16 February, 2024

Global Markets Research

Weekly Market Highlights

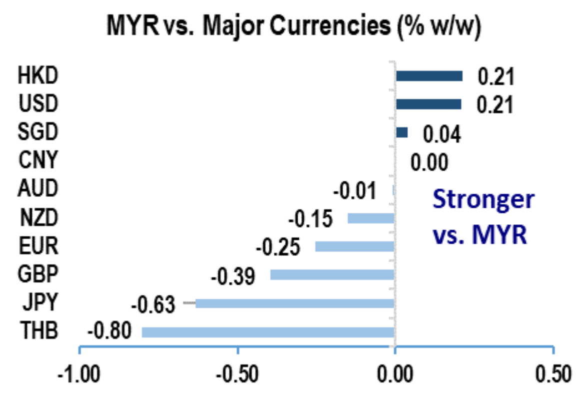
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	38,773.12	0.12	2.88
S&P 500	5,029.73	0.64	5.45
FTSE 100	7,597.53	0.03	-1.75
Hang Seng	15,944.63	0.42	-6.47
KLCI	1,528.38	1.06	5.07
STI	3,176.69	1.07	-1.96
Dollar Index	104.30	0.13	2.92
WTI oil ($/bbl)	78.03	2.37	8.90
Brent oil ($/bbl)	82.86	1.51	7.55
Gold (S/oz)	2,002.10	-1.48	-3.36
CPO (RM/ tonne)	3,978.50	0.80	7.05
Copper ($$/MT)	8,314.00	1.47	-2.86
Aluminum($/MT)	2,224.50	0.14	26.66

Source: Bloomberg
**9-14 Feb for CPO*

- **Wall Street recovered from its CPI downdraft:** The US equity markets was largely in a wait and see mood pending the release of the highly watched CPI data, before tumbling 1.4-1.8% d/d on the day of the release, although it clawed back its losses later and continued to recover from the CPI downdraft. Interest sensitive indices and sectors were particular vulnerable, as the CPI print sent Treasury yields higher, dashed hopes of a rate cut in March as well as trimmed expectations of a handful of rate cuts this year. All in, the three major indices closed up between 0.1-0.7% w/w. In the commodities markets, oil prices see-sawed but ultimately closed the week 1.5-2.4% w/w stronger, in a tug of war between geopolitical risks and mixed demand outlook.
- **The week ahead:** Key focus next week will be on FOMC minutes and the PBoC although we do not anticipate any surprises here. The central bank is expected to maintain the 1Y medium term facility rate as well as 1- and 5Y loan prime rates unchanged at 2.50%, 3.45% and 4.20% respectively. Attention will also be on the minutes to the latest RBA monetary policy meeting as well as the February preliminary S&P PMIs, both manufacturing and services for the majors. US will be data light with the leading index, existing home sales, weekly mortgage applications and jobless claims as well as regional indices from Philadelphia and Chicago on deck.

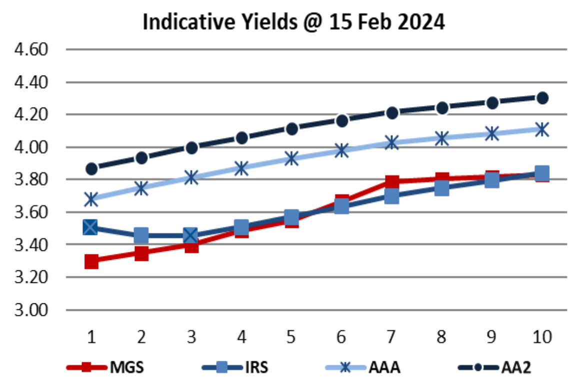
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded higher this week, for a seventh consecutive week, gaining by 0.2% to 4.7825 (prior: +0.8%) from 4.7725 the week before, against a backdrop of a stronger USD amidst a lack of leads domestically in the post-Lunar New Year shortened week. We are ***Slightly Bearish*** on USD/ MYR for the week ahead, with the pair now in overbought territory and see a likely trading range of 4.74 – 4.80. Moving forward, final GDP numbers for 4Q and 2023 as a whole are due later today, while exports and CPI data are on due next week, all of which are expected to reaffirm moderate growth and inflation outlook.
- **USD:** The USD gained for a second consecutive week, with the DXY closing the week higher by 0.1% at 104.30 (prior: +1.1%) from 104.17 the week before, after US CPI for January came out higher the expected, at both the headline and core level, casting some doubt on the timing and magnitude of expected Fed cuts this year. The odds of a Fed rate reduction by the May meeting this week tumbled to 44% (prior: 74%), with the markets now only expecting 3-4 cuts in total for the year, from 4-5 cuts 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 DXY.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** USTs traded lower this week, pushing yields higher by between 6-12bps w/w (prior: 24-29bps higher), after US CPI in January came in north of expectations, both at the headline and core level. **The benchmark 2Y UST yield rose by 12bps w/w to 4.57% while the benchmark 10Y UST saw its yield climb by 8bps to 4.23%.** The odds of Fed cuts continued to tumble, with the market now only pricing in 3-4 cuts for 2024 from 4-5 cuts the week before. **The market could potentially see some consolidation here and trade sideways** with a lighter economic calendar in the week ahead, with the focus likely to be on the minutes of the last FOMC meeting as well as the longer-term inflation expectations component from the University of Michigan's monthly consumer sentiment survey that are scheduled for release.
- **MGS/ GII:** Local govvies were mixed in trading this week, with the front end of the curve gaining some ground, while longer-dated maturities traded slightly lower, resulting in the yield curve steepening for the shortened trading week. **MGS/GII yields were mixed by between -3 to +3 bps w/w** (prior: -1 to +7 bps), with the benchmark 5Y MGS 4/28 yield ending unchanged at 3.54%, while the benchmark 10Y MGS 11/33 saw its yield rising 1bp to 3.82%. **Markets look likely to be range bound for the week ahead** as investors contend with GDP and exports data scheduled for release, ahead of next Friday's CPI data.

Macroeconomic Updates

- **Wall Street recovered from its CPI downdraft:** The US equity markets was largely in a wait and see mood pending the release of the highly watched CPI data, before tumbling 1.4-1.8% on the day of the release, although it clawed back its losses later and continued to recover from the CPI downdraft. Interest sensitive indices and sectors were particular vulnerable, as the CPI print sent Treasury yields higher, dashed hopes of a rate cut in March as well as trimmed expectations of a handful of rate cuts this year. All in, the three major indices closed up between 0.1-0.7% w/w. In the commodities markets, oil prices see-sawed but ultimately closed the week 1.5-2.4% w/w stronger, in a tug of war between geopolitical risks and mixed demand outlook. Nonetheless, IEA expects demand to be easily matched by higher production from the non-OPEC+, and as such, the market could be in surplus all year.

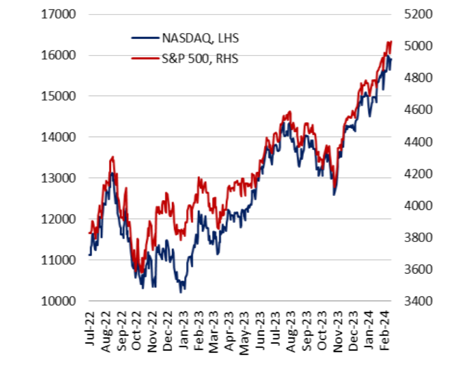
- **Eurozone stagnated, Japan slipped into a technical recession, Singapore's GDP downwardly revised:** A slew of 4Q GDP was released over the week and were generally negative. First and foremost, Japan unexpectedly slipped into a technical recession, although the contraction narrowed to -0.4% q/q (3Q: -3.3% q/q). Driving the the weak growth during the quarter was continued but smaller contraction in private consumption and business spending, while net exports contribution to GDP turned positive. Singapore's 4Q GDP was revised lower to +1.2% q/q and +2.2% y/y (3Q: +1.0% q/q and +1.0% y/y), driven by downward revisions across all the sectors. Still, this marks at least two consecutive quarters of improvements, both on a y/y and q/q basis. The economy grew by 1.1% y/y for the whole of 2023 (2022: +3.8% y/y) and is expected to expand between 1.0% to 3.0% in 2024. In Europe, the economy stagnated, although December's IPI painted a more stable otlook for the manufacturing sector. GDP was left unchanged with zero growth in 4Q, meaning that the bloc avoided a technical recession after 3Q's -0.1% q/q. Moving into 2024, the European Commission's expects the economy to accelerate from +0.5% in 2023 to 0.8% in 2024 and 1.5% in 2025 on the back of growing real wages, a resilient labour market which should encourage consumers to spend more as well as on normalised trade performances.

- **UK also entered technical recession, while CPI held steady and wage grew strongly:** Like Japan, UK also entered a technical recession in the 2H of 2023 after it shrank by 0.3% q/q in 4Q (3Q: -0.1% q/q). All main sectors contracted during the quarter. On a monthly basis, GDP is estimated to have fallen by 0.1% m/m in December, following November's +0.2% m/m and October's -0.5% m/m and the economy is estimated to have expanded by +0.4% y/y in 2023 (2022: +4.5% y/y). On the price front, PPI, both input and output prices fell 3.3% y/y and 0.6% y/y in January (Dec: -2.1% y/y and +0.1% y/y), while headline and core consumer prices (CPI) unexpectedly held steady at +4.0% y/y and 5.1% y/y respectively, tempering inflationary concerns. Nonetheless, sticky wage growth and a still tight labour market suggests that the path towards the 2% target would not be a smooth. Average weekly earnings eased less than expected to +5.8% in the three months ended December, while the number of payrolled employees continues to increase (+48k vs +31k). In tandem with this, the unemployment rate fell to 3.8%

- **Cold weather and seasonal factors affected US data**: In the US, cold weather and seasonal factors affected economic data. CPI prints in the US came slightly above estimates, with headline moderated to +3.1% y/y (Dec: +3.4% y/y) while core unexpectedly held steady at +3.9% y/y. The hotter than expected CPI print partially reflects residual seasonality factors, but the high and volatile and service costs as well as strong real average hourly earnings growth of +1.4% y/y (Dec: +1.0% y/y), its highest since July, suggests the slowing inflation trend towards 2% will also be bumpy and does not leave much room for Fed to manoeuvre in March. In terms of real economy, retail sales tumbled 0.8% m/m in January (Dec: +0.4% m/m) as cold weather across the US kept shoppers at home and also reflected holiday spending season payback. Impacts from cold weather were also felt in the production sector, with IPI edging down 0.1% m/m in January (Dec: No change). Both manufacturing and mining output fell. Nonetheless, improved regional indices for February suggests a potential turnaround. In the labour market, initial jobless claims fell for the second week by 8k to 212k for the week ended February 10 (Feb 3: -7k). This is below the pre-pandemic average of 218k in 2019. In the housing market, expectations that mortgage rates will continue to moderate, prospects of future rate cuts and a protracted lack of existing inventory boosted builder sentiment for the third straight month, sending the NAHB Housing Market Index up to 48 in February (Jan: 44), its highest since August 2023.

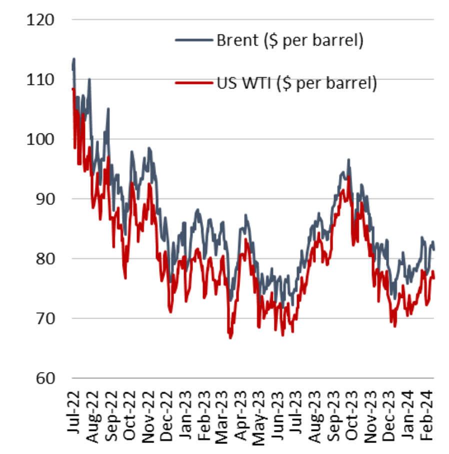
- **The week ahead:** Key focus next week will be on FOMC minutes and the People's Bank of China (PBoC) although we do not anticipate any surprises here. The central bank is expected to maintain the 1Y medium term facility rate as well as 1- and 5Y loan prime rates unchanged at 2.50%, 3.45% and 4.20% respectively. Attention will also be on the minutes to the latest RBA monetary policy meeting as well as the preliminary February S&P PMIs, both manufacturing and services for the majors. US will be data light with the leading index, existing home sales, weekly mortgage applications and jobless claims as well as regional indices from Philadelphia and Chicago. ECB will publish its CPI, 1Y CPI expectations, consumer confidence and construction output numbers, and UK, its CBI trends total orders and GfK consumer confidence. Japan will unveil its core machinery orders and trade data, and Singapore, its CPI. Data on deck in Malaysia includes foreign reserves, external trade and CPI.

Wall Street shaken by the hotter-than-expected CPI print



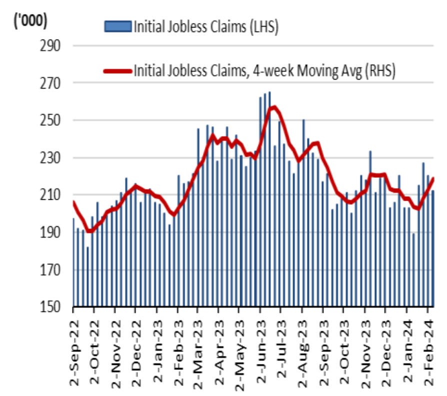
Source: Bloomberg

Tug of war between fundamental demand outlook and geopolitical concerns



Source: Bloomberg

Initial jobless claims unexpectedly fell for the second week; below 2019 average



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/MYR traded higher this week, for a seventh consecutive week, gaining by 0.2% to 4.7825 (prior: +0.8%) from 4.7725 the week before, against a backdrop of a stronger USD amidst a lack of leads domestically in the shortened week. The MYR was stronger against most of the other majors and regional currencies, except for versus the HKD and SGD. We are ***Slightly Bearish*** on USD/ MYR for the week ahead, with the pair now in overbought territory and see a likely trading range of 4.74 – 4.80. Moving forward, final GDP numbers for 4Q and 2023 as a whole are due later today, while exports for January are also scheduled for release during the week before next Friday's CPI data, all of which are expected to reaffirm moderate growth and inflation outlook.

- **USD:** The USD gained for a second consecutive week, with the DXY closing the week higher by 0.1% at 104.30 (prior: +1.1%) from 104.17 the week before, after US CPI for January came out higher the expected, at both the headline and core level, casting some doubt on the timing and magnitude of expected Fed cuts this year. The odds of a Fed rate reduction by the May meeting this week tumbled to 44% (prior: 74%), with the markets now only expecting 3-4 cuts in total for the year, from 4-5 cuts 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 DXY. The coming week sees the release of consumer confidence numbers from the University of Michigan, PPI and housing data for January, and the preliminary S&P Global PMIs for February. Also due this week is the release of the minutes of the January FOMC meeting.

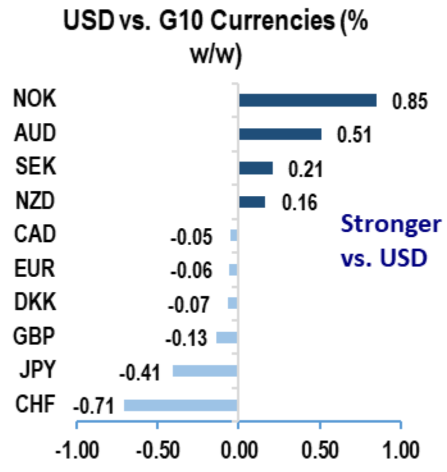
- **EUR:** EUR was weaker this week, falling by 0.1% against the greenback to 1.0772 (prior: -0.9%) amidst 4Q GDP for the common currency area coming in as per the flash release last month, showing that growth was flat for the quarter, and that the Eurozone managed to avoid a technical recession. We are ***Neutral-to-Slightly Bullish*** on the EUR/USD for the week ahead, and see a likely trading range of 1.0650 - 1.0900. The coming week sees the release of final Eurozone CPI numbers for January, inflation expectations, as well as preliminary Eurozone PMI numbers for February, which will shed more light on how the economy is beginning the year.

- **GBP:** GBP fell for a second consecutive week, edging lower by 0.1% (prior: -1.0%) against the USD to settle at 1.2600 as of Thursday's close, after UK 4Q GDP contracted by more than expected, and confirmed that the UK was in a technical recession in the second half of 2023. The currency was also pressured after UK January CPI undershot expectations, both at the headline and core level. We are ***Neutral-to-Slightly Bullish*** on the Cable here, with a likely trading range of 1.2450 -1.2750 seen for the week ahead. UK retail sales numbers for January are due to be released in the coming week, alongside preliminary UK PMIs for February.

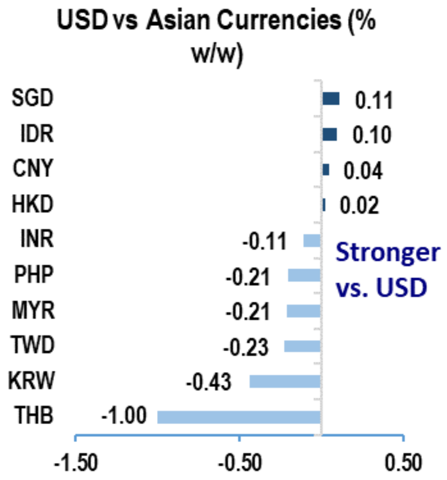
- **JPY:** JPY was lower for a second week in a row, retreating by 0.4% (prior: -1.9%) against the USD to 149.93 from 149.32 the week before, amidst Japanese 4Q GDP unexpectedly contracting for the quarter, led by weakness in consumer spending and business investment. This results in Japan joining the UK in technical recession for 2H 2023, and draws into question whether the end of negative rates is indeed imminent. We are ***Slightly Bearish*** on USD/ JPY for the week ahead, and see a probable trading range of 146 - 152. Due to be reported on this coming week are core machine orders for December, the trade balance and department store sales numbers for January, and the preliminary Japan February PMI numbers.

- **AUD:** AUD traded higher this week for the first week in three, advancing by 0.5% (prior: -1.2%) against the USD to 0.6525, even amidst a poor January labour market report, which showed jobs growth disappointingly coming in flat for the month, and the unemployment rate rising to a two-year high. We remain ***Slightly Bullish*** on AUD/ USD next week, with the pair looking slightly less oversold now after the rebound this week, and see a trading range of 0.64 -0.67. This coming week sees the release of the minutes of the recent RBA meeting, as well as wage data for 4Q, and the preliminary Australian PMI numbers for February.

- **SGD:** SGD edged higher in trading this week, appreciating by 0.1% (prior: -0.8%) against the greenback to 1.3457 from 1.3472 the week before, in spite of 4Q and 2023 GDP being revised a touch lower from its initial estimate on weakness in manufacturing. Against other G10 currencies, the SGD was mixed, gaining ground versus the CHF (+0.8%) and JPY (+0.5%) but retreating versus the NOK (-0.8%) and AUD (-0.4%) but versus regional currencies, the SGD was stronger across the board, led by gains against THB (+1.1%) and KRW (+0.6%). 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. After a bumper performance was reported this morning in export numbers for January, there are no other major releases in the week ahead before next Friday's CPI number.



Source: Bloomberg



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

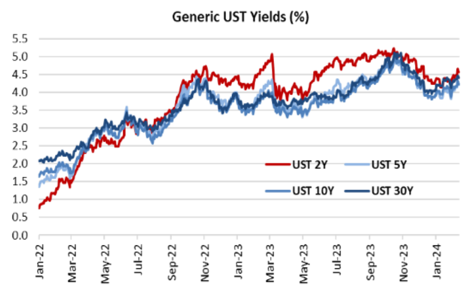
Fixed Income

- **UST:** USTs traded lower this week, continuing the move from the sharp sell-off last week, pushing yields higher by between 6-12bps w/w (prior: 24-29bps higher), after US CPI in January came in north of expectations, both and the headline and core level. As the week went by, yields then corrected slightly lower after dovish comments from the Fed's Goolsbee and a weaker than expected retail sales report for January. The front end of the maturity spectrum bore than brunt of the sell-off, leading to a bear-flattening in the UST curve. **The benchmark 2Y UST yield rose by 12bps w/w to 4.57% while the benchmark 10Y UST saw its yield climb by 8bps to 4.23%.** The odds of Fed cuts during the year continued to tumble with trading in Fed Fund futures indicating that the chance of a March rate cut falling to 14% (prior: 21%), and the chances of a rate cut by May reducing further to 44% (prior: 74%). For 2024 as a whole, only 3-4 cuts are currently priced, versus the 4-5 cuts priced the week before. **The market could potentially see some consolidation here and trade sideways** with a lighter economic calendar in the week ahead, with the focus likely to be on the minutes of the last FOMC meeting as well as the longer-term inflation expectations component from the University of Michigan's monthly consumer sentiment survey that are scheduled for release.

- **MGS/GII:** Local govvies were mixed in trading this week, with the front end of the curve gaining some ground, while longer-dated maturities traded slightly lower, resulting in the yield curve steepening for the shortened trading week. **MGS/GII yields were mixed by between -3 to +3 bps w/w** (prior: -1 to +7 bps), with the benchmark 5Y MGS 4/28 yield ending unchanged at 3.54%, while the benchmark 10Y MGS 11/33 saw its yield rising 1bp to 3.82%. The average daily secondary market volume for MGS/GII tumbled by 41% w/w to RM 2.48bn, from the average of RM4.18bn seen the week before, with many participants out for the extended CNY weekend. GII trades as a percentage of total government bond trades rose to 41% (prior week 35%). Setting the pace for trading for the week was the off-the-run MGS 6/24, which saw RM1.10bn transacted for the week, and closing the week 1bp higher at 3.21%. The newly reopened 20Y GII 8/43 also saw active secondary market activity, with RM0.69b changing hands for the week, and settling at 4.14%. The reopening auction itself was strong, with the RM3bn on offer clearing at 4.163% with a high BTC of 3.037x, and a short tail of 0.8bps. Decent interest was also seen in the benchmark 10Y MGS 11/33 and GII 8/33, as well as in the off-the-run GII 5/24. **Markets look likely to be range bound for the week ahead** as investors contend with GDP and exports data scheduled for release, ahead of next Friday's CPI data.

- **MYR Corporate bonds/ Sukuk:** It was a quieter week for corporate bonds/ sukuk with the extended CNY weekend, as trading activity fell to an average daily volume of RM0.65bn (prior: RM0.77bn). The market was better bid in general, with trading interests for the week led by the AA-rated segment of the market. In GG space, DANA saw trading interest during the week in its 10/28 and 3/34 issues, with a total of RM200m and RM130m swapping hands respectively. Over in the AAA segment of the market, CIMB 5/24 saw some interest and exchanged hands at 3.49%, while PASB 7/37 saw a few prints around the 4.10% level. Meanwhile over in the AA-rated landscape, large trades were seen in a few IMTNs of UEM Sunrise that were issued last month. UEMS 2/29, 2/31 and 2/34 all saw secondary market debuts during the week, and settled at 4.41%, 4.57% and 4.80% respectively. PBB 7/29 also saw some interest, with a few trades being printed at the 3.68-3.69% level. Elsewhere, a couple of trades were seen in A-rated ISLAM 11/31 around the 4.23%-4.24% level.

- **Singapore Government Securities:** SGS traded lower for the week, taking cue from the fall in USTs after the hotter than expected US CPI for January. As the week went by, the rise in yields was tempered by a slight revision of GDP numbers domestically. All said and done, overall benchmark yields were 5-11bps higher w/w as of Thursday's close, with the front end of the maturity spectrum bearing the brunt of the move, leading to a bear-flattening to the SGS curve. **The SGS 2Y yield rose by 11bps w/w to 3.31% while the 10Y yield advanced by 7bps to 3.03%.** The Bloomberg's Total Return Index unhedged SGD consequently declined for a second straight week, registering a 0.6% decline w/w (prior -0.4%). Domestically, the data calendar is rather light, after this morning's stronger than expected export numbers, until CPI is due next Friday.



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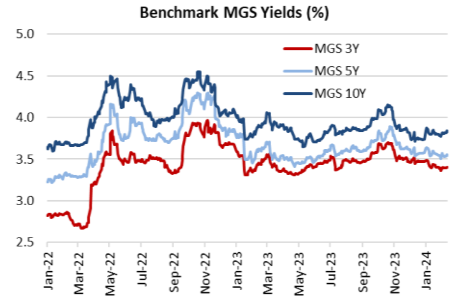

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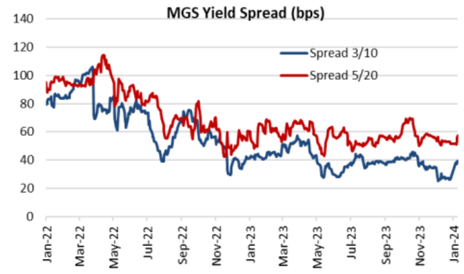

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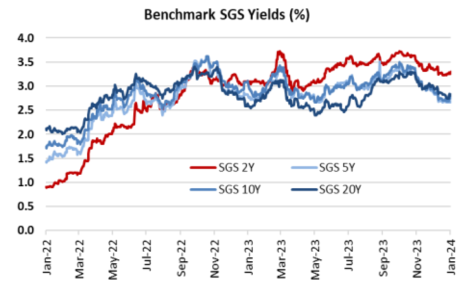

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Impain Ekspresi Sdn Bhd	RM450m guaranteed MTN programme (2013/2024)	AAA(bg)/Stable	Withdrawn

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
18-Feb	9:20	CH	1-Yr Medium-Term Lending Facility Rate		2.50%
	9:20	CH	1-Yr Medium-Term Lending Facilities Volume		995.0b
19-Feb	7:50	JN	Core Machine Orders MoM	Dec	-4.90%
20-Feb	8:30	AU	RBA Minutes of Feb. Policy Meeting		
	9:15	CH	5-Year Loan Prime Rate		4.20%
	9:15	CH	1-Year Loan Prime Rate		3.45%
	12:00	MA	Exports YoY	Jan	-10.00%
	16:30	HK	Unemployment Rate SA	Jan	2.90%
	18:00	EC	Construction Output MoM	Dec	-1.00%
	21:30	US	Philadelphia Fed Non-Manufacturing Activity	Feb	-3.7
	23:00	US	Leading Index	Jan	-0.10%
21-Feb	7:30	AU	Westpac Leading Index MoM	Jan	-0.04%
	7:50	JN	Exports YoY	Jan	9.80%
	8:30	AU	Wage Price Index QoQ	4Q	1.30%
	19:00	UK	CBI Trends Total Orders	Feb	-30
	20:00	US	MBA Mortgage Applications	Feb 16	-2.30%
	23:00	EC	Consumer Confidence	Feb P	-16.1
22-Feb	3:00	US	FOMC Meeting Minutes		
	6:00	AU	Judo Bank Australia PMI Mfg	Feb P	50.1
	6:00	AU	Judo Bank Australia PMI Services	Feb P	49.1
	8:30	JN	Jibun Bank Japan PMI Mfg	Feb P	48
	8:30	JN	Jibun Bank Japan PMI Services	Feb P	53.1
	15:00	MA	Foreign Reserves		$114.8b
	16:30	HK	CPI Composite YoY	Jan	2.40%
	17:00	EC	HCOB Eurozone Manufacturing PMI	Feb P	46.6
	17:00	EC	HCOB Eurozone Services PMI	Feb P	48.4
	17:30	UK	S&P Global UK Manufacturing PMI	Feb P	47
	17:30	UK	S&P Global UK Services PMI	Feb P	54.3
	18:00	EC	CPI Core YoY	Jan F	3.30%
	21:30	US	Chicago Fed Nat Activity Index	Jan	-0.15
	21:30	US	Initial Jobless Claims	Feb 17	212k
	22:45	US	S&P Global US Manufacturing PMI	Feb P	50.7
	22:45	US	S&P Global US Services PMI	Feb P	52.5
	23:00	US	Existing Home Sales MoM	Jan	-1.00%
23-Feb	8:01	UK	GfK Consumer Confidence	Feb	-19
	9:30	CH	New Home Prices MoM	Jan	-0.45%
	12:00	MA	CPI YoY	Jan	1.50%
	13:00	SI	CPI YoY	Jan	3.70%
	17:00	EC	ECB 1 Year CPI Expectations	Jan	3.20%

Source: Bloomberg

Hong Leong Bank Berhad
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