Global Markets Research

Weekly Market Highlights

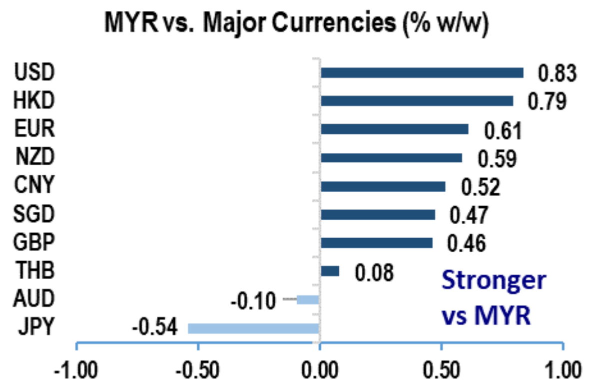
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	38,726.33	0.54	2.75
S&P 500	4,997.91	1.87	4.78
FTSE 100	7,595.48	-0.35	-1.78
Hang Seng	15,878.07	2.00	-6.86
KLCI	1,512.36	-0.04	3.97
STI	3,142.91	0.00	-3.00
Dollar Index	104.17	1.08	2.79
WTI oil ($/bbl)	76.22	3.25	6.38
Brent oil ($/bbl)	81.63	3.72	5.96
Gold (S/oz)	2,032.20	-1.01	-1.91
CPO (RM/ tonne)	3,898.00	1.71	4.88
Copper ($$/MT)	8,193.50	-4.00	-4.27
Aluminum($/MT)	2,221.50	-1.13	24.82

Source: Bloomberg
**2-7 Feb for CPO*

- **US equity markets and oil prices were broadly on an uptrend:** The US equity markets and oil prices were generally on an uptrend during the week, with the former driven by broadly favourable corporate earnings especially from tech and energy giants, and the latter by the Red Sea risks. The 3 major indices closed up in tune to 0.5-2.8% w/w, while oil prices gained between 3.3-3.7% w/w.
- **The week ahead:** Key highlights from the US will be price prints like CPI, PPI, imports/export prices and New York Fed 1Y inflation expectations as well as the retail sales number. Other from that, we will be watching out for any turnaround in the IPI growth, labour data like real average weekly earnings and jobless claims as well as housing indicators like the NAHB Housing Market Index, building permits, housing starts and weekly mortgage applications. Other data on deck includes preliminary University of Michigan Sentiment for February, NFIB Small Business Optimism index as well as regional indices from New York. Malaysia and Singapore, meanwhile, will publish its 4Q and 2023 GDP.

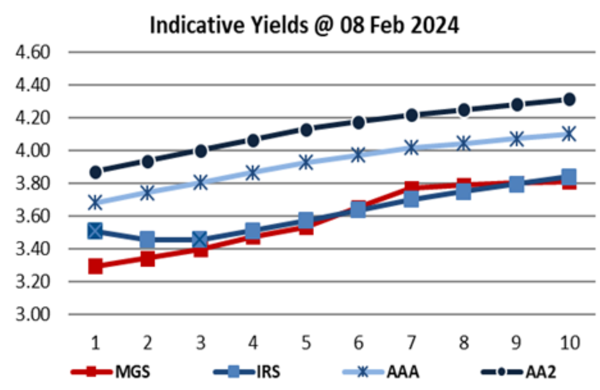
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded higher this week, gaining by 0.8% to 4.7725 from 4.7330 the week before amidst industrial production for December unexpectedly declining on annual basis, clouding the outlook for growth domestically. This marked the sixth consecutive weekly advance for USD/MYR. The MYR was also mostly lower against other majors and regionals, except for versus the JPY (+0.5%), THB (+0.2%) and AUD (+0.1%). We are ***Neutral-to-Slightly Bearish*** on USD/ MYR for the week ahead, and see a likely trading range of 4.7350 – 4.7950. For the coming week, the economic calendar domestically is very light, with the next key event being the GDP release for 4Q and 2023 next Friday.
- **USD:** The USD rose in trading this week, with the DXY closing the week higher by 1.1% at 104.17 (prior: -0.5%). They key driver for the rise in the greenback was the much better than expected US jobs report for January, where jobs added and wage growth were both double what was expected. Fed-speak during the week suggesting that the central bank can afford to be patient with rate cuts also supported the USD, with a Fed cut by the May meeting no longer fully priced by the futures market (74% now versus 135% the week before). We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, with a possible trading range of 102.50 - 105.50 seen for the week. The release of US CPI for January headlines the coming week, with retail sales, industrial production, the NAHB Housing market index and a few monthly Fed regional survey also scheduled for release amidst some expected Fed-speak to watch out for as well.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** USTs sold off sharply for the week, pushing yields higher sizeably between 24-29bps, after the monthly labour market last Friday revealed that the US added significantly more jobs in January than expected, with growth in wages for the month also doubling what was anticipated. **The benchmark 2Y UST yield rose by 24bps w/w to 4.45% while the benchmark 10Y UST saw its yield jump by 27bps to 4.15%.** A slew of Fed speakers continued to eschew the message that the central bank can afford to be patient with easing policy. **The market could potentially see some consolidation here and trade sideways** as the focus of the market shifts the price gauges, with the annual benchmark CPI revisions and the CPI for January scheduled for release.
- **MGS/ GII:** Local govvies were mixed in trading this week, selling off initially after the strong US jobs report, but regaining ground as the week went by on bargain hunting. **MGS/GII yield curves were mixed by between -1 to +7bps w/w** (prior -1 to -4bps lower), with the benchmark 5Y MGS 4/28 yield ending 2bps higher at 3.54%, while the benchmark 10Y MGS 11/33 also saw its yield rising 2bps to 3.81%. **Markets could potentially see some profit taking in the shortened week ahead** as investors may reassess their positions after the relative outperformance of ringgit government bonds this week, ahead of next Friday's GDP data.

Macroeconomic Updates

- **US equity markets and oil prices were broadly on an uptrend:** The US equity markets and oil prices were generally on an uptrend during the week, with the former driven by broadly favourable corporate earnings especially from tech and energy giants, and the latter by the Red Sea risks. The 3 major indices closed up in tune to 0.5-2.8% w/w, while oil prices gained between 3.3-3.7% w/w. Along the way, Wall Street was shaken by stronger than expected economic data as well as Fed speaks which reinforced Fed Chair Jerome Powell's comments that the Fed isn't in a rush to lower its policy rates. In terms of fundamentals, the EIA expects production to flatline this year, easing glut worries. Crude output in the US is expected to pull back to 12.6m bpd in January due to the winter storm, briefly return to 13.3m bpd in February but then decline through the middle of the year.

- **RBA maintained cash rate at 4.35%, does not rule out further tightening:** One of the key highlight during the week was RBA's decision to maintain cash rate target at 4.35%. The statement was slightly more hawkish than expected, with the central bank not ruling out further increase in interest rates to ensure that inflation returns to target. RBA reiterates that inflation remains high, expects inflation to decline to the 2-3% target range in 2025 and reach the midpoint in 2026. Labour market conditions are expected to continue to ease, broadly consistent with sustained full employment, while growth is expected to remain low over the next year. Consumption growth is expected to return to pre-pandemic levels over the next couple of years as inflation eases and real incomes start to rise. RBA is also expecting year-average GDP growth of 2.0%, 1.5% and 2.2% for 2023, 2024 and 2025 respectively.

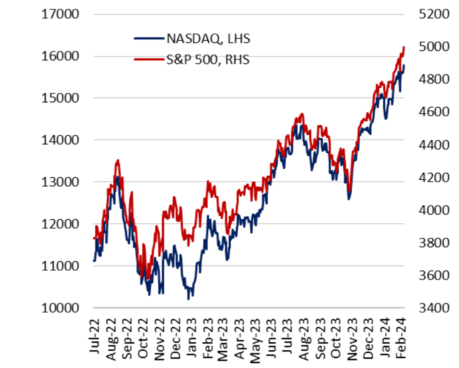
  In terms data, PPI accelerated to +4.1% y/y in 4Q but on a q/q basis, prices eased to +0.9% q/q with moderate rises across most industries. Skilled labour shortages and increases in margins continued to drive prices in the construction sector while high crude oil prices in recent quarters are still spilling over to other industries. Retail sales excluding inflation, meanwhile, also picked up to +0.3% q/q, marking its first quarterly expansion since 1Q of 2023. Sales were supported by lower price growth for retail goods as consumers particularly took advantage of discounts for discretionary items. On the other hand, total value of new loan commitments for housing fell 4.1% y/y in December as the extra squeeze from elevated mortgage rates weighed on loan demand and home prices. While loans to both owner-occupier and investor loans retreated during the month, it should be noted that the proportion of loans to investors has been increasing steadily.

- **OECD expects world GDP growth to soften to 2.9% in 2024 before picking up to 3.0% in 2025**: During the week, OECD also released its latest Economic Outlook with the key highlights being: 1) Global GDP growth is expected to ease from 3.1% in 2023 to 2.9% in 2024 before recovering to 3.0% in 2025 as financial conditions ease. 2) Inflation is projected to return to target in most G20 countries by the end of 2025 (Headline: 6.6% in 2024 and 3.8% in 2025, core: 2.5% in 2024 and 2.1% in 2025). OECD reiterated that it is too soon to be sure that underlying price pressures are fully contained as unit labour cost growth broadly elevated. 3) The US economy is expected to be supported by household spending and strong labour market conditions, but moderate from 2.6% in 2023 to 2.1% in 2024 and 1.7% in 2025. 4) Eurozone GDP growth is projected to pick up from 0.5% in 2023 to 0.6% in 2024 and 1.3% in 2025, with activity held back by tight credit conditions in the near term before picking up as real incomes strengthen. 5) Growth in China is expected to ease from 5.2% to 4.7% in 2024 and 4.2% in 2025 reflecting subdued consumer demand, high debt and the weak property market.

- **US data echoed FOMC's statement of strong economic activity and job gains:** As mentioned earlier, strong economic data during the week and Fed speaks cut the probability of a Fed rate cut in March. Officials from Fed President Goolsbee to Mester and Kashkari echoed Chair Jerome Powell's signal that the central bank is in no rush to ease policy and reiterated that they would like to see more of favourable inflation prints. Data wise, jobless claims recorded its first drop in 3 weeks, while gains in nonfarm payrolls (NFP) rose by 353k in January, the most in a year while the two-month net revision was a hefty +126k. Unemployment rate held steady and low at 3.7% for the third month, while average hourly earnings accelerated to +0.6% m/m. Of note, employment in manufacturing climbed for the third month suggesting that the sector may be turning a corner. In fact, factory orders data is supportive of this trend. Stripping the volatile transportation category, orders picked up by +0.4% m/m and is likely to continue going forward as unfilled orders (unfilled orders-to-shipment ratio 7.08 vs 6.96) continued to pile up. In the services sector, the ISM Services PMI rose to 53.4 in January, with the majority of respondents saying that businesses were steady and that they are optimistic about the economy due to the potential of a rate cut, but remained cautious over inflation, cost pressures and ongoing geopolitical conflicts.

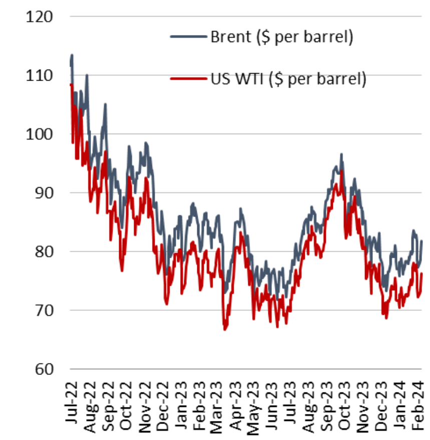
- **The week ahead:** Key highlights from the US will be price prints like CPI, PPI, imports/export prices and New York Fed 1Y inflation expectations as well as the retail sales number. Other from that, we will be watching out for any turnaround in the IPI growth, labour data like real average weekly earnings and jobless claims as well as housing indicators like the NAHB Housing Market Index, building permits, housing starts and weekly mortgage applications. Other data on deck includes preliminary University of Michigan Sentiment for February, NFIB Small Business Optimism index as well as regional indices from New York. Eurozone and UK will be data heavy with the 1st tier GDP and employment numbers, and with ZEW Survey Expectations and trade balance also due to be released for the former, and CPI, PPI, House Price index as well as retail sales for the latter. Both Japan, Malaysia and Singapore will publish its 4Q and 2023 GDP and the latter, its non-oil domestic exports for January as well.

Wall Street largely supported by favourable corporate earnings



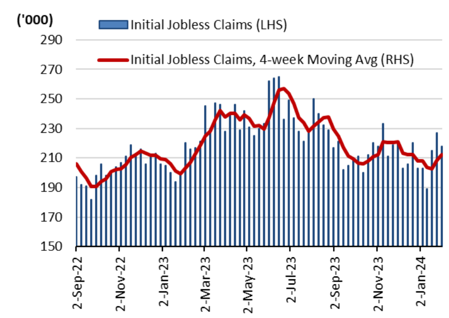
Source: Bloomberg

Israel-Hamas war continued to keep oil prices elevated



Source: Bloomberg

Initial jobless claims recorded its first drop in 3 weeks



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Foreign Exchange

- **MYR:** USD/MYR traded higher this week, gaining by 0.8% to 4.7725 from 4.7330 the week before amidst industrial production for December unexpectedly declining on annual basis, clouding the outlook for growth domestically. This marked the sixth consecutive weekly advance for USD/MYR. The MYR was also mostly lower against other majors and regionals, except for versus the JPY (+0.5%), THB (+0.2%) and AUD (+0.1%). We are ***Neutral-to-Slightly Bearish*** on USD/ MYR for the week ahead, and see a likely trading range of 4.7350 – 4.7950. For the coming week, the economic calendar domestically is very light, with the next key event being the GDP release for 4Q and 2023 next Friday.

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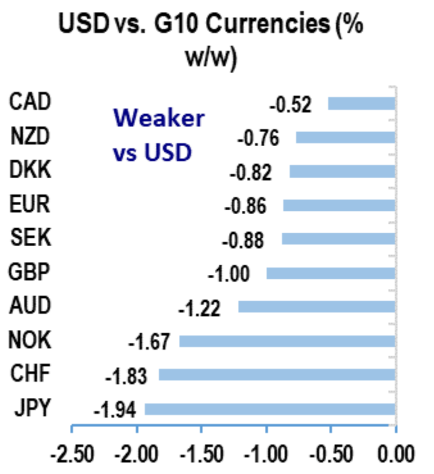
- **EUR:** EUR declined in trading this week, falling by 0.9% against the USD to 1.0778 (prior: +0.2%) as US dollar strength dominated the price action this week amidst more ECB-speak suggesting that the central bank should be patient before loosening borrowing costs. We are ***Neutral*** on the EUR/USD for the coming week, and see a likely trading range of 1.0650 - 1.0900. Domestically, 4Q Eurozone GDP and employment numbers will be released this week, after the flash GDP showed last month that the Eurozone narrowly avoided a technical recession. Also due for release are the latest monthly ZEW survey, as well as industrial production and trade balance numbers for December amidst yet more scheduled ECB-speak during the week.

- **GBP:** GBP also traded lower for the week, retreating by 1.0% (prior: +0.3%) against the greenback to settle at 1.2617 as of Thursday's close. This was despite the PMI data for January coming in on the stronger side of expectations, suggesting a strong start to the year for the UK, and the RICS House Price Balance recovering by more than anticipated. We are ***Neutral*** on the Cable here, with a probable trading range of 1.2500 -1.2750 seen for the week ahead, which is packed with economic data releases. UK CPI for January is scheduled for release, as is the monthly employment report, industrial production, the UK house price index, trade balance and the preliminary readings of 4Q UK GDP. BoE Governor Andrew Bailey is also due to speak during the week.

- **JPY:** JPY tumbled this week, depreciating by 1.9% (prior: +0.8%) against the USD to 149.32 from 146.43 the week before, amidst Japanese wage growth strengthening by less than expected in December, leading to doubts as to whether the Bank of Japan is as close to ending its negative interest rate regime as previously thought. We are ***Slightly Bearish*** on USD/ JPY for the week ahead, and see a probable trading range of 146.50 – 150.50. Due out this coming week are the preliminary Japan 4Q GDP numbers, as well as PPI, machine tool orders and industrial production data.

- **AUD:** AUD traded lower this week for a second straight week, declining by 1.2% against the USD to 0.6492. This came amidst stronger than expected retail sales for 4Q, and a surprisingly hawkish RBA, with its Governor Michele Bullock cautioning that "a further increase in interest rates cannot be ruled out" even as they left policy rates unchanged during the week. We are ***Slightly Bullish*** on AUD/ USD next week, and see a trading range of 0.64 -0.67. Domestically, the coming week sees the release of the Australian monthly labour market report for January, as well as household spending, and consumer and business confidence numbers.

- **SGD:** SGD fell for the first week in three, depreciating by 0.8% against the greenback to 1.3472 from 1.3366 the week before, amidst December retail sales contracting by less than expected on an annual basis, and the Singaporean PMI and Electronic Sector Index for January both registering improvements versus the month before. Against other G10 currencies, the SGD was mostly stronger, led by gains versus the JPY (+1.2%) but versus regional currencies, the SGD was generally weaker, led by falls against IDR (-1.6%) and PHP (-1.2%) We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD for the week ahead, and see a likely trading range of 1.33 - 1.36 for the pair. Final Singapore GDP numbers for 4Q and 2023 as a whole are due this coming week, in an otherwise quiet week for economic data releases before the Budget announcement next Friday.



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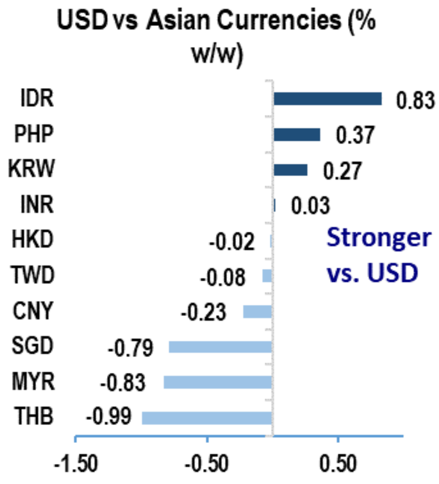


Source: Bloomberg

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

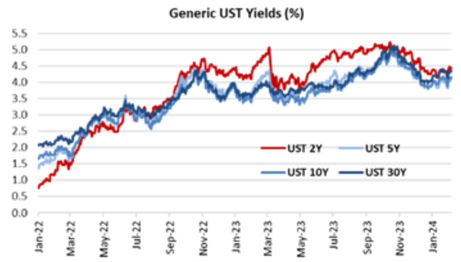
Fixed Income

- **UST:** USTs sold off sharply for the week, pushing yields higher sizeably between 24-29bps w/w (prior 9-25bps lower), after the monthly labour market last Friday revealed that the US added significantly more jobs in January than expected, with growth in wages for the month also doubling what was anticipated. Yields then continued to grind higher for the rest of the week, as the market contended with the quarterly refunding, where the US Treasury sold USD121bn of 3Y, 10Y and 30Y bonds. The UST curve shifted higher with the belly of the curve bearing the brunt of the sell-off. **The benchmark 2Y UST yield rose by 24bps w/w to 4.45% while the benchmark 10Y UST saw its yield jump by 27bps to 4.15%.** A slew of Fed speakers continued to eschew the message that the central bank can afford to be patient with easing policy, and trading in Fed Fund futures saw a March rate cut priced out further to only a 21% chance (prior: 38%), and the chances of a rate cut by May reducing significantly to 74% (prior: 135%). **The market could potentially see some consolidation here and trade sideways** as the focus of the market shifts the price gauges, with the annual benchmark CPI revisions and the CPI for January scheduled for release.

- **MGS/GII:** Local govvies were mixed in trading this week, selling off initially after the strong US jobs report, but regaining ground as the week went by on bargain hunting. **MGS/GII yield curves were mixed by between -1 to +7bps w/w** (prior -1 to -4bps lower), with the benchmark 5Y MGS 4/28 yield ending 2bps higher at 3.54%, while the benchmark 10Y MGS 11/33 also saw its yield rising 2bps to 3.81%. The average daily secondary market volume for MGS/GII increased by 16% w/w to RM 4.18bn, from the average of RM3.59bn seen the week before, driven by 30% increase in average daily MGS trades. GII trades as a percentage of total government bond trades fell to 35% (prior week 41%). Setting the pace for trading for the week were the new benchmark 7Y MGS 4/31 and the off-the-run MGS 6/24, with RM1.98bn and RM1.75bn transacted for the week respectively. Decent interest was also seen in the benchmark 5Y MGS 4/28 and the benchmark 10Y GII 8/33 and MGS 11/33. The reopening auction of the new benchmark 7Y MGS 4/31 saw decent demand, with a BTC of 2.155x. **Markets could potentially see some profit taking in the shortened week ahead** as investors may reassess their positions after the relative outperformance of ringgit government bonds this week, ahead of next Friday's GDP data.

- **MYR Corporate bonds/ Sukuk:** It was a good week for corporate bonds/ sukuk, as the market was better bid in spite of the mixed government bond market, as trading activity rose for the week to climb to an average daily volume of RM0.77bn (prior: RM0.58bn). Trading interests for the week was led by the AAA-rated segment of the market. In GG space, DANA saw trading interest during the week in its 10/36 and 11/36 issues, with a total of RM145m and RM150m changing hands respectively. Over in the AAA segment of the market, MAHB saw sizable interest in its 12/26 Sukuk and 04/27 IMTN, with RM200m and RM110m being traded for the week respectively. Interest was also seen in PLUS 1/29, where a total of RM140m exchanged hands at 3.91%. Over in AA-land, trading was seen in TBE 3/29 at 5.11% and in EWCB 8/28 which settled at 4.05%. In the banking/finance space, decent interest was seen in subordinated issues of Public Bank, with PBB 4/32 swapping hands at 3.85% and PIBB 10/29 settling at 3.73%. Key issuances we saw for the week included PASB selling RM1.1bn total of 7y and 10y IMTNs and UOB Malaysia issuing a 10yr IMTN.

- **Singapore Government Securities:** SGS were better offered for the week, taking cue from the sharp sell-off in USTs after the monthly US employment report. Overall benchmark yields were 2-8bps higher w/w as of Thursday's close. **The SGS 2Y yield rose by 6bps w/w to 3.20% while the 10Y yield advanced by 8bps to 2.96%,** leading to a slight bear steepening of the curve. The fall in SGS was also reflective in Bloomberg's Total Return Index unhedged SGD, which declined for the week, registering a 0.4% w/w loss (prior +0.7%). Domestically, final Singapore 2023 and 4Q GDP numbers are due this week and may impact trading, ahead of the Budget announcement next Friday.



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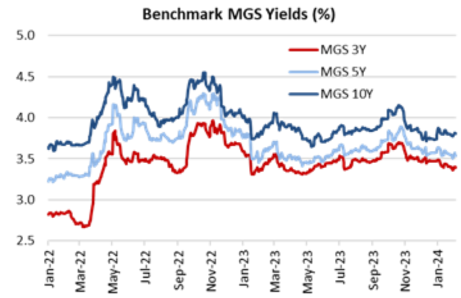

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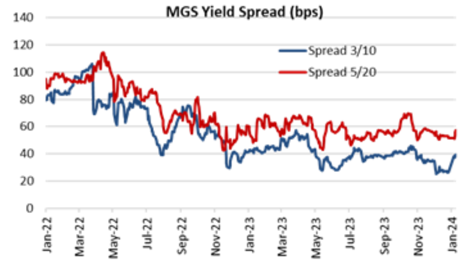

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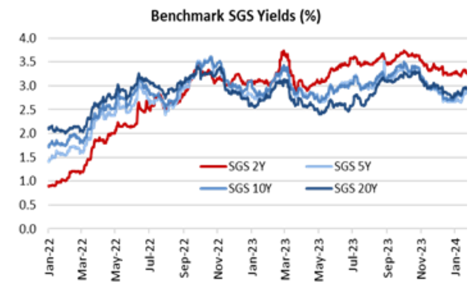

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
MNRB Holdings Berhad	RM320m Sukuk Murabahah Programme (2019/-)		
	Senior Sukuk	AA3/Stable	Affirmed
	Subordinated Sukuk	A1/Stable	Affirmed
Malaysian Reinsurance Berhad	Insurer Financial Strength Ratings	AA2/Stable/P1	Affirmed
	RM250m Subordinated MTN Programme (2015/2030)	AA3/Stable	Affirmed
	RM800m MTN Programme (2022/-)		
	Senior Notes	AA3/Stable	Affirmed
	Subordinated Notes	AA3/Stable	Affirmed
BGSM Management Sdn Bhd	RM10bn IMTN Programme (2013/2043)	AA3/Stable	Affirmed
Hektar MTN Satu Sdn Bhd	Guaranteed Tranche(s) of up to RM230 million (under its RM500 million MTN programme)	AAA(fg)/Stable	Assigned

Source: MARC/RAM

HongLeong Bank

Economic Calendar

Date	Time	Country	Event	Period	Prior
11-18 Feb		CH	FDI YTD YoY CNY	Jan	-8.00%
13-Feb	0:00	US	NY Fed 1-Yr Inflation Expectations	Jan	3.01%
	7:30	AU	Westpac Consumer Conf Index	Feb	81
	7:50	JN	PPI YoY	Jan	0.00%
	8:30	AU	NAB Business Conditions	Jan	7
	15:00	UK	Payrolled Employees Monthly Change	Jan	-24k
	15:00	UK	Weekly Earnings ex Bonus 3M/YoY	Dec	6.60%
	18:00	EC	ZEW Survey Expectations	Feb	22.7
	19:00	US	NFIB Small Business Optimism	Jan	91.9
	21:30	US	Real Avg Weekly Earnings YoY	Jan	0.50%
	21:30	US	CPI Ex Food and Energy YoY	Jan	3.90%
14-Feb	15:00	UK	CPI Core YoY	Jan	5.10%
	15:00	UK	PPI Input NSA YoY	Jan	-2.80%
	17:30	UK	House Price Index YoY	Dec	-2.10%
	18:00	EC	GDP SA QoQ	4Q P	0.00%
	18:00	EC	Employment QoQ	4Q P	0.20%
	18:00	EC	Industrial Production SA MoM	Dec	-0.30%
	20:00	US	MBA Mortgage Applications	Feb 9	+3.70%
15-Feb	7:50	JN	GDP SA QoQ	4Q P	-0.70%
	8:00	AU	Consumer Inflation Expectation	Feb	4.50%
	8:30	AU	Employment Change	Jan	-65.1k
	11:30	AU	CBA Household Spending MoM	Jan	-3.90%
	12:30	JN	Industrial Production MoM	Dec F	1.80%
	15:00	UK	Monthly GDP (MoM)	Dec	0.30%
	18:00	EC	Trade Balance NSA	Dec	20.3b
	21:30	US	Empire Manufacturing	Feb	-43.7
	21:30	US	Retail Sales Advance MoM	Jan	0.60%
	21:30	US	Import Price Index MoM	Jan	0.00%
	21:30	US	Initial Jobless Claims	Feb 10	218k
	22:15	US	Industrial Production MoM	Jan	0.10%
	23:00	US	NAHB Housing Market Index	Feb	44
16-Feb	8:30	SI	Non-oil Domestic Exports SA MoM	Jan	-2.80%
	12:00	MA	GDP Annual YoY	2023 F	3.80%
	15:00	UK	Retail Sales Inc Auto Fuel MoM	Jan	-3.20%
	21:30	US	Building Permits MoM	Jan	1.90%
	21:30	US	New York Fed Services Business Activity	Feb	-9.7
	21:30	US	Housing Starts MoM	Jan	-4.30%
	21:30	US	PPI Final Demand YoY	Jan	1.00%
	23:00	US	U. of Mich. Sentiment	Feb P	79

Source: Bloomberg

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