WEEKLY ECONOMIC UPDATE

8 JANUARY 2024

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: CHINA SERVICES AND MANUFACTURING ACTIVITIES CONTINUED TO EXPAND

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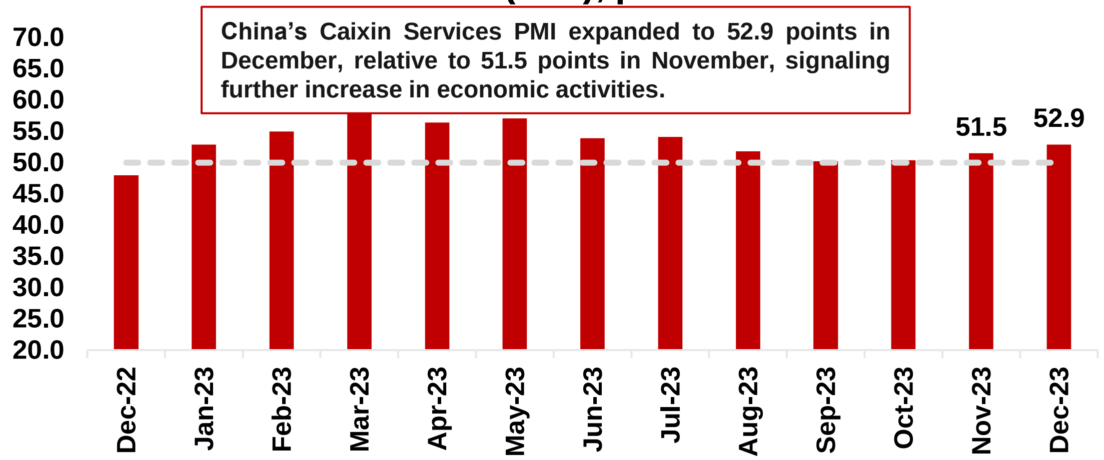
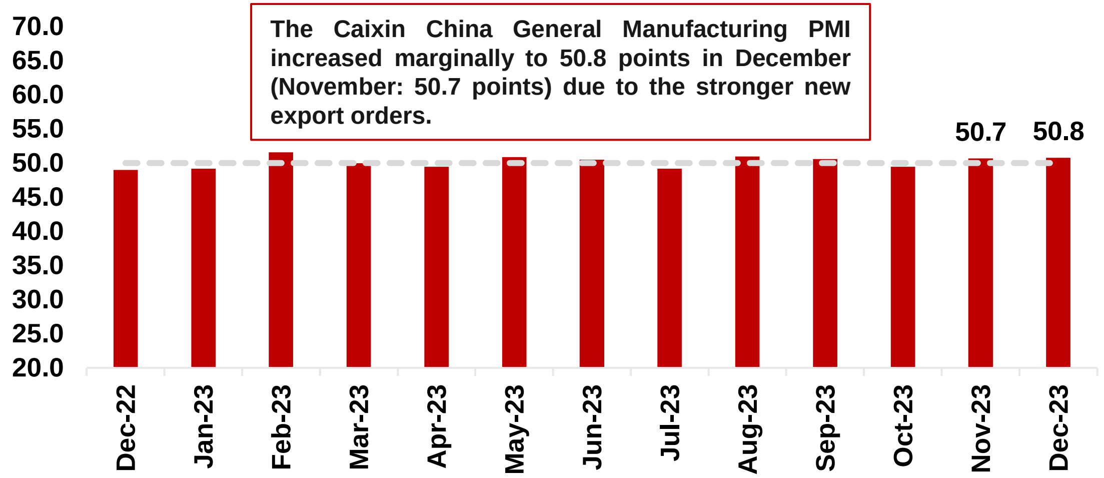
GLOBAL

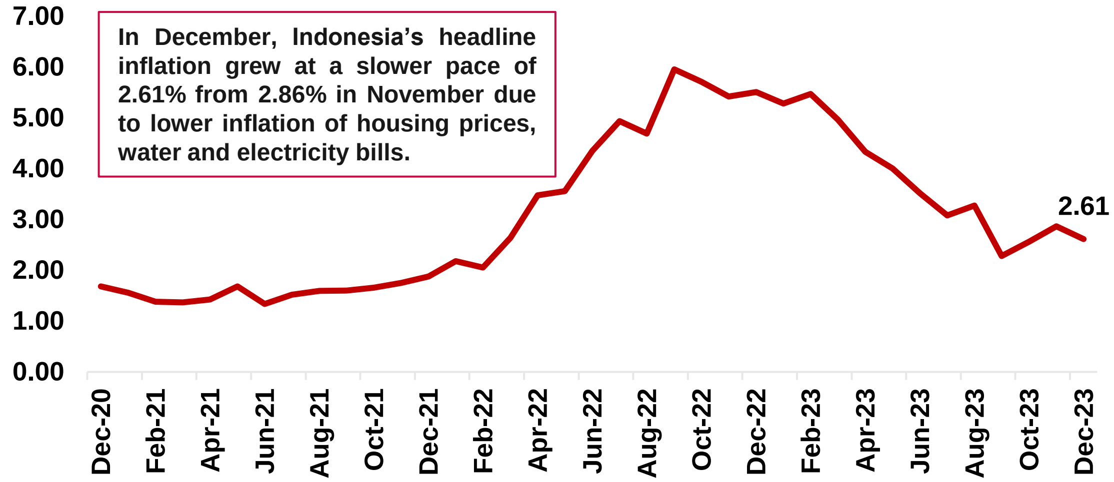
China - Caixin Services Purchasing Manager's Index (PMI), points



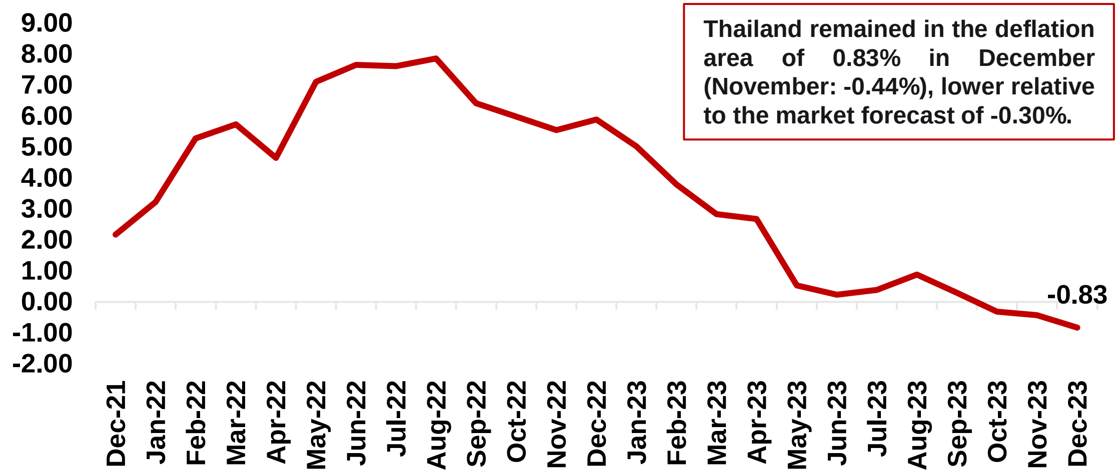
China - Caixin Manufacturing PMI, points



Indonesia - Consumer Price Index (CPI), y-o-y%



Thailand - CPI, y-o-y%



Sources: Markit Economics, Statistics Indonesia, Thailand Bureau of Trade and Economic Indices.

U.S. WEEKLY HIGHLIGHT: STRONGER-THAN-EXPECTED JOBS DATA

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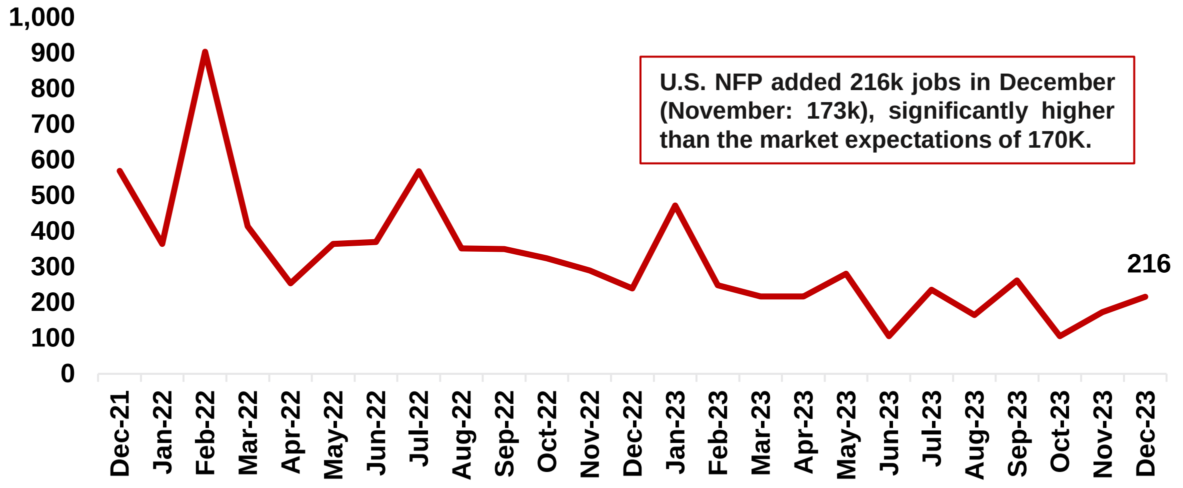
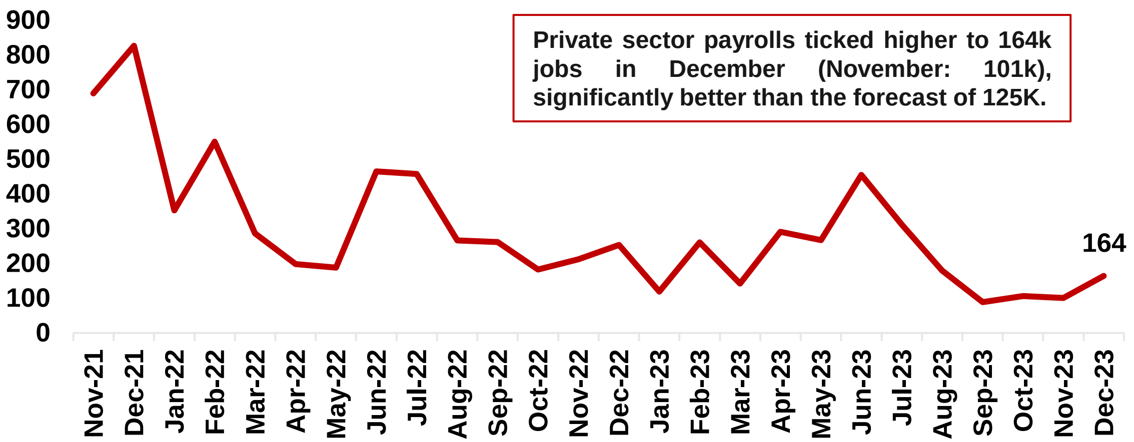
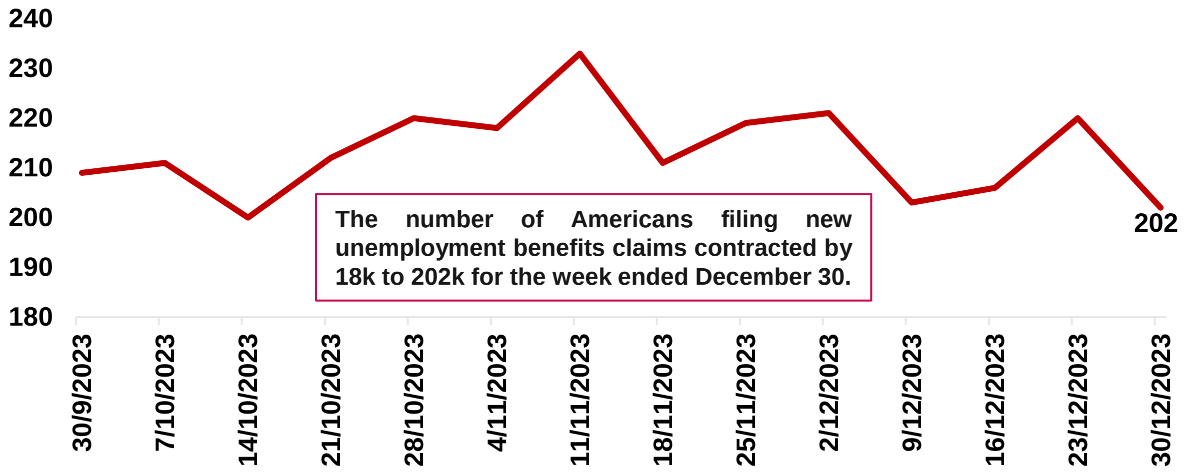
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



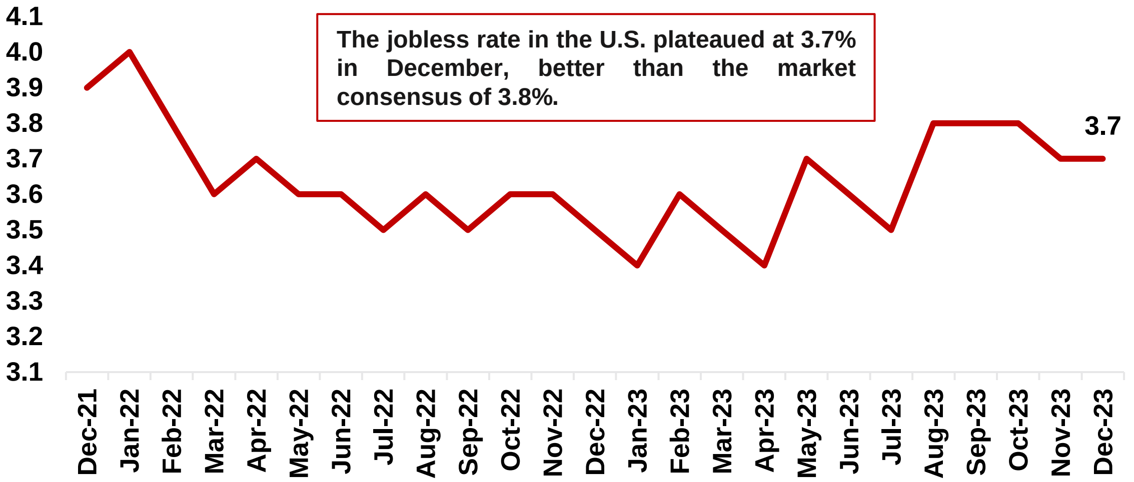
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



U.S. Weekly Initial Jobless Claims (IJC), '000



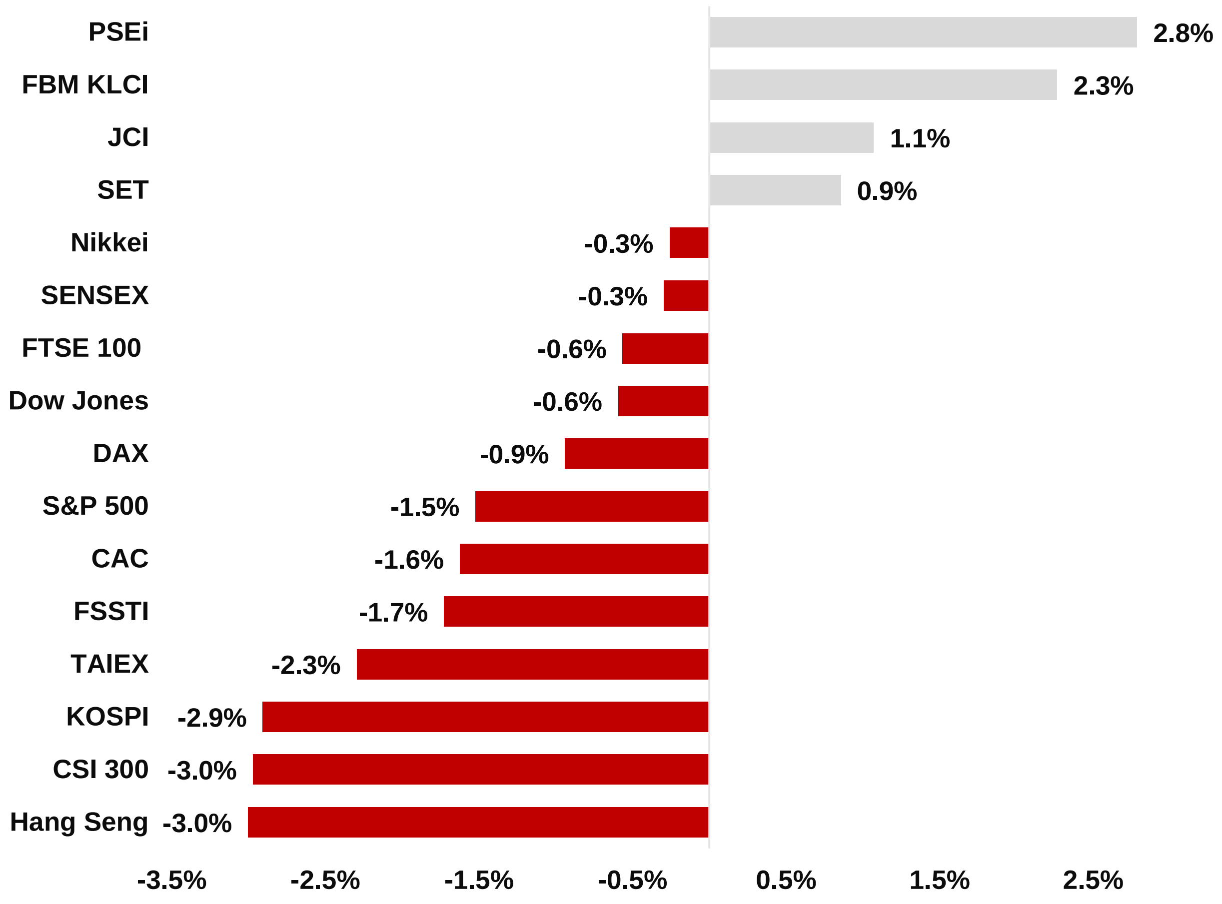
U.S. Unemployment Rate, %



Sources: U.S Bureau of Labor Statistics, U.S. Department of Labor

REGIONAL EQUITY: WORLD STOCKS TUMBLED AS RESILIENT U.S LABOUR MARKET PERFORMANCE DAMPENED RATE CUT BETS

Weekly Gain/Loss of Major Equity Market, w-o-w%



Source: Bursa, CEIC

- Regional benchmark indices mostly ended in the red for the week ended January 5. The major losers were Hong Kong's Hang Seng (-3.0%) and China's CSI 300 (-3.0%) as Chinese stocks struggled for direction amid concerns over the country's sluggish recovery from the pandemic and signs of deflationary pressure.
- Signs of U.S. job market resilience based on data released last week reduced the pressure on the U.S. Federal Reserve (Fed) to rush policy adjustments. Investors also trimmed rate cut bets following the release of Federal Open Market Committee (FOMC) meeting minutes.
- Among major winners were Philippines' PSEi (+2.8%), FBM KLCI (+2.3%) and Indonesia's JCI (+1.1%).

DOMESTIC EQUITY: LOCAL MARKET KICKS OFF THE YEAR ON A POSITIVE MOMENTUM

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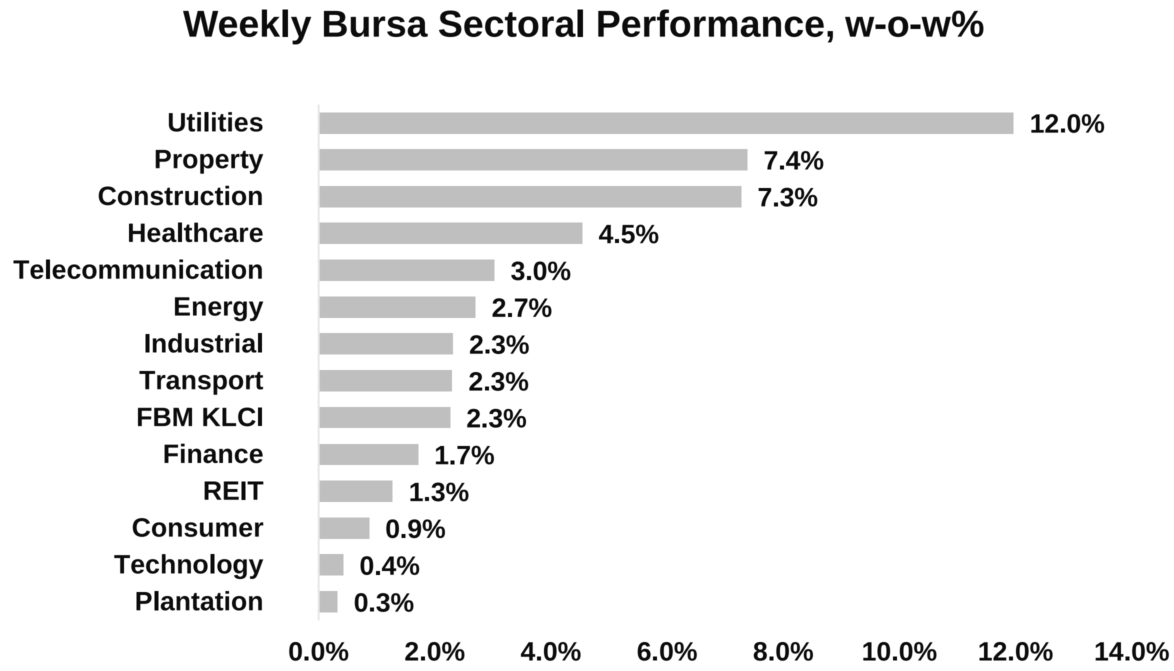

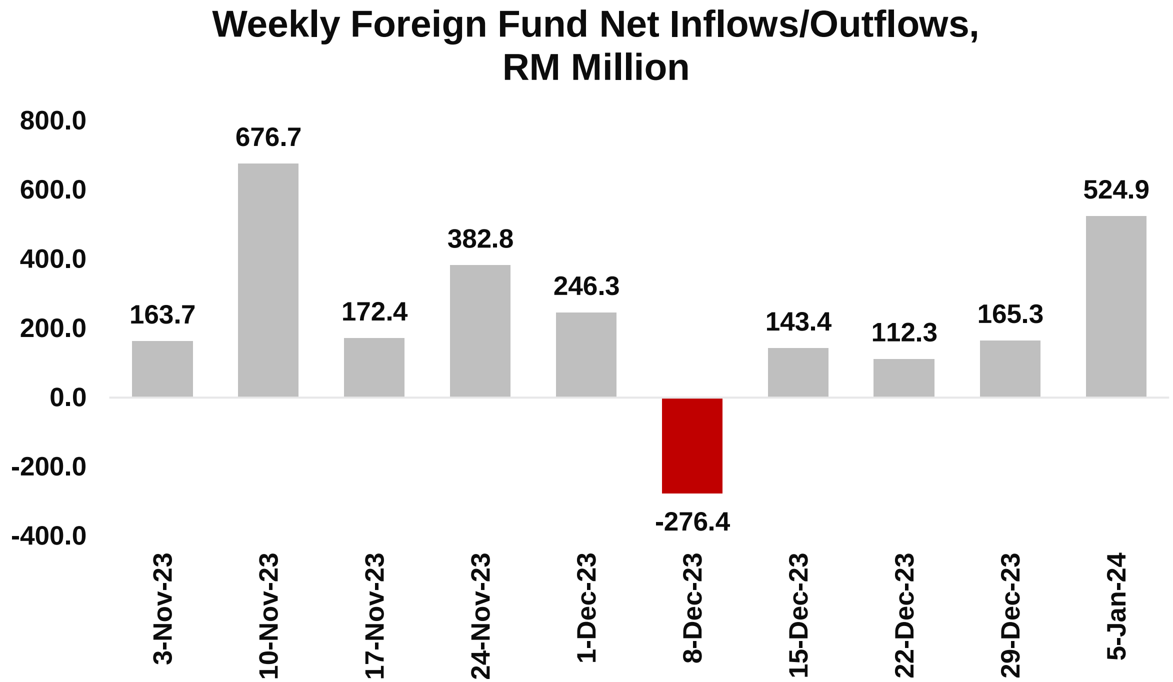

Sources: Bursa, Bank Negara Malaysia (BNM), CEIC Data

- The FBM KLCI fared well for the week ending January 5, reaching the highest level in since February last year on bargain-hunting activities.
- Looking closer, all bursa indices ended on a positive note, with Utilities index (+12.0%) leading the gainers by a large margin, followed by Property (+7.4%) and Construction (+7.3%) index.
- The rally was in line with the strong performance in the ASEAN stock market.
- Foreign investors remained net buyers for the fourth straight week, leading to a total net inflow of RM524.9 million for the week ending January 5.

FIXED INCOME: YIELDS TICKED HIGHER AMID WANING RATE CUTS OPTIMISM

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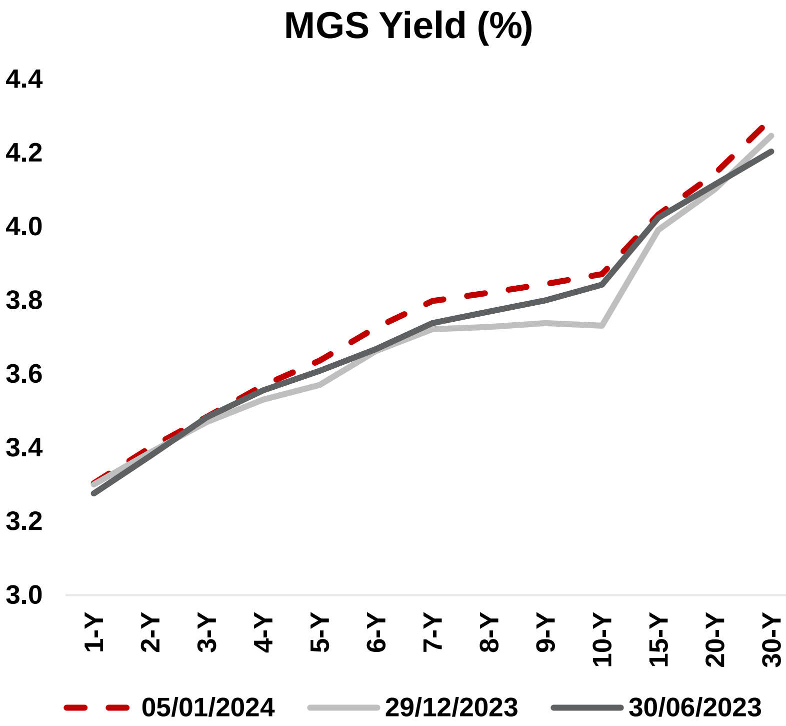
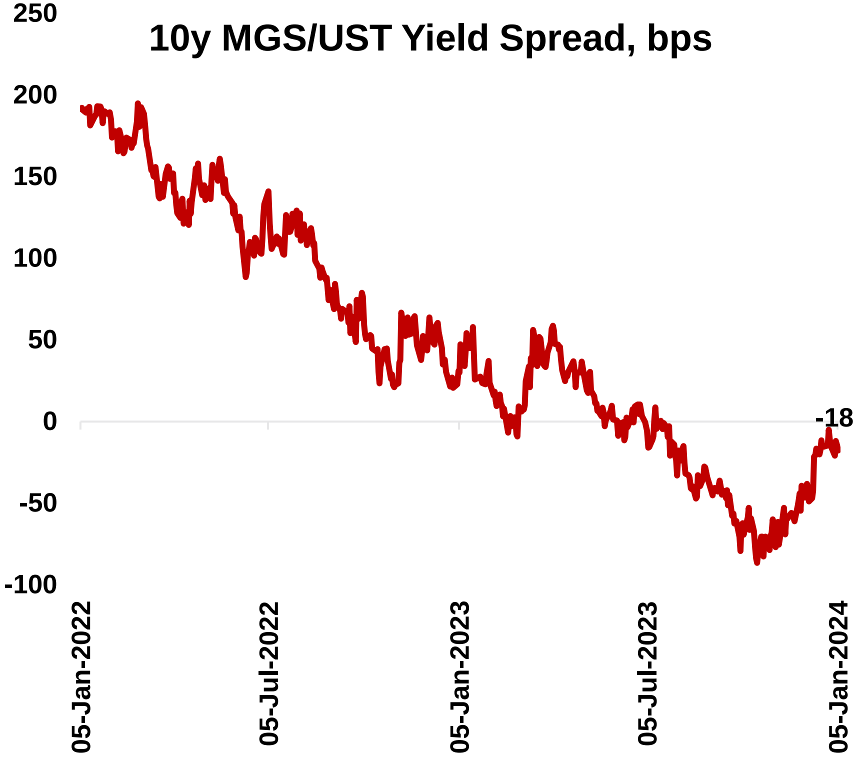
Weekly Changes, basis points (bps)			
UST	Yields (%) 29-Dec-23	Yields (%) 5-Jan-24	Change (bps)
3-Y UST	4.01	4.17	16
5-Y UST	3.84	4.02	18
7-Y UST	3.88	4.04	16
10-Y UST	3.88	4.05	17
MGS	Yields (%) 29-Dec-23	Yields (%) 5-Jan-24	Change (bps)
3-Y MGS	3.47	3.48	1
5-Y MGS	3.57	3.64	7
7-Y MGS	3.72	3.80	8
10-Y MGS	3.73	3.87	14
GII	Yields (%) 29-Dec-23	Yields (%) 5-Jan-24	Change (bps)
3-Y GII	3.50	3.50	1
5-Y GII	3.60	3.65	5
7-Y GII	3.76	3.83	7
10-Y GII	3.78	3.89	11

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yield curve edged higher between 16bps and 18bps after the latest U.S. jobs report indicated that the labour market remained robust, strengthening the view that the Fed would need to wait longer with the rate cuts.
- On the local bond market, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yield curves bearishly steepened in the range of 1bp and 14bps. Additionally, RM5.0 billion 10-Y reopening of GII issued on January 5 drew a robust demand with a bid-to-cover (BTC) ratio of 2.4x.
- Meanwhile, the 10y MGS/UST yield spread ended slightly wider at -18bps relative to -15bps in the previous week.

FX MARKET: RINGGIT WEAKENED AGAINST THE USD DURING THE WEEK

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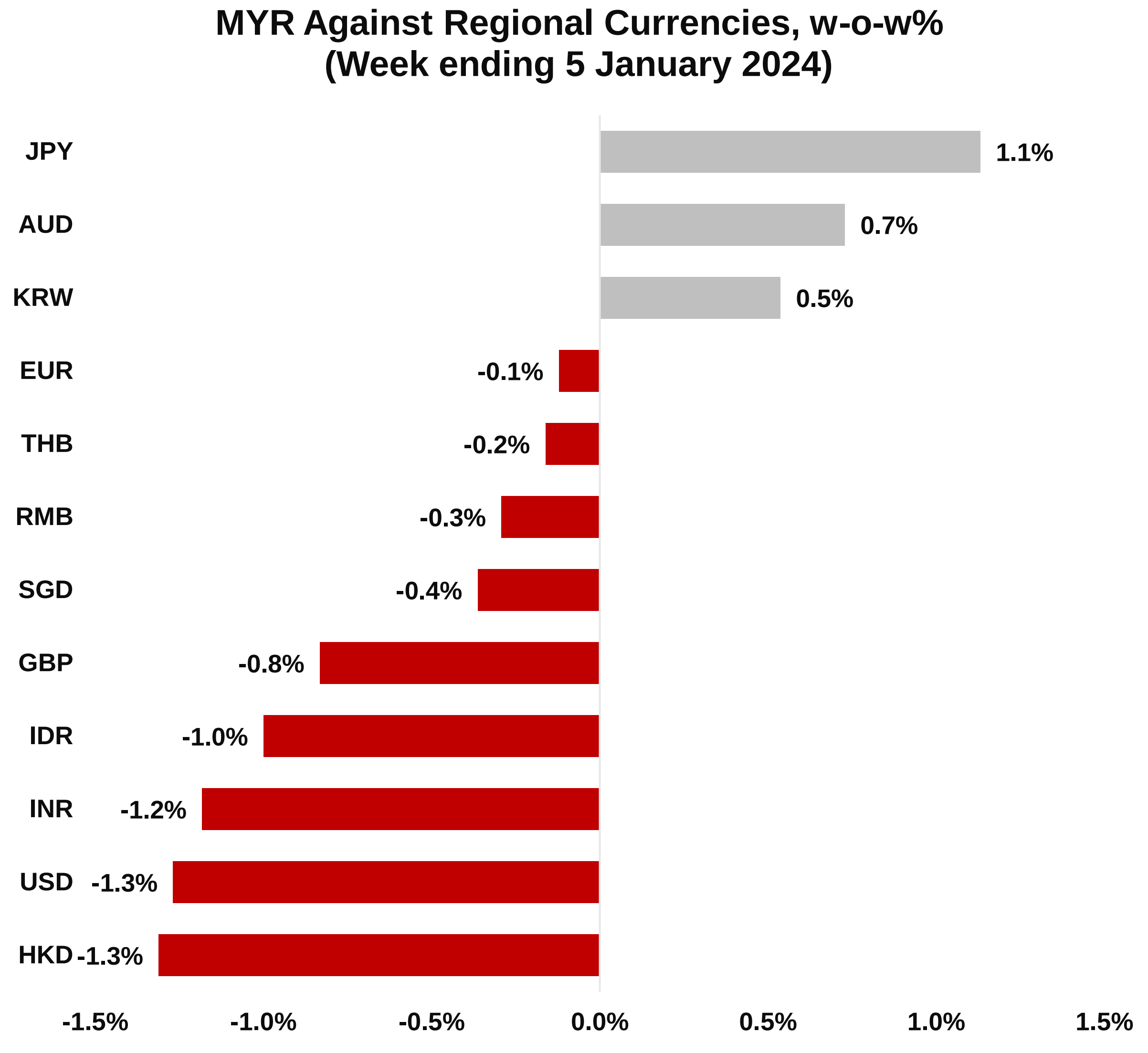

Source: BNM

- The Ringgit remained above the RM4.60 threshold last Friday, partly due to the weekly gain as seen in the USD index following mixed signals from the Fed's December meeting minutes.
- While the Fed policymakers believed that rates were or closer to the peak of the current rate tightening cycle due to the progress in the inflation, the minutes did not specify when rate cuts might commence. As such, this might have caused volatility in the currency markets.
- At the same time, the latest NFP data showed a hot labor market with 216k jobs added in December (November: 173k jobs), above the market forecast of 170k. We posit that the jobs report could make the Fed's plan to begin cutting rates this year more complicated.
- For this week, we believe that market participants would be eyeing China's December inflation figure to assess further customer's demand and whether more stimulus are needed to shore up the economy.
- On the domestic front, the local note could be supported should both Industrial Production Index (IPI) and retail sales reading in November improve from the previous month.

COMMODITY: OIL PRICES START THE FIRST WEEK OF 2024 WITH A GAIN

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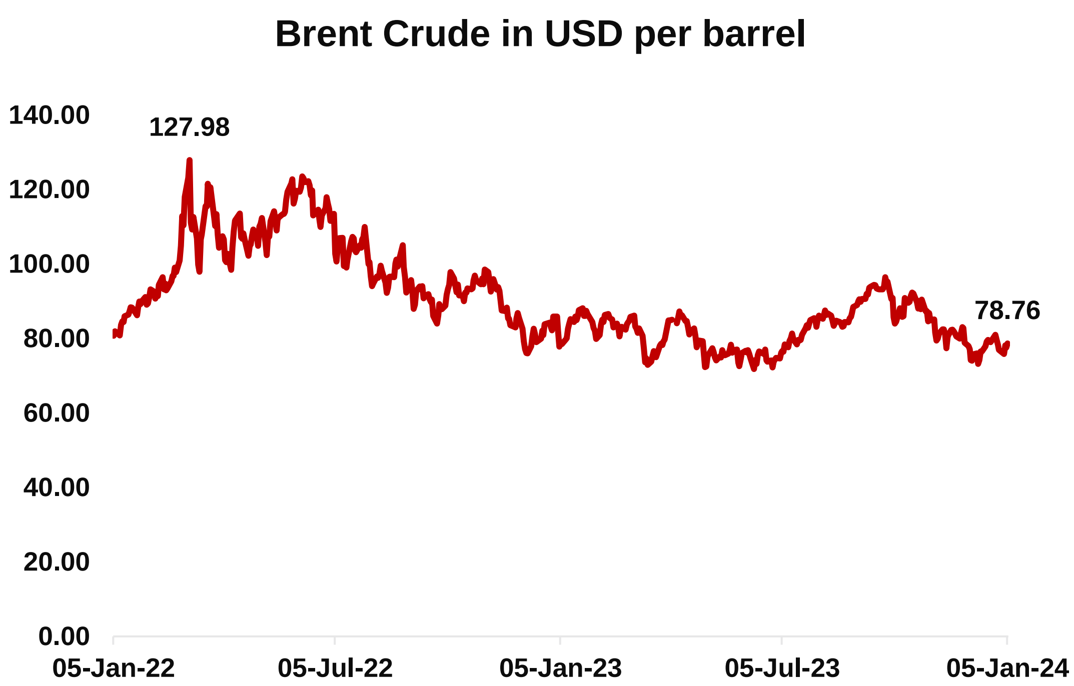

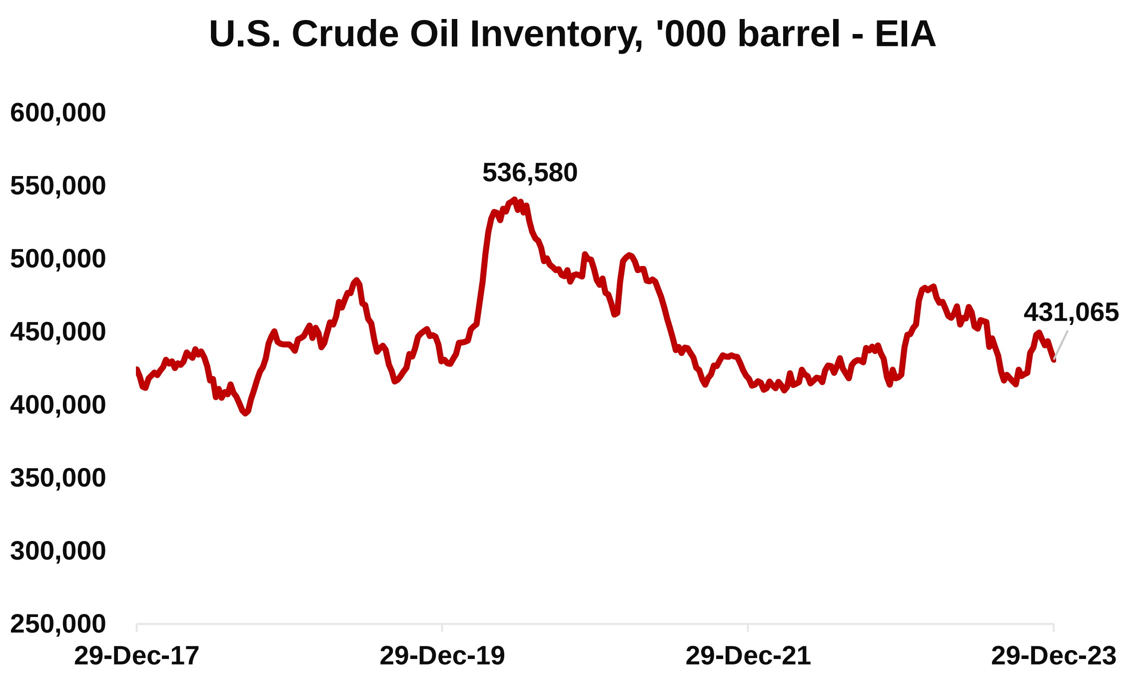

Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price rose to above USD78.00 per barrel last week following escalating tension in the Middle East. The U.S. Secretary of State Anton Blinken was preparing to visit the region to prevent further spread of such conflict.
- Also, the oil price edged higher on last Friday after minutes from the Fed's December meeting suggested inflation was under control. Almost all Fed policymakers felt the benchmark rates could end 2024 lower considering the favourable progress on inflation.
- Additionally, the U.S. crude oil inventories were seen lower on the supply side, as reported by the EIA. The crude oil stockpiles slid by 5.5 million barrels to 431.1 million barrels in the week ending 29 December 2023 from 436.6 million barrels the previous week.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AMID TIGHTER-THAN-EXPECTED U.S. LABOUR MARKET

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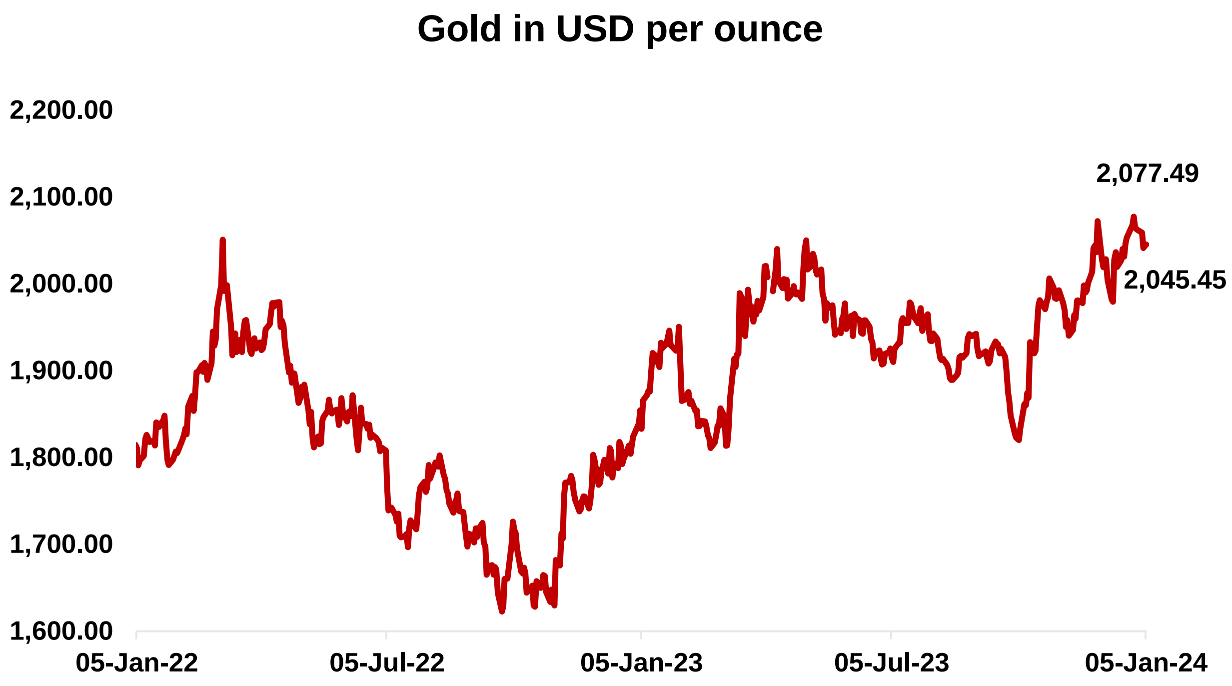

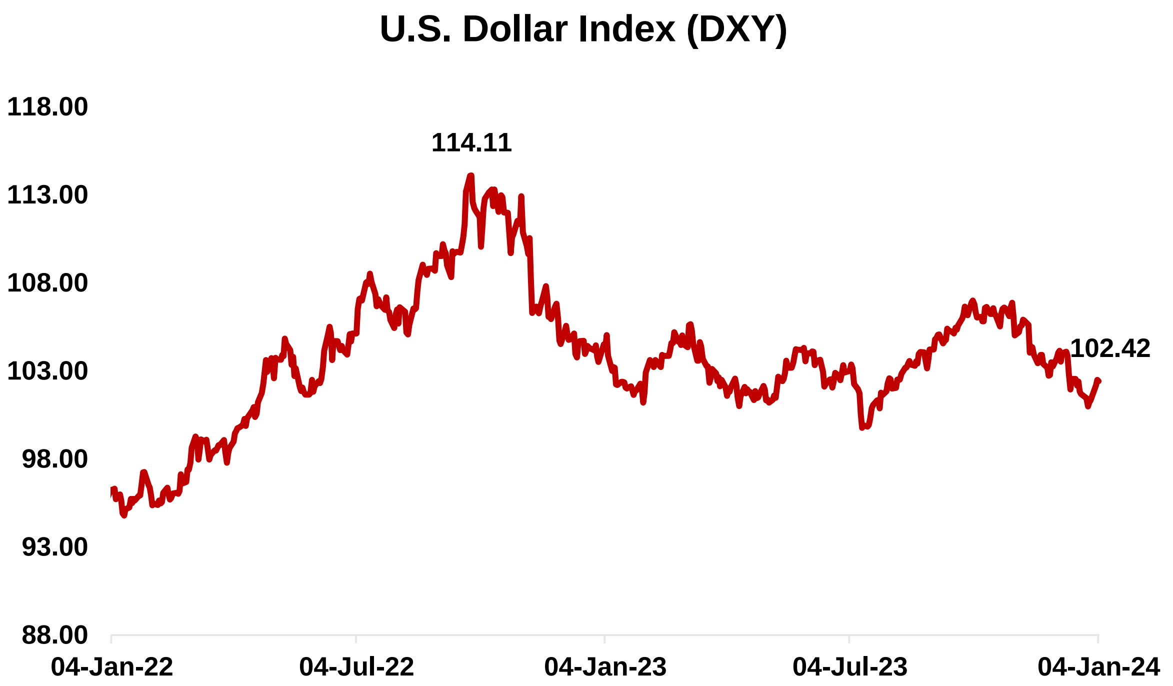

Sources: Bloomberg

- The bullion price declined for the week ending January 5 following robust job market conditions as the NFP data came in stronger-than-anticipated at 216K (Est: 170K) in December (November: 173K).
- Additionally, jobless claims fell more-than-expected in the previous week, recording a figure of 202K against the estimated 216K (December: 220K).
- The tight labour market caused a stir in market expectations of the Fed's policy easing path which previously majority had eyed rate cuts to start as early as March.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- U.S. CPI data for December 2023 due this week will likely confirm the Fed's view that inflation is under control. The Fed, in its latest meeting minutes in December, did not use the phrase "unacceptably high" to describe inflation, the first time since July 2022, as policymakers considered the overall risk of renewed inflation "as having diminished". U.S. headline inflation has edged lower in November 2023 to a five-month low of 3.1% year-on-year (y-o-y), compared with 3.2% in the previous month. The falling fuel prices will keep disinflationary pressures intact. Meanwhile, annual core inflation has plateaued at 4.0% y-o-y since October 2023, and is expected to start easing again on moderating cost of services.

- UK monthly GDP report for November 2023, also scheduled to release this week, will be closely watched for the possibility of the UK economy entering into a technical recession, or two consecutive quarters of GDP contraction. In October, the UK economy contracted by 0.3% month-on-month (m-o-m) amid broad-based weaknesses in services, manufacturing as well as construction activities. The gloomy economic prospects have led investors to ramp up bets on interest rate cuts by the Bank of England (BoE), pencilling a total of 125 bps cut in 2024 at the time of writing. Nevertheless, the November GDP figure will likely show a slight rebound, in line with improvement in the UK composite PMI.

- Market focus will also be on China's December CPI and trade data for fresh insights about the state of the Chinese economy. There have been concerns about China's weak demand after the economy fell deeper into deflation in November 2023, with CPI declining 0.5% y-o-y (October: -0.2%). However, the dissipating base effects from the higher food prices a year ago could help the inflation inching closer to zero in December 2023. Meanwhile, China's exports is expected to sustain its positive momentum after rebounding modestly to positive territory in November 2023 (0.5% vs. October: -6.6%).

- On the domestic front, Department of Statistics Malaysia (DOSM) is scheduled to release IPI and retail sales data for November 2023. Malaysia's IPI has returned to positive growth in October after three months of contraction, recording a rise of 2.7% y-o-y (September: -0.5%) due to a strong upturn in mining output. Meanwhile, retail sales growth slowed to 3.9% y-o-y in October (September: 5.9%). The November IPI and retail sales print will likely continue to show expansion, partly supported by the higher demand ahead of New Year celebration.

THANK YOU