Global Markets Research

Weekly Market Highlights

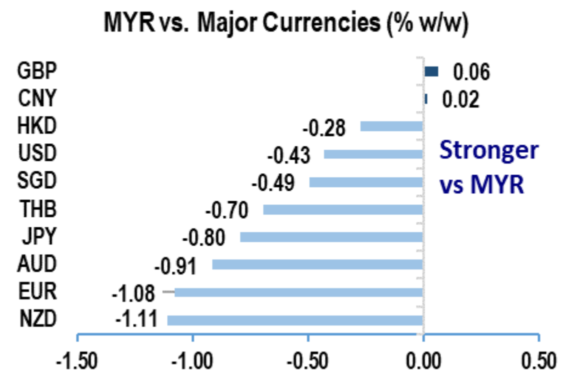
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	35,282.72	0.16	6.44
S&P 500	4,537.41	0.06	18.18
FTSE 100	7,692.76	0.61	3.23
Hang Seng	19,639.11	3.97	-0.72
KLCI	1,451.27	4.53	-2.96
STI	3,337.42	4.06	2.65
Dollar Index	101.77	0.89	-1.69
WTI oil ($/bbl)	80.09	5.90	-0.21
Brent oil ($/bbl)	84.24	5.78	-1.94
Gold (S/oz)	1,945.70	-1.28	6.57
CPO (RM/ tonne)	4,033.00	1.93	-0.37
Copper ($$/MT)	8,569.00	0.98	2.35
Aluminum($/MT)	2,205.00	0.18	3.40

Source: Bloomberg
**For the period 20-26th July for CPO*

- **DJIA notched longest winning streak since 1987 but snapped on Thursday:** Wall Street was generally on an uptrend prior to the FOMC meeting supported by a string of better-than expected corporate earnings before taking a pivot on Wednesday after the lack of clear direction from Fed Chair Jerome Powell's press conference. The outlier was the Dow Jones which continued to power ahead to its best winning streak since 1987 before snapping on Thursday after a slew the better-than-expected US economic data boosted risks for a September rate hike. Dow Jones closed the week 0.2% d/d higher, outpacing S&P 500 and Nasdaq at +0.1% w/w and -0.1% w/w respectively.
- **The week ahead:** While inflation data has eased recently, we do not expect this from stopping the BOE and RBA from raising their policy rates. The BOE is widely expected to hike 25bps next week but the RBA may still opt to pause and access the situation if further hike(s) is required. S&P, meanwhile, is set to release the final PMIs for the majors and unveil July data for China, Singapore and Malaysia. US will be data heavy, with non-farm payroll in focus on top of other labour data like jobless claims, ADP employment change, JOLTS Job Openings as well as non-farm productivity and unit labour costs. Other data to watch out for includes ISM manufacturing and services; factory, durable and capital goods orders, mortgage applications, construction spending, MNI Chicago PMI as well as Dallas Fed district indices.

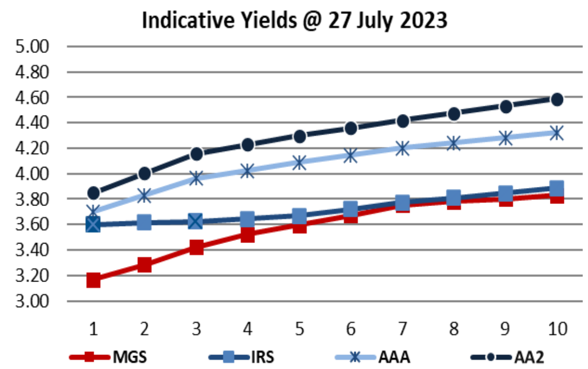
Forex



Source: Bloomberg

- **MYR:** USD/ MYR declined for a fourth consecutive week, falling by 0.4% w/w (prior: -0.9%) to 4.5238 versus the previous week's close of 4.5433, after the US Federal Rate hike did not commit to a further hike after raising its policy rate by 25bps this week. The MYR also strengthened against all of other G10s, as well as most major Asian peers, with GBP (-0.1%) and CNY (unchanged) being the only notable exceptions. We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.46 to 4.56. Malaysia's PMI for July is due for release next week, and is expected to be scrutinized for early indications of how the Malaysian economy is holding up in 3Q.
- **USD**: The DXY advanced for a second week in a row, trading higher by 0.9% w/w (prior: +1.1%) to close Thursday at 101.773, with the USD firmer against all the other G10 currencies save for the JPY. Driving the price action was stronger than expected US data on a few fronts, headlined by the better than expected US 2Q GDP, in a week which saw the US Fed raising rates as expected, but sounding less certain about the need for further hikes. We are ***Neutral-to-Slightly Bearish*** on the USD next week, with the DXY expected to trade in a range of 99–103. A slew of economic data awaits, headlined by ISM indices and the NFP and ADP employment. Also on the calendar are the June core PCE, personal income and spending as well as the regional Chicago PMI survey.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** US Treasuries traded on cautious note with modest swings between gains and losses prior to FOMC policy decision, taking cue mainly from PMI and consumer confidence data. UST was seen rebounding post-FOMC, and the big move came overnight as advance US 2Q GDP print surprised on the upside while news on discussion on a potential tweak to BOJ's yield curve control (YCC) unnerved markets. Overall benchmark treasuries yields settled 9-15bps higher w/w. This week's auctions saw decent demand overall, with BTC of 2.48-2.78x. **Focus will shift to US core PCE tonight followed by NFP next Friday for more clues on the Fed's future policy path.**
- **MGS/GII:** Local govvies saw muted trading this week as investors preferred to stay on the sideline ahead of FOMC rate decision, leading yields to close mixed (-7bps to +5bps). Average daily trading volume of MGS/GII plunged 55.5% w/w to RM3.3bn. The announcement on the 10Y MADANI roadmap by the Prime Minister yesterday could potentially address some long term development and structural issues although near term impact may be rather limited, hence muted reaction from the local bond market. **With FOMC out of the way, we expect bonds to stay supported bolstered by a firmer MYR in the week forward.**

Macroeconomic Updates

- **DJIA notched longest winning streak since 1987 but snapped on Thursday:** Wall Street was generally on an uptrend prior to the FOMC meeting supported by a string of better-than expected corporate earnings before taking a pivot on Wednesday after the lack of clear direction from Fed Chair Jerome Powell's press conference. The outlier was the Dow Jones which continued to power ahead to its best winning streak since 1987 before snapping on Thursday after a slew the better-than-expected US economic data boosted risks for a September rate hike. Dow Jones closed the week 0.2% d/d higher, outpacing S&P 500 and Nasdaq at +0.1% w/w and -0.1% w/w respectively. The upbeat US economic data also lifted risk-on sentiment, boosted demand outlook and sent oil prices to their 4-months highs with WTI breaking above the $80/barrel level. Coupled with tightened supply newsflow during the week, oil prices closed the week significantly higher between 5.8%-5.9%.

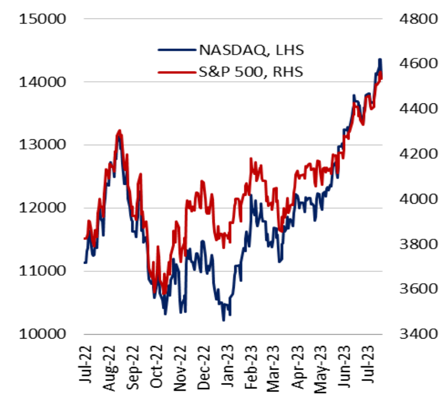
- **Powell and Lagarde left options open:** As widely expected, the FOMC raised the benchmark Fed funds rate by 25bps to 5.25%-5.50%. Key highlights from the statement and Chair Jerome Powell's press conference was the upgrade of economic growth to "moderate" and Powell's comments that it's certainly possible that the FOMC will raise funds again or hold steady at the September meeting. Similarly, President Christine Lagarde said that officials have an "open mind" on what the decisions will be in September and in subsequent meetings and added that even if ECB pauses, it might not be necessarily for an extended period. This comes after ECB decided to raise the interest rates on the main refinancing operations, marginal lending facility and the deposit facility by 25bps to 4.25%, 4.50% and 3.75% respectively wef 2 August.

- **IMF revised 2023 global GDP growth upwards to 3.0%:** During the week, IMF rolled out its latest economic outlook. Global growth is projected to moderate from 3.5% in 2022 to 3.0% in both 2023 and 2024. Growth for 2023 was revised upwards by 0.2ppts. Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 (-0.2ppts) and 5.2% in 2024 (+0.3ppts), while core is projected to ease more gradually. US is projected to slow from 2.1% in 2022 to 1.8% in 2023 and 1.0% in 2024, with the 2023 forecast revised upward by 0.2ppts due to resilient consumption growth in 1Q. Growth in the euro area is projected to fall from 3.5% in 2022 to 0.9% in 2023 before rising to 1.5% in 2024, upwardly revised by 0.1ppts for both years. The UK economy is projected to soften from 4.1% in 2022 to 0.4% in 2023, before rising to 1.0% in 2024. The 0.7ppts upward revision in 2023's GDP reflects stronger-than-expected consumption and investment from the confidence effects of falling energy prices, lower post-Brexit uncertainty and a resilient financial sector. Growth in Japan is projected to rise from 1.1% in 2022 to 1.4% in 2023, reflecting a modest 0.1ppts upward revision buoyed by pent-up demand and accommodative policies, then slow to 1.0% in 2024. The forecast for China is unchanged at 5.2% for 2023 and 4.5% for 2024.

- **S&P PMIs showed cooling services sector; manufacturing still contractionary:** Latest data from the S&P showed that services sector continued to drive growth but has cooled again in July. The S&P US Services PMI fell to 52.4, but the Manufacturing PMI rose to 49.0. Eurozone's PMIs fell short of consensus, with the Services and Manufacturing PMIs dipping to 51.1 and 42.7. In the UK, activity growth in the service economy moderated for the third month and was much softer than 1H average at 51.5, while Manufacturing PMI also fell to 45.0. Japan's Jibun Bank Manufacturing PMI fell slightly to 49.4, while the Services PMI eased slightly to 53.9.

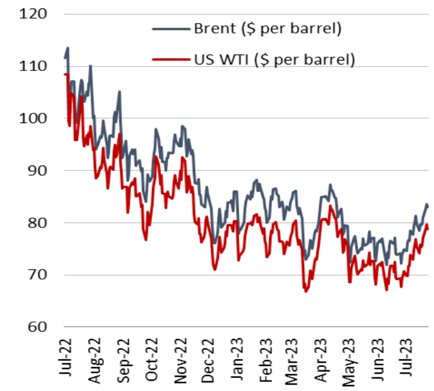
- **The week ahead:** While inflation data has eased recently, we do not expect this from stopping the BOE and RBA from raising their policy rates. The BOE is widely expected to hike 25bps next week but the RBA may still opt to pause and access the situation if further hike(s) is required. Just a cap, data this week showed that Australia's 2Q inflation decelerated sharper than expected to +6.0% y/y in 2Q (1Q: +7.0% y/y). S&P, meanwhile, is set to release the final PMIs for the majors and unveil July data for China, Singapore and Malaysia. US will be data heavy, with non-farm payroll in focus on top of other labour data like jobless claims, ADP employment change, Challenger job cuts, JOLTS Job Openings as well as non-farm productivity and unit labour costs. Other data to watch out for includes ISM manufacturing and services; factory, durable and capital goods orders, mortgage applications, construction spending, MNI Chicago PMI as well as Dallas Fed district indices. Eurozone will release a string of key data like the CPI, PPI, retail sales and unemployment rate. Data from UK includes Nationwide House Price, Lloyds Business Barometer, consumer credit and mortgage approvals. Japan will release its retail sales data on top of IPI and consumer confidence, while both China and Singapore will publish its official PMIs. The latter will also release its retail sales data as well next week.

Wall Street rallied ahead until the FOMC meeting



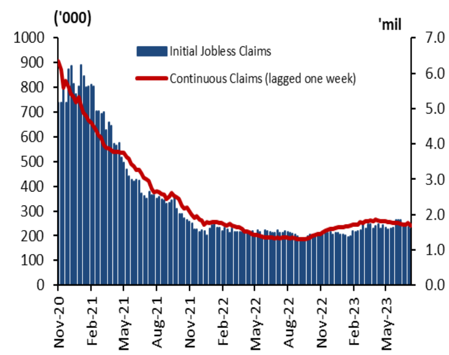
Source: Bloomberg

Oil prices rallied to a 4-month high



Source: Bloomberg

Jobless claims fell for the third straight week



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Foreign Exchange

- **MYR:** USD/ MYR declined for a fourth consecutive week, falling by 0.4% w/w (prior: -0.9%) to 4.5238 versus the previous week's close of 4.5433, after the US Federal Rate hike did not commit to a further hike after raising its policy rate by 25bps this week. The MYR also strengthened against all of the other G10 currencies, as well as most major Asian peers, with GBP (-0.1%) and CNY (unchanged) being the only notable exceptions. We are ***Slightly Bearish*** USD/ MYR in the coming week, and expect a trading range of 4.46 to 4.56. Malaysia's PMI Manufacturing for July is due for release next week, and is expected to be scrutinized for early indications of how the Malaysian economy is holding up in 3Q.

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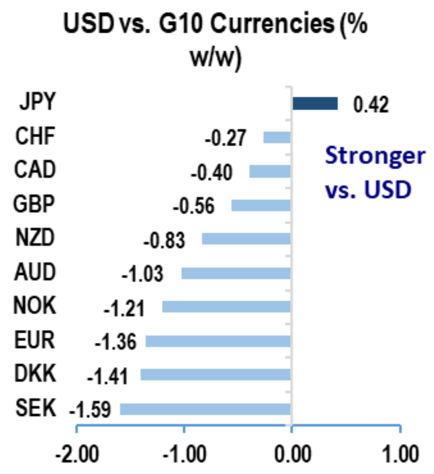
- **EUR**: The EUR declined for a second week running, falling by 1.4% w/w (prior: -0.9%) against the USD to 1.0979 as of Thursday's close. The ECB raised rates as expected but sounded more uncertain about future moves, leading to speculation that the rate hike cycle there may already have come to an end, hence weighing on the currency. We are ***Neutral*** on EUR/ USD for the coming week and foresee a likely trading range of 1.08-1.12. Plenty of domestic data to contend with in the week ahead, with Eurozone 2Q GDP, July CPI, and the unemployment rate for June all due for release, as are the final PMI numbers and the PPI.

- **GBP**: GBP also fell by 0.6% w/w (prior: -2.0%) versus the greenback to close at 1.2796 as of Thursday, after the preliminary UK PMIs for July came in weaker than expected, and raised doubts about the health of the UK economy going into 3Q. We are ***Neutral*** on GBP/ USD this coming week, with a likely trading range of 1.2600-1.3000 seen for the Cable. Domestically, we are due to get data on mortgage approvals and house prices, as well as the final PMI numbers for July, before the Bank of England meets to decide its policy rate towards the end of the week. Interest rate futures are pricing in between a 25 and 50 bps move from the BOE for this meet, and we see them choosing the former given that core inflation has receded slightly as of late.

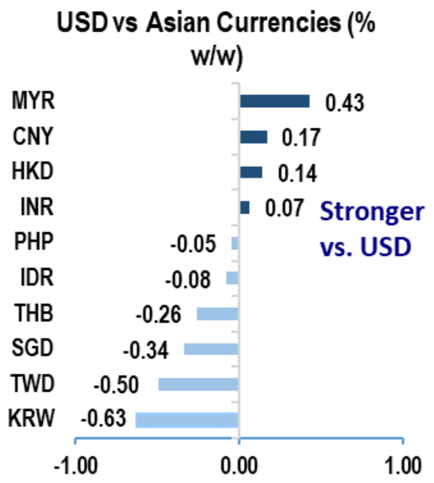
- **JPY**: The Japanese Yen strengthened this week, advancing by 0.4% vs the USD to close at 139.48, following last week's 1.4% fall, making the JPY the best performer in G10 space. Price action was driven by speculation of a discussion on YCC tweak at the upcoming BoJ policy meeting. We are ***Slightly Bearish*** on the USD/ JPY next week and expect a trading range of 135 -141. The Bank of Japan meets on policy later today, and whilst the market is not expecting any policy change this time round, there is a chance the BoJ starts to prepare the market for an eventual move, if not explicitly so, then maybe through a change to their GDP and CPI forecasts. Plenty of data awaits next week, with Japanese retail sales, industrial production, housing starts, consumer confidence and monthly jobs report all due for release.

- **AUD**: The AUD traded lower for a second week on the trot, dropping by 1.0% w/w (prior: -1.6%) against the greenback to 0.6709, as Australian 2Q CPI came in south of expectations and preliminary PMIs for July suggested that 3Q did not get off to as good a start as hoped. We are ***Neutral-to-Slightly Bullish*** on AUD/ USD next week and foresee a possible trading range of between 0.6550-0.6900. For the coming week, PPI, retail sales, housing sector data and trade balance are due for release, and the RBA is scheduled to meet to decide on policy and are expected to stand pat yet again.

- **SGD**: The SGD slipped by 0.3% w/w to 1.3315 vs the USD, following last week's 0.4% fall, even as Singapore industrial production for June came in firmer than anticipated and the unemployment rate held steady, as broad USD strength dominated trading in the pair. The SGD gained versus the bulk of the other G10 currencies apart from the USD and JPY, notably against the EUR (+1.0%) and Scandinavian currencies, but declined marginally against most major Asian peers led by falls against the MYR (-0.8%) and CNY (-0.5%). We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD here, with a potential trading range of 1.3150-1.3450 seen for the week ahead. Domestically, we are due to get the July PMI and Electronic sector index during the coming week.



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

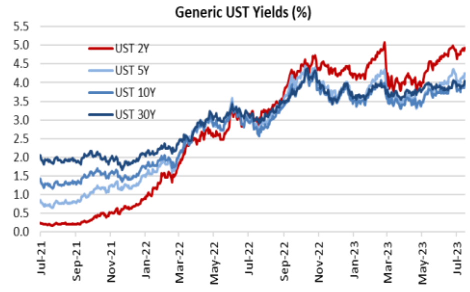
Fixed Income

- **UST:** US Treasuries traded on cautious note with modest swings between gains and losses prior to FOMC policy decision, taking cue mainly from PMI and consumer confidence data. UST was seen rebounding post-FOMC, putting a halt to two consecutive days of selloffs, as the Fed signaled future policy path will be data dependent, stopping short of any commitment to further hike or pause despite reiteration of elevated inflation. The big move came overnight as advance US 2Q GDP print surprised on the upside at 2.4% q/q (1Q: +2.0%), along with an unexpected decline in initial jobless claims that reinforced resiliency in the US economy. In addition, news on discussion on a potential tweak to BOJ's yield curve control (YCC) at today's upcoming BOJ meeting also unnerved markets, pushing yields back up to a near 3-week high. **Overall benchmark treasuries yields settled 9-15bps higher w/w.** The 2Y note yields rose 9bps w/w to 4.93% while the 10s added 15bps to 4.00%, bear steepening the curve and narrowed the inversion in the yield curve to -93bps (prior -99bps). This week's auctions saw decent demand, with BTC of 2.78x for US$42bn 2Y note, and 2.60x for US$24bn 2Y FRN, at a high yield of 4.82% and 4.70% respectively. However, the sale of US$35bn 7Y bonds last night attracted softer demand with a BTC print of 2.48x at a high yield of 4.09% (prior: 2.65x; 3.84%). **Focus will shift to US core PCE tonight followed by NFP next Friday for more clues on the Fed's future policy path.**

- **MGS/GII:** Local govvies saw muted trading this week as investors preferred to stay on the sideline ahead of FOMC rate decision. As a result, trading momentum in the secondary market was evidently softer, with **average daily trading volume of MGS/GII plunging 55.5% w/w to RM3.3bn (prior RM7.4bn),** of which MGS saw a bigger 63.2% decline to RM2.2bn while the GII lost 19.0% to RM1.1bn. **Overall benchmark yields** rangetraded by and large before ending the week **mixed between -7bps to +5bps w/w.** Benchmark 5Y added 1bp to 3.56% while the 10s slipped 1bp to 3.80% over the week, a reversal from prior week's moves. The announcement on the 10Y MADANI roadmap by the Prime Minister yesterday could potentially address some long term development and structural issues although near term impact may be rather limited, hence muted reaction from the local bond market. **With FOMC out of the way, we expect bonds to stay supported bolstered by a firmer MYR.**

- **MYR Corporate bonds/ Sukuk**: Contrary to the softer trading interests in local govvies, corporate bonds/ sukuk witnessed increased traction this week with yields generally settling lower. The GG and AAA universe attracted the bulk of the trading interests. Average daily secondary market volume continued to pick up steam for a 2nd straight week, jumping 53.5% w/w (prior: +62.3%) from RM0.5bn to RM0.8bn. Daily transacted volume printed RM1.04bn on Tuesday, marking its heaviest daily trade since mid-May. CAGA '26 and '27 collectively accounted for RM285m or 27% of total daily trades on the day (at 3.81-3.92%), followed by numerous government-guaranteed DANAINFRA '25 -'38 papers (RM160m or 15% at 3.70-4.13%). Through the week, trading interests were also seen in PRASA '31 & '36 at 3.81% and 4.06% respectively, PLUS '38 at 4.15%, LPPSA '40 at 4.19%, and PTPTN '28 – '37 at 3.80-4.11%.

- **Singapore Government Securities:** SGS lost some grounds and ended on a softer note this week tracking the UST. Overall bond yields shifted higher again by a modest 1-3bps w/w (prior: 2-14bps decline). The 2Y and 5Y note yields rose the most, by 3bps each to 3.46% and 3.01% respectively, while the 10s and 20s added 2bps and 1bps respectively to 2.95% and 2.61%. The 2/10 spread however remained little changed at -51bps (prior -50bps). CPI and IPI data released over the week confirmed softening price outlook and extended declines in industrial production. Headline and core CPI tapered off to 4.5% and 4.2% y/y respectively in June, while industrial production registered further declines, albeit at a smaller rate of 4.9% y/y in June. Up next will be PMI and retail sales, which are not expected to change our view for MAS to hold the course in October.



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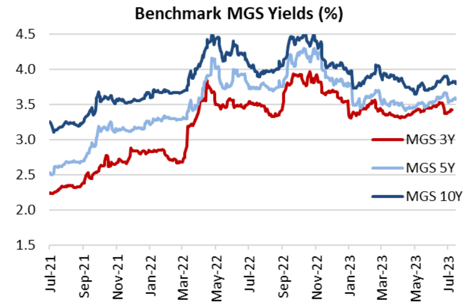

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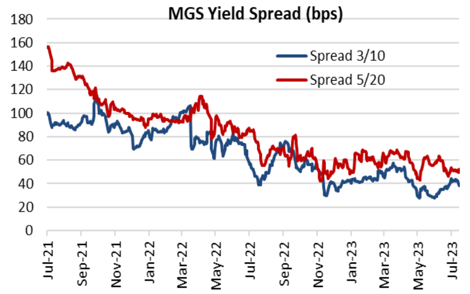

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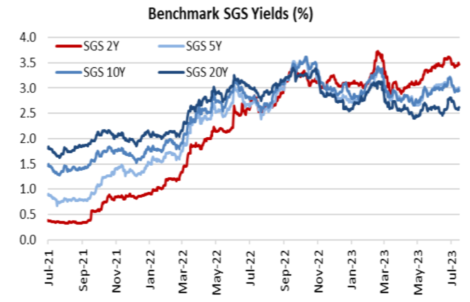

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Grand Sepadu (NK) Sdn Bhd	M210.0 million Sukuk Murabahah	AA-IS/Stable	Affirmed
Tanjung Bin Energy Sdn Bhd	RM4.5b Islamic MTN Programme	AA3/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
31-Jul	7:50	JN	Retail Sales MoM	Jun	1.30%
	7:50	JN	Industrial Production MoM	Jun P	-2.20%
	9:30	CH	Manufacturing PMI	Jul	49
	9:30	CH	Non-manufacturing PMI	Jul	53.2
	13:00	JN	Consumer Confidence Index	Jul	36.2
	13:00	JN	Housing Starts YoY	Jun	3.50%
	16:30	UK	Net Consumer Credit	Jun	1.1b
	16:30	UK	Mortgage Approvals	Jun	50.5k
	16:30	HK	GDP YoY	2Q A	2.70%
	17:00	EC	GDP SA QoQ	2Q A	-0.10%
	17:00	EC	CPI Estimate YoY	Jul	5.50%
	21:45	US	MNI Chicago PMI	Jul	41.5
	22:01	AU	CoreLogic House Px MoM	Jul	1.20%
	22:30	US	Dallas Fed Manf. Activity	Jul	-23.2
1-Aug	7:00	AU	Judo Bank Australia PMI Mfg	Jul F	49.6
	7:30	JN	Jobless Rate	Jun	2.60%
	8:30	JN	Jibun Bank Japan PMI Mfg	Jul F	49.4
	8:30	MA	S&P Global Malaysia PMI Mfg	Jul	47.7
	8:30	VN	S&P Global Vietnam PMI Mfg	Jul	46.2
	9:30	AU	Home Loans Value MoM	Jun	4.80%
	9:30	AU	Building Approvals MoM	Jun	20.60%
	9:45	CH	Caixin China PMI Mfg	Jul	50.5
	12:30	AU	RBA Cash Rate Target		4.10%
	14:00	UK	Nationwide House PX MoM	Jul	0.10%
	16:00	EC	HCOB Eurozone Manufacturing PMI	Jul F	42.7
	16:30	HK	Retail Sales Value YoY	Jun	18.40%
	16:30	UK	S&P Global/CIPS UK Manufacturing PMI	Jul F	45
	16:30	HK	Retail Sales Volume YoY	Jun	16.50%
	17:00	EC	Unemployment Rate	Jun	6.50%
	21:45	US	S&P Global US Manufacturing PMI	Jul F	49
	22:00	US	Construction Spending MoM	Jun	0.90%
	22:00	US	JOLTS Job Openings	Jun	9824k
	22:00	US	ISM Manufacturing	Jul	46
	22:30	US	Dallas Fed Services Activity	Jul	-8.2
2-Aug	19:00	US	MBA Mortgage Applications	Jul 28	-1.8%
	20:15	US	ADP Employment Change	Jul	497k
	21:00	SI	Purchasing Managers Index	Jul	49.7
3-Aug	7:00	AU	Judo Bank Australia PMI Services	Jul F	48
	8:30	JN	Jibun Bank Japan PMI Services	Jul F	53.9
	8:30	SI	S&P Global Singapore PMI	Jul	54.1
	8:30	HK	S&P Global Hong Kong PMI	Jul	50.3
	9:30	AU	Exports MoM	Jun	4%
	9:30	AU	Retail Sales Ex Inflation QoQ	2Q	-0.60%
	9:45	CH	Caixin China PMI Services	Jul	53.9

	16:00	EC	HCOB Eurozone Services PMI	Jul F	51.1
	16:30	UK	S&P Global/CIPS UK Services PMI	Jul F	51.5
	17:00	EC	PPI YoY	Jun	-1.50%
	19:00	UK	Bank of England Bank Rate		5.00%
	20:30	US	Initial Jobless Claims	Jul 29	221k
	21:45	US	S&P Global US Services PMI	Jul F	52.4
	22:00	US	Factory Orders	Jun	0.30%
	22:00	US	Durable Goods Orders	Jun F	4.70%
	22:00	US	ISM Services Index	Jul	53.9
4-Aug	9:30	AU	RBA-Statement on Monetary Policy		
	13:00	SI	Retail Sales YoY	Jun	1.80%
	17:00	EC	Retail Sales MoM	Jun	0.00%
	20:30	US	Change in Nonfarm Payrolls	Jul	209k
	20:30	US	Unemployment Rate	Jul	3.60%

Source: Bloomberg