6 January, 2023

Global Markets Research

Weekly Market Highlights

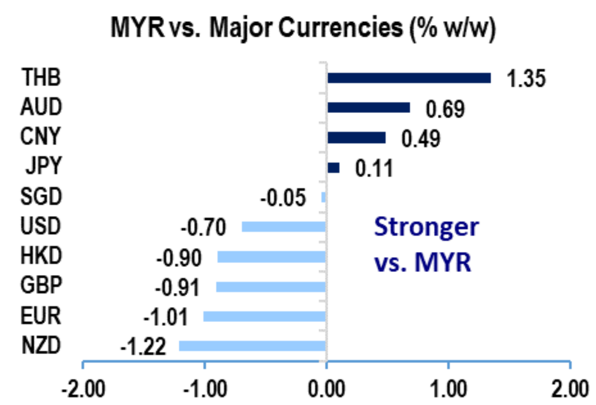
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	32,930.08	-0.88	-0.66
S&P 500	3,808.10	-1.07	-0.82
FTSE 100	7,633.45	1.61	2.44
Hang Seng	21,052.17	6.64	6.56
KLCI	1,480.93	-0.72	-1.18
STI	3,292.66	1.34	1.00
Dollar Index	105.04	1.16	1.51
WTI oil ($/bbl)	73.67	-6.03	-8.21
Brent oil ($/bbl)	78.69	-4.34	-7.50
Gold (S/oz)	1,840.60	0.80	0.87

Source: Bloomberg

- **Stock market carried on themes from 2022:** Dow Jones and S&P 500 each lost around 1.0% w/w for the week ended Jan 5, carrying forward a main theme from 2022, when the technology sector was hit hard as FOMC minutes and favourable employment data fuelled expectations that Fed has more room to keep raising the interest rates.
- **Next week data:** US is scheduled to release more December data during the week, giving more previews on how the economy fared for the whole of 2022, and more importantly, setting the stage for 2023. This include CPI, ISM serevices, average hourly earnings, NFIB small business optimism; as well as weekly indicators like mortgage applications, jobless claims as well as Michigan consumer sentiment and inflation expectations. China's exports, CPI/ PPI will also top investors' radar.

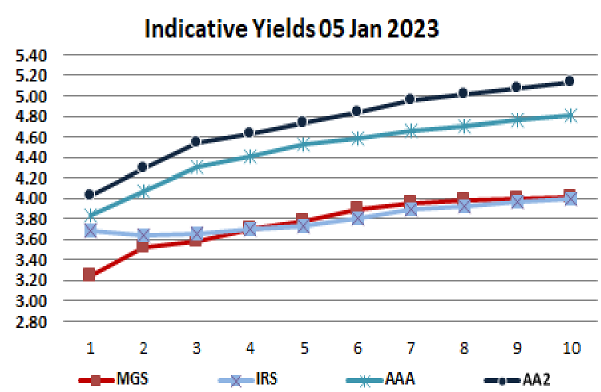
Forex



Source: Bloomberg

- **MYR:** Ringgit traded on a positive note in this first trading week of the year, strengthening by 0.7% w/w to 4.3880 as at Thursday's close despite a stronger USD. It outperformed its regional peers, with the exception of only the THB (+2.1%) and CNY (+1.2%). We are slightly positive on the MYR, hence our ***Slightly Bearish*** outlook for USD/ MYR in the week ahead, potentially in a range of 4.37-4.41 (prior: 4.3878-4.4297), on prospect of limited upside in the USD should US data and Fed speaks signaling no let-up in policy tightening continue to spur recession fear. Malaysia IPI will be on the deck next week, likely reinforcing the case of moderating growth in 4Q.
- **USD**: The Dollar Index went through a volatile week to end the week 1.2% stronger at 105.04, snapping three straight week of losses. It started off the year on a strong footing but a hawkish FOMC minutes somewhat dented its strength, but USD bulls made a return following solid labour market data yesterday. We expect a ***Neutral*** USD outlook likely within familiar ranges of 103-106 in the week going forward as the slew of Fed speaks (including Fed Chair Powell's) will likely keep the greenback supported.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries closed mostly stronger (with mid-week levels seen at the strongest) as data from last week, hawkish Fed minutes right up to the recent release of ADP job gains and lower jobless claims, lent bonds a bid. Yields on the UST 2Y jumped 6bps higher to 4.43% whilst the much-watched UST 10Y (which ranged slightly wider i.e.; between 3.68-3.88%), declined the most by 11bps to 3.71%. **Expect bonds to trend slightly in volatile manner next week following tonight's jobs data release and flipping views between growth concerns and inflationary conditions.**
- **MGS/GII:** Local govvies saw both MGS/GII end stronger w/w extending up to 20Y tenures as the safe haven of bonds following concerns over newer Covid variants attracted investors along with expectations of easier inflation in the US. Overall benchmark MGS/GII yields closed mostly lower i.e.; between 4-13bps across, save for the long bond. The benchmark 5Y MGS 11/27 yield dipped 7bps to 3.76% whilst the 10Y MGS 7/32 ended 6bps lower at 4.01%. The average daily secondary market volume almost tripled to ~RM3.3b w/w with interest seen mainly in the off-the-run 23-24's and benchmark 3Y MGS/GII, 5Y MGS, 10Y MGS/GII. Some optimism may be seen in bonds due to expectations over less-aggressive rate hikes and the opening of China's borders which may trigger positive knock-on effects for the Malaysian economy. **Expect local govvies to trend stronger amid intermittent profit-taking activities next week.**

Macroeconomic Updates

- **Stock market carried on themes from 2022 :** Dow Jones and S&P 500 each lost around 1.0% w/w for the week ended Jan 5, carrying forward a main theme from 2022, when the technology sector was hit hard as FOMC minutes and favourable employment data fuelled expectations that Fed has more room to keep raising the interest rates. Fanning this was St. Louise President James Bullard who said rates are getting closer to sufficiently restrictive zone. Atlanta Fed President Raphael Bostic also said that inflation was the biggest headwind facing the US economy right now and Fed officials "remain determined" to lower it back to the central bank's 2% target. In the commodities market, although oil prices staged a late week rebound, this was not enough to offset the biggest two day loss on Tues-Wed. WTI ended the week 5.8% w/w lower, while the Brent closed 4.2% w/w lower. Prices were weighed down by demand concerns stemming from the state of the global economy, rising COVID cases in China as well as mild winter temperatures which eased fears of energy crunch.

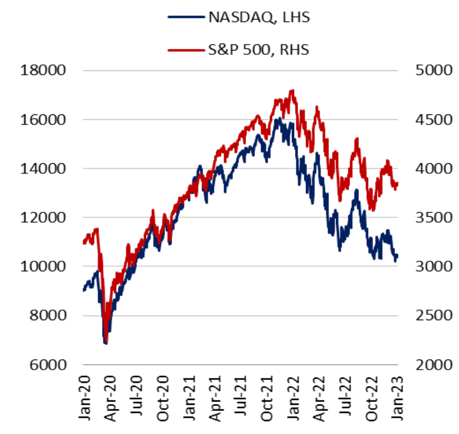
- **Hawkish Fed:** The policy highlight for the week was the FOMC minutes, which include the following key points: 1) Decision to step down to a 50bps hike was not an indication of an indication of any weakening of the Committee's resolve to achieve its price-stability goal or a judgment that inflation was already on a persistent downward path; 2) Fed warns financial markets not to underestimate the central bank's resolve to bring down inflation; 3) Risks of higher inflation seen as key factor shaping outlook for policy; 4) Minutes gave little hint on the quantum of next rate hike; 5) Staff economic outlook was less weak than in prior meeting as staff assessed the possibility of a recession as a "plausible alternative to the baseline" after previously viewing odds at 50:50.

- **Manufacturing PMIs were weaker; mixed for services:** In the US, both S&P PMI and ISM Manufacturing indices were in contraction territory, with the latter marking the lowest since May 2022. Similarly, both the Japanese and Chinese PMI stayed below the 50-threshold, while the UK manufacturing downturn took a further turn for the worse, falling to a 31-month low of 45.3 in December. Australia's manufacturing sector slowed down in line with the global trend, but is holding up better than its G10 peers with an expansion. In contrast, the pressure in services PMIs eased during the month albeit still in contraction mode. US Services PMI was revised upwards to 44.7. The S&P Global / CIPS UK Services PMI Business Activity Index improved to 49.9, while the Caixin China General Services Business Activity Index eased more than expected to 48.0.

- **US labour market still solid:** While the ISM-manufacturing index was negative, the jobs index component remained solid. This is corroborated by other employment indicators. The JOLTS survey for Dec showed available position rose more than expected to 10.5m. ADP Employment showed that private sector employment rose more than expected by 235k for the same month. According to a report by Challenger, Gray & Christmas, US announced 44k job cuts in December, a decline of 43% m/m with the bulk of cuts in the technology sector. Weekly jobless claims, meanwhile, fell to lowest level since September.

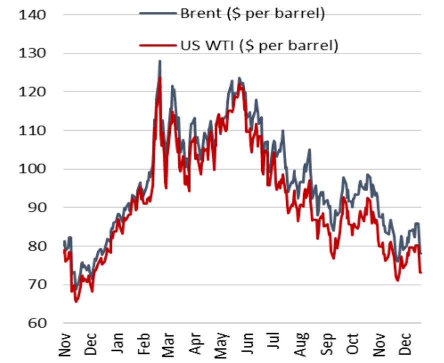
- **Next week data:** US is scheduled to release more December data during the week, giving more previews on how the economy fared for the whole of 2022. This include the inflation rate, average hourly earnings; NFIB small business optimism and wholesale trade/inventories on the business side; as well as weekly indicators like mortgage applications, jobless claims as well as Michigan consumer sentiment and inflation expectations. Europe is scheduled to release its Sentix investors confidence, unemployment rate, IPI and trade data, while UK will unveil its PPI, IPI and trade balance indicators. Over in Asia, Japan will release its Tokyo CPI data as well as leading index and Eco Watchers survey. China may unveil both its CPI and PPI on the price front; IPI, trade and fixed asset investment on the corporate side as well as retail sales and jobless rate during the week. Lastly, Malaysia is expected to release its November IPI on the 11th.

Stock markets ended the week slightly lower



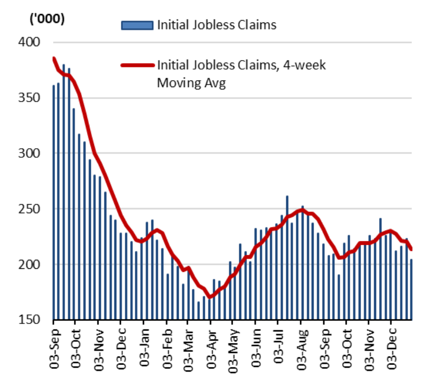
Source: Bloomberg

Oil prices slid on demand concerns



Source: Bloomberg

Jobless claims unexpected fell; labour market remained resilient overall



Source: Bloomberg

Foreign Exchange

- **MYR:** Ringgit traded on a positive note in this first trading week of the year, strengthening for the second straight week, by 0.7% w/w to 4.3880 as at Thursday's close despite a stronger USD. It outperformed its regional peers, with the exception of only the THB (+2.1%) and CNY (+1.2%). We are slightly positive on the MYR, hence our ***Slightly Bearish*** outlook for USD/ MYR in the week ahead, potentially in a range of 4.37-4.41 (prior: 4.3878-4.4297), on prospect of limited upside in the USD should US data and Fed speaks signaling no let-up in policy tightening continue to spur recession fear. Malaysia IPI will be on the deck next week, likely reinforcing the case of moderating growth in 4Q.

- **USD**: The Dollar Index went through a volatile week flipping between gains and losses to end the week 1.2% stronger at 105.04, snapping three straight week of losses. It was seen hanging on mostly to the 104 big figure although having traded between a low of 103.39 and a high of 105.27 in the past week. It started off the year on a strong footing but a hawkish FOMC minutes somewhat dented its strength, but USD bulls made a return following solid labour market data yesterday. We expect a ***Neutral*** USD outlook likely within familiar ranges of 103-106 in the week going forward as the slew of Fed speaks (including Fed Chair Powell's) will likely keep the greenback supported. Tonight's NFP, followed by next week's CPI, University of Michigan inflation expectations, ISM services, durable goods orders, and factory orders would also add noises to USD movement.

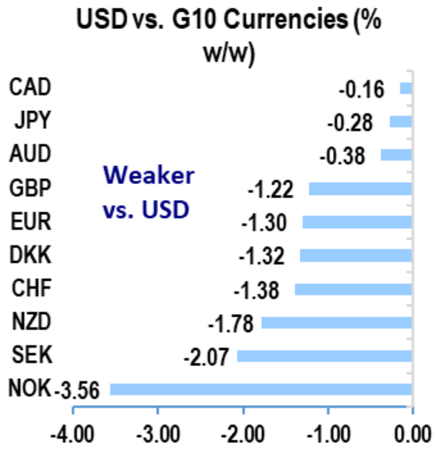
- **EUR**: The EUR completely reversed earlier week's gain to settle 1.3% w/w lower at 1.0522 against the USD. EUR/ USD rallied to as high as 1.0713 but gapped down sharply by two big figures to the 1.05 handle as the USD jumped on China reopening story. We are ***Neutral to Slightly Bearish*** on EUR/ USD, likely in a range of 1.04-1.06 in the week ahead (prior 1.0315-1.0713) as positive momentum indicator is tapering off. A barrage of first tier Eurozone data including CPI, economic confidence, retail sales, industrial production, unemployment rate, and trade balances will be key watch on top of USD influences.

- **GBP**: Trading in GBP/ USD closely tracked the EUR and DXY, with the sterling depreciated by 1.2% w/w against the USD to 1.1908 as at Thursday's close, near to its week-low of 1.1874. The pair was seen trading mostly in the 1.20 handle although it touched a high of 1.2108 during the week. We are ***Neutral to Slightly Bearish*** on GBP/ USD, likely in a range of 1.18-1.20 in the week ahead amidst lack of positive catalyst for the sterling and bearish technical indicators. UK monthly GDP, IPI, index of services, trade balance and PPI will be key data releases to watch.

- **JPY**: The JPY weakened albeit more modestly by 0.3% w/w against the USD, last closed at 133.41 on Thursday. The pair briefly broke the 130 key support level to a low of 129.52 before staging a quick rebound back above the 130 handle, driven by the swift USD moves. Weekly outlook for USD/ JPY is ***Neutral-to-Slightly Bullish*** potentially trading between 130-135 in anticipation of continuous rangetrading in the greenback. Japanese CPI, leading index and Eco Watcher survey will be on investors' radar.

- **AUD**: The Australian Dollar weakened again, down by 0.4% w/w against the USD to 0.6752 as at Thursday's close, continuing with its recent shift between weekly gains and losses in the familiar ranges of 0.66-0.69s. The Aussie was relatively resilient compared to its other G10 peers save for CAD and JPY, supported by potential positive economic spillover from China's reopening, as well as a still tight labour market down under. We are ***Neutral*** on AUD outlook likely in a range of 0.66-0.69 in the week forward. Australian CPI, retail sales and external trade aside, Aussie is susceptible to USD movement and China's first tier data including CPI, PPI, and exports data.

- **SGD**: SGD held on firm at the 1.34 handle, trading between 1.3366 and 1.3502 during the week before closing out 0.2% w/w weaker against the USD at 1.3455. Trading in the SGD also paled in comparison to its regional peers, except HKD and KRW, probably dragged by a slew of softer Singapore data namely 4Q GDP, retail sales and PMI. Contrary to this, the SGD indeed strengthened against all other G10s, most notably vs the European and Nordic currencies. We are ***Neutral-to-Slightly Bullish*** on USD/SGD in the week ahead eyeing a range of 1.34-136 (prior 1.3366-1.3572), with USD outlook as the primary driver in the absence of major catalyst domestically.



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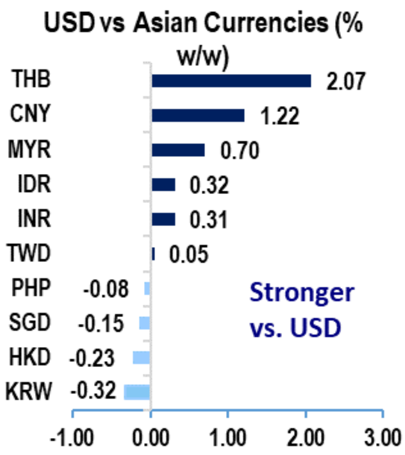


Source: Bloomberg

Forecasts

	Q1-23	Q2-23	Q3-23	Q4-23
DXY	101.4	100.9	99.9	98.9
EUR/USD	1.09	1.10	1.10	1.10
GBP/USD	1.22	1.23	1.23	1.23
AUD/USD	0.69	0.69	0.70	0.71
USD/JPY	128	127	127	126
USD/MYR	4.38	4.36	4.32	4.27
USD/SGD	1.32	1.30	1.28	1.26
USD/CNY	6.93	6.93	6.90	6.83

	Q1-23	Q2-23	Q3-23	Q4-23
EUR/MYR	4.79	4.81	4.76	4.71
GBP/MYR	5.35	5.37	5.32	5.27
AUD/MYR	3.02	3.03	3.03	3.03
SGD/MYR	3.32	3.36	3.37	3.39
CNY/MYR	0.63	0.63	0.63	0.63

Source: HLBB Global Markets Research

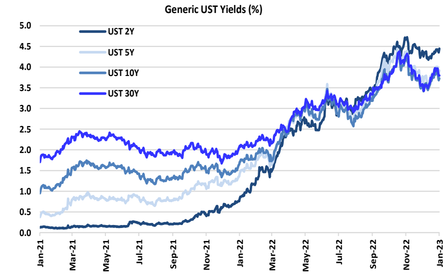
Fixed Income

- **UST:** For the week under review, US Treasuries closed mostly stronger (with mid-week levels seen at the strongest) as data from last week that included weaker Chicago business barometer, hawkish Fed minutes from the last FOMC meeting in December right up to the recent release of private payroll processor ADP's better-than-expected job gains and lower jobless claims, lent bonds a bid. **Yields on the UST 2Y jumped 6bps higher to 4.43% whilst the much-watched UST 10Y (which ranged slightly wider i.e.; between 3.68-3.88%), declined the most by 11bps to 3.71%**. Elsewhere, the US breakeven inflation rate for the 5Y CPI-linked bonds eased further to 2.25% from 2.37% levels prior week. Swaps linked to Fed decisions jumped higher and are suggesting a peak slightly above 5.0% in May 2023. Expect bonds to trend slightly in volatile manner next week following tonight's jobs data release and flipping views between growth concerns and inflationary conditions.

- **MGS/GII:** Local govvies saw both MGS/GII end stronger w/w extending up to 20Y tenures as the safe haven of bonds following concerns over newer Covid variants attracted investors along with expectations of easier inflation in the US. Overall benchmark MGS/GII yields closed mostly lower i.e.; between 4-13bps across, save for the long bond. **The benchmark 5Y MGS 11/27 yield dipped 7bps to 3.76% whilst the 10Y MGS 7/32 ended 6bps lower at 4.01%.** The average daily secondary market volume almost tripled to ~RM3.3b w/w with interest seen mainly in the off-the-run 23-24's and benchmark 3Y MGS/GII, 5Y MGS, 10Y MGS/GII. Elsewhere, our projection for the 37 gross issuances under the auction calendar for 2023 is expected to be slightly higher at circa RM172b compared to actual issuances of RM171.5b last year. Some optimism may be seen in bonds due to expectations over less-aggressive rate hikes and the opening of China's borders which may trigger positive knock-on effects for the Malaysian economy. Expect local govvies to trend stronger amid intermittent profit-taking activities next week.

- **MYR Corporate bonds/ Sukuk**: The week under review saw improved appetite in the secondary market space with investors searching for yield-carry following strong moves seen in underlying govvies. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a 55% jump in average daily market volume to RM322m.** Topping the weekly volume was EMSB 9/32 (AA1) which eased 3bps lower compared to previous-done levels at 4.50%. This was followed by DANGA 9/27 (AAA) which rallied with yields ending 12bps lower at 4.27% and subsequently ALLIANCE 32NC27 (A2) which spiked 41bps to 5.06%. High frequency of bond trades was seen in DANAINFRA, PASB, TNB and its related-entities and also YTL Power bonds. Odd-lot transactions were seen in PASB, MMC Corp and Pelabuhan Tg Pelepas bonds. The sole issuance for the week in view of the year-end festivities and holiday season consisted of MAGNUM Corp Sdn Bhd's unrated 5Y bonds totaling RM125m with an attractive coupon of 6.2%.

- **Singapore Government Securities:** SGS ended stronger w/w, due to positive vibes felt from UST movements and pullback in December PMI readings. The curve tilted flatter as overall benchmark yields closed lower between 1-11bps across. The SGS 2Y yield edged 1bps lower at 3.09% whilst the SGS 10Y bonds rallied the most with yields ending 11bps lower at 2.97% (the SGS 10Y ranged lower between 2.92-2.97%). Singapore's sovereign bonds continued to post a small gain of 0.8% w/w (prior week: -0.3%). Bank-related issuances namely Dollar-denominated T2's may find demand due to their strong asset quality aided by large risk buffers. Singapore data released over the weak tilted to the weaker side with sharp moderation in 4Q GDP and slower increase in retail sales, while December PMI slipped below 50; the lowest reading since Nov 2020. Elsewhere, there were no new ratings update for Singapore-based bonds.



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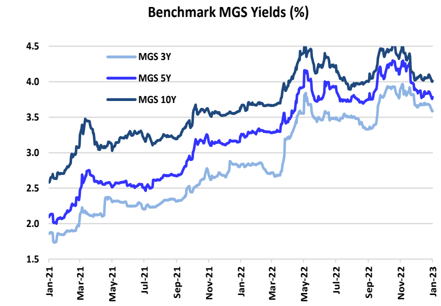

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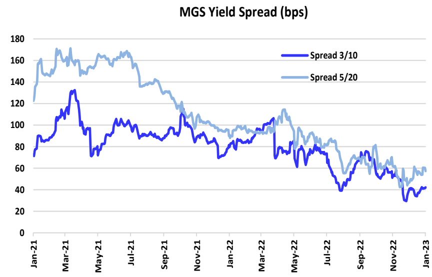

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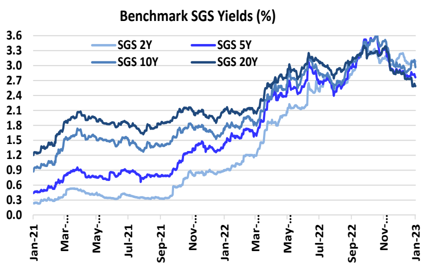

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Chailease Berjaya Credit Sdn Bhd	Medium-Term Notes (MTN) Programme of up to RM1.0 billion	AA-(CG)/Stable	Assigned
MEX I Capital Berhad	RM1.13 bil Senior Sukuk Musharakah (2022/2040)	A2/Stable	Reaffirmed
Bank Islam Malaysia Berhad	Financial Institution ratings RM5 bil Additional Tier-1 Capital Sukuk Wakalah RM1 bil Subordinated Sukuk Murabahah Programme (2015/2045) RM10 bil Sukuk Murabahah Programme (2018/-) Senior Sukuk Murabahah Subordinated Sukuk Murabahah	AA3/Stable/P1 A3/Stable A1/Stable AA3/Stable A1/Stable	Reaffirmed Reaffirmed Reaffirmed Reaffirmed Reaffirmed
Westport Malaysia Sdn Bhd	RM2.0 bil Sukuk Musharakah Programme (2011/2031)	AAA/Stable	Reaffirmed
Sime Darby Property Berhad	RM4.5 billion Islamic Medium-Term Notes (IMTN) Programme (Sukuk Musharakah)	AA+IS/ Stable	Affirmed
Press Metal Aluminium Holdings Berhad	RM5.0 bil Islamic MTN (IMTN) Programme (2019/2049)	From AA3/Stable to AA2/Stable	Upgraded
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Financial Institution Rating	AA1/Stable/P1	Reaffirmed
Maybank Ageas Holdings Berhad	Corporate credit ratings RM3.0 billion Subordinated Bonds Programme (2021/-)	AA1/Stable/P1 AA1/Stable/P1	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
9-Jan	8:30	AU	Building Approvals MoM	Nov	-6.00%
	15:00	MA	Foreign Reserves	31-Dec	$110.3b
	17:30	EC	Sentix Investor Confidence	Jan	-21
	18:00	EC	Unemployment Rate	Nov	6.50%
9-16 Jan		CH	PPI YoY	Dec	-1.30%
		CH	CPI YoY	Dec	1.60%
10-Jan	4:00	US	Consumer Credit	Nov	$27.078b
	7:30	JN	Tokyo CPI YoY	Dec	3.80%
	7:30	JN	Household Spending YoY	Nov	1.20%
	8:01	UK	BRC Sales Like-For-Like YoY	Dec	4.10%
	19:00	US	NFIB Small Business Optimism	Dec	91.9
	23:00	US	Wholesale Trade Sales MoM	Nov	0.40%
	23:00	US	Wholesale Inventories MoM	Nov F	1.00%
10-20 Jan		CH	Industrial Production YTD YoY	Dec	3.80%
		CH	Retail Sales YTD YoY	Dec	-0.10%
		CH	Fixed Assets Ex Rural YTD YoY	Dec	5.30%
		CH	Surveyed Jobless Rate	Dec	5.70%
11-Jan	8:30	AU	Retail Sales MoM	Nov	-0.20%
	8:30	AU	CPI Trimmed Mean YoY	Nov	5.30%
	8:30	AU	Job Vacancies QoQ	Nov	-2.10%
	12:00	MA	Manufacturing Sales Value YoY	Nov	12.90%
	12:00	MA	Industrial Production YoY	Nov	4.60%
	13:00	JN	Leading Index CI	Nov P	98.6
	20:00	US	MBA Mortgage Applications	30-Dec	-13.20%
11-18 Jan		CH	FDI YTD YoY CNY	Dec	9.90%
12-Jan	7:50	JN	Trade Balance BoP Basis	Nov	-¥1875.4b
	8:30	AU	Exports MoM	Nov	-1%
	8:30	AU	Imports MoM	Nov	-1%
	13:00	JN	Eco Watchers Survey Outlook SA	Dec	45.1
	17:00	EC	ECB Publishes Economic Bulletin		
	21:30	US	CPI MoM	Dec	0.10%
	21:30	US	Initial Jobless Claims	31-Dec	225k
	21:30	US	Real Avg Hourly Earning YoY	Dec	-1.90%
13-Jan	15:00	UK	Industrial Production MoM	Nov	0.00%
	15:00	UK	Trade Balance GBP/Mn	Nov	-£1785m
	18:00	EC	Industrial Production SA MoM	Nov	-2.00%
	18:00	EC	Trade Balance SA	Nov	-28.3b
	23:00	US	U. of Mich. Sentiment	Jan P	59.7
	0:00	CH	Exports YoY	Dec	-8.70%
	0:00	CH	Imports YoY	Dec	-10.60%
13-27 Jan		CH	GDP YoY	4Q	3.90%

Source: Bloomberg

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