Global Markets Research
Weekly Market Highlights

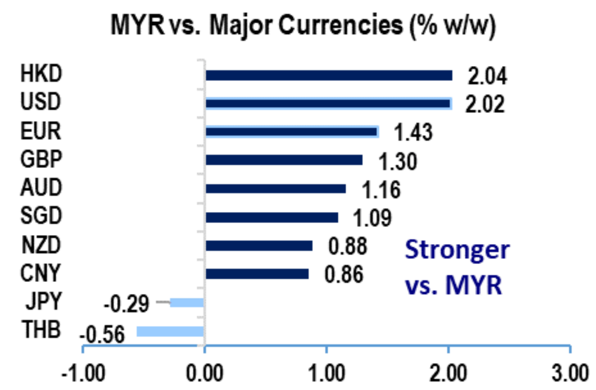
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	33,696.85	-0.01	1.66
S&P 500	4,090.41	0.22	6.53
FTSE 100	8,012.53	1.28	7.53
Hang Seng	20,987.67	-2.94	6.10
KLCI	1,484.26	1.34	-0.75
STI	3,311.23	-1.44	1.84
Dollar Index	103.86	0.62	0.32
WTI oil ($/bbl)	78.49	0.55	-2.21
Brent oil ($/bbl)	85.14	0.76	-0.90
Gold (S/oz)	1,842.00	-1.30	0.87

Source: Bloomberg

- **Economic data drove the market**: A volatile week with investor bracing and feeling the impact from stronger than retail sales data, higher than expected price push as well as Fed officials reopening the door to 50bps rate hike. All in, Wall Street closed slightly higher with S&P up 0.2% w/w, while NASDAQ gained 0.6% w/w. Dow Jones Industrial Average closed flat for the week. Oil still ended the week higher despite consecutive losses earlier in the week.
- **Next week data:** Key focus next week will be the release of the FOMC and RBA meeting minutes, on top of the slew of PMI prints, US 4Q GDP and core PCE. PBOC is also set to meet with expectations that they will leave the 5-year and 1 year loan prime rates unchanged at 4.30% and 3.65% respectively. On the fiscal side, Malaysian policy makers will be retabling the National Budget 2023.

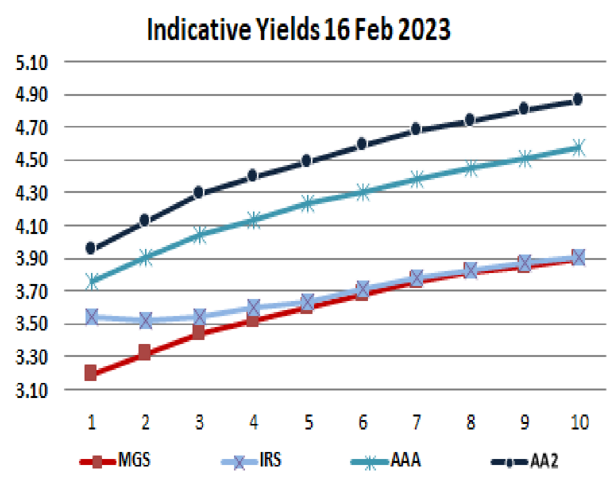
Forex



Source: Bloomberg

- **MYR:** USDMYR bulls continued to gain grounds, pushing the pair up almost 10 big figures to 4.4040 as at Thursday's close (prior 4.3162). The MYR weakened against the USD close to 2.0% w/w, in tandem with other G10 and regional currencies as revived Fed rate hike bets spurred a rally in the greenback. We maintain a ***Slightly Bullish*** view on USD/ MYR, expecting a range of 4.37-4.45 in the week ahead, as renewed Fed rate hike bets would continue to underpin USD strength, especially now odds of a 50bps hike by the Fed is back in the radar. Key domestic event risk will be the re-tabling of National Budget 2023 on 24 February. All eyes will be on fiscal measures and the resultant budget balance.
- **USD**: The USD rallied for the second straight week, with the DXY clinching a weekly gain of 0.6% to 103.86 on Thursday's close. A phenomenal retail sales data prints further raised expectations the Fed may ramp up its rate hike pace again. Fed speaks have remained hawkish with the latest from Fed Mester and Bullard, who put the case of a 50bps hike back on the table. We are therefore still ***Slightly Bullish*** on USD outlook in the week ahead, likely in a range of 103-105, barring any surprises from FOMC minutes and core PCE print.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries ended weaker as Fed-dated OIS saw hawkish-shift as policy peak premium spiked after the release of January inflation data. Overall benchmark yields jumped higher between 11-14bps across. **The UST 2Y yield rose 11bps to 4.59% whilst the much-watched UST 10Y (which ranged tighter but higher between 3.66-3.81%), jumped 13bps higher to 3.79%.** The US Treasury's auction consisting of $15b 20Y bond notched a decent BTC ratio of 2.54x (previous six auction average: 2.60x) and awarded at a yield of 3.977% (previous auction: 3.678%). Elsewhere, foreign holdings in UST's saw a net increase of $20b in December totaling ~$7.3 trillion. Current swaps pricing reveals a 60% probability of a 50bps rate hike in March FOMC. Meanwhile, expect bonds to range sideways next week as the bulk of news impacting bonds have been released for now, save for the PCE data next Friday.

- **MGS/GII:** Local govvies saw both MGS/GII close weaker w/w, on profit-taking activities and some earlier concerns over the release of US inflation data. The weaker MYR was also seen to have some impact on sentiment. Overall benchmark MGS/GII yields settled 0-12bps higher across, (save for the 3Y GII). **The benchmark 5Y MGS 11/27 spiked the rose by 5bps to 3.57% whilst the 10Y MGS 7/32 spiked the most by 12bps to 3.92%.** The average daily secondary market volume fell 36% w/w to ~RM3.7b w/w. The 20Y GII 8/43 auction saw strong bidding metrics as BTC notched at 2.662x and auction was awarded at 4.291%. Expect local govvies to also be range-bound as investors look ahead to the 3Y MGS auction exercise followed by the re-tabling of National Budget 2023 next Friday.

Macroeconomic Updates

- **Economic data drove the market:** A volatile week with investor bracing and feeling the impact from stronger than retail sales data, higher than expected price push as well as Fed officials reopening the door to 50bps rate hike. All in, Wall Street closed slightly higher with S&P up 0.2% , while NASDAQ gained 0.6% w/w. Dow Jones Industrial Average closed flat for the week. Oil price opened up the first day of the week before retreating for the rest as investors weighed more evidence of higher energy demand in China and large build in US crude stockpiles. Still, Brent managed to chalk up gain of 0.8%, whle WTI gained 0.6% w/w.

- **Economic growth posied to slow down:** In its latest forecast, the European Commission lifted its outlook for growth to 0.9% and 1.5% for 2023 and 2024, due to a mild winter and high levels of gas storage which helped to ease the energy crisis, strong labour market as well as improved economic sentiment. The UK economy, meanwhile, managed to dodge a technical recession in 4Q, posting no growth for the quarter (3Q: -0.2% q/q) as gains in demand were offset by a drop in net trade. Japan's economy also rebounded to +0.6% q/q as consumer spending improved helped by domestic travel spending. Singapore, on the other hand, revised its 4Q GDP downwards to 2.1% y/y and 0.1% q/q. The economy grew by 3.6% in 2022 and is expected to slow to 0.5%-2.5% in 2023. Growth in the Malaysian economy tapered off less than expected to 7.0% in 4Q, bringing full year growth to 8.7%. Growth in 4Q was underpinned by a combo of domestic demand, most notably private consumption, as well as a pick-up in net exports. Moving forward, the Malaysian economy is still expected to chart decent growth at the upper end of official forecast range of 4.0-5.0% in 2023.

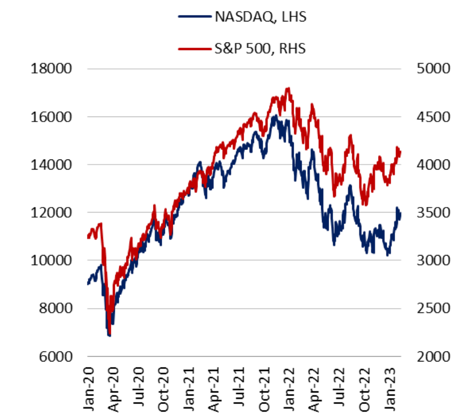
- **Inflation eased but remained elevated:** Focus this week was US CPI data which saw both headline and core inflation decelerating to the lowest since 2021 at +6.4% y/y and +5.6% y/y respectively. Year-ahead inflation expectation was mixed. University of Michigan's rebounded to 4.2%, New York Fed's January Survey of Consumer Expectations remained unchanged at 5.0%. In contrast, PPI logged the biggest m/m jump since June 2022 at +0.7% m/m. In the UK, both CPI and PPI, input and output also moderated to +10.1% y/y, +14.1% y/y and +13.5% y/y respectively. Similarly, Japan's PPI also decelerated more than expected to +9.5% y/y in January, while China PPI deflation deepened to -0.8% y/y due to softer commodity costs. Chinese CPI, nevertheless, accelerated to +2.1% y/y due to the Lunar New Year holiday and eased coronavirus prevention and control policies.

- **Strong wage growth not helping:** As it is, strong wage growth and solid labour market are fanning inflationary concerns but also supporting consumer spending at the same time. In the US, average weekly earnings grew 0.7% m/m, sending retail sales to grow at the strongest pace since March 2021. Intial jobless claims also fell 1k to 194k. Eurozone employment surged to a new record high in 4Q, expanding by 0.4% q/q. UK wages rose +6.7% y/y for the three months ended December, the fastest pace since record began in 2001. Data also showed that the economy kept adding jobs at a healthy pace of 74k, while unemployment rate held steady at 3.7%.

- **Next week data:** Key focus next week will be the release of the FOMC and RBA meeting minutes. PBOC is also set to meet with expectations that they will leave the 5-year and 1 year loan prime rates unchanged at 4.30% and 3.65% respectively. On the fiscal side, Malaysian policy makers will retable the National Budget 2023 on 24 February.

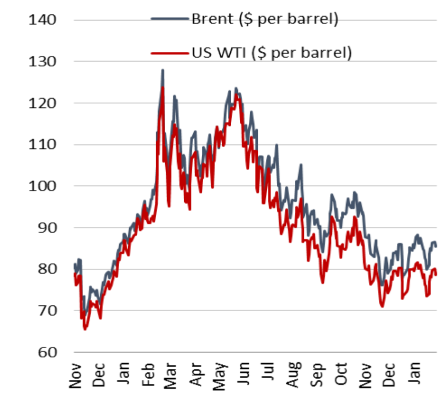
  In terms of economic data, S&P will release both the PMI-Services and Manufacturing preliminary numbers for February for US, Europe, UK and Japan. US will be data heavy. Housing indicators to watch out for include weekly mortgage applications, existing and new home sales. US will also release its 4Q (S) GDP and core PCE, while Kansas City, Philadelphia and Chicago Feds will release the non-manufacturing or national activity indices. On the consumers' side, there will be the weekly jobless claims and Michigan sentiment as well as personal income and spending. Europe will release it CPI data, consumer confidence and ZEW Survey Expectations. UK will publish the GfK consumer confidence and Rightmove house prices. Japan will be price focused with both producer and consumer inflation data scheduled. Similarly, Singapore will release its CPI data on top of IPI, while Malaysia is set to release the CPI, trade and foreign reserves numbers.

Stock markets pared gains and ended in the red



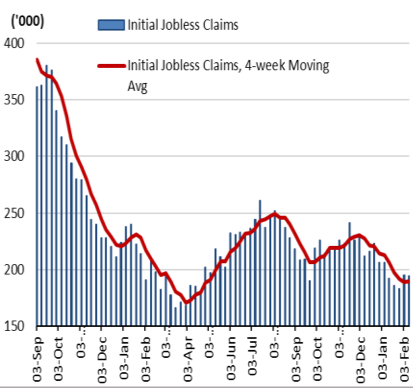
Source: Bloomberg

Oil prices fell for the past 3-4 days but still ended the week higher



Source: Bloomberg

Initial jobless claims dipped slightly



Source: Bloomberg

Foreign Exchange

- **MYR:** USDMYR bulls continued to gain grounds, pushing the pair up almost 10 big figures to 4.4040 as at Thursday's close (prior 4.3162). The MYR weakened against the USD close to 2.0% w/w, in tandem with other G10 and regional currencies as revived Fed rate hike bets spurred a rally in the greenback. The stronger than expected Malaysia GDP print did little to reverse MYR's fortunes. We maintain a ***Slightly Bullish*** view on USD/ MYR, expecting a range of 4.37-4.45 in the week ahead, as renewed Fed rate hike bets would continue to underpin USD strength, especially now odds of a 50bps hike by the Fed is back in the radar. Key domestic event risk will be the retabling of National Budget 2023 on 24 February. All eyes will be on fiscal measures and the resultant budget balance.

- **USD**: The USD rallied for the second straight week, with the DXY clinching a weekly gain of 0.6% to 103.86 on Thursday's close. The greenback maintained its broad rally against all the G10 and major Asian currencies (except HKD), as a phenomenal retail sales data print further raised expectations the Fed may ramp up its rate hike pace again. Fed speaks have remained hawkish with the latest from Fed Mester and Bullard, who put the case of a 50bps hike back on the table. We are therefore still ***Slightly Bullish*** on USD outlook in the week ahead, likely in a range of 103-105, barring any surprises from FOMC minutes and core PCE print. Other key US data to watch include second reading of US GDP, Uni Michigan inflation expectations, PMIs, and home sales.

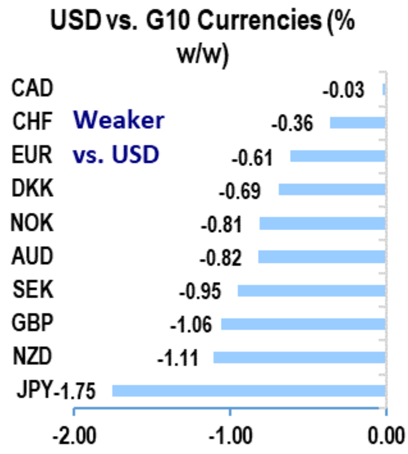
- **EUR**: EUR/ USD was sold off for a second straight week as expected, weakening 0.6% w/w to 1.0670 against a rebounding USD, but still fared better than most G10 peers. This could be attributable to a positive print in 4Q GDP that showed the Eurozone avoided a recession, as well as an upgrade in growth forecast for the region by the European Commission, while inflation forecasts was tweaked slightly lower. We maintain our ***Slightly Bearish*** outlook for EUR/ USD is in the week ahead, amid expectations for continued bullishness in the USD. PMI, CPI and ZEW surveys will be key data watch in the region for the week ahead. Barring any surprises, we expect EUR/ USD to trade in a range of 1.05-1.08 next week.

- **GBP**: Weakness in the sterling stayed extended as expected. It depreciated 1.1% w/w vs the USD at 1.1986 as at Thursday's close. Weaker fundamentals in the UK economy which could bind BOE's policy tightening path vis-à-vis other peers, coupled with a lower-than-expected CPI print, are expected to continue dampen GBP outlook. Outlook of GBP/ USD remains ***Bearish***, on both fundamental and technical grounds, likely in a range of 1.18-1.21 in the week ahead. The UK data docket is less heavy limited to PMI, GfK consumer confidence and Nationwide house prices.

- **JPY**: The JPY underperformed all G10s for a second week in a row, as a combo of USD strength and BOJ succession uncertainties exerted pressure on the JPY. The JPY lost 1.8% w/w to 133.97 against the greenback, slightly below the week-high of 134.46. Looking into the week ahead, USD/ JPY is expected to sustain its ***Bullish*** trajectory, in a range of 131-135. Japanese CPI, PPI, PMI, machine tool orders and department store sales will be the key data releases to watch on the domestic front.

- **AUD**: Aussie tracked broad weaknesses in major currencies and fell 0.8% w/w vs the USD to close at 0.6877 on Thursday, after having traded in a range of 0.6840 and 0.7029 but hanging on to the 0.69 big figure for the most part of the week. Aussie job data surprised on the downside while RBA quarterly statement sounded hawkish with an upward revision in inflation and wage growth forecasts, providing some support. We continue to expect ***Slight Bearishness*** in the AUD/ USD potentially in a range of 0.67-0.70 in the week ahead. RBA minutes will be the key event risk, in addition to PMI and Westpac leading index.

- **SGD**: SGD weakened against the USD in line with regional currencies. It settled Thursday's close at 1.3361 vs the USD, down 0.8% w/w, but it traded mixed against other G10s, stronger against the JPY, NZD, GBP, SEK and AUD. The slight downward revision in 4Q GDP coupled with the budget announcement appeared to have little lasting impact on SGD. We continue to expect the USD/ SGD to trade on a ***Slightly Bullish*** note in the week ahead eyeing a range of 1.33-1.35. Following another weak NODX print this morning, CPI and industrial production will be scrutinized next.



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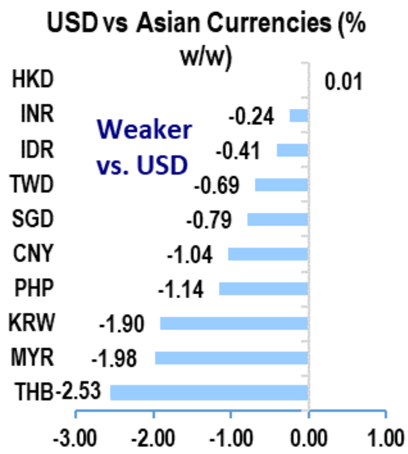


Source: Bloomberg

Forecasts

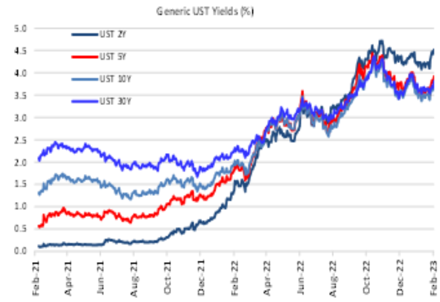
	Q1-23	Q2-23	Q3-23	Q4-23
DXY	101.4	100.9	99.9	98.9
EUR/USD	1.09	1.10	1.10	1.10
GBP/USD	1.22	1.23	1.23	1.23
AUD/USD	0.69	0.69	0.70	0.71
USD/JPY	128	127	127	126
USD/MYR	4.38	4.36	4.32	4.27
USD/SGD	1.32	1.30	1.28	1.26
USD/CNY	6.93	6.93	6.90	6.83

	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

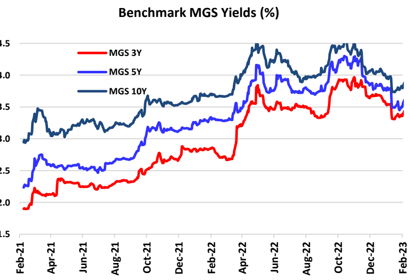
Fixed Income

- **UST:** For the week under review, US Treasuries ended weak following as Fed-dated OIS saw hawkish-shift as policy peak premium spiked after the release of still-elevated January inflation data. The heavy IG corporate issuance slate including Amgen's jumbo $24b offering also weighed on the curve. Overall benchmark yields jumped higher between11-14bps across. **The UST 2Y yield rose 11bps to 4.59% whilst the much-watched UST 10Y (which ranged tighter but higher between 3.66-3.81%), jumped 13bps higher to 3.79%**. The US Treasury's auction consisting of $15b 20Y bond notched a decent BTC ratio of 2.54x (previous six auction average: 2.60x) and awarded at a yield of 3.977% (previous auction: 3.678%). Elsewhere, foreign holdings in UST's saw a net increase of $20b in December totaling ~$7.3 trillion; led mainly by the UK. Current swaps pricing reveals a 60% probability of a 50bps rate hike in March FOMC, whilst peak terminal rates are now seen at ~5.25% in June. Meanwhile, expect bonds to range sideways next week as the bulk of news impacting bonds have been released for now, save for the PCE data next Friday.



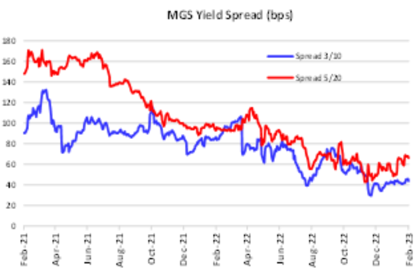
Source: Bloomberg

- **MGS/GII:** Local govvies saw both MGS/GII close weaker w/w, on the lack of new leads, profit-taking activities, and some earlier concerns over the release of US inflation data. The weaker MYR was also seen to have some impact on sentiment. Overall benchmark MGS/GII yields settled 0-12bps higher across, (save for the 3Y GII). **The benchmark 5Y MGS 11/27 spiked the rose by 5bps to 3.57% whilst the 10Y MGS 7/32 spiked the most by 12bps to 3.92%.** The average daily secondary market volume fell 36% w/w to ~RM3.7b w/w with interest seen mainly in the off-the-run 23's and benchmark 3Y, 5Y, 7Y MGS/GII, 10Y GII. The 20Y GII 8/43 auction saw strong bidding metrics with participation mainly from pension funds and insurance companies. BTC notched at 2.662x and auction was awarded at 4.291%. Expect local govvies to also be range-bound on low volumes as investors look ahead to the auction exercise consisting of re-issue of RM5.5b of 3Y MGS 7/26 followed by the re-tabling of National Budget 2023 next Friday.



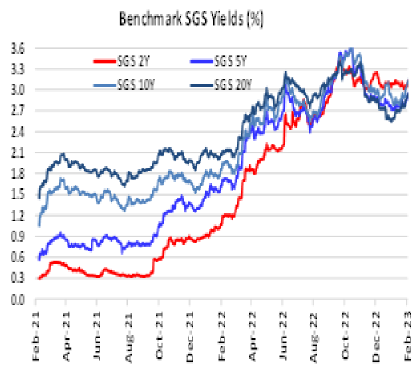
Source: Bloomberg

- **MYR Corporate bonds/ Sukuk**: The week under review saw reasonably strong investor appetite despite the generally weaker underlying govvies performance. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly mixed instead amid a slight 7% decrease in average daily market volume from RM573 to RM534m.** Topping the weekly volume were IMTIAZ 5/29 bonds (AA2) which rose 5bps compared to previous-done levels to 4.41%, followed by PLUS 34 (AAA) which edged 2bps up at 4.63%. This was followed by energy-related bonds i.e. SEB 2024 bonds (AAA) which also edged 2bps higher at 3.74%. Higher frequency of bond trades was seen in DANAINFRA, PLUS, BPMB and IMTIAZ bonds. There were varied odd-lot transactions seen in TROPICANA, UEM Sunrise, YNH Properties bonds and banking names like UOB, Sabah Development and AFFIN Islamic papers. The prominent issuances for the week consisted of CAGAMAS Berhad's AAA-rated 2Y papers totaling RM120m with a coupon rate of 3.77% and Sabah Credit Corporation's RM145m AA1-rated 5Y bonds with a coupon rate of 4.33%.



Source: Bloomberg

- **Singapore Government Securities:** SGS were pressured and seen influenced by UST movements w/w; as overall benchmark yields closed higher between 10-16bps. The SGS 2Y yield spiked the most by 16bps to 3.22% whilst the SGS 10Y jumped 10bps higher to 3.17% (the SGS 10Y ranged higher but tighter between 3.06-3.19%). Singapore's sovereign bonds continued to post a slightly larger loss of ~0.8% w/w versus loss of 0.6% prior week. Meanwhile, the SGD was seen to decline during the week, following slower economic growth for the republic. The government is expected to narrow its fiscal deficit in the year commencing April from an earlier 0.3% to a revised 0.1% in its annual budget speech earlier this week. Meanwhile, non-call risks for Singapore's banks with callable AT1'a are expected to reduce based on the robust capital reserves which should cushion credit risks. Elsewhere, Fitch Ratings has affirmed Greenko Energy Holdings' (Greenko) Long-Term Foreign-Currency Issuer Default Rating at 'BB' with Outlook remaining at Negative. Meanwhile, the Straits Trading has successfully received overwhelming bids for its S$370m secured exchangeable 5Y bonds with a coupon of 3.25%. Also, Genting Singapore's long-term rating was affirmed by Moody's at A3.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
State of Kuwait	Foreign currency sovereign rating	AAA/Stable	Affirmed
Solarpack Suria Sungai Petani Sdn Bhd	Proposed ASEAN Green SRI Sukuk Wakalah of up to RM305 mil (2023/2043)	AA2/Stable	Assigned
Silver Sparrow Berhad	RM515 mil Guaranteed MTN Programme (2011/2023).	AAA(FG)/AAA(BG)/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
20-Feb	8:01	UK	Rightmove House Prices MoM	Feb	0.90%
	9:15	CH	5-Year Loan Prime Rate		4.30%
	9:15	CH	1-Year Loan Prime Rate		3.65%
	12:00	MA	Imports YoY	Jan	12.00%
	12:00	MA	Trade Balance MYR	Jan	27.76b
	12:00	MA	Exports YoY	Jan	6.00%
	23:00	EC	Consumer Confidence	Feb P	-20.9
21-Feb	6:00	AU	Judo Bank Australia PMI Mfg	Feb P	50
	6:00	AU	Judo Bank Australia PMI Services	Feb P	48.6
	8:30	AU	RBA Minutes of Feb. Policy Meeting		
	8:30	JN	Jibun Bank Japan PMI Mfg	Feb P	48.9
	8:30	JN	Jibun Bank Japan PMI Services	Feb P	52.3
	17:00	EC	S&P Global Eurozone Manufacturing PMI	Feb P	48.8
	17:00	EC	S&P Global Eurozone Services PMI	Feb P	50.8
	17:30	UK	S&P Global/CIPS UK Manufacturing PMI	Feb P	47
	17:30	UK	S&P Global/CIPS UK Services PMI	Feb P	48.7
	18:00	EC	ZEW Survey Expectations	Feb	16.7
	21:30	US	Philadelphia Fed Non-Manufacturing Activity	Feb	-6.5
	22:45	US	S&P Global US Manufacturing PMI	Feb P	46.9
	22:45	US	S&P Global US Services PMI	Feb P	46.8
	23:00	US	Existing Home Sales MoM	Jan	-1.50%
22-Feb	7:30	AU	Westpac Leading Index MoM	Jan	-0.13%
	7:50	JN	PPI Services YoY	Jan	1.50%
	8:30	AU	Wage Price Index QoQ	4Q	1.00%
	15:00	MA	Foreign Reserves	15-Feb	115.2bn
	20:00	US	MBA Mortgage Applications	17-Feb	-7.70%
23-Feb	3:00	US	FOMC Meeting Minutes		
	8:30	AU	Private Capital Expenditure	4Q	-0.60%
	13:00	SI	CPI YoY	Jan	6.50%
	16:30	HK	CPI Composite YoY	Jan	2.00%
	18:00	EC	CPI YoY	Jan F	8.50%
	21:30	US	Chicago Fed Nat Activity Index	Jan	-0.49
	21:30	US	GDP Annualized QoQ	4Q S	2.90%
	21:30	US	Initial Jobless Claims	18-Feb	194k
	21:30	US	Continuing Claims	11-Feb	1696k
24-Feb	0:00	US	Kansas City Fed Manf. Activity	Feb	-1
	7:30	JN	Natl CPI YoY	Jan	4.00%
	8:01	UK	GfK Consumer Confidence	Feb	-45
	12:00	MA	CPI YoY	Jan	3.80%
	13:00	SI	Industrial Production YoY	Jan	-3.10%
	21:30	US	Personal Income	Jan	0.20%
	21:30	US	Personal Spending	Jan	-0.20%
	21:30	US	PCE Core Deflator YoY	Jan	4.40%

23:00	US	New Home Sales MoM	Jan	2.30%
23:00	US	U. of Mich. Sentiment	Feb F	66.4
23:00	US	U. of Mich. 1 Yr Inflation	Feb F	4.20%
23:00	US	U. of Mich. 5-10 Yr Inflation	Feb F	2.90%
0:00	US	Kansas City Fed Services Activity	Feb	-11

Source: Bloomberg