Global Markets Research
Weekly Market Highlights

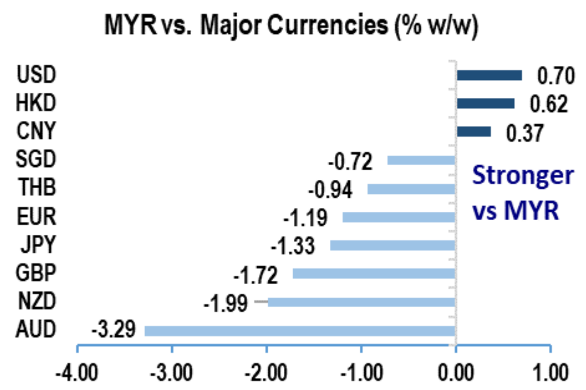
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	35,215.89	-0.19	6.24
S&P 500	4,501.89	-0.78	17.25
FTSE 100	7,529.16	-2.13	1.04
Hang Seng	19,420.87	2.81	-1.82
KLCI	1,441.85	3.85	-3.59
STI	3,304.06	3.02	1.62
Dollar Index	102.54	0.76	-0.95
WTI oil ($/bbl)	81.55	1.82	1.61
Brent oil ($/bbl)	85.14	1.07	-0.90
Gold (S/oz)	1,932.00	-0.70	5.79
CPO (RM/ tonne)	3,846.50	-2.64	-4.98
Copper ($$/MT)	8,611.00	0.49	2.85
Aluminum($/MT)	2,230.00	1.13	2.34

Source: Bloomberg
**For the period 27 July-2 Aug for CPO*

- **US credit downgrade saw a shift in sentiment:** Wall Street was generally on an uptrend as a string of positive data from the labour and inflation front lifted sentiment. 2Q earnings also continued to trickle in mostly better-than-expected, supporting the equities market. However, sentiment turned risk-off and Wall Street saw a wave of selling after Fitch downgraded US" IDR to 'AA+.' Markets were also cautious ahead of the non-farm payrolll data scheduled at the end of the week as well as earnings results from tech bellweathers Apple and Amazon. Consequently, S&P 500 closed the week 0.8% /w lower, while Dow Jones and Nasdaq lost 0.2% w/w and 0.6% w/w respectively.
- **The week ahead**: Focus will be on the US CPI number for July, on top of indicators like PPI, real average weekly earnings, consumer credit, jobless claims as well as the preliminary University of Michigan Sentiment and inflation expectations for August. Other data to watch out for includes the NFIB Small Business Optimism, mortgage applications, trade balance as well as wholesale trade sales and inventories. Data from Malaysia includes the foreign reserves, IPI and manufacturing sales.

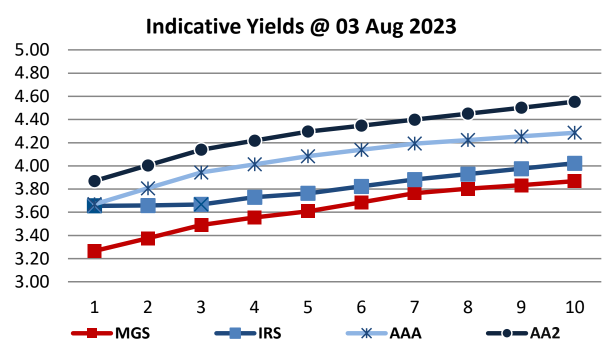
Forex



Source: Bloomberg

- **MYR:** USD/ MYR traded higher this week for the first week in five, advancing by 0.7% w/w (prior: -0.4%) to 4.5553 versus the previous week's close of 4.5238, as it was caught up in the broad USD strength, and the July PMI for Malaysia suggested that manufacturing continues to remain in contractionary territory at the beginning of 3Q. The MYR also strengthened against most of the majors, as well as most major Asian peers, with HKD (-0.6%) and CNY (-0.4%) being the only notable exceptions. We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.48 to 4.58. This coming week sees the release of industrial production and manufacturing sales numbers for June, which will be closely watched.
- **USD**: We had another stellar week from the USD, with the DXY gaining ground for a third week in a row, trading higher by 0.8% w/w (prior: +0.9%) to close Thursday at 102.54, after Fitch's downgrade of the US sovereign rating resulted in a risk-off tone that saw the equities market stumble. The US Dollar was also boosted by a stronger than expected ADP report, which bolstered expectations about the monthly US jobs report that is due later tonight. We are ***Neutral-to-Slightly Bearish*** on the USD next week, with the DXY expected to trade in a range of 100–104. Apart from the jobs report tonight, the July CPI numbers are also due next week, and will be closely scrutinized for further clues as to whether the recent rate hike by the FOMC will prove to be the final one for this cycle.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** For the week under review, US Treasuries were pressured from events that included Fitch Ratings downgrade of US sovereign rating and a surprise jump in quarterly refunding requirements that are expected to hit the government's fiscal condition persistent inflation. Bonds were also dented by fears over persistent inflation and robust private payroll data in July. The curve steepened as overall benchmark yields jumped higher between 5-25bps across, save for the front-end. **The UST 2Y yield however fell 5bps to 4.88% whilst the much-watched UST 10Y spiked 18bps to 4.18%** (the UST 10Y ranged between 3.96-4.18% levels). Expect bonds to see slight upside movements next week on expectations of robust July jobs data release later tonight.
- **MGS/GII:** W/w, local govvies ended weaker; influenced partly by lower IRS yields towards later part of the week and US market news. The curve shifted higher as overall benchmark yields ended 1-12bps higher across (save for the 20Y GII). **The benchmark 5Y MGS 4/28 yield rose 5bps to 3.61% whilst the 10Y MGS 11/33 jumped 7bps higher to 3.87%.** The average weekly secondary market volume eased 8% w/w to ~RM15.1b with interest seen mainly in the off-the-run 23-25's and benchmarks 7Y GII, 10Y MGS/GII. The auction consisting of the re-opening of 3Y MGS 7/26 saw slightly weaker-than-expected demand on a BTC cover of 1.908 and awarded at 3.483%. Expect bonds to move sideways next week influence between contrasting buy-spotting opportunities and profit-taking activities.

Macroeconomic Updates

- **US credit downgrade saw a shift in sentiment:** Wall Street was generally on an uptrend as a string of positive data from the labour and inflation front lifted sentiment. 2Q earnings also continued to trickle in mostly better-than-expected, supporting the equities market. However, sentiment turned cautious later and Wall Street saw a wave of selling after Fitch downgraded US" IDR to 'AA+.' Markets were also cautious ahead of the non-farm payrolll data scheduled at the end of the week as well as earnings results from tech bellweathers Apple and Amazon. Consequently, S&P 500 closed the week 0.8% /w lower, while Dow Jones and Nasdaq lost 0.2% w/w and 0.6% w/w respectively. While prices of oil also slipped as investors de-risked following the downgrade, Brent and WTI still managed to chalk up gains of 1.1% w/w and 1.8% w/w during the week on tightened supply following a reduction in supply from OPEC+ heavyweight Saudi Arabia and Russia.

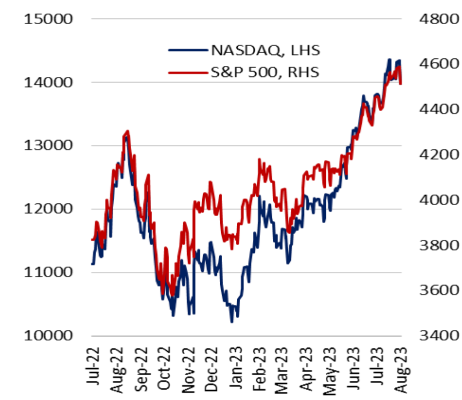
- **Surprises from RBA and BOJ:** Both the RBA and BOJ sprung surprises during the week. The BOJ kept its policy balance rate unchanged at -0.1% and will continue to allow the 10Y JGB yield to fluctuate in range of around +/-0.5ppts from the target level of 0%. However, the bank added that it will conduct the YCC with greater flexibility and not as rigid limits and will also offer to purchase 10Y JGBs at 1.0% every business day through fixed-rate purchase operations. This comes after the BOJ revised its CPI forecast upwards to 2.5% and 1.9% respectively for fiscal years 2023 and 2024. GDP growth, on the other hand, was revised downwards to 1.3% for fiscal year 2023. The RBA, meanwhile, surprised markets, but not us, by leaving the cash rate target unchanged at 4.10% but continues to reiterate that some further tightening of monetary policy may be required. RBA is also projecting inflation to moderate to around 3.8% by end 2024 and return to the 2–3% target range only in late 2025. Matching consensus expectations and ours, the BOE voted by a majority of 6–3 to increase the bank rate by 25bps to 5.25% and added that the MPC will ensure that bank rate is sufficiently restrictive for sufficiently long to return inflation to the 2% target, signalling a possibility that the UK may face a long period of higher rates.

- **Inflation data on the forefront:** Key data for the week was US' PCE prices. Both headline and core softened to +3.0% y/y and +4.1% y/y in June. On a m/m basis, PCE price picked up due to the services sector. Energy also expanded, while prices for goods and food edged down. The cooler prices reaffirmed our expectations that the Fed funds rate has peaked at the current rate of 5.25%-5.50%. Simlarly, Eurozone's inflation rate also moderated to +5.3% y/y in July, but core reading was unexpectedly stable at +5.5% y/y. Within the core, gains in non-energy industrial goods moderated sharply during the month, but this was offset by a slight pick-up in services inflation to its record high. PPI, meanwhile, fell 3.4% y/y and 0.4% m/m in June, primarily energy driven. With weak economic activities in Eurozone's biggests economies, Germany and Italy, coupled with lower PMI readings and lower inflationary pressures will raise the probability that ECB is near, if not already at the end of its tightening cycle.

- **ISM, PMIs manufacturing remained in contraction:** In the real sector, the two key highlights are the US ISM Manufacturing index and China's Caixin Manufactuting PMI. The uptick in the ISM Manufacturing Index was less than expected at 46.4 in July with the new orders sub-index still contracting at 47.3. Caixin Manufacturing PMI, meanwhile, worsened more than expected to 49.2 in July, marking the first PMI reading below 50.0 for three months. The official manufacturing PMI registered its fourth month of contraction, albeit unexpectedly picked up to 49.3. Nevertheless, a narrower contraction in new orders suggests that the sector may be stabilizing. Singapore's composite PMI fell to 51.3 in July, the fifth monthly expansion albeit the slowest. For Malaysia, the PMI edged up slightly to 47.8 in July. Of note, new order intakes moderated to the greatest extent in 6 months, while output levels continued to be scaled back at a solid pace. As such, the manufacturing sector may still have some way to go before demand recovers fully.

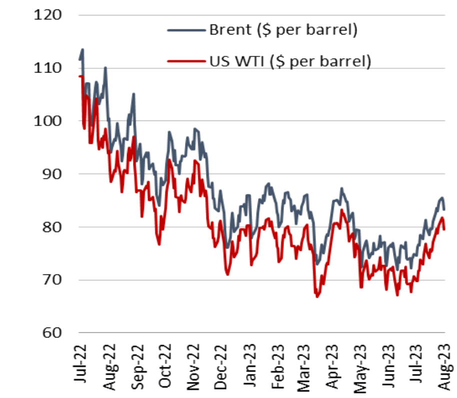
- **The week ahead:** It will be data light next week. Focus will be on the US CPI number for July, on top of indicators like PPI, real average weekly earnings, consumer credit, jobless claims as well as the preliminary University of Michigan Sentiment and inflation expectations for August. Other data to watch out for includes the NFIB Small Business Optimism, mortgage applications, trade balance as well as wholesale trade sales and inventories. Only indicator from the Eurozone is the Sentix Investor Confidence, while UK will unveil its 2Q GDP as well as monthly IPI and RICS House Price Balance. Japan will publish its household spending, labor cash earnings, bank lending, PPI and Eco Watchers Survey Outlook index, while China will roll out its trade and price indicators. Data from Malaysia includes the foreign reserves, IPI and manufacturing sales.

Wall Street's rally took a turn after Fitch downgraded US sovereign rating



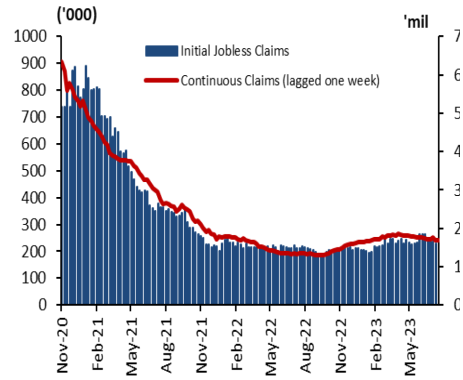
Source: Bloomberg

Oil prices was largely supported by tightened supply outlook



Source: Bloomberg

Jobless claims increased; but still low overall



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Foreign Exchange

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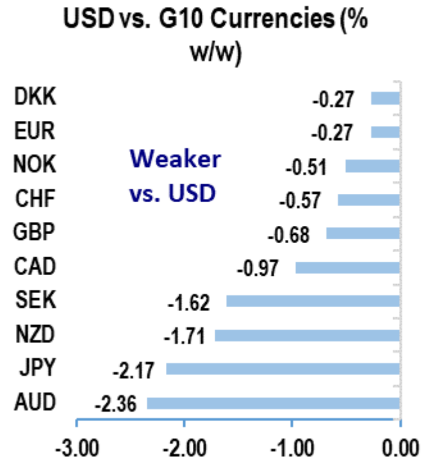
- **EUR**: The EUR declined for a third week in a row, by 0.3% w/w (prior: -1.4%) against the greenback to 1.0949 as of Thursday's close, after Eurozone economic confidence numbers for July tumbled by more than expected, suggesting that the economy did not get off to a good start in 3Q. We are ***Neutral-to-Slightly Bullish*** on EUR/ USD for the coming week and see a likely trading range of 1.08-1.11. We are due to get the Eurozone retail sales numbers for June and the Sentix investor confidence survey this coming week, and also scheduled for release is the ECB Economic Bulletin, which may provide more information on the ECB's actions going forward.

- **GBP**: GBP also retreated by 0.7% w/w (prior: -0.6%) versus the USD to close at 1.2709 as of Thursday, after the Bank of England only raised rates by 25bps this week and implicitly suggested through its forecasts, that the current terminal rate priced in for year-end going into this meeting was too high. We are ***Neutral*** on GBP/ USD next week, with a probable trading range of 1.2500-1.2900 seen for the Cable. A pretty light week ahead in terms of economic data, with only the UK construction PMI and the RICS House Price report for July due. The BoE's chief economist Huw Pill is scheduled to speak twice in the week ahead.

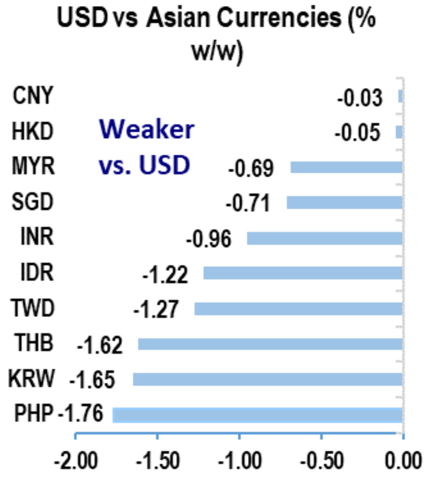
- **JPY**: The Japanese Yen weakened sharply this week, declining by 2.2% vs the USD to close at 142.58, following last week's 0.4% gain, as the mixed messaging by the Bank of Japan post their policy meet drove the currency lower. Initially trading higher after the YCC tweak by the BoJ last Friday to allow bond yields to move higher, the currency then retreated after two unscheduled bond buying operations were undertaken this week, leading some to question whether or not the ultra-loose monetary policy would actually be ending anytime soon. We are ***Slightly Bearish*** on the USD/ JPY next week and expect a wide trading range of 139 -144. Quite a bit of data in the week ahead, with household spending, labour earnings, machine tool orders and PPI all due for release.

- **AUD**: The AUD tumbled for a third week running, falling by 2.4% w/w (prior: -1.0%) against the USD to 0.6551, after the Reserve Bank of Australia left their policy rate unchanged, and like the Fed and ECB in the weeks before, did not commit to any future rate increases. We are ***Neutral-to-Slightly Bullish*** on AUD/ USD in the week ahead as the pair looks to be oversold technically, and foresee a likely trading range of between 0.64-0.67. A light week ahead data wise, with Australian consumer and business confidence numbers on the calendar, as well as the consumer inflation expectation report.

- **SGD**: The SGD slipped by 0.7% w/w to 1.3410 vs the greenback, following last week's 0.3% fall, even as the official Singapore PMI and the electronic sector index for July both suggested a smaller rate of contraction than the month before, as broad USD strength again dominated trading in the pair. The SGD was mixed against the other G10 currencies and major Asian peers, with gains registered versus the AUD (+1.7%) and PHP (+1.1%), but losing ground against the CNY (-0.7%) and EUR (-0.4%). We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD here, with a potential trading range of 1.3250-1.3550 seen in the week ahead. Very light in terms of data releases in the coming week, with the retail sales report later today the only key release.



Source: Bloomberg



Source: Bloomberg

Forecasts

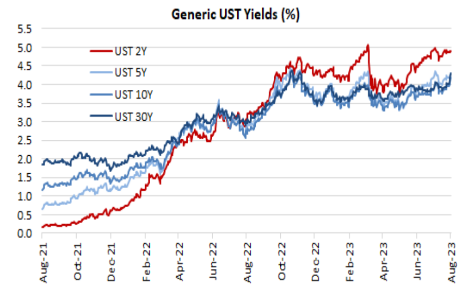
	Q3-23	Q4-23	Q1-24	Q2-24
DXY	102	101	100	99
EUR/USD	1.11	1.12	1.14	1.12
GBP/USD	1.29	1.31	1.33	1.30
AUD/USD	0.67	0.68	0.68	0.69
USD/JPY	141	139	136	133
USD/MYR	4.69	4.64	4.60	4.55
USD/SGD	1.35	1.34	1.33	1.33
USD/CNY	7.16	7.07	6.99	6.90

	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 slid under pressure from a slew of events that included Fitch Ratings downgrade of US sovereign rating and concerns over the surprise jump in quarterly refunding requirements that are expected to hit the government's fiscal condition persistent inflation. Bonds were also dented by fears over persistent inflation and robust private payroll data in July. The curve steepened as overall benchmark yields jumped higher between 5-25bps across, save for the front-end. **The UST 2Y yield however fell 5bps to 4.88% whilst the much-watched UST 10Y spiked 18bps to 4.18%** (the UST 10Y ranged between 3.96-4.18% levels). The suspension of the US government's debt ceiling in early-June which has seen Treasury raise ~$850b in bill issuances (with further plans to flood another ~$50b next week) has investors worried over the deteriorating fiscal outlook. Meanwhile, expect bonds to see slight upside movements next week on expectations of robust July jobs data release later tonight.



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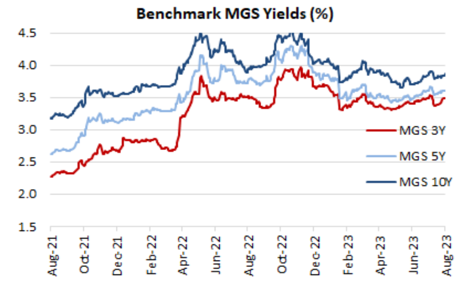
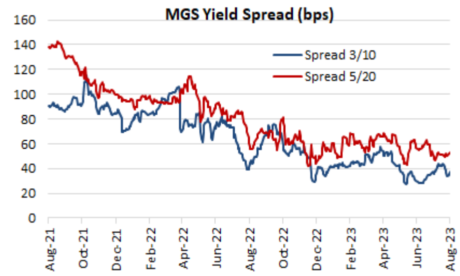
- **MGS/GII:** W/w, local govvies ended weaker; influenced partly by lower IRS yields towards later part of the week and market news emanating out of US. The curve shifted higher as overall benchmark yields ended 1-12bps higher across (save for the 20Y GII). **The benchmark 5Y MGS 4/28 yield rose 5bps to 3.61% whilst the 10Y MGS 11/33 jumped 7bps higher to 3.87%.** The average weekly secondary market volume eased 8% w/w to ~RM15.1b with interest seen mainly in the off-the-run 23-25's and benchmarks 7Y GII, 10Y MGS/GII. In money market operations, BNM reverse repo tender saw some appetite with 1-month and 3-month money done at 3.25% and 3.33% whilst 3-month KLIBOR is seen stable at 3.50% levels. The auction consisting of the re-opening of 3Y MGS 7/26 saw slightly weaker-than-expected demand on a BTC cover of 1.908 and awarded at 3.483% with auction size of RM4.5b in line with our house projection. Expect bonds to move sideways next week influence between contrasting buy-spotting opportunities and profit-taking activities.



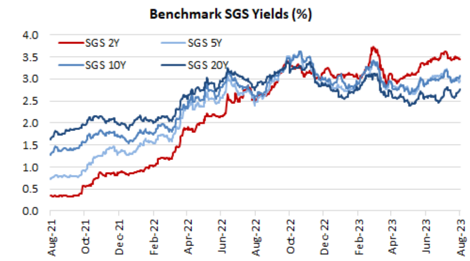
Source: Bloomberg

- **MYR Corporate bonds/ Sukuk**: The week under review saw decent action in the secondary market with **bulk of action in the GG space followed by the AAA and AA-part of the curve respectively, as yields closed again mostly mixed amid a 10% decrease in weekly secondary market volume of RM3.55b.** Topping the weekly volume was the LPPSA 9/36 bonds (GG) which rallied with yields ending 13bps lower compared to previous-done levels at 4.09%, followed by CAGAMAS 1/28 (AAA) which declined 10bps to 3.92%. Third was DANA 3/29 (GG) which rose 5bps higher instead to 3.80%. Higher frequency of bond trades was seen in DANA, PRASA, LPPSA, CAGAMAS, AIR SELANGOR, PLUS, INFRACAP and SEB. There were also multiple odd-lot transactions seen in bank-related i.e.; SABAH Dev Bank, AFFIN/ALLIANCE perps and callable and CIMB callable. The prominent issuances for the week consisted of Perbadanan Tabung Pendidikan Tinggi Nasional's govt-guaranteed 10Y bonds totaling RM1.395b with a coupon of 3.95%.



Source: Bloomberg

- **Singapore Government Securities:** SGS w/w mirrored weaker UST movements which were affected by concerns over the Fitch Ratings downgrade, elevated inflation, robust private payroll numbers and a deluge of government debt issuance. The curve ended steeper as overall benchmark yields jumped higher between 0-16bps across. **The SGS 2Y yield was unchanged at 3.45% whilst the SGS 10Y spiked 11ps to 3.07%** (the SGS 10Y ranged between 2.94-3.06%). Singapore's sovereign bonds as measured by Bloomberg's Total Return Index unhedged SGD however almost remained unchanged (prior week: +1.0%). Meanwhile, the government has successfully issued 5-year SGS at a yield of 2.65% last week. SGD is expected to maintain its range-bound levels against the greenback with support emanating from steady demand for SGS. Elsewhere, DBS Bank Ltd has launched a new A$ benchmark 4-year FRN which is expected to receive a Aaa rating by Moody's Investor Service and AAA by Fitch Ratings.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Alam Flora Sdn Bhd	RM700 million Islamic Commercial Papers and Islamic Medium-Term Notes (ICP/IMTN) programmes	MARC-1IS/AA IS/Stable	Affirmed
Genting Berhad and Genting Malaysia Berhad	Corporate Rating	AA1/Stable/P1	Affirmed
Poseidon ABS Berhad (SPV originated by SeaMoney Capital Malaysia Sdn Bhd)	RM218.0 mil First Tranche Senior Class A Medium-Term Notes (Senior MTN)	AA2/Stable	Assigned
Johor Port Berhad	Islamic Commercial Papers (ICP) Programme and Islamic Medium-Term Notes (IMTN) Programme with a combined limit of RM1.0 billion	MARC-1 IS/AA-IS/Stable	Affirmed
Penang Port Sdn Bhd	Islamic Medium-Term Notes Issuance Programme of up to RM1.0 billion	AA-IS/ Stable	Affirmed
Infracap Resources Sdn Bhd	RM15 billion Sukuk Murabahah Programme (2021/2041)	AAA(s)/Stable	Affirmed
Aquasar Capital Sdn Bhd	RM1,500 million Sukuk Murabahah Programme (2014/2029)	AAA(s)/Stable	Affirmed
Petronas Dagangan Berhad	RM 10b Islamic Medium-Term Notes (IMTN) Programme	AAA IS/Stable	Assigned
reNIKOLA Solar II Sdn Bhd	Islamic Medium-Term Notes (IMTN) Programme	AA2/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
7-Aug	13:00	JN	Leading Index CI	Jun P	109.2
	15:00	MA	Foreign Reserves		$111.8b
	16:30	EC	Sentix Investor Confidence	Aug	-22.5
8-Aug	3:00	US	Consumer Credit	Jun	$7.240b
	7:30	JN	Household Spending YoY	Jun	-4.00%
	7:30	JN	Labor Cash Earnings YoY	Jun	2.50%
	8:30	AU	Westpac Consumer Conf Index	Aug	81.3
	9:30	AU	NAB Business Confidence	Jul	0
	12:00	MA	Manufacturing Sales Value YoY	Jun	3.30%
	12:00	MA	Industrial Production YoY	Jun	4.70%
	13:00	JN	Eco Watchers Survey Outlook SA	Jul	52.8
	18:00	US	NFIB Small Business Optimism	Jul	91
	20:30	US	Trade Balance	Jun	-$69.0b
	22:00	US	Wholesale Trade Sales MoM	Jun	-0.20%
	22:00	US	Wholesale Inventories MoM	Jun F	-0.30%
		CH	Exports YoY	Jul	-12.40%
		CH	Imports YoY	Jul	-6.80%
9-Aug	9:30	CH	CPI YoY	Jul	0.00%
	9:30	CH	PPI YoY	Jul	-5.40%
	19:00	US	MBA Mortgage Applications	Aug 4	-3.0%
9-15 Aug		CH	Aggregate Financing CNY	Jul	4220.0b
10-Aug	7:01	UK	RICS House Price Balance	Jul	-46%
	7:50	JN	PPI YoY	Jul	4.10%
	9:00	AU	Consumer Inflation Expectation	Aug	5.20%
	20:30	US	CPI YoY	Jul	3.00%
	20:30	US	CPI Ex Food and Energy YoY	Jul	4.80%
	20:30	US	Real Avg Weekly Earnings YoY	Jul	0.60%
	20:30	US	Initial Jobless Claims	Aug 5	227k
11-Aug	14:00	UK	Industrial Production MoM	Jun	-0.60%
	14:00	UK	GDP QoQ	2Q P	0.10%
	16:30	HK	GDP YoY	2Q F	1.50%
	20:30	US	PPI Final Demand YoY	Jul	0.10%
	22:00	US	U. of Mich. Sentiment	Aug P	71.6
	22:00	US	U. of Mich. 1 Yr Inflation	Aug P	3.40%
	22:00	US	U. of Mich. 5-10 Yr Inflation	Aug P	3.00%
11-18 Aug		CH	FDI YTD YoY CNY	Jul	-0.027

Source: Bloomberg

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