Global Markets Research
Weekly Market Highlights

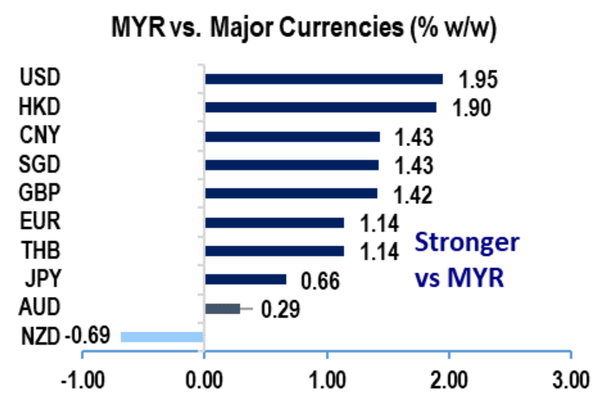
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	32,764.65	-2.30	-1.15
S&P 500	4,151.28	-1.11	8.12
FTSE 100	7,570.87	-2.21	1.60
Hang Seng	18,746.92	-4.97	-5.23
KLCI	1,402.48	-1.79	-6.22
STI	3,207.72	0.79	-1.34
Dollar Index	104.25	0.64	0.70
WTI oil ($/bbl)	71.83	-0.04	-10.88
Brent oil ($/bbl)	76.26	0.53	-11.23
Gold (S/oz)	1,943.70	-0.82	6.35

Source: Bloomberg

- **Debt ceiling the key market driver**: The ongoing debt ceiling drama continued to haunt Wall Street most of the week, sending all 3 indices falling for at least 3 consecutive sessions. However, the S&P 500 and NASDAQ staged a last minute rebound on Thursday after the jump in Nvidia's latest quarterly results spurred a rally in technology stocks. While NASDAQ managed to close up 0.1% w/w because of this, the S&P 500 and Dow Jones Industrial Average still closed the week 1.1% and 2.4% w/w lower.
- **Next week data**: S&P is expected to release the manufacturing PMIs for China and Malaysia as well as the final data for US, Europe, UK and Japan. These will be compared with the official and local PMIs/ISM for US, China and Singapore. US will be data heavy with employment-related data like non-farm payroll, ADP employment change, JOLTS job openings, jobless and continuing claims as well as unit labor costs, average hourly earnings and weekly hours. Housing related data will include weekly mortgage applications construction spending, FHFA and S&P CoreLogic house price indices. We will also be watching out for the Beige Book, Conference Board's Consumer Confidence as well as Fed district indices from Dallas and Chicago.

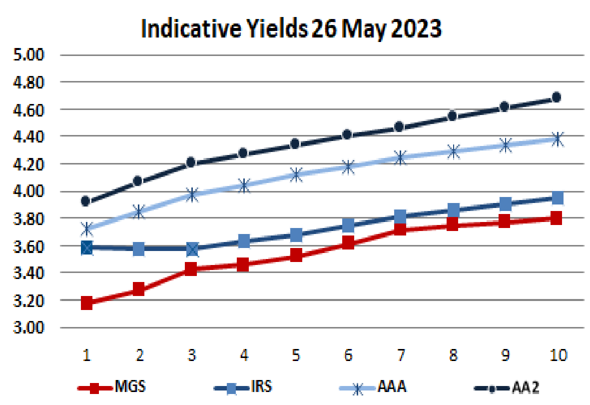
Forex



Source: Bloomberg

- **MYR:** USD/ MYR traded higher for a 3rd straight week, surging from 4.5380 to 4.6265 on Thursday, a level not seen since November last year. The MYR weakened against most G10s and major Asian peers. We remain ***Slightly Bullish*** USD/ MYR in the week ahead, with momentum indicators suggestive of possible further strength in the pair towards the psychological 4.70 level. Potential pullbacks are likely to be limited to 4.54, any dip towards that level is expected to be bought on expectations of further USD strength on continued easing of debt ceiling concerns.
- **USD**: The DXY advanced for a 3rd straight week, by 0.6% w/w to close Thursday at 104.25, as the market continues to price out rate cut expectations by the Fed in the second half of the year. FOMC minutes shows that whilst there could be a pause in June, Fed officials are still split on the need for more rate hikes and see cuts as unlikely, resulting in Fed Fund Futures pricing in only one cut now in H2, versus the two cuts being priced in as of last week. Easing debt ceiling concerns are expected to keep USD in a ***Slightly Bullish*** mode, potentially trading in a higher range of 103.50-105.50 in the week ahead. The ISM indices and the May employment report will be the highlights of a rather data-intensive week.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries sold-off in every session beginning last Friday over a confluence of factors that included debt-ceiling concerns, elevated inflation and the Fed's hawkish stance. Fed-dated OIS pricing currently reflect between 46-48% probability of a 25bps rate hike in June and July. The large IG issuance slate also weighed on the curve. The UST 2Y yield spiked the most by 27bps to 4.53% whilst the much-watched UST 10Y jumped 17bps higher to 3.82%. **Expect bonds to range sideways next week as investors may be tempted to cherry-pick at the bottom following recent weakness.**
- **MGS/GII:** Local govvies slid, taking cue from the sharply weaker MYR against the greenback coupled with higher IRS yields. The benchmark 5Y MGS 4/28 rose 4bps to 3.52% whilst the 10Y MGS 7/32 spiked 11bps to 3.81%. The average weekly secondary market volume dropped 17% w/w to ~RM14.1b with interest seen mainly in the off-the-run 23's, 26's and benchmark 3Y, 5Y MGS, 7Y, 10Y GII. The re-opening of 20Y GII 8/43 saw tepid bidding metrics on a mere BTC ratio of 1.747x and awarded at 4.182%. **Expect local govvies to be range-bound next week on slight-negative bias on lack of new leads and concerns over MYR performance.**

Macroeconomic Updates

- **Debt ceiling drama drove Wall Street:** The ongoing debt ceiling drama haunted Wall Street most of the week, sending all 3 indices falling for at least 3 consecutive sessions. However, the S&P 500 and NASDAQ staged a last minute rebound on Thursday after the jump in Nvidia's latest quarterly results spurred a rally in technology stocks. While NASDAQ managed to close up 0.1% w/w because of this, the S&P 500 and Dow Jones Industrial Average still closed the week 1.1% and 2.4% w/w lower. The oil market was more volatile although still generally soft due to noises from the Saudi and Russian ministers. Prices rose on prospects of further OPEC+ output cuts after Saudi Energy Minister's warning to short-sellers, but later pared its gains after Russian Deputy Prime Minister Alexander Novak played down prospects of this. While Brent managed to chalk up a 0.5% w/w gain, the West Texas closed just below the flatline despite inventory drawdown.

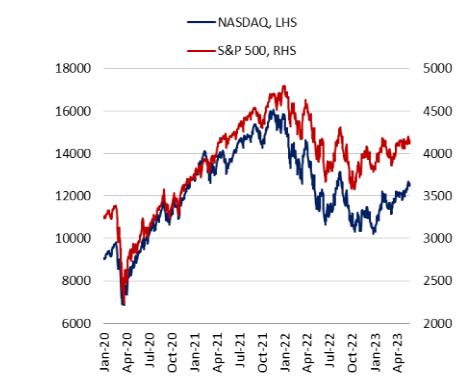
- **PBoC, Fed speaks on the policy front:** As widely expected, China kept is 1 and 5-year loan prime rate (LPR) unchanged at 3.65% and 4.30% respectively. The move is not a surprise after PBoC maintained its medium-term lending facility (MLF) rate unchanged at 2.75% last week and after economic data released recently undershot expectations. Moving forward, liquidity operations will remain supportive while tepid recovery in domestic demand suggests a cut should not be discounted. In the US, the latest FOMC minutes showed that Fed officials assigned a much higher probability to the fed funds rate peaking at 5.00-5.25% and staying put at this level until the January 2024 FOMC meeting. In Fed speaks, Jerome Powell was moderately dovish, saying that stresses in the banking sector could mean that "our policy rate may not need to rise as much as it would have otherwise to achieve our goals." However, the tone turned hawkish later in the week amongst his fellow makers, with James Bullard leading the pack when he said that he favors 2 more 25bps rate hikes.

- **Continued divergence in global PMIs**: The slew of May S&P PMIs were mixed between the sevices and manufacturing sector as well as across different countries. US gathered momentum, with the services sector enjoying a surge in post-pandemic pent-up demand, while manufacturers struggled with over-filled warehouses. Consequenttly, the Services PMI rose to its fastest in a year at 55.1, while the Manufacturing PMI fell to 48.5. Eurozone's composite PMI, meanwhile, slid to a 3-month low, with the Manufacturing PMI plunging to a 3-year low of 44.6, while the Services PMI edged down to 55.9. On a positive note, companies continue to hire more workers, even in the weakening industrial sector. Similarly, UK's services sector remained solid albeit slowing from April's 1-year peak at 55.1. Growth driven by the consumers and financial services, while the hospitality sector was buoyed by the Coronation. Manufacturing PMI weakened to 46.9, with many companies starting to wind down their inventories. The Japanese economy continued with its upward trajectory to its strongest since October 2013. The service industry continued to post strong growth momentum at 56.3, supported by a resumption of tourism, while the manufacturing index recorded its first expansion in 7 months at 50.8. Of note, there were renewed increases in both output and new orders, with both sub-indices highest in 13 months.

- **Sticky prices:** Key highlight on this front was UK's CPI which topped all estimates to increase by +8.7% y/y in), while core CPI unexpectedly accelerated to +6.8% y/y. Notably, food prices held near its 45-year at +19.1% y/y as BOE blamed it hedging by producers. In Asia, stronger prices were also observed. Japan's core prices excluding fresh food accelerated to +3.4% y/y. Even stripping both fresh food and fuel, a proxy of demand driven inflation, prices also picked up to +4.1% y/y, the fastest pace since September 1981. Similarly, Hong Kong's inflation rate accelerated to +2.1% y/y due to lower ceiling concession rates, higher prices of energy-related items, clothing and footwear as well as meals out and takeaway food. Singapore's headline and core inflation also remained stubborn, at +5.7% y/y and +5.0% y/y respectively, driven by higher prices for travel-related services.

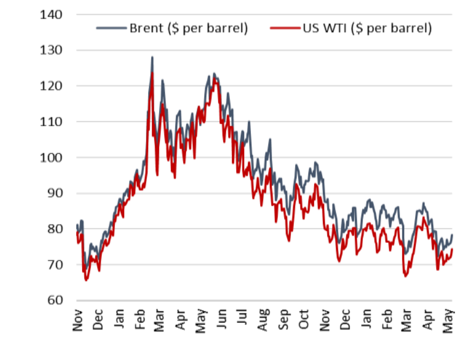
- **Next week data:** S&P is expected to release the manufacturing PMIs for China and Malaysia as well as the final data for US, Europe, UK and Japan. US will be data heavy with employment-related data like non-farm payroll, ADP employment change, JOLTS job openings, jobless claims as well as unit labor costs, and average hourly earnings. Housing related data will include weekly mortgage applications, construction spending, FHFA and S&P CoreLogic house price indices. We will also be watching out for the Beige Book, Conference Board's Consumer Confidence as well as Fed district indices from Dallas and Chicago. Eurozone will release a slew of first tier data like CPI, unemployment rate and economic confidence. UK will be data light with mortgage approvals in view, while Japan will release the its retail sales data, IPI, leading index, jobless rate, capital spending, consumer confidence and housing starts.

Debt ceiling drove Wall Street



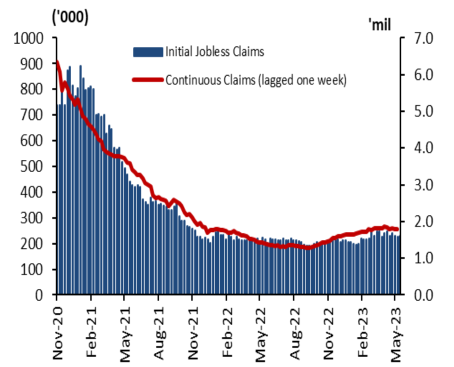
Source: Bloomberg

Volatile oil prices



Source: Bloomberg

Jobless claims ticked up



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/ MYR traded higher for a 3rd straight week, surging from 4.5380 to 4.6265 on Thursday, a level not seen since November last year. The MYR weakened against most G10s and major Asian peers. We remain ***Slightly Bullish*** USD/ MYR in the week ahead, with momentum indicators suggestive of possible further strength in the pair towards the psychological 4.70 level. Potential pullbacks are likely to be limited to 4.54, any dip towards that level is expected to be bought on expectations of further USD strength on continued easing of debt ceiling concerns. On the domestic front, the CPI print is not expected to spring any surprises, reaffirming the moderating inflation outlook.

- **USD**: The DXY advanced for a 3rd straight week, by 0.6% w/w to close Thursday at 104.25, as the market continued to price out rate cut expectations by the Fed in the second half of the year. Minutes of the May 2-3 FOMC meeting shows that whilst there could be a pause in the upcoming June meeting, Fed officials are still split on the need for more rate hikes and see cuts as unlikely, resulting in Fed Fund Futures pricing in only one cut now in H2, versus the two cuts being priced in as of last week. Easing debt ceiling concerns are expected to keep USD in a ***Slightly Bullish*** mode, potentially trading in a higher range of 103.50-105.50 in the week ahead. The ISM indices and the May employment report will be the highlights of a rather data-intensive week.

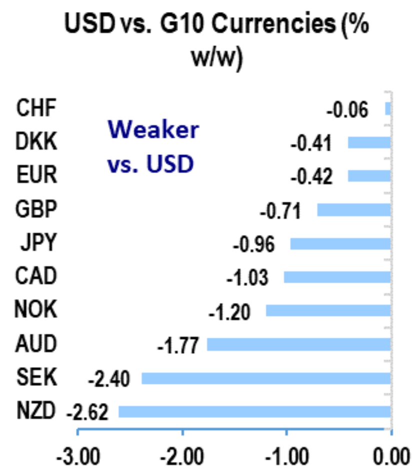
- **EUR**: EUR weakened for a 4th straight week, by 0.4% w/w (prior: -1.3%) against the USD to 1.0725 as of Thursday's close. USD headwinds aside, the EUR was also bogged down by weaker than expected preliminary PMIs for the month of May, as well as confirmation that its largest member state Germany had entered into a technical recession in 1Q. We remain ***Neutral-to-Slightly Bearish*** on EUR/USD in the week ahead, eyeing a range of 1.06-1.08 amid expectations of continued USD strength. May Eurozone CPI numbers are due, and should provide a little more clarity on the ECB rate outlook, with the market still pricing slightly more than 50bps of additional hikes by the ECB this calendar year.

- **GBP**: GBP fell for a 3rd straight week, settling the week 0.7% lower vs the USD at 1.2321, oscillating between 1.2308 and 1.2484 through the week. The higher than expected inflation numbers released during the week resulted in a recalibration of the trajectory for the BoE's policy rate expectations, with slightly more than a full percentage point of hikes for the rest of the year now being priced in. After initially heading higher on this repricing, the GBP/USD settled lower as doubts on whether the economy would hold up, given these additional hikes being priced, creeped in. We are ***Neutral*** on GBP/ USD, with the pair likely to trade in a range of 1.2250-1.2450 in the week ahead. The market will be looking to retail sales and the PMI reports to help shed further clues on the BOE policy path as well as the sterling outlook going forward.

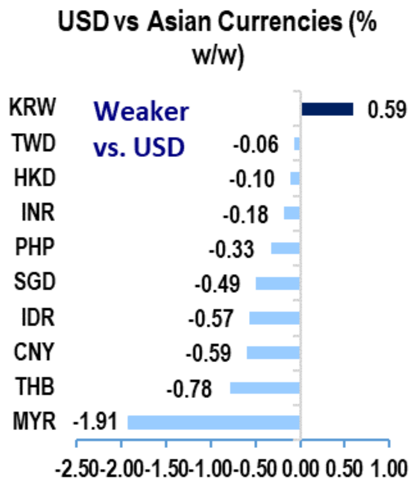
- **JPY**: JPY traded lower for the week by 1.0% to close at 140.06, following last week's 3.0% plunge. USD strength on the pricing out of rate cuts in H2 exerted pressure on the JPY, overshadowing the higher, but expected, domestic inflation numbers. We are ***Slightly Bullish*** on the USD/JPY this week, on the prospects for further USD strength coming from an expected resolution of the debt ceiling standoff. Although yesterday's close above 140s has increased bullishness in USD/ JPY, we expect the pair to hang on to the 140.00 level next week, as it is currently trading in overbought territory, with downside limited at 138.00. A slew of economic data including retail sales, PMI, and the unemployment rate will shed more light on the state of the Japanese economy.

- **AUD**: The AUD declined for a 2nd straight week as the USD gained ground, weakening by 1.8% w/w (prior: -1.2%) against the greenback to 0.6505. Also adding to the selling pressure was the unexpected dovish stance of the RBNZ as they delivered what now looks to be the final hike of the cycle there, with the resulting NZD/USD dive dragging the AUD/USD lower in sympathy. We are ***Neutral-to-Slightly Bearish*** AUD/USD as headlines from the US and China continue to be key influences, and expect it to trade between 0.64-0.66 in the week ahead. Australian inflation numbers for May are due this week as well as some housing sector and credit data.

- **SGD**: The SGD traded lower for a 3rd consecutive week, losing 0.5% w/w (prior: -1.2%) to 1.3546 vs the USD. The SGD however traded mixed against the G10s and major Asian peers, gaining the most vs the NZD (+2.1%) and MYR (+1.4%), but weakening the most vs the USD and KRW. Singapore's inflation numbers for April were higher than expected, both on the headline and core level, on notable increases in health care and recreation. Meanwhile, the upward revision in 1Q GDP growth did little to alter the underlying bullishness in the pair. The USD/SGD outlook is ***Slightly Bullish*** we feel, potentially nudging up to 1.3450-1.3650 in the week ahead, as headwinds from the USD are likely to dominate in the absence of any significant domestic data.



Source: Bloomberg



Source: Bloomberg

Forecasts

	Q2-23	Q3-23	Q4-23	Q1-24
DXY	101	100	98	97
EUR/USD	1.10	1.11	1.12	1.13
GBP/USD	1.24	1.25	1.24	1.24
AUD/USD	0.68	0.68	0.69	0.70
USD/JPY	131	130	128	128
USD/MYR	4.39	4.35	4.31	4.28
USD/SGD	1.31	1.30	1.27	1.26
USD/CNY	6.84	6.77	6.70	6.64

	Q2-23	Q3-23	Q4-23	Q1-24
EUR/MYR	4.83	4.83	4.83	4.83
GBP/MYR	5.45	5.42	5.34	5.31
AUD/MYR	2.97	2.97	2.97	2.98
SGD/MYR	3.35	3.35	3.39	3.40
CNY/MYR	0.64	0.64	0.64	0.65

Source: HLBB Global Markets Research

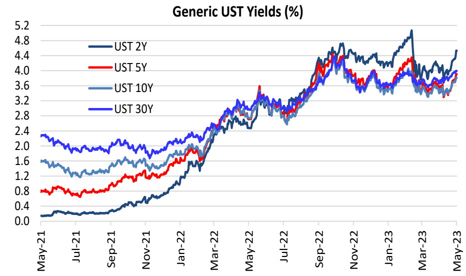
Fixed Income

- **UST:** For the week under review, US Treasuries sold-off in every session beginning last Friday over a confluence of factors that included debt-ceiling concerns (which remain unresolved) elevated inflation and Fed's hawkish expectations on rates going forward. The large IG issuance slate also weighed on the curve. **The UST 2Y yield spiked the most by 27bps to 4.53% whilst the much-watched UST 10Y jumped 17bps higher to 3.82%** (the UST 10Y ranged higher yet tighter between 3.69-3.82%). Treasury's coupon offerings auctions involving $42b 2Y, $43b 5Y and $35b 7Y papers surprisingly saw strong bidding metrics. Elsewhere, the Fed Reverse Repo daily usage rose beyond ~$2 trillion to the highest level in three weeks whilst T-bill rates for June maturity were seen climbing above 7.0% on payment delays. Negotiations between the White House and Congress continues to stir nervousness amid plans to engage on daily basis. Elsewhere, Fed-dated OIS pricing currently reflect between 46-48% probability of a 25bps rate hike in June and July. **Expect bonds to range sideways next week as investors may be tempted to cherry-pick at the bottom following recent weakness.**

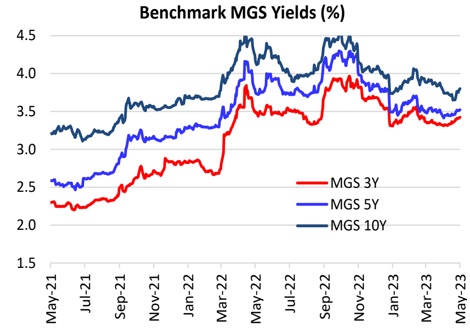
- **MGS/GII:** Local govvies slid, taking cue from the sharply weaker MYR against the greenback coupled with higher IRS yields. The curve shifted higher as overall benchmark MGS/GII yields rose between 1-16bps across with the longer-ends pressured the most. **The benchmark 5Y MGS 4/28 rose 4bps to 3.52% whilst the 10Y MGS 7/32 spiked 11bps to 3.81%.** The average weekly secondary market volume dropped 17% w/w to ~RM14.1b with interest seen mainly in the off-the-run 23's, 26's and benchmark 3Y, 5Y MGS, 7Y, 10Y GII. The auction consisting of the re-opening of 20Y GII 8/43 saw tepid bidding metrics on a mere BTC ratio of 1.747x and awarded at 4.182%. Elsewhere, the 3-month KLIBOR has pulled back to 3.46% (i.e.; 4bps lower than the pre-FOMC levels and from a recent high of 3.57% following the 25bps rate hike. **Expect local govvies to be range-bound next week on slight-negative bias on lack of new leads and concerns over MYR performance.**

- **MYR Corporate bonds/ Sukuk**: The week under review saw sustained appetite especially in the secondary market. **Transactions were seen mainly across the GG-AA part of the curve as yields closed again mostly mixed-to-lower amid a slight increase of 7% in average weekly market volume from RM2.70b to RM2.88b.** Topping the weekly volume were PLUS 1/37 bonds (AAA) which closed 8bps lower compared to previous-done levels at 4.27%, followed by another tranche i.e.; PLUS 1/38 (AAA) which eased 4bps to 4.52 %. Third was Jambatan Kedua 7/26 (GG) which fell 10bps to 3.60%. Higher frequency of bond trades was seen in DANA, MAHB, PLUS, TNB/TNB Power and UEM Sunrise and YTL Power bonds. There were also multiple odd-lot transactions seen in bank-related i.e.; SABAH Dev bonds and UOB. The prominent issuance for the week consisted of RHB Bank's RM1.5b AA1-rated 3Y papers with a coupon of 3.85%.

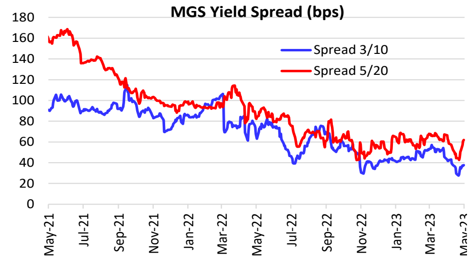
- **Singapore Government Securities:** SGS sold-off w/w; prompted by weaker performance of USTs and slight risk-on appetite pursuant to higher-than expected 1Q2023 GDP of 0.4%. Overall benchmark yields jumped higher between 19-25bps across. The curve shifted higher as **SGS 2Y yield rose 27bps to 3.34% whilst the SGS 10Y spiked 23bps to 3.02%** (the SGS 10Y ranged higher and wider between 2.85-3.01%. Singapore's sovereign bonds as measured by Bloomberg's Total Return Index unhedged SGD sustained a loss of 0.5% w/w. Meanwhile, MAS will auction reopened November 2026 notes on 29th of May 29. Elsewhere, the 6-month T-Bill auction drew 3.85%, about 7bps higher than its previous auction 2 weeks back. This was in line with expectations of higher rate expectations by the Fed. Thomson Medical Group Ltd has successfully issued SGD120m of 5NC1 at par with a coupon of 5.5%, following earlier guidance in pricing at 5.75% area. S&P Global Ratings downgraded Singapore Post's long-term issuer credit rating to BBB from BBB+ with a negative outlook.



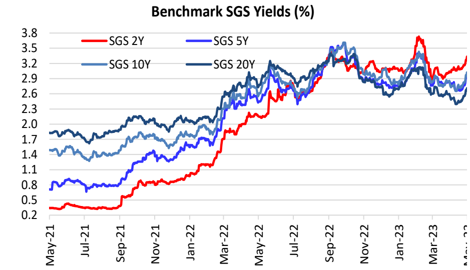
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Tune Protect Group Berhad	Corporate Credit Ratings	A2/Stable/P1	Affirmed
Public Bank Berhad	Financial institution ratings	AAA/Stable/P1	Affirmed
	RM20 billion Senior MTN Programme (2013/2043)	AAA/Stable	Affirmed
	RM10 billion Subordinated MTN Programme (2013/2043)	AA1/Stable	Affirmed
	RM10 billion Additional Tier-1 Capital Securities Programme (AT-1 Programme)	AA3/Stable	Affirmed
	RM5 billion Sukuk Murabahah Programme		
	-Senior Sukuk	AAA	Affirmed
	-Subordinated Sukuk	AA1	Affirmed
Public Islamic Bank Berhad	RM2.5 billion Senior Sukuk Musharakah programme	From AA IS/Stable to AA/IS/Negative	Outlook downgrade
	RM3.0 bil Commercial Papers (CP) (2021/2028)/Medium-Term	AA1/Stable/P1	Affirmed
ANIH Berhad	RM2.5 billion Senior Sukuk Musharakah programme	From AA IS/Stable to AA/IS/Negative	Outlook downgraded
Sabah Development Bank Berhad	RM3.0 bil Commercial Papers (CP) (2021/2028)/Medium-Term	AA1/Stable/P1	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
29-May	13:00	JN	Leading Index CI	Mar F	97.5
	16:30	HK	Exports YoY	Apr	-1.50%
29 May - 6 June		EC	OECD Publishes Economic Outlook		
30-May	7:30	JN	Jobless Rate	Apr	2.80%
	9:30	AU	Building Approvals MoM	Apr	-0.10%
	17:00	EC	Consumer Confidence	May F	-17.4
	17:00	EC	Economic Confidence	May	99.3
	21:00	US	FHFA House Price Index MoM	Mar	0.50%
	21:00	US	S&P CoreLogic CS US HPI YoY NSA	Mar	2.05%
	22:00	US	Conf. Board Consumer Confidence	May	101.3
	22:30	US	Dallas Fed Manf. Activity	May	-23.4
31-May	7:50	JN	Retail Sales MoM	Apr	0.60%
	7:50	JN	Industrial Production MoM	Apr P	1.10%
	9:30	CH	Manufacturing PMI	May	49.2
	9:30	CH	Non-manufacturing PMI	May	56.4
	9:30	AU	CPI YoY	Apr	6.30%
	13:00	JN	Consumer Confidence Index	May	35.4
	13:00	JN	Housing Starts YoY	Apr	-3.20%
	16:30	UK	Mortgage Approvals	Apr	52.0k
	19:00	US	MBA Mortgage Applications	May 19	-4.60%
	21:45	US	MNI Chicago PMI	May	48.6
	22:00	US	JOLTS Job Openings	Apr	9590k
	22:01	AU	CoreLogic House Px MoM	May	0.70%
	22:30	US	Dallas Fed Services Activity	May	-14.4
1-Jun	2:00	US	Federal Reserve Releases Beige Book		
	7:00	AU	Judo Bank Australia PMI Mfg	May F	48.0
	8:30	JN	Jibun Bank Japan PMI Mfg	May F	50.8
	8:30	MA	S&P Global Malaysia PMI Mfg	May	48.8
	8:30	VN	S&P Global Vietnam PMI Mfg	May	46.7
	9:45	CH	Caixin China PMI Mfg	May	49.5
	16:00	EC	HCOB Eurozone Manufacturing PMI	May F	44.6
	16:30	HK	Retail Sales Value YoY	Apr	40.90%
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	May F	46.9
	17:00	EC	CPI MoM	May P	0.60%
	17:00	EC	Unemployment Rate	Apr	6.50%
	17:00	EC	CPI Estimate YoY	May	7.00%
	20:15	US	ADP Employment Change	May	296k
	20:30	US	Initial Jobless Claims	May 20	229k
	21:45	US	S&P Global US Manufacturing PMI	May F	48.3
	22:00	US	Construction Spending MoM	Apr	0.30%
	22:00	US	ISM Manufacturing	May	47.1
2-Jun	9:30	AU	Home Loans Value MoM	Apr	4.90%
	20:30	US	Change in Nonfarm Payrolls	May	253k
	20:30	US	Unemployment Rate	May	3.40%

	20:30	US	Average Hourly Earnings MoM	May	0.50%
	20:30	US	Average Weekly Hours All Employees	May	34.4
	20:30	US	Labor Force Participation Rate	May	62.60%
3-Jun	21:00	SI	Purchasing Managers Index	May	49.7

Source: Bloomberg