Global Markets Research

Weekly Market Highlights

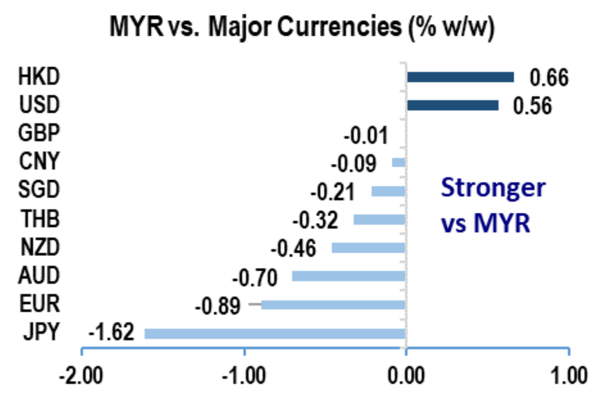
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	37,440.34	-0.72	-0.66
S&P 500	4,688.68	-1.98	-1.70
FTSE 100	7,723.07	0.00	-0.13
Hang Seng	16,645.98	-2.33	-2.35
KLCI	1,477.26	1.36	1.55
STI	3,174.01	-1.26	-2.04
Dollar Index	102.42	1.18	1.07
WTI oil ($/bbl)	72.19	0.59	0.75
Brent oil ($/bbl)	77.59	-1.02	0.71
Gold (S/oz)	2,050.00	-1.61	-1.00
CPO (RM/ tonne)	3,629.00	-2.35	-2.35
Copper ($$/MT)	8,466.50	-1.83	-1.08
Aluminum($/MT)	2,281.00	-4.08	1.48

Source: Bloomberg
**27 Dec to 3-Jan for CPO*

- **Risk off sentiment as the year begins:** The US equities markets started 2024 on a gloomy note as risk-off sentiment lingered and weighed on Wall Street, sending all the three indices down by 0.7-3.9% on the week. Generally, energy outperformed during the week while tech stocks were the laggards. Volatile but generally elevated oil prices after Iran's dispatch of warship ratcheted up tensions in the Middle East supported by energy stocks. Protests in Libya also shut down the Sharara oilfield, disrupting supply.
- **The week ahead:** Key highlights on the US front are the price prints, namely CPI, PPI and the NY Fed 1-Yr Inflation Expectations. Other data on deck includes the weekly mortgage applications and jobless claims, real average weekly earnings, consumer credit, wholesale trade/inventories, NFIB Small Business Optimism and trade balance. UK will unveil its November's monthly GDP and Eurozone, its retail sales data, unemployment rate, Sentix Investor and Economic Confidence indices. It will be data heavy for Japan and China, with bank lending, Eco Watchers Survey, leading index, Tokyo CPI and labor cash earnings for Japan and FDI, aggregate financing, exports, new home prices, CPI and PPI for China. Malaysia will publish its manufacturing sales, IPI and foreign reserves data.

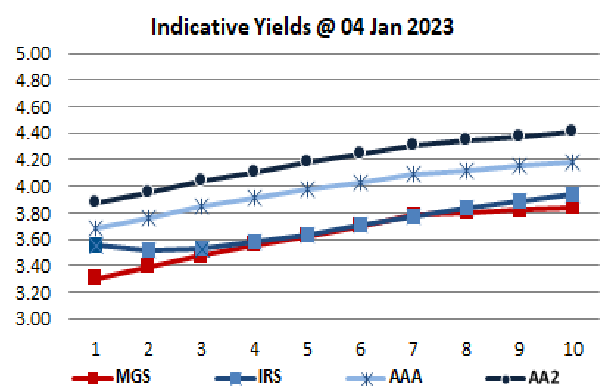
Forex



Source: Bloomberg

- **MYR:** USD/ MYR rose in trading this week, advancing by 0.6% w/w (prior: -1.0%) to 4.6350, amidst a strong USD backdrop to begin the year, as Fed rate cut expectations were scaled back slightly post the release of the FOMC minutes. Against the other majors and regional currencies, the MYR was generally stronger across, with the exceptions being against the HKD (-0.7%) and PHP (-0.5%). We are ***Slightly Bearish*** on USD/ MYR for the week ahead, and see a likely trading range of 4.60 – 4.66. Domestically, this coming week sees the release of industrial production numbers for November, which will be closely watched to see if the growth momentum can be sustained.
- **USD**: The Dollar Index advanced this week, trading higher by 1.2% w/w (prior: -0.6%) to 102.42 as of Thursday's close, after minutes of the FOMC meeting revealed that the Fed is not in a hurry to cut rates, leading to a repricing of Fed rate cut expectations for the coming meetings. We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, and see a likely trading range of 100.50 – 104.00 for the DXY. A busy week lies ahead, with two key economic reports scheduled for release - the US monthly employment report and the CPI number for December, which will be the focus of the markets. Also due are the December ISM Services report as well as the final durable goods orders numbers for November.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** USTs registered losses as traders and investors trimmed rate cut bets in the aftermath of the FOMC minutes release. Some sell-off in core European rates coupled with the backdrop of heavy corporate issuance slate also impacted bonds. The curve bear-steepened as overall benchmark yields jumped higher between 11-15bps across. The UST 2Y rose 11bps to 4.39% whilst the much-watched UST 10Y spiked 15bps to 4.00% (the UST 10Y ranged slightly higher between 3.88-4.00% levels). Although the FOMC minutes did not indicate any rate cut initiative, market expectations remained buoyant on the quantum of rate cuts of ~150bps for 2024. **Expect bonds to range sideways next week post tonight's December nonfarm jobs data release.**
- **MGS/GII:** Local govvies ended weaker with the belly pressured the most against the backdrop of PMI manufacturing data that came in within expectations as per the previous month. Overall benchmark yields ended higher between 0-11bps across. The benchmark 5Y MGS 4/28 yield moved 3bps higher to 3.61% whist the 10Y MGS 11/33 yield spiked 11bps to 3.85%%. The average weekly secondary market volume doubled to RM11.6b w/w with interest seen mainly in the off-the-run 24's 29's, 32's and benchmarks 7Y GII, 10Y MGS/GII, 15Y MGS. Meanwhile, expect attention to shift to the first auction for the year consisting of 10Y GII 8/33 today. **Expect bonds to trend sideways and gyrate towards market news releases out of US for the coming week.**

Macroeconomic Updates

- **Risk off sentiment in the global equities market:** The US, as well as global equities markets started 2024 on a gloomy note as risk-off sentiment lingered and weighed on Wall Street, sending all the three indices down by 0.7-3.9% d/d. Generally, energy outperformed during the week while tech stocks were the laggards, the latter triggered and weighed down by two consecutive downgrades of Apple shares. Supporting energy stocks during the week was volatile but generally elevated oil prices after Iran's dispatch of warship ratcheted up tensions in the Middle East. Protests in Libya also shut down the Sharara oilfield, disrupting supply. Further supporting prices were OPEC's pledge to remain united to maintain "market stability," but these were offset by massive gasoline stockpile data in the US. Consequently, crude oil prices closed mixed during the week, with the WTI gaining 0.6% but Brent lost 1.0% w/w.

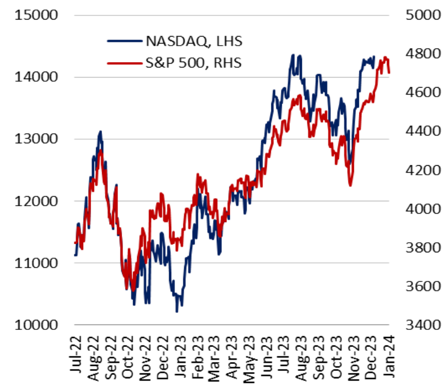
- **Fed rates to remain restrictive for some time:** One of the key highlights during the week was the FOMC meeting minutes and President Thomas Barkin warning that a rate hike "remains on the table." The minutes reaffirmed expectations that policy rate will remain at a restrictive stance for some time. Several policy makers noted the risk that, if labor demand were to weaken substantially further, the labor market could transition quickly from a gradual easing to a more abrupt downshift in conditions. That said, the labour market remains tight, albeit moderating, and job gains remained resilient and unemployment rate remained low. Many participants noted increased reliance on credit by households. Credit quality remained broadly solid but deteriorated further for some sectors. The minute also showed that consumer credit flows softened, a sign of softening consumer landscape.

- **Mixed US data but the US economy remained resilient overall:** JOLTS job openings fell to 8.8m in November, its lowest since 2021. Fewer workers also voluntarily quit their jobs (Quits rate: 2.2% vs 2.3%), while the number of new hires fell to 5.5m. On the other hand, the ADP Employment report showed that job gains rose for the fourth straight month and more than expected by +164k in December but wage growth slowed further to +5.4% y/y. The Challenger report showed that employers announced 34.8k job cuts for the same month (-20.2% y/y vs -40.8% y/y), its second-lowest monthly total in 2023. Both the initial and continuing jobless claims also came lower than expected. Initial claims fell 18k to 202k for the week ended December 30, its lowest since October while continuing claims dropped 31k to 1855k for the week ended Dec 23. In the manufacturing sector, the ISM Manufacturing Index improved to 47.4 in December, but the MNI Chicago PMI tumbled to 46.9. In the housing sector, construction spending rose less than expected by 0.4% m/m in November amidst a decline in outlays on public projects, but data for the prior month was revised sharply higher to +1.2% m/m, suggesting underlying strength in the sector. Mortgage applications continued to be rate sensitive, with applications falling 9.4% for the two weeks ended December 29.

- **Regional PMIs were mixed:** The slew of regional PMIs released during the week was mixed. The Malaysia PMI was unchanged at 47.9 in December, as moderations in production and new business inflows suggest subdued demand moving forward. For China, the official manufacturing PMI fell to its lowest in 6 months at 49.0 and the statistics bureau commented that an increasingly complicated, tough and uncertain external environment as well as insufficient domestic market as a key reason for the continued fall. On the other hand, the Caixin Manufacturing PMI improved to 50.8 as firms signalled stronger increases in output and new orders. Business confidence regarding the year-ahead, nonetheless, remained subdued and firms maintained a cautious approach to employment. For the services sector, the official PMI remained in contraction and unchanged at 49.3, partly as a result of an unusually long cold snap that affected the travel sector but the Caixin Services PMI improved to 52.9, the quickest recorded since July and solid. For Singapore, the headline official and S&P Global Singapore PMIs were largely unchanged at 50.5 and 55.7. In terms of the former, the Electronics PMI inched up slightly to 50.2, offering tentative signs that the manufacturing may be stabilizing and will recover towards 2H. Data also showed that the Singapore economy skirted a recession in 2023 with a 1.2% growth. 4Q GDP grew more than expected by +1.7% q/q and +2.8% y/y as year-end gains in the manufacturing and construction sectors, coupled with still relative strong services sector aided momentum to activity.The government maintained its GDP projection for 2024 in a range of 1-3%, and we reaffirm our view that MAS will extend its monetary pause in January to support the economy.

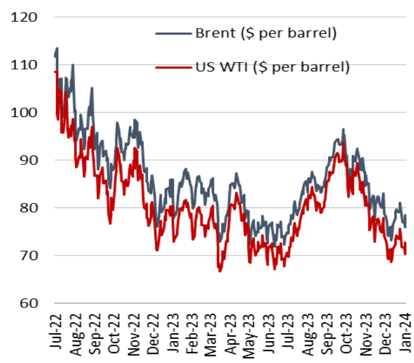
- **The week ahead:** Key highlights on the US front next week are the price prints, namely CPI, PPI and the NY Fed 1-Yr Inflation Expectations. Other data on deck includes the weekly mortgage applications and jobless claims, real average weekly earnings, consumer credit, wholesale trade/inventories, NFIB Small Business Optimism and trade balance. UK will unveil its November's monthly GDP and Eurozone, its retail sales data, unemployment rate, Sentix Investor and Economic Confidence indices. It will be data heavy for Japan and China, with bank lending, Eco Watchers Survey, leading index, Tokyo CPI and labor cash earnings for Japan and FDI, aggregate financing, exports, new home prices, CPI and PPI for China. Malaysia will publish its manufacturing sales, IPI and foreign reserves data.

Risk off sentiment haunted global equities markets and Wall Street



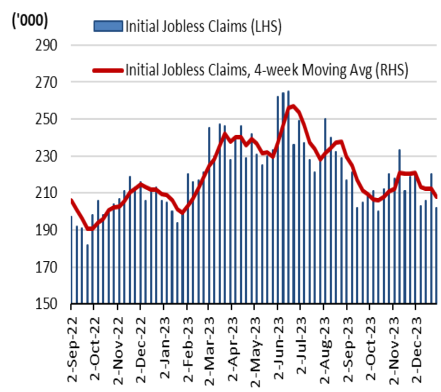
Source: Bloomberg

Volatile oil prices; Red Sea tension was always on the back of investors' minds



Source: Bloomberg

Pleasant surprises in US labour market data during the week



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Foreign Exchange

- **MYR:** USD/ MYR rose in trading this week, advancing by 0.6% w/w (prior: -1.0%) to 4.6350, amidst a strong USD backdrop to begin the year, as Fed rate cut expectations were scaled back slightly post the release of the FOMC minutes. Against the other majors and regional currencies, the MYR was generally stronger across, with the exceptions being against the HKD (-0.7%) and PHP (-0.5%). We are ***Slightly Bearish*** on USD/ MYR for the week ahead, and see a likely trading range of 4.60 – 4.66. Domestically, this coming week sees the release of industrial production numbers for November, which will be closely watched to see if the growth momentum can be sustained.

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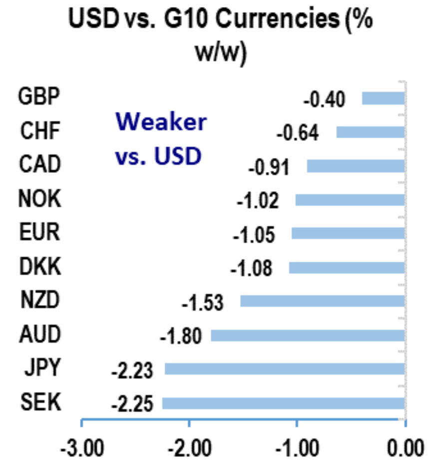
- **EUR**: The EUR declined in trading this week, falling by 1.1% w/w (prior: +0.5%) to 1.0945 versus the greenback, despite better than expected domestic data, with the final Eurozone December PMIs coming in better than expected, with both the manufacturing and services numbers revised higher from the flash estimates released last month. We are ***Neutral*** on the EUR/USD for the coming week, with a trading range of 1.08 - 1.11 seen for the pair. Quite a bit of data out next week, with the Eurozone flash CPI and economic confidence for December scheduled for release, as well as retail sales report and the unemployment rate for November. The ECB is also due to publish their latest Economic Bulletin.

- **GBP**: GBP fell in trading this week, declining by 0.4% w/w (prior: +0.3%) against the USD to 1.2682 as of Thursday's close, amidst a better than expected composite UK PMI for December, which was driven by an improvement in the services sector. The sterling was the best performing G10 currency against the USD the past week. Futures markets are currently pricing in five full cuts from the Bank of England this year. We are ***Neutral-to-Slightly Bullish*** on the Cable here, with a likely trading range of 1.2550 -1.2850 seen for the week ahead. An uneventful week ahead in terms of economic data, with only the UK Construction PMI to come, and no scheduled speeches by Bank of England officials on the calendar.

- **JPY**: The Japanese Yen weakened this week, tumbling by 2.2% (prior: +0.5%) versus the USD to 144.63 as of Thursday from 141.41 the previous week, as the US dollar strength dominated trading with little in the way of economic numbers domestically for the week. We are ***Slightly Bearish*** on the USD/ JPY for the coming week, and see a probable trading range of 142 – 146. Next week sees the release of Tokyo CPI and consumer confidence numbers for December, as well as household spending and labour earnings numbers for November.

- **AUD**: AUD traded lower this week, declining by 1.8% w/w (prior: +0.4%) against the USD to 0.6707 as of Thursday's close, after the Australian final PMIs for December for revised lower from the initial flash estimates released last month. We are ***Neutral-to-Slightly Bullish*** on AUD/ USD next week, and see a probable trading range of 0.66 - 0.69 for the pair. The coming week sees the release of the CPI number for November, which will be closely watched for clues as to whether any further RBA action is in the pipeline. Also due are the Australian retail sales and the trade balance reports for November.

SGD: The SGD declined against the USD this week, tumbling by 0.7% w/w to 1.3293 as of Thursday's close from 1.3203 the week before, despite Singapore advanced 4Q GDP coming in stronger than expected and gains seen in the PMI and Electronic Sector Index for December, as the upbeat USD environment for the week dominated trading in the pair. Against the rest of the G10 currencies and other major regional currencies, the SGD was generally stronger for the week, with the exception of losses versus the HKD (-0.8%), PHP (-0.5%) and GBP (-0.2%). We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD for the week ahead, and see a likely trading range of 1.3150 - 1.3400 for the pair. Next week sees the release of Singapore retail sales for November, in an otherwise quiet week domestically.



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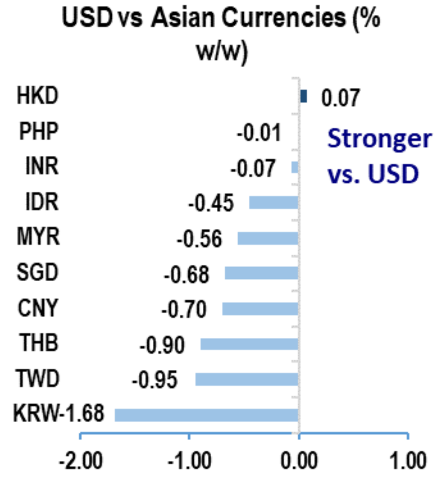


Source: Bloomberg

Forecasts

	Q1-24	Q2-24	Q3-24	Q4-24
DXY	100	99	99	98
EUR/USD	1.11	1.11	1.10	1.09
GBP/USD	1.28	1.29	1.27	1.26
AUD/USD	0.69	0.69	0.70	0.71
USD/JPY	139	137	135	133
USD/MYR	4.55	4.50	4.45	4.39
USD/SGD	1.31	1.30	1.29	1.28
USD/CNY	7.06	7.03	6.96	6.89

	Q1-24	Q2-24	Q3-24	Q3-24
EUR/MYR	5.05	5.02	4.91	4.80
GBP/MYR	5.82	5.79	5.66	5.53
AUD/MYR	3.13	3.13	3.12	3.11
SGD/MYR	3.47	3.46	3.44	3.43
CNY/MYR	0.64	0.64	0.64	0.64

Source: HLBB Global Markets Research

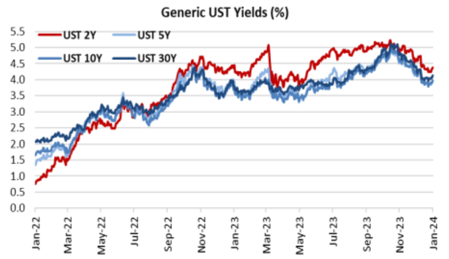
Fixed Income

- **UST:** For the week under review, USTs registered losses as traders and investors trimmed rate cut bets in the aftermath of the FOMC minutes release. Some sell-off in core European rates coupled with the backdrop of heavy corporate issuance slate also impacted bonds. Also, the stronger-than-expected ADP employment data and lesser jobless claims were additional factors. The large miss for the prices paid component in the ISM manufacturing report coupled with the lower-than-expected JOLTS job openings data did little for bonds. The curve bear-steepened as overall benchmark yields jumped higher between 11-15bps across. **The UST 2Y note yield rose 11bps to 4.39% whilst the much-watched UST 10Y yield spiked 15bps to 4.00%** (the UST 10Y ranged slightly higher between 3.88-4.00% levels). The 2s10s spread reduced its inversion w/w from -43bps to -39bps. Although the FOMC minutes did not indicate any rate cut initiative, market expectations remained buoyant on the quantum of rate cuts of ~150bps for 2024. Expect bonds to be range sideways next week post tonight's December nonfarm jobs data release.

- **MGS/GII:** W/w, local govvies ended weaker with the belly pressured the most against the backdrop of PMI manufacturing data that came in within expectations as per the previous month. The absence of catalysts and decent economic data emanating out US impacted bonds despite decent volumes seen with some indication of yields dictated by higher mid-levels seen in IRS for most days of the week under review. Overall benchmark yields ended higher between 0-11bps across. **The benchmark 5Y MGS 4/28 moved 3bps higher to 3.61% whist the 10Y MGS 11/33 spiked 11bps to 3.85%%.** The average weekly secondary market volume doubled to RM11.6b w/w with interest seen mainly in the off-the-run 24's 29's, 32's and benchmarks 7Y GII, 10Y MGS/GII, 15Y MGS. Meanwhile, expect attention to shift to the first auction for the year consisting of 10Y GII 8/33 today. Expect bonds to trend sideways and gyrate towards market news releases out of US for the coming week.

- **MYR Corporate bonds/ Sukuk**: The week under review saw strong secondary market activity in contrast with the previous week which was due to the low-staffing levels seen due to the year-end festivities. **The bulk of transactions were seen across the GG to single-A part of the curve; as yields closed mostly mixed-to lower amid a 40% spike in average weekly secondary market volume to RM1.7b.** Topping the weekly volume was TM Tech 12/24 bonds (AAA) which rallied with yields ending 27bps lower compared to previous-done levels to 4.18% on high transacted volumes of RM110m; followed by CGAMAS 4/26 (AAA) which closed unchanged at 3.73%. Third was PASB 6/38 (GG) which edged 2bps lower at 4.02%. Higher frequency of bond trades was seen in DANA, CAGAMAS and ALR bonds. There were also multiple odd-lot transactions seen in TCMH and UEM Sunrise bonds. The prominent issuance for the week consisted of Prudential BSN Takaful Bhd's non-rated 2033NC5 bonds totaling RM100m with a coupon rate of 4.57%.

- **Singapore Government Securities:** SGS notched slight losses w/w, somewhat more resilient than USTs. Overall benchmark yields ended 0-6bps higher with the longer-ends more pressured along the curve. **The SGS 2Y yield edged 2bps up at 3.25% whist the SGS 10Y jumped 6bps higher at 2.75%** (the SGS 10Y ranged wider between 2.67-2.78%). Singapore's sovereign bonds as measured by Bloomberg's Total Return unhedged SGD reversed to post a small 0.2% loss; versus (prior week: +0.4%). The latest T-Bill auction closed with a cut-off yield of 3.74%, up slightly from the previous auction of 3.73% on a BTC of 2.09x. The lower interest rates offered for the latest Singapore Savings Bond and selected fixed deposit accounts may have also shifted investors' attention towards the T-bill. Meanwhile, Moody's has assigned a bond fund rating of Aa-bf to Delta Master Trust, a tokenized sub-fund of Delta Master Trust managed by FundBridge Capital Pte Ltd. This entity is a newly launched fund that will invest primarily in high quality SGS.



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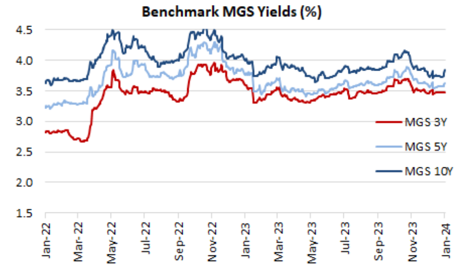

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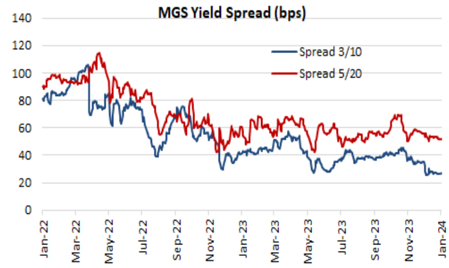

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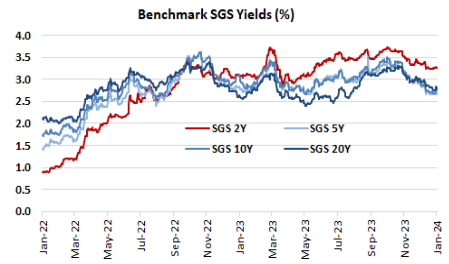

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
UEM Edgenta Berhad	Islamic Commercial Papers (ICP)	From MARC-1 IS/Stable to MARC-1 IS/Positive	Outlook upgrade
	Islamic Medium-Term Notes (IMTN) under its Sukuk Murabahah Programme of up to RM1.0 billion	From AA-IS/Stable to AA-IS/Positive	Outlook upgrade
Solarpack Suria Sungai Petani Sdn Bhd	ASEAN Green SRI Sukuk Wakalah of up to RM305 mil (2023/2043)	AA2/Stable	Affirmed
Maybank Ageas Holdings Berhad	Corporate credit ratings	AA1/Stable/P1	Affirmed
	RM3.0 billion Subordinated Bonds Programme (2021/-)	AA2/Stable	Affirmed
Bermaz Auto Berhad	Islamic Commercial Papers (ICP) Programme (2020/2027) and Islamic Medium-Term Notes (IMTN) Programme with a combined limit of RM500 million	P1 and AA3/Stable	Affirmed
Credit Guarantee Corporation Malaysia Berhad (CGC)	Financial Institution rating	AAA/Stable	Affirmed
Singer (Malaysia) Sdn Bhd	RM300.0 million Medium-Term Notes (MTN) Programme	A/Stable	Affirmed
Sime Darby Property Berhad (SD Property)	RM4.5 billion Islamic Medium-Term Notes (IMTN) Programme	AA+IS/Stable	Affirmed
Hong Leong Assurance (HLA)	insurer financial strength (IFS) rating	AA2/Stable/P1	Affirmed
Hektar MTN Satu Sdn Bhd	Proposed RM230 million Medium Term Notes (Guaranteed Tranche(s)) the under proposed RM500 million MTN programme	AAA (fg)/Stable	Assigned
Samalaju Industrial Port Sdn Bhd	Sukuk Murabahah Programme of up to RM950 mil (2015/2036)	From AA1(s)/Stable to AA1(s)/Positive	Outlook upgraded
Bintulu Port Holdings Berhad	Long-term and short-term corporate credit ratings	From AA1(s)/Stable and P1/Stable to AA1(s)/Positive and P1/Positive	Outlook upgraded
Press Metal Aluminium Holdings Berhad	RM5.0 bil Islamic MTN Programme (2019/2049)	From AA2/Stable to AA2/Positive	Outlook upgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
8-Jan	15:00	MA	Foreign Reserves	Dec	$112.8b
	17:30	EC	Sentix Investor Confidence	Jan	-16.8
	18:00	EC	Retail Sales MoM	Nov	0.10%
	18:00	EC	Economic Confidence	Dec	93.8
8-19 Jan		CH	CPI YoY	Dec	-0.50%
		CH	PPI YoY	Dec	-3.00%
		CH	New Home Prices MoM	Dec	-0.37%
9-Jan	0:00	US	NY Fed 1-Yr Inflation Expectations	Dec	3.36%
	4:00	US	Consumer Credit	Nov	$5.134b
	7:30	JN	Tokyo CPI YoY	Dec	2.60%
	7:30	JN	Household Spending YoY	Nov	-2.50%
	8:30	AU	Retail Sales MoM	Nov	-0.20%
	8:30	AU	Building Approvals MoM	Nov	7.50%
	18:00	EC	Unemployment Rate	Nov	6.50%
	19:00	US	NFIB Small Business Optimism	Dec	90.6
	21:30	US	Trade Balance	Nov	-$64.3b
9-15 Jan		CH	Aggregate Financing CNY	Dec	2450.0b
10-Jan	7:30	JN	Labor Cash Earnings YoY	Nov	1.50%
	8:30	AU	Job Vacancies QoQ	Nov	-8.90%
	8:30	AU	CPI YoY	Nov	4.90%
	20:00	US	MBA Mortgage Applications	1-Jan	-9.40%
	23:00	US	Wholesale Inventories MoM	Nov F	-0.20%
	23:00	US	Wholesale Trade Sales MoM	Nov	-1.30%
11-Jan	8:30	AU	Exports MoM	Nov	0.40%
	12:00	MA	Manufacturing Sales Value YoY	Nov	-1.40%
	12:00	MA	Industrial Production YoY	Nov	2.70%
	13:00	JN	Leading Index CI	Nov P	108.9
	21:30	US	CPI Ex Food and Energy YoY	Dec	4.00%
	21:30	US	Initial Jobless Claims	1-Jan	202k
	21:30	US	Real Avg Weekly Earnings YoY	Dec	0.50%
11-18 Jan		CH	FDI YTD YoY CNY	Dec	-10.00%
12-Jan	8:30	AU	Home Loans Value MoM	Nov	5.40%
	13:00	JN	Eco Watchers Survey Outlook SA	Dec	49.4
	15:00	UK	Monthly GDP (MoM)	Nov	-0.30%
	21:30	US	PPI Ex Food and Energy YoY	Dec	2.00%
	0:00	CH	Exports YoY	Dec	0.50%

Source: Bloomberg

DISCLAIMER

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