HongLeong Bank

Global Markets Research

Weekly Market Highlights

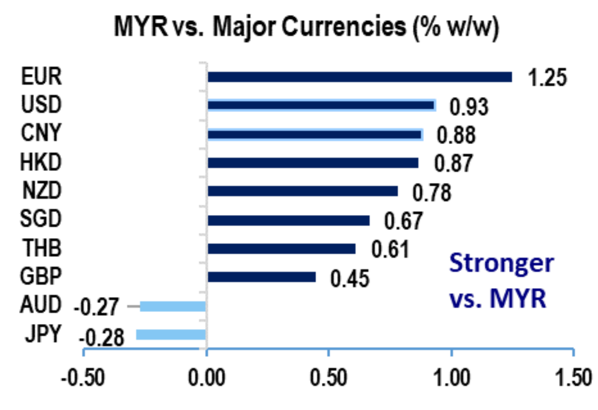
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	33,003.57	-0.45	-0.43
S&P 500	3,981.35	-0.77	3.69
FTSE 100	7,944.04	0.46	6.61
Hang Seng	20,429.46	0.38	3.28
KLCI	1,455.49	-0.15	-2.67
STI	3,234.90	-0.92	-0.51
Dollar Index	105.03	0.41	1.45
WTI oil ($/bbl)	78.16	3.67	-2.62
Brent oil ($/bbl)	84.75	3.09	-1.35
Gold ($/oz)	1,840.50	1.24	0.93

Source: Bloomberg

- **Opposite directions for Wall Street and oil :** Wall Street settled down during the week after an erratic session with S&P touching its lowest level in 6 weeks and Dow Jones losing as much as 200 points another day. Late week reprieve from Fed speaks on Thursday was not able to overturn this. The S&P 500 closed the week 0.8% w/w lower, Nasdaq lost 1.1% w/w, while Dow Jones shed 0.5% w/w. Oil prices, in contrast, settled up more than 3% w/w each with optimism over China and record US exports slowing inventory build-up countering Fed concerns.
- **Next week data:** BNM, BOJ and RBA policy makers are set to meet. We maintain our view that BNM will raise OPR by 25bps to 3.00% by 1H. We do not expect any change in BOJ's ultra-dovish monetary policy decision. For RBA, we expect the cash rate to be increased by another 25bps to 3.60%. US is expected to release the highly watched non-farm payroll and unemployment rate. Other labour indicators include average hourly earnings and weekly hours, Challenger job cuts, ADP Employment Change and JOLTS job openings. Officials will also release the household change in net worth and consumer credit as well as trade balance, factory orders and wholesales inventories on the manufacturing side.

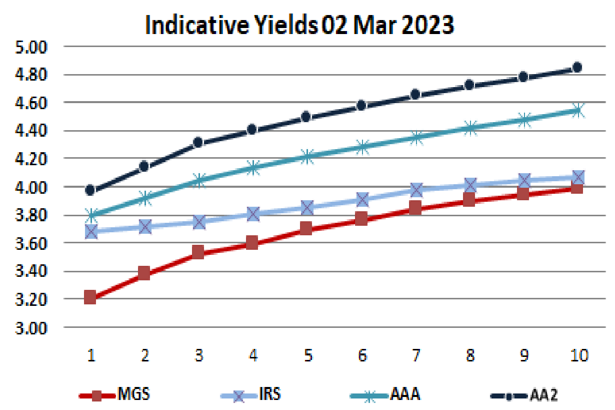
Forex



Source: Bloomberg

- **MYR:** USDMYR continued to advance for the 5th straight week, up another 4 big figures to close 0.9% w/w higher at 4.4755 on Thursday, after upside surprises in US core PCE prompted renewed rally in the USD. We expect a ***Neutral*** USD/ MYR outlook in the week ahead, likely within familiar ranges of 4.43-4.50, as the greenback is expected to thread cautiously ahead of Fed Chair Powell's testimony to the Congress while MYR is also expected to stay vigilant amid mixed expectations over OPR decision by BNM on 9-March. We see odds of another 25bps hike at next week's MPC meeting.
- **USD**: The USD continued strengthening for the 4th straight week, with the DXY closing at 105.03 on Thursday, marking a 0.4% weekly gain. The greenback advanced against all G10s except the minor losses against the DKK and EUR, spurred by inflationary fear stemming from higher than expected core PCE print and a spike in the price component of ISM index. Hawkish Fed speaks added fuel to fire. We expect a more ***Neutral*** USD for the week ahead keeping to the 104-105 familiar ranges but cautioned that any more hawkish than expected remarks from Powell's congressional testimony and job reports could reinforce the USD bulls.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries were pressured sharply lower following higher-than-expected PCE for January. Also, stronger-than-expected data that included February ISM manufacturing coupled with the substantial IG issuance slate affected underlying USTs. These overwhelmed the demand for earlier month-end index rebalancing exercises. Overall benchmark yields jumped between 15-23bps across. The UST 2Y yield spiked 23bps to 4.93% whilst the much-watched 10Y jumped 20bps higher to 4.08% (The UST 10Y ranged tighter but higher between 3.88-4.08%). Meanwhile, **the expected additional supply of bonds next week may continue to haunt the fixed income space.**
- **MGS/GII:** Local govvies saw both MGS/GII close weaker as well with the unveiling of the 2nd reading of National Budget 2023 last Friday not having any meaningful impact on bonds. The delayed knock-on effects from tumbling USTs arising from bigger-than-expected inflation gauge did impinge on MYR bonds. Overall benchmark MGS/GII yields closed higher between 0-9bps across tenures, save for the 20Y GII. The weekly secondary market volume jumped by 27% w/w to ~RM20.9b w/w with interest seen mainly in the off-the-run 23-24's and benchmark 3Y MGS, 5Y MGS/GII, 10Y MGS/GII. The auction exercise consisting of the reopening of GII 3/38 drew a BTC ratio of 1.986x and awarded at 4.177%. **Expect local govvies to be better-bid on attractive valuation following recent pullback.**

Macroeconomic Updates

- **Opposite directions for Wall Street and oil:** Wall Street settled down during the week after an erratic session with S&P 500 touching its lowest level in 6 weeks one day and Dow Jones losing as much as 200 points another day. Late week reprieve from Fed speaks on Thursday was not able to overturn this. The S&P 500 closed the week 0.8% w/w lower, Nasdaq lost 1.1% w/w, while Dow Jones shed 0.5% w/w. Oil prices, in contrast, settled up more than 3% w/w each with optimism over China and record US exports slowing inventory build-up countering Fed concerns.

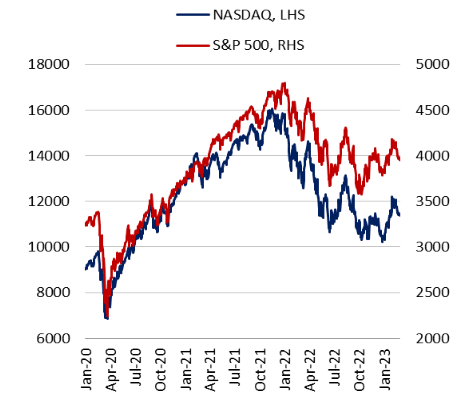
- **Still expect BNM to hike by another 25bps by 1H :** Next week, BNM, BOJ and RBA policy makers are set to meet. As it is, upside risks to inflation, as suggested by the higher forecast in Budget 2023 at 2.8%-3.8%, and a decent growth outlook reaffirmed our view of continuous policy normalisation by BNM by 25bps to 3.00% in 1H. We do not, however, expect any change in BOJ's ultra-dovish monetary policy next week. In fact, governor nominee Kazuo Ueda has expressed support for the current ultra loose monetary policy, saying that the current strategy is appropriate and added more time is needed to achieve the central bank's inflation target and its aims to achieve price stability in a sustainable and stable manner. For RBA, given that policy makers considered a 25-50bps rate hike in its latest meeting driven by upward surprises on inflation and wage, we expect the cash rate to be increased by another 25bps to 3.60%.

- **Inflation data was mixed but generally elevated**: A mixed bag of inflation numbers. In the US, both the headline and core personal consumption expenditures (PCE) indices accelerated in January. Core and headline prices accelerated to +4.7% y/y and +5.4% y/y respectively. Prices paid component of the ISM index also jumped back into expansion territory at 51.3. Eurozone's inflation rate, on the other hand, slowed less than anticipated in February as core prices accelerated. Headline inflation stood at +8.5% y/y (Jan: +8.6% y/y) as core prices quickened to +5.6% y/y (Jan: +5.3% y/y). In Japan, core CPI accelerated to the highest since 1981 at +4.2% y/y, while headline also picked up to +4.3% y/y. Higher prices for energy and non-fresh food remained the big drivers of inflation, with yen's weakness lifting import costs. On the local front, headline CPI increased at a slower rate for the second straight month to 3.7% y/y in January due to smaller gains in food and transport prices, a tell-tale sign inflation has peaked. Adding to this observation is the continued retreat in core and services CPI. We are maintaining our view that inflation is set to decelerate further going forward, below the 3.0% level in 2Q and beyond, bringing full year 2023 CPI down to mid-2.0% (2022: +3.3%), barring any subsidy reform.

- **US housing market interest and price sensitive:** Housing data released over the week was mixed and volatile, depending on which month. In December, CoreLogic S&P Case-Shiller Index fell 4.4% m/m but was still up 5.8% y/y, marking the eight straight month of decelerating annual home price gains. Separate data from FHFA also showed that home prices fell 0.1% m/m but were up 6.6% y/y. As median prices fell, new homes sales jumped 7.2% m/m to a 10-month high of 670k in January. Pending home sales also climbed the most since June 2020, with sales increasing by +8.1% m/m. After a brief revival in January nevertheless, mortgage applications fell for 3 straight weeks by -5.7% w/w for the week ending February 24 as the 30-year fixed-rate mortgages with conforming loan balances increased to 6.71%. Moving forward, the National Association of Realtors (NAR) expects annual existing-home sales to drop 11.1% in 2023 before jumping 17.7% in 2024. NAR also predicts median existing-home prices will be stable, decreasing by 1.6% in 2023 before regaining positive traction at +3.1% in 2024.

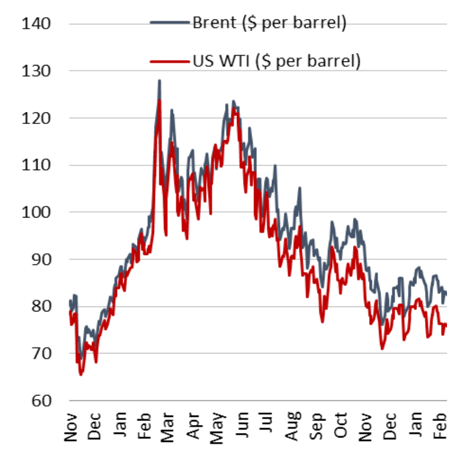
- **Next week data:** Next week will be data heavy. US is expected to release the highly watched non-farm payroll and unemployment rate. Other labour indicators include average hourly earnings and weekly hours, Challenger job cuts, ADP Employment Change and JOLTS job openings. Officials will also release the household change in net worth and consumer credit as well as trade balance, factory orders and wholesales inventories on the manufacturing side. Eurozone is scheduled to release final 4Q GDP and employment data as well as monthly retail sales and Sentix Investor Confidence. UK is set to release its monthly GDP, IPI, trade balance and RICS House Price Balance index. Japan is set to unveil is final 4Q GDP, PPI, household spending, Eco Watchers Survey, Leading Index and labour cash earnings. China may release both its CPI and PPI inflation, aggregate financing and trade data.

Hawkish Feds continue to weigh on stocks



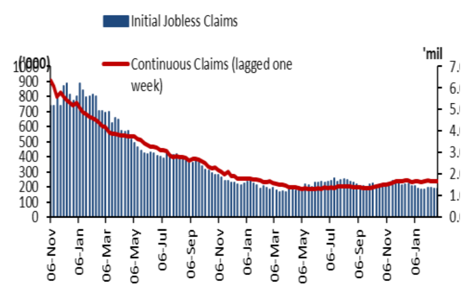
Source: Bloomberg

Oil prices rebounded on optimism over China



Source: Bloomberg

Initial jobless claims fell for the second week



Source: Bloomberg

Foreign Exchange

- **MYR:** USDMYR continued to advance for the 5th straight week, up another 4 big figures to close 0.9% w/w higher at 4.4755 on Thursday. The pair was seen rangetrading in the 4.47-4.49 levels for the larger part of the week, after upside surprises in US core PCE prompted renewed rally in the USD. This wiped off positive vibes from the retabling of Malaysia national budget last Friday. We expect a ***Neutral*** USD/ MYR outlook in the week ahead, likely within familiar ranges of 4.43-4.50, as the greenback is expected to thread cautiously ahead of Fed Chair Powell's testimony to the Congress while MYR is also expected to stay vigilant amid mixed expectations over OPR decision by BNM on 9-March. We see odds of another 25bps hike at next week's MPC meeting.

- **USD**: The USD continued strengthening for the 4th straight week, with the DXY trading in a higher range of 104.09-105.36 before closing at 105.03 on Thursday, marking a 0.4% weekly gain. The greenback advanced against all G10s except the minor losses against the DKK and EUR, spurred by inflationary fear stemming from higher than expected core PCE print and a spike in the price component of ISM index. Hawkish Fed speaks added fuel to fire. We expect a more ***Neutral*** USD for the week ahead keeping to the 104-105 familiar ranges but cautioned that any more hawkish than expected remarks from Powell's congressional testimony and job reports could reinforce the USD bulls.

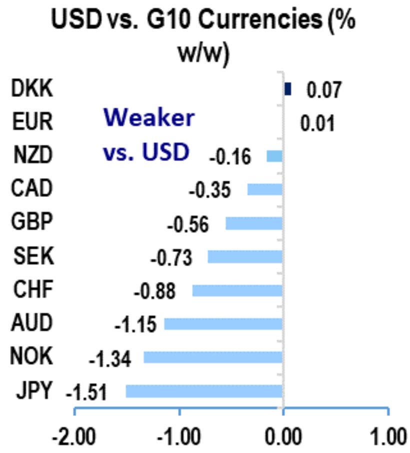
- **EUR**: EUR/ USD traded in a slightly bearish tone this week although it managed to close just a pip higher at 1.0597 (prior 1.0596). The higher than expected inflation outlook in the Euro area offered a lift to the EUR, countering the broad USD strength. EUR/ USD outlook is ***Neutral*** potentially keeping to a 1.05-1.07 range next week (prior 1.0533-1.0691) in anticipation of a more muted USD. Comments from ECB President Lagarde, 4Q GDP, retail sales and Sentix investor confidence out of the region could however add some noises to the pair.

- **GBP**: The sterling failed to sail against the tide like the preceding week, weakening against the USD in tandem with other major currencies to close the week 0.6% w/w lower at 1.1946, near its week-low of 1.1923. UK data bag has been mixed and failed to inspire. Weekly outlook is ***Slightly Bearish***, eyeing 1.18-1.20 in our view. The slew of UK data in the pipeline including monthly GDP, IPI, index of services and trade balance is expected to reaffirm a bleak outlook of the UK economy, contrasting with decent US data hence pressuring the sterling.

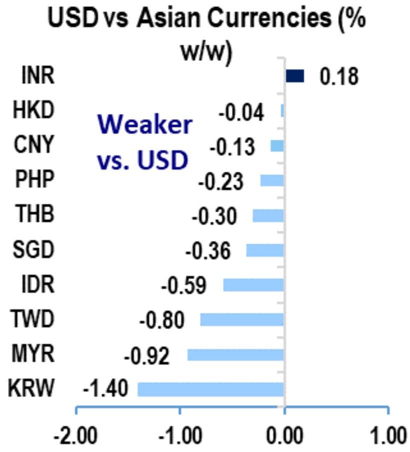
- **JPY**: The JPY turned out to be the worst performing G10 currency again, depreciating 1.5% w/w against the USD to 136.77 on Thursday's close. The JPY largely tracked USD movement, and succumbed to broad USD strength as well as hints from BOJ Governor nominee Kazuo Ueda for extended loose monetary policy, with little to no impact from the mixed bag of Japanese data. Both technical and fundamentals point to continued ***Slight Bullishness*** in USD/ JPY in a range of 135-137 on expectations for of no changes to BOJ's policy decision next week, the last for BOJ Governor Kuroda.

- **AUD**: Aussie remained under pressure and weakened 1.2% w/w against the USD to 0.6730 on Thursday, bouncing off the week-low of 0.6695. Positive China data failed to offset broad USD strength and softer than expected Australian GDP and CPI prints, which should support the case for a 25bps instead of 50bps hike in the RBA cash rate next week. AUD/ USD outlook is expected to be ***Neutral to Slightly Bearish*** next week, in a range of 0.66-0.68, especially if RBA delivered a dovish hike as downside growth risks emerge down under.

- **SGD**: SGD weakness stayed extended for a 4th straight week, depreciating a further 0.4% w/w against the greenback to 1.3476 on Thursday's close despite an uptick in Singapore PMI. The pair hang on to the 1.34 big figure and traded in a range of 1.3393-1.3518 through the week as broad USD strength continued to rule. The pair could trade in a more ***Neutral*** note (1.34-1.35) next week although the pair remains bullish overall. Absence of Singapore data and event risks suggests the pair would be largely USD driven next week.



Source: Bloomberg



Source: Bloomberg

Forecasts

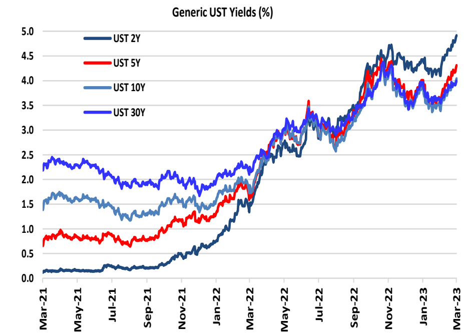
	Q1-23	Q2-23	Q3-23	Q4-23
DXY	105	104	103	102
EUR/USD	1.05	1.06	1.06	1.06
GBP/USD	1.20	1.21	1.21	1.21
AUD/USD	0.69	0.69	0.70	0.71
USD/JPY	134	132	132	131
USD/MYR	4.40	4.36	4.30	4.25
USD/SGD	1.33	1.31	1.29	1.27
USD/CNY	6.90	6.86	6.80	6.73

	Q1-23	Q2-23	Q3-23	Q4-23
EUR/MYR	4.62	4.62	4.55	4.51
GBP/MYR	5.27	5.27	5.19	5.14
AUD/MYR	3.03	3.03	3.01	3.01
SGD/MYR	3.32	3.34	3.34	3.36
CNY/MYR	0.64	0.64	0.63	0.63

Source: HLBB Global Markets Research

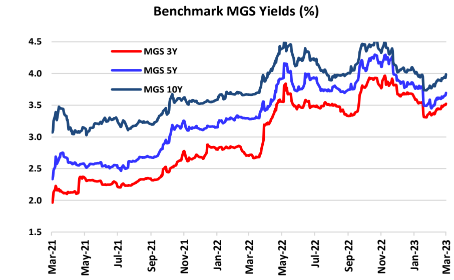
Fixed Income

- **UST:** For the week under review, US Treasuries were pressured sharply lower following bigger-than-expected inflation gauge increase seen in the recently-released PCE data for January. Also, stronger-than-expected data that included February ISM manufacturing coupled with the substantial IG issuance slate affected underlying USTs. These overwhelmed the demand for earlier month-end index rebalancing exercises. Overall benchmark yields jumped between 15-23bps across**. The UST 2Y yield spiked 23bps to 4.93% whilst the much-watched UST 10Y jumped 20bps higher to 4.08% (**The UST 10Y ranged tighter but higher between 3.88-4.08%). Elsewhere, the US Treasury has cut its 3-month bill auction, in what is seen as the commencement of a series of reductions due to the need to cap its borrowing authority under the statutory debt ceiling. Current swaps pricing still reveal a 60% probability of a 50bps rate hike in March and May FOMC, whilst peak terminal rates are now seen slightly higher at ~5.50% come June. Meanwhile, **the expected additional supply of bonds next week may continue to haunt the fixed income space.**



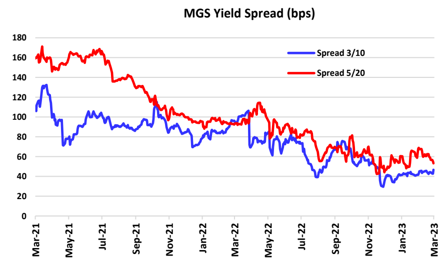
Source: Bloomberg

- **MGS/GII:** Local govvies saw both MGS/GII close weaker as well w/w, with the unveiling of the 2nd reading of National Budget 2023 last Friday not having any meaningful impact on bonds. The delayed knock-on effects from tumbling USTs arising from bigger-than-expected inflation gauge increase seen in US PCE data for January did impinge on MYR bonds. Overall benchmark MGS/GII yields closed higher between 0-9bps across tenures, save for the 20Y GII. **The benchmark 5Y MGS 11/27 rose 8bps to 3.69% whilst the 10Y MGS 7/32 spiked 10bps to 4.01%.** The weekly secondary market volume jumped by 27% w/w to ~RM20.9b w/w with interest seen mainly in the off-the-run 23-24's and benchmark 3Y MGS, 5Y MGS/GII, 10Y MGS/GII. The auction exercise consisting of the reopening of GII 3/38 saw strong participation mainly from inter-bank participants and insurance companies with a BTC ratio of 1.986x and awarded at 4.177%. **Expect local govvies to be better-bid on attractive valuation following recent pullback.**



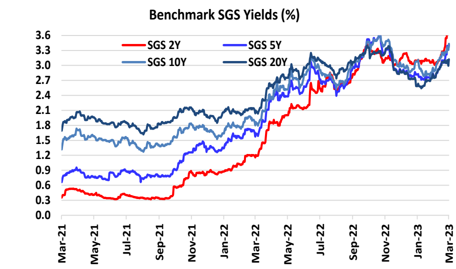
Source: Bloomberg

- **MYR Corporate bonds/ Sukuk**: The week under review saw activity taper-off over concerns in higher yields seen in underlying govvies. **Trades were nevertheless seen across the GG to single-A part of the curve as yields closed mostly mixed amid a sharp 38% drop in weekly market volume from RM2.84b to RM1.76b.** Topping the weekly volume were CAGAMAS 12/25 bonds (AAA) which rose 7bps compared to previous-done levels to 4.0%, followed by DANA 10/29 (GG) which closed unchanged at 3.94%. This was followed by SPSETIA 4/29 (AA) which closed unchanged at 4.58%. Higher frequency of bond trades was seen in DANAINFRA, PLUS, Genting-related bonds and MRCB20PERP bonds. There were varied odd-lot transactions seen in YNH Properties bonds and banking names like AmBank callable bonds and Sabah Development. The prominent issuance for the week consisted of Malaysian Resources Corporation Berhad's unrated 3-6Y papers totaling RM450m with coupon rates ranging between 5.19-5.43%.



Source: Bloomberg

- **Singapore Government Securities:** SGS ended weaker w/w; largely aligned with weaker UST's seen due to stronger-than-expected US data. The curve continued to bear-flatten with overall benchmark yields closing higher between 3-33bps across. **The SGS 2Y yield spiked the most by 33bps to 3.73% whilst the SGS 10Y jumped 16bps higher to 3.43%** (the SGS 10Y ranged higher but wider between 3.24-3.43%). Singapore's sovereign bonds as measured by Bloomberg's Index unhedged continued to post a loss of ~0.8% w/w versus loss of 0.7% prior week. Total sovereign bonds issued YTD is ~S$30.2b; about 14% higher compared to the same period last year. The interest rates on Singapore T-Bills and Savings Bonds have resumed on an uptrend; having eased during the earlier part of the year. Elsewhere the republic's PMI slumped m/m in February to a contraction; potentially providing some support for bonds going forward. Meantime, Hotel properties Ltd has successfully priced its S$125m 5Y bonds at a yield of 5.25%.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Kinabalu Capital Sdn Bhd	Issue 3 of RM113 million Class A, RM21 million Class B and RM11 million Class C Medium-Term Notes (MTN)	AAA/Stable, AA/Stable and A/Stable	Affirmed
Telekosang Hydro One Sdn Bhd	RM470 mil ASEAN Green SRI Sukuk (2019/2037) (Senior Sukuk)	AA3/Negative	Affirmed
	RM120 mil ASEAN Green Junior Bonds (2019/2039) (Junior Bonds, A2/Negative)	A2/Negative	Affirmed

Source: MARC/RAM

HongLeong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
6-Mar	8:00	AU	Melbourne Institute Inflation YoY	Feb	6.40%
	17:30	EC	Sentix Investor Confidence	Mar	-8
	17:30	UK	S&P Global/CIPS UK Construction PMI	Feb	48.4
	18:00	EC	Retail Sales MoM	Jan	-2.70%
	23:00	US	Factory Orders	Jan	1.80%
	23:00	US	Durable Goods Orders	Jan F	-4.50%
7-Mar	7:30	JN	Labor Cash Earnings YoY	Jan	4.80%
	8:30	AU	Exports MoM	Jan	-1%
	11:30	AU	RBA Cash Rate Target		3.35%
	15:00	MA	Foreign Reserves		$114.40bn
	23:00	US	Wholesale Inventories MoM	Jan F	-0.40%
		CH	Exports YTD YoY	Feb	10.50%
		CH	Foreign Reserves	Feb	$3184.46b
8-Mar	4:00	US	Consumer Credit	Jan	$11.565b
	7:50	JN	BoP Current Account Balance	Jan	¥33.4b
	13:00	JN	Eco Watchers Survey Current SA	Feb	48.5
	13:00	JN	Leading Index CI	Jan P	97.2
	18:00	EC	GDP SA QoQ	4Q F	0.10%
	18:00	EC	Employment QoQ	4Q F	0.40%
	20:00	US	MBA Mortgage Applications		-5.70%
	21:15	US	ADP Employment Change	Feb	106k
	21:30	US	Trade Balance	Jan	-$67.4b
	23:00	US	JOLTS Job Openings	Jan	11012k
9-Mar	7:50	JN	GDP Annualized SA QoQ	4Q F	0.60%
	8:01	UK	RICS House Price Balance	Feb	-47%
	9:30	CH	CPI YoY	Feb	2.10%
	9:30	CH	PPI YoY	Feb	-0.80%
	15:00	MA	BNM Overnight Policy Rate	Mar	2.75%
	21:30	US	Initial Jobless Claims	Feb 25	190k
	21:30	US	Continuing Claims	Feb 18	1655k
9-15 Mar		CH	Aggregate Financing CNY	Feb	5980.0b
10-Mar	1:00	US	Household Change in Net Worth	4Q	-$392b
	7:30	JN	Household Spending YoY	Jan	-1.30%
	7:50	JN	PPI MoM	Feb	0.00%
	15:00	UK	Monthly GDP (MoM)	Jan	-0.50%
	15:00	UK	Industrial Production MoM	Jan	0.30%
	15:00	UK	Trade Balance GBP/Mn	Jan	-£7150m
	21:30	US	Average Hourly Earnings YoY	Feb	4.40%
	21:30	US	Change in Nonfarm Payrolls	Feb	517k
	21:30	US	Unemployment Rate	Feb	3.40%
	21:30	US	Average Hourly Earnings MoM	Feb	0.30%
	21:30	US	Average Weekly Hours All Employees	Feb	34.7
		JN	BOJ Policy Balance Rate		-0.10%

Source: Bloomberg

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.