18 August, 2023

Global Markets Research

Weekly Market Highlights

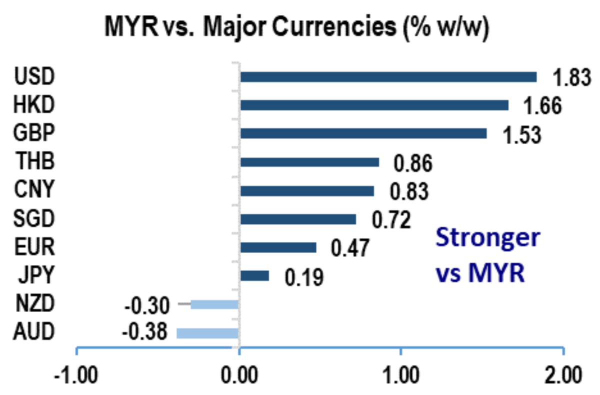
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	34,474.83	-1.99	4.01
S&P 500	4,370.36	-2.20	13.83
FTSE 100	7,310.21	-4.05	-1.90
Hang Seng	18,326.63	-2.98	-7.35
KLCI	1,447.98	4.29	-3.18
STI	3,196.75	-0.33	-1.68
Dollar Index	103.57	1.02	0.05
WTI oil ($/bbl)	80.39	-2.93	0.16
Brent oil ($/bbl)	84.12	-2.64	-2.08
Gold (S/oz)	1,884.10	-1.58	3.17
CPO (RM/ tonne)	3,798.50	1.13	-6.16
Copper ($$/MT)	8,235.50	-1.79	-1.63
Aluminum($/MT)	2,145.50	-2.65	-0.74

Source: Bloomberg
**For the period 11-16 Aug for CPO*

- **Weak China data weighed on overall sentiment:** Growing pessimism over China's economic outlook weighed on both the equities and commodities market during the week. Wall Street was also weighed down by concerns over upside risks to inflation which has sent long-term UST yields spiralling upwards, pushing S&P 500 down for three straight days and closing the week 2.2% w/w weaker. Dow Jones and Nasdaq also lost 2.0% and 2.9% w/w respectively.
- **Next week:** We expect the People's Bank of China to lower its 1Y and 5Y loan prime rates by 15bps each to 3.40% and 4.05% when they meet next week. In terms of economic indicators, S&P is set to release a string of Manufacturing and Services PMIs for the majors. In the US, we will also be watching out for the new and existing home sales data, mortgage applications, durable and capital orders, jobless claims well as Uni of Michigan's final consumer sentiment index for the month of August. The Chicago Fed, Kansas City, Philadelphia and Richmond will also release their district indices. Singapore and Malaysia will release their respectively price indicators. On top of this, Malaysia will publish its reserves data and Singapore, its IPI data for July.

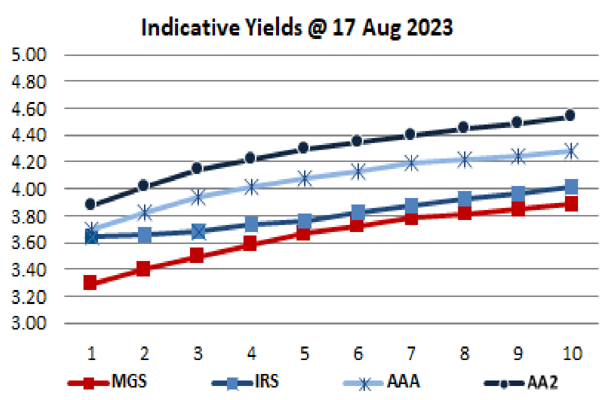
Forex



Source: Bloomberg

- **MYR:** USD/ MYR headed higher for a third straight week, surging by 1.8% w/w (prior: +0.3%) to 4.6543 versus the previous week's close of 4.5705, as a stream of bad news and economic data out of China gave the USD a bid tone, and drove the USD/ MYR higher along with the USD/ CNH. The MYR was also largely lower versus the rest of the majors and Asian peers, with the exceptions versus the AUD (+0.4%), NZD (+0.3%) and KRW (+0.1%). We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.58 to 4.68. The general USD direction and also what happens in USD/ CNH is also expected to continue to influence trading in USD/ MYR.
- **USD**: The USD traded higher this week, with the DXY rising by 1.0% to close Thursday at 103.57 from the 102.52 level a week ago, after the minutes of the latest FOMC showed that the Fed remains concerned over upside risks to US inflation, and weaker than expected data out of China caused a risk-off tone that gave the USD a bid. We are ***Neutral-to-Slightly Bearish*** on the USD next week, with some consolidation expected after the recent run up, and expect the DXY to trade in a range of 101–105. Next week sees the release of July home sales data and durable goods orders, as well as preliminary S&P Global US PMI numbers for August, amidst a rather light Fed-speak calendar.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries sold-off from a myriad of factors that included the weaker performance of gilts, surprised upside seen in both US July PPI and retail sales and strong IG issuance slate. The renewed chatters that the Fed is not likely done hiking rates going forward based on the minutes of the Fed's FOMC meeting on 25-26th July also dented bonds. The curve was slightly steeper as overall benchmark yields jumped higher between 9-17bps across. Foreign holdings of USTs rose in June to ~$7.56 trillion from ~$7.52 trillion; with Japan increasing its portfolio by ~$1.11 trillion. Meanwhile, **expect bonds to range sideways as investors mull US monetary policy going forward.**
- **MGS/GII:** Local govvies closed weaker post-state election; influenced by higher IRS yields during the week arising from uncertainty over monetary policy in the US and hawkish vibes from FOMC minutes. The curve was slightly steeper as overall benchmark yields ended 2-6bps higher across (save for the long bond). The average weekly secondary market volume jumped by a healthy 37% w/w to ~RM17.8b with interest seen mainly in the off-the-run 23-25's, 28's, 32's and benchmarks 3Y, 5Y, 10Y MGS/GII. The auction consisting of RM5.0b of 5Y MGS 4/28 disappointed with BTC ratio coming in at a mere 1.768x whilst being awarded at 3.647%. **Expect bonds to be better-bid next week in view of the just-released weaker 2Q2023 GDP data release.**

Macroeconomic Updates

- **Weak China data weighed on overall sentiment:** Growing pessimism over China's economic outlook weighed on both the equities and commodities market during the week. Wall Street was also weighed down by concerns over upside risks to inflation which has sent long-term UST yields spiralling upwards, sending S&P 500 sliding for three days and closing the week 2.2% w/w weaker. Dow Jones and Nasdaq also lost 2.0% and 2.9% w/w respectively. Simiarly, oil prices slid between 2.6%-2.9% w/w despite indicators showing tigher inventories and even after the International Energy Agency (IEA) raising its forecast for global demand by 2.2 mb/d to 102.2 mb/d in 2023. As it is, data have showed high demand from Asian refineries while inventory stockpile in the US has fallen by nearly 6m barrels last week.

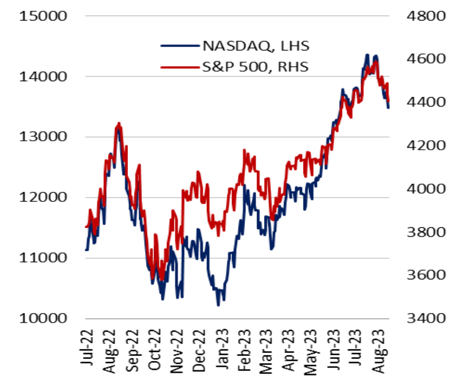
- **China cut 1Y MLF unexpectedly:** Key highlight of the week was the People's Bank of China (PBoC) unexpectedly slashing its 1Y medium-term lending facility rate (MLF) by 15bps to 2.50%. At the same time, the 7-day reverse repo rate was cut by 10bps and with this, we expect the central bank to lower its 1Y and 5Y loan prime rates by 15bps each to 3.40% and 4.05% when they meet next week. The surprised move came amidst a slew of disappointing data for the month of July. IPI and retail sales slowed to +3.7% y/y and +2.5% y/y respectively, while jobless rate inched up to 5.3%. Aggregate financing plunged to 0.5tn yuan, the lowest since at least 2017 when the series began. Fixed asset investments moderated to 3.4% YTD. New home prices also contracted for the second month, worsening to -0.2% m/m in July with prices rising in only 20 cities as compared to 31 previously. In tandem with this, the Stats Bureau said that domestic demand remains "insufficient" and that the economy's recovery foundation still needs to be strengthened. As such, officials will "step up macroeconomic policy adjustment and focus on expanding domestic demand, lifting confidence and preventing risks."

- **FOMC minutes flagged upside risks to inflation:** Key highlight from the latest FOMC minutes were a couple of participants who favoured leaving the target range for the Fed funds rate unchanged, while most participants continued to see significant upside risks to inflation, which could require further tightening of monetary policy. On this note, US headline and core PPI accelerated to +0.3% m/m each in July, with services costs registering its largest gain since August 2022. Real economic data, meanwhile, was resilient. Manufacturing output rose for the first time in three months by 0.5% m/m in July, led by a surge in motor-vehicles, while consumer spending held up with retail sales expanding by +0.7% m/m. Sales were driven by a jump in spending at online retailers. Housing data was mixed, with housing starts and building permits rebounding to +3.9% m/m and 0.1% m/m. On the flip side, mortgage applications fell for the fourth week, contracting by 0.8% w/w for the week ended Aug 11, while the NAHB Housing Market Index, a measure of builder confidence unexpectedly retreated to 50 in August as rising mortgage rates, high construction costs, a lack of buildable lots and ongoing shortages of distribution transformers put a chill on builder sentiment.

- **UK data suggests another rate hike in September:** Data from the UK generally surprised on the upside. Monthly GDP picked up more than expected to +0.5% m/m in June and is now estimated to be 0.8% above its pre-COVID levels. In tandem with this, data also showed that the economy accelerated to its strongest pace in more than a year by +0.2% q/q in 2Q, contributed by consumption, both household and government on the demand side and manufacturing on the supply side. Wage growth, meanwhile, accelerated to its fastest pace on record, jumping by +7.8% y/y for the three months ended June and adding concerns that a still tight labour market could keep inflationary pressures elevated. As it is, inflation although moderated to +6.8% y/y in July, this is still well over the Bank of England's target of 2% and as such, there is no change in our view that the central bank will raise its policy rate by another 25bps when they next meet in September.

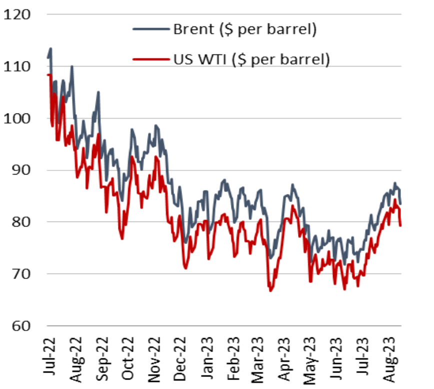
- **The week ahead:** S&P is set to release a string of Manufacturing and Services PMIs for the majors during the week. In the US, we will also be watching out for the new and existing home sales data, mortgage applications, durable and capital orders, jobless claims well as Univ of Michigan's final consumer sentiment index for the month of August. The Chicago Fed, Kansas City, Philadelphia and Richmond will also release their district indices. Europe and UK will be data light with consumer confidence for the former and Rightmove House Prices, CBI Trends Total Orders and Reported Sales for the former. Japan, Singapore and Malaysia will release their respectively price indicators. On top of this, Malaysia will publish its reserves data and Singapore, its IPI data for July.

Wall Street was dragged lower by higher UST yields



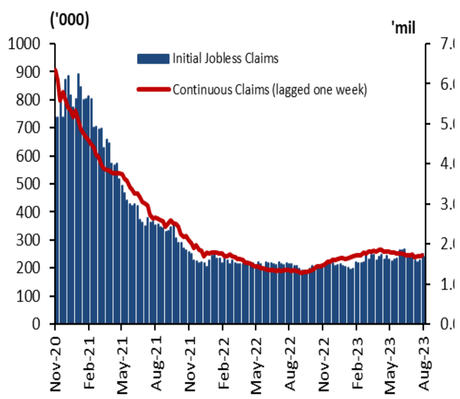
Source: Bloomberg

Oil prices fell as China fears overshadowed tighter supply



Source: Bloomberg

Jobless claims fell more than expected in a sign of a resilient labour market



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/ MYR headed higher for a third straight week, surging by 1.8% w/w (prior: +0.3%) to 4.6543 versus the previous week's close of 4.5705, as a stream of bad news and economic data out of China gave the USD a bid tone, and drove the USD/ MYR higher along with the USD/ CNH. The MYR was also largely lower versus the rest of the majors and Asian peers, with the exceptions versus the AUD (+0.4%), NZD (+0.3%) and KRW (+0.1%). We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.58 to 4.68. With little in the way of economic data domestically next week, the general USD direction and also what happens in USD/ CNH is also expected to continue to influence trading in USD/ MYR.

- **USD**: The USD traded higher this week, with the DXY rising by 1.0% to close Thursday at 103.57 from the 102.52 level a week ago, after the minutes of the latest FOMC showed that the Fed remains concerned over upside risks to US inflation, and weaker than expected data out of China caused a risk-off tone that gave the USD a bid. We are ***Neutral-to-Slightly Bearish*** on the USD next week, with some consolidation expected after the recent run up, and expect the DXY to trade in a range of 101–105. Next week sees the release of July home sales data and durable goods orders, as well as preliminary S&P Global US PMI numbers for August, amidst a rather light Fed-speak calendar.

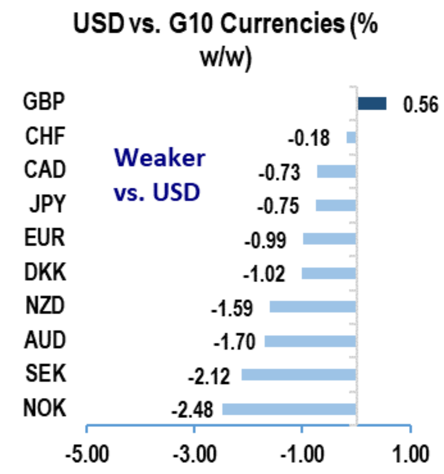
- **EUR**: The EUR retreated this week, falling by 1.0% w/w (prior: +0.3%) against the greenback to 1.0872 as of Thursday's close, despite better than expected Eurozone industrial production numbers and improving investor confidence as suggested by the ZEW survey, as USD strength dominated trading in the pair. We are ***Neutral*** on EUR/ USD for the week ahead and see a likely trading range of 1.0700-1.1050. Domestically, we are due to get the preliminary August PMI report for the Eurozone and consumer confidence numbers, as well as the final CPI prints for the region for July.

- **GBP**: GBP advanced this week for the first week in five, trading higher by 0.6% w/w (prior: -0.3%) versus the USD to close at 1.2747 as of Thursday, after the UK economy unexpectedly grew in 2Q, and data on inflation and wages surprised on the upside, strengthening the case for yet more rate hikes by the Bank of England. We are ***Neutral-to-Slightly Bullish*** on the Cable next week, with trading likely to be in a range of 1.26-1.30. The preliminary UK PMI figures for August and the July retail sales report are likely to be the focus of markets next week, with data on house prices, public finances and consumer confidence also due for release.

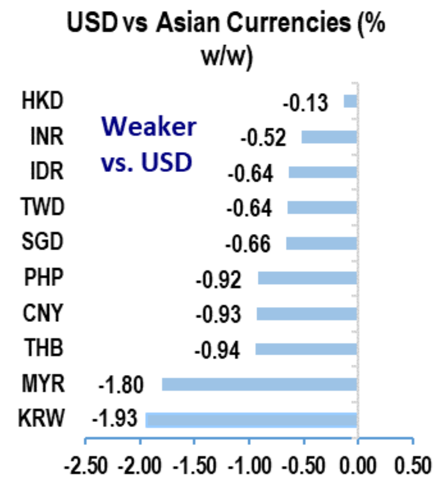
- **JPY**: The Japanese Yen declined for a third week on the trot, falling by 0.8% vs the USD to close at 145.84 following last week's 1.5% fall, even as Japanese 2Q GDP growth came in at a whopping annualized pace of 6.0% q/q. The details of the GDP report revealed that the growth was export led rather than domestically driven, and raised questions on domestic prospects going forward, leading to a fall in the currency. We are ***Slightly Bearish*** on the USD/ JPY next week and expect a trading range of 143 -148. After the national CPI numbers came out as expected earlier this morning, the preliminary Japan PMI numbers is the only key release in the week ahead.

- **AUD**: The AUD declined for a fifth week running, falling by 1.7% w/w (prior: -0.6%) against the USD to 0.6404, after the Australian economy unexpectedly lost jobs in July, and negative news and data out of China also weighed on the Aussie. We are ***Neutral-to-Slightly Bullish*** on AUD/ USD in the week ahead, and foresee a likely trading range of between 0.63-0.66. Technically, the currency pair is deep in oversold territory, suggesting that we are due to see some correction higher from these levels. With not much in terms of economic data due next week save for the preliminary Australian PMI numbers for August, trading in the pair is likely to be led by news flow out of China, and the directionality of the USD at large.

- **SGD**: The SGD fell for a fifth straight week, declining by 0.7% w/w to 1.3584 vs the USD (prior: -0.6%) after a downward revision in Singapore 2Q GDP, and a larger than expected fall in non-oil exports, which was weighed down by continuing weakness in shipments of electronics. The SGD was mixed against the other G10 currencies and major Asian peers, advancing versus the NOK (+1.8%) and KRW (+1.3%), but retreating against the GBP (-1.2%) and HKD (-0.5%). We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD here, with a trading range of 1.34-1.37 seen for the week ahead. Domestically, Singapore CPI for July is the only key economic release scheduled for release.



Source: Bloomberg



Source: Bloomberg

Forecasts

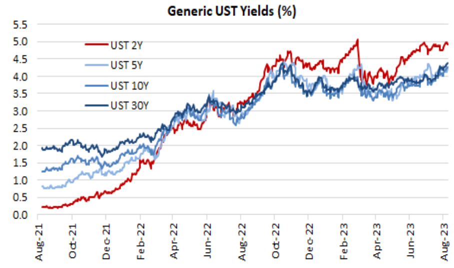
	Q3-23	Q4-23	Q1-24	Q2-24
DXY	102	101	100	99
EUR/USD	1.11	1.12	1.14	1.12
GBP/USD	1.29	1.31	1.33	1.30
AUD/USD	0.67	0.68	0.68	0.69
USD/JPY	141	139	136	133
USD/MYR	4.69	4.64	4.60	4.55
USD/SGD	1.35	1.34	1.33	1.33
USD/CNY	7.16	7.07	6.99	6.90

	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

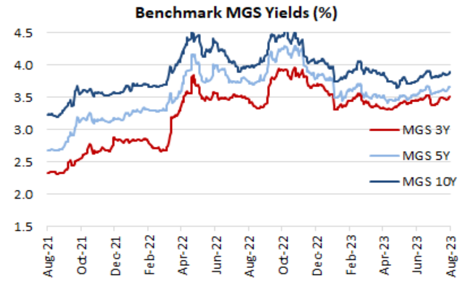
Fixed Income

- **UST:** For the week under review, US Treasuries sold-off from a myriad of factors that included the weaker performance of gilts, surprise upside seen in both US July PPI and retail sales and strong IG issuance slate. The renewed chatters that the Fed is not likely done hiking rates going forward based on the minutes of the Fed's FOMC meeting on 25-26th July also dented bonds. The curve was slightly steeper as overall benchmark yields jumped higher between 9-17bps across. **The UST 2Y yield rose 9bps to 4.93% whilst the much-watched UST 10Y spiked 17bps 4.28%** (the UST 10Y ranged higher between 4.19-4.27% levels). Traders and investors were seen assessing fresh inflation concerns as both CPI and PCE data remain above the Fed's 2.0% target. Elsewhere, foreign holdings of USTs rose in June to ~$7.56 trillion from ~$7.52 trillion; with Japan increasing its portfolio by ~$1.11 trillion. Meanwhile, expect bonds to range sideways as investors mull US monetary policy going forward.



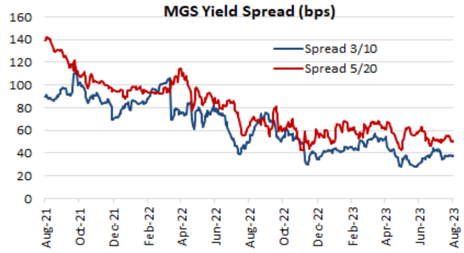
Source: Bloomberg

- **MGS/GII:** W/w, local govvies closed weaker post-state election in six (6) states; influenced by higher IRS yields during the week arising mainly from uncertainty over monetary policy in the US and hawkish vibes released from the recent Fed FOMC meeting minutes. The curve was slightly flatter as overall benchmark yields ended 2-6bps higher across (save for the long bond). **The benchmark 5Y MGS 4/28 yield jumped 7bps higher to 3.66% whilst the 10Y MGS 11/33 rose 5bps to 3.88%.** The average weekly secondary market volume jumped by a healthy 37% w/w to ~RM17.8b with interest seen mainly in the off-the-run 23-25's, 28's, 32's and benchmarks 3Y, 5Y, 10Y MGS/GII. The auction consisting of RM5.0b of 5Y MGS 4/28 disappointed with BTC ratio coming in at a mere 1.768x whilst being awarded at 3.647%. Expect bonds to be better-bid next week in view of the just-released weaker 2Q2023 GDP data release.



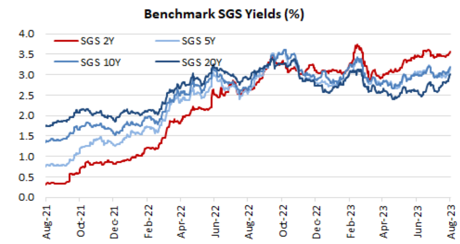
Source: Bloomberg

- **MYR Corporate bonds/ Sukuk**: The week under review saw stronger activity in the secondary market with **bulk of transactions in the GG-AA part of the curve; as yields closed again mostly mixed amid a 64% increase in weekly secondary market volume of RM3.6b.** Topping the weekly volume was DANA 7/34 bonds (GG) which declined 7bps compared to previous-done levels at 4.01%, followed by SEB 7/33 (AAA) which edged 1bps down to 4.15%. Third was DRB Hicom 12/29(GG), which spiked 31bps to 5.34%. Higher frequency of bond trades was seen in DANA, PRASA, CAGAMAS, ALR, DANUM, PLUS, EDRA, SEB, IMTIAZ, RP HYDRO and YTL Power. There were also multiple odd-lot transactions seen in bank-related i.e.; SABAH Dev Bank, Alliance Bank bonds and YNH Properties bonds. The prominent issuance for the week consisted of MY E.G. Services Berhad's AA3-rated 3Y papers totaling RM50m with a coupon of 5.4%.



Source: Bloomberg

- **Singapore Government Securities:** SGS closed sharply weaker w/w in tandem with UST movements, as investors digested events and data releases in the US. The curve steepened as overall benchmark yields closed higher between 8-21bps across. **The SGS 2Y yield jumped 8bps higher at 3.55% whilst the SGS 10Y spiked 17bps instead to 3.20%** (the SGS 10Y ranged tighter but wider between 3.08-3.20%). Singapore's sovereign bonds as measured by Bloomberg's Total Return Index unhedged SGD however continued to go deeper into negative territory @-1.4% (prior week: -0.1%). Elsewhere, Erajaya Digital Ltd had successfully priced its S$50m 3Y papers (guaranteed by Credit Guarantee & Investment Facility) at a Par to Yield of 4.5%. Also, Lloyds Banking Group Plc has issued S$500m 10NC5 Tier-2 notes (rated Baa1/BBB+ by Moody's/Fitch) at 5.25%. Elsewhere Asian Dollar IG spreads may be expected to remain tight in view of a dearth of issuances in the current elevated interest rate environment.



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
F&N Capital Sdn Bhd	Islamic Medium-Term Notes (IMTN) and Islamic Commercial Papers (ICP) programmes with a combined limit of up to RM3.0 billion	AAA IS (cg) /MARC-1 IS (cg)/table	Affirmed
Yinson Holdings Berhad	Corporate credit ratings Islamic Medium-Term Notes (IMTN) Programme of up to RM1.0 bil	A1/Stable/P1 A1/Stable	Affirmed Affirmed
JB Cocoa Sdn Bhd	Islamic Medium-Term Notes (Sukuk Wakalah) programme of up to RM500.0 million	A+IS/Stable	Affirmed
Sepangar Bay Power Corporation Sdn Bhd	RM575 mil Nominal Value Sukuk Murabahah	AA1/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
21-Aug	7:01	UK	Rightmove House Prices MoM	Aug	-0.20%
	9:15	CH	5-Year Loan Prime Rate		4.20%
	9:15	CH	1-Year Loan Prime Rate		3.55%
	16:30	HK	CPI Composite YoY	Jul	1.90%
22-Aug	15:00	MA	Foreign Reserves		$112.9b
	18:00	UK	CBI Trends Total Orders	Aug	-9
	20:30	US	Philadelphia Fed Non-Manufacturing Activity	Aug	1.4
	22:00	US	Existing Home Sales MoM	Jul	-3.30%
	22:00	US	Richmond Fed Manufact. Index	Aug	-9
	22:00	US	Richmond Fed Business Conditions	Aug	-8
23-Aug	7:00	AU	Judo Bank Australia PMI Mfg	Aug P	49.6
	7:00	AU	Judo Bank Australia PMI Services	Aug P	47.9
	8:30	JN	Jibun Bank Japan PMI Mfg	Aug P	49.6
	8:30	JN	Jibun Bank Japan PMI Services	Aug P	53.8
	13:00	SI	CPI YoY	Jul	4.50%
	16:00	EC	HCOB Eurozone Manufacturing PMI	Aug P	42.7
	16:00	EC	HCOB Eurozone Services PMI	Aug P	50.9
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Aug P	45.3
	16:30	UK	S&P Global/CIPS UK Services PMI	Aug P	51.5
	19:00	US	MBA Mortgage Applications	Aug 18	-0.80%
	21:45	US	S&P Global US Manufacturing PMI	Aug P	49
	21:45	US	S&P Global US Services PMI	Aug P	52.3
	22:00	US	New Home Sales MoM	Jul	-2.50%
	22:00	EC	Consumer Confidence	Aug P	-15.1
24-Aug	16:30	HK	Exports YoY	Jul	-11.40%
	18:00	UK	CBI Total Dist. Reported Sales	Aug	-17
	20:30	US	Initial Jobless Claims	Aug 19	239k
	20:30	US	Chicago Fed Nat Activity Index	Jul	-0.32
	20:30	US	Durable Goods Orders	Jul P	4.60%
	23:00	US	Kansas City Fed Manf. Activity	Aug	-11
25-Aug	7:30	JN	Tokyo CPI YoY	Aug	3.20%
	7:50	JN	PPI Services YoY	Jul	1.20%
	12:00	MA	CPI YoY	Jul	2.40%
	13:00	SI	Industrial Production YoY	Jul	-4.90%
	22:00	US	U. of Mich. Sentiment	Aug F	71.2
	22:00	US	U. of Mich. 1 Yr Inflation	Aug F	3.30%
	22:00	US	U. of Mich. 5-10 Yr Inflation	Aug F	2.90%
	23:00	US	Kansas City Fed Services Activity	Aug	-1
25-31 Aug		VN	CPI YoY	Aug	2.06%
		VN	Exports YoY	Aug	-3.50%
		VN	Industrial Production YoY	Aug	3.70%
		VN	Retail Sales YoY	Aug	7.10%

Source: Bloomberg

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