Global Markets Research

Weekly Market Highlights

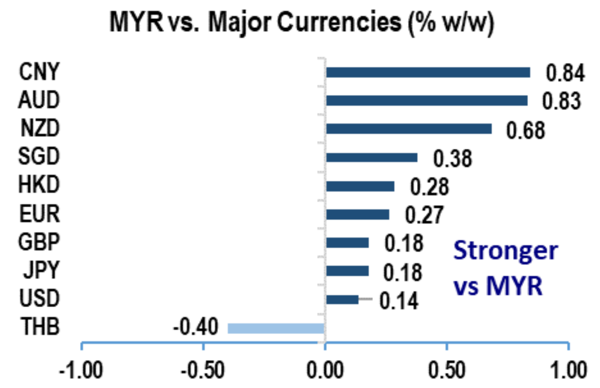
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	34,907.11	1.18	5.31
S&P 500	4,505.10	1.21	17.34
FTSE 100	7,673.08	3.11	2.97
Hang Seng	18,047.92	-4.46	-8.76
KLCI	1,451.94	0.50	-3.07
STI	3,249.51	1.32	-0.06
Dollar Index	105.41	0.33	1.82
WTI oil ($/bbl)	90.16	3.79	12.33
Brent oil ($/bbl)	93.70	4.20	9.07
Gold (S/oz)	1,914.40	-0.50	4.80
CPO (RM/ tonne)	3,812.00	-0.10	-9.98
Copper ($$/MT)	8,417.50	1.16	0.54
Aluminum($/MT)	2,224.50	1.30	2.02

Source: Bloomberg

- **Tech stocks and US CPI drove Wall Street:** Wall Street was generally on a wait-and-see mode while awaiting the CPI print on Wednesday, but with lots of noises from tech stocks along the way. Wall Street nonetheless closed mixed post the slightly hotter-than expected US CPI print and closed the week in tune of 1.2%-1.9% w/w higher. Oil prices, meanwhile, remained biddish, registering gains between 3.8%-4.2% w/w as supply curbs underpinned expectations of a shortfall in 2H. In fact, prices scaled their 10-month high and above $90/barrel.
- **Next week:** Fed, BOE and BOJ are set to meet next week. Expectations is that BOE will raise its cash rate by 25bps to 5.50%, FOMC maintain the fed funds rate at 5.25%-5.50% with scrutiny on the Fed dot plot and economic projections. Meanwhile, BOJ Governor Ueda's recent comment that spurred speculation of an end to ultra-loose monetary policy and negative interest rate era means investors will be closely watching next Friday's meeting. PBoC is also set to maintain the 1Y and 5Y loan prime rates unchanged at 3.45% and 4.20%. S&P Is set to roll out the September Manufacturing and Services PMIs for the majors. US is housing data heavy, with the NAHB Housing Market Index, existing home sales, housing starts, housing permits and mortgage applications due to be released. Other indicators to watch out for include the leading index, jobless claims and New York Fed indices.

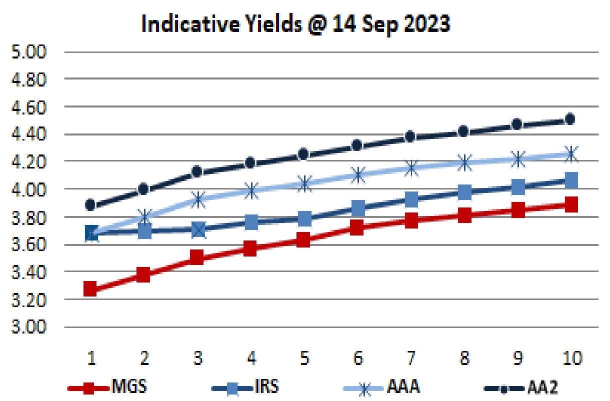
Forex



Source: Bloomberg

- **MYR:** USD/ MYR traded higher for a second straight week, advancing by 0.1% w/w (prior: +0.8%) to 4.6835, even as domestic industrial production in July unexpectedly grew on an annual basis. Against the rest of the G10 universe, the MYR was generally weaker, led by falls against AUD (-0.8%) and NZD (-0.7%) but versus its Asian peers, the MYR was a mixed bag, advancing versus the THB (+0.4%), but pulling back against the CNY (-0.8%) and SGD (-0.4%). We are ***Neutral-to-Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.62-4.72. Malaysia trade data for August is scheduled for release next week, as well as the CPI report for August.
- **USD**: The US dollar advanced for a second straight week, with the DXY climbing by 0.3% to close Thursday at 105.35 from 105.06 a week ago, after US retail sales in August topped estimates, and the ECB signaling an end to the hiking cycle boosted the greenback. We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, with the DXY expected to trade in a range of 103–107. Besides the FOMC rate decision and summary of economic projections and dot plot due next week, there are also plenty of economic data releases scheduled for release, including industrial production, consumer confidence and inflation expectations, housing starts and home sales data, as well as regional Fed surveys out of New York and Philadelphia.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries were pressured over concerns ahead of the release of August inflation data which eventually was hotter-than-expected. Bonds were also dented by higher WTI and Brent futures and the "higher-for-longer" interest rate narrative coupled with supply pipeline totaling ~$99b of 3Y, 10Y and 30Y debt papers. August retail sales and headline PPI numbers that beat estimates were additional factors that impinged on bonds. Overall benchmark yields closed higher between 4-6bps across. Fed-dated OIS pricing currently reflects the near-certainty of rates staying pat at next week's FOMC meeting with a lower 32% probability of a 25bps rate hike instead in November's meeting. Meanwhile, **expect bonds to trend cautiously next week ahead of the upcoming Fed's FOMC decision and dot plot updates.**
- **MGS/GII:** Local govvies which started the week on a bright note, succumbed mid-week before recovering yesterday to still end the week slightly weaker overall. Movements were closely-related to the US August inflation data which was released on Wednesday night. The curve shifted slightly upwards as overall benchmark yields closed 0-5bps higher across. The average weekly secondary market volume increased by 10% to RM11.0b w/w with interest seen mainly in the off-the-run 24-25's, 29's, 34's and benchmarks 3Y MGS/GII, 10Y MGS/GII, 15Y MGS. **Expect bonds to be supported by cautious bargain-hunting activities next week.**

Macroeconomic Updates

- **Tech stocks and US CPI drove Wall Street:** Wall Street was generally on a wait-and-see mode while awaiting the US CPI print on Wednesday, but with lots of noises from tech stocks along the way. This includes China's ban on Apple's iPhone usage from civil servants to government-backed agencies and state enterprises to disapppointing Oracle earnings, Tesla' outlook boost by a major US stock broker because of its "Dojo" computer not to mention Arm's stunning debut. Wall Street nonethless closed mixed post the slightly hotter-than expected US CPI print and closed the week in tune of 1.2%-1.9% w/w higher. Oil prices remained biddish, registering gains between 3.8%-4.2% w/w as supply curbs underpinned expectations of a shortfall in 2H. In fact, prices scaled their 10-month high and above $90/barrel after OPEC reported that oil markets could face a 3.3m barrels per day shortfall in 4Q and this was echoed by IEA's projection of 1.2m barrels/day in 2H.

- **ECB surprised with a hike:** During the week, the ECB unexpectedly raised the interest rates on the main refinancing operations, marginal lending facility and the deposit facility by 25bps each to 4.50%, 4.75% and 4.00% respectively wef Sep 20. The increase came amidst an upward revision in inflation outlook. ECB expects inflation to average 5.6% in 2023, 3.2% in 2024 and 2.1% in 2025. In the accompanying statement, Governing Council considers that the key ECB interest rates "have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target," while President Lagarde added that a solid majority of the policy makers supported the outcome but some colleagues would have preferred to pause instead. However, President Lagarde commented that it cannot be said that interest rate has peaked, hence leaving the door open for further hikes going forward, if need be.

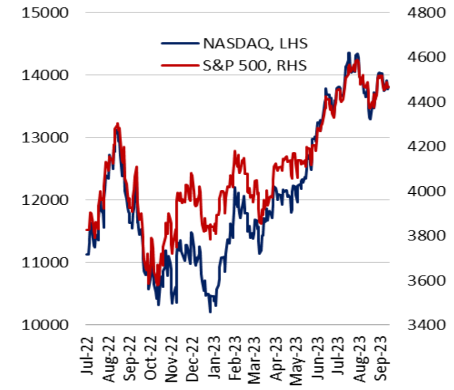
  PBoC meanwhile, cut the RRR by 25bps to 7.40% to consolidate the foundation of economic recovery and keep ample liquidity but maintained the 1Y-medium term facility rates unchanged at 2.50%. Given this, we also expect PBoC to follow suit and maintain the 1Y and 5Y loan prime rates unchanged at 3.45% and 4.20% next week. Data wise, CPI shrugged off July's 0.3% y/y decline and eked out a 0.1% y/y growth in August, while PPI continued to contract albeit at a slower pace of 3.0% y/y . This signals inflation will remain low and industrial profits will be adversely impacted as producers face difficulties in passing on higher costs. New yuan loans, meanwhile, accelerated more than expected to 1.4tn yuan in August with corporate loans a major contributor to loan growth. Retail sales and industrial production growth also surprised on the upside, picking up more than expected in August offering telltale signs the China economy may be poised for a rebound.

- **Mixed outlook for policy decisions:** Fed, BOE and BOJ are also set to meet next week. Expectations is that BOE will raise its cash rate by 25bps to 5.50%, FOMC will maintain the fed funds rate at 5.25%-5.50% with scrutiny on the Fed dot plot and economic projections, Meanwhile, BOJ Governor Ueda's recent comment that spurred speculation of an end to ultra-loose monetary policy and negative interest rate era means investors will be closely watching next Friday's meeting. Data wise, US headline inflation reaccelerated more than expected to +3.7% y/y in August while core moderated to +4.3% y/y. On a m/m basis, prices gained pace (+0.6% vs July: +0.2%), with gasoline prices accounting for over half of the increase and keeping risk of another Fed rate hike in play. In fact, impact from higher energy prices was prevalent in economic data during the week. Core PPI was held in check, growing by 0.2% m/m in August but headline accelerated 0.7% m/m on energy. Retail sales also jumped 0.6% m/m also because of energy. Stripping this and autos, sales slowed to 0.2% m/m. Real average weekly earnings, meanwhile, picked up slightly to +0.3% y/y in August but declined m/m. Mortgage applications decreased 0.8% w/w for the week ended Sep 8 to its lowest level since 1996 driven by a 5.4% w/w drop in refinance applications. The NFIB Small Business Optimism index fell more than expected to 91.3 in August.

  In the UK, real GDP fell at its quickest pace in 7-months by 0.5% m/m in July, with the services sector contracting as cool and rainy weather tempered spending. Output was also dented as doctors, teachers and rail staff went on strike. Payrolled employees unexpectedly fell 1k in Aug, marking the second month of contraction, while the unemployment rate ticked up by 0.5ppts for the quarter ended July (Apr: 3.8%). This the highest since Sept 2021, yet annual growth in regular pay (excluding bonuses) was 7.8% y/y higher for the same period, its highest since comparable records began in 2001. The latest data reaffirms the view of a cooling labour market, but the strength of the wages will keep BOE on course to hike again in Sept. Japan's PPI, meanwhile, moderated for the 8th month to +3.2% y/y in August, while core machinery orders fell more than expected by 1.1% m/m and 13.0% y/y in July underpinned by the manufacturing sector,

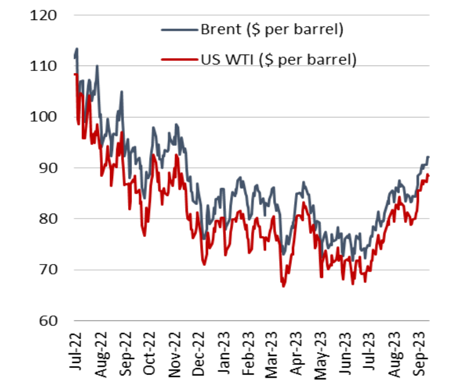
- **The week ahead:** S&P Is set to roll out the September Manufacturing and Services PMIs for the majors. US is housing data heavy, with the NAHB Housing Market Index, existing home sales, housing starts, housing permits and mortgage applications due to be released. Other indicators to watch out for include the leading index, jobless claims and New York Fed indices. Both the Eurozone and UK will release their consumer confidence and CPI numbers, but UK will also publish the PPI, retail sales, CBI Trends Total Orders as well as Rightmove House Prices. Only data from Japan is its CPI print, while Singapore will publish its NODX numbers Malaysia will be data heavy with CPI number, exports and foreign reserves indicators.

Wall Street was mild in early week awaiting US CPI data



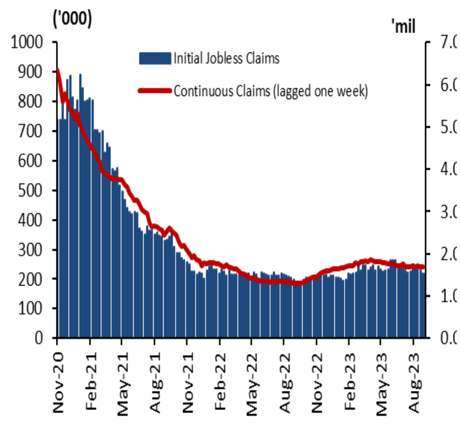
Source: Bloomberg

Oil prices scaled to their 10-month highs



Source: Bloomberg

Jobless claims ticked higher again



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/ MYR traded higher for a second straight week, advancing by 0.1% w/w (prior: +0.8%) to 4.6835, even as domestic industrial production in July unexpectedly grew on an annual basis. Against the rest of the G10 universe, the MYR was generally weaker, led by falls against AUD (-0.8%) and NZD (-0.7%) but versus its Asian peers, the MYR was a mixed bag, advancing versus the THB (+0.4%), but pulling back against the CNY (-0.8%) and SGD (-0.4%). We are ***Neutral-to-Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.62-4.72. Malaysia trade data for August is scheduled for release next week, as well as the CPI report for August.

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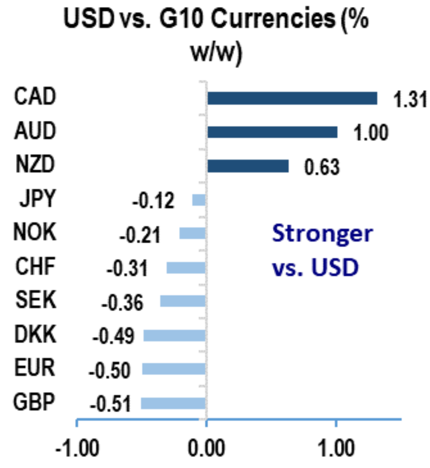
- **EUR**: The EUR traded lower for a second straight week, retreating by 0.5% w/w (prior: -1.4%) against the USD to 1.0643 as of Thursday's close, after the ECB hiked rates but signaled a likely end to their hiking cycle. We are ***Neutral-to-Slightly Bullish*** on EUR/ USD for the week ahead and foresee a likely trading range of 1.05-1.08. Domestically, Eurozone final CPI for August is scheduled for release, as is trade data and construction output for July, labour costs for 2Q, and consumer confidence numbers.

- **GBP**: GBP fell in trading this week, heading lower by 0.5% w/w (prior: -1.6%) versus the greenback to close at 1.2409 as of Thursday, after the UK's monthly estimate on GDP growth for July showed a larger contraction than expected, and an industry report suggested that house prices were also falling at a quicker rate than previously thought. We are ***Neutral-to-Slightly Bullish*** on the Cable next week, with a probable trading range of 1.225-1.265 seen. This coming week sees the release of CPI, PPI and RPI indices for August, where the market will be closely watching the core CPI in particular, which is expected to factor in to the Bank of England's rate decision towards the end of the week. At present, futures pricing indicates a 79% chance of a rate hike this coming Thursday.

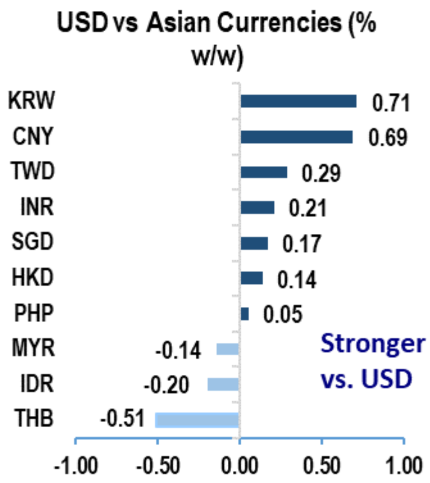
- **JPY**: The Japanese Yen inched lower versus the USD, falling by 0.1% (prior: -1.2%) to close at 147.47, versus 147.30 a week ago, as the pair was caught up in the broad USD strength for the week. The Yen had initially opened the week stronger after hawkish comments by BoJ Governor Ueda over the weekend with the USD/ JPY trading as low as 145.91, but lost ground again as the week went by. We remain ***Slightly Bearish*** on the USD/ JPY next week and expect a likely trading range of 144 -149. Quite a few key data releases during the week, including August trade numbers, national CPI figures, as well as preliminary Japan September PMI numbers, before the Bank of Japan meets to decide on policy at the end of the week.

- **AUD**: The AUD advanced this week, climbing by 1.0% w/w (prior: -1.7%) against the USD to 0.6440, buoyed by a strong domestic employment report for August, which saw an addition of more jobs than expected, and a relative lull in the flow of bad news out of China compared to prior weeks. Continuous increases in commodity prices also offered a biddish tone to Aussie and other commodity currencies like the NZD and CAD. We are ***Neutral-to-Slightly Bullish*** on AUD/ USD in the week ahead, and foresee a probable trading range of between 0.63-0.66. The minutes of the RBA September policy meeting are due next week, as are the preliminary Australia PMI numbers.

- **SGD**: The SGD traded higher this week, advancing by 0.2% w/w to 1.3635 vs the USD (prior: -1.1%), taking cue from a general move lower in USD/ ASIA this week. The SGD was a mixed bag against the other G10 currencies and major Asian peers, registering gains against GBP (+0.7%) and THB (+0.7%), but retreating against CAD (-1.1%) and KRW (-0.5%). We remain ***Neutral-to-Slightly Bearish*** on the USD/ SGD here, with a likely trading range of 1.3450-1.3750 seen for the coming week. Singapore trade data and electronic exports for August are scheduled for release next week.



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

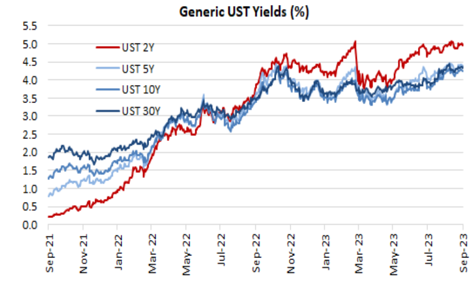
Fixed Income

- **UST:** For the week under review, US Treasuries were pressured over concerns ahead of the release of August inflation data which eventually was hotter-than-expected. Bonds were also dented by higher WTI and Brent futures and the "higher-for-longer" interest rate narrative coupled with supply pipeline totaling ~$99b of 3Y, 10Y and 30Y debt papers. August retail sales and headline PPI numbers that beat estimates were additional factors that impinged on bonds. The initial negative reaction to higher CPI data faded as levels and choppy price action alternated between emerging buyers and profit-taking activities soon thereafter. The curve shifted higher as overall benchmark yields closed higher between 4-6bps across. **The UST 2Y jumped the most by 6bps higher to 5.01% whilst the much-watched UST 10Y climbed 4bps instead to 4.29%** (the UST 10Y ranged a tad tighter yet higher between 4.25-4.29% levels). The Fed's reverse repo usage is below ~$1.5 trillion; the lowest seen since March 2022 when the Fed begun raising rates. Fed-dated OIS pricing currently reflects the near-certainty of rates staying pat at next week's FOMC meeting with a lower 32% probability of a 25bps rate hike instead in November's meeting. Meanwhile, expect bonds to trend cautiously next week ahead of the upcoming Fed's FOMC decision and dot plot updates.

- **MGS/GII:** W/w, local govvies which started the week on a bright note, succumbed mid-week before recovering yesterday to still end the week slightly weaker overall. Movements were closely-related to the US August inflation data which was released on Wednesday night. The curve shifted slightly upwards as overall benchmark yields closed 0-5bps higher across. **The benchmark 5Y MGS 4/28 inched 1bps higher at 3.64% whilst the 10Y MGS 11/33 edged 2bps up at 3.88%.** The average weekly secondary market volume increased by 10% to RM11.0b w/w with interest seen mainly in the off-the-run 24-25's, 29's, 34's and benchmarks 3Y MGS/GII, 10Y MGS/GII, 15Y MGS. The auction consisting of the 3Y GII 9/26 re-opening notched strong demand metrics on a 2.167 cover and awarded at 3.539%. Demand was seen mainly from participants such as inter-banks, DFI's, insurance companies and offshore FI's. Expect bonds to be supported by cautious bargain-hunting activities next week ~ ahead of FOMC meeting outcome and local data release encompassing August trade and CPI data.

- **MYR Corporate bonds/ Sukuk**: The week under review saw strong secondary market activity with **bulk of transactions in the GG-AA part of the curve; as yields closed mostly mixed-to-lower amid the sustained weekly secondary market volume of RM3.17b.** Topping the weekly volume was PRASA 8/42 bonds (GG) which edged 2bps up compared to previous-done levels at 4.27%, followed by LPPSA 4/39 (GG), which closed literally unchanged at 4.19%. Third was DANA 10/26 (also GG), which declined 10bps to 3.61%. Higher frequency of bond trades was seen in DANA, CAGA, DANGA, SEB, Alliance Bank callable bonds and UEM Sunrise. There were also multiple odd-lot transactions seen in bank-related i.e.; SABAH Dev Bank bonds. The prominent issuance for the week consisted of Cypark Renewable Energy Sdn Bhd's unrated 2120NC26 perps totaling RM100m with a coupon of 6.5%.

- **Singapore Government Securities:** SGS ranged sideways and closed mixed w/w somewhat undeterred by the higher yields notched by US Treasuries. The curve shifted higher as overall benchmark yields closed mixed between -5 to +2bps across. **The SGS 2Y yield ended edged 2bps higher at 3.50% whilst the SGS 10Y inched 1bps up at 3.24%** (the SGS 10Y ranged tighter but a tad higher between 3.18-3.25%). Singapore's sovereign bonds as measured by Bloomberg's Total Return Index unhedged SGD continued to fall by 0.3% (prior week: -0.3%). Elsewhere, HSBC had successfully launched its issuance of S$675m Tier-2 10.5NC5.5 subordinated bonds at an initial price guidance of 5.60% and priced at 5.30%. Also, Moody's Investor Service has revised the rating outlooks of Singapore Power Ltd, SP PowerAssets Ltd and SP Group Treasury Pte Ltd to stable from positive whose ratings are maintained at Aa1. Fitch Ratings too has affirmed OCBC's Mortgage Covered Bonds at AAA with a Stable Outlook.



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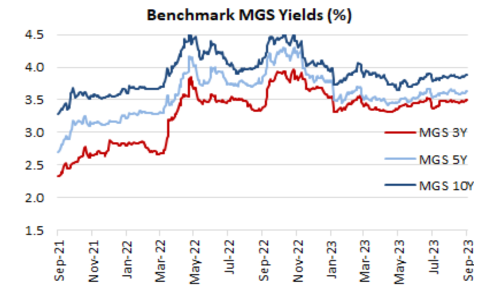

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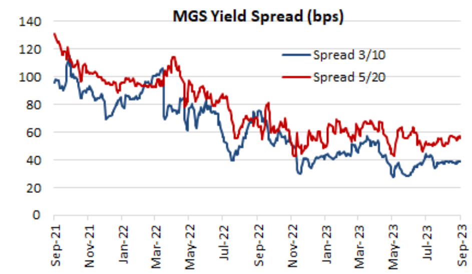

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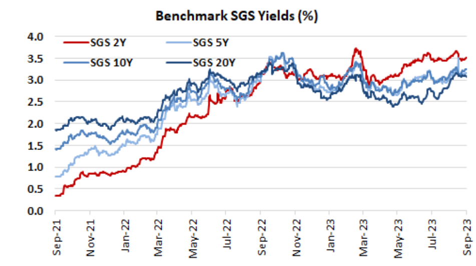

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Central Impression Sdn Bhd	Outstanding RM45.0 million Fixed Rate Serial Bonds	AA-/Stable	Affirmed
VS Capital Management Sdn Bhd	Islamic Medium-Term Notes (IMTN) Programme of up to RM1.0 billion	AA IS(cg)/Stable	Affirmed
Pengerang LNG (Two) Sdn Bhd	Islamic Medium-Term Notes (IMTN) Programme of up to RM3.0 billion	AAA IS/Stable	Affirmed
Tadau Energy Sdn Bhd	RM250 mil SRI Sukuk Programme (2017/2033)	AA3/Stable	Affirmed
SHC Capital Sdn Bhd	RM80 million issuance under its RM200 million Islamic Medium-Term Notes (Sukuk Wakalah) Programme	AA-IS/Stable	Affirmed
SAJ Capital Sdn Bhd	Sukuk Murabahah of up to RM650 million	AA-IS/Stable	Affirmed
Pengurusan Air Selangor Sdn Bhd	Islamic Medium-Term Notes Programme and Islamic Commercial Papers Programme	AAA/Stable and P1	Affirmed
Sunsuria Berhad	RM500.0 million Sukuk Wakalah Programme	A+ IS/Stable	Affirmed
Public Bank Berhad	Proposed RM20 bil Subordinated Medium-Term Notes Programme	AA1/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
18-Sep	7:01	UK	Rightmove House Prices YoY	Sep	-0.10%
	8:30	SI	Non-oil Domestic Exports YoY	Aug	-20.20%
	20:30	US	New York Fed Services Business Activity	Sep	0.6
	22:00	US	NAHB Housing Market Index	Sep	50
19-Sep	9:30	AU	RBA Minutes of Sept. Policy Meeting		
	12:00	MA	Exports YoY	Aug	-13.10%
	16:30	HK	Unemployment Rate SA	Aug	2.80%
	17:00	EC	CPI Core YoY	Aug F	5.30%
	20:30	US	Housing Starts MoM	Aug	3.90%
	20:30	US	Building Permits MoM	Aug	0.10%
20-Sep	7:50	JN	Exports YoY	Aug	-0.30%
	8:30	AU	Westpac Leading Index MoM	Aug	-0.03%
	9:15	CH	5-Year Loan Prime Rate		4.20%
	9:15	CH	1-Year Loan Prime Rate		3.45%
	14:00	UK	CPI Core YoY	Aug	6.90%
	14:00	UK	PPI Output NSA YoY	Aug	-0.80%
	14:00	UK	PPI Input NSA YoY	Aug	-3.30%
	19:00	US	MBA Mortgage Applications	Sep 15	-0.80%
21-Sep	2:00	US	FOMC Rate Decision (Upper Bound)		5.50%
	2:00	US	FOMC Rate Decision (Lower Bound)		5.25%
	19:00	UK	Bank of England Bank Rate		5.25%
	20:30	US	Initial Jobless Claims	Sep 9	1688k
	20:30	US	Philadelphia Fed Business Outlook	Sep	12
	22:00	US	Existing Home Sales MoM	Aug	-2.20%
	22:00	US	Leading Index	Aug	-0.40%
	22:00	EC	Consumer Confidence	Sep P	-16
22-Sep	7:00	AU	Judo Bank Australia PMI Mfg	Sep P	49.6
	7:00	AU	Judo Bank Australia PMI Services	Sep P	47.8
	7:01	UK	GfK Consumer Confidence	Sep	-25
	7:30	JN	Natl CPI Ex Fresh Food, Energy YoY	Aug	4.30%
	8:30	JN	Jibun Bank Japan PMI Mfg	Sep P	49.6
	8:30	JN	Jibun Bank Japan PMI Services	Sep P	54.3
	12:00	MA	CPI YoY	Aug	2.00%
	14:00	UK	Retail Sales Inc Auto Fuel MoM	Aug	-1.20%
	15:00	MA	Foreign Reserves		$112.5b
	16:00	EC	HCOB Eurozone Manufacturing PMI	Sep P	43.5
	16:00	EC	HCOB Eurozone Services PMI	Sep P	47.9
	16:00	EC	HCOB Eurozone Composite PMI	Sep P	46.7
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Sep P	43
	16:30	UK	S&P Global/CIPS UK Services PMI	Sep P	49.5
	18:00	UK	CBI Trends Total Orders	Sep	-15
	21:45	US	S&P Global US Manufacturing PMI	Sep P	47.9
	21:45	US	S&P Global US Services PMI	Sep P	50.5
		JN	BOJ Policy Balance Rate		-0.10%

Source: Bloomberg

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