Global Markets Research

Weekly Market Highlights

Markets

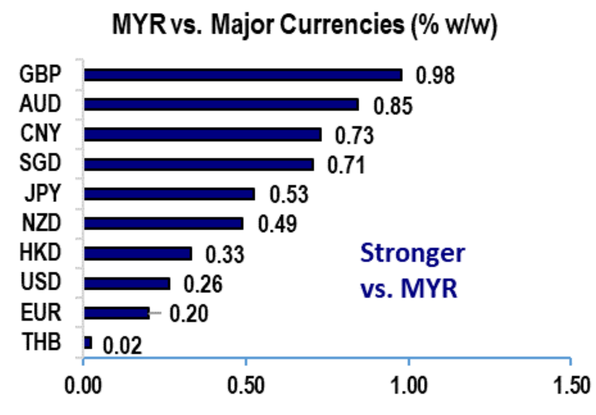
	Last Price	WOW%	YTD %
Dow Jones Ind.	38,049.13	1.55	0.95
S&P 500	4,894.16	2.37	2.61
FTSE 100	7,529.73	0.95	-2.63
Hang Seng	16,211.96	5.33	-4.90
KLCI	1,504.10	1.68	3.40
STI	3,147.64	0.25	-2.86
Dollar Index	103.57	0.04	2.21
WTI oil ($/bbl)	77.36	4.43	8.60
Brent oil ($/bbl)	82.43	4.21	7.00
Gold (S/oz)	2,017.80	-0.19	-2.48
CPO (RM/ tonne)	3,959.00	1.45	6.52
Copper ($$/MT)	8,568.50	3.11	0.11
Aluminum($/MT)	2,238.50	3.47	14.58

Source: Bloomberg

***19-23 Jan for CPO, 19-24 Jan for KLCI**

- **US equity markets and oil prices rallied:** US equity markets and oil prices rallied during the week: US equity markets were broadly on an uptrend during the week, sending S&P 500 and the Dow to fresh highs. All three indices closed up between 1.5-3.0% w/w, supported by a broadly risk-on sentiment on beliefs that the FOMC and major central banks are done hiking interest rates this cycle, rally in tech companies after an upbeat earnings report from TSMC spurred a resurgence in appetite for the sector, a strong US 4Q GDP as well as some positive corporate earnings, like Netflix.
- **The week ahead:** Next week, the Fed, BOE and MAS are set to meet and we expect all trio to maintain status quo. S&P is expected to release the final manufacturing PMIs for the majors as well as Malaysia's composite PMI. US will be data heavy with labour data like the non-farm payroll, JOLTS job openings, ADP employment change, Employment Cost Index, Challenger job cuts, unit labor costs and jobless claims, as well as housing numbers like the FHFA & S&P CoreLogic House Price indices, construction spending and mortgage applications. Other first tier data on deck includes ISM Manufacturing, factory orders, Un of Michigan and Conference Board Consumer Confidence indices.

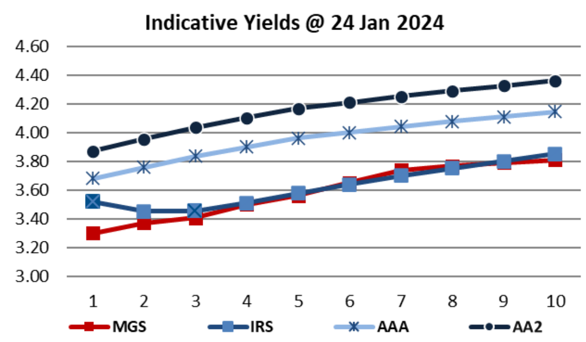
Forex



Source: Bloomberg

- **MYR:** USD/ MYR traded higher this week, its fourth consecutive weekly advance, albeit at a slower pace of +0.3% w/w (prior: +1.6% w/w) to 4.7315, amidst the backdrop of the USD in ascendency and a broadly weaker MYR amidst cautiousness ahead of the BNM monetary policy meeting as well as weaker than expected exports and advance 4Q GDP data. Against the other majors and regional currencies, the MYR was generally weaker, except against the IDR, PHP and THB. We are ***Neutral*** on USD/ MYR for the week ahead, and see a likely trading range of 4.67 – 4.75. It will be data light on the domestic front with only the composite PMI by the S&P on deck next week. Hence, the pair will take cue from FOMC and US data for cue in the week ahead.
- **USD:** This week saw a continuation of a buying bias in the greenback, supported by stronger than expected US 4Q GDP and consumer sentiment, which saw the University of Michigan sentiment index surging to its highest reading since July 2021. However, gains were much milder, with the index closing little changed at 103.57 (prior: +1.2% w/w). We are ***Neutral-to-Slightly Bearish*** on the USD for the coming week, eyeing a likely trading range of 102-105 for the index but we expect direction to be largely dependent on FOMC statement. It is a data heavy week with labour, housing and manufacturing numbers set to be published to shape expectations on future rate outlook.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** USTs whipsawed between gains and losses through the week before settling the week higher. Continued pleasant surprises in US data dented rate cut bets and supplied a bid to overall market sentiments, spilling over to US treasuries. **Overall benchmark UST yields fell 2-6bps w/w across the curve save for the ultralong end 30-year bonds**. The inversion of the yield curve normalized further, to a mere -17bps, in line with growing expectations the US economy will be able to avert a recession. Market pricing for rate cuts have been reduced notably. **Expect a cautious and rangy UST markets next week pending FOMC announcement and job data, but before that, all eyes will be on tonight's core PCE print.**
- **MGS/GII:** Local govvies traded largely in a biddish tone. The local bond scene was also a tad quieter ahead of BNM MPC meeting, which concluded with no surprises in both rate pause decision and neutral policy guidance which reaffirmed our view for OPR to stay unchanged at 3.00% for the whole of 2024. **Overall MGS/GII yield curves ended lower between 2-11bps w/w.** The average daily secondary market volume declined 12% w/w to RM3.03b as a pick-up in MGS trading (+10%) was offset by a sharp 32% decline in GII transacted. This came despite a solid demand for the reopening of 5-year GII 7/28 which attracted a record high BTC of 4.40x at an average yield of 3.62%. In the week ahead, **markets may well be in for another quiet week ahead of FOMC announcement and a holiday shortened week domestically.**

Macroeconomic Updates

- **US equity markets and oil prices rallied:** The US equity markets were broadly on an uptrend during the week sending S&P 500 and the Dow to fresh highs. All three indices closed up between 1.5-3.0% w/w, supported by a broadly risk-on sentiment on beliefs that the FOMC and major central banks are done hiking interest rates this cycle, rally in tech companies after an upbeat earnings report from TSMC spurred a resurgence in appetite for the sector, a strong US 4Q GDP as well as some positive corporate earnings, like from Netflix. While oil prices were oscillating around the flatline through out the week, prices were broadly on an uptrend and closed the week 4.2-4.4% w/w stronger. Driving the higher prices were heightened geopolitical tensions as well as supply disruption in oil supply in North Dakota due to weather. During the week, IEA said that despite its higher demand growth forecast, IEA expects the market to be reasonably well supplied in 2024.

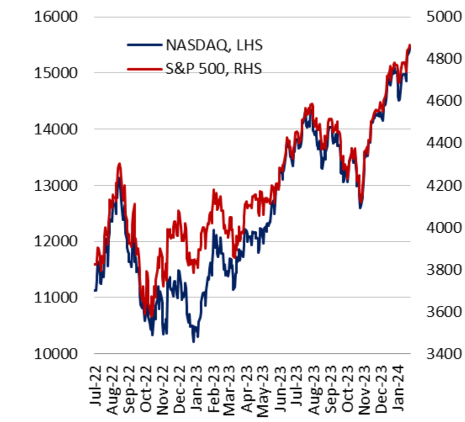
- **ECB, BOJ & BNM maintained status quo, PBoC Cut RRR:** As widely expected, the ECB kept the interest rate on the main refinancing operations, the marginal lending facility and the deposit facility unchanged at 4.50%, 4.75% and 4.00% respectively. Key highlights from the statement was that the economy is likely to have stagnated in 4Q and inflation is on a declining trend. President Christine Lagarde added that it is premature to discuss rate cuts at this juncture. Both the manufacturing and services PMIs remained contractionary at 46.6 and 48.4 respectively in the Eurozone, while consumer confidence worsened to -16.1, below its long-term average. Similarly, the BOJ unanimously decided to keep its policy rate at -0.1%, and YCC policy that keeps the upper limit for the 10Y JGB at 1.00% as a reference. In its quarterly outlook, BOJ lowered its median forecast for core CPI to 2.4% for fiscal 2024 (-0.4ppts) but increased the core CPI inflation estimate for fiscal 2025 to 1.8% (+0.1ppts). Data this week meanwhile showed that exports rebounded to +9.8% y/y in December. PBoC's decision to keep its 1Y MLF unchanged last week meant that this week's steady 1Y and 5Y loans prime rates (3.45% and 4.20%) was a given. PBoC also delivered a 50bps cut in its RRR by 50bps as the economy is still battling with a sluggish environment (data this week showed that net FDI into China fell 8.0% y/y in 2023) and a deflationary streak. BNM left OPR unchanged at 3.00%, as officials assessed that the growth and inflation outlook pens out largely as expected. The policy statement closely mirrored the previous statement, hence reaffirmed our view for OPR to stay pat for the rest of the year. Oct-Nov data showed the Malaysia economy picked up to 3.4% y/y in 4Q of 2023. Available data from December so far showed that exports fell at a faster pace of 10.0% y/y for a second straight month, but imports continued to pick up steam to +2.9% y/y. A negative net exports would inevitably exert a drag on overall GDP in December.

- **MAS and BOE to stay pat next week:** Next week will see the kick-off of the next trio of central banks meetings starting with MAS. This week, data showed that both headline and core CPI for Singapore unexpectedly accelerated to +3.7% y/y and +3.3% y/y respectively in December. In tandem with the release, MAS kept its core inflation forecast of 2.5–3.5% for 2024, but said that it will update its forecast. Given the upside risks to price outlook and MAS using the exchange rate as its main policy tool, we expect MAS to hold its monetary policy on January 29th to contain imported costs yet support the economy. Similarly, we expect BOE to stay pat given the still elevated inflation rate. UK data this week was mixed, with retail sales recorded its biggest drop in sales in almost three years, contracting by 3.2% m/m in December while the S&P manufacturing PMI remained contractionary at 47.3. The services sector posted its strongest expansion since May 2023 at 53.8.

- **Positive data from the US reafirmmed soft landing view:** Data from US was also mixed, but boosted optimism that the Fed can deliver a soft landing. 4Q GDP came in better-than-expected at 3.3% q/q (3Q: +4.9% q/q), capping an unexpectedly strong year of +2.5% for the whole of 2023 (2022: +1.9%). Consumer spending surprised on the upside at +2.8% q/q. The University of Michigan Consumer Sentiment continued with its sharp increase for the second month to 78.8 in January, its highest since July 2021. The S&P PMI signalled a a strong upturn in activity, driven by service providers (52.9 vs 51,4), while the manufacturing sector turned expansionary for the first time in 3 months (50.3 vs 47.9). Meanwhile, the contraction in the Leading Economic Index narrowed for the second month to -0.1% m/m in December, continuing to signal weakness in the economy. In the housing market, existing home sales fell 1.0% m/m in December (Nov: +0.8% m/m) as existing inventory remains tight, but the recent drop in mortgage rates sent new home sales rising more than expected to 664k (+8.0% m/m).

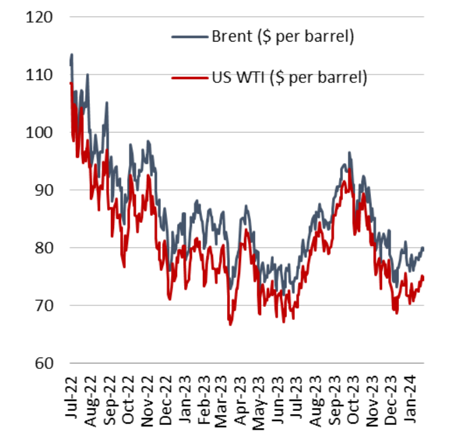
- **The week ahead**: S&P is expected to release the final manufacturing PMIs for the majors and Malaysia's composite PMI. US will be data heavy with labour data like the non-farm payroll, JOLTS job openings, ADP employment change, Employment Cost Index, Challenger job cuts, unit labor costs and jobless claims, as well as housing numbers like the FHFA & S&P CoreLogic House Price indices, construction spending and mortgage applications. Other 1st tier on deck includes ISM Manufacturing, factory orders, Uni. of Michigan and Conference Board Consumer Confidence indices. Eurozone will see the release of its 4Q GDP, CPI, unemployment rate and Economic Confidence. Data from UK includes the consumer credit number and from Japan, jobless rate, retail sales, IPI and Consumer Confidence Index. Both China and Singapore will publish its officials PMIs.

Risk on sentiment and tech stocks spurred rally in Wall Street



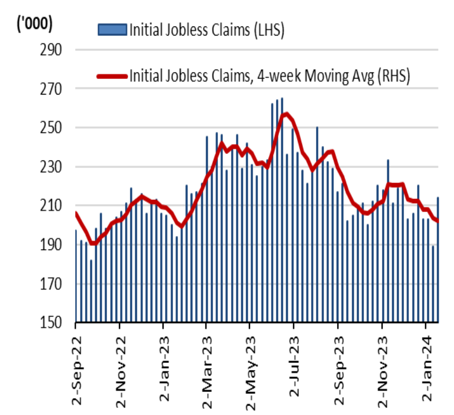
Source: Bloomberg

Oil prices broadly supported by heightened Red Sea tension and tighter supply



Source: Bloomberg

Initial jobless claims jumped again amid seasonal swing



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Foreign Exchange

- **MYR:** USD/ MYR traded higher this week, its fourth consecutive weekly advance, albeit at a slower pace of +0.3% w/w (prior: +1.6% w/w) to 4.7315, amidst the backdrop of the USD in ascendency and a broadly weaker MYR amidst cautiousness ahead of the BNM monetary policy meeting as well as weaker than expected exports and advance 4Q GDP data. Against the other majors and regional currencies, the MYR was generally weaker, except against the IDR, PHP and THB. We are ***Neutral*** on USD/ MYR for the week ahead, and see a likely trading range of 4.67 – 4.75. It will be data light on the domestic front with only the composite PMI by the S&P on deck next week. Hence, the pair will take cue from FOMC and US data for cue in the week ahead.

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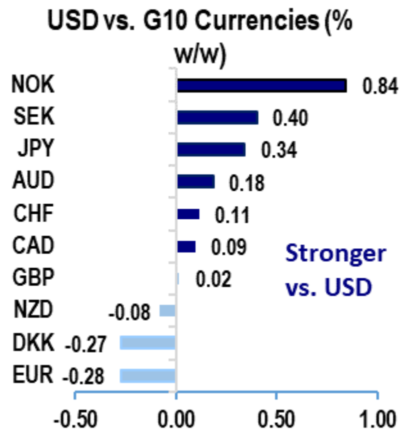
- **EUR**: Trading was largely cautious ahead of ECB decision although there was a temporary clip after the PMI data showed that the bloc's downturn eased somewhat in January, although remained sluggish nonetheless. Consequently, EUR weakened for the second week, albeit at a narrower pace of 0.3% w/w (prior: -0.9% w/w) to 1.8046. We are ***Neutral-to-Slightly Bullish*** on the EUR/USD for the coming week, with a likely trading range of 1.08 - 1.10 after President Christine Lagarde's comment that it is premature to discuss rate cuts. Eurozone will see the release of first tier data which includes the 4Q GDP, CPI, unemployment rate and Economic Confidence.

- **GBP**: GBP/USD closed the week just above the flatline (prior: -0.4% w/w) in a volatile week, in a tug of war between dismal UK retail sales data against a stronger than expected reading in UK's PMIs and improvement in risk appetite as shown by US stocks registering fresh highs. We are ***Neutral*** on the Cable here, with a probable trading range of 1.26 -1.28 seen for the week ahead as BOE is due to decide on its monetary policy amidst the scheduled release of the consumer credit data. Comments in the statement and from the officials will be scrutinized for further clues to the timing of rate cuts, especially in view of the higher-than-expected inflation prints and weak economic data.

- **JPY**: It was an interesting week for the JPY, with the currency weakening immediately after the BOJ left its policy unchanged but later rallied tracking the rise in JGB yields, after Kazuo Ueda said prospects of achieving the central bank's inflation target were gradually increasing. Consequently, JPY U-turned and close 0.3% w/w stronger after tumbling by 1.9% w/w the prior week. We are ***Neutral-to-Slightly Bearish*** on USD/ JPY for the week ahead, and see a likely trading range of 146 – 149. It will be a less intense week on the Japanese front following BOJ's decision, but nonetheless data heavy with jobless rate, retail sales, IPI and Consumer Confidence Index numbers due to be released.

- **AUD**: Mixed data was released during the week, with a strong PMI data on the Aussie front and news of China stimulus package eclipsing the strong USD. Consequently, AUD traded higher for the first time in 4 weeks by 0.2% w/w to 0.6585 (-1.7% w/w). We are ***Neutral*** on AUD/ USD next week, and see a likely wider trading range of 0.64 -0.68. A busy week ahead with focus on the CPI and retail sales data which may set a tone to RBA's meeting the following week. Accompanying this will be the PPI, private sector credit, building approvals and NAB Business confidence numbers.

- **SGD**: The SGD traded broadly stronger against USD throughout the week after Singapore's CPI prints surprised on the upside. Consequently, SGD appreciated against USD for the first time in 4-weeks, strengthening 0.3% w/w to 1.3402 (prior: -1.0% w/w). Against the rest of the G10 currencies and other major regional currencies, the SGD was generally stronger save the JPY, SEK, NOK, CNH and TWD. We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD for the week ahead, and see a probable trading range of 1.32 - 1.35 for the pair. A relatively quiet week ahead with MAS monetary policy decision on deck followed by the official PMI later in the week.



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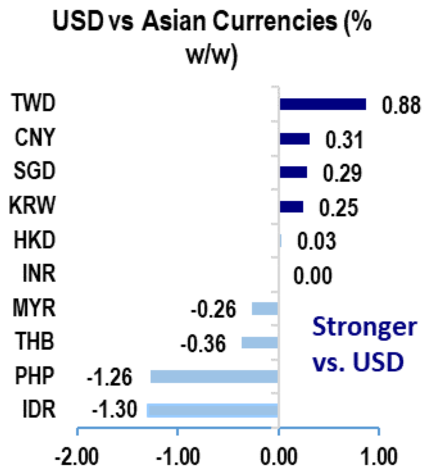


Source: Bloomberg

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

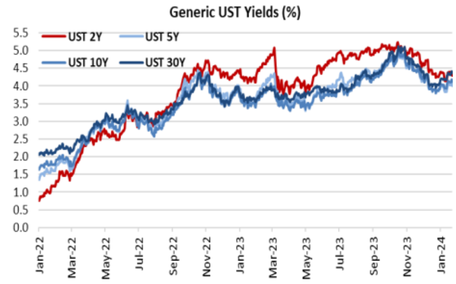
Fixed Income

- **UST:** USTs whipsawed between gains and losses through the week before settling the week higher, shrugging off the selling seen in the preceding week. Continued pleasant surprises in US data pointing to better than expected resiliency in the US economy dented rate cut bets and supplied a bid to overall market sentiments, spilling over to US treasuries. Focus was squarely on US economic releases in the absence of Fed speaks during the FOMC black-out period. **Overall benchmark UST yields fell 2-6bps w/w across the curve save for the ultralong end 30-year bonds** which saw yields inching up less than 1bp on the week to 4.37%, bull steepening the curve. The inversion of the yield curve normalized further, with the 2/10 spread narrowed for the 6th straight week, to a mere -17bps as at Thursday's close, the least since last October, in line with growing expectations the US economy will be able to avert a recession. The benchmark 2Y note yield fell 6bps w/w to 4.29% while the 10s shed 2bps to 4.12%. Market pricing for rate cuts have been reduced notably, with odds of a March rate cut dipping below 40% at one time (standing at 50% at time of writing) while that of a May cut hovered around 80% with cumulative cuts for the year pared back to five, instead of six cuts (assuming 25bps cut each). **Expect a cautious and rangy UST markets next week pending FOMC announcement and job data, but before that, all eyes will be on tonight's core PCE print.**

- **MGS/GII:** Local govvies traded largely in a biddish tone this week and settled the week higher, continuing the zigzagging trading pattern seen in recent weeks as investors looked to reposition in search of fresh leads intertwined between policy outlook and rising geopolitical tensions globally. The local bond scene was also a tad quieter as investors preferred to stay on the sideline ahead of BNM MPC meeting, which concluded with no surprises in both rate pause decision and neutral policy guidance which reaffirmed our view for OPR to stay unchanged at 3.00% for the whole of 2024. We will however be keeping a close watch on potential upside risk to inflation stemming from upcoming roll-out of subsidy reform plan. **Overall MGS/GII yield curves ended lower between 2-11bps w/w,** with the benchmark 5Y MGS 4/28 yield ended 4bps lower at 3.56% while the benchmark 10Y MGS 11/33 saw its yield slipping 3bps to 3.81%. The average daily secondary market volume for MGS/GII declined by 12% w/w to RM3.03b as a pick-up in MGS trading (+10%) was offset by a sharp 32% decline in GII transacted. GII trades as a percentage of total MGS/GII trades dropped to 40% (prior week 51%). This came despite a solid demand for the reopening of 5-year GII 7/28 which attracted a record high BTC of 4.40x at an average yield of 3.62%. In the week ahead, **markets may well be in for another quiet week ahead of FOMC announcement and a holiday shortened week domestically.**

- **MYR Corporate bonds/ Sukuk**: Trading momentum in the local corporate bonds/ sukuk space softened considerably in the week under review as markets awaited BNM OPR decisions. Average daily secondary market volume dropped 44% w/w to RM0.49b (prior: RM0.88b), its lowest daily average volume in three weeks. Trading activities however remained concentrated on AAA-part of the curve followed by GG bonds. In the GG segment, the heavily traded issuances include DANA '36 and some other tenors up to '52, Pengurusan Air SPV '29 (RM100m done 10bps inner at 3.76%), and LPPSA '38 to '49 which last traded mixed between 4.06% - 4.30%. In the AAA-rated space, various issuances of CAGA ranging from '24 to '28 stole the limelight, pushing yields largely lower to between 3.57% - 3.83%. Other issuances of interests included MAHB 4/27 which closed at 3.81%, 34bps lower than its last print in October, PBB 12/27, PBB 7/29, and PIBB 7/32, which also settled lower at 3.77%, 3.74% and 3.88% respectively.

- **Singapore Government Securities:** SGS remained under pressure for the 4th consecutive week, bucking the gains in US Treasuries. Overall benchmark yields added 1-11bps across the curve, with the most notably increase in the belly of the curve (+11bps in the 5Y). **The SGS 2Y yield eked out a 1bp increase to 3.30% while the SGS 10Y saw its yield rise by 6bps to 2.96%.** Singapore's sovereign bond returns as measured by Bloomberg's Total Return Index unhedged SGD extended its decline for the 4th straight week, albeit at a smaller 0.17% during the week (prior -0.39%). An eventful week lies ahead, with MAS due to decide on monetary policy on 29th January. We expect MAS to remain status quo next week, and revises headline CPI forecast higher, following the surprised pick-up in both headline and core CPI for the month of December released earlier this week. MAS policy meet aside, PMI and unemployment rate data are in the pipeline.



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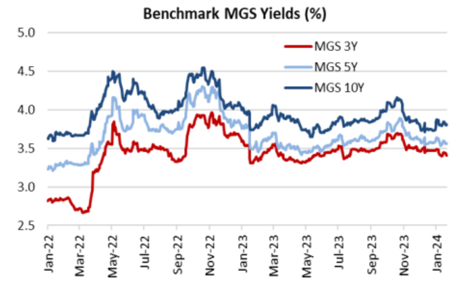

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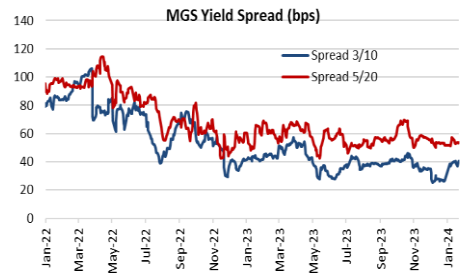

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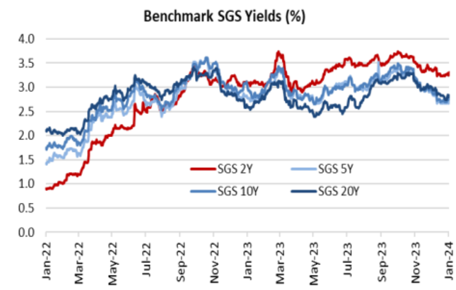

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
APM Automotive Holdings Berhad	RM1.5bn Islamic Commercial Papers Programme (2016/2023)	P1	Withdrawn
Yinson Holdings Berhad	RM1bn Subordinated Perpetual Islamic Notes Programme	A3/Stable	Assigned
Gamuda Berhad and subsidiaries	Debt programmes of Gamuda Berhad, Bandar Serai Development Sdn Bhd and Gamuda Land (T12) Sdn Bhd	AA3/Stable/P1	Affirmed
DIALOG Group Berhad	RM3bn Senior Islamic Medium-Term Notes	AA2/Stable	Affirmed
DIALOG Group Berhad	RM3bn Subordinated Perpetual Islamic Notes	A1/Stable	Affirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
29-Jan	22:30	US	Dallas Fed Manf. Activity	Jan	-9.3
30-Jan	7:30	JN	Jobless Rate	Dec	2.50%
	8:30	AU	Retail Sales MoM	Dec	2.00%
	17:30	UK	Net Consumer Credit	Dec	2.0b
	18:00	EC	Economic Confidence	Jan	96.4
	18:00	EC	GDP SA QoQ	4Q A	-0.10%
	22:00	US	FHFA House Price Index MoM	Nov	0.30%
	22:00	US	S&P CoreLogic CS US HPI YoY NSA	Nov	4.77%
	23:00	US	Conf. Board Consumer Confidence	Jan	110.7
	23:00	US	JOLTS Job Openings	Dec	8790k
	23:30	US	Dallas Fed Services Activity	Jan	-8.7
31-Jan	7:50	JN	Retail Sales MoM	Dec	1.00%
	7:50	JN	Industrial Production MoM	Dec P	-0.90%
	8:30	AU	Private Sector Credit MoM	Dec	0.40%
	8:30	AU	CPI YoY	Dec	4.30%
	9:30	CH	Manufacturing PMI	Jan	49
	9:30	CH	Non-manufacturing PMI	Jan	50.4
	13:00	JN	Consumer Confidence Index	Jan	37.2
	16:30	HK	GDP YoY	4Q A	4.10%
	20:00	US	MBA Mortgage Applications	26-Jan	3.70%
	21:15	US	ADP Employment Change	Jan	164k
	21:30	US	Employment Cost Index	4Q	1.10%
1-Feb	3:00	US	FOMC Rate Decision (Upper Bound)	1-Jan	5.25%
	6:00	AU	Judo Bank Australia PMI Mfg	Jan F	48.1
	8:30	AU	NAB Business Confidence	4Q	-1
	8:30	JN	Jibun Bank Japan PMI Mfg	Jan F	48.0
	8:30	MA	S&P Global Malaysia PMI Mfg	Jan	47.9
	8:30	AU	Building Approvals MoM	Dec	1.60%
	9:45	CH	Caixin China PMI Mfg	Jan	50.8
	17:00	EC	HCOB Eurozone Manufacturing PMI	Jan F	46.6
	17:30	UK	S&P Global UK Manufacturing PMI	Jan F	47.3
	18:00	EC	Core CPI YoY	Jan	3.40%
	18:00	EC	Unemployment Rate	Dec	6.40%
	20:00	UK	Bank of England Bank Rate		5.25%
	20:30	US	Challenger Job Cuts YoY	Jan	-20.20%
	21:30	US	Unit Labor Costs	4Q P	-1.20%
	21:30	US	Initial Jobless Claims	27-Jan	214k
	22:45	US	S&P Global US Manufacturing PMI	Jan F	50.3
	23:00	US	Construction Spending MoM	Dec	0.40%
	23:00	US	ISM Manufacturing	Jan	47.4
2-Feb	8:30	AU	PPI YoY	4Q	3.80%
	8:30	AU	Home Loans Value MoM	Dec	1.00%
	21:00	SI	Purchasing Managers Index	Jan	50.5
	21:30	US	Change in Nonfarm Payrolls	Jan	216k

21:30	US	Average Hourly Earnings MoM	Jan	0.40%
21:30	US	Average Weekly Hours All Employees	Jan	34.3
23:00	US	U. of Mich. Sentiment	Jan F	78.8
23:00	US	Factory Orders	Dec	2.60%

Source: Bloomberg