Global Markets Research

Weekly Market Highlights

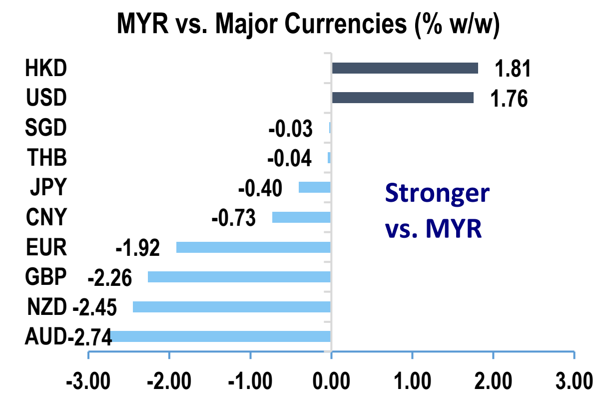
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	33,916.39	1.85	-6.66
S&P 500	4,287.50	2.47	-10.04
FTSE 100	7,509.19	1.13	1.69
Hang Seng	20,276.17	1.65	-10.61
KLCI	1,597.31	0.71	2.08
STI	3,335.09	0.43	8.08
Dollar Index	103.62	0.65	7.93
WTI oil ($/bbl)	105.36	3.27	36.85
Brent oil ($/bbl)	107.59	2.16	39.43
Gold (S/oz)	1,891.30	0.29	4.35

Source: Bloomberg

- **US equities ended in postive territory:** The US stock market saw the DJIA advance despite a flurry of corporate earnings. The day-to-day volatility seen was due to heightened concerns over upcoming aggressive interest rate hikes coupled with concerns COVID-19 uncertainties in China. On a separate note the dollar index burst through to a new 20-year high, underpinned by its safe-haven status, a hawkish Fed and its balance sheet rundown soon.
- **Heavy data week ahead:** Upcoming data releases are expected to be equally heavy as this week with focus likely to remain on updates over US interest rate decision at the FOMC meeting on 5th May. Key data will consist of mainly jobs data for April covering US non-farm payrolls, unemployment rate, participation rate and hourly earnings A host of PMI readings will also be watched closely for clues on the economy. On the monetary policy front, BOE interest rate decision is on the card.

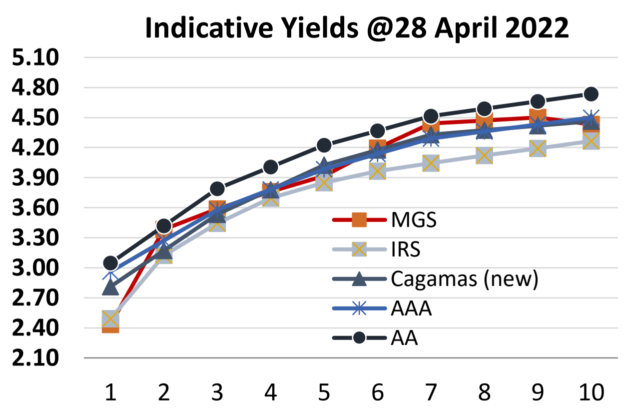
Forex



Source: Bloomberg

- **MYR:** USD/MYR jumped to its highest since May-20 amid unperturbed USD strength spearheaded by Fed rate hike expectations. The pair closed out the week 1.8% w/w higher at 4.3640 on Thursday, just a tad shy of its week-high of 4.3685. We are ***Neutral-to-Slightly Bullish*** on USD/MYR likely within a range of 4.34-4.38 in the week ahead as the Malaysian market will be closed for Labour Day and Hari Raya holidays before reopening on 5-May, where the Fed rhetoric and post-FOMC actions will be key.
- **USD**: The Dollar Index held up well above the 100-handle in the last two weeks, reaching a two-decade high of 103.93 on 28-April. The DXY strengthened 3.1% w/w to last close at 103.62 on Thursday. We remain ***Slightly Bullish*** on the USD outlook in the range of 102-105 although some tinge of cautiousness may set in ahead of the FOMC policy meeting on 4-5 May. A hawkish hike will likely further reinforce USD bulls and vice versa. Tonight's core PCE followed by next week's all important nonfarm and other job data, PMI and ISM indices will be key watch in the USD space.

Fixed Income



Source: Bloomberg

- **UST:** US treasuries gained this week as investors rushed to perceived safe assets amid the renewed fear of a global growth crunch triggered by Beijing's Covid outbreak. The overall benchmark yields ticked lower by 9-16bps amid the robust demand for UST and dollar. **The benchmark 2Y yield fell by 9bps w/w to 2.62% as at Thursday** as the auction of $48b 2Y notes attracted a strong demand on Wednesday with BTC ratio at 2.74x, versus 2.46x prior. **The closely watched benchmark 10Y yield plunged 16bps w/w to 2.84%** but this did not alter general sentiment that it may soon hit 3.0% as the FOMC meeting approaches (05 May).
- **MGS/GII:** Local govvies weakened this week alongside the extended selloff in the ringgit as investors dumped risk assets in favour of safe havens. The overall benchmark MGS/GII yields advanced by 1-31bps w/w, shifting the curves higher across. **The benchmark 5Y MGS 11/26 gained 17bps to 3.91% while the 10Y MGS 7/32 yields shot up by a whopping 31bps to 4.44%, in part driven by the strong demand for the newly issued 7Y notes**. Local trading turned more vigorous as the average daily secondary market volume increased to RM3.8b this week, up from RM2.1 prior. The auction involving the new issuance of RM5.0b 7Y MGS 4/29 turned out hotter than expected with total submission of bids amounting to one of the highest YTD at RM11.0b (BTC ratio 2.196x).

Macroeconomic Updates

- **US equities ended in postive territory:** The US stock market saw the DJIA advance despite a flurry of corporate earnings such as Verizon Communications and American Express Co. The day-to-day volatility seen was due to heightened concerns over upcoming aggressive interest rate hikes coupled with concerns over COVID-19 outbreak in China. The tech-heavy NASDAQ which was weaker saw investors nibbling into technology stocks following financial results such as Facebook parent Meta Platforms that were not as bad as originally feared. On a separate note the dollar index burst through to a new 20-year high, underpinned by its safe-haven status, a hawkish Fed and its balance sheet rundown soon.

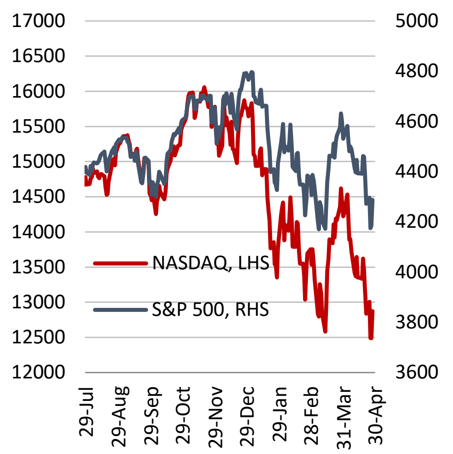
- **Crude oil prices seen steadier between $105-110 levels:** Crude oil prices drifted higher for the week under review due to renewed supply concerns amid the fallout of Russia's war in Ukraine and the COVID-19 uncertainties in China. Despite the disruption to Russian oil being contained for now, pressure is expected to keep rising as fresh news such as Russia halting gas deliveries to Poland from 27th April may come back to haunt markets and push prices higher. We also note Germany's reversal of its earlier proposed ban on Russian oil and its subsequent measures to further add to price volatility. Brent ended 2.2% w/w higher at $107.59/ barrel and WTI settled 3.3% up at $105.36/ barrel whilst gold inched slightly higher by 0.3% despite hawkish Fed and stronger dollar which may be seen to cap the bulion's movement; at least until after next week's FOMC meeting. Holdings in gold-backed ETF's are down this week to snap 14 straight weeks of gains.

- **US saw surprised contraction in US 1Q GDP:** The US economy shrank for the first time since 2Q20, as an import surge due to strong consumer demand exerted a drag on net exports. GDP fell at 1.4% q/q annualized rate in 1Q22; an unexpected reversal from the 6.9% growth pace in 4Q21. Besides the huge rise in trade deficit arising from the jump in imports versus the drop in exports, the contraction was also due to the slower build-up of business stockpiles, another sign of less sanguine growth outlook. The biggest impact to the bottom line were the inventories and trade component shaved-off about ~4ppts from headline growth followed by lower government spending.

- **BOJ keeps rate rates steady:** The Bank of Japan kept its policy balance rate steady again at -0.1% as expected. The finance ministry stepped up on the BOJ's earlier language (i.e. its purchase of buying unlimited amount of bonds at a fixed rate to protect a 0.25% ceiling on 10-yeargovernment debt as part of its stimulus measures), by warning that it will take "appropriate" measures to stem the slide in the Yen. The Yen broke past 130 but steadied following the finance ministry comments. Elsewhere, swap traders in the US are pricing in a 100% chance of 50bps and 67% of a 75bps jump in the Fed Funds Rate at the next FOMC meeting on 5th of May. Likewise, the current probability of a total 225bps in the US this year is on the cards.

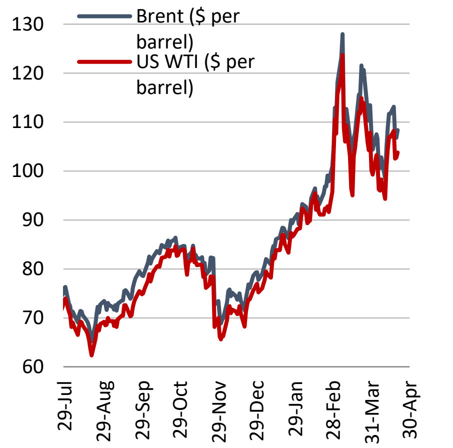
- **Heavy data week ahead:** Upcoming data releases are expected to be equally heavy as this week with focus likely to remain on updates over US interest rate decision at the FOMC meeting on 5th May and further updates on the Russia-Ukraine war impact on financial markets. Key data will consist of mainly jobs data for April covering US non-farm payrolls, unemployment rate, participation rate and hourly earnings among others. US S&P PMI along with a host of PMI readings form this side of the region covering China, Japan, Vietnam, Hong Kong, Singapore and Malaysia will be watched closely for clues on the economy. On the monetary policy front, BOE interest rate decision is on the cards.

US stocks zig-zagged during the week but ended higher eventually



Source: Bloomberg

Crude oil prices rebounded and stayed above the $100/ barrel level



Source: Bloomberg

Foreign Exchange Market

- **MYR:** USD/MYR jumped to its highest since May-20 amid unperturbed USD strength spearheaded by Fed rate hike expectations. The pair closed out the week 1.8% w/w higher at 4.3640 on Thursday, just a tad shy of its week-high of 4.3685. Despite the depreciation against the greenback, the local unit strengthened against the badly bruised EUR, GBP, AUD and most major Asian peers including the CNY. We are ***Neutral-to-Slightly Bullish*** on USD/MYR likely within a range of 4.34-4.38 in the week ahead as the Malaysian market will be closed for Labour Day and Hari Raya holidays before reopening on 5-May, where the Fed rhetoric and post-FOMC actions will be key.

- **USD**: The Dollar Index held up well above the 100-handle in the last two weeks, reaching a two-decade high of 103.93 on 28-April. The DXY strengthened 3.1% w/w to last close at 103.62 on Thursday after having climbing steadily higher from a low of 100.47 the past week. We remain ***Slightly Bullish*** on the USD outlook in the week ahead although some tinge of cautiousness may set in ahead of the FOMC policy meeting on 4-5 May. A hawkish hike will likely further reinforce USD bulls and vice versa. Technicals remain bullish and positive momentum indicator continues building up although the index is in overbought territory, suggesting potential consolidation in the range of 102-105. Tonight's core PCE followed by next week's all important nonfarm and other job data, PMI and ISM indices will be key watch in the USD space.

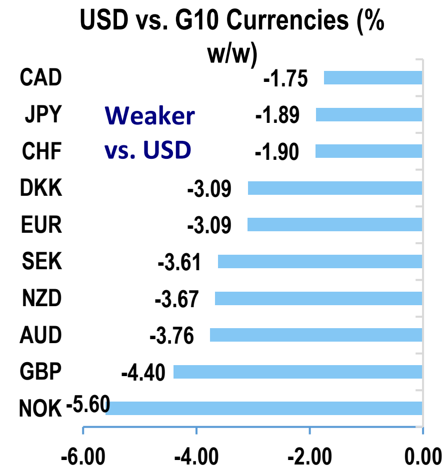
- **EUR**: EUR depreciated sharply and lost four big figures in the process from 1.08-1.04 to a 5-year low, led by hefty gain in the USD. EUR/USD fell 3.1% w/w to 1.0499 on Thursday's close, just narrowly above its week-low of 1.0472. USD strength was the key driver, overshadowing decent PMI readings which showed sustained gains in manufacturing and uptick in services activities. EUR/USD remains technically bearish and negative momentum is still building up. We continue to expect a ***Bearish*** EUR/USD, likely in the range of 1.04-1.07 as downside will likely be capped by more muted advances in the USD amid pre-FOMC cautiousness and oversold position in the pair. Next week. PMI manufacturing and services, economic and consumer confidence, retail sales, and jobless rate will be key watch in the EUR space.

- **GBP**: The GBP plunged along with other majors as the USD gained further grounds. It was the second worst performing G10 after NOK, shading six big figures and registering a massive 4.4% w/w loss vs the greenback at 1.2457, its weakest level since Jul-20. We are ***Neutral-to-Slightly Bearish*** on GBP/USD eyeing a range of 1.24-1.27 next week amid expectations for cautious trading ahead of FOMC and BOE policy meetings. Markets have priced in a 25bps BOE rate hike vis-à-vis the 50bps hike by the Fed, and prospects of further widening in the yield premium in favour of the USD may exert downward pressure on the sterling, reinforced by soft UK data (PMI services and retail sales being the latest case in point). BOE policy decision aside, PMI manufacturing and services, mortgage approvals are on the deck.

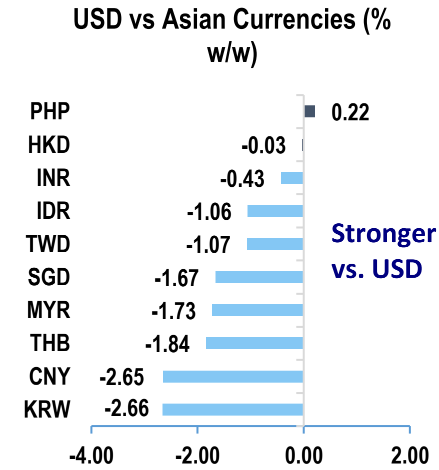
- **JPY**: USD/JPY jumped to a two-decade high as BOJ's pledge to maintain an ultraloose monetary policy prompted further selloff in the JPY. BOJ maintained its cash rate target at -0.10% as expected while keeping its yield curve control and asset purchases unchanged at its latest meeting on 28 April but announced that it will purchase unlimited amount of 10Y JGB at 0.25% every day via a fixed operation to provide further stimulus. USD/JPY skyrocketed to a high of 131.25 before retreating somewhat to close at 130.85 on Thursday, up 1.9% w/w. USD/JPY outlook remains ***Bullish*** as the JPY will underperform amid policy divergence. We expect a slightly higher weekly range of 127-132 next week, with the USD in the driver seat as Japanese data is only limited to Jibun Bank PMI manufacturing and CPI.

- **AUD**: AUD/USD continued to weaken, to 0.7097 on Thursday's close, down 3.8% w/w and its lowest in three months. The brief spike post higher than expected 1Q CPI print was overshadowed by unperturbed USD strength, even as quickening inflation is bringing forward expectations for an earlier RBA hike next week, the first since 2010. This should keep the Aussie supported with downside capped at 0.69 for now, hence our weekly range of 0.69-0.72 (***Slightly Bearish***) as the greenback is still expected to see sustained strength. PMI indices, retail sales, trade balance and building approvals are other data to watch.

- **SGD**: USD/SGD broke out from the 1.35-1.36 ranges for the first time in two months, to as high as 1.3905, its highest since Jul-20 in tandem with selling in EM currencies amid rally in the USD. USD/SGD closed the week 1.7% w/w higher at 1.3868 after traded within 1.3622-1.3905 this week. We are ***Neutral-to-Slightly Bullish*** on USD/SGD potentially in a range of 1.37-1.39 next week, as the USD will likely stay firm on hawkish rate hike prospect. Singapore PMI and retail sales next week will unlikely have any impact on SGD performance.



Source: Bloomberg



Source: Bloomberg

Forecasts

	Q2-22	Q3-22	Q4-22	Q1-23
DXY	98.50	99.00	98.00	97.50
EUR/USD	1.10	1.09	1.10	1.12
GBP/USD	1.29	1.28	1.30	1.31
AUD/USD	0.76	0.77	0.76	0.76
USD/JPY	121	120	120	120
USD/MYR	4.20	4.18	4.16	4.16
USD/SGD	1.36	1.35	1.34	1.33
USD/CNY	6.37	6.37	6.36	6.36

	Q2-22	Q3-22	Q4-22	Q1-23
EUR/MYR	4.62	4.56	4.58	4.66
GBP/MYR	5.42	5.35	5.41	5.45
AUD/MYR	3.19	3.22	3.16	3.16
SGD/MYR	3.09	3.10	3.10	3.13
CNY/MYR	1.52	1.52	1.53	1.53

Source: HLBB Global Markets Research

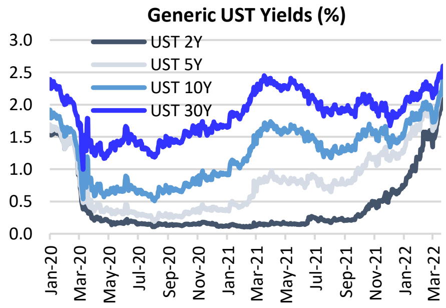
Fixed Income

- **UST:** UST gained this week as investors rushed to perceived safe assets amid the renewed fear of a global growth crunch triggered by Beijing's Covid outbreak. The overall benchmark yields ticked lower by 9-16bps amid the robust demand for UST and dollar. **The benchmark 2Y yield fell by 9bps w/w to 2.62% as at Thursday as t**he auction of $48b 2Y notes attracted a strong demand on Wednesday with BTC ratio clocking in at 2.74x, versus 2.46x prior. **The closely watched benchmark 10Y yield plunged 16bps w/w to 2.84%** but this did not alter general sentiment that it may soon hit 3.0% as the FOMC meeting approaches (05 May). Several other government auctions also took place this week – $49b 5Y notes were less appealing with BTC of 2.41x (down from 2.53x prior) while $44b worth of 7Y notes saw decent demand with BTC at 2.41x (versus 2.44x prior). Tonight's core PCE inflation data as well as the personal spending reading is set to offer the latest picture of consumer spending. Nonetheless, the 50bp hike is already a done deal so investors will zero in on the pace of the Fed's ~$9b balance sheet runoff instead.

- **MGS/GII:** Local govvies weakened this week alongside the extended selloff in the ringgit as investors dumped risk assets in favour of safe havens. **The overall benchmark MGS/GII yields advanced by 1-31bps w/w, shifting the curves higher across. The benchmark 5Y MGS 11/26 gained 17bps to 3.91% while the 10Y MGS 7/32 yields shot up by a whopping 31bps to 4.44%, in part driven by the strong demand for the newly issued 7Y notes.** Local trading turned more vigorous as the average daily secondary market volume increased to RM3.8b this week, up from RM2.1 prior. The auction involving the new issuance of RM5.0b 7Y MGS 4/29 turned out hotter than expected with total submission of bids amounting to one of the highest YTD at RM11.0b. Notably, this auction printed a BTC of 2.196x, above our much-watched 2.0x level and the similar previous exercise back in October 2021. Strong institutional participation was noted as valuations turned attractive following the recent selloff in global sovereign bonds. The much-shortened trading week next week will see the Malaysian market reopen on Thursday (5 May) in the wake of the FOMC decision earlier that day.

- **MYR Corporate bonds/ Sukuk**: The past week witnessed some increase in the trading of corporate bonds/sukuk with interest focusing in the government-guaranteed GG space. The average daily volume for the past five sessions rose to RM394m, from RM305 prior where investors were seen offloading corporate papers. DANA 11/34 was the most highly traded GG paper @RM50m this week, followed by PRASA 03/35@RM45m. Elsewhere, the newly issued HONG LEONG Perpetual Green Capital Securities topped the overall corp/sukuk market volume for the past week with trade done at RM190m on Thursday. This was followed by ALLIANCE ISLAMIC 09/27 @RM130m that made its debut trading on Wednesday. TG EXCELLENCE Sukuk Wakalah also recorded a total trade of RM100m.

- **SGS:** Meanwhile in Singapore, SGS (govvies) roughly tracked the movement in the UST market despite the selloff in the SGD this week, leaving the overall benchmark yields modestly lower by 2-4bps w/w except for the 2Y SGS yield which climbed by 8bps w/w to 2.0% on Thursday. The second reopening of the 2Y SGS 02/24 drew a BTC ratio of 1.86x, higher than the first such similar exercise that yielded a BTC of 1.63x in last September amid strong appetites for short-term assets thanks to aggressive pricing of Fed tightening. The benchmark 10Y SGD yield edged lower by 3bps w/w to 2.53%. Singapore's sovereign bonds registered a 0.58% increase on a week-to-date basis, partially recovering from the 0.75% decline in the previous week. The Monetary Authority of Singapore (MAS) this week published its half-yearly macroeconomic review and predicted the continuous climb in Singapore's core CPI inflation to (2.5-3.5% for 2022) and an above-trend growth (3-5% for 2022) for the second consecutive year. The actual core CPI reading for March had come in at 2.9% y/y, higher than consensus forecast of 2.5% y/y.



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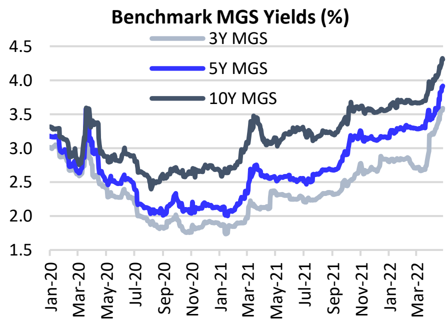

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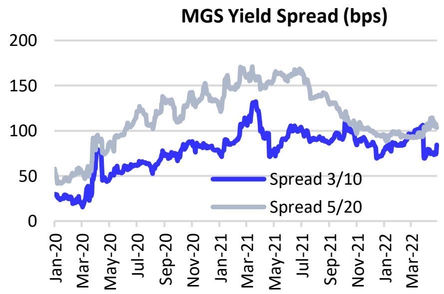

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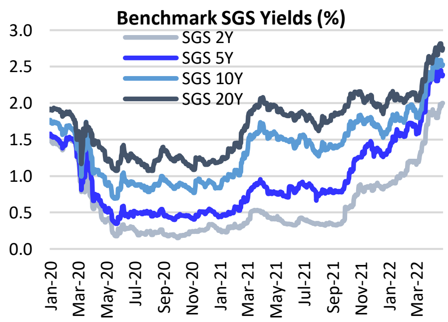

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Sasaran Etika Sdn Bhd	RM220m Fixed Rate Serial Bonds	AA1/Stable	Reaffirm
MIDF Berhad	Corporate Credit Ratings	A1/Stable/P1	Assign
Kinabalu Capital Sdn Bhd	Issue 1, Issue 2 Medium-Term Notes (MTN) and Commercial Papers (CP) under the RM3.0b MTN and CP Programme	AAA Marc-1	Withdrawn
Sarawak Petchem Sdn Bhd	RM6.0b slamic Medium-Term Notes Programme (proposed Sukuk Wakalah)	AAA (s)/Stable	Assign
UiTM Solar Power Sdn Bhd	Outstanding RM202.3 million Green SRI Sukuk	MARCWatch Negative	Extended

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
02/05	08:30	JP	Jibun Bank Japan PMI Mfg	Apr F	53.4
	16:00	EZ	S&P Global Eurozone Manufacturing PMI	Apr F	55.3
	21:45	US	S&P Global US Manufacturing PMI	Apr F	59.7
	22:00	US	Construction Spending MoM	Mar	0.5%
	22:00	US	ISM Manufacturing	Apr	57.1
03/05	12:30	AU	RBA Cash Rate Target	03 May	0.1%
	16:30	HK	GDP YoY	1Q A	4.8%
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Apr F	55.3
	17:00	EZ	PPI YoY	Mar	31.4%
	17:00	EZ	Unemployment Rate	Mar	6.8%
	22:00	US	Factory Orders	Mar	-0.5%
	22:00	US	JOLTS Job Openings	Mar	11266k
04/05	06:45	NZ	Unemployment Rate	1Q	3.2%
	06:45	NZ	Employment Change QoQ	1Q	0.1%
	06:45	NZ	Pvt Wages Inc Overtime QoQ	1Q	0.7%
	08:30	VN	S&P Global Vietnam PMI Mfg	Apr	51.7
	09:30	AU	Retail Sales MoM	Mar	1.8%
	09:30	AU	Home Loans Value MoM	Mar	-3.7%
	16:00	EZ	S&P Global Eurozone Services PMI	Apr F	57.7
	17:00	EZ	Retail Sales MoM	Mar	0.3%
	19:00	US	MBA Mortgage Applications	29 Apr	-8.3%
	20:15	US	ADP Employment Change	Apr	455k
	20:30	US	Trade Balance	Mar	-$89.2b
	21:00	SG	Purchasing Managers Index	Apr	50.1
	21:45	US	S&P Global US Services PMI	Apr F	54.7
	22:00	US	ISM Services Index	Apr	58.3
05/05	02:00	US	FOMC Rate Decision (Lower Bound)	04 May	0.25%
	08:30	MA	S&P Global Malaysia PMI Mfg	Apr	49.6
	08:30	HK	S&P Global Hong Kong PMI	Apr	42.0
	08:30	SG	S&P Global Singapore PMI	Apr	52.9
	09:30	AU	Exports MoM	Mar	0.0%
	09:45	CN	Caixin China PMI Services	Apr	42.0
	13:00	SG	Retail Sales YoY	Mar	0.0
	16:30	HK	Retail Sales Value YoY	Mar	-0.1
	16:30	UK	S&P Global/CIPS UK Services PMI	Apr F	58.3
	19:00	UK	Bank of England Bank Rate	05 May	0.75%
	20:30	US	Initial Jobless Claims	30 Apr	-180k
06/05	20:30	US	Change in Nonfarm Payrolls	Apr	431k
	20:30	US	Unemployment Rate	Apr	3.6%
	20:30	US	Labor Force Participation Rate	Apr	62.4%

Source: Bloomberg

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