Global Markets Research

Weekly Market Highlights

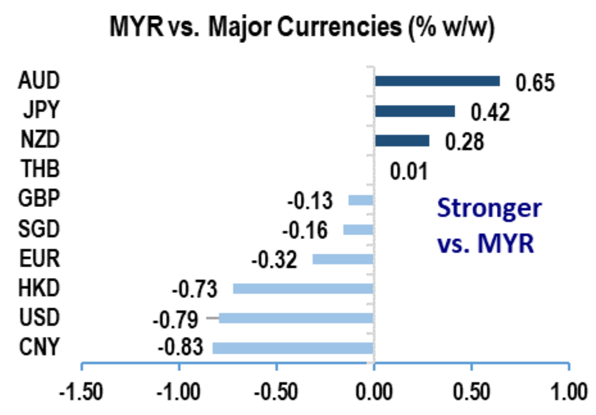
Markets

	Last Price	WOW%	YTD %
Dow Jones Ind.	38,791.35	-0.53	2.92
S&P 500	5,157.36	1.20	8.12
FTSE 100	7,692.46	0.82	-0.53
Hang Seng	16,229.78	-1.71	-4.80
KLCI	1,535.83	-1.01	5.58
STI	3,133.78	-0.26	-3.29
Dollar Index	102.82	-1.28	1.47
WTI oil ($/bbl)	78.93	0.86	10.16
Brent oil ($/bbl)	82.96	-0.79	7.68
Gold (S/oz)	2,165.20	5.38	4.63
CPO (RM/ tonne)	4,093.00	2.24	10.13
Copper ($$/MT)	8,640.50	1.73	0.95
Aluminum($/MT)	2,253.00	1.12	33.03

Source: Bloomberg
**1-6 March for CPO*

- **Wall Street and oil prices closed mixed:** Investors were largely holding off big bets ahead of this week's batch of jobs data and Fed Chair Jerome Powell's testimony to Congress. On D-Day, all the three major US equity indices rallied after Powell stuck to its script, reiterating that he still expects rate cuts to come this year, Fed needs more confidence that inflation will progress toward its 2% inflation and added that the Fed is "not far" from confidence to start cutting rates. With tech stocks also supporting markets, S&P 500 and Nasdaq closed the week 1.1-1.2% w/w higher, but Dow Jones slid 0.5% d/d.
- **The week ahead**: PBoC is set to meet and expectations is that the central bank will maintain its 1Y medium-term lending facility rate unchanged at 2.50%. US will be data heavy with price prints like CPI, PPI, import/export prices and New York Fed 1Y inflation expectations. Other from that, we will be looking out for the retail sales number, real average weekly earnings, March's University of Michigan consumer sentiment and jobless claims data on clues on consumer strength, as well as IPI, NFIB Small Business Optimism and Empire Manufacturing for the business sector. Data on deck from Malaysia, meanwhile, includes its IPI and manufacturing sales.

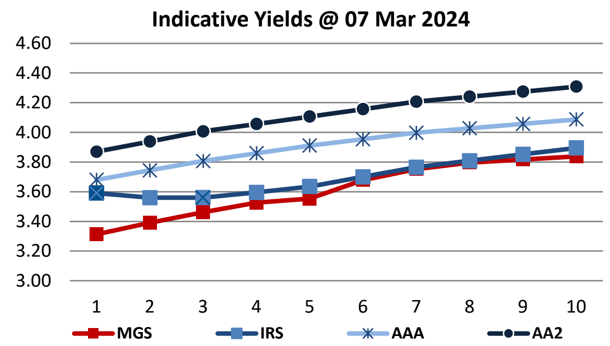
Forex



Source: Bloomberg

- **MYR:** USD/MYR traded lower for the third week on the trot, falling by 0.8% to 4.7052 (prior: -0.7%) from 4.7428 the week before, amidst BNM OPR pause and no material change to the accompanying statement. MYR was mixed versus the other G10 currencies, and stronger for the most part against major regional currencies, as a concerted effort by officials to encourage repatriation and conversion of the MYR added to the bid tone. We remain ***Slightly Bearish*** on USD/ MYR for the week ahead, and see a probable trading range of 4.67 – 4.73. Industrial production and manufacturing sales numbers for January will shed more light on how the domestic economy started off the year.
- **USD:** The USD retreated in trading this week, with the DXY shedding 1.3% to 102.82 (prior: +0.2%) from 104.16 the week before, amidst weaker than expected ISM indices this week that was suggestive of a slowing economy. Fed Chair Powell mentioned during his semi-annual testimony to Congress that the Fed is getting close to the confidence it needs to start lowering rates, and the odds of a Fed rate reduction by the May meeting inched higher to 28% (prior: 23%). We remain ***Neutral-to-Slightly Bearish*** on the USD for the coming week, with a probable trading range of 101.25 – 104.25 seen for the DXY. The US monthly employment report later tonight takes centre stage as we enter the blackout period for FOMC members this weekend, ahead of the release of two key price indices next week in the form of CPI and PPI for February.

Fixed Income



Source: Bloomberg/ BPAM

- **UST:** USTs traded higher for a second consecutive week, sending yields lower across the curve by between 12-17bps w/w (prior: 7-9bps lower), after a decline in the ISM indices suggested that the economy may be losing momentum. Fed Chair Powell also mentioned that the Fed is getting close to the confidence it needs to start lowering rates, and this added to the bid tone for the week. **The benchmark 2Y UST yield fell by 12bps w/w to 4.50% while the benchmark 10Y UST saw its yield decline by 17bps to 4.08%. The market could consolidate a little during the coming week** after the rally seen in the last two weeks, with key monthly US employment report due later tonight, and the CPI and PPI reports next week to drive the direction of the market.
- **MGS/ GII:** Local govvies traded with a more constructive tone this week in a lighter session, amidst BNM leaving its policy rate and guidance unchanged at its policy meet during the week. **MGS/GII yields closed lower by between 0 and 5bps w/w** (prior: -4 to +5bps), with the benchmark 5Y MGS 4/28 yield ending the week 5bps lower at 3.55%, while the benchmark 10Y MGS 11/33 saw its yield lower by 2bps for the week at 3.84%. The average daily secondary market volume for MGS/GII declined by 13% w/w to RM3.28bn, compared to the average of RM3.76bn the previous week, driven by a 38% reduction in average daily GII trades. **Markets could be slightly more range bound for the week ahead** after this week's constructive tone, with industrial production numbers the only key release due domestically.

Macroeconomic Updates

- **Wall Street and oil prices closed mixed:** Investors were largely holding off big bets ahead of this week's batch of jobs data and Fed Chair Jerome Powell's testimony to Congress. On D-Day, all the three major US equity indices rallied after Powell stuck to its script, reiterating that he still expects rate cuts to come this year, Fed needs more confidence that inflation will progress toward its 2% inflation and added that the Fed is "not far" from confidence to start cutting rates. With tech stocks also supporting markets, S&P 500 and Nasdaq closed the week 1.1-1.2% w/w higher, but Dow Jones slid 0.5% d/d. Oil prices, meanwhile, largely shrugged off the the widely anticipated OPEC+ output cut into 2Q as well as China's growth pledge but later rebounded on signs of growing US fuel demand heading into the summer driving season and shrinking US diesel inventory. The WTI closed up 0.9% w/w but failed to break the $80/barrel level, while Brent fell 0.8% w/w.

- **ECB and BNM stood pat:** In terms of monetary policy, BNM left OPR unchanged at 3.00% and maintained a neutral tone. This reaffirmed our view for an extended rate pause at the current level of 3.00% through the year. BNM also reinforced recent rhetoric that the MYR is undervalued, and emphasized coordinated efforts by the central bank and the government to encourage repatriation and conversion of foreign investment income by GLCs and GLICs, spurring greater inflows and lending support to the MYR. On the ECB front, the central bank also kept the interest rates on the main refinancing operations, marginal lending facility and the deposit facility unchanged at 4.50%, 4.75% and 4.00%. ECB made downward revisions to its inflation and GDP forecasts and reiterated that policy rates, if "maintained for a sufficiently long duration", will make a "substantial contribution" to returning inflation to target. President Christine Lagarde also emphasized the need for more data on wage growth, and added that officials will know a little more in April and a lot more in June, suggesting that the first rate cut will only begin in the June meeting.

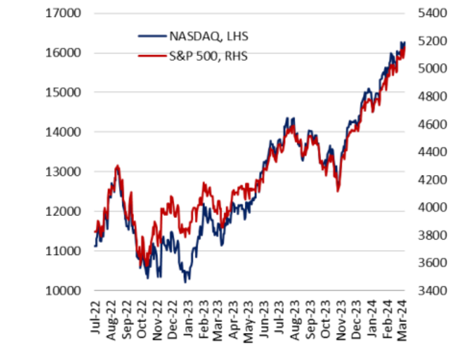
- **China expects GDP growth of around 5% for 2024:** Next week, the People's Bank of China is set to meet and expectations is that the central bank will maintain its 1Y medium-term lending facility rate unchanged at 2.50%. Focus this week was the National People's Congress meeting where highlights include Beijing unveilng its GDP growth target of around 5.0% for 2024, budget deficit at 3.0% of GDP, CPI at 3.0%, unemployment rate of around 5.5%, adding 12m urban jobs and that China plans to sell 1tn yuan of ultra-long special government bonds. Datawise was mixed. The Caixin China Services PMI retreated to 52.5 in February, its softest rate of expansion since last November, but the official non-manufacturing PMI accelerated to 51.4, supported by a pick-up in travel and tourism during the Lunar New Year holiday. In the manufacturing sector, the Caixin PMI ticked up to 50.9, keeping the index in growth territory for the fourth straight month but the the official PMI continued to fall for the fifth month to 49.1. Exports grew much faster than expected by +7.1% y/y for the first two months of 2024 but Commerce Minister Wan Wengtao said that Beijing still see a grim outlook for trade on the back of declining domestic demand overseas.

- **US economic data was broadly weaker, but labour data remained solid:** Generally weaker than expected economic data in the US. Both the services and manufacturing ISM fell to 52.6 and 47.8 respectively in February (Jan: 53.4 and 49.1), while factory orders suggests a bumpy recovery ahead for the latter. Factory orders fell 3.6% m/m in January, pulled down by a sharp decline in bookings for commercial aircraft. Even strippng the volatile transport component, orders also worsened to -0.8% m/m with weaknesses observed across most categories except for computers and electronics products. In the housing sector, January's construction spending registered its first m/m contraction since February 2023 at -0.2% m/m, weighed down by a notable decrease in spending on public construction. On the consumer front, credit topped all forecasts to increase to $19.5b in January, as non-revolving credit like vehicle purchases and school tuition climbed the most in 7 months. As it is, a sturdy labour market has largely supported consumer spending over the past year, but shoppers have also started to increasingly lean on credit and savings to spend.

- In the labour market, job opening and ADP job gains data remained solid although less tight. The ADP Employment Change report showed job gains of 140k in February and were broad based. Pay gains generally trended lower but were still above inflation, with those for job-changers accelerating for the first time in more than a year at +7.6% y/y but those who stayed in their job continued to decelerate to +5.1% y/y, its smallest gain since August 2021. Meanwhile, job openings, according to the JOLTS Survey, dropped slightly to 8.86m in January. The number of hires and total separations were also little changed, while 3.39m people left their jobs during the month, the fewest in 3 years suggesting the people are less confident in their ability to find new jobs that may pay better. On the "firing" front, jobless claims remained subdued and near its historically low, signalling that layoffs have been limited so far, but may creep up going forward given the slew of job cut announcements. Claims were unchanged at 217k for the week ended March 2, but the Challenger, Gray & Christmas reported that US employers announced an 8.8% y/y jump in job cuts to 84.6k in February (Jan: -20.0% y/y), its highest for the month since 2009 although YTD announcements were down 7.6% y/y.

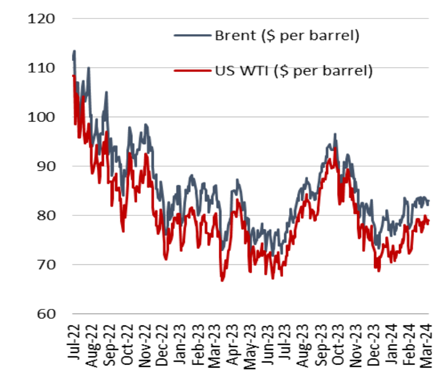
- **The week ahead:** US will be data heavy with price prints like CPI, PPI, import/export prices and New York Fed 1Y inflation expectations. Other from that, we will be looking out for the retail sales number, real average weekly earnings, March's University of Michigan consumer sentiment and jobless claims data on clues on consumer strength, as well as IPI, NFIB Small Business Optimism and Empire Manufacturing for the business sector. Only data from the Eurozone is the IPI, while UK will publish a slew of 1st tier data like its monthly GDP for January, employment numbers and BoE/Ipsos inflation next 12 months. Japan will finalise its 4Q GDP number and unveil the PPI and BSI Large All Industry index. Data on deck from China includes its FDI and new home prices, and from Malaysia, its IPI and manufacturing sales.

Powell's testimony drove the market



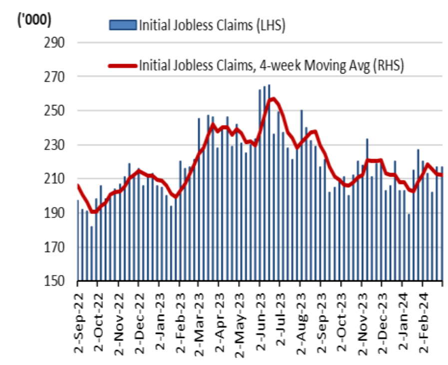
Source: Bloomberg

Inventory data lent support to oil prices



Source: Bloomberg

Initial jobless claims held steady at 217k



Source: Bloomberg

Foreign Exchange

- **MYR:** USD/MYR traded lower for the third week on the trot, falling by 0.8% to 4.7052 (prior: -0.7%) from 4.7428 the week before, amidst BNM leaving its policy rate unchanged with no material change to the accompanying statement. MYR was mixed versus the other G10 currencies, and stronger for the most part against major regional currencies, as a concerted effort by officials to encourage repatriation and conversion of the MYR added to the bid tone. We remain ***Slightly Bearish*** on USD/ MYR for the week ahead, and see a probable trading range of 4.67 – 4.73. Although we are veering into overbought territory, momentum indicators point to some continued strength. The coming week sees the release of industrial production and manufacturing sales numbers for January, which will shed more light on how the domestic economy started off the year.

- **USD:** The USD retreated in trading this week, with the DXY shedding 1.3% to 102.82 (prior: +0.2%) from 104.16 the week before, amidst weaker than expected ISM indices this week that was suggestive of a slowing economy. Fed Chair Powell mentioned during his semi-annual testimony to Congress that the Fed is getting close to the confidence it needs to start lowering rates, and the odds of a Fed rate reduction by the May meeting inched higher to 28% (prior: 23%). We remain ***Neutral-to-Slightly Bearish*** on the USD for the coming week, with a probable trading range of 101.25 – 104.25 seen for the DXY. The US monthly employment report later tonight takes centre stage as we enter the blackout period for FOMC members this weekend, ahead of the release of two key price indices next week in the form of CPI and PPI for February.

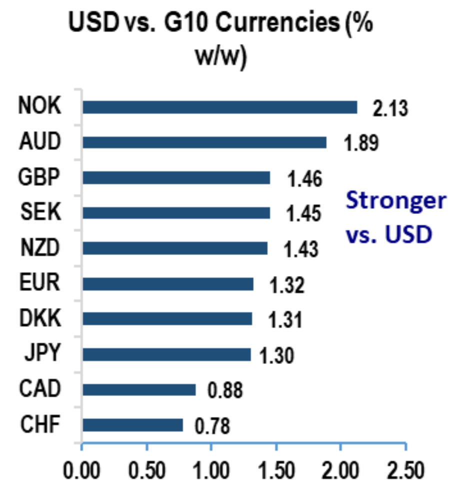
- **EUR**: EUR was stronger for the week, trading higher by 1.3% (prior: -0.2%) against the USD to 1.0948 after the preliminary Eurozone CPI estimate for February came in a little higher than expected at both the headline and core level, amidst the ECB leaving rates unchanged and alluding to a possible cut in June. We are ***Neutral*** on the EUR/USD for the week ahead, and see a likely trading range of 1.08 - 1.11. A lighter week lies ahead, with Eurozone final 4Q GDP and employment numbers scheduled for release, as well as January industrial production numbers for the common currency area.

- **GBP**: GBP was firmer in trading this week, advancing by 1.5% (prior: -0.3%) against the greenback to settle at 1.2809 as of Thursday's close, amidst the final UK composite PMI being revised slightly lower from the initial estimate, dampened by the services sector number. BoE-speak during the week saw hawkish comments from Chief Economist Huw Pill, who suggested that the time for cutting rates "remains some way off". We are ***Neutral*** on the Cable here, with a likely trading range of 1.2650 – 1.2950 seen for the week ahead. Domestically, the monthly UK employment report headlines, industrial production, the trade balance and monthly GDP for January are also due to be reported on.

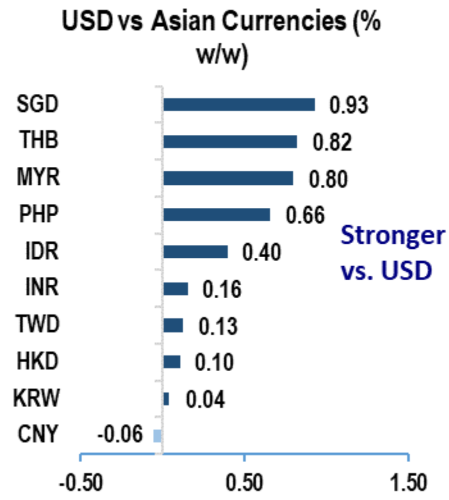
- **JPY**: JPY traded higher for a second straight week, firming by 1.3% (prior: +0.4%) against the USD to 148.05 from 149.98 the previous week, after January wages figures came in higher than expected, and early annual pay results released by a union federation alluded to larger deals this year. Hawkish comments by BoJ board member Jungko Nakagawa also added to the bid tone for the Yen, amidst speculation that the Bank of Japan could end negative rates as early as this month. We remain ***Slightly Bearish*** on USD/ JPY for the week ahead, and see a likely trading range of 145 – 150. Domestically, the producer price index and machine tool orders for February are due to be released, as are the final 4Q GDP numbers. Results of the annual pay negotiations from Japan's largest union federation are also expected this coming week, and a strong result there will further boost the odds of a March move by the BoJ.

- **AUD**: AUD was higher for the week, strengthening by 1.9% (prior: -0.9%) against the USD to 0.6620 as of Thursday's close, amidst Australian 4Q GDP coming out as expected, with government spending and business investment being the main drivers of growth for the quarter. Futures trading for the RBA cash rate continues to price a cut by the RBA by September despite no indications by the central bank that a cut is being considered. We remain ***Neutral-to-Slightly Bullish*** on AUD/ USD next week, and see a possible trading range of 0.6500 - 0.6750. A quiet week lies ahead domestically, with only consumer confidence and household spending numbers for February due.

- **SGD**: SGD firmed up against the USD this week, appreciating by 0.9% (prior: -0.2%) to 1.3332 from 1.3456 the prior week, despite weaker Singapore's PMI and Electronic Sector Index for February, breaking a streak of eight consecutive months of strengthening PMI numbers. Versus other G10 pairs, the SGD was mainly weaker except for versus the CHF (+0.2%), but against other major regional currencies, the SGD was stronger across the board, led by gains against the CNY (+1.0%) and KRW (+0.9%). We are ***Neutral-to-Slightly Bearish*** on the USD/ SGD for the week ahead, with a probable trading range of 1.3200 - 1.3450 seen for the pair. Domestically, a very quiet week lies ahead with no major economic releases scheduled, so the pair should take the lead from USD directionality.



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	Q4-24
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

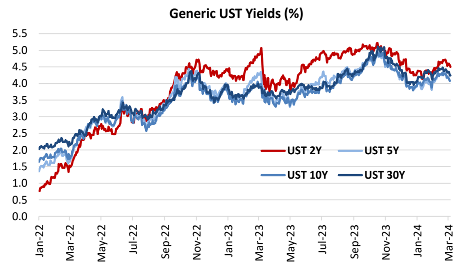
Fixed Income

- **UST:** USTs traded higher for a second consecutive week, sending yields lower across the curve by between 12-17bps w/w (prior: 7-9bps lower), after a decline in the ISM indices suggested that the economy may be losing momentum. Fed Chair Powell, in his semi-annual testimony to the US Congress, mentioned that the Fed is getting close to the confidence it needs to start lowering rates, and this added to the bid tone for the week. The move was slightly more pronounced in the belly and longer end of the curve, leading to a slight bull-flattening of the UST curve for the week. **The benchmark 2Y UST yield fell by 12bps w/w to 4.50% while the benchmark 10Y UST saw its yield decline by 17bps to 4.08%.** The odds of Fed cuts during the year inched higher this week, with trading in Fed Fund futures indicating that the chances of a rate cut by May increased slightly to 28% (prior: 23%). **The market could consolidate a little here** during the coming week after the rally seen in the last two weeks, with key monthly US employment report due later tonight, and the CPI and PPI reports next week to drive the direction of the market.

- **MGS/GII:** Local govvies traded with a more constructive tone this week in a lighter session, amidst BNM leaving its policy rate and guidance unchanged at its policy meet during the week. **MGS/GII yields closed lower by between 0 and 5bps w/w** (prior: -4 to +5bps), with the benchmark 5Y MGS 4/28 yield ending the week 5bps lower at 3.55%, while the benchmark 10Y MGS 11/33 saw its yield lower by 2bps for the week at 3.84%. The average daily secondary market volume for MGS/GII declined by 13% w/w to RM3.28bn, compared to the average of RM3.76bn the previous week, driven by a 38% reduction in average daily GII trades. GII trades as a percentage of total government bond trades plunged to a 30% share (prior: 42%). Setting the pace for trading for the week were the off-the-run MGS 4/30 and MGS 8/29, which saw RM1.06bn and RM 1.03bn exchanging hands respectively. Also heavily traded were the benchmark 10Y MGS 11/33 and 3Y MGS 5/27, with RM1.02bn and RM1.00bn traded respectively. There were no auctions of government bonds during the week with the focus of the BNM MPC, but this coming week could see the announcement of the reopening of the 10Y MGS 11/33. **Markets could be slightly more range bound for the week ahead** after this week's constructive tone, with industrial production numbers the only key release due domestically.

- **MYR Corporate bonds/ Sukuk**: It was a busier week for the corporate bonds/ sukuk market, with trading activity surging to an average daily volume of RM0.87bn (prior week: RM0.61bn). The market was better bid for the week, with trading interests led by the GG and AAA-rated segments of the market. In the GG space, trading was led by PRASA 9/29, which saw RM300m swapping hands during the week, with it last being traded at the 3.68% level. TPSB 11/32 also garnered decent interest with RM140m changing hands over the week, with it last printing at 3.94%. Over in the AAA segment of the market, CAGA 10/28 led interest with RM360m being traded during the week between the 3.82-3.83% level, while CAGA 4/26 saw RM190m exchanging hands during the week, and last being done at the 3.75% level. Meanwhile over in the AA-rated landscape, trading was led by UDA 4/26 which saw RM200m being traded for the week around the 4.51-4.52% level. Elsewhere, over in the banks/financials space, PBB 10/33 led trading for the week with RM140m changing hands with it last being traded at 3.94%. Rating action this week witnessed downgrades to programmes of WCT Holdings and Top Glove. Notable issuances this week include government guaranteed PTPTN printing four IMTNs with maturities ranging from 5 to 15 years totalling RM1,800m, while AA-rated MYEG issued a 3yr RM215m IMTN at 5.80%.

- **Singapore Government Securities:** SGS mostly traded higher for the week, bringing a halt to four consecutive weeks of declines, as the market took the lead from the rally seen in US Treasuries during the week. Overall benchmark yields were mixed by between -8 and +1bps w/w (prior: -1 to +6bps) as of Thursday's close, with the longer end of the maturity spectrum leading the rally, resulting in a flattening of the SGS curve. **The SGS 2Y yield rose by 1bp w/w to 3.38% while the SGS 10Y yield declined by 8bp for the week to close at 3.01%.** The rally was reflected in Bloomberg's Total Return Index unhedged SGD gaining 0.5% for the week (prior: -0.05%), after declining for four straight weeks. A very quiet week lies ahead with no major economic releases scheduled, so the SGS market will likely look to the UST and other major bond markets for direction.



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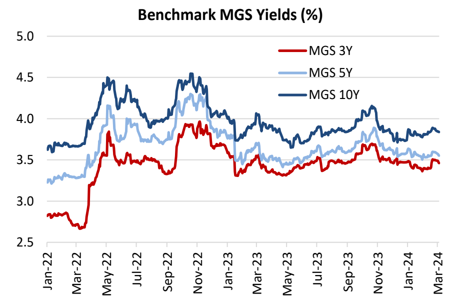

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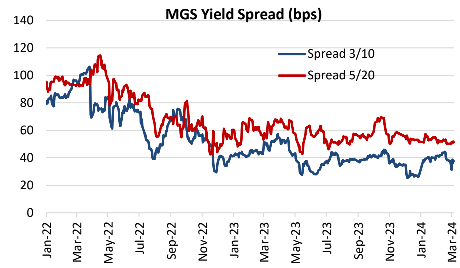

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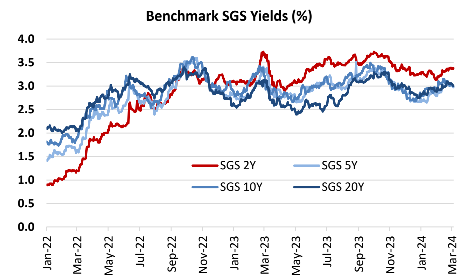

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
WCT Holdings Berhad	RM1.0bn Medium-Term Notes (MTN) Programme	A+/Stable	Downgraded
	RM1.5bn Sukuk Murabahah Programme	A+/Stable	Downgraded
	RM1.0bn Perpetual Sukuk Musharakah Programme	A-/Stable	Downgraded
TG Excellence Berhad	RM3.0bn Perpetual Sukuk Wakalah Programme	A/Stable	Downgraded
Segi Astana Sdn Bhd	RM415m ASEAN Green Medium-Term Notes (MTN)	A+/Stable	Downgraded

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
11-Mar	7:50	JN	GDP SA QoQ	4Q F	-0.10%
	23:00	US	NY Fed 1-Yr Inflation Expectations	Feb	3.00%
11-18 March		CH	FDI YTD YoY CNY	Feb	-11.70%
12-Mar	7:50	JN	PPI YoY	Feb	0.20%
	7:50	JN	BSI Large All Industry QoQ	1Q	4.8
	8:30	AU	NAB Business Conditions	Feb	6
	12:00	MA	Manufacturing Sales Value YoY	Jan	-4.20%
	12:00	MA	Industrial Production YoY	Jan	-0.10%
	15:00	UK	ILO Unemployment Rate 3Mths	Jan	3.80%
	15:00	UK	Payrolled Employees Monthly Change	Feb	48k
	15:00	UK	Weekly Earnings ex Bonus 3M/YoY	Jan	6.20%
	18:00	US	NFIB Small Business Optimism	Feb	89.9
	20:30	US	CPI Ex Food and Energy YoY	Feb	3.90%
	20:30	US	Real Avg Weekly Earnings YoY	Feb	-0.10%
13-Mar	6:00	AU	CBA Household Spending MoM	Feb	3.10%
	15:00	UK	Monthly GDP (MoM)	Jan	-0.10%
	18:00	EC	Industrial Production SA MoM	Jan	2.60%
	19:00	US	MBA Mortgage Applications	Mar 8	9.70%
14-Mar	16:30	HK	PPI YoY	4Q	3.00%
	16:30	HK	Industrial Production YoY	4Q	4.40%
	20:30	US	Retail Sales Advance MoM	Feb	-0.80%
	20:30	US	PPI Final Demand YoY	Feb	0.90%
	20:30	US	Initial Jobless Claims	Mar 15	217k
15-Mar	9:20	CH	1-Yr Medium-Term Lending Facility Rate		2.50%
	9:30	CH	New Home Prices MoM	Feb	-0.37%
	17:30	UK	BoE/Ipsos Inflation Next 12 Mths	Feb	3.30%
	20:30	US	Empire Manufacturing	Mar	-2.4
	20:30	US	Import Price Index YoY	Feb	-1.30%
	21:15	US	Industrial Production MoM	Feb	-0.10%
	22:00	US	U. of Mich. Sentiment	Mar P	76.9
	22:00	US	U. of Mich. 1 Yr Inflation	Mar P	3.00%
	22:00	US	U. of Mich. 5-10 Yr Inflation	Mar P	2.90%

Source: Bloomberg

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