HongLeong Bank

Global Markets Research

Weekly Market Highlights

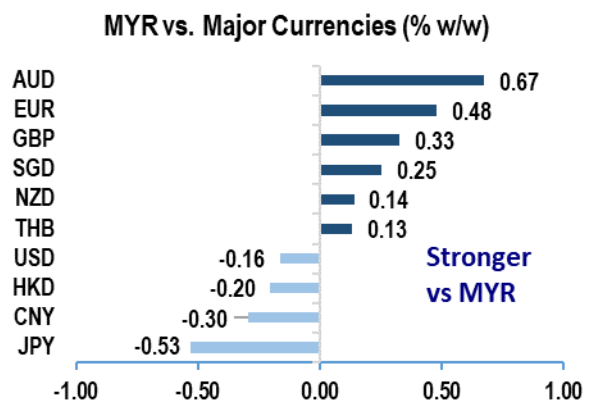
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	34,721.91	1.83	4.75
S&P 500	4,507.66	3.00	17.40
FTSE 100	7,439.13	1.44	-0.17
Hang Seng	18,382.06	-2.69	-7.07
KLCI	1,451.94	0.50	-2.61
STI	3,233.30	0.81	-0.55
Dollar Index	103.62	-0.35	0.07
WTI oil ($/bbl)	83.63	5.79	4.20
Brent oil ($/bbl)	86.86	4.20	1.23
Gold (S/oz)	1,947.00	1.50	6.81
CPO (RM/ tonne)	3,812.00	-0.10	-5.83
Copper ($$/MT)	8,422.50	0.75	0.60
Aluminum($/MT)	2,208.00	2.34	-0.85

Source: Bloomberg
**For the period 24-30 Aug for CPO*

- **Markets breathed a sign of relief on Fed rate pause outlook:** Markets were generally relieved that Fed Chair Powell toe the line and did not signal any commitment on further Fed rate hikes at the Jackson Hole symposium although he reiterated the elevated inflation outlook and resiliency in the US economy. Softer job market and consumer data through the week further reinforced this expectation, rounding up with no surprises from core PCE print overnight. Benchmark stock indices settled the week higher by and large, while oil prices climbed as prospects of output cut outstripped China-related demand concerns.
- **The week ahead:** Both the RBA and BNM are set to meet and expectations is that both the central banks will maintain their policy rates unchanged at 4.10% and 3.00% respectively. For the former, in order for the central bank to wait and see how the economy evolves. For the latter, we expect BNM to stay pat for the rest of 2023 as inflation moderates further on the back of retreating supply-driven pressure while demand-pull inflation will be contained by prospects of moderating economic growth and hence more modest consumer demand. In addition, the line-up of central bankers' speeches from the Fed, ECB and BOE will take center stage for more clues on policy direction going forward.

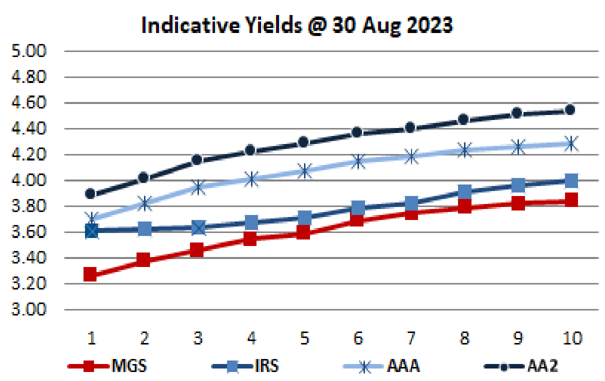
Forex



Source: Bloomberg

- **MYR:** USD/ MYR traded lower for a second week running, declining by 0.2% w/w (prior: -0.2%) to 4.6385, even as July CPI for Malaysia fell by more than expected, as the currency pair took the lead from the weaker USD this week. Against the rest of the majors and Asian peers, the MYR was a mixed bag, registering gains versus the JPY (+0.5%) and CNY (+0.3%), but retreating against the AUD (-0.7%) and SGD (-0.3%). We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.57 to 4.66. BNM is expected to leave its policy rate unchanged at next week's MPC meeting. The tone of the statement will be closely scrutinized though for any clues about policy going forward. We continue to expect no further changes to the OPR this year.
- **USD**: The US dollar declined in trading this week, with the DXY falling by 0.35% to close Thursday at 103.63 from 103.98 a week ago, after core PCE for August came out as expected, suggesting that the Fed will keep policy on hold for September, with market pricing of a hike for the month down to a 12% chance from 23% earlier in the week. We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, with the DXY expected to trade in a range of 101.50–104.50. The focus of the markets will be on the August employment report and the ISM indices. Quite a bit of Fed-speak on the calendar too, with the Fed also scheduled to release the Beige Book later in the week.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries were better-bid following good demand for 2Y, 5Y and 7Y note auctions. Bonds chalked further gains following weaker-than expected JOLTS numbers and consumer confidence. The curve shifted down as overall benchmark yields closed lower between 9-16bps across. The just-released PCE inflation data for July saw no change in m/m headline and core numbers at 0.2%. Fed-dated OIS pricing reveals a mere 12% probability of a rate hike in September FOMC meeting. Meanwhile, **expect bonds to be continue to trend stronger next week following the release of August NFP data later tonight.**
- **MGS/GII:** Local govvies started the week in a "cautiously optimistic" mode in smaller-than usual yield movements on Monday with the passing of the Jackson Hole event risk last weekend. The curve ended slightly lower as overall benchmark yields closed 1-4bps lower across. The average daily secondary market volume halved to a mere RM1.58b w/w with interest seen mainly in the off-the-run 24-25's, benchmarks 10Y MGS/GII, 20Y GII. The auction consisting of the re-opening of 15Y GII 6/38 saw strong bidding metrics from a well-diversified base of institutional funds, with a BTC ratio of 2.118x and awarded at 4.049%. **Expect bonds to be trade cautiously next week ahead of the MPC meeting on the 7th of September**.

Macroeconomic Updates

- **Markets breathed a sign of relief on Fed rate pause outlook:** Markets were generally relieved that Fed Chair Powell toe the line and did not signal any commitment on further Fed rate hikes at the Jackson Hole symposium although he reiterated the elevated inflation outlook and resiliency in the US economy. Softer job market and consumer data through the week further reinforced this expectation, rounding up with no surprises from core PCE print overnight. Benchmark stock indices settled the week higher by and large, while oil prices climbed as prospects of output cut outstripped China-related demand concerns.

- **Powell signaled higher rates for longer:** Key highlight since last Weekly was Fed Chair Jerome Powell's speech at the Jackson Hole symposium where he noted: 1) Inflation remains too high and thus, Fed is prepared to raise rates further and intend to hold policy at a restrictive level until they are confident that inflation is moving sustainably down towards its 2% target. 2) GDP growth has come in above Fed's expectations and the persistently above-trend growth could put further progress on inflation at risk. 3) Fed will proceed "carefully" in the upcoming meeting as they assess the incoming data and the evolving outlook and risks. 4) Powell said that they are navigating "by the stars under cloudy skies" and thus, risk-management considerations are critical. 5) Referring to the Philips curve, the relationship between labor market slack and inflation, Powell noted that it is difficult to know with precision how steep that relationship is in real time or how it might evolve as labor market tightness changes.

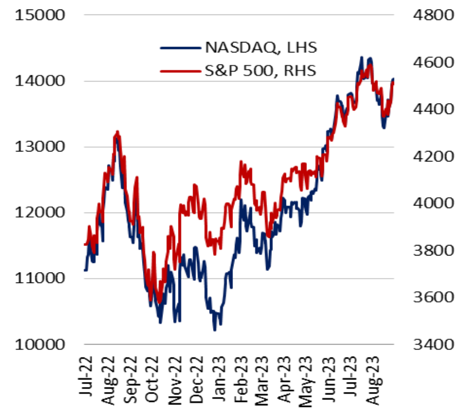
- **Central banks to stay pat next week:** Both the RBA and BNM are set to meet and expectations is that both the central banks will maintain their policy rates unchanged at 4.10% and 3.00% respectively. For the former, in order for the central bank to wait and see how the economy evolves. For the latter, we expect BNM to stay pat for the rest of 2023 as inflation moderates further on the back of retreating supply-driven pressure while demand-pull inflation will be contained by prospects of moderating economic growth, thus more modest consumer demand.

- **Generally weaker US data dented Fed rate hike bets:** Second print of 2Q GDP growth was revised 0.3ppt lower to +2.1% q/q, marking a lesser than initially estimated pick-up from 1Q's +2.0% q/q. The slight upward revision in personal consumption was totally wiped out by the downward revision in business investment. This raised concerns over slowdown risks going forward as personal income showed a slower than expected growth in July, although spending growht has quickened. Conference Board consumer confidence softened more than expected to 106.1 in August and the expectations index slippped to the 80 threshold historically a signal for recession within the next 12 months. Job data also came in weaker with the JOLTS job openings falling more than expected to its lowest since 2021 and ADP job gains came in much lower than expected at only 177k in August (Jul: 371k). House prices also reported slower increases. Dallas Fed manufacturing and services activity while improved, remained contractioary. On the inflation front, core PCE posted a 4.2% y/y increase as expected, reaffirming expectations that the Fed will stay on hold at the September FOMC meeting. Fed-dated OIS pricing for a September hike dwindled to 12%, from 20% earlier in the week.

- **China announced targeted measures; overall grwoth risks remain high:** In an effort to support the economy, it is reported that China is proposing that local governments can scrap a rule that disqualifies people who have ever had a mortgage, even if fully repaid, from being considered a first-time buyer and to cut stamp duty on stock trading by as much as 50%. In addition, plans are also mooted to reduce the downpayment for first and second time home buyers, as well as lowering borrowing costs for these buyers, in an effort to revive the ailing property market and overall economy. Adding on to the softening growth outlook, the latest PMI prints pointed to further deterioration in the non-manufacturing sector for the 5th straight month, while manufacturing PMI remained in contractionary territory, also for the 5th consecutive month, despite the surprised uptick in August.

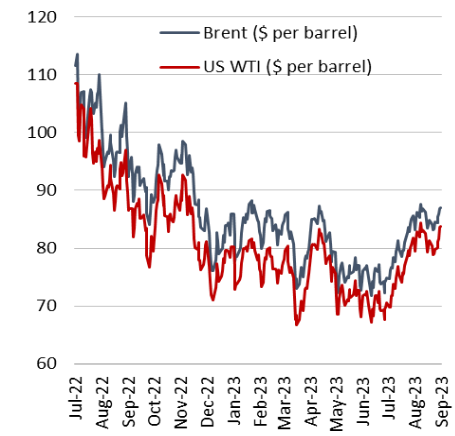
- **The week ahead:** On top of RBA and BNM policy meetings, we will see a week packed with central bankers' speeches spanning from the Fed to the ECB and BOE, where markets will hang on to each and every posisble clues on the next policy move. Back on the data front, S&P Global is set to release the final Services PMIs for the majors as well as for Singapore. ISM will also publish its Services index for August, and the Fed, its Beige Book. Other data to watch out for includes non-farm productivity and labour costs, wholesale trade sales and inventories, weekly mortgage applications and jobless claims, trade balance well as factory, durable and capital goods orders. ECB will release its final 2Q GDP, CPI expectations, PPI, employment and retail sales data on top of Sentix Investor Confidence. Japan will also release its 2Q final GDP number, bank lending, Leading Index, Eco Watchers Survey as well as household spending and cash earnings. China will release its export numbers for August while Singapore it's retail sales number.

S&P 500 and NASDAQ advanced for a 2nd straight week on Fed rate pause outlook



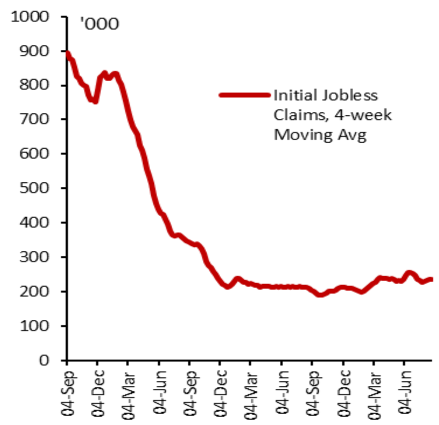
Source: Bloomberg

Oil prices saw renewed climb as prospects of output cut outweighed China concerns



Source: Bloomberg

4-week moving averages of initial jobless claims have been inching up in the past four weeks



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/ MYR traded lower for a second week running, declining by 0.2% w/w (prior: -0.2%) to 4.6385 versus the previous week's close of 4.6460, even as July CPI for Malaysia fell by more than expected, as the currency pair took the lead from the weaker USD this week. Against the rest of the majors and Asian peers, the MYR was a mixed bag, registering gains versus the JPY (+0.5%) and CNY (+0.3%), but retreating against the AUD (-0.7%) and SGD (-0.3%). We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.57 to 4.66. BNM is expected to leave its policy rate unchanged at next week's MPC meeting. The tone of the statement will be closely scrutinized though for any clues about policy going forward. We continue to expect no further changes to the OPR this year.

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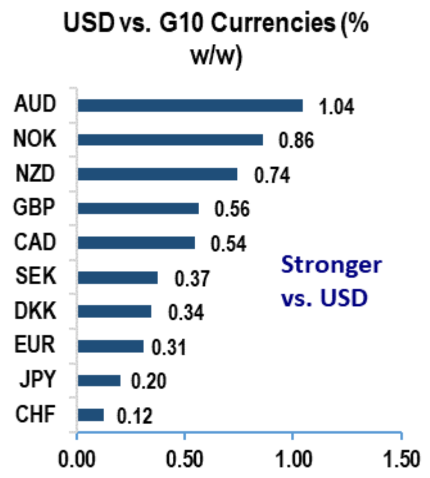
- **EUR**: The EUR advanced this week, rising by 0.3% w/w (prior: -0.6%) against the USD to 1.0843 as of Thursday's close, after the preliminary Eurozone CPI estimate for August rose by more than expected, bringing into question whether the ECB has actually come to the end of their hiking cycle. We are ***Neutral*** on EUR/ USD for the week ahead and foresee a possible trading range of 1.07-1.10. In the Eurozone, we are due to get the final PMI numbers for August and the final reading of 2Q GDP, as well as the PPI and retail sales number for July. Some ECB-speak on the radar too for the week, which will be closely watched for clues on their next policy meeting in a fortnight's time.

- **GBP**: GBP traded higher this week, advancing by 0.6% w/w (prior: -1.1%) versus the greenback to close at 1.2673 as of Thursday, taking cue from the weakness in the USD, in the absence of any significant economic data over the past week. We remain ***Neutral-to-Slightly Bullish*** on the Cable next week, with likely trading range of 1.2500-1.2850. The focus for the markets this week will probably be on the final PMI numbers for August, to assess how the economy is coping in 3Q, after the preliminary numbers released suggested that economy is rapidly losing momentum. BoE Governor Bailey is also scheduled to testify to the UK parliament and his comments will be closely scrutinized.

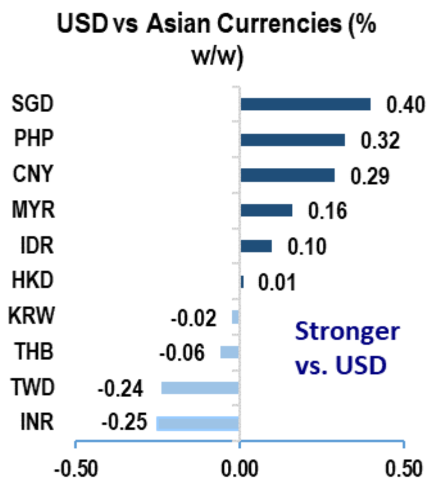
- **JPY**: The Japanese Yen rose marginally this week versus the USD, rising by 0.2% (prior: unchanged) to close at 145.54 compared to 145.83 a week ago, after retail sales for July beat estimates, and services PPI printed higher than expected. We remain ***Slightly Bearish*** on the USD/ JPY next week and expect a possible trading range of 142 -147. For the coming week, we will get the final Japan PMI numbers for August, and the final GDP report and capital spending for 2Q, as well as July household spending numbers, all of which will shed further light on the timing of Japan's exit from its decades long ultra-loose monetary policy.

- **AUD**: The AUD advanced for a second straight week, rising by 1.0% w/w (prior: +0.2%) against the USD to 0.6484, after July retail sales and private capital expenditure both came in better than expected. We are ***Slightly Bullish*** on AUD/ USD in the week ahead, and foresee a likely trading range of between 0.6350-0.6650. The RBA decides on policy this coming week and are expected to stand pat on rates, while 2Q Australia GDP is also scheduled for release, along with the final Australian PMI readings for August.

- **SGD**: The SGD rose for a second week on the trot, firming by 0.4% w/w to 1.3512 vs the USD (prior: +0.1%) after Singapore industrial production unexpectedly rose in July, suggesting that fears of an economic slowdown in 3Q could be overblown. The SGD was a mixed bag against the other G10 currencies, led by gains against CHF (+0.3%) and JPY (+0.2%) but losing ground against AUD (-0.6%) and NOK (-0.4%), whilst versus other major Asian peers, the SGD was stronger across the board, led by gains against INR (+0.7%) and TWD (+0.6%). We remain ***Neutral-to-Slightly Bearish*** on the USD/ SGD, with a probable trading range of 1.3350-1.3650 seen for the week ahead. August PMI readings and the Electronic Sector Index, and July retail sales are also slated for release in Singapore.



Source: Bloomberg



Source: Bloomberg

Forecasts

	Q3-23	Q4-23	Q1-24	Q2-24
DXY	102	101	100	99
EUR/USD	1.11	1.12	1.14	1.12
GBP/USD	1.29	1.31	1.33	1.30
AUD/USD	0.67	0.68	0.68	0.69
USD/JPY	141	139	136	133
USD/MYR	4.69	4.64	4.60	4.55
USD/SGD	1.35	1.34	1.33	1.33
USD/CNY	7.16	7.07	6.99	6.90

	Q3-23	Q4-23	Q1-24	Q2-24
EUR/MYR	5.19	5.22	5.24	5.09
GBP/MYR	6.05	6.08	6.11	5.92
AUD/MYR	3.15	3.14	3.13	3.12
SGD/MYR	3.49	3.47	3.45	3.43
CNY/MYR	0.65	0.66	0.66	0.66

Source: HLBB Global Markets Research

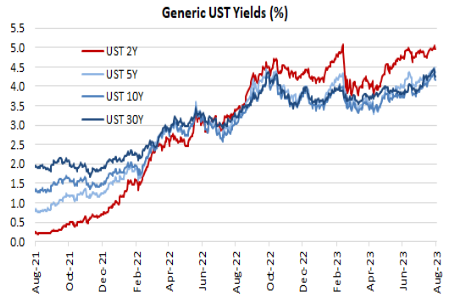
Fixed Income

- **UST:** For the week under review, US Treasuries were better-bid following good demand for 2Y, 5Y and 7Y note auctions. Bonds chalked further gains following weaker-than expected JOLTS numbers and consumer confidence. The curve shifted down as overall benchmark yields closed lower between 9-16bps across. **The UST 2Y fell 15bps to 4.87% whilst the much-watched UST 10Y fell 13bps instead to 4.11%** (the UST 10Y ranged wider between 4.19-4.27% levels). Treasury's latest coupon offering of $36b 7Y notes saw strong demand amid BTC ratio of 2.66x (previous six auction average: 2.51x) and awarded at 4.212% (previous auction: 3.834%). The just-released PCE inflation data for July saw no change in m/m headline and core numbers at 0.2%. Fed-dated OIS pricing reveals a mere 12% probability of a rate hike in September FOMC meeting. Meanwhile, **expect bonds to be continue to trend stronger next week following the release of August NFP data later tonight.**

- **MGS/GII:** W/w, local govvies started the week on in a "cautiously optimistic" mode in smaller-than usual yield movements on Monday with the passing of the Jackson Hole event risk last weekend. The curve ended slightly lower as overall benchmark yields closed 1-4bps lower across. **The benchmark 5Y MGS 4/28 closed unchanged whereas the 10Y MGS 11/33 edged 1bps lower at 3.84%.** The average daily secondary market volume halved to a mere RM1.58b w/w with interest seen mainly in the off-the-run 24-25's, benchmarks 10Y MGS/GII, 20Y GII. The auction consisting of the re-opening of 15Y GII 6/38 saw strong bidding metrics from a well-diversified base of institutional funds, with a BTC ratio of 2.118x and awarded at 4.049%. **Expect bonds to be trade cautiously next week ahead of the MPC meeting on the 7th of September**.

- **MYR Corporate bonds/ Sukuk**: The week under review saw secondary market activities dwindle with **bulk of transactions in the GG-AA part of the curve; as yields closed mostly mixed-to-lower amid a 25% fall in daily secondary market volume to RM487m.** Topping the weekly volume was JOHORCORP 6/27 bonds (AAA) which rose 7bps compared to previous-done levels at 4.42%, followed by DANA 5/41 (GG) which jumped 8bps higher to 4.25%. Third was DANA 4/34 (GG), which closed unchanged at 4.01%. Higher frequency of bond trades was seen in DANA, PRASA, JOHORCORP, PLUS and YTL Power. There were also multiple odd-lot transactions seen in bank-related i.e.; SABAH Dev Bank. The prominent issuance for the week consisted Cagamas Berhad's AAA-rated 1Y and 5Y bonds 8-11Y bonds totaling RM650m with coupons of 4.00% and 3.69% each.

- **Singapore Government Securities:** SGS closed stronger w/w in tandem with UST movements; fueled by net inflow of funds. The curve bull-flattened extending out to 10Y sector as overall benchmark yields closed lower between 2-10bps across. The **SGS 2Y yield edged 2bps lower at 3.48% whilst the SGS 10Y rallied the most with yields ending 10bps lower at 3.13%** (the SGS 10Y ranged wider between 3.10-3.24%). Singapore's sovereign bonds as measured by Bloomberg's Total Return Index unhedged SGD however maintained its weekly positive gains of 0.3% (prior week: +0.4%). Singapore's YTD bond sales has reached ~S$123b, up 24% compared to the same period last year. Elsewhere, Credit Agricole had successfully received strong orders in excess of S$650m for its S$350m 10NC5 T2 bonds. Also, CapitaLand Ascott REIT has priced its BBB-rated (Fitch) 5Y bonds totaling S$120m at Par to Yield of 4.2% despite the initial price target of 4.5% earlier. Elsewhere, foreign deposits were seen to remain at elevated levels due to attractive short-term yields; as evidenced by the recent 2Y note sale which printed at 3.56%.



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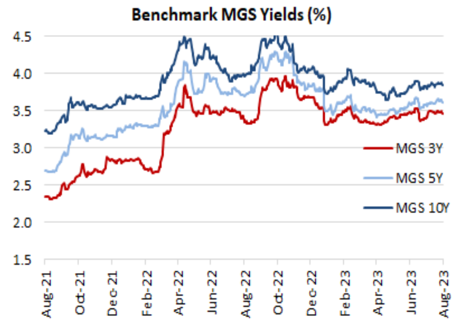

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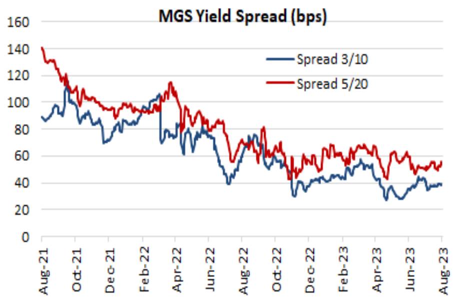

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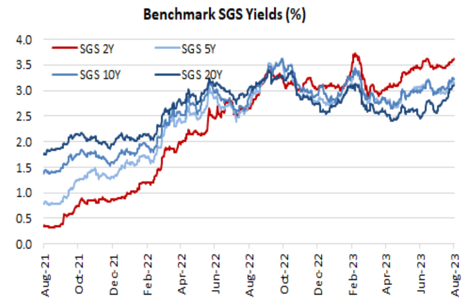

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Malaysia Debt Ventures Berhad	Corporate credit rating	AA3/Stable/P1	Affirmed
Hong Leong Financial Group Berhad	Corporate credit rating RM25bil consisting of: Multi-Currency Senior Notes Tier-2 Subordinated Notes Additional Tier-1 Capital Securities Programme (2017/2117)	AAA/Stable/P1 AA1/Stable AA2/Stable A1/Stable	Affirmed Assigned Assigned Assigned
Hong Leong Bank Berhad	Financial institution rating Proposed Commercial Papers and Medium-Term Notes Programme of RM10bil each RM10bil Multi-Currency Subordinated Note Programme (2014/2044) RM10bil Multi-Currency Additional T-1 Capital Securities Programme (2017/2117)	AAA/Stable/P1 AAA/P1 AA1/Stable A1/Stable	Affirmed Affirmed Affirmed Affirmed
Hong Leong Islamic Bank Berhad	RM2bil Multi-Currency Tier-2 Subordinated Sukuk Murabahah Additional Tier-1 Sukuk Wakalah (2017/2117) Proposed Commercial Papers and Medium-Term Notes Programme of RM10bil each	AA2/Stable A1/Stable AAA/P1 AAA/Stable/P1	Affirmed Assigned Affirmed
Hong Leong Investment Bank Berhad	Financial institution rating	AAA/Stable/P1	Assigned
OCBC Bank (Malaysia) Berhad	Financial institution rating	AAA/Stable/P1	Affirmed
MTT Shipping Sdn Bhd	Islamic Medium-Term Notes and Islamic Commercial Papers (ICP/IMTN) Programme, with a combined aggregate limit of up to RM1.5 bil.	AA3/Stable/P1	Assigned
UMW Holdings Berhad (UMW)	RM2.0 billion Islamic Medium-Term Notes Programme (Sukuk Musharakah)	AA+IS/ From Stable to MARCWatch Developing	Outlook downgrade
	RM2.0 billion Perpetual Sukuk Programme	AA-IS/ From Stable to MARCWatch Developing	Outlook downgrade
Cahya Mata Sarawak Berhad	Corporate credit rating	AA3/P1/From Positive to Stable	Outlook reinstated
	RM2.0 bil Islamic MTN Programme (2017/2037)	AA3/From Positive to Stable	Outlook reinstated
CIMB Group Holdings Berhad	Corporate credit ratings	AA1/Stable/P1	Affirmed
	Proposed RM3 billion Conventional Commercial Papers Programme	P1	Affirmed
CIMB Bank Berhad, CIMB Islamic Bank Berhad, CIMB Investment Bank Berhad	Financial Institution ratings	AAA/Stable/P1	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
4-Sep	9:00	AU	Melbourne Institute Inflation YoY	Aug	5.40%
	16:30	EC	Sentix Investor Confidence	Sep	-18.9
5-Sep	7:00	AU	Judo Bank Australia PMI Services	Aug F	46.7
	7:30	JN	Household Spending YoY	Jul	-4.20%
	8:30	JN	Jibun Bank Japan PMI Services	Aug F	54.3
	8:30	SI	S&P Global Singapore PMI	Aug	51.3
	8:30	VN	S&P Global Vietnam PMI Mfg	Aug	48.7
	8:30	HK	S&P Global Hong Kong PMI	Aug	49.4
	9:45	CH	Caixin China PMI Services	Aug	54.1
	12:30	AU	RBA Cash Rate Target		4.10%
	13:00	SI	Retail Sales SA MoM	Jul	-0.80%
	16:00	EC	ECB 1 Year CPI Expectations	Jul	3.40%
	16:00	EC	ECB 3 Year CPI Expectations	Jul	2.30%
	16:00	EC	HCOB Eurozone Services PMI	Aug F	48.3
	16:30	UK	S&P Global/CIPS UK Services PMI	Aug F	48.7
	17:00	EC	PPI YoY	Jul	-3.40%
	22:00	US	Factory Orders	Jul	2.30%
	22:00	US	Durable Goods Orders	Jul F	-5.20%
	22:00	US	Cap Goods Orders Nondef Ex Air	Jul F	0.10%
6-Sep	9:30	AU	GDP SA QoQ	2Q	0.20%
	17:00	EC	Retail Sales MoM	Jul	-0.30%
	19:00	US	MBA Mortgage Applications	25-Aug	2.30%
	20:30	US	Trade Balance	Jul	-$65.5b
	21:45	US	S&P Global US Services PMI	Aug F	51
	22:00	US	ISM Services Index	Aug	52.7
7-Sep	2:00	US	Federal Reserve Releases Beige Book		
	9:30	AU	Exports MoM	Jul	-2%
	13:00	JN	Leading Index CI	Jul P	108.9
	15:00	MA	BNM Overnight Policy Rate		3.00%
	15:00	MA	Foreign Reserves		$112.2b
	17:00	EC	GDP SA QoQ	2Q F	0.30%
	17:00	EC	Employment QoQ	2Q F	0.20%
	20:30	US	Nonfarm Productivity	2Q F	3.70%
	20:30	US	Initial Jobless Claims	26 Aug	228k
	0:00	CH	Exports YoY	Aug	-14.50%
8-Sep	7:30	JN	Real Cash Earnings YoY	Jul	-1.60%
	7:50	JN	GDP Annualized SA QoQ	2Q F	6.00%
	13:00	JN	Eco Watchers Survey Outlook SA	Aug	54.1
	22:00	US	Wholesale Trade Sales MoM	Jul	-0.70%

Source: Bloomberg

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