Global Markets Research

Weekly Market Highlights

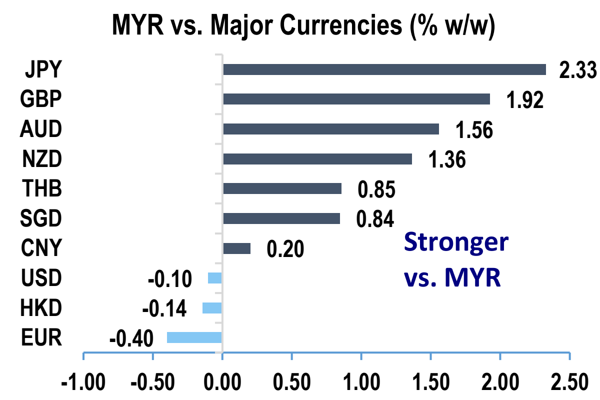
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	32,529.63	1.54	-10.48
S&P 500	4,072.43	1.84	-14.56
FTSE 100	7,345.25	1.03	-0.53
Hang Seng	20,622.68	0.23	-11.86
KLCI	1,491.20	2.82	-4.87
STI	3,220.65	2.17	3.10
Dollar Index	106.35	-0.52	11.16
WTI oil ($/bbl)	96.42	0.07	25.24
Brent oil ($/bbl)	107.14	3.16	96.98
Gold (S/oz)	1,750.30	2.15	-4.74

Source: Bloomberg

- The US stock market rallied to seven-week high as the Fed delivered its second 75bp rate hike and the equity market appeared to shrug off the 2Q GDP contraction. Investors parsed a slew of tech corporate earnings which continue to weaken from the pandemic-driven boom. The Fed signaled that the pace of rate hike may slow from this point onwards but said that decision will be data-independent and made on a meeting-by-meeting basis. The US data appeared mixed; the weak GDP, initial jobless claims and consumer confidence were balanced by strong goods exports and durable goods order. Housing indicators point to further cooling-down in the residential property market.
- Next week, the NFP payrolls and unemployment rate are the major data release. The Bank of England and Reserve Bank of Australia are expected to lift their respective policy rates by 50bps in order to curb domestic inflation and to catch up with the global tightening cycle.

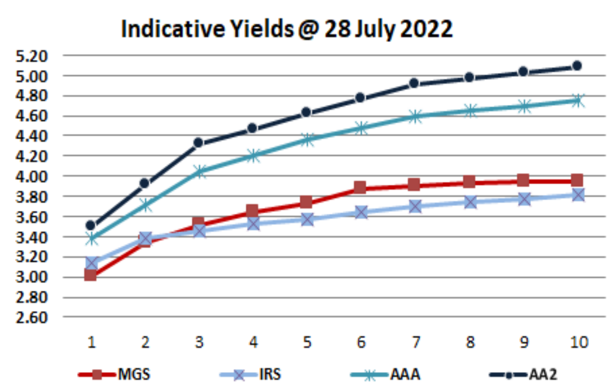
Forex



Source: Bloomberg

- **MYR:** The USD/ MYR finally took a breather from 7th consecutive week of advances, pulling back marginally by 0.1% w/w to 4.4530 (prior 4.4580). Expectations for a softer USD outlook is expected to tilt USD/ MYR towards ***Slight Bearishness***, likely in a range of 4.44-4.46 in the week ahead as markets digest the FOMC rhetoric and back-to-back contraction in US GDP.
- **USD**: The Dollar Index posted its second consecutive weekly losses, traded further down to 106.35 as at Thursday's close. The DXY was seen trading in a volatile manner between 106.06 and 107.43 before settling 0.5% w/w lower. The greenback did attempt to regain some grounds post-FOMC announcement but was battered down again by the surprised contraction in 2Q US GDP which signalled that the US is in a technical recession. Bullishness and positive momentum in the DXY continued retreating suggesting prospects of further weaknesses ahead. We are therefore ***Slightly Bearish*** on USD in the week ahead, eyeing a lower range of 105-107. Tonight's core PCE reading, coupled with next week's NFP, ISM and PMI data will be key events that could reinforce USD bears in our view.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries mostly rallied after the Fed raised rates by 75bps for the 2nd consecutive time to 2.25-2.50% in a bid to stem the hottest inflation seen in four decades. The curve shifted down as overall benchmark yields closed between 9-28bps lower. The 2/10 part of the yield curve remained inverted at 20bps. The softer housing data and potential signs of cooling in inflation added to expectations that the Fed may embark on some form of moderation in rate hikes going forward. Meanwhile, auctions involving the $45b 2-year, $46b 5-year and $38b 7Y note auction drew strong demand. Expect bonds to be well-supported next week amid the release of core PCE for June.
- **MGS/GII:** Local govvies outperformed w/w, with the intermediates and longer ends seeing stronger movements as fears over aggressive Fed rate hikes took a breather. The lower onshore IRS levels and the projected increase in dividend payments by Petronas to the government, boosted bonds as this was believed to imply that the government may rely less on further govvies issuances. Overall benchmark yields rallied with overall yields declining between 4-19 bps save for the short-end GII. The weekly secondary market volume inched higher to ~RM12.36b with interest seen mainly in the off-the-run 22-23's, 25's and also benchmark 5Y MGS/GII 7Y MGS/GII, 10Y MGS/GII. Expect local govvies to remain well-supported next week again with intermittent profit-taking activities taking place.

Macroeconomic Updates

- **US stocks rallied this week:** The US stock market rallied to seven-week high as the Fed delivered its second 75bp rate hike and the equity market appeared to shrug off the 2Q GDP contraction. The Dow Jones rose 2.0% on a week-to-date basis while both the S&P 500 and NASDAQ gained 2.8% WTD. Investors parsed a slew of tech corporate earnings. Apple reported an 11% decline in profits, as the bottomline was battered by the shutdown in China although iPhone sales remained resilient. Amazon reported slowing sales and a net loss for the second quarter as the core retail operations. Meta's and Alphabet's earnings also weakened. Growth in tech companies continued to slow from the pandemic-driven boom as the global economy reopened.

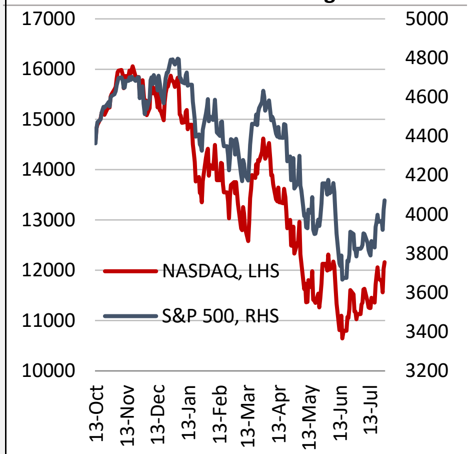
- **Fed delivered 75bp rate hike as expected:** The Federal Reserve lifted the fed funds rate by 75 basis points to 2.25-2.50% as expected, and Chair Jerome Powell's remarks suggest that it may ease the pace of rate hikes from this point onwards. UST yields and the dollar fell after the move as Powell said that the coming rate decisions will be made on a meeting-by-meeting basis and are data-dependent. While he did not yet discount the possibility of a larger than usual rate hike in the future, he did specifically mention that "as the stance of monetary policy tightens further, it likely will become appropriate to slow the pace of increases". The central bank also reaffirmed its inflation-fighting agenda; it acknowledged the slower economic growth but does not see the US economy in a recession. Powell was especially confident about the labour market, citing strong payrolls and wage growth and low unemployment. He said "it doesn't make sense that the economy would be in a recession" as "there are just too many areas of the economy that are performing too well".

- **Mixed US data**: The US second quarter GDP contracted by 0.9% q/q annualised rate, versus the expected growth of 0.4%, sending the economy into a technical recession as it marked its second negative growth in a row (1Q22: -1.6%). The unexpected contraction spurred talks of a looming downturn a day after the Federal Reserve played down the potentials of an actual recession. Initial jobless claims fell for the first time in four weeks to 256k last week but the 4-week moving average continued to trend upwards, indicating weaker hiring demand. The Conference Board Consumer sentiment deteriorated further as inflation and weaker growth outlook further dent sentiment and do not bode well for consumption outlook. Meanwhile, the orders for durable goods rose 1.9% m/m in June and core capital orders, a gauge of business capex, also beat expectations at 0.5% m/m (May: +0.5%). The US advance goods trade deficit narrowed from $104.0b to $98.2b in the same month, as exports rose 2.5% m/m to a record high while imports fell 0.5% m/m. The housing market cooled down further, as evident in falls in both new and pending home sales and the weekly mortgage applications.

- **RBA and BOE to hike rates by 50bps:** The Reserve Bank of Australia's cash rate decision is expected next week. There is still some uncertainty as to the central bank's rate hike, as Australia's CPI inflation accelerated in 2Q but was weaker than expected. It is likely that it will step up its policy tightening again, by delivering the fourth consecutive 50bp rate hike in a bid to catch up with its global peers. That would bring the cash rate to 1.85%. Meanwhile, the Bank of England is expected to lift the bank rate also by 50bps to 1.25% after inflation hit 9.4% in June. This would be the first 50bp adjustment by the BOE after having tightened policy at a measured pace of 25bps since December last year. The 50bp increase is expected to be a dovish hike and a one-off move.

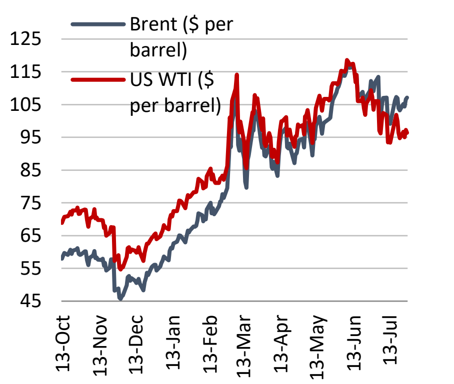
- **Next week data:** Data are abundant in the week ahead as the S&P Global published the manufacturing and services PMI data. The all important US NFP payrolls are due on Friday as usual while other key US data include the construction expenditure, factory orders and the trade report. In Europe, the Eurozone's retail sales and unemployment are in the pipeline. Key Asian readings are Japan's household spending and labour cash earnings, Hong Kong's advance 2Q22 GDP report and Singapore's retail sales. New Zealand will release the quarterly job data.

S&P 500 rose to seven-week high



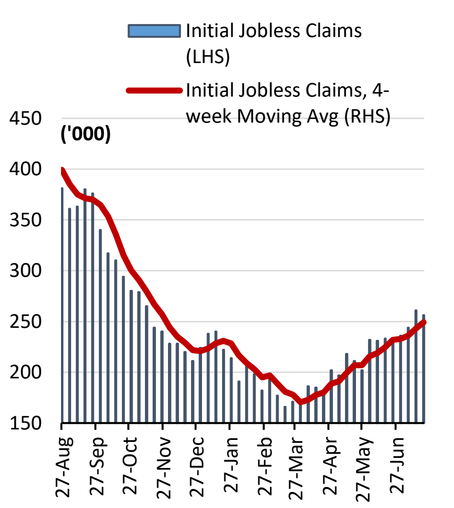
Source: Bloomberg

Oil rose modestly



Source: Bloomberg

Initial jobless claims trends upwards



Source: Bloomberg

Foreign Exchange

- **MYR:** The USD/ MYR finally took a breather from 7th consecutive week of advances, pulling back marginally by 0.1% w/w to 4.4530 (prior 4.4580). The pair continued to exhibit a slight bullish bias in the run-up to FOMC announcement before more evident pullback after a less hawkish Fed guidance on future policy path. The pair hanged on to the 4.45 big figure nonetheless. Expectations for a softer USD outlook is expected to tilt USD/ MYR towards ***Slight Bearishness***, likely in a range of 4.44-4.46 in the week ahead as markets digest the FOMC rhetoric and back-to-back contraction in US GDP.

- **USD**: The Dollar Index posted its second consecutive weekly losses, traded further down to 106.35 as at Thursday's close. The DXY was seen trading in a volatile manner between 106.06 and 107.43 before settling 0.5% w/w lower. The greenback did attempt to regain some grounds post-FOMC announcement but was battered down again by the surprised contraction in 2Q US GDP which signalled that the US is in a technical recession. Bullishness and positive momentum in the DXY continued retreating suggesting prospects of further weaknesses ahead. We are therefore ***Slightly Bearish*** on USD in the week ahead, eyeing a lower range of 105-107. Tonight's core PCE reading, coupled with next week's NFP, ISM and PMI data will be key events that could reinforce USD bears in our view.

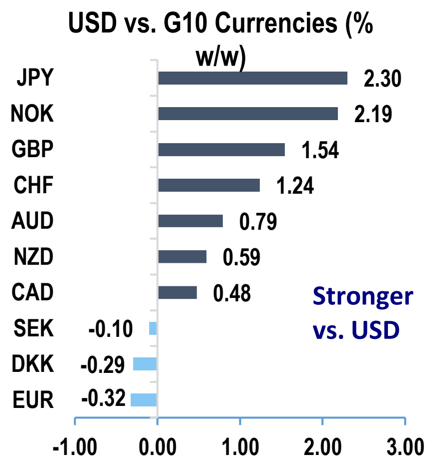
- **EUR**: The EUR lost its luster again, proving last week's rebound as just a blip, as the region continued to face the pinch from the still ongoing conflicts between Russia and Ukraine. Despite a weaker greenback, the EUR failed to register any gain, falling 0.3% w/w instead to 1.0197 as at Thursday's close given its weaker fundamentals and behind the curve policy path. EUR outlook next week will likely be ***Neutral*** potentially in a range of 1.01-1.03, largely driven by the broad USD and to a lesser extent, tonight's CPI and 2Q GDP prints, followed by PMI readings, retail sales and unemployment rate next week.

- **GBP**: The GBP rallied for a second straight week on the back of a retreat in the USD, strengthening a further 1.5% w/w to 1.2180, after having traded between 1.1917 and 1.2191 during the week. Continued BOE rate hike expectations will likely continue uphold the pound sterling, keeping it in a ***Slightly Bullish*** note in a range of 1.20-1.22 next week. BOE policy decision on 4-August aside, other data worth watching include PMI and house prices.

- **JPY**: The JPY outshone in the G10 space, not only did it strengthen against the USD for the first time in six weeks, it outperformed all other majors. The JPY last settled at 134.27 on Thursday, near its week-low of 134.20, marking a 2.3% w/w gain, benefitting from haven demand. JPY may continue to see sustained strength amid flight to safety bids now that data is increasingly pointing to imminent weakening in global growth outlook, reaffirmed by the contraction in US 2Q GDP overnight. We are therefore ***Bearish*** on USD/ JPY, eyeing a range of 131-135 in the week ahead.

- **AUD**: AUD staged a rebound on the back of a retreat in the USD, strengthening 0.8% w/w to 0.6989 against the USD after a volatile week, with swings between 0.6879 and 0.7014. Australian's CPI accelerated less than expected to 6.1% y/y in 2Q, dampening the case for a 75bps increase in the cash target rate when the RBA meets next Tuesday. While we expect the Aussie to exhibit a ***Slight Bullish*** bias, RBA policy announcement on Tuesday followed by the quarterly monetary statement on Friday will serve as key event risks. Expect a weekly range of 0.69-0.71 for AUD/ USD next week.

- **SGD**: SGD strengthened further, gaining another 0.7% w/w to 1.3799 against the USD as at Thursday's close, near its strongest level of 1.3793 during the week. Singapore industrial production grew at a slower pace in June while inflation prints surprised on the upside, continued fanning expectations of further policy tightening by the MAS in October. USD/ SGD weekly outlook is tilted to ***Slight Bearishness*** in the week ahead, possibly in a range of 1.37-1.39. Retail sales is the key economic releases to watch next week.



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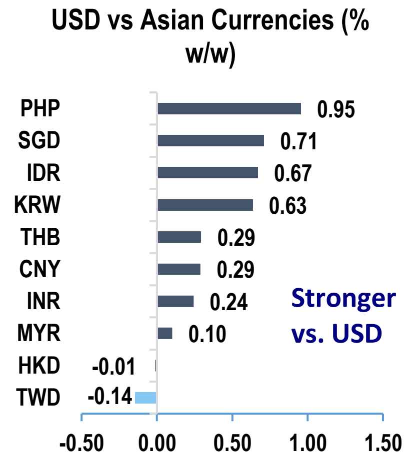


Source: Bloomberg

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

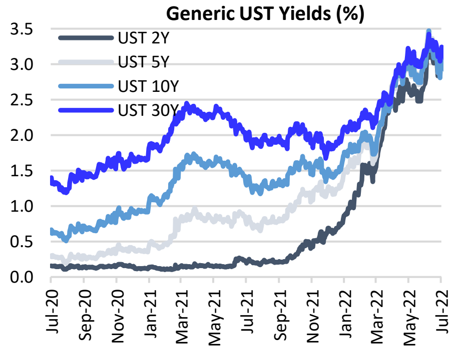
Fixed Income

- **UST:** For the week under review, US Treasuries mostly rallied after the Fed raised the Fed Fund Rates by 75bps for the 2nd consecutive time to 2.25-2.50% in a bid to stem the hottest inflation seen in four decades. The curve shifted down as overall benchmark yields closed between 9-28bps lower. **The UST 2Y rallied with yields plunging 22bps to 2.87% whilst the much-watched UST 10Y (which ranged wider between 2.69-2.88%) settled 20bps lower at 2.68%.** There were no changes in the yield curve with the 2s10s spreads remaining inverted at 20bps. The softer housing data and potential signs of cooling in inflation added to expectations that the Fed may embark on some form of moderation in rate hikes going forward. Fed Chair Powell also said that the balance sheet normalization exercise will take at least 2 years. Meanwhile, auctions involving the $45b 2-year, $46b 5-year and $38b 7Y note auction drew strong demand. Expect bonds to be well-supported next week amid the release of the Fed's preferred inflation indicator i.e.: PCE for June.

- **MGS/GII:** Local govvies outperformed w/w, with the intermediates and longer ends seeing stronger movements as fears over aggressive Fed rate hikes took a breather. The lower onshore IRS levels and the projected increase in dividend payments by Petronas to the government, boosted bonds as this was believed to imply that the government may rely less on further govvies issuances. Overall benchmark yields rallied with overall yields declining between 4-19 bps save for the short-end GII. **The benchmark 5Y MGS 11/26 settled 4bps lower at 3.70% whilst the 10Y MGS 7/32 ended 9bps lower at 3.94%.** The weekly secondary market volume inched higher to ~RM12.36b versus prior week's RM12.20b with interest seen mainly in the off-the-run 22-23's, 25's and also benchmark 5Y MGS/GII 7Y MGS/GII, 10Y MGS/GII. The auction involving the re-issue of 7Y GII 7/29 was commendable with BTC at 2.403x and awarded at 3.917%. Interest seen from real-money investors such as Lifers and GLC's, along with inter-bank participants. Expect local govvies to remain well-supported next week again with intermittent profit-taking activities taking place.

- **MYR Corporate bonds/ Sukuk**: The week under review saw decent investor interest in govt-guaranteed bonds, corporate bonds and Sukuk. **Trades were seen across the GG to single-A part of the curve as yields closed mostly mixed amid slight increase in weekly market volume @ RM1.3b.** Topping the weekly volume were PRASA 3/30 (GG) which jumped 46bps higher compared to previous-done levels at 4.20%. This was followed by PLUS 25 (AAA) which spiked 67bps to 3.92% and subsequently P METAL 10/24 (AA3) which rose 3bps to 3.91%. Higher frequency of bond trades was seen in PRASA, Air Selangor, TNB, EDRA bonds along with odd-lot transactions in Alliance Bank/Affin Bank callable bonds, Sabah Development Bank and TROPICANA 2023-2026 bonds and its perps. The prominent fresh issuances for the week included Sarawak Petchem Sdn Bhd's RM4.0b A3-rated 10-year bonds with coupons ranging between 4.38-5.50% and AFFIN Bank's RM500m A1-rated 32NC27 subordinated bonds with a coupon of 5.0%.

- **Singapore Government Securities:** SGS outperformed w/w, mirroring UST movements as economic growth concerns outweighed inflation risk which was the dominating theme earlier round. The curve shifted lower as overall benchmark yields ended down between 12-23bps. The SGS 2Y fell 23bps to 2.63% whilst the 10Y bond closed 19bps lower at 2.66% (the SGS 10Y ranged wider between 2.68-2.83%). Singapore's sovereign bonds continued to post a bigger gain of 1.0% w/w (prior week: +0.1%). The new issuance of S$2.9b of 10Y SGS 8/32 bonds saw strong demand with BTC at 2.10x and offered at 2.71%. Meanwhile, Fitch Ratings has affirmed Singapore's Long-Term Foreign-Currency Issuer Default Rating at AAA with a Stable Outlook. Singapore Savings bonds continued to see solid demand by investors with total applications worth S$2.45b in August (July: S$1.32b)



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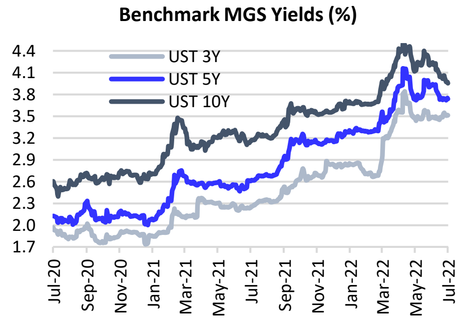

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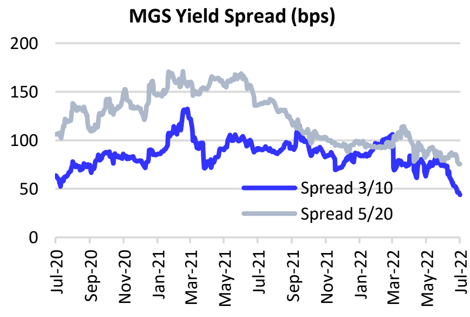

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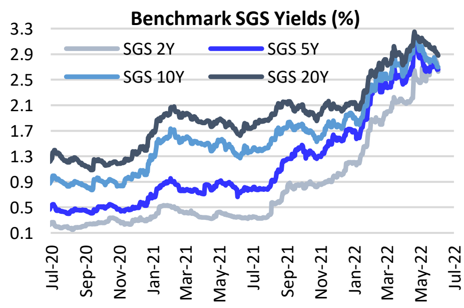

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
UiTM Solar Power Sdn Bhd	Outstanding RM202.3 million Green SRI Sukuk	AA-IS/MARCWatch Negative	Negative Outlook extended
International General Insurance Co Ltd (IGI)	Financial institution ratings Insurer financial strength CP/MTN Programme of up to RM1.0 billion (2017/2024)	AA+/stable	Reaffirmed
ORIX Leasing Malaysia Berhad	RM500 mil Medium Term Notes (MTN) Programme (2016/2031)	AA2/Stable	Reaffirmed
Agroto Business (M) Sdn Bhd	RM200 mil five-year tranche under ASEAN Sustainability SRI Sukuk Programme of up to RM300 mil	AA1(BG)/Stable	Reaffirmed
HSBC Bank Malaysia Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM500 million Tier-2 Subordinated Bonds (2007/2027)	AA1/Stable	Reaffirmed
HSBC Amanah Malaysia Berhad	Financial institution ratings	AAA/Stable/P1	Reaffirmed
	RM3 billion Multi-Currency Sukuk Programme (2012/2032)	AAA/Stable	Reaffirmed
Pac Lease Berhad	CP/MTN Programme of up to RM1.0 billion (2017/2024)	AA3/Stable/P1	Reaffirmed

Source: MARC/RAM

Hong Leong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
31/07	09:30	CN	Manufacturing PMI	Jul	50.2
	09:30	CN	Non-manufacturing PMI	Jul	54.7
01/08	08:30	MA	S&P Global Malaysia PMI Mfg	Jul	50.4
	08:30	VN	S&P Global Vietnam PMI Mfg	Jul	54
	08:30	JP	Jibun Bank Japan PMI Mfg	Jul F	52.2
	09:45	CN	Caixin China PMI Mfg	Jul	51.7
	16:00	EZ	S&P Global Eurozone Manufacturing PMI	Jul F	49.6
	16:30	HK	GDP YoY	2Q A	-4.0%
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Jul F	52.2
	17:00	EZ	Unemployment Rate	Jun	6.6%
	21:45	US	S&P Global US Manufacturing PMI	Jul F	52.3
	22:00	US	Construction Spending MoM	Jun	-0.1%
	22:00	US	ISM Manufacturing	Jul	53
02/08	09:30	AU	Home Loans Value MoM	Jun	1.7%
	09:30	AU	Building Approvals MoM	Jun	9.9%
	12:30	AU	RBA Cash Rate Target	02 Aug	1.35%
	16:30	HK	Retail Sales Value YoY	Jun	-1.7%
	21:00	SG	Purchasing Managers Index	Jul	50.3
	22:00	US	JOLTS Job Openings	Jun	11254k
03/08	06:45	NZ	Unemployment Rate	2Q	3.2%
	06:45	NZ	Employment Change QoQ	2Q	0.1%
	06:45	NZ	Pvt Wages Inc Overtime QoQ	2Q	0.7%
	08:30	JP	Jibun Bank Japan PMI Services	Jul F	51.2
	08:30	HK	S&P Global Hong Kong PMI	Jul	52.4
	08:30	SG	S&P Global Singapore PMI	Jul	57.5
	09:45	CN	Caixin China PMI Services	Jul	54.5
	16:00	EZ	S&P Global Eurozone Services PMI	Jul F	50.6
	16:30	UK	S&P Global/CIPS UK Services PMI	Jul F	53.3
	17:00	EZ	Retail Sales MoM	Jun	0.2%
	19:00	US	MBA Mortgage Applications	29 Jul	-1.8%
	21:45	US	S&P Global US Services PMI	Jul F	47
	22:00	US	Factory Orders	Jun	1.6%
	22:00	US	ISM Services Index	Jul	55.3
	22:00	US	Factory Orders Ex Trans	Jun	1.7%
	22:00	US	Durable Goods Orders	Jun F	1.9%
	22:00	US	Cap Goods Orders Nondef Ex Air	Jun F	0.5%
04/08	09:30	AU	Exports MoM	Jun	9%
	19:00	UK	Bank of England Bank Rate	04 Aug	1.25%
	20:30	US	Trade Balance	Jun	-$85.5b
	20:30	US	Initial Jobless Claims	30 Jul	256k
05/08	07:30	JP	Household Spending YoY	Jun	-0.5%
	07:30	JP	Labor Cash Earnings YoY	Jun	1.0%
	13:00	SG	Retail Sales YoY	Jun	17.8%
	15:00	MA	Foreign Reserves	29 Jul	$107.0b
	20:30	US	Change in Nonfarm Payrolls	Jul	372k
	20:30	US	Unemployment Rate	Jul	3.6%
	20:30	US	Average Hourly Earnings YoY	Jul	5.1%
	20:30	US	Labor Force Participation Rate	Jul	62.2%

Source: Bloomberg

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