



WEEKLY ECONOMIC UPDATE

8 APRIL 2024

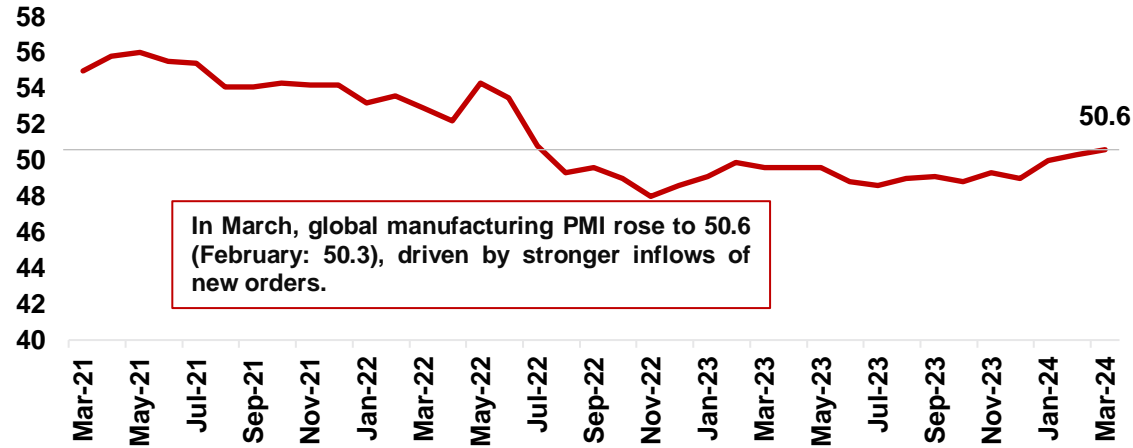
ECONOMIC RESEARCH

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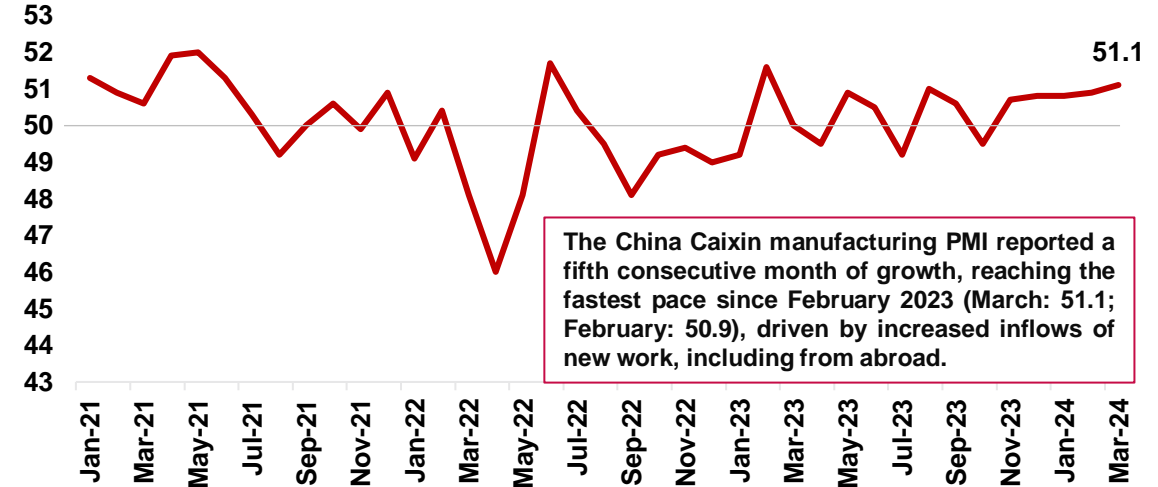
WEEKLY HIGHLIGHT: CHINA'S MANUFACTURING IS OFF TO A POSITIVE START THIS YEAR

GLOBAL

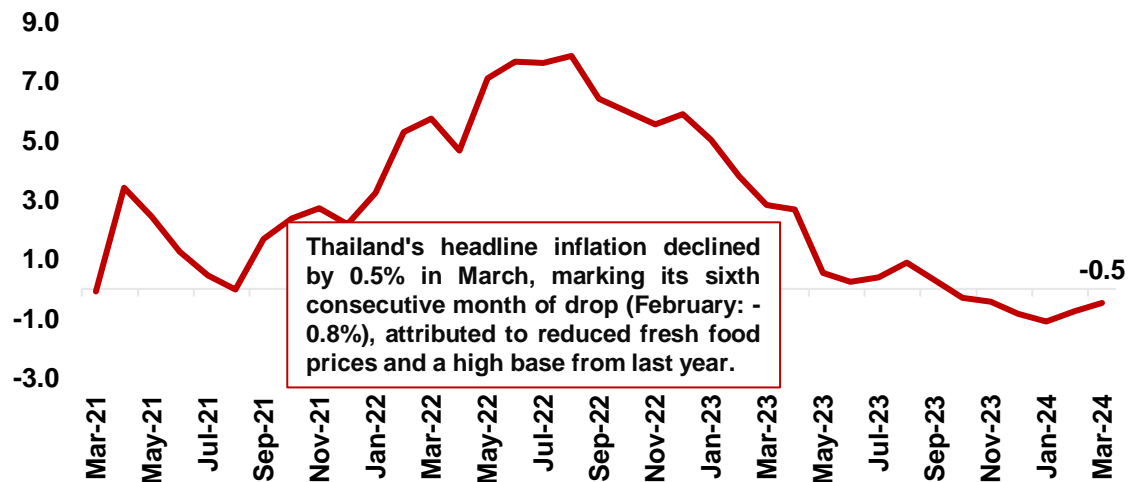
Global Manufacturing Purchasing Managers' Index (PMI), %



China Caixin Manufacturing PMI, %



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

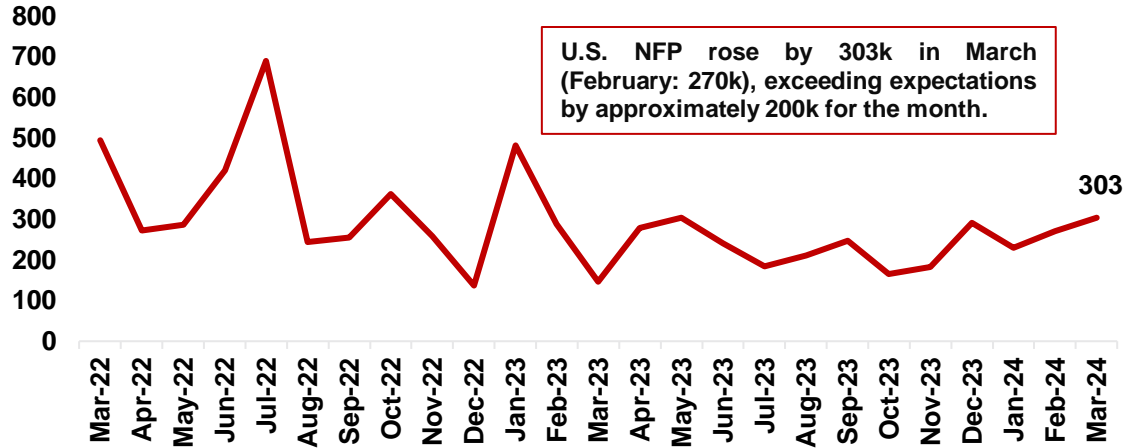


Indonesia - Consumer Price Index (CPI), y-o-y%

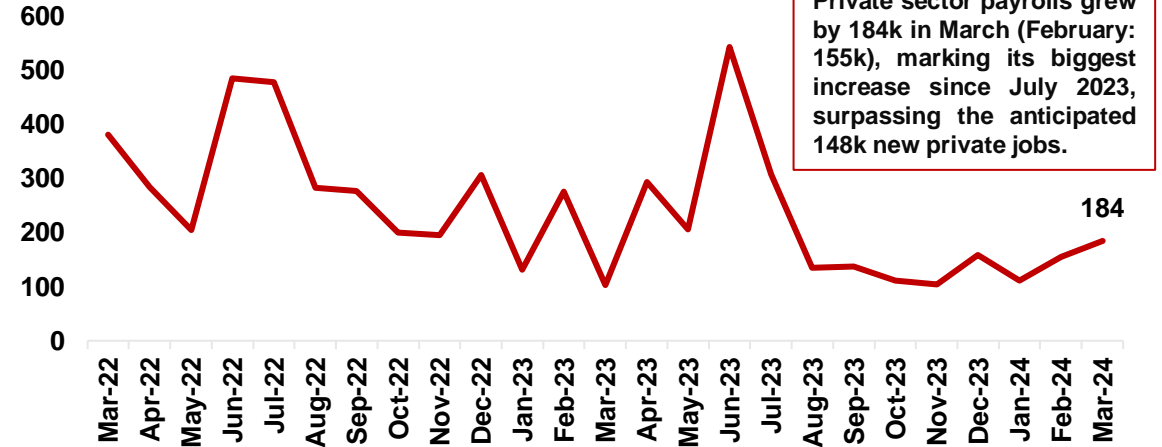


WEEKLY HIGHLIGHT: U.S. JOB GROWTH BEATS EXPECTATIONS, SHOWING RENEWED LABOUR MARKET STRENGTH

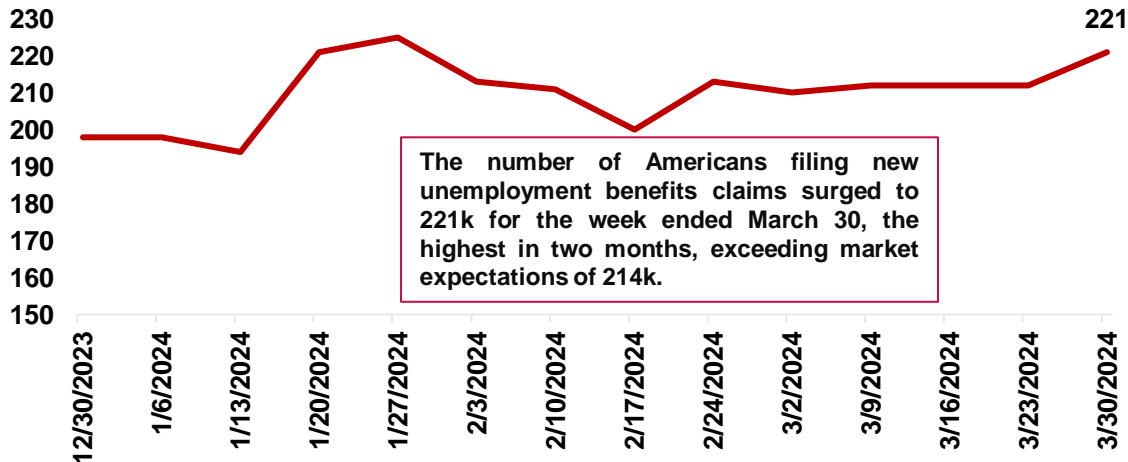
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



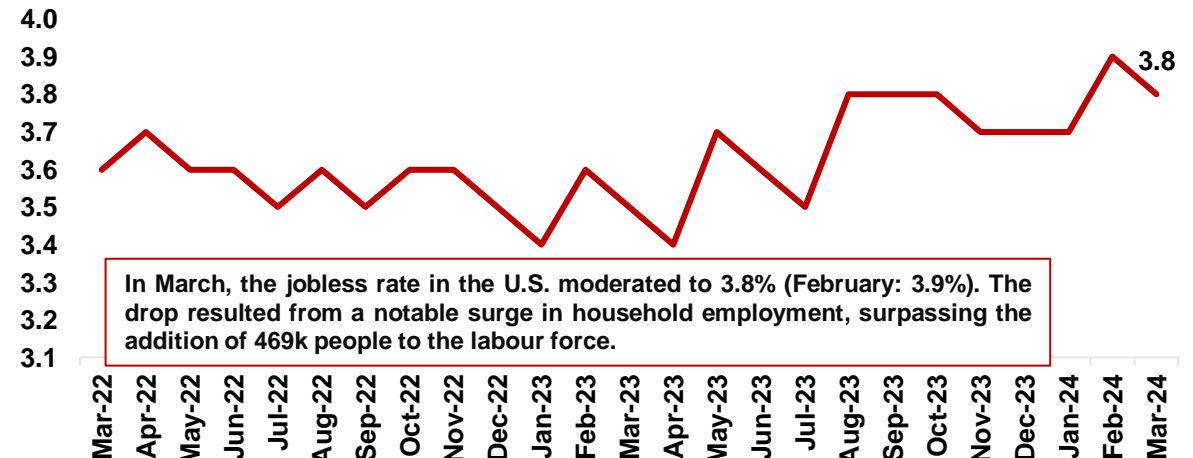
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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

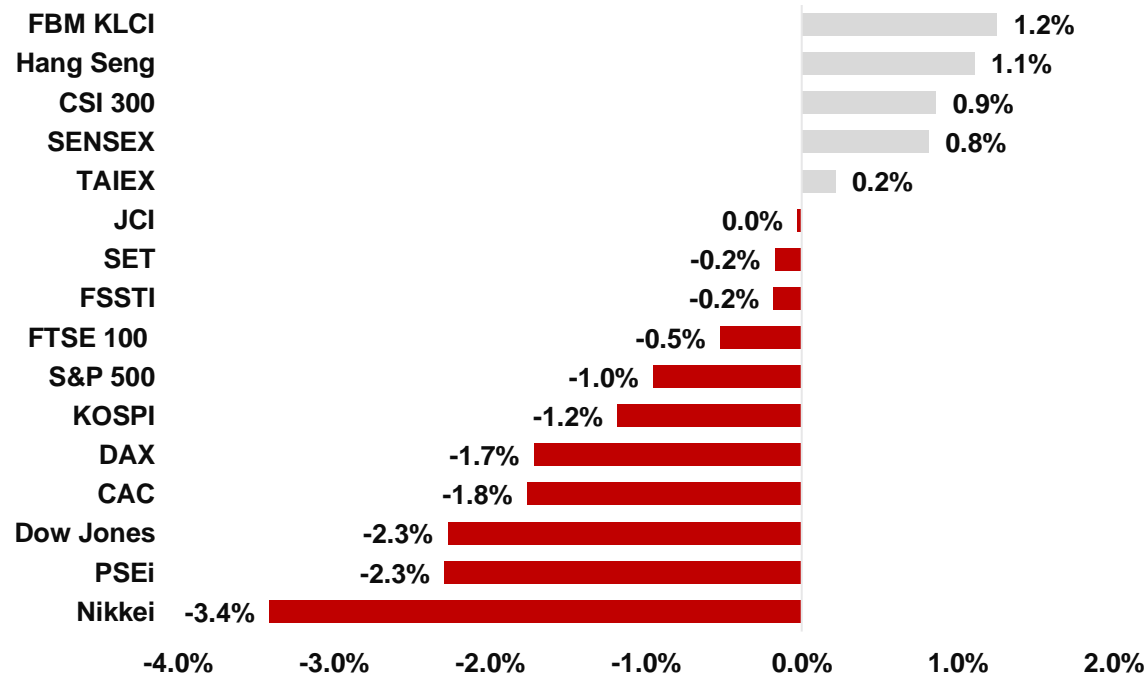


U.S. Unemployment Rate, %

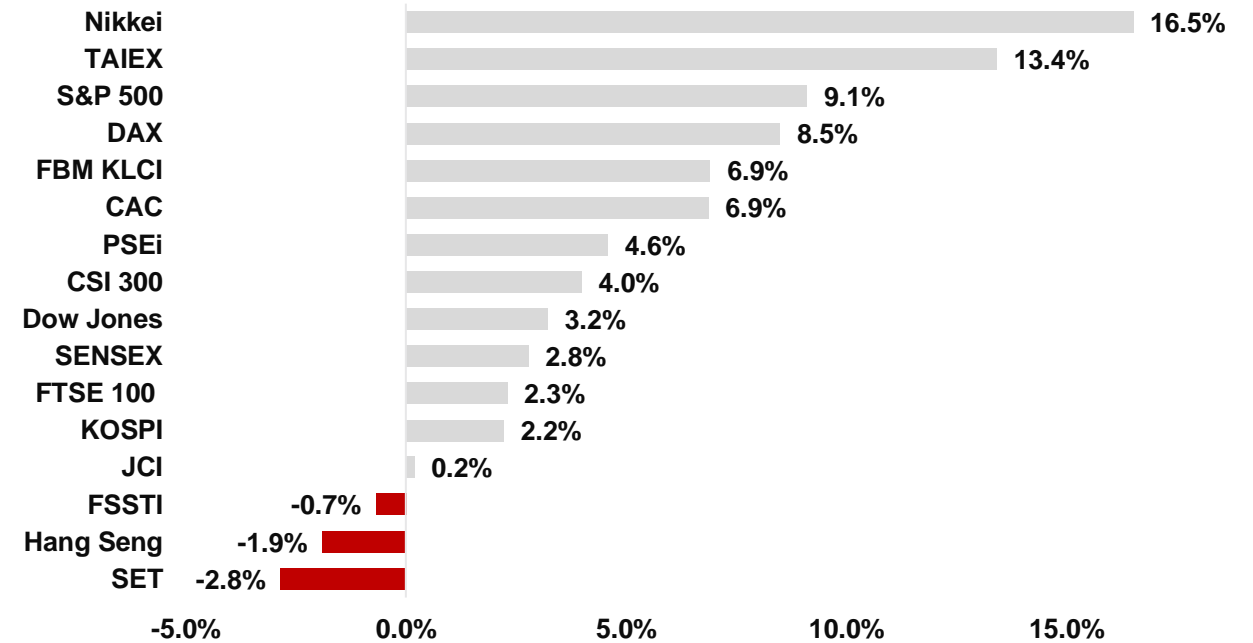


REGIONAL EQUITY: JAPAN SHARES LED LOSSES UPON UNCERTAINTY OVER TIMING OF INTEREST RATES REDUCTION

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



YTD Gain/Loss of Major Equity Markets, %
(As of 5 April 2024)

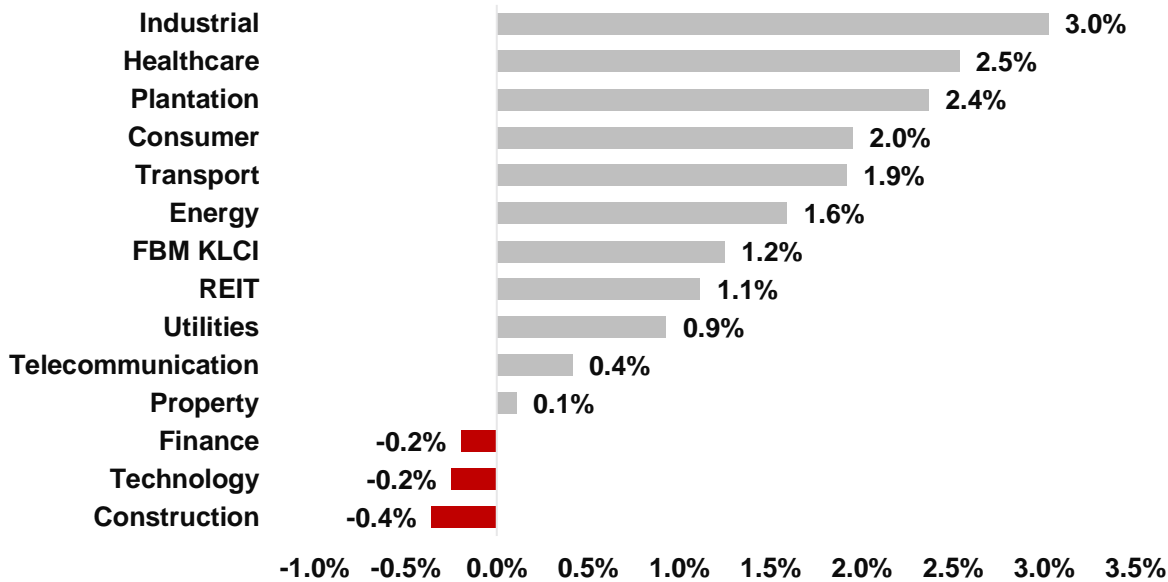


Sources: Bursa, CEIC Data

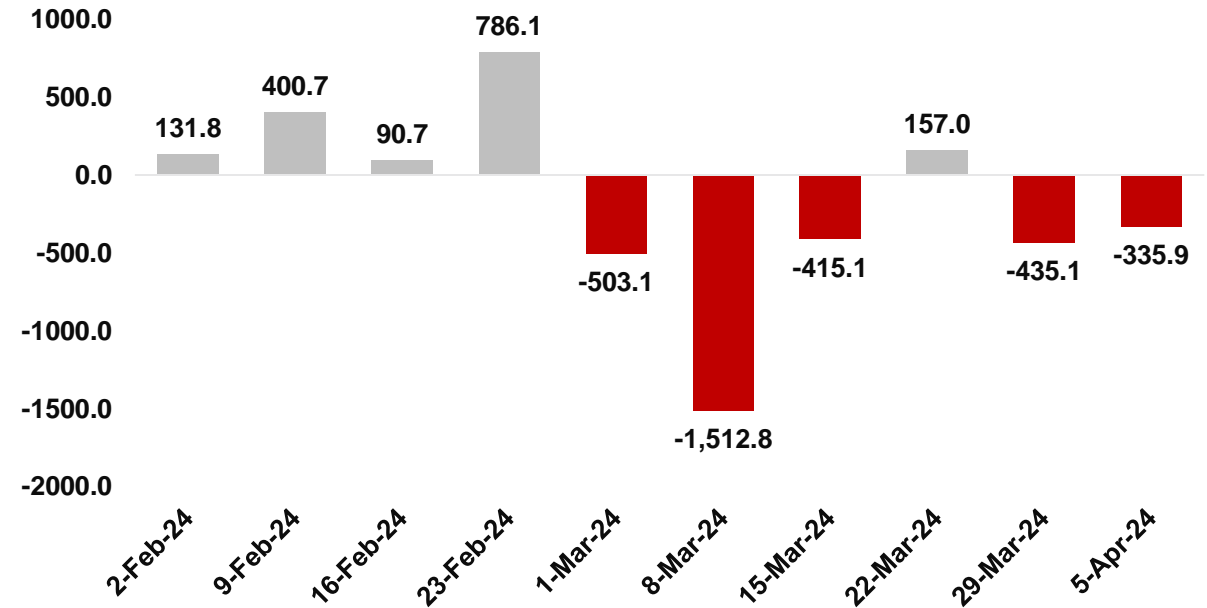
- The regional equity indices mostly ended in the red for the week ending April 5, with Japan's Nikkei tumbling by 3.4% on profit-taking activities, mirroring the decline in U.S. stocks, after U.S. Federal Reserve (Fed) officials cast uncertainty on the timing of rate cuts.
- Philippine's PSEi, another major loser, dropped by 2.3% as investors digested higher inflation data of 3.7% in March relative to 3.4% in February.
- On the contrary, FBM KLCI (+1.2%), Hong Kong's Hang Seng (+1.1%) and China's CSI 300 (+0.9%) were among the major gainers for last week.

DOMESTIC EQUITY: LOCAL MARKET CLOSED HIGHER ON BARGAIN-HUNTING

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

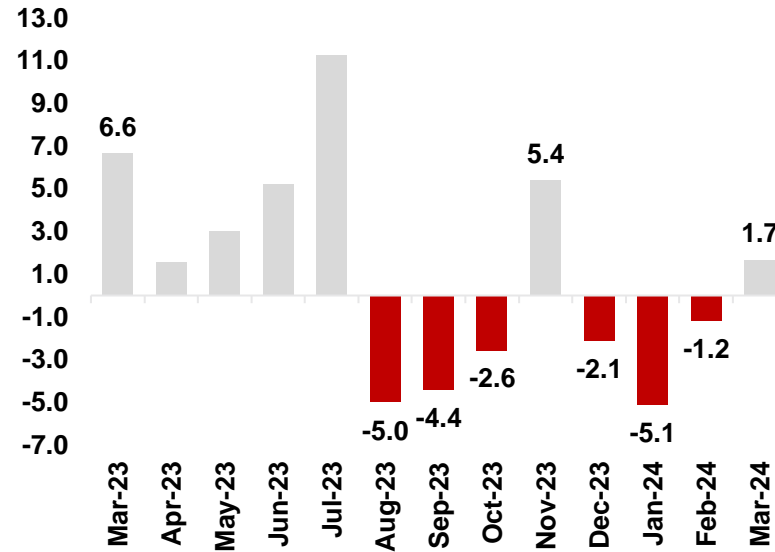
- FBM KLCI closed higher for the week ending April 5 amid bargain-hunting activities, emerging the top gainers among regional peers.
- Local sentiment was partly lifted by an upbeat manufacturing activity report out of China. The China Caixin manufacturing PMI showed the country's factory activity grew at its fastest pace in 13 months in March.
- Bursa sectoral indices were mostly in the green. Of note, the Plantation index gained 2.4% following a rise in Crude Palm Oil (CPO) price to RM4,400 per Metric Tonne (MT) from RM4,194 per MT in the previous week.
- Meanwhile, leading the losers was the Construction index (-0.4%), followed by both the Technology and Finance indices at -0.2%.
- Foreign investors persisted in their net selling streak, shedding a total of RM335.9 million worth of equities. The net selling increased the cumulative total net outflow this year thus far to RM1.0 billion.

FIXED INCOME: FOREIGN INVESTORS RETURNED AS NET BUYERS OF LOCAL BONDS

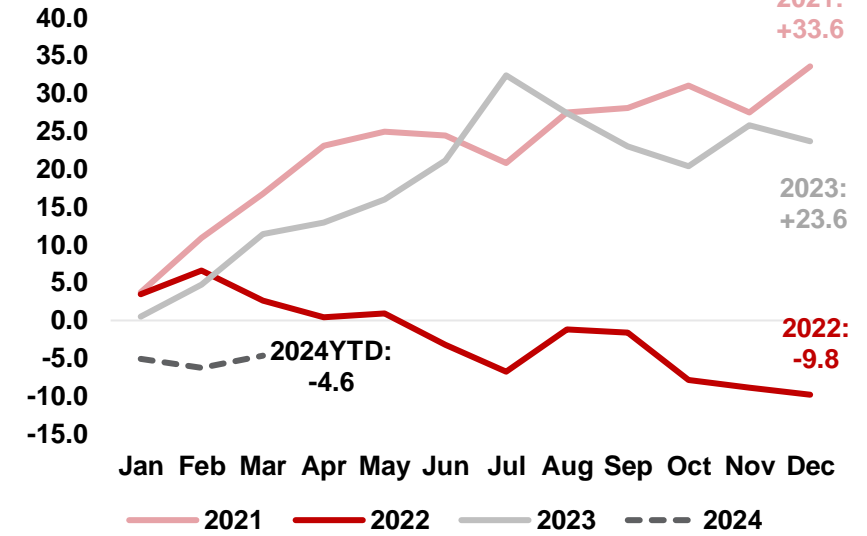
Weekly Changes, basis points (bps)			
UST	Yields (%) 28-Mar-24	Yields (%) 5-Apr-24	Change (bps)
3-Y UST	4.40	4.54	14
5-Y UST	4.21	4.38	17
7-Y UST	4.20	4.39	19
10-Y UST	4.20	4.39	19
MGS	Yields (%) 29-Mar-24	Yields (%) 5-Apr-24	Change (bps)
3-Y MGS	3.49	3.50	1
5-Y MGS	3.63	3.67	4
7-Y MGS	3.77	3.80	3
10-Y MGS	3.86	3.87	1
GII	Yields (%) 29-Mar-24	Yields (%) 5-Apr-24	Change (bps)
3-Y GII	3.46	3.46	0
5-Y GII	3.61	3.63	1
7-Y GII	3.75	3.79	3
10-Y GII	3.87	3.87	0

Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



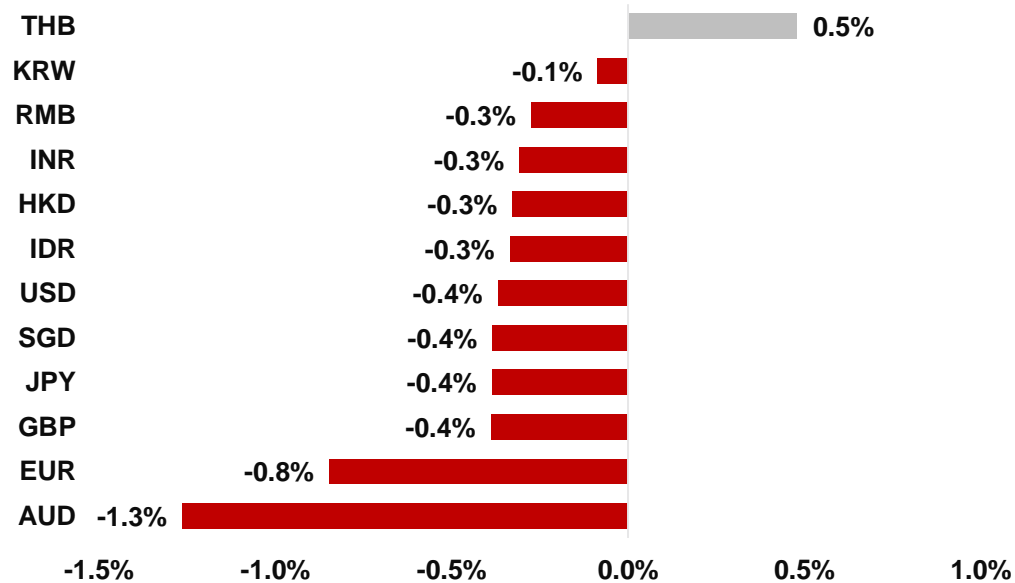
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



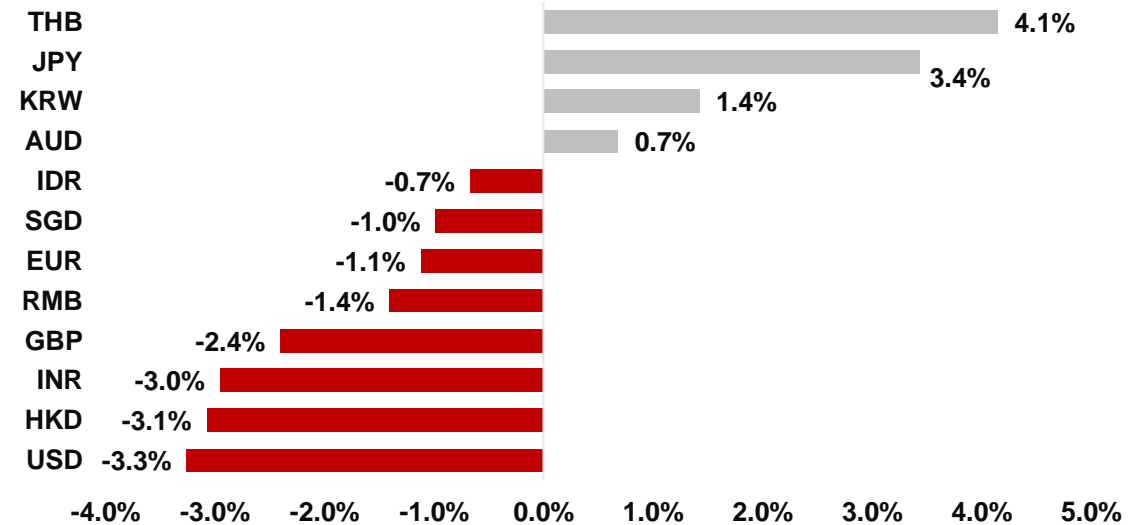
- The U.S. Treasury (UST) yield curve bearishly steepened between 14bps and 19bps for the week ending April 5 as traders trimmed their Fed rate cut expectations after strong labour market data and relatively hawkish statement by the Fed Chair Jerome Powell.
- On the domestic front, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched higher, albeit at a smaller magnitude, in the range of 1bp and 4bps. This is with the exception of 3-Y and 10-Y GII yields which remained constant at 3.46% and 3.87%, respectively.
- Foreign fund flows in the local bond market rebounded into the positive territory with a net foreign inflow of RM1.7 billion in March (February: -RM1.2 billion). However, local govvnies' foreign shareholdings to total outstanding decreased slightly to 21.4% in March (February : 21.5%).
- For the first three months of this year, the local bond market recorded the cumulative net foreign outflows of RM4.6 billion, significantly lower than the inflows of RM11.6 billion in the same period in the previous year.

FX MARKET: RINGGIT WOULD BE TRADED CAUTIOUSLY AHEAD OF THE U.S. INFLATION DATA THIS WEEK

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 5 April 2024)



Source: BNM

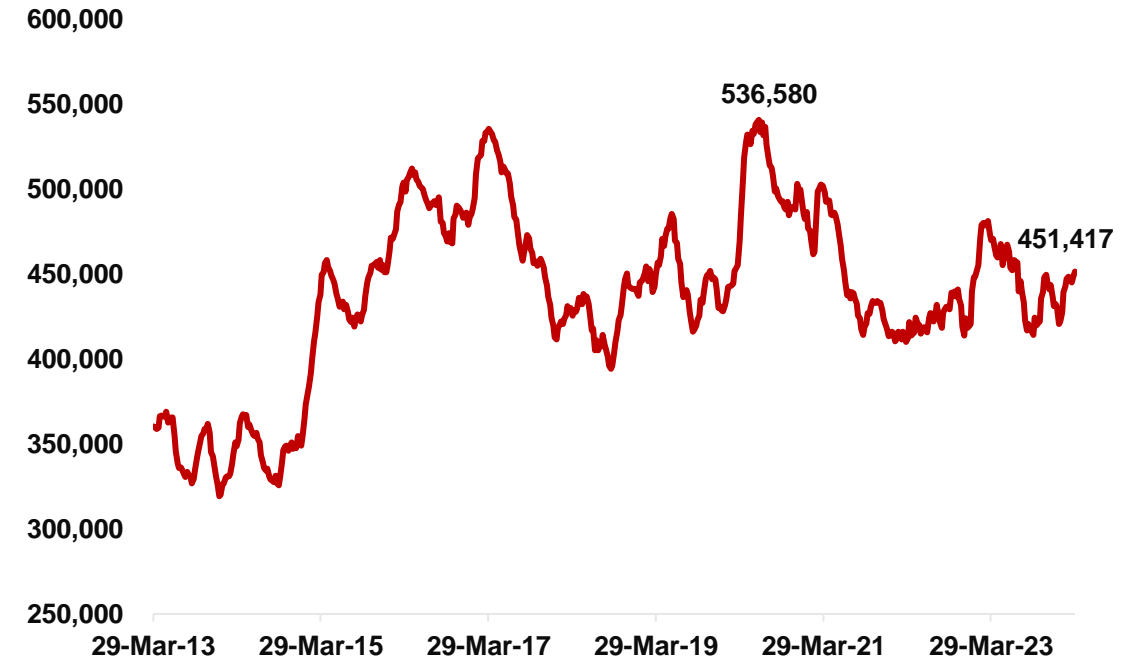
- The Ringgit remained under pressure against the USD despite China's factory activity in March expanded by its strongest pace since February 2023 at 51.1 (February: 50.9), suggesting signs of stabilising growth in the world's second largest economy.
- We posit that the greenback strengthened its appeal as a safe haven currencies following rising geopolitical tension in the Middle East, which in turn, thus pressuring emerging currencies including the Ringgit.
- Additionally, another month of major burst in the job growth pointed to continued economic strength when the country added a sizzling 303k workers in March (February: 270k), above the market consensus of 200k. This demonstrates the country's economy's ability to withstand the pressure of high borrowing costs resulting from the Fed's aggressive rate hikes previously.
- Such a situation could have slowed the recovery of the Ringgit considering the local note has been in RM4.70 threshold since mid-January.

COMMODITY: OIL PRICE HITS ITS HIGHEST LEVEL THIS YEAR AMID ESCALATING GEOPOLITICAL TENSIONS

Brent Crude, USD per barrel



U.S. Crude Oil Inventory, '000 barrel - EIA

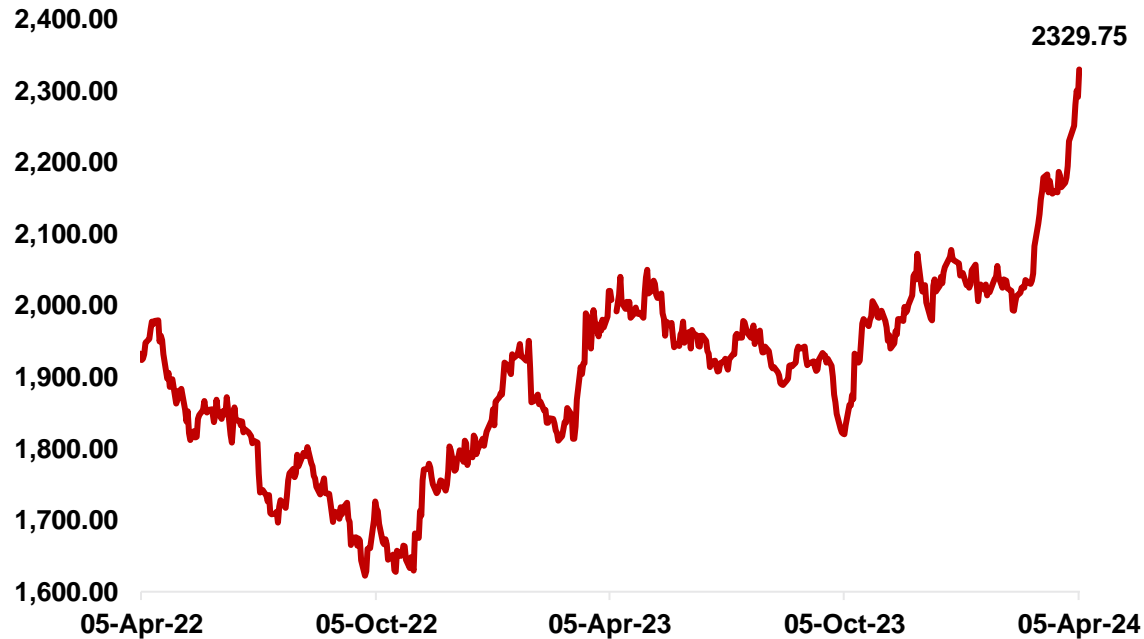


Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price was set to gain for fourth straight week due to the escalating geopolitical tensions in the oil producing regions, OPEC+ efforts to curb supply, as well as strong energy demand outlook.
- On the demand side front, the strong U.S. economic data, particularly in the monthly job report bolstered the outlook for the world's top oil consumer.

COMMODITY: GOLD PRICE ON A WINNING STREAK AS TENSION IN THE MIDDLE EAST BUILDS

Gold, USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- The gold price has been on a roll in the recent weeks, surging by 4.5% to record a new high of USD2,329.75 on April 5.
- Investors has flocked to the safe haven asset amid heightened fears of an escalation in the Middle East conflict whilst continuously strong demand from China offered some boost to the bullion price.
- The worries has drawn gold price away from U.S.' stronger-than-expected job market which had once again clouded the Fed rate cut path moving forward. At the time of writing, market priced in slightly more than a half chance that rates will be kept steady in the June meeting.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week's European Central Bank (ECB) policy meeting will be pivotal in shaping market expectations regarding future rate cuts. ECB policymakers have, at the previous policy meeting in March, indicated little fresh information would be available by their upcoming meeting on April 11 but there would be sufficient data supportive of a rate cut in the coming months, which investors perceived as ruling out a rate cut this week but that a June rate cut is on the table. While the ECB is likely to reiterate that a rate cut in June is still possible this week, the central bank is also anticipated to signal a gradual rate cut path ahead given potential upside risks to inflation and signs of bottoming out after five consecutive quarters of economic stagnation.
- The Monetary Authority Singapore (MAS) is scheduled to release its monetary policy decision this week, alongside the advance GDP estimates for 1Q2024 by the government. With inflation likely remaining sticky above its target of about 2.0% for some time amid a rise in Goods and Services Tax (GST) rate from 8.0% to 9.0% implemented from January, the MAS is expected to retain the prevailing rate of appreciation of its Singapore dollar nominal effective exchange rate (SGD NEER) policy band this week. Meanwhile, Singapore's 1Q2024 GDP growth is projected to have quickened on the back of surging demand in the services sector tied to Taylor Swift's Eras Tour Concerts. The robust economic growth would also provide some room for MAS to stay on hold.
- The Bangko Sentral ng Pilipinas (BSP) will likely keep its benchmark interest rate unchanged at a 16-year high of 6.50% this week as latest inflation figures edged higher to near upper end of the BSP's inflation target range of 2.0-4.0% in March. The BSP has said that inflation could breach above its inflation target in the middle of the year due to potential impact of adverse weather conditions that could stoke food prices, as well as positive base effects. We perceived this as a signal that rate will be kept high for longer, and the earliest rate cut is only likely in 3Q2024, a time also after the Fed has started cutting rates.
- Malaysia's retail sales grew by 5.8% y-o-y in February (January: 2.6%), marking its fastest pace in five months, partly attributed to increased spending during the Chinese New Year holiday. The strong consumer spending was also supported by robust labour market conditions, with the unemployment rate returning to pre-pandemic level of 3.3% since November 2023. February's labour market report also revealed that the number of labour force continued to be on an uptrend while the number of unemployed remained on a declining trend. Meanwhile, Malaysia's industrial production grew at a slightly slower pace at 3.1% in February (January: 4.3%) as Chinese New Year led to reduced working days.

BANK ISLAM

THANK YOU