20 October, 2023

Global Markets Research

Weekly Market Highlights

Markets

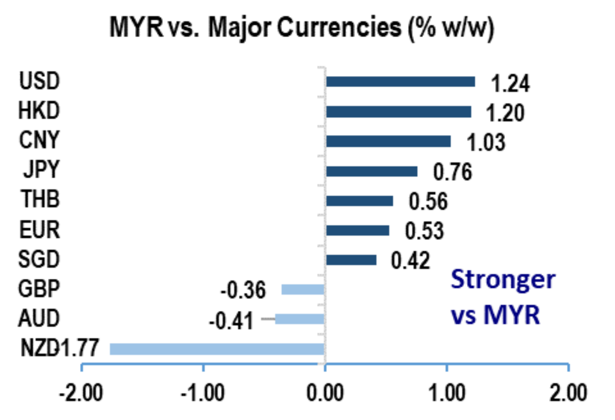
	Last Price	WOW%	YTD %
Dow Jones Ind.	33,414.17	-0.65	0.81
S&P 500	4,278.00	-1.65	11.42
FTSE 100	7,499.53	-1.90	0.64
Hang Seng	17,295.89	-5.17	-12.56
KLCI	1,442.66	-0.08	-3.53
STI	3,099.60	-3.70	-4.67
Dollar Index	106.25	-0.32	2.64
WTI oil ($/bbl)	89.37	7.79	11.35
Brent oil ($/bbl)	92.38	7.42	7.53
Gold (S/oz)	1,968.40	5.30	7.79
CPO (RM/ tonne)	3,747.00	4.97	-7.44
Copper ($$/MT)	7,993.00	0.03	-4.53
Aluminum($/MT)	2,185.00	-0.68	15.09

Source: Bloomberg

** For the period 12-18 Oct for CPO*

- **Impact from the Middle East conflict felt:** On top of the corporate earnings rolled out throughout the week, the US equity markets were largely driven by sentiment and fears of a wider regional conflict in the Middle East. Stock markets see-sawed, but ultimately ended lower by 0.7% w/w for Dow Jones, 1.7% w/w for S&P 500 and 2.9% w/w for Nasdaq as investors turned risk averse Markets also whipsawed on Thursday following Federal Reserve Chair Jerome Powell's speech where he initially suggested that Fed is unlikely to raise interest rates again in November, but later said that he did not see evidence that the policy rate is too tight right now.
- **The week ahead:** Preliminary October S&P PMIs for the manufacturing and services sector for the majors are on deck next week. US will be data heavy with 3Q GDP due to be released together with September's PCE prices. Data from the consumer front will include personal sending, income, and the final University of Michigan's consumer sentiment for October. Housing data will include mortgage applications, new and pending home sales, while wholesale inventories, trade balance, durable and capital goods orders are on deck for the business front. Chicago, Richmond, Kansas City and Philadelphia Fed are expected to publish their regional Fed indices.

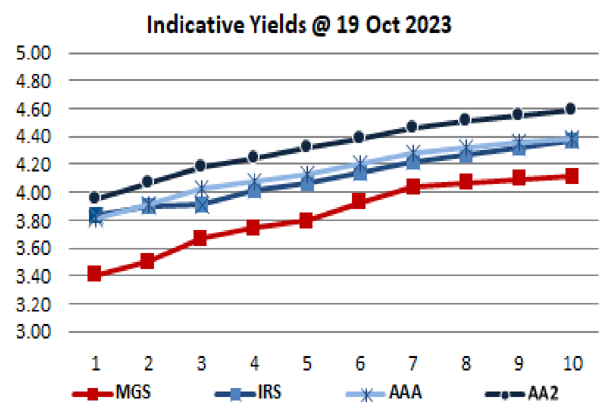
Forex



Source: Bloomberg

- **MYR:** USD/ MYR traded higher this week, advancing by 1.2% w/w (prior: -0.3%) to 4.7700, representing a 25-year high for the pair, on US yields continuing to head higher and investors focusing on the rate differential between the countries. We are ***Neutral*** on USD/ MYR in the week ahead, and see a likely trading range of 4.74-4.80. Although the pair is looking overbought in the short term, the USD is expected to continue to benefit from save haven flows arising from the deteriorating geopolitical situation. CPI for September is the only data release in the coming week, which the market expects to tick up slightly from the 2.0% y/y rate we saw in August.
- **USD**: The Dollar Index fell slightly this week after three weeks of gains, declining by 0.3% w/w (prior: +0.3%) to 106.25 as of Thursday's close, after Fed chair Powell suggested that the Fed will keep rates on hold this coming policy meet, as they continue to assess the impact of previous rate hikes and tightening financial conditions. We are ***Neutral*** on the greenback here, and see a likely trading range of 104.50-108.00 in the week ahead. No Fed-speak scheduled for the week ahead given the blackout period preceding the FOMC meet on Nov 2, but plenty of key data releases on the horizon, including the preliminary US PMIs for October, US 3Q advanced GDP, durable goods orders, new home sales, as well as personal incomes and spending and the core PCE deflator for September.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** For the week under review, flight-to-quality bids seen last Friday evaporated as US Treasuries underwent a major sell-off thereafter due to robust September retail sales and Fed Chair Powell's statement that the central bank may keep rates steady at the next FOMC meeting. Nevertheless, he stated that a future rate hike is possible whilst maintaining the "higher for longer" narrative. The curve bear-steepened as overall benchmark yields ended higher between 9-29bps across. **The UST 2Y jumped 9bps higher to 5.17% whilst the much-watched UST 10Y spiked 29bps to 4.99%**. Expect bonds to be range-bound next week with intermittent support on bargain-hunting opportunities following the recent steep fall.
- **MGS/GII:** W/w, local govvies ended weaker following the tabling of National Budget 2024; over supply concerns for the remainder of six (6) issuances for 2023 whilst the government is determined to reduce Treasury Bills issuances upon their maturities as seen in July, August, September and now October. The higher IRS mid-levels seen and weaker UST movements also dented MYR bonds. The curve shifted higher as overall benchmark yields spiked between 5-14bps across. **The benchmark 5Y MGS 4/28 rose 5bps to 3.78% whilst the 10Y MGS 11/33 spiked 10bps to 4.12%.** The average weekly secondary market volume fell ~14% to ~RM11.8b w/w with interest seen mainly in the off-the-run 24-25's, 27's, and benchmarks 5Y MGS/GII, 10Y MGS/GII, 20Y GII. Expect bonds to trend sideways next week following slight bargain-hunting activities.

Macroeconomic Updates

- **Impact from the Middle East conflict felt:** On top of the corporate earnings rolled out throughout the week, the US equity markets were largely driven by sentiment and fears of a wider regional conflict in the Middle East. Stock markets see-sawed, but ultilmately ended lower by 0.7% w/w for Dow Jones, 1.7% w/w for S&P 500 and 2.9% w/w for Nasdaq as investors turned risk averse. Markets also whipsawed on Thursday following Federal Reserve Chair Jerome Powell's speech where he initially suggested that Fed is unlikely to raise interest rates again in November, but later said that he didn't see evidence that the policy rate is too tight right now. Similarly, impact from the Israel-Hamas war was also felt in the crude oil market, sending Brent and WTI up 7.4% w/w and 7.8% w/w respetively on supply disruption concerns. Prices were only slightly tempered by the International Energy Agency saying that risks of disruption to oil supply are limited and after US suspended some restrictions on Venezuela in return for freer elections.

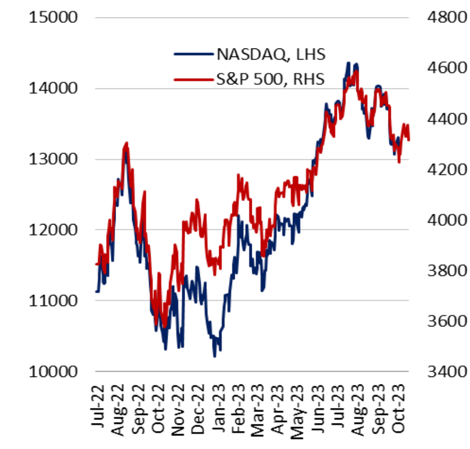
- **PBoC maintained rates, ramped up liquidity:** As widely expected, the People's Bank of China (PBoC) left the 1Y medium term lending facility (MLF) rate unchanged at 2.50%. At the same time, PBoC ramped up liquidity support, pumping 289bn yuan of fresh liquidity into the banking system, the most since December 2020. The move comes amidst news that Beijing is considering a new round of stimulus to help the economy achieve its 5% target this year. Data from China this week, meanwhile, was mixed, pointing to a stabilising but still uneven economy. China's economy grew at a faster-than-expected clip of +4.9% y/y in 3 (2Q: +6.3% y/y) while on a q/q basis, GDP growth accelerated to 1.3% q/q. Growth was supported by a pick-up in consumer spending as data showed that retail sales accelerated to +5.5% y/y in September. Jobless rate improved to 3.1%, while IPI held steady at +4.5% y/y despite still sluggish export numbers (-6.2% y/y). Aggregate financing accelerated to 4.1 trillion yuan on the back of rapid issuance of government bonds to fund infrastructure projects and stronger mortgage lending. This, is however, not in line with the 9.1% y/y plunge in property investment YTD. CPI, meanwhile, remained flat for September due to lower food prices, household goods and tourism-related prices. The contraction in PPI, meanwhile, narrowed to -2.5% y/y, the lowest since March.

- **ECB expected to maintain rates next week:** Other from PBoC, RBA also released minutes to its latest monetary policy meeting. Highlights include RBA reiterating that some further tightening of policy may be required and that the Board has a low tolerance for a slower return of inflation to target than currently expected. Members also expect that rents would be an ongoing source of inflationary pressure over the year ahead. On a trade-weighted basis, the AUD was only slightly lower than at the start of the year and is the relevant measure for imported inflation. Labour market has also reached a turning point. Next week, the ECB is set to meet and we expect policy makers to maintain the main refinancing rates unchanged at 4.50% for this meeting and for the rest of the year. Data this week, meanwhile, showed thar IPI jumping more than expected by 0.6% m/m in August driven by a rebound in capital and durable consumer goods. Trade surplus in the euro area widened to €6.7bn in August on lower energy imports as the en bloc pivoted away from Russia. ZEW Investor Confidence stabilised and turned positive at +2.3.

- **US data suggests still weak housing market, resilient consumer spending:** Key market mover during the week was the retail sales data which beat expectations to grow by 0.7% m/m in October. Cars boosted headline, while gas also supported sales. This is despite data from the University of Michigan showing that consumer sentiment retreated to 63.0 fo the same month. In the manufacturing sector, IPI also topped forecasts at 0.3% m/m in September, with the manufacturing output rebounding to expand by +0.4% m/m. Housing data continued to paint a soft housing market in September. The contraction in existing-home sales worsened to -2.0% m/m. At 3.96m, this is the lowest since 2010. While housing starts rebounded to +7.0% m/m, forward looking indicator building permits declined 4.4% m/m. Mortgage applications also fell 6.9% w/w for the week ended October 13 to their lowest level since 1995 as the 30Y fixed mortgage rate increased for the sixth week to 7.70%. Stubbornly high mortgage rates also hammered building confidence, sending the NAHB Housing Market Index to its lowest since January at 40 in October. Lastly but not least, the Leading Index fell by -0.7%. Although the six-month growth rate in the LEI is less negative (-3.4% vs -4.6%) and did not signal recession, it still indicates risk of economic weakness ahead.

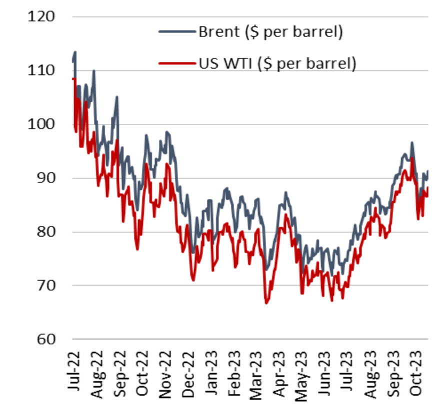
- **The week ahead:** Preliminary October S&P PMIs for the manufacturing and services sector for the majors are on deck next week. US will be data heavy with 3Q GDP due to be released together with September's PCE prices. Data from the consumer front will include personal sending, income, and the final University of Michigan's consumer sentiment for October. Housing data will include mortgage applications, new and pending home sales, while wholesale inventories, trade balance, durable and capital goods orders are on deck for the business front. Chicago, Richmond, Kansas City and Philadelphia Fed are expected to publish their regional Fed indices. Only data from Eurozone is consumer confidence and from UK, its labour data and CBI indices. Japan will release its leading index number as well as Tokyo inflation rate, while China it's industrial profits figures. Singapore will be data heavy from its CPI, IPI to unemployment rate.

Sentiment largely swayed by the Middle East conflict



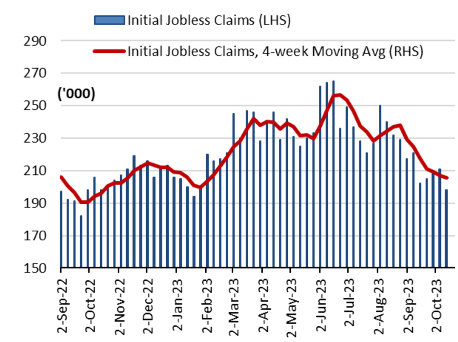
Source: Bloomberg

Oil prices lifted by concerns over the Israel-Hamas conflict



Source: Bloomberg

Jobless claims fell to 9-month low, but continuing claims rose to its highest since July



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Foreign Exchange

- **MYR:** USD/ MYR traded higher this week, advancing by 1.2% w/w (prior: -0.3%) to 4.7700, representing a 25-year high for the pair, on US yields continuing to head higher and investors focusing on the rate differential between the countries. We are ***Neutral*** on USD/ MYR in the week ahead, and see a likely trading range of 4.74-4.80. Although the pair is looking overbought in the short term, the USD is expected to continue to benefit from save haven flows arising from the deteriorating geopolitical situation. CPI for September is the only data release in the coming week, which the market expects to tick up slightly from the 2.0% y/y rate we saw in August.

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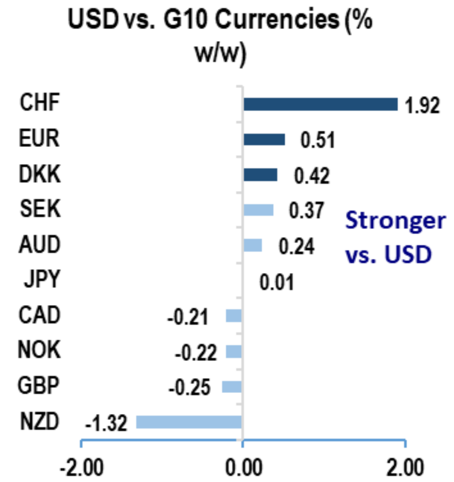
- **EUR**: The EUR advanced this week, breaking 3 weeks on continuous declines, as it traded higher by 0.5% w/w (prior: -0.2%) to 1.0582 versus the greenback, after a better-than-expected ZEW survey, with sentiment supported by signs that interest rates have peaked in the region. We are ***Neutral-to-Slightly Bearish*** on the EUR/USD in the week ahead, and foresee a trading range of 1.04 to 1.07. Eurozone consumer confidence and the preliminary PMIs for September are due in the week ahead, and the ECB will meet to decide on policy, where they are expected to leave rates unchanged this time round.

- **GBP**: GBP fell for a seventh week on the trot, declining by 0.3% w/w (prior: -0.1%) against the USD to 1.2144 as at Thursday's close, after an employment report showed a slower rate of labour earnings growth than expected, and that the number of payrolled employees unexpectedly declined for the month. We are ***Neutral-to-Slightly Bearish*** on the Cable next week, with a possible range of 1.19-1.23 seen for the week. Domestically for the week ahead, UK retail sales and the labour market report for September are due, as are the preliminary UK PMIs and consumer confidence.

- **JPY**: The Japanese Yen was little changed for the week (prior: -0.9%) against the USD, closing the week at 149.80 as of Thursday, a pip lower than 149.81 the previous week. Japanese industrial production for August continued to decline, but this was offset by a better-than-expected trade report for September, which showed a trade surplus, buoyed by rising exports of cars and medical supplies. We are ***Neutral-to-Slightly Bearish*** on the USD/ JPY here, with it continuing to trade around the level where the BoJ was said to be last intervening, and expect it to be in a range of 148-151 in the week ahead. For the coming week, preliminary Japan PMIs are due, along with department store sales numbers for September.

- **AUD**: The AUD advanced this week, trading higher by 0.2% w/w (prior: -0.9%) against the USD to 0.6329 as of Thursday's close, after the monthly labor market report showed a still rather resilient labor market, with an unexpected decline in the unemployment rate, despite the economy adding less jobs than expected for the month. We remain ***Neutral to Slightly Bullish*** on AUD/ USD this coming week, as the 0.63 area on the pair which was previously a strong support level continues to hold, and foresee a possible range of 0.62-0.65. Next week sees the release of CPI numbers for September as well as 3Q, and preliminary Australia PMIs for October are also due.

- **SGD**: The SGD fell versus the greenback for a third consecutive week, with a 0.2% w/w loss vs the USD to 1.3728 from 1.3701 the week before, despite the better-than-expected 3Q GDP growth and non-oil domestic exports for September, as trading in the pair was dominated by the move lower in the Asian currencies universe against the USD for the week. The SGD was generally weaker too against the rest of the G10 universe, with the exception being against the NZD (+1.1%). Against major regional peers, the currency was mixed, gaining versus the likes of KRW (+1.2%) and MYR (+1.0%), but losing ground against the INR (-0.2%) and HKD (-0.2%) We remain ***Neutral-to-Slightly Bearish*** on the USD/ SGD this coming week, with a probable trading range of 1.355-1.385 seen. Quite a bit of data coming out domestically in the week ahead, with CPI, the unemployment rate and industrial production for September all due for release.



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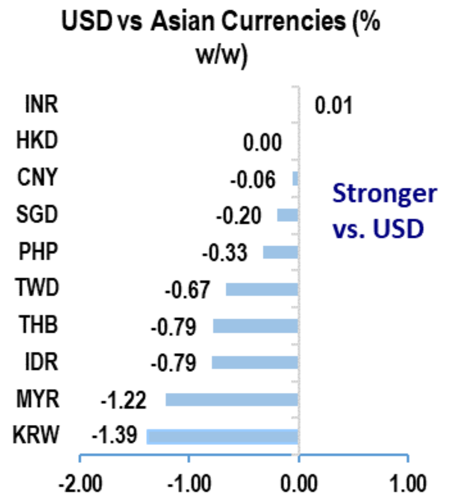


Source: Bloomberg

Forecasts

	Q4-23	Q1-24	Q2-24	Q3-24
DXY	107	107	106	105
EUR/USD	1.04	1.04	1.04	1.05
GBP/USD	1.20	1.20	1.20	1.21
AUD/USD	0.64	0.65	0.66	0.67
USD/JPY	150	147	144	141
USD/MYR	4.74	4.69	4.65	4.60
USD/SGD	1.38	1.37	1.35	1.34
USD/CNY	7.33	7.24	7.15	7.06

	Q4-23	Q1-24	Q2-24	Q3-24
EUR/MYR	4.91	4.86	4.84	4.82
GBP/MYR	5.67	5.61	5.58	5.56
AUD/MYR	3.04	3.05	3.07	3.08
SGD/MYR	3.44	3.44	3.44	3.44
CNY/MYR	0.65	0.65	0.65	0.65

Source: HLBB Global Markets Research

HongLeong Bank

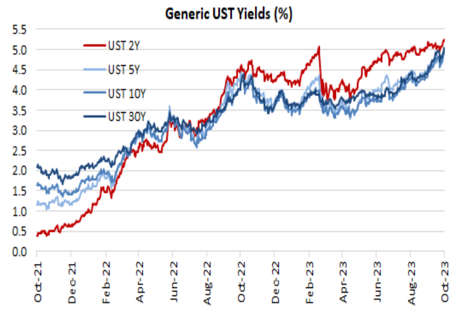
Fixed Income

- **UST:** For the week under review, flight-to-quality bids seen last Friday evaporated as US Treasuries underwent a major sell-off thereafter due to robust September retail sales (which underlined the strength in consumer demand), an active corporate issuance slate and Fed Chair Powell's statement that the central bank may keep rates steady at the next FOMC meeting. Nevertheless, he stated that a future rate hike will be kept on the table whilst maintaining the "higher for longer" narrative. The curve bear-steepened as overall benchmark yields ended higher between 9-29bps across. **The UST 2Y jumped 9bps higher to 5.17% whilst the much-watched UST 10Y spiked 29bps to 4.99%** (the UST 10Y ranged higher yet wider between 4.71-4.99% levels). To recap, inflation has been strong with September CPI showing an annual increase of 3.7%; a tad higher than the earlier forecast of 3.6%. Also, the recent string of weak US Treasury auctions was seen as a departure from previous strong trend of appetite. Elsewhere, Fed-dated OIS reflects a mere probability of 2% for a 25bps rate hike in the upcoming FOMC meeting in November; with a 25% chance thereafter in the December meeting. Expect bonds to be range-bound next week with intermittent support on bargain-hunting opportunities following the recent steep fall.

- **MGS/GII:** W/w, local govvies ended weaker following the tabling of National Budget 2024; over supply concerns for the remainder of six (6) issuances for 2023 whilst the government is determined to reduce Treasury Bills issuances (MITB's) upon their maturities as seen in July, August, September and now October. The higher IRS mid-levels seen and weaker UST movements also dented MYR bonds. The curve shifted higher as overall benchmark yields spiked between 5-14bps across. **The benchmark 5Y MGS 4/28 rose 5bps to 3.78% whilst the 10Y MGS 11/33 spiked 10bps to 4.12%.** The average weekly secondary market volume fell ~14% to ~RM11.8b w/w with interest seen mainly in the off-the-run 24-25's, 27's, and benchmarks 5Y MGS/GII, 10Y MGS/GII, 20Y GII. Bonds are seen to provide a vital role as the financing instrument for programme and projects featured under the National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) and the mid-term review of the 12th Malaysia Plan. Expect bonds to trend sideways next week following slight bargain-hunting activities.

- **MYR Corporate bonds/ Sukuk**: The week under review saw secondary market activity sustain despite the lower activity and weakness seen in govvies. **The bulk of transactions were in the GG-AA part of the curve; as yields closed mostly mixed-to-higher again amid a mere 1.4% rise in average weekly secondary market volume to RM2.90b.** Topping the weekly volume was PLUS 37 bonds (AAA) which saw yields close 3bps higher compared to previous-done levels at 4.51%, followed by DANA 5/46 (GG) which spiked 19bps to 4.59%. Third was another DANA 11/25 tranche (GG), which rose 9bps to 3.66%. Higher frequency of bond trades was seen in DANA, PLUS and YTL Power bonds. There were also multiple odd-lot transactions seen in bank-related AFFIN Islamic Bank, Bank Muamalat, SABAH Dev Bank bonds and MRCB20PERP bonds. The prominent issuances for the week consisted of Affin Islamic Bank Bhd's A1-rated 2033NC28 bonds totaling RM500m with a coupon rate of 4.66% and Bank ISLAM Malaysia Bhd's A1-rated 2033NC28 bonds amounting to RM400m with a coupon of 4.70%.

- **Singapore Government Securities:** SGS closed weaker w/w mirroring the sell-off seen in US Treasuries; with the curve shifting higher as overall benchmark yields spiked between 6-13bps across. **The SGS 2Y yield climbed 6bps higher to 3.68% whilst the SGS 10Y spiked the most i.e.; by 13bps to close at 3.42%** (the SGS 10Y ranged tighter between 3.27-3.42%). Singapore's sovereign bonds as measured by Bloomberg's Total Return Index unhedged SGD fell by 0.8%; reversing the 0.9% gain seen prior week. Elsewhere, MAS may be on track to keep things on hold following anticipation of lower numbers in the upcoming inflation data release for September next week. Meanwhile, Fitch Ratings had downgraded Singapore-based GLP Pte Ltd.'s Long-Term Foreign-Currency Issuer Default Rating (IDR) and senior unsecured ratings to BB from BBB- Elsewhere, ICBC Ltd (Singapore) has successfully priced its S$1b 3Y Green papers at FRN SOFR +60 (the issuer rating is at A1/A by Moody's)



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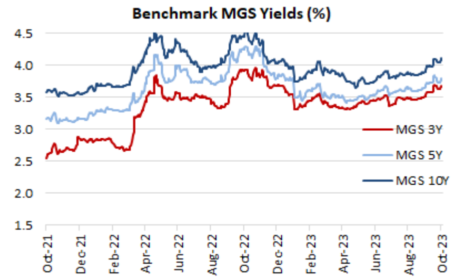

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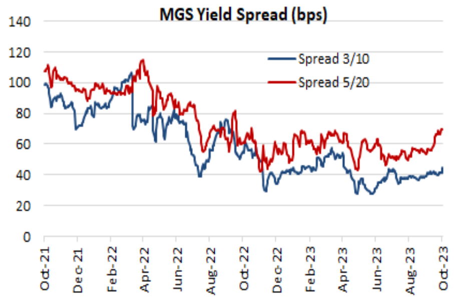

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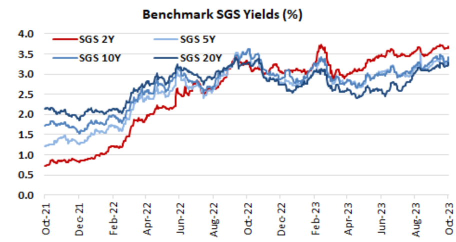

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
IJM Corporation Berhad	RM3 bil Sukuk Murabahah Programme	AA3/Stable	Affirmed
IJM Treasury Management Sdn Bhd	Proposed Islamic Medium-Term Notes Programme and proposed Islamic Commercial Papers Programme (collectively known as proposed Sukuk Murabahah Programmes), with a combined limit of RM5.0 bil	AA3(s) and P1(s)	Assigned
KAF Investment Bank Berhad (KAF IB)	Financial institution (FI) rating	AA-/MARC-1/Stable	Affirmed
Petroleum Sarawak Berhad (PETROS)	Corporate credit rating	AAA/Stable/P1	Affirmed
	Multi-Currency Islamic Medium-Term Notes of up to RM15 billion (2021/2051)	AAA/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
23-Oct	13:00	SI	CPI YoY	Sep	4.00%
	20:30	US	Chicago Fed Nat Activity Index	Sep	-0.16
	22:00	EC	Consumer Confidence	Oct P	-17.8
24-Oct	6:00	AU	Judo Bank Australia PMI Mfg	Oct P	48.7
	6:00	AU	Judo Bank Australia PMI Services	Oct P	51.8
	8:30	JN	Jibun Bank Japan PMI Mfg	Oct P	48.5
	8:30	JN	Jibun Bank Japan PMI Services	Oct P	53.8
	14:00	UK	ILO Unemployment Rate 3Mths	Aug	4.30%
	14:00	UK	Employment Change 3M/3M	Aug	-207k
	16:00	EC	HCOB Eurozone Manufacturing PMI	Oct P	43.4
	16:00	EC	HCOB Eurozone Services PMI	Oct P	48.7
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Oct P	44.3
	16:30	UK	S&P Global/CIPS UK Services PMI	Oct P	49.3
	18:00	UK	CBI Trends Total Orders	Oct	-18
	20:30	US	Philadelphia Fed Non-Manufacturing Activity	Oct	-16.6
	21:45	US	S&P Global US Manufacturing PMI	Oct P	49.8
	21:45	US	S&P Global US Services PMI	Oct P	50.1
	22:00	US	Richmond Fed Manufact. Index	Oct	5
	22:00	US	Richmond Fed Business Conditions	Oct	-5
25-Oct	8:30	AU	CPI YoY	3Q	6.00%
	13:00	JN	Leading Index CI	Aug F	109.5
	19:00	US	MBA Mortgage Applications	Oct 20	-6.90%
	22:00	US	New Home Sales MoM	Sep	-8.70%
25-31 Oct		VN	CPI YoY	Oct	3.66%
		VN	Exports YoY	Oct	4.60%
		VN	Industrial Production YoY	Oct	5.10%

		VN	Retail Sales YoY	Oct	7.50%
26-Oct	7:50	JN	PPI Services YoY	Sep	2.10%
	8:30	AU	Import Price Index QoQ	3Q	-0.80%
	8:30	AU	Export Price Index QoQ	3Q	-8.50%
	13:00	SI	Industrial Production SA MoM	Sep	-10.50%
	16:30	HK	Exports YoY	Sep	-3.70%
	18:00	UK	CBI Total Dist. Reported Sales	Oct	-14
	20:15	EC	ECB Main Refinancing Rate		4.50%
	20:30	US	Wholesale Inventories MoM	Sep P	-0.10%
	20:30	US	Advance Goods Trade Balance	Sep	-$84.3b
	20:30	US	GDP Annualized QoQ	3Q A	2.10%
	20:30	US	Durable Goods Orders	Sep P	0.10%
	20:30	US	Cap Goods Orders Nondef Ex Air	Sep P	0.90%
	20:30	US	Initial Jobless Claims	Oct 21	198k
	22:00	US	Pending Home Sales MoM	Sep	-7.10%
	23:00	US	Kansas City Fed Manf. Activity	Oct	-8
26-27 Oct		SI	Unemployment rate SA	Sep	1.90%
27-Oct	7:30	JN	Tokyo CPI YoY	Oct	2.80%
	8:30	AU	PPI YoY	3Q	3.90%
	9:30	CH	Industrial Profits YTD YoY	Sep	-11.70%
	20:30	US	Personal Income	Sep	0.40%
	20:30	US	Personal Spending	Sep	0.40%
	20:30	US	PCE Core Deflator YoY	Sep	3.90%
	22:00	US	U. of Mich. Sentiment	Oct F	63
	22:00	US	U. of Mich. 1 Yr Inflation	Oct F	3.80%
	22:00	US	U. of Mich. 5-10 Yr Inflation	Oct F	3.00%
	23:00	US	Kansas City Fed Services Activity	Oct	2

Source: Bloomberg

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