existing home sales fell for the fourth successive month. Manufacturing PMI also ticked lower in the Eurozone, UK and Japan, highlighting the persistent supply chain issues and an impending slowdown in demand. The week ahead sees the release of more data that will offer the market more variables to gauge the state of the global economy. Key ones mostly come from the US, including ISM manufacturing, personal income & spending and construction expenditure.

Forex

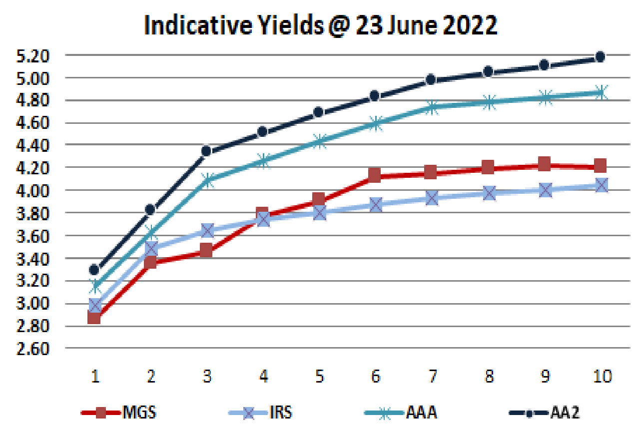


Source: Bloomberg

- **MYR:** USD/MYR extended its upward move but demonstrated relatively good resiliency against its Asian peers, only underperformed the CNY and HKD. The pair traded mainly around the 4.40 big figure through the week (a range of 4.3945-4.4080), before closing at 4.4060 on Thursday, up 0.06% w/w. USD/MYR outlook is expected to maintain a ***Neutral-to-Bullish*** bias keeping within familiar ranges of 4.39-4.42 in the week ahead, on the back of sustained USD strength.

- **USD**: The Dollar Index continued to rally for a third consecutive week, strengthening a further 0.8% w/w to 104.41 as at yesterday's close. DXY largely hovered at the 104 handle despite seeing volatile intraday moves and between a low of 103.83 and a high of 105.09 in the week. The Dollar Index remains fundamentally and technical ***Bullish***, likely eyeing a range of 103-106 in the week ahead. There continue to be Fed speaks but we believe Powell's testimony to the Congress the last two days reiterating commitment to fight inflation despite acknowledging recession risks will continue to uphold demand for the greenback. Key data watch would be core PCE, ISM manufacturing, durable goods orders, as well as some housing data.

Fixed Income



Source: Bloomberg

- **UST:** USTs ended stronger this week as economic growth uncertainties were punctuated by weaker US data. Heightened risks for recession in the Eurozone region also lifted demand for bonds. The curve shifted sharply lower as overall benchmark yields declined between 9-23bps across. **The UST 2Y yield fell 19bps to 2.91% whilst the much-watched UST 10Y (which ranged tighter between 3.02-3.28%) ended 18bps lower at 3.02%.** The closely watched yield curve, a pre-cursor for prediction on the economy going forward, remained in positive territory. Expect bonds to be well-bid next week despite intermittent profit-taking activities as the market reacts calmly to volatile views regarding the quantum of the Fed's perceived rate hikes going forward.

- **MGS/GII:** Local govvies outperformed expectations w/w, influenced by both the UST movements and better receiving interest in MYR IRS levels. After starting out on a weaker foot, both MGS and GII saw the overall benchmark yields ended between 0-19bps lower with the intermediates richening the most. **The benchmark 5Y MGS 11/26 eased 7bps to 3.84% whilst the 10Y MGS 7/32 rallied with yields ending 16bps lower at 4.20%.** Average weekly secondary market volume sustained at ~RM10.87b versus prior week's RM10.65b with interest seen mainly in the off-the-run 22's, 29's and benchmark 5Y MGS, 7Y MGS/GII, 10Y MGS/GII.

Macroeconomic Updates

- **Markets looked for recession signs; US stocks rebounded:** The US stocks rebounded from last week's post-FOMC selloff while the European and Asian equities traded mixed this week. The talks of recession are gathering speed after the Fed lifted rates by 75bps with Chair Powell pointing to the possibility of a recession during his bi-annual congressional testimony. Even so, Powell has made it clear that the Fed sees fighting inflation as its top priority, when grilled by lawmakers over the issue of trading off growth for lowering inflation. The US main stock benchmarks closed 2.6-4.0% higher on a week-to-date basis, led by the tech-focus NASDAQ index. Elsewhere, treasuries were boosted by safe haven bids amid mounting recession concerns while the dollar had a choppy session this week and ended modestly weaker against a basket of major currencies. The selloff in oil extended into this week as traders revised down oil outlook. Brent crude lost 2.7% WTD while WTI fell 4.8% WTD to $110 and $104 levels as of Thursday. Last week, both benchmarks had lost 8.1 and 11.3% respectively.

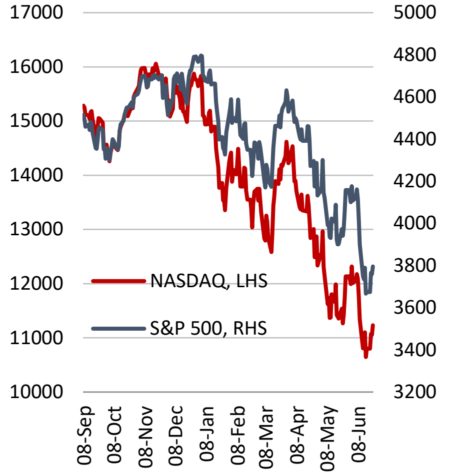
- **Norges Bank joined 50bp club; SEA central banks more cautious:** Norges Bank raised its benchmark rate by 50bps this week, joining a group of increasingly hawkish central banks. The acceleration in rate hikes followed three 25bp adjustments since September last year and is intended to contain Norway's inflation. Bangko Sentral ng Pilipinas (BSP) delivered what was perceived as a hawkish rate hike. The Philippines' central bank increased the overnight repo rate by a modest 25bps to 2.5% and signalled a preference for another 25bp increase at the August meeting. Bank Indonesia stuck to its stance of prioritising growth as it maintained the seven-day reverse repo at 3.5% and said that inflation remains within target.

- **US data emanated signs of a substantial slowdown:** The US data bag is relatively light this week and contributed to more signals of a slowdown. The weekly initial jobless claims have now stayed near 230k for the last three weeks, up from the 200-220k levels prior, indicating softer hiring activity. The S&P Global PMI for both the services and manufacturing sectors turned weaker this month, generally in line with the trend in the Eurozone and UK. The Kansas City Fed Manufacturing Index was the latest regional Fed index to show weakness. In the housing market, US existing homes fell 3.7% m/m in May, marking its fourth consecutive decline, firming up the expectations that the residential property sector may take further hit from the higher rates. Mortgage applications managed to post 4.2% w/w gain last week, driven solely by higher applications for purchases (+7.9%) as home buyers rushed to lock in rates before further increase in borrowing costs. The average rate for a 30Y fixed rate contract surged to 5.98%, the highest level since November 2008, thanks to the recently higher US yields.

- **Eurozone, UK flag signals of slowdown**: As mentioned earlier, the Eurozone's services and manufacturing PMIs both declined. June consumer confidence slipped to an even more negative level, past the pandemic low point. The UK manufacturing PMI ticked lower while services PMI held steady. Nonetheless, the UK consumer confidence fell to a record low in June, reflecting deteriorating assessment over personal finance and economic situation. This came as the UK's May CPI rate ticked higher to 9.1% y/y. In Japan, manufacturing PMI also ticked lower but services PMI picked up in June, after the government reopened the international border on 1 June. Japan's CPI-ex-fresh food (the BOJ's main inflation gauge) stabilised at 2.1%, above the BOJ's target for two months in a row. Elsewhere, Singapore's core CPI rate climbed to 3.6% y/y in May, in line with the Monetary Authority of Singapore (MAS)'s expectations that underlying inflation will pick up in coming months.

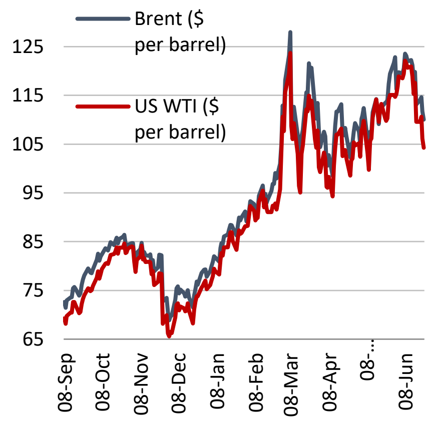
- **More US data coming next week**: The week ahead sees the release of more data that will offer the market more variables to gauge the state of the global economy. The US will publish a deluge of key indicators, including the ISM Manufacturing Index, construction spending, durable goods & core capital goods orders, goods trade deficit, the Conference Board consumer confidence, the third estimate of 1Q GDP growth and the personal income and spending. Other key readings are China's NBS PMIs, UK GDP growth, Eurozone's unemployment rate and CPI, Japan's industrial output and retail sales.

US stocks rebounded modestly this week



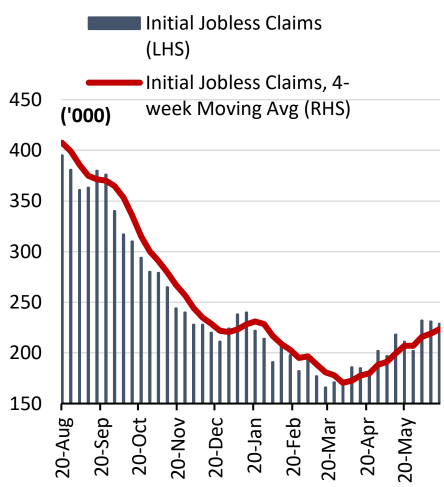
Source: Bloomberg

Oil continued downward path



Source: Bloomberg

Initial jobless claims in an uptrend



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR extended its upward move but demonstrated relatively good resiliency against its Asian peers, only underperformed the CNY and HKD. The pair traded mainly around the 4.40 big figure through the week (a range of 4.3945-4.4080), before closing at 4.4060 on Thursday, up 0.06% w/w. USD/MYR outlook is expected to maintain a ***Neutral-to-Bullish*** bias keeping within familiar ranges of 4.39-4.42 in the week ahead, on the back of sustained USD strength.

- **USD**: The Dollar Index continued to rally for a third consecutive week, strengthening a further 0.8% w/w to 104.43 as at yesterday's close. DXY largely hovered at the 104 handle despite seeing volatile intraday moves and within a low of 103.83 and a high of 105.09 in the week. The Dollar Index remains fundamentally and technical ***Bullish***, likely eyeing a range of 103-106 in the week ahead. There continue to be Fed speaks but we believe Powell's testimony to the Congress the last two days reiterating commitment to fight inflation despite acknowledging recession risks will continue to uphold demand for the greenback. Key data watch would be core PCE, ISM manufacturing, durable goods orders, as well as some housing data.

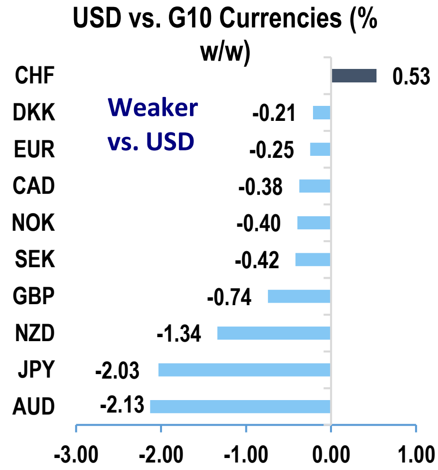
- **EUR**: EUR weakness continued into a third straight week, on the back of extended USD bulls reinforced by the Fed rhetoric. While the ECB is set to raise rates in July, prospects of widening gap with the US could suppress the EUR. Increasing signs of a slowdown in the Euro region's economy could also limit the pace and quantum of ECB policy normalization. We are however ***Neutral to Slightly Bearish*** on EUR/USD next week (1.04-1.06), given the overall market sentiments which still favour the USD. There may be more noises coming from the ECB Forum next week, in addition to CPI print, jobless rate and economic sentiments, but we expect the pair to primarily remain USD-driven.

- **GBP**: Depreciation in the GBP was seen extended into the fourth straight week, weakening by another 0.7% vs the USD to 1.2260 as at Thursday's close. The sterling has lost four big figures from 1.26 to 1.22 currently and looks on track to reach our end-2Q's forecast of 1.21 and eventually the 1.20 key level. UK growth indicators have been on a softening bias but further pick-up in May CPI to 9.1% y/y will likely reinforce expectations for further BOE rate hikes, hence limited downside in the sterling. We therefore except the pair to trade on a ***Neutral*** note potentially in a range of 1.22-1.24 next week. PMI, mortgage approval and final print of 1Q GDP are key releases in the pipeline next week.

- **JPY**: The rebound in the JPY in the preceding week proved shortlived as it weakened against the USD again this week. USD/JPY was seen trading in a range of 132.17-136.71 (prior 131.50-135.59) and settled 2.0% w/w higher at 134.95 on Thursday's close. The stable May's CPI and core CPI is a stark contrast to continued price acceleration seen in other major economies, which nonetheless supports BOJ's policy divergence with the world. JPY outlook will likely remain ***Bearish*** amid policy divergence. We eye a range of 134-137 in USD/JPY in the week forward, largely driven by market sentiments and USD movement.

- **AUD**: AUD weakened against the greenback for the third consecutive week, and turned out to be the worst performing G10 currencies as risk sentiments took a beating amid recession talks, overshadowing the "expected hawkishness" in RBA minutes which signaled consideration for a 25-50bps hike at the next meeting in July. The Aussie fell 2.1% w/w vs the USD at 0.6897 on Thursday, closing out the week below the 0.70 handle for the first time in six weeks, and just a tad above its week's low of 0.6869. The pair remains technically ***Bearish*** and negative momentum is increasing, likely eyeing a range of 0.67-0.70 next week. Australian retail sales data next week will offer some insights to the impact of higher inflation on consumers.

- **SGD**: SGD remained under selling pressure for the third consecutive week, weakening 0.5% w/w against the USD to 1.3903 (prior 1.3834) as at Thursday's close, just slightly below the week's high of 1.3918. Trading in the pair has been choppy with swings seen in intraday trading through the week although it has been hanging on to the 1.38-1.39 levels. Outlook for USD/SGD is ***Slightly Bullish*** next week in anticipation of USD bulls, likely edging up to a higher range of 1.38-1.40.



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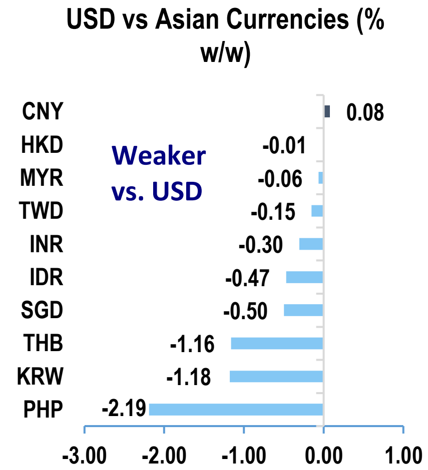


Source: Bloomberg

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

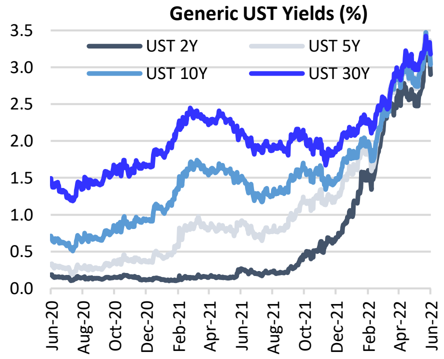
Fixed Income

- **UST:** For the week under review, USTs ended stronger following economic growth uncertainties punctuated by softer PMI data for June and elevated jobless claims. Heightened risks for recession in the Eurozone region also lifted demand for bonds. The curve shifted sharply lower as overall benchmark yields declined between 9-23bps across. **The UST 2Y yield fell 19bps to 2.91% whilst the much-watched UST 10Y (which ranged tighter between 3.02-3.28%) ended 18bps lower at 3.02%.** The $14b 20Y bond auction exercise by the Treasury saw decent bidding metrics at 2.60x (previous six auction average: 2.59x) and awarded at 3.488% (previous auction: 3.290%. Fed Chair Powell said that the Fed's commitment to rein in 40-year high inflation was unconditional but comes with the risk of higher unemployment. The closely watched yield curve, a precursor for prediction on the economy going forward, remained in positive territory. The Fed's reverse repo facility which pays an overnight rate of 0.8%, climbed yet again to another record @ $2.29 trillion. Expect bonds to be well-bid next week despite intermittent profit-taking activities as markets react calmly to volatile views regarding the quantum of the Fed's perceived rate hikes going forward.

- **MGS/GII:** Local govvies outperformed expectations w/w, influenced by both the UST movements and better receiving interest in MYR IRS levels. After starting out on a weaker foot, both MGS and GII saw the overall benchmark yields ending between 0-19bps lower with the intermediates richening the most. **The benchmark 5Y MGS 11/26 eased 7bps to 3.84% whilst the 10Y MGS 7/32 rallied with yields ending 16bps lower at 4.20%.** Average weekly secondary market volume sustained at ~RM10.87b versus prior week's RM10.65b with interest seen mainly in the off-the-run 22's, 29's and also benchmark 5Y MGS, 7Y MGS/GII, 10Y MGS/GII. The 5Y GII auction saw solid response especially from interbank players, offshore and also insurance companies with BTC ratio chalking 3.133x and awarded at 4.155%. Expect local govvies to continue on a steadier trajectory next week as global recessionary fears take a strangle-hold over inflation-led news from both abroad and local

- **MYR Corporate bonds/ Sukuk**: The week under review saw investor appetite a tad weaker for govt-guaranteed bonds, corporate bonds and Sukuk; influenced earlier by higher sovereign bond yields. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-higher amid a 34% drop in weekly market volume to RM1.07b.** Topping the weekly volume were CAGAMAS 8/28 (AAA) which rose 12bps higher compared to previous-done levels to 4.69%. This was followed by highway operator KESTURI 12/24 (AA3) bonds which spiked 81bps to 4.31% and subsequently RANTAU 3/29 (AAA), which closed 16bps higher at 4.63%. Higher frequency of bond trades was seen in DANA and MAYBANK-related bonds; along with odd-lot transactions in Sabah Development Bank, YNH Properties and also TROPICANA 2023, 2025 bonds and perps. The prominent fresh issuance for the week consisted of CAGAMAS Berhad's AAA-rated 3Y bonds totaling RM100m with a coupon of 3.91%.

- **Singapore Government Securities:** SGS ended stronger w/w, taking cue from UST movements. The curve shifted lower as overall benchmark yields fell between 8-19bps across; brushing aside the acceleration in May CPI with headline inflation recording the highest-print in 14 years. The SGS 2Y yield declined 11bps to 2.47% whilst the SGS 10Y (which ranged tighter between 2.96-3.15%) rallied the most by 19bps and ended at 2.98%. Singapore's sovereign bonds saw a turnaround, posting a gain of 0.9% w/w (prior week: -1.6%). Elsewhere, MAS is expected to issue SGD2.6b of 2Y notes next week. Expectations of policy tightening as early as October is seen to favor a wider discount now between the 2-year UST versus SGS notes currently at 67bps presently. Meanwhile, HSBC Holdings received a solid response for its SGD900m Tier 2 10NC5 bonds at a coupon of 5.25%.



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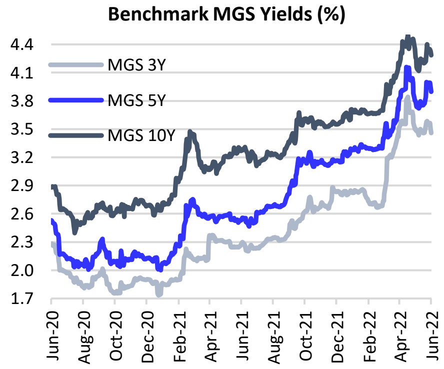

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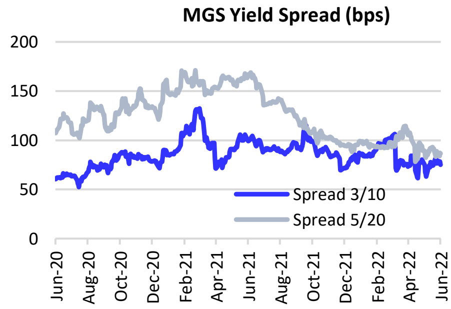

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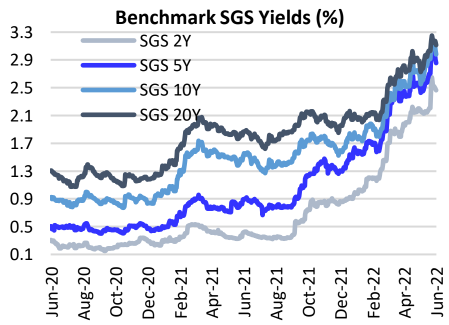

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Grand Sepadu (NK) Sdn Bhd	Grand Sepadu (NK) Sdn Bhd	AA-IS/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
27/06	09:30	CN	Industrial Profits YoY	May	-8.5%
	16:30	HK	Exports YoY	May	1.1%
	20:30	US	Durable Goods Orders	May P	0.5%
	20:30	US	Cap Goods Orders Nondef Ex Air	May P	0.4%
	22:00	US	Pending Home Sales MoM	May	-3.9%
	22:30	US	Dallas Fed Manf. Activity	Jun	-7.3
28/06	20:30	US	Advance Goods Trade Balance	May	-$106.7b
	20:30	US	Wholesale Inventories MoM	May P	2.2%
	21:00	US	FHFA House Price Index MoM	Apr	1.5%
	21:00	US	S&P CoreLogic CS 20-City YoY NSA	Apr	21.17%
	22:00	US	Conf. Board Consumer Confidence	Jun	106.4
	22:00	US	Richmond Fed Manufact. Index	Jun	-9.0
29/06	07:50	JP	Retail Sales MoM	May	1.0%
	09:30	AU	Retail Sales MoM	May	0.9%
	20:30	US	GDP Annualized QoQ	1Q T	-1.5%
	20:30	VN	GDP YoY	2Q	5.03%
	20:30	VN	CPI YoY	Jun	2.86%
	20:30	VN	Exports YoY	Jun	16.4%
	20:30	VN	Retail Sales YoY	Jun	22.6%
	20:30	VN	Industrial Production YoY	Jun	10.4%
	17:00	EZ	Economic Confidence	Jun	105.0
	19:00	US	MBA Mortgage Applications	24 Jun	4.2%
30/06	07:50	JP	Industrial Production MoM	May P	-1.5%
	09:00	NZ	ANZ Business Confidence	Jun	-55.6
	09:30	CN	Manufacturing PMI	Jun	49.6
	09:30	CN	Non-manufacturing PMI	Jun	47.8
	14:00	UK	GDP QoQ	1Q F	0.8%
	16:30	HK	Retail Sales Value YoY	May	11.7%
	17:00	EZ	Unemployment Rate	May	6.8%
	20:30	US	Personal Income	May	0.4%
	20:30	US	Personal Spending	May	0.9%
	20:30	US	Initial Jobless Claims	25 Jun	229k
	20:30	US	PCE Core Deflator YoY	May	4.9%
	21:45	US	MNI Chicago PMI	Jun	60.3
01/07	06:00	NZ	ANZ Consumer Confidence Index	Jun	82.3
	07:30	JP	Job-To-Applicant Ratio	May	1.23
	07:30	JP	Jobless Rate	May	2.5%
	07:50	JP	Tankan Large Mfg Index	2Q	14.0
	08:30	MA	S&P Global Malaysia PMI Mfg	Jun	50.1

08:30	VN	S&P Global Vietnam PMI Mfg	Jun	54.7
08:30	JP	Jibun Bank Japan PMI Mfg	Jun F	52.7
09:45	CN	Caixin China PMI Mfg	Jun	48.1
16:00	EZ	S&P Global Eurozone Manufacturing PMI	Jun F	54.6
16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Jun F	54.6
17:00	EZ	CPI Estimate YoY	Jun	8.1%
21:45	US	S&P Global US Manufacturing PMI	Jun F	57.0
22:00	US	Construction Spending MoM	May	0.2%
22:00	US	ISM Manufacturing	Jun	56.1

Source: Bloomberg