27 January, 2023

# Global Markets Research

# Weekly Market Highlights

## Markets

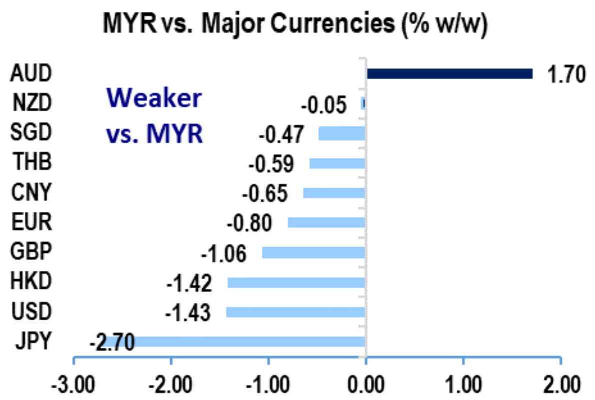
| | Last Price | WOW% | YTD % |
|---|---|---|---|
| Dow Jones Ind. | 33,949.41 | 2.74 | 2.42 |
| S&P 500 | 4,060.43 | 4.14 | 5.75 |
| FTSE 100 | 7,761.11 | 0.18 | 4.15 |
| Hang Seng | 22,566.78 | 4.23 | 14.08 |
| KLCI | 1,498.39 | 0.15 | 0.19 |
| STI | 3,377.19 | 3.08 | 3.87 |
| Dollar Index | 101.81 | -0.24 | -1.65 |
| WTI oil ($/bbl) | 81.13 | 1.00 | 0.93 |
| Brent oil ($/bbl) | 87.54 | 1.60 | 1.90 |
| Gold (S/oz) | 1,929.60 | 0.30 | 5.66 |

*Source: Bloomberg*

- **Last minute boost from tech megacaps:** US equities markets were generally flat before a last minute rally in tech megacaps put stocks back into the green. The Nasdaq Composite closed the week up 6.1% w/w, the Dow Jones Industrial Average traded 2.7% w/w higher, while the S&P 500 added 4.1% w/w.

- **Next week data:** S&P is due to release its Jan (F) PMIs for both the manufacturing and services sectors for US, Europe, UK, China, Japan, Malaysia and Singapore. ISM will also release both its manufacturing and services indices for the US, so will the various Fed districts. Having that said, the key focus will be the employment numbers, which include non-farm payroll, unemployment rate, average weekly earnings, JOLTS job openings, ADB Employment Change, Challenger job cuts as well as unit labor and employment costs. We will also be watching out for the FHFA House Price Index, S&P CoreLogic home prices and construction spending in the housing market well as consumer confidence, factory, durable and capital goods orders

## Forex

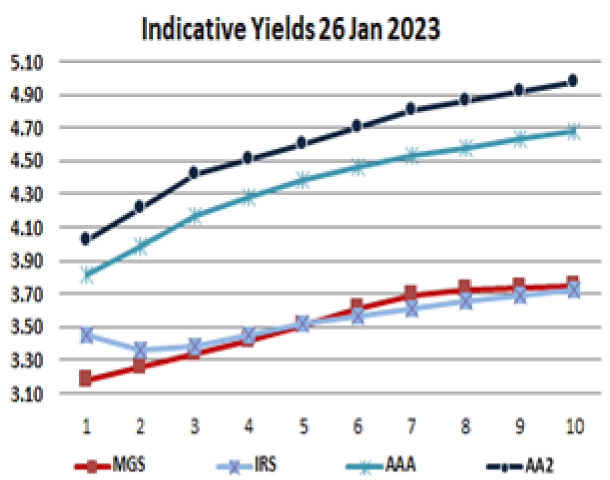



*Source: Bloomberg*

- **MYR:** Despite a short week, Ringgit managed to strengthen for its fifth consecutive week vis-à-vis USD and broke below the 4.30 threshold. MYR closed the week 1.4% w/w stronger at 4.2455 against greenback and also appreciated against major currencies save for AUD at the same time. We have a ***Neutral-Slight bearish*** outlook for USD/ MYR in the week ahead, potentially in a range of 4.20-4.24 in view that any swing to the market will be predominantly US driven given the lack of catalyst on the local front.

- **USD**: The Dollar Index slipped for two consecutive sessions, albeit marginally, as investors awaited key US economic data which may help determine Fed's policy move and tone the coming week. In fact, the Index broke below the 102-handle but rebounded slightly on Thursday post the 4Q US GDP print to close the week at 101.81, down 0.2% w/w and weakening against most G10 and Asian currencies. We are ***Neutral*** *on* USD outlook, eyeing a 101-103 range in the week as investors will stay cautious ahead of FOMC meeting.

## Fixed Income




*Source: Bloomberg/ BPAM*

- **UST:** For the week under review, US Treasuries ended weaker with overall benchmark yields climbing between 5-12bps across despite seeing strength in most sessions of the week. A string of US economic data that included stronger than forecast 4Q2022 GDP figures and a further decline in jobless claims (which hit a 9-month low) dented bond closing levels for the week under review. **The UST 2Y yield rose 5bps to 4.18% whilst the much-watched UST 10Y (which ranged tighter between 3.39-3.51%), spiked 11bps to 3.50%**. Treasury's $42b 2Y, $43b 5Y and $35b 7Y note coupon offerings continued to see upbeat momentum and response for overall auctions in January. Expect USTs to recover on emerging demand next week following expectations of subdued December PCE data to be released later tonight.

- **MGS/GII:** Local govvies saw both MGS/GII close mixed w/w on lack of direction and some mild profit-taking activities amid low-staffing levels due to the CNY holidays. The MGS belly was well-bid along with the longer-ends for GII as overall benchmark MGS/GII yields settled mixed between -18 to +8bps across. **The benchmark 5Y MGS 11/27 yield edged 1bps lower to 3.51% whilst the 10Y MGS 7/32 rallied the most with yields ending 16bps lower at 3.73%.** The average daily secondary market volume eased by 7% w/w to ~RM5.3b w/w with interest seen mainly in the off-the-run 23's and benchmark 3Y MGS/GII, 5Y MGS, 10Y MGS/GII. At the time of writing, the new issuance of 5Y GII 7/28 notched a BTC ratio of 3.40X whilst being awarded at 3.599%. Expect local govvies to recover from ongoing profit-taking activities and see mild support next week.

# Macroeconomic Updates

- **Last minute boost from tech megacaps:** US equities markets were generally flat before a last minute rally in tech megacaps put stocks back into the green. The Nasdaq Composite closed the week up 6.1% w/w, the Dow Jones Industrial Average traded 2.7% w/w higher, while the S&P 500 added 4.1% w/w. Oil prices also rose by more than 1% during the week on expectations that global demand will strengthen as top oil importer China reopens its economy and on positive US economic data. During the week, US reported that its economy grew more than forecast at 2.9% in 4Q on consumer spending and inventory. Brent rose 1.6% w/w, while the West Texas Intermediate (WTI) crude rose 1.0% w/w.

- **Fed, ECB and BOE are expected to raise rates next week:** As per expectations, PBOC maintained its 1-year and 5-year lending rates unchanged at 3.65% and 4.30% respectively during the week. Still, more policy support maybe needed to support the economy, especially to stabilise the property market. As such, we would not discount the possibility of PBOC slashing its policy rates, which would prompt banks to cut their lending rates. For the coming week, the Federal Reserve, ECB and BOE are set to meet and expectations are that Fed will downshift its rate hikes to 25bps to 4.50%-4.75%. Both the ECB annd BOE, however, are expected to maintain their hawkish stance of +50bps each to reign in inflation, increasing benchmark rates to 3.00% and 4.00% respectively.

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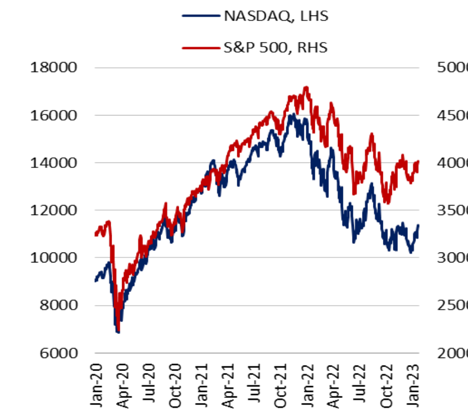
- **Japan's and Australia's inflation rate accelerated, the rest eased:** Key highlights for the week in terms of prices were that core-PCE prices in the US slowed to +3.9% in 4Q (3Q: +4.7%) and that of Japan's core CPI hitting a fresh 41-year high in December of 4.0%. Australia's annual inflation rate also accelerated to +7.8%, but prices have eased for the rest of the world. UK's producer input prices decelerated to +16.5%, while output (factory gate) prices also softened to +14.7%. Closer to home, Singapore's inflation rate eased to 6.5%. For the whole of 2022, core inflation averaged 4.1%, while overall inflation was up 6.1%. Malaysia's headline CPI tapered off to 3.8% in December, its lowest since June. Nevertheless, softer headline CPI prints, core CPI and underlying inflationary pressure remain elevated, stemming from second round price effects and to some extent, demand-driven pressure. Against this backdrop of elevated price risk and moderate growth outlook, odds remain for further policy normalization by BNM going forward, where OPR could be raised by another 25-50bps back to pre-Covid level of 3.00-3.25%. However, we reckon the bar will be increasingly higher as we head towards 2H2023.

- **Euro Services PMI treaded above 50:** The string of January S&P PMIs released were mostly contractionary, albeit above expectations. In the US, manufacturing PMI declined at the fastest pace since May 2020 at 46.8, while the services PMI remained soft at 46.6. Eurozone PMI saw manufacturing output at 48.8, the smallest drop since last June. Services sector rose more than expected to above the 50-threshold, the first time since July 2022. In the UK, manufacturing PMI increased to 46.7 and the rate of contraction was the least since July 2022. Nevertheless, the service sector fell more than expected and at the steepest pace for two years at 48.0. The au Jibun Bank Japan Manufacturing PMI was unchanged at 48.9 while the services sector improved further to 52.4.

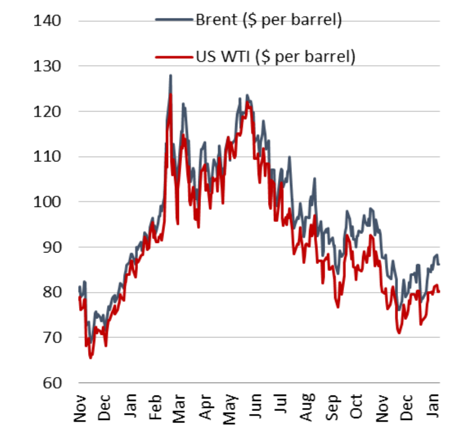
- **Next week data:** S&P is due to release its Jan (F) PMIs for both the manufacturing and services sectors for US, Europe, UK, China, Japan, Malaysia and Singapore. ISM will also release both its manufacturing and services indices for the US, so will the various Fed districts. Having that said, the key focus will be the employment numbers, which include non-farm payroll, unemployment rate, average weekly earnings, JOLTS job openings, ADB Employment Change, Challenger job cuts as well as unit labor and employment costs. We will also be watching out for the FHFA House Price Index, S&P CoreLogic home prices and construction spending in the housing market well as consumer confidence, factory, durable and capital goods orders. In Europe, key data to watch for will be the 4Q GDP, economic confidence, unemployment rate as well as both the CPI and PPI data. Japan will release its jobless rate, retail sales, IPI, housing starts and consumer confidence numbers, while China is set to release its industrial profit data as well as official PMIs. Similarly, Singapore will also unveil its official PMI as well as retail sales data.

**Stock markets staged last minute rally**



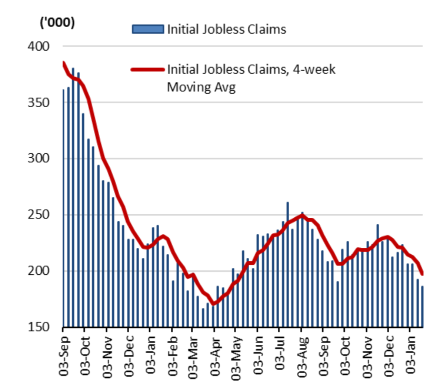

*Source: Bloomberg*

**Oil prices rose on expectations of stronger demand**




*Source: Bloomberg*

**Jobless claims continued to fall**

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# Foreign Exchange

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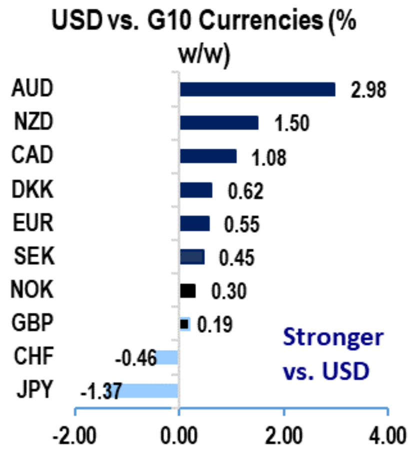
- **EUR**: EUR/ USD grind higher during the week, inching up to break the 1.09 handle buoyed by positive economic data on the Europe data. Business sentiment improved in the Germany while S&P PMI showed that there was an uptick in euro zone services and manufacturing activities. EUR retreated slightly on Thursday but still closed the week 0.6% w/w stronger at 1.0893. Should ECB lift rates towards 3.50% and economic data hold firm, it would be a platform for euro to run towards its option strike price of 1.14 on Feb 2. We are, thus, ***Neutral to Slightly Bullish*** on EUR/ USD, likely in a range of 1.08 to 1.12.

- **GBP**: GBP came under pressure, particularly against the euro on growing view that economic prospects in the UK remained dim via-a-vis the rest of Europe. Having that said, BOE is expected to deliver another 50bps rate hike this coming week as price pressures remained high and this will support sterling vis-à-vis USD this coming week. This is especially so since Fed, on its end, is expected to be deliver a downshift in its rate hike to +25bps. We are, thus, ***Neutral-to-Slightly Bullish*** on GBP/USD, likely in a range of 1.23-1.27 in the week ahead.

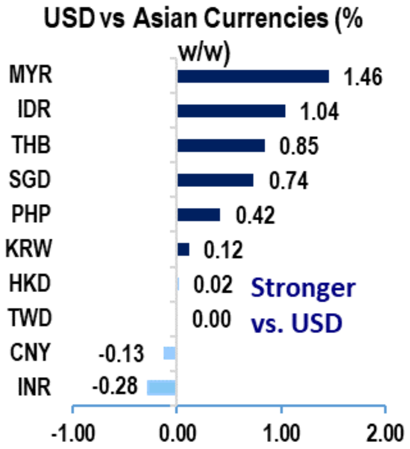
- **JPY**: As expected, BOJ's stance in its latest MPC to maintain its ultra-low rates opened the path for short-term JPY weakness this week. According to BOJ's latest policy review, more time is needed for December's yield curve to have an impact on the market while one member said that there is still a long way to go to achieve the BOJ's sustainable price target. JPY ended the week 1.4% w/w weaker at 130.22. We are ***Slightly Bearish*** on this pair, eyeing a range of 128-131 this week.

- **AUD**: Australia's accelerating inflation boosted RBA rate hikes bet during the week, sending AUD to peak 0.7128 on Thursday. AUD ended the week 3.0% w/w up at 0.7116. In fact, it is one of the best preforming G10 currency in the week. We are ***Neutral-to-Slightly Bullish*** on AUD outlook likely in a range of 0.69-0.73 in the week forward. Key data to watch out next week will be the NAB Business Confidence Index, Judo Bank Australia PMI Manufacturing, CoreLogic House Price and private sector home sales.

- **SGD**: SGD broke above the 1.32 threshold to peak at 1.3236 on Wednesday after Singapore's inflation rate came below expectations but quickly retreated back to close at 1.3120. Otherwise, the pair has held on firm at the 1.31-1.32 levels for the past week and we expect this to remain the coming week with USD outlook as the primary driver. We are ***Neutral*** on USD/SGD in the week ahead eyeing a range of 1.30-1.32.




*Source: Bloomberg*




*Source: Bloomberg*

**Forecasts**

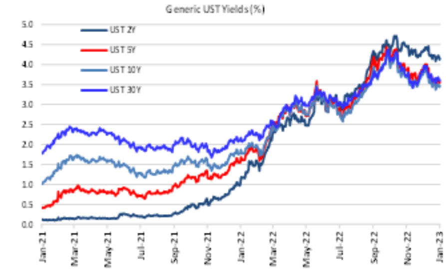
| | Q1-23 | Q2-23 | Q3-23 | Q4-23 |
|---|---|---|---|---|
| DXY | 101.4 | 100.9 | 99.9 | 98.9 |
| EUR/USD | 1.09 | 1.10 | 1.10 | 1.10 |
| GBP/USD | 1.22 | 1.23 | 1.23 | 1.23 |
| AUD/USD | 0.69 | 0.69 | 0.70 | 0.71 |
| USD/JPY | 128 | 127 | 127 | 126 |
| USD/MYR | 4.38 | 4.36 | 4.32 | 4.27 |
| USD/SGD | 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 weaker with overall benchmark yields climbing between 5-12bps across despite seeing strength in most sessions of the week. A string of US economic data that included stronger than forecast 4Q2022 GDP figures and a further decline in jobless claims (which hit a 9-month low) dented bond closing levels for the week under review. **The UST 2Y yield rose 5bps to 4.18% whilst the much-watched UST 10Y (which ranged tighter between 3.39-3.51%), spiked 11bps to 3.50%**. Treasury's $42b 2Y, $43b 5Y and $35b 7Y note coupon offerings continued to see upbeat momentum and response for overall auctions in January. Elsewhere, demand for the Fed's overnight reverse repo facility fell to its lowest levels since June. The recent surge in T-bill supply has led to a decline in the usage of the abovementioned facility. Expect USTs to recover on emerging demand next week following expectations of subdued December PCE data to be released later tonight.

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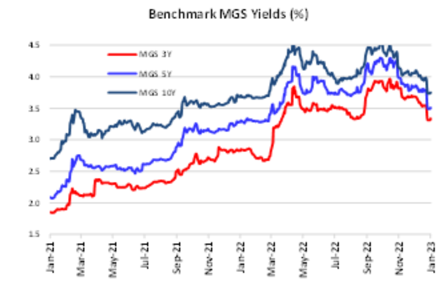
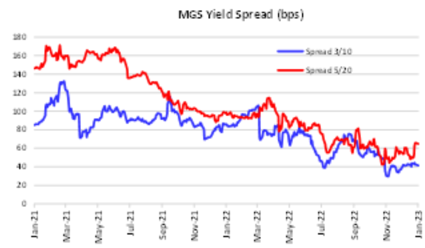
- **MGS/GII:** Local govvies saw both MGS/GII close mixed w/w on lack of direction and some mild profit-taking activities amid low-staffing levels due to the CNY holidays. The MGS belly was well-bid along with the longer-ends for GII as overall benchmark MGS/GII yields settled mixed between -18 to +8bps across. **The benchmark 5Y MGS 11/27 yield edged 1bps lower to 3.51% whilst the 10Y MGS 7/32 rallied the most with yields ending 16bps lower at 3.73%.** The average daily secondary market volume eased by 7% w/w to ~RM5.3b w/w with interest seen mainly in the off-the-run 23's and benchmark 3Y MGS/GII, 5Y MGS, 10Y MGS/GII. At the time of writing, the new issuance of 5Y GII 7/28 via an auction, saw tremendous support and participation. It notched a BTC ratio of 3.40X whilst being awarded at 3.599%. Expect local govvies to recover from ongoing profit-taking activities and see mild support next week as both headline and core CPI tapered off in December whilst foreign reserves trended higher.



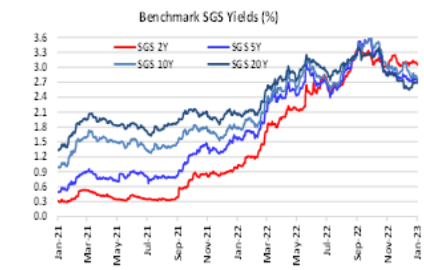

*Source: Bloomberg*

- **MYR Corporate bonds/ Sukuk**: The week under review saw reduced secondary market activity in lieu of the low-staffing levels arising from the extended holiday break. Nevertheless, some interest prevailed with ongoing search for yield following the steady hold-out in underlying govvies. **Trades were seen mainly across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a sharp drop in average daily market volume from RM966 to RM390m.** Topping the weekly volume were DANA 4/37 bonds (GG) which fell 37bps compared to recently-issued coupon to 4.16%, followed by its 10/23 tranche (GG) which declined 10bps to 3.38%. This was followed by MALAKOFF 12/29 (AA3) which closed 6bps lower at 5.00%. Higher frequency of bond trades was seen in DANAINFRA, PLUS and UEM Sunrise bonds. Odd-lot transactions were seen in TROPICANA, AmBank callable bonds. The prominent issuance for the week consisted of Toyota Capital Malaysia Sdn Berhad's AAA-rated 5Y bonds totaling RM150m with a coupon rate of 4.56%.




*Source: Bloomberg*

- **Singapore Government Securities:** SGS continued to decouple from UST movements w/w; as overall benchmark yields closed 0-4bps lower across save for the 20Y, as December headline inflation came in lower than earlier estimate and compared to prior months' i.e.; October and November data. The SGS 2Y yield closed 4bps lower at 3.05% whilst the SGS 10Y eased 3bps at 2.78% (the SGS 10Y ranged tighter between 2.76-2.81%). Singapore's sovereign bonds continued to post a small loss of 0.2% w/w versus gain of 0.4% prior week. Meanwhile, the republic's offering of 12-month T-Bills drew record demand as investors rushed to lock-in higher yields amid views of peaking rates; coupled with potential appreciation of SGD. Despite rising yields, they remain below the inflation rate for now. Singapore' has sold ~S$9.6b worth of government bonds to date; down 18% compared to same period last year.




*Source: Bloomberg*

| Issuer | PDS Description | Rating/Outlook | Action |
|---|---|---|---|
| Perbadanan Kemajuan Negeri Selangor (PKNS) | RM1.7 bil Islamic Medium-Term Notes Programme (2013/2033) | AA3/Stable | Reaffirmed |
| | RM1 bil Islamic Commercial Paper Programme (2021/2028) | P1 | Reaffirmed |
| | RM3 bil Islamic Medium-Term Notes Programme (2021/2121) | AA3/Stable | Reaffirmed |
| DIALOG Group Berhad | RM3 bil Senior Islamic Medium-Term Notes and RM3 bil Subordinated Perpetual Islamic Notes | AA2/Stable and A1/Stable | Reaffirmed |
| Pacific & Orient Insurance Co. Berhad | Insurer financial strength | From A2/Negative/P1 to A3/Stable/P2 | Downgraded |

***Source: MARC/RAM***

## Economic Calendar

| Date | Time | Country | Event | Period | Prior |
|---|---|---|---|---|---|
| 30-Jan | 18:00 | EC | Economic Confidence | Jan | 95.8 |
| | 23:30 | US | Dallas Fed Manf. Activity | Jan | -18.8 |
| 31-Jan | 7:30 | JN | Jobless Rate | Dec | 2.50% |
| | 7:50 | JN | Retail Sales MoM | Dec | -1.10% |
| | 7:50 | JN | Industrial Production MoM | Dec P | 0.20% |
| | 8:30 | AU | Retail Sales MoM | Dec | 1.40% |
| | 9:30 | CH | Industrial Profits YTD YoY | Dec | -3.60% |
| | 9:30 | CH | Manufacturing PMI | Jan | 47 |
| | 9:30 | CH | Non-manufacturing PMI | Jan | 41.6 |
| | 9:30 | CH | Industrial Profits YoY | Dec | 0.80% |
| | 13:00 | JN | Consumer Confidence Index | Jan | 30.3 |
| | 13:00 | JN | Housing Starts YoY | Dec | -1.40% |
| | 17:30 | UK | Net Consumer Credit | Dec | 1.5b |
| | 18:00 | EC | GDP SA QoQ | 4Q A | 0.30% |
| | 21:01 | AU | CoreLogic House Px MoM | Jan | - |
| | 21:30 | US | Employment Cost Index | 4Q | 1.20% |
| | 22:00 | US | FHFA House Price Index MoM | Nov | 0.00% |
| | 22:00 | US | S&P CoreLogic CS 20-City MoM SA | Nov | -0.52% |
| | 22:45 | US | MNI Chicago PMI | Jan | 44.9 |
| | 23:00 | US | Conf. Board Consumer Confidence | Jan | 108.3 |
| | 23:30 | US | Dallas Fed Services Activity | Jan | - |
| 1-Feb | 6:00 | AU | Judo Bank Australia PMI Mfg | Jan F | 49.8 |
| | 8:30 | JN | Jibun Bank Japan PMI Mfg | Jan F | 48.9 |
| | 8:30 | MA | S&P Global Malaysia PMI Mfg | Jan | 47.8 |
| | 8:30 | VN | S&P Global Vietnam PMI Mfg | Jan | 46.4 |
| | 9:45 | CH | Caixin China PMI Mfg | Jan | 49 |
| | 16:30 | HK | GDP SA QoQ | 4Q A | -2.60% |
| | 17:00 | EC | S&P Global Eurozone Manufacturing PMI | Jan F | 48.8 |
| | 17:30 | UK | S&P Global/CIPS UK Manufacturing PMI | Jan F | 46.7 |
| | 18:00 | EC | Unemployment Rate | Dec | 6.50% |
| | 18:00 | EC | CPI MoM | Jan P | -0.40% |
| | 20:00 | US | MBA Mortgage Applications | | 7.00% |
| | 21:15 | US | ADP Employment Change | Jan | 235k |
| | 22:45 | US | S&P Global US Manufacturing PMI | Jan F | 46.8 |
| | 23:00 | US | Construction Spending MoM | Dec | 0.20% |
| | 23:00 | US | ISM Manufacturing | Jan | 48.4 |
| | 23:00 | US | JOLTS Job Openings | Dec | 10458k |
| 2-Feb | 3:00 | US | FOMC Rate Decision (Lower Bound) | | 4.25% |
| | 3:00 | US | FOMC Rate Decision (Upper Bound) | | 4.50% |
| | 8:30 | AU | Private Sector Houses MoM | Dec | -2.50% |
| | 8:30 | AU | NAB Business Confidence | 4Q | 9 |
| | 20:00 | UK | Bank of England Bank Rate | | 3.50% |
| | 20:30 | US | Challenger Job Cuts YoY | Jan | 129.10% |

| | | | | | |
|---|---|---|---|---|---|
| | 21:00 | SI | Purchasing Managers Index | Jan | 49.7 |
| | 21:15 | EC | ECB Main Refinancing Rate | | 2.50% |
| | 21:30 | US | Unit Labor Costs | 4Q P | 2.40% |
| | 21:30 | US | Initial Jobless Claims | | |
| | 21:30 | US | Continuing Claims | | |
| | 23:00 | US | Factory Orders | Dec | -1.80% |
| | 23:00 | US | Durable Goods Orders | Dec F | - |
| | 23:00 | US | Cap Goods Orders Nondef Ex Air | Dec F | - |
| 3-Feb | 8:30 | JN | Jibun Bank Japan PMI Services | Jan F | 52.4 |
| | 8:30 | SI | S&P Global Singapore PMI | Jan | 49.1 |
| | 8:30 | HK | S&P Global Hong Kong PMI | Jan | 49.6 |
| | 9:45 | CH | Caixin China PMI Services | Jan | 48 |
| | 13:00 | SI | Retail Sales YoY | Dec | 6.20% |
| | 16:30 | HK | Retail Sales Value YoY | Dec | -4.20% |
| | 17:00 | EC | S&P Global Eurozone Services PMI | Jan F | 50.7 |
| | 17:30 | UK | S&P Global/CIPS UK Services PMI | Jan F | 48.0 |
| | 18:00 | EC | PPI MoM | Dec | -0.90% |
| | 21:30 | US | Change in Nonfarm Payrolls | Jan | 223k |
| | 21:30 | US | Unemployment Rate | Jan | 3.50% |
| | 21:30 | US | Average Hourly Earnings MoM | Jan | 0.30% |
| | 22:45 | US | S&P Global US Services PMI | Jan F | 46.6 |
| | 23:00 | US | ISM Services Index | Jan | 49.6 |

*Source: Bloomberg*

**DISCLAIMER**

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