WEEKLY ECONOMIC UPDATE

10 APRIL 2023

ECONOMIC RESEARCH

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KEY HIGHLIGHT OF THE WEEK: U.S. LABOUR MARKET DATA SENDING MIXED SIGNALS FOR THE FED

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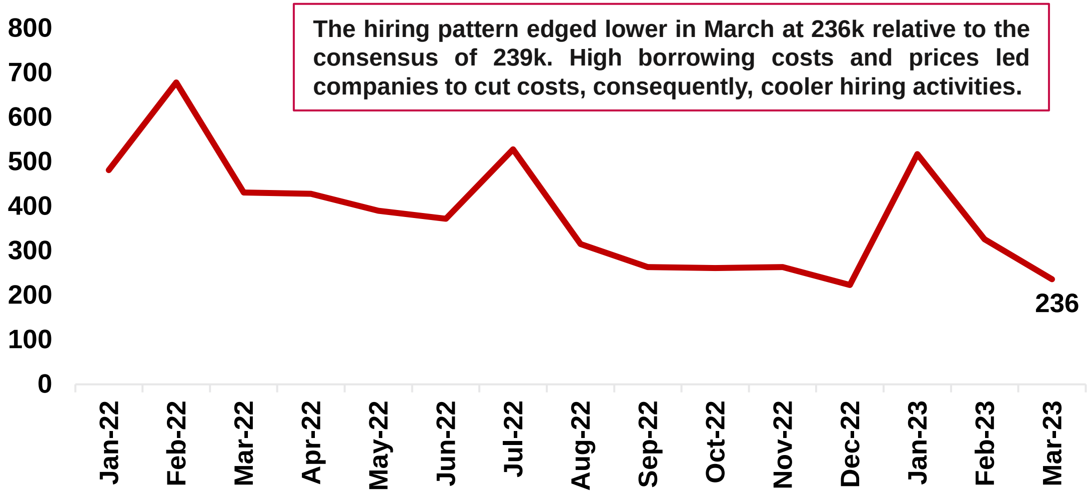
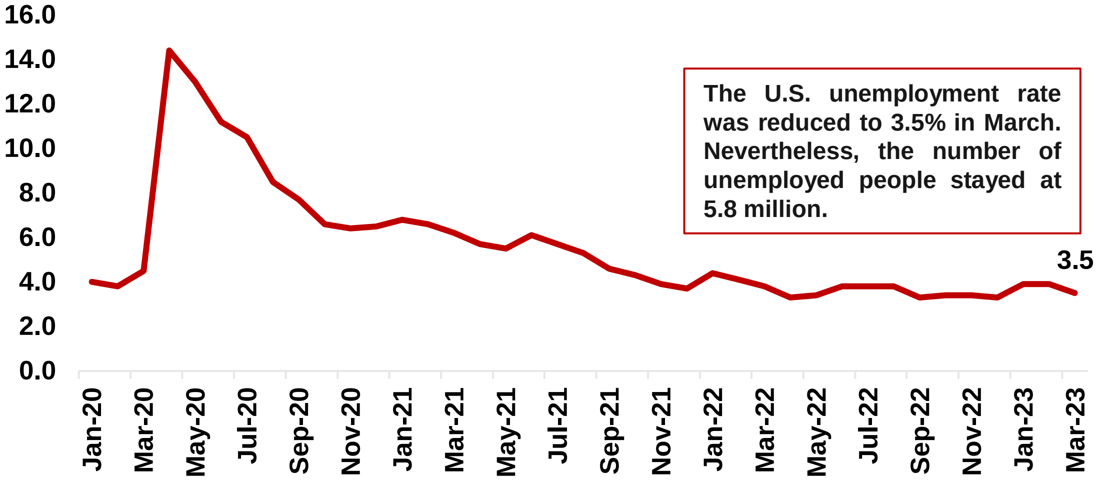
GLOBAL

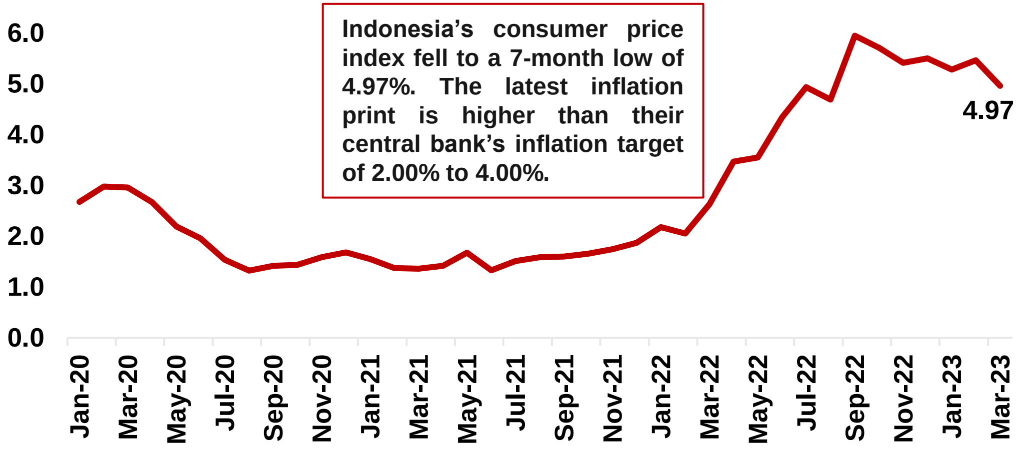
U.S. Non-Farm Payroll, m-o-m changes ('000)



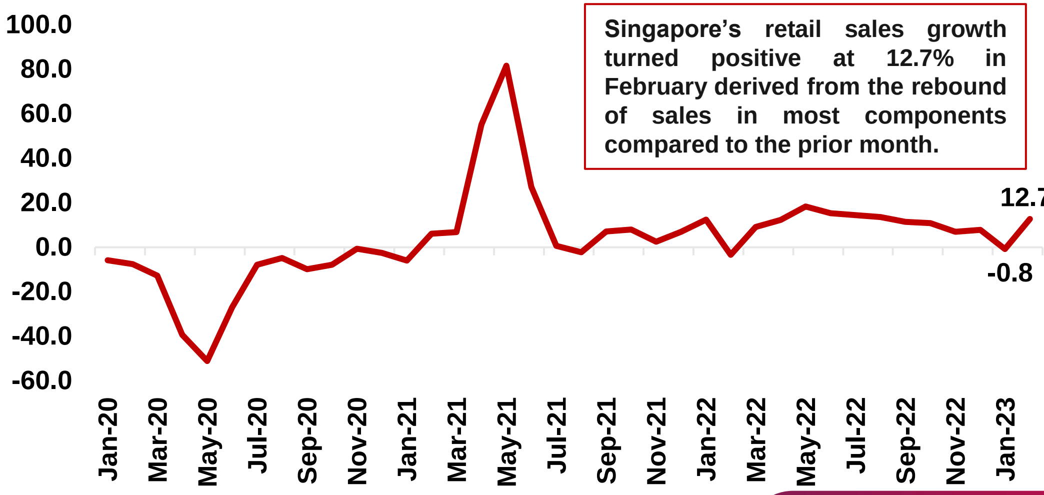
U.S. - Unemployment Rate, %



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

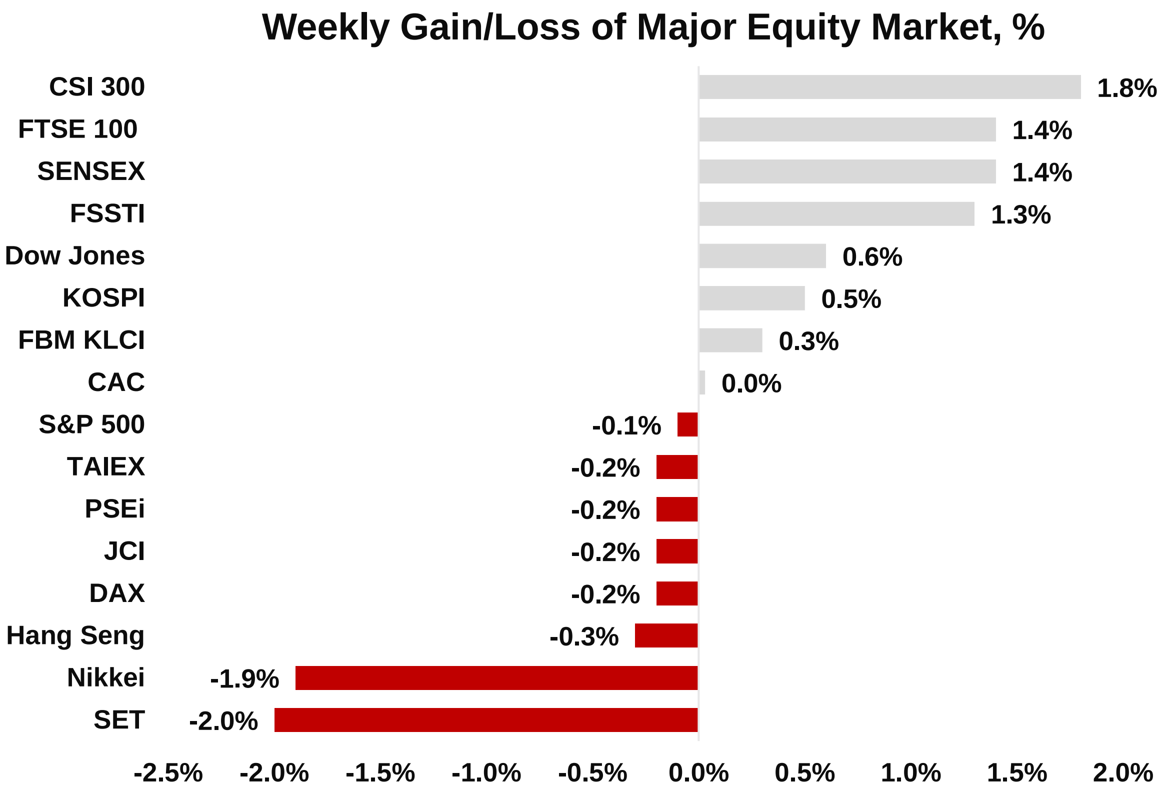


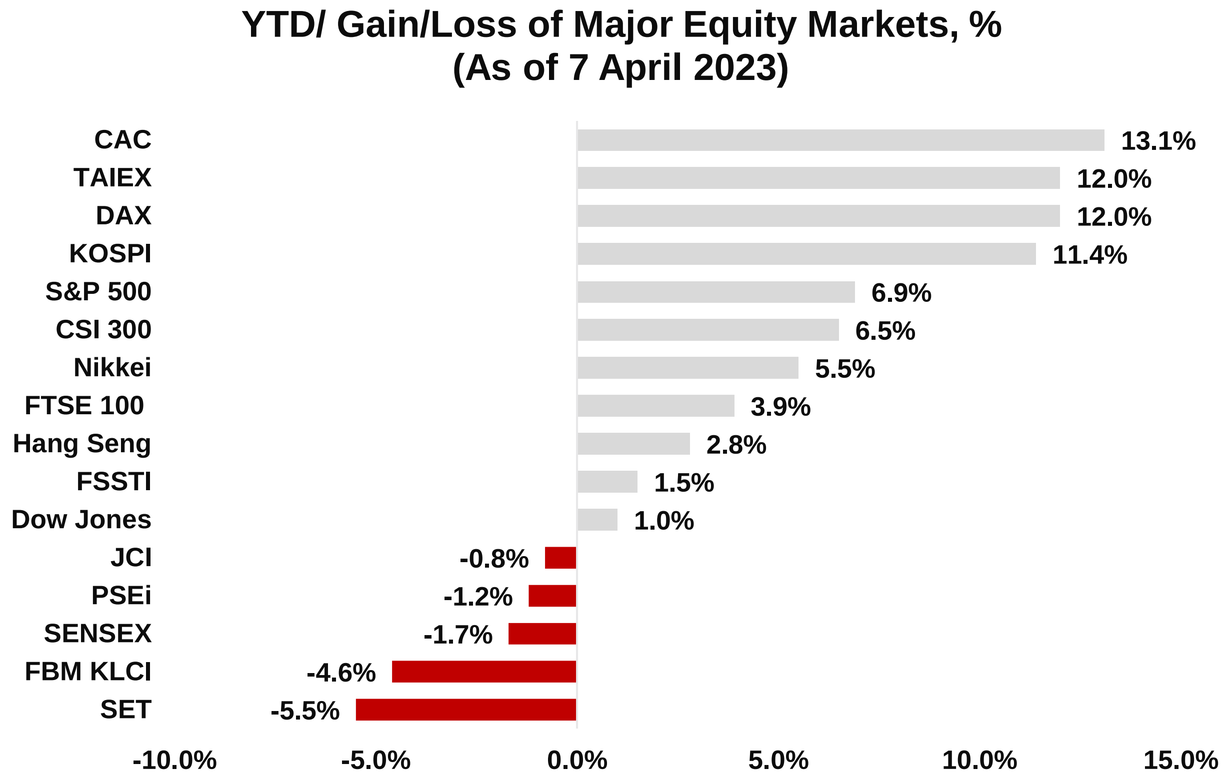
Singapore - Retail Sales, y-o-y %



Sources: U.S. Bureau of Labour Statistics, Indonesia Central Bureau of Statistics, Singapore Department of Statistics

REGIONAL EQUITY: MARKET ENDED MIXED FOLLOWING UNCERTAINTIES ON FUTURE RATE MOVEMENT





Sources: Bursa, CEIC

- Regional markets closed mix for the week ending 7 April, with China's CSI 300 index leading the gainers by 1.8% w-o-w, followed by the U.K's FTSE 100 (1.4%) and Bombay's SENSEX (1.4%).
- Despite recovering sentiments amid anticipation of an earlier pause of the Federal Fund Rate (FFR) hikes, the regional market was strongly hit by OPEC+'s surprise decision to slash production to boost oil prices, which could trend inflation higher for an extended period.
- The surge in energy prices heightened the uncertainties on further interest rate hikes despite the Fed's unrelenting effort in achieving price stability.

DOMESTIC EQUITY: GAINFUL RECOVERY FOLLOWING OPEC+'S PRODUCTION CUT

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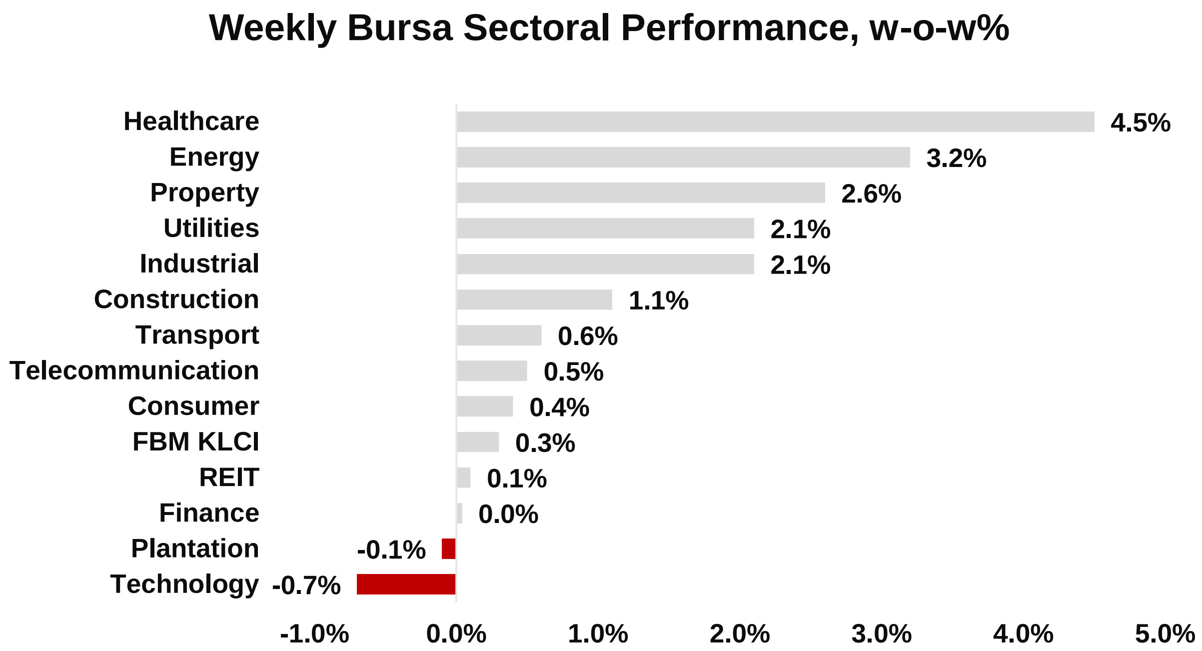

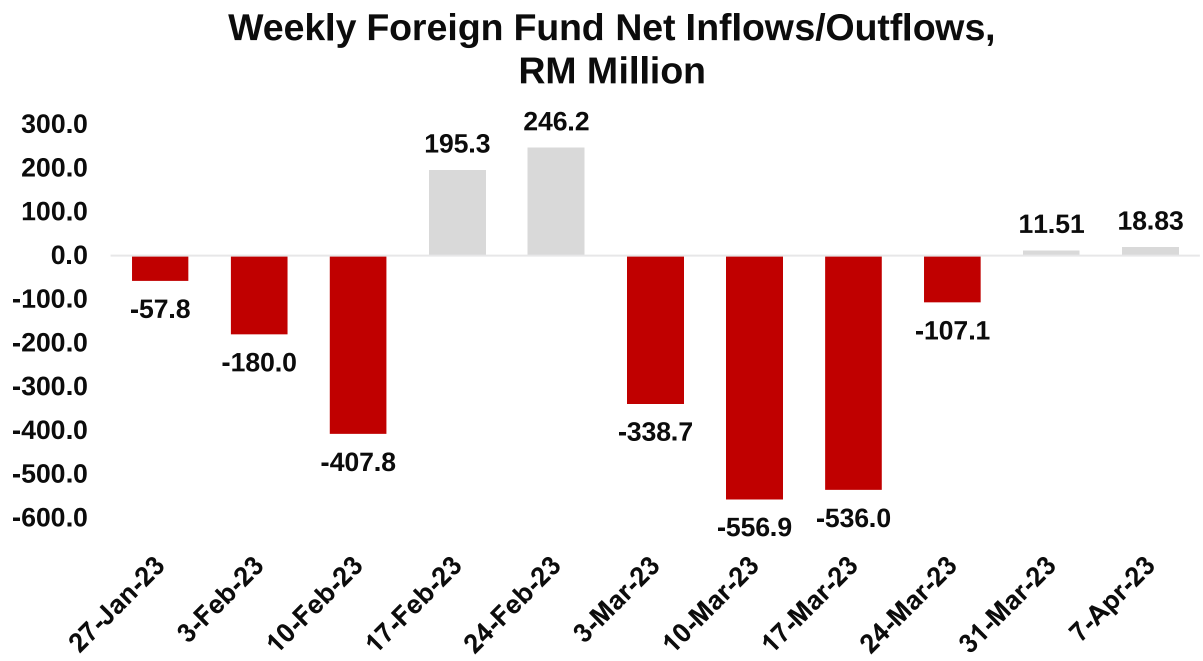

Sources: Bursa, BNM

- Majority of Bursa sectoral indices closed in the green for the week ending on 7 April, with Healthcare (4.5%), Energy (4.2%), and Property (2.6%) leading the gainers.
- The positive recovery in the Energy sector is attributable to rising oil prices following OPEC+'s surprise announcement of a production cut, which benefitted the domestic stock market as one of the oil-producing countries.
- In addition, the positive local market movement was buoyed by recovering sentiments following BNM's optimistic outlook on the domestic economy.
- Following this, recovery was also seen in foreign funds, with RM18.83 million net inflows recorded last week, steadily improving after four straight weeks of net outflows.

FIXED INCOME: BOND YIELDS SLID AS RECESSION JITTERS REIGNITED

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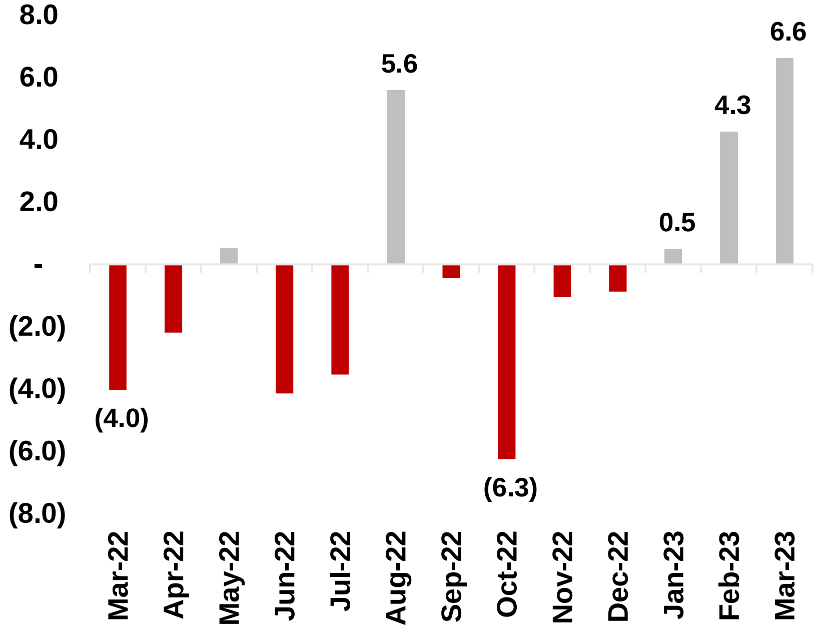
Weekly Changes, basis points (bps)

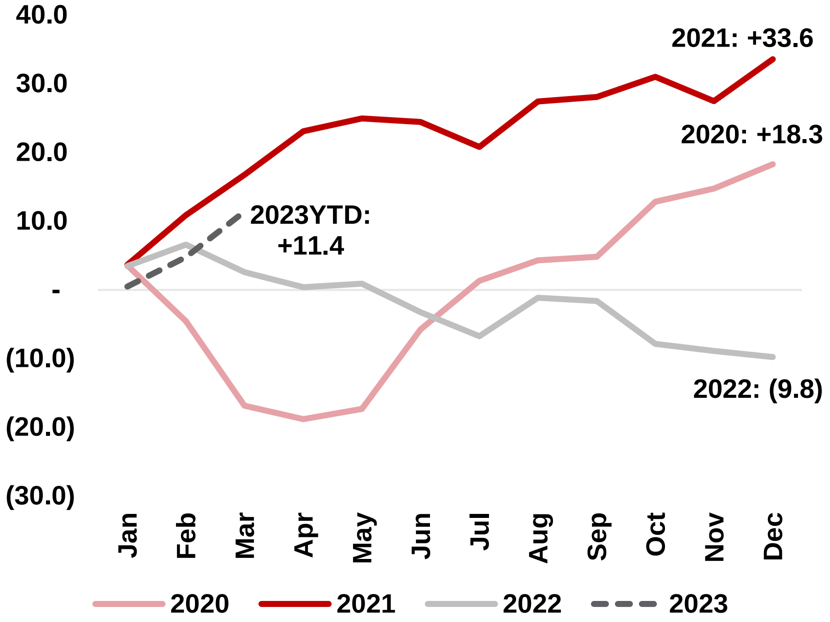
UST	Yields (%) 31-Mar-23	Yields (%) 7-Apr-23	Change (bps)
3-Y UST	3.81	3.72	-9
5-Y UST	3.60	3.49	-11
7-Y UST	3.55	3.45	-10
10-Y UST	3.48	3.39	-9
MGS	**Yields (%) 31-Mar-23**	**Yields (%) 7-Apr-23**	**Change (bps)**
3-Y MGS	3.35	3.35	0
5-Y MGS	3.54	3.51	-3
7-Y MGS	3.81	3.71	-9
10-Y MGS	3.90	3.87	-4
GII	**Yields (%) 31-Mar-23**	**Yields (%) 7-Apr-23**	**Change (bps)**
3-Y GII	3.31	3.29	-2
5-Y GII	3.60	3.56	-3
7-Y GII	3.85	3.80	-5
10-Y GII	3.96	3.94	-2

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion

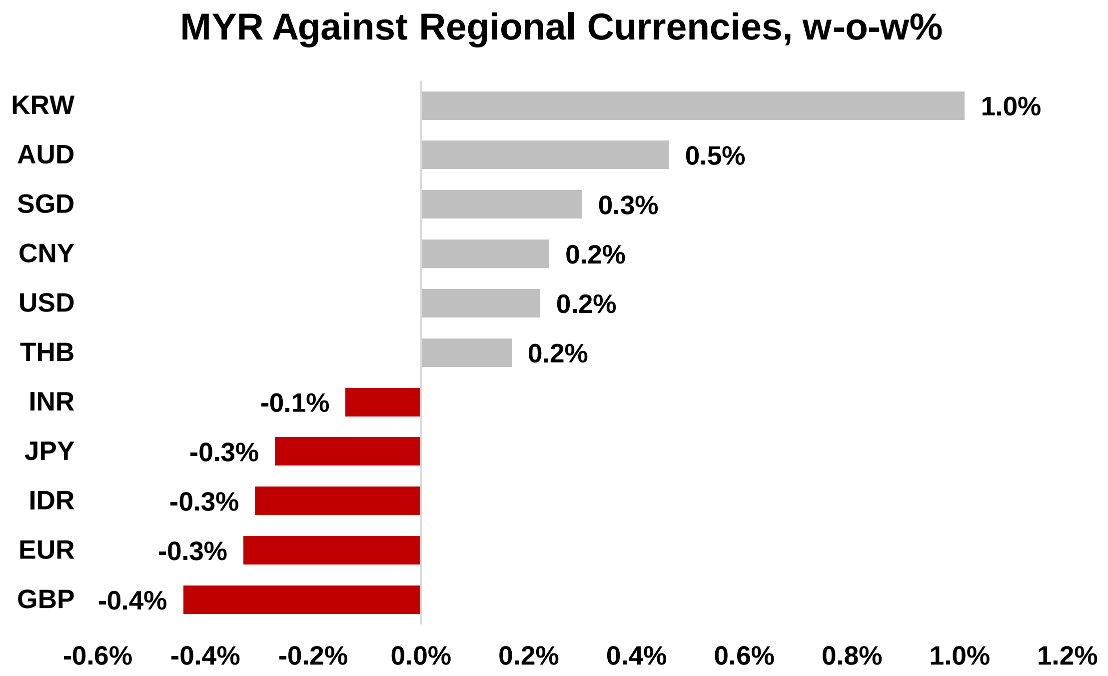


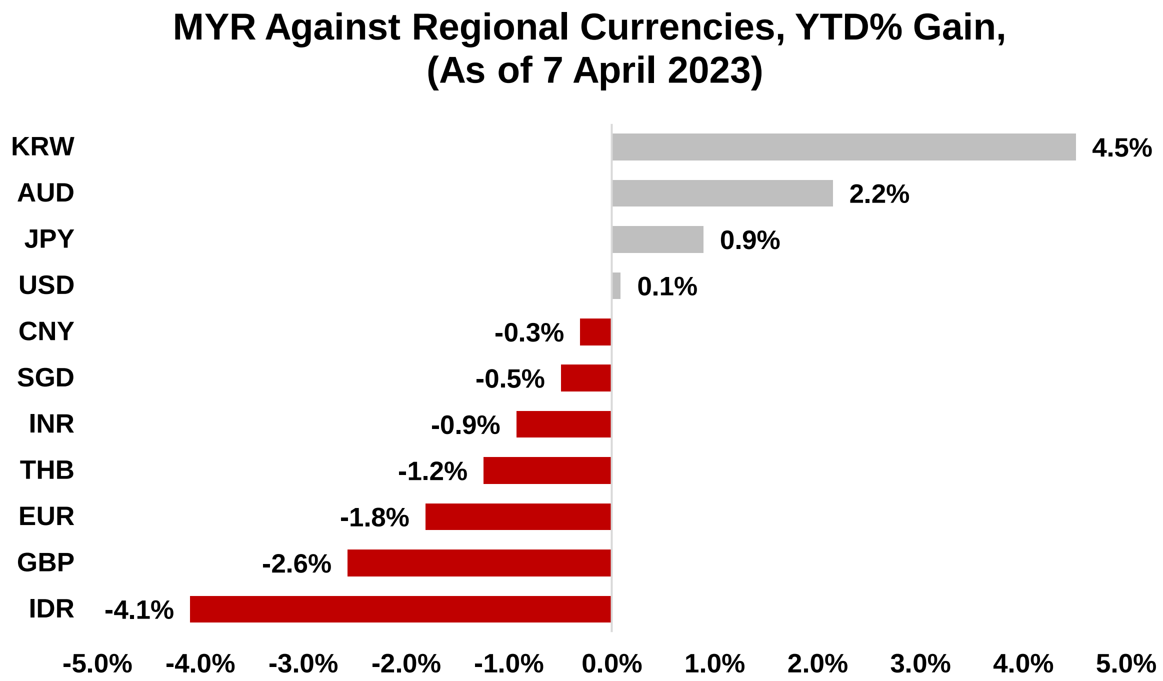
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



- The U.S. Treasury (UST) bond yields were mainly negative last week, with the belly of the curve decreasing between 10bps and 11bps. Meanwhile, the shorter and longer end of the curve reduced by 9bps as recession jitters returned.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields followed the same pattern as UST, with yields contracting over all maturities. The fall in yields was noticeably smaller than that of the UST.
- The local bond market continued to extend net foreign buying in the third consecutive month with inflows of RM6.6 billion (February: RM4.3 billion) following safe-haven demand from foreign investors.
- As of March 2023, the local bond market recorded cumulative net foreign inflows of RM11.4 billion, surpassing RM2.6 billion in the first three months of the prior year.

FX MARKET: RINGGIT IS ANTICIPATED TO TRADE AROUND RM4.40 AGAINST THE USD THIS WEEK





Source: Investing.com

- The Ringgit once again ended higher against the USD by 0.2% on a weekly basis, though the gain has eased from the previous week. The main attribute could be due to the lower USD index which has been lingering around 101-102 level during the week following softening labour market condition in the U.S.
- Latest, the March payroll report showed hiring economy slowed in March, indicating a sign of gradual weakening in the labour market as the impact of aggressive rate hikes from the central bank started to be felt. As a result, such a situation could raise the possibility that the U.S. Fed pausing the interest rate decision during the next FOMC meeting in May.
- Be that as it may, we believe that market participants would be eyeing the FOMC minutes this Wednesday to assess the rate path tone from the policymakers moving ahead.
- All in all, we foresee that the local note is anticipated to trade in a cautious mode, around RM4.40 level as market participants are waiting for the March U.S. CPI this week.

COMMODITY: BRENT PRICE HEADED TO THIRD WEEKLY GAIN FOLLOWING OPEC+ SURPRISE ANNOUNCEMENT CUT

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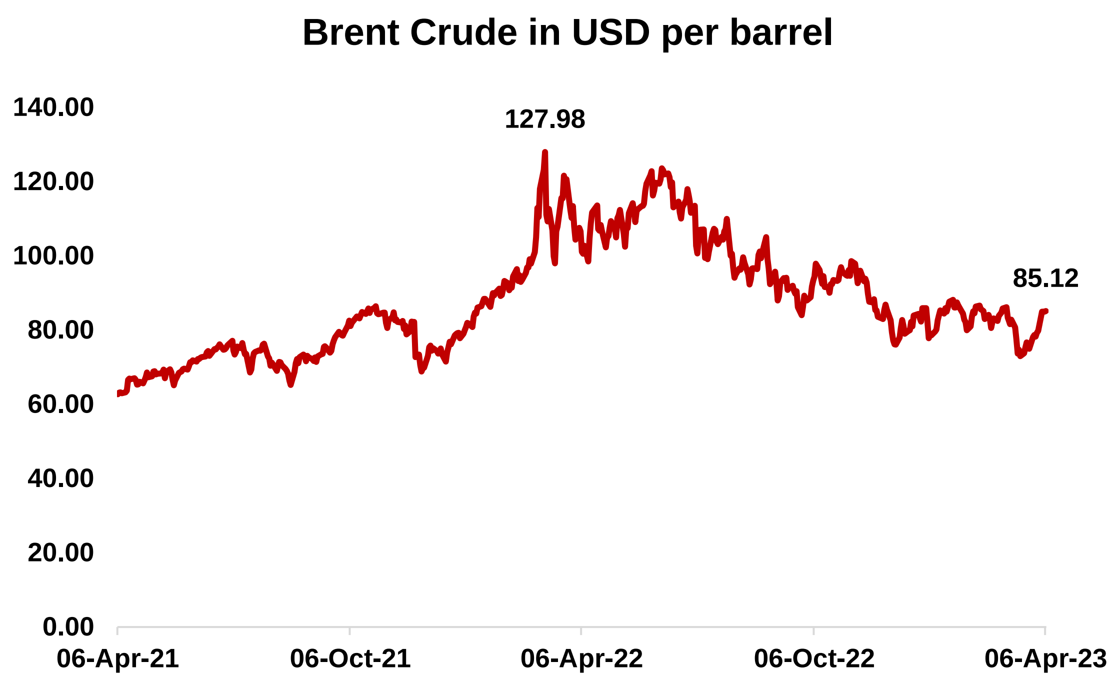

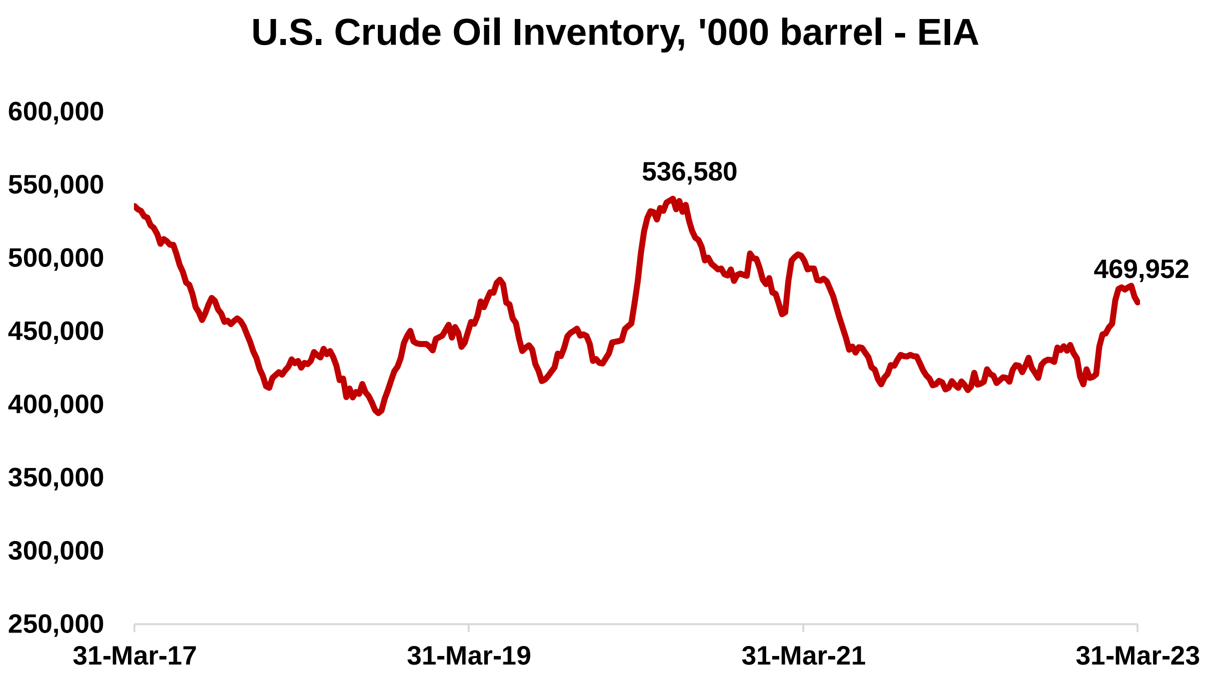

Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price surged by more than 6.0% during the week after the said organisation unexpectedly announced that it will reduce the output by 1.16 million barrels per day (bpd) starting May until the end of this year. It appears that OPEC+ is more comfortable with oil prices trending above the USD80.0 per barrel price level.
- The U.S. economic data, including the services sector, which slowed in March, and factory orders that posted a second straight monthly decline during February suggest that the economy could be cooling amid a higher interest rate environment.
- Also, the price drew support from a steeper-than-expected drop in the U.S. crude inventories from the latest EIA data.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN AMID WORRIES OVER SLOWDOWN IN THE U.S. ECONOMIC DATA

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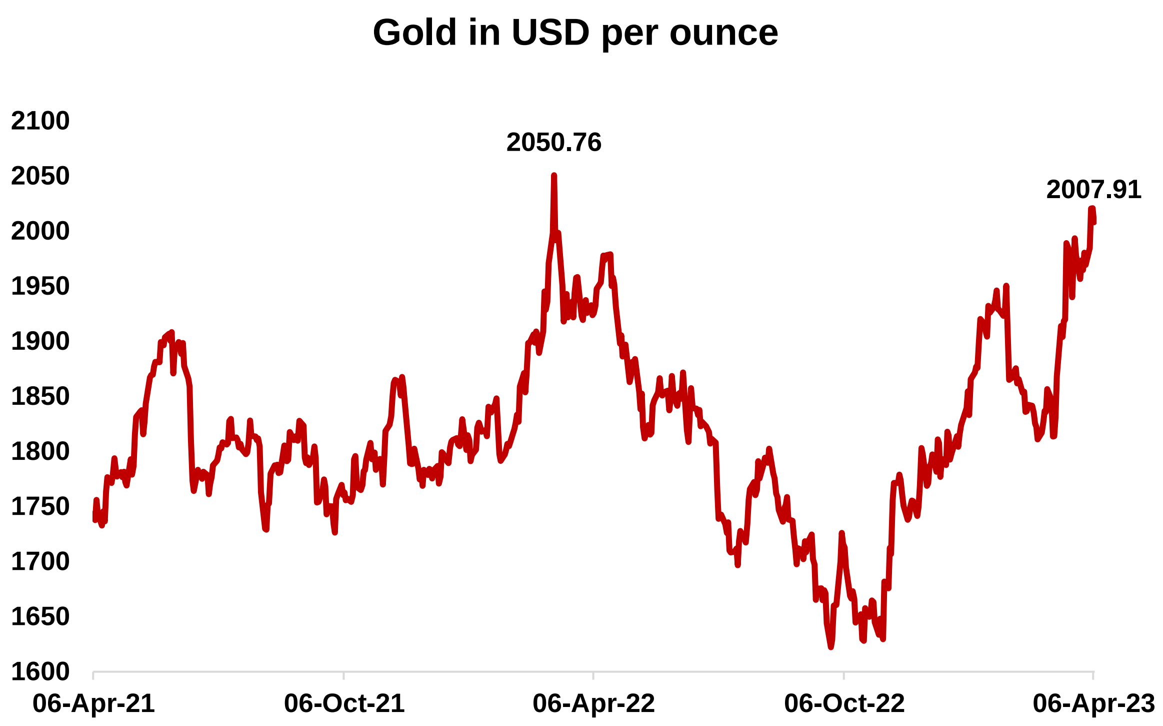

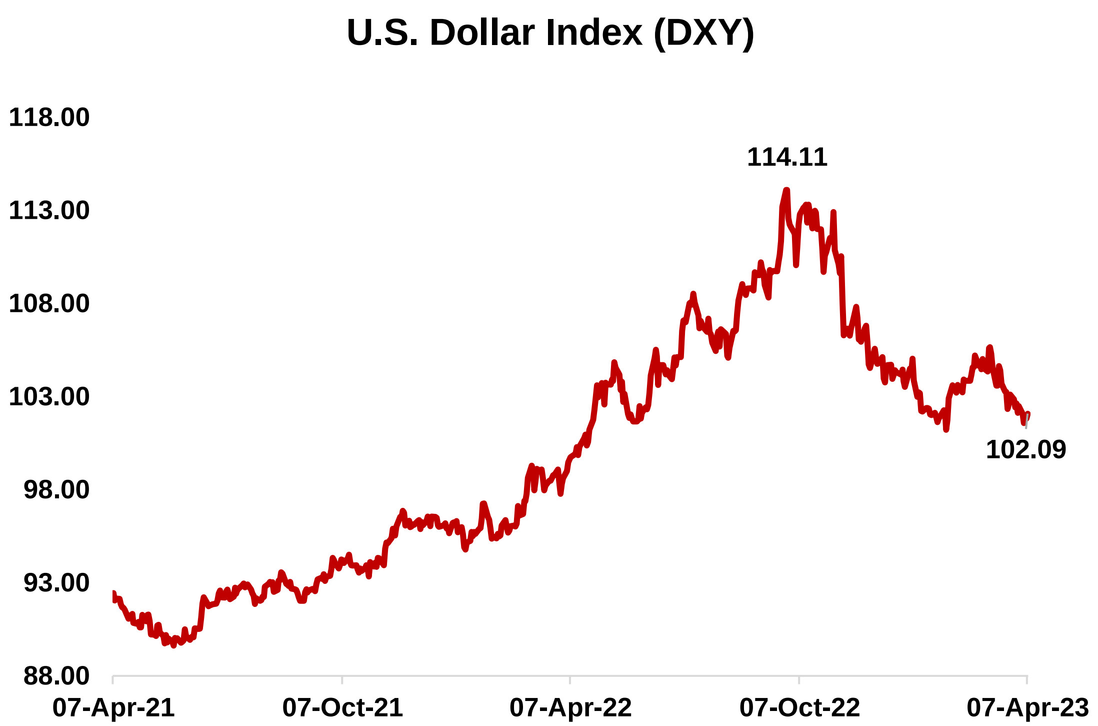

Sources: Bloomberg, Commodity Research Bureau

- The bullion price has gained 2.0% this week, fueled by investors' growing preference for safe-haven assets in the wake of financial market volatility due to the global banking turmoil.
- The country's economic indicators showed slowdown signs, hinting that the possibility of the Fed leaving its policy rate steady in the May meeting as the tighter financial conditions started to weigh on the economy.
- Additionally, geopolitical risk could have been pushing the gold prices due to the intensified rivalry between the U.S. and China and Finland's decision to join the North Atlantic Treaty Organization (NATO).

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- On the global front, investors will be looking for more clues from the March U.S. inflation figures, together with the FOMC minutes scheduled to be released this Wednesday. In short, the latest number is expected to moderate around 5.2%, with the core inflation likely increasing slightly at 5.6% compared to the previous month. At the same time, investors will find for clues in the FOMC minutes given the cooling labour market and several weaker-than-expected economic indicators of late. We think it will provide us with some insights on the direction of the interest rate hike path, alongside the assessment the health of the country's financial system.

- Central bankers and finance ministers will gather in Washington DC for World Bank Group-International Monetary Fund (IMF) Spring Meetings from 10-16 April to deliberate global economic issues which in turn, help to shape the policy agenda of member countries. During the event, the IMF is anticipated to release the updated global economic forecast on Tuesday amid concerns over inflation and financial stability risks. On Wednesday, the G20 Finance Ministers and Central Bank Governors (FMCBG) meeting will be held under India's presidency, featuring three sessions focusing on pressing global issues.

- During the week, the Bank of Canada (BoC) is slated to hold its policy-setting meeting. Its policy rate is expected to remain unchanged at 4.5%, suggesting that it has peaked despite the ongoing signs of strength in the economy. Meanwhile, the Bank of Japan (BoJ) witnessed Kazuo Ueda succeed Haruhiko Kuroda as the central bank governor to mitigate the side effects of a decade of massive stimulus policy amid chaos stemming from the U.S. and European banking turmoil.

- Last week, the Asian Development Bank (ADB) revealed its forecast growth for Malaysia with projections of 4.7% in 2023 and 4.9% in 2024, respectively. Last year, the country sustained a better-than-expected performance, buoyed by strong domestic consumption and further recovery in the labour market as borders reopened and economic activity normalised. This year's economic performance will depend on the global environment, inflation and overall growth prospects. Our in-house forecast falls in the midpoint of BNM's (2023:4.0%-5.0%), specifically at 4.5% for this year.

THANK YOU