Global Markets Research

Weekly Market Highlights

Markets

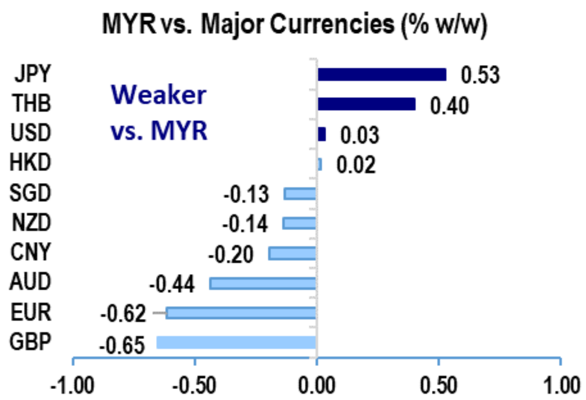
	Last Price	WOW%	YTD %
Dow Jones Ind.	38,519.84	1.24	2.20
S&P 500	4,906.19	0.25	2.86
FTSE 100	7,622.16	1.23	-1.44
Hang Seng	15,566.21	-3.98	-8.69
KLCI	1,512.98	0.59	4.01
STI	3,143.06	-0.15	-3.00
Dollar Index	103.05	-0.51	1.69
WTI oil ($/bbl)	73.82	-4.58	3.03
Brent oil ($/bbl)	78.70	-4.53	2.15
Gold (S/oz)	2,053.00	1.74	-0.91
CPO (RM/ tonne)	3,822.50	-4.02	3.12
Copper ($$/MT)	8,534.50	-0.40	-0.29
Aluminum($/MT)	2,247.00	0.38	19.74

Source: Bloomberg

**26-30 Jan for CPO, 26-31 Jan for KLCI*

- **Markets on Fed and geopolitical tension alert:** Markets largely traded mixed in 1H of the week as investors stay cautious ahead of the FOMC meeting, and with corporate results, especially amongst the Magnificent 7 and economic bellweathers largely driving some big moves. On Wednesday, all the three major indices saw a Fed sell-off after Chair Powell in his press conference commented that a March rate cut is unlikely but recovered on Thursday as earnings returned to the forefront. The Dow and S&P 500 managed to chalk up gains between 0.3-1.2% w/w, but Nasdaq lost 1.0% during the week. Traders in the oil market, meanwhile, remained on alert on the escalating conflict in the Middle East, after the latest attacks that killed American troops and hit a fuel tanker in the Red Sea, prompting a promised response from the US. Still, a last-minute retreat on Thursday amidst conflicting reports on a pause in the war, sent crude oil prices tumbling between 4.5-4.6% w/w during the week.
- **The week ahead:** Key focus next week will be the Reserve Bank of Australia's monetary policy meeting where expectations is that the RBA will maintain the cash rate target at 4.35%. Elsewhere, S&P will finalize the Services PMIs for the majors as well as unveil January's China Caixin Services PMI and Composite PMIs for Hong Kong and Singapore. Data on deck from the US includes the ISM-Services index, consumer credit, trade balance, jobless claims and mortgage applications, while Malaysia is set to publish the manufacturing sales and IPI data.

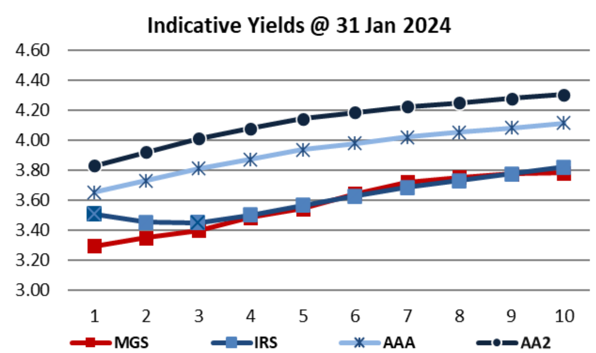
Forex



Source: Bloomberg

- **MYR:** In the absence of economic data on the domestic front to drive the market and amidst a backdrop of cautiousness heading into the FOMC meeting, USD/ MYR closed just above the flatline at 4.7330. This marks the sixth consecutive weekly advance for USD/MYR, albeit at a narrowing pace as compared to +0.3% w/w previously. MYR also traded mixed against majors and regionals. We are ***Neutral-to-Slightly Bearish*** on USD/ MYR for the week ahead, and see a likely trading range of 4.71–4.75. On the domestic front, manufacturing sales and IPI data are on deck, the latter is crucial in giving us a clue to the 4Q GDP performance.
- **USD**: DXY closed the week 0.5% w/w weaker at 103.05 after closing little changed the prior week. We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, eyeing a likely trading range of 102-104 for the index with the first hurdle being the non-farm payroll data tonight followed by the final S&P Services PMI, ISM-Services index, consumer credit, trade balance, jobless claims and mortgage applications numbers next week. In Fed speak, policy makers Bostic, Mester and Kugler are set to give their speeches, in what is the first after FOMC meeting.

Fixed Income



Source: Bloomberg

- **UST:** USTs rallied for a 2nd consecutive week, pushing yields down sizeably between 9-25bps w/w (prior 2-6bps lower), as a shift in the Fed policy guidance to neutral confirming peaked rates and quelling odds of a March rate cut, prompted a gap down in yields across the curve. This was followed by renewed concerns over regional US banks rout that spurred flight to safety bids. Market pricing for a March rate cut has fallen to 41% (prior ~46%) whilst pricing for a May cut has increased to 95% (prior ~80%). The curve bull flattened considerably with the benchmark 2Y note yield falling 9bps w/w to 4.20% while the 10s plunged 24bps to 3.88%. **With the FOMC event risk out of the way, attention will now shift to nonfarm job details tonight,** followed by inflation expectations and ISM services. The US Treasury will also sell $121bn of debt next week comprising 3Y, 10Y and 30Y bonds.
- **MGS/GII:** Local govvies continued to trade on a biddish tone for the 2nd straight week, a reflective of sustained interests despite event risk from FOMC meeting. **MGS/GII yield curves shifted lower albeit more modestly by 1-4bps w/w** (prior 2-11bps lower). The average daily secondary market volume for MGS/GII increased by 18% w/w to RM3.59bn spurred by higher trading activities in both MGS and GII. **Markets could potentially trade sideways in the week ahead** as investors may reassess their positions after a more neutral guidance from the FOMC. Reopening sale of 7Y MGS 4/31 will be the next focus in the domestic market next Monday, followed by Malaysia IPI number on Wednesday.

Macroeconomic Updates

- **Markets on Fed and geopolitical tension alert:** Markets largely traded mixed in 1H of the week as investors stay cautious ahead of the FOMC meeting, and with corporate results, especially amongst the Magnificent Seven and economic bellwethers like General Motors UPS, largely driving some big moves in Wall Street. On Wednesday however, all the three major indices saw a Fed sell-off after Chair Jerome Powell in his post-meeting conference commented that a March rate cut is unlikely but recovered on Thursday as earnings returned to the forefront. The Dow and S&P 500 managed to chalk up gains between 0.3-1.2% w/w, but Nasdaq lost 1.0% during the week. Traders in the oil market, meanwhile, remained on alert on the escalating conflict in the Middle East, after the latest attacks that killed American troops and hit a fuel tanker in the Red Sea, prompting a promised response from the US. Still, a last-minute retreat on Thursday amidst conflicting reports on a pause in the war, sent crude oil prices tumbling between 4.5-4.6% w/w during the week.

- F**OMC maintained policy rates, shifted to neutral stance, pushed back on rate cuts:** The FOMC maintained the Fed funds rate at 5.25-5.50% this week and key highlights from the statement and press conference includes: 1) The economy is expanding at a solid pace but outlook is uncertain. 2) The risks to achieving its employment and inflation goals are moving into better balance. 3) Removal of tightening bias in its statement 4) The committee does not expect it will be appropriate to reduce the target range until it has confidence that inflation is moving sustainably toward 2%. In this regards, Chair Jerome Powell said that he does not think that this will happen in March.

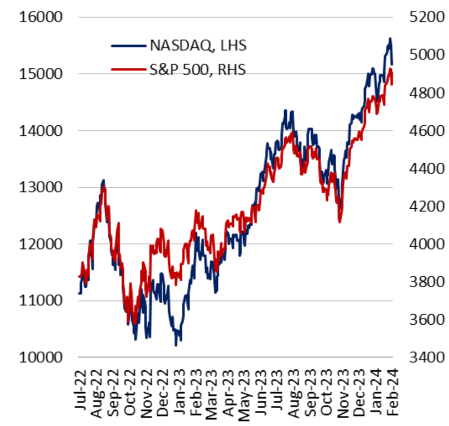
  Datawise was broadly positive, reaffirmed a soft landing view and paves the way for a dealyed Fed rate cut. PCE-prices (headline: +2.6% y/y and core: +2.9% y/y), while still above target, are making progress towards the 2% target. Accompanying data showed that personal spending remained strong at +0.7% m/m, despite income growth easing to +0.3% m/m. Conference Board's Consumer Confidence index hit a 2-year high of 114.8 in January, while the ISM-Manufacturing index improved to 49.1, a 15-month high driven by the strongest new orders since May 2022. Labour data suggests broadly hiring slowdown and softer wage growth. ADP showed that companies added lesser-than-expected 107k jobs in January, with pay gains for job-stayers and job changers moderating to +5.2% y/y and +7.2% y/y. JOLTS job openings, nonetheless, rose to a 3-month high of 9.0m in December but fewer Americans quit their jobs (3.4m, its lowest in 3 years), suggesting that workers are growing cautious even as demand remains strong. Initial jobless claims, meanwhile, rose to a 2-month high of 224k (+9k) for the week ended January 27. Job cuts announcements signal claims may rise further. In fact, the Challenger Jobs reports showed a 136% m/m increase to 82.3k job cuts in January. The impact from lower mortgage rates and tight inventory, continued to be felt in the housing market. Pending home sales posted its strongest gain in three years by +8.3% m/m in December. The FHFA House Price and S&P CoreLogic National Home Price indices accelerated to +6.6% y/y and +5.1% y/y in November.

- **BOE maintained Bank Rate with a 6-3 majority:** Similarly, the BOE kept its bank rate unchanged at 5.25% but with a majority of 6–3, with two members preferring to increase the policy rate, and one preferring to cut. The further tightening bias was also dropped but the statement also said that "monetary policy will need to remain restrictive for sufficiently long to return inflation to the 2% target." BOE expects inflation to fall temporarily to the 2% target in 2Q before increasing again in 3Q and 4Q, while Governor Andrew Bailey, in his press conference added that the second-round effects of domestic price and wage increases will take longer to unwind. Data wise, mortgage approvals climbed to its highest level in six months at 50.5k in December, a further sign that falling borrowing costs are bringing buyers back to the housing market.

- **MAS stood pat and cut its headline CPI forecast:** MAS maintained the prevailing rate of appreciation of the S$NEER policy band as well as the width and the level at which it is centre. MAS also projected GDP growth between 1–3% in 2024 (2023: +1.2%), with the manufacturing and financial sectors supported by the turnaround in the electronics cycle and anticipated easing in global interest rates. Core Inflation is projected to slow to an average of 2.5–3.5% for 2024, unchanged from its previous forecast but the central bank cut its headline CPI projection to 2.5–3.5% amid the declines in COE premiums and larger COE supply this year. Data during the week showed that manufacturing output worsened to -2.5% y/y in December due to a double-digit contraction in the biomedical category. Output of electronics, in contrast, accelerated to +6.3% y/y supported by improved demand in selected end markets such as smartphones.

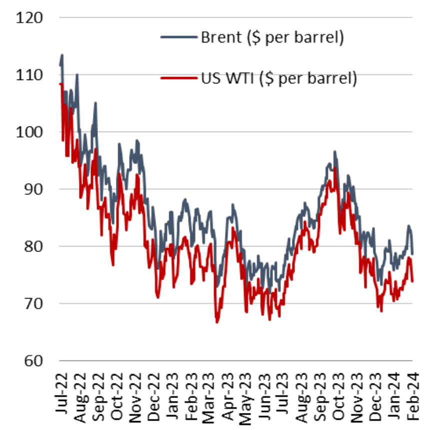
- **The week ahead**: Key focus next week will be the Reserve Bank of Australia's monetary policy meeting where expectations is that the RBA will maintain the cash rate target at 4.35%. This will be accompanied by the Melbourne Institute Inflation gauge, retail sales and exports data. Elsewhere, S&P will finalize the Services PMIs for the majors as well as unveil January's China Caixin Services PMI and Composite PMIs for Hong Kong and Singapore. On top of this, data on deck from the US includes the ISM-Services index, consumer credit, trade balance, jobless claims and mortgage applications, while Eurozone is set to publish the retail sales, Sentix Investor Confidence, PPI as well as ECB 1Y- and 3Y CPI Expectations indicators. Japan will roll out the Leading Index, Eco Watchers Survey Outlook, bank lending, labour cash earnings and household spending numbers, and China, its CPI, PPI and aggregate financing numbers. Data on deck from Singapore and Malaysia includes retail sales for the former and manufacturing sales and IPI for the latter.

Wall Street saw a Fed-Day sell-off



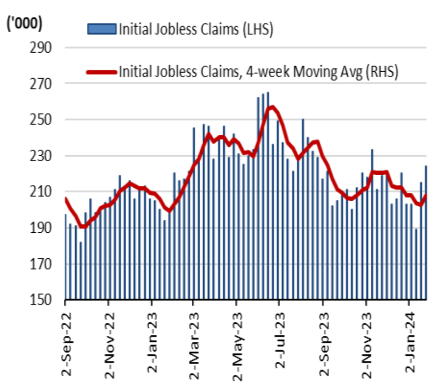
Source: Bloomberg

Concerns of a wider conflict in Middle East keeps crude oil prices elevated



Source: Bloomberg

Initial jobless claims rose to a 2-month high



Source: Bloomberg

Foreign Exchange

- **MYR:** In the absence of economic data on the domestic front to drive the market and amidst a backdrop of cautiousness heading into the FOMC meeting, USD/ MYR closed flattish during the week albeit just above the flatline at 4.7330. Nonetheless, this marks the sixth consecutive weekly advance for USD/MYR, albeit at a narrowing pace as compared to +0.3% w/w previously. MYR also traded mixed against majors and regionals. We are ***Neutral-to-Slightly Bearish*** on USD/ MYR for the week ahead, and see a likely trading range of 4.71– 4.75. On the domestic front, manufacturing sales and IPI data are on deck, the latter is crucial in giving us a clue to the 4Q GDP performance.

- **USD**: Trading in USD were largely cautious heading into the FOMC meeting, but Wednesday saw a rally in the DXY to 103.74 from a low of 102.94 as Fed cut bets shifted to May post Fed Chairman Jerome Powell's comments that a move in March was unlikely. DXY however, retreated on Thursday ahead of the key non-farm payroll data, dragged lower by tumbling UST yields on renewed jitters over US regional banks as well as on stronger European currencies vis-à-vis USD. Consequently, DXY closed the week 0.5% w/w weaker at 103.05 after closing little changed the prior week. We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, eyeing a likely trading range of 102-104 for the index with the first hurdle being the non-farm payroll data tonight followed by the final S&P Services PMI, ISM-Services index, consumer credit, trade balance, jobless claims and mortgage applications numbers next week. In Fed speak, policy makers Bostic, Mester and Kugler are set to give their speeches, in what is the first after FOMC meeting.

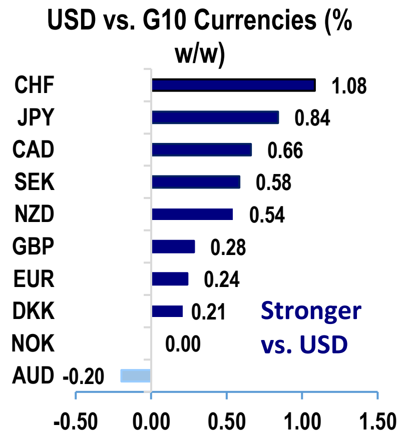
- **EUR**: EUR rebounded to close the week 0.2% w/w stronger at 1.0872 (prior: -0.3% w/w) with EUR playing catch-up later in the week after data showed that the economic bloc avoided a technical recession and inflation rates were hotter and sticker than expected. This pared losses early in the week after dovish comments from ECB officials. We are ***Neutral-to-Slightly Bullish*** on the EUR/USD for the coming week, with a likely trading range of 1.08 - 1.10. Eurozone will see the release of the retail sales print, Sentix Investor Confidence, PPI, ECB 1Y- and 3Y CPI Expectations as well as the final S&P Services PMI.

- **GBP**: GBP/USD were oscillating around the flatline before the BOE meeting and jumped on Thursday after BOE stayed slightly more hawkish as compared to Fed and after BOE Governor Andrew Bailey commented that officials need to see more evidence that inflation is set to fall all the way to the 2% target and stay there. The sterling closed the week 0.3% w/w stronger against the greenback, at 1.2744. We are ***Neutral*** on the Cable here, with a probable trading range of 1.26 -1.28 seen for the week ahead with only data from the UK front being the final revision to the S&P Services PMI but BOE' Catherine Mann and Huw Pill are set to speak.

- **JPY**: JPY depreciated by 0.3% d/d last Friday after data showed that Tokyo inflation slowed below the central bank's 2% target but later drew some support after the BOJ's summary of opinions from the January policy meeting showed that BOJ members sees conditions are increasing for the end of the negative rate policy as well as US regional banks jitters, which sent investors flocking to safe haven JPY. Consequently, JPY strengthened for the second week (+0.8% w/w vs +0.3% w/w) and were one of the leading gainers against the greenback, last closed at 146.43. We are ***Neutral-to-Slightly Bearish*** on USD/ JPY for the week ahead, and see a likely trading range of 146 – 150. On the data front, Japan will roll out the Leading Index, Eco Watchers Survey Outlook, bank lending, labour cash earnings and household spending numbers next week.

- **AUD**: AUD/USD was weighed down by weaker Aussie retail sales data as well as cooler than expected CPI prints, sending bond yields lower on rate cut bets. In fact, AUD/USD weakened to as much as 0.6508 during the week. Consequently, prior week's 0.2% w/w gain proved short-lived and AUD ended the week 0.2% w/w weaker at 0.6572, and the sole loser amongst G10 against the greenback. We are ***Neutral-to-Slightly Bullish*** on AUD/ USD next week, and see a likely wider trading range of 0.65 -0.67. Key focus next week will be the Reserve Bank of Australia's monetary policy meeting where expectations is that the RBA will maintain the cash rate target at 4.35%. This will be accompanied by the Melbourne Institute Inflation gauge, retail sales and exports data.

- **SGD**: SGD held firm and appreciated 0.1% d/d to close at 1.3402, despite weakening to as low as 1.3427 in a knee jerk reaction on the day MAS stood pat. SGD traded mixed against G10 and regionals but, appreciated against USD by 0.3% w/w for the second consecutive week to 1.3366. We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD for the week ahead, and see a probable trading range of 1.33 - 1.35 for the pair. A relatively quiet week ahead with only the S&P Composite PMI and retail sales data print on deck but given that this is a predominantly USD-driven pair, we will be watching out for the NFP data tonight for the next direction to this pair.



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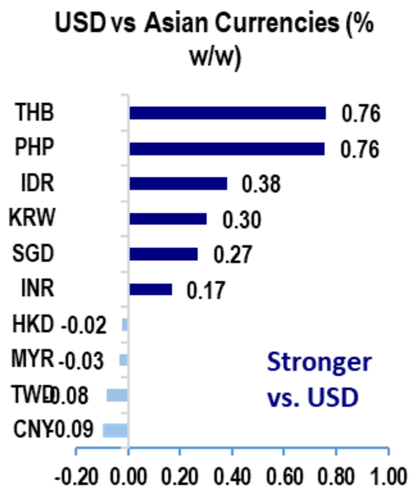


Source: Bloomberg

Forecasts

	Q1-24	Q2-24	Q3-24	Q4-24
DXY	101.84	101.33	100.82	100.32
EUR/USD	1.10	1.11	1.11	1.10
GBP/USD	1.28	1.29	1.29	1.27
AUD/USD	0.68	0.68	0.69	0.70
USD/JPY	142	140	137	134
USD/MYR	4.69	4.66	4.62	4.56
USD/SGD	1.33	1.32	1.31	1.30
USD/CNY	7.10	7.06	6.99	6.92

	Q1-24	Q2-24	Q3-24	Q3-24
EUR/MYR	5.16	5.16	5.11	4.99
GBP/MYR	6.00	6.00	5.94	5.80
AUD/MYR	3.18	3.19	3.19	3.18
SGD/MYR	3.51	3.52	3.51	3.50
CNY/MYR	0.66	0.66	0.66	0.66

Source: HLBB Global Markets Research

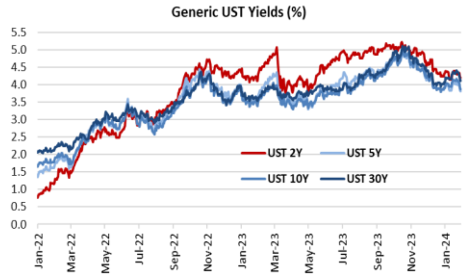
Fixed Income

- **UST:** USTs rallied for a 2nd consecutive week, pushing yields down sizeably between 9-25bps w/w (prior 2-6bps lower), as a shift in the Fed policy guidance to neutral confirming peaked rates and quelling odds of a March rate cut, prompted a gap down in yields across the curve. This was followed by renewed concerns over regional US banks rout that spurred flight to safety bids. FOMC expectedly paused in a unanimous vote and signaled there is no rush to ease policy. The latest statement dropped a reference to additional firming and added that It would not be appropriate to cut until it has gained greater confidence inflation is moving sustainability towards the 2.0% target. Fed Chair Powell explicitly said a March rate cut is unlikely. Market pricing for a March rate cut plunged below 40% immediately post-FOMC but has since inched up slightly to 41% (prior ~46%) whilst pricing for a May cut has increased to 95% (prior ~80%). The curve bull flattened considerably with the benchmark 2Y note yield falling 9bps w/w to 4.20% while the 10s plunged 24bps to 3.88%. **With the FOMC event risk out of the way, attention will now shift to nonfarm and other job details tonight,** followed by inflation expectations and ISM services. Tonight's job print will be keenly scrutinized for the health of the US job market after ADP and initial jobless claims disappointed. The US Treasury will also sell $121bn of debt next week comprising 3Y, 10Y and 30Y bonds.

- **MGS/GII:** Local govvies continued to trade on a biddish tone and advanced for the 2nd straight week, a reflective of sustained interests despite event risk from FOMC meeting. **MGS/GII yield curves shifted lower albeit more modestly by 1-4bps w/w** (prior 2-11bps lower), with the benchmark 5Y MGS 4/28 yield ended 2bps lower at 3.54% while the benchmark 10Y MGS 11/33 saw its yield slipping 3bps to 3.78%. The average daily secondary market volume for MGS/GII increased by 18% w/w to RM3.59bn spurred by higher trading activities (+15%) in MGS and a 24% rebound in GII trades. GII trades as a percentage of total MGS/GII trades inched up slightly to 41% (prior week 40%), still below the levels (high of 51%) seen at the beginning of the year. GII 10/32 and 10Y benchmark GII 8/33 stole the limelight, with RM611m and RM530m transacted in a single day (Wednesday) during the week. Besides, benchmark 30Y MGS 3/53 and 5Y MGS 4/28 also topped investor radar, with a cumulative RM967m and RM835m transacted during the week. **Markets could potentially trade sideways in the week ahead** as investors may reassess their positions after a more neutral guidance from the FOMC, which quelled expectations for a March rate cut. Tonight's nonfarm payroll aside, reopening sale of 7Y MGS 4/31 will be the next focus in the domestic market next Monday, followed by Malaysia IPI number on Wednesday.

- **MYR Corporate bonds/ Sukuk**: Tracking increased momentum in the govvies space, trading in local corporate bonds/ sukuk saw a pick-up in trading activities by 17% w/w to RM2.31bn (prior RM1.97bn), or an average daily volume of RM0.58bn (prior RM0.49bn), despite another holiday-shortened week. The bulk of the interests remained fixated on the GG- and AAA-rated segment, with the government guaranteed papers accounted for close to 40% of total corporate bonds/ sukuk transacted during the week. Of note, DANA '42 dominated with RM200m changed hands on Wednesday at 4.10% while various other tenors of DANA contributed another RM202m. LPPSA '31, '33, '38 and '46 collectively saw another RM110m done between 3.86%-4.22%. AAA-rated JohorCorp '27 led the pack with RM225m changed hands at 4.15% (+1bp), followed by AA-rated KLK '32 (RM200m at 4.02%), and AAA-rated TNB '40 (RM110m done at 4.09%). In the finance space, Maybank subordinated Sukuk '1/34 debuted on Monday at 3.92-3.97% before closing the day at 3.92% and last traded at 3.65% with RM6.5m done for the week.

- **Singapore Government Securities:** SGS finally halted four straight weeks of selling and advanced following the rally in UST. Overall benchmark yields were seen holding relatively steady during early week prior to FOMC where MAS offered no surprises by maintaining its SGD NEER policy, before giving way and ended 7-11bps lower w/w across the curve as at Thursday's close. **The SGS 2Y yield fell the most by 11bps w/w to 3.15% while the 10Y yield declined 7bps to 2.88%, bull steepening the curve.** The gain in SGS was also reflective in Bloomberg's Total Return Index unhedged SGD, which rebounded with gains for the first time in five weeks, clocking in a 07% w/w gain (prior -0.2%). During the week, Temasek also announced plans to tap fresh funds by issuing its inaugural offshore yuan bonds. PMI and retail sales prints are coming up next and will likely signal continuous modest expansion in the Singapore economy.



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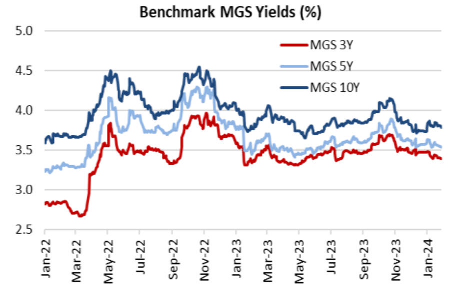

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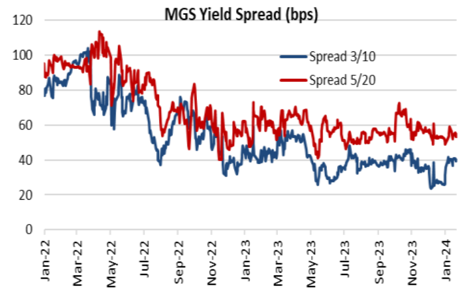

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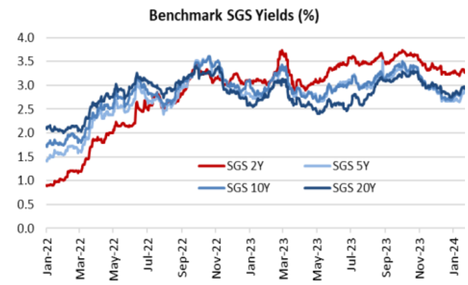

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Nil	Nil	Nil	Nil

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
5-Feb	6:00	AU	Judo Bank Australia PMI Services	Jan F	47.9
	8:00	AU	Melbourne Institute Inflation YoY	Jan	5.20%
	8:30	AU	Exports MoM	Dec	1.70%
	8:30	HK	S&P Global Hong Kong PMI	Jan	51.3
	8:30	JN	Jibun Bank Japan PMI Services	Jan F	52.7
	8:30	SI	S&P Global Singapore PMI	Jan	55.7
	9:45	CH	Caixin China PMI Services	Jan	52.9
	13:00	SI	Retail Sales YoY	Dec	2.50%
	17:00	EC	HCOB Eurozone Services PMI	Jan F	48.4
	17:30	EC	Sentix Investor Confidence	Feb	-15.8
	17:30	UK	S&P Global UK Services PMI	Jan F	53.8
	18:00	EC	PPI YoY	Dec	-8.80%
	22:45	US	S&P Global US Services PMI	Jan F	52.9
	23:00	US	ISM Services Index	Jan	50.6
6-Feb	7:30	JN	Labor Cash Earnings YoY	Dec	0.20%
	7:30	JN	Household Spending YoY	Dec	-2.90%
	8:30	AU	Retail Sales Ex Inflation QoQ	4Q	0.20%
	11:30	AU	RBA Cash Rate Target	1-Feb	4.35%
	17:00	EC	ECB 1 Year CPI Expectations	Dec	3.20%
	17:00	EC	ECB 3 Year CPI Expectations	Dec	2.20%
	18:00	EC	Retail Sales YoY	Dec	-1.10%
7-Feb	12:00	MA	Manufacturing Sales Value YoY	Dec	-2.60%
	12:00	MA	Industrial Production YoY	Dec	0.60%
	13:00	JN	Leading Index CI	Dec P	107.6
	20:00	US	MBA Mortgage Applications	2-Feb	-7.20%
	21:30	US	Trade Balance	Dec	-$63.2b
8-Feb	4:00	US	Consumer Credit	Dec	$23.751b
	9:30	CH	PPI YoY	Jan	-2.70%
	9:30	CH	CPI YoY	Jan	-0.30%
	13:00	JN	Eco Watchers Survey Outlook SA	Jan	49.1
	21:30	US	Initial Jobless Claims	3-Feb	224k
9-10 Feb		CH	Aggregate Financing CNY	Jan	1940.0b
9-15 Feb		US	Revisions: CPI		
11-18 Feb		CH	FDI YTD YoY CNY	Jan	-8.00%

Source: Bloomberg

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