



WEEKLY ECONOMIC UPDATE

11 MARCH 2024

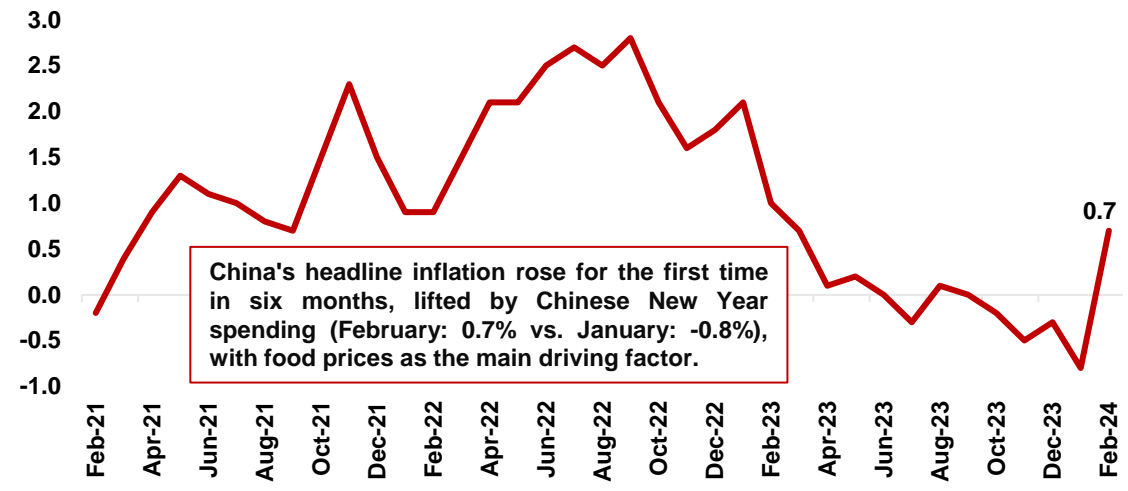
ECONOMIC RESEARCH

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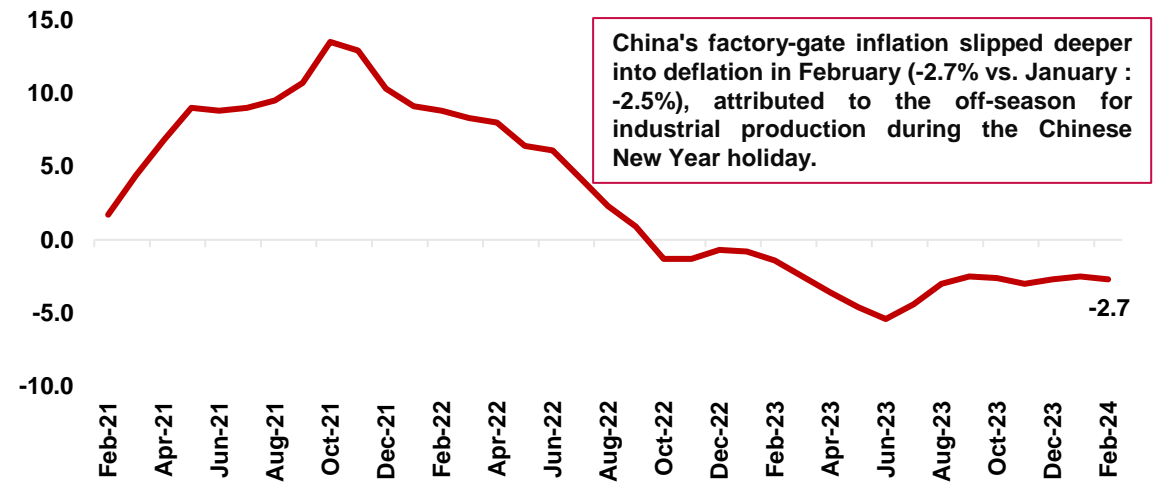
WEEKLY HIGHLIGHT: CHINA'S CONSUMER PRICES SURGED ALONGSIDE CHINESE NEW YEAR DEMAND

GLOBAL

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



China - Producer Price Index (PPI), y-o-y%

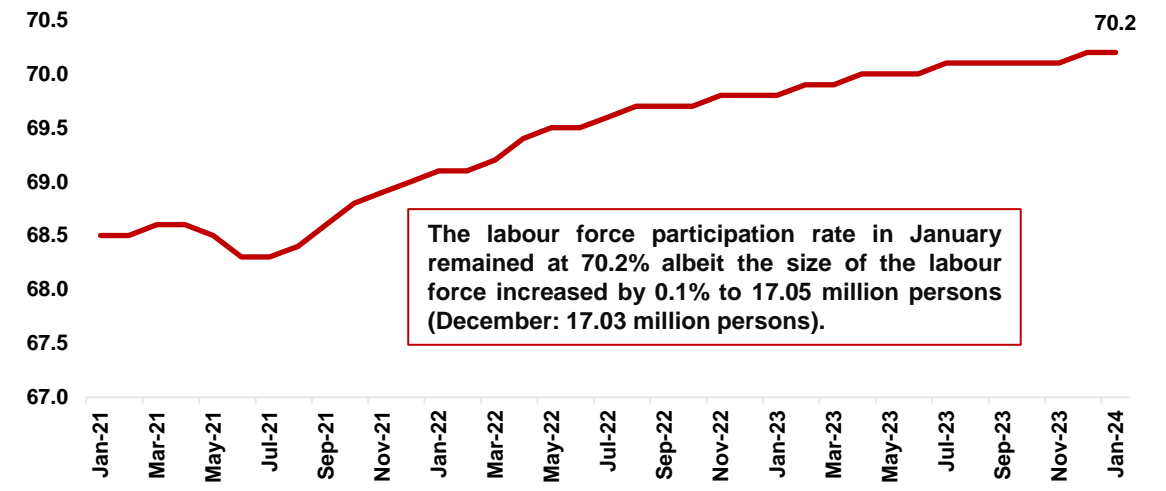


DOMESTIC

Malaysia - Unemployment Rate, y-o-y%

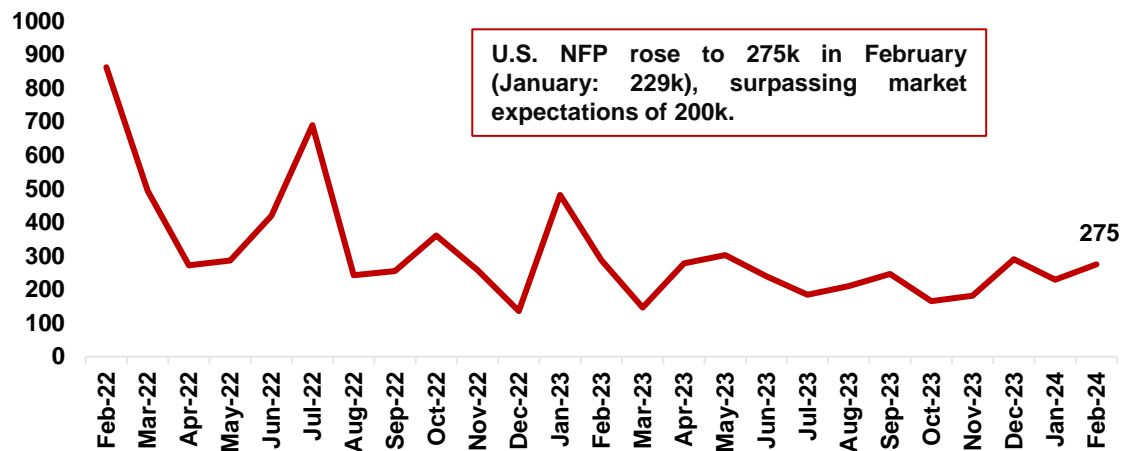


Malaysia - Labour Force Participation Rate, %

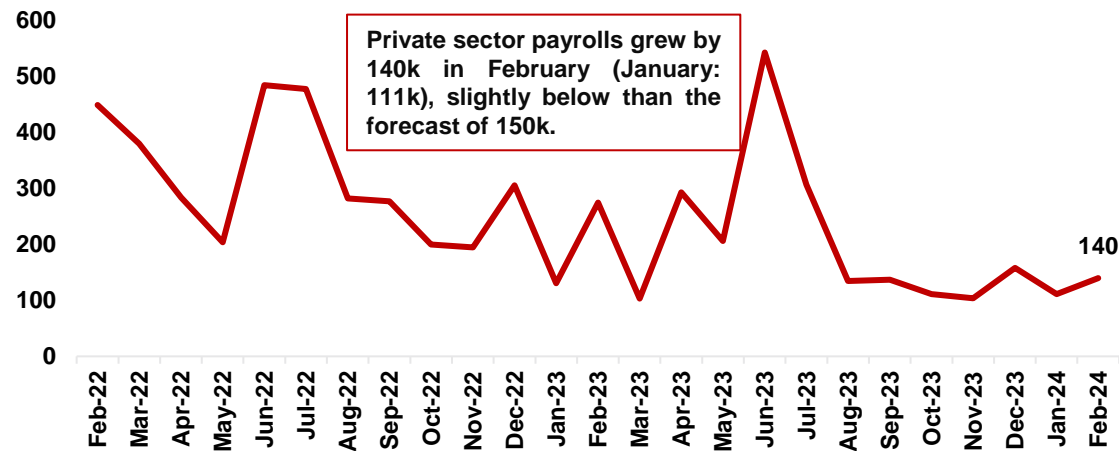


U.S. WEEKLY HIGHLIGHT: U.S. UNEMPLOYMENT RATE HIT 2-YEAR HIGH

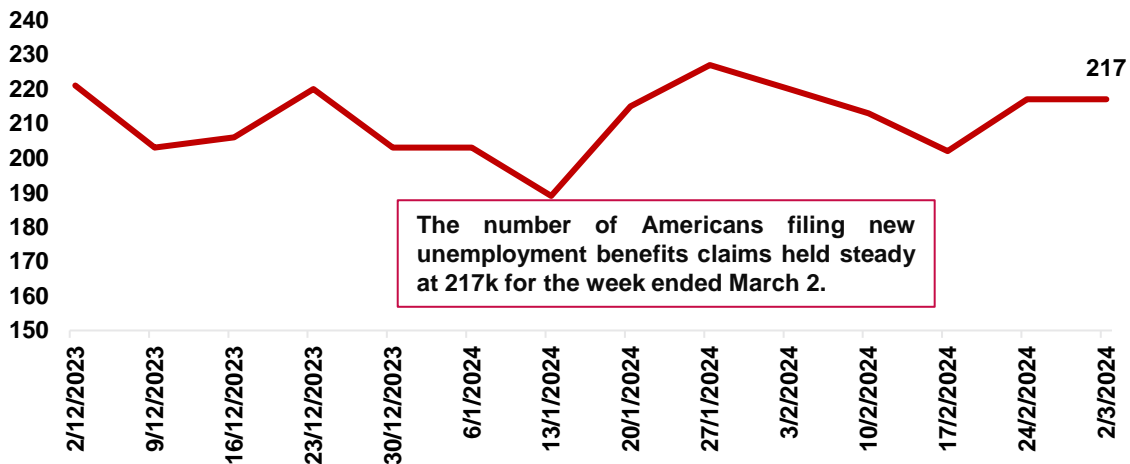
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



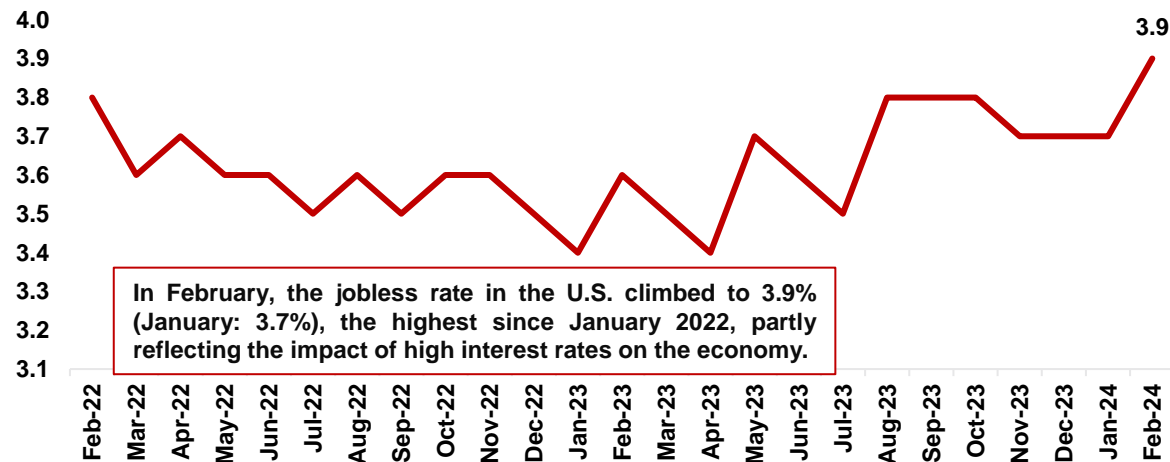
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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

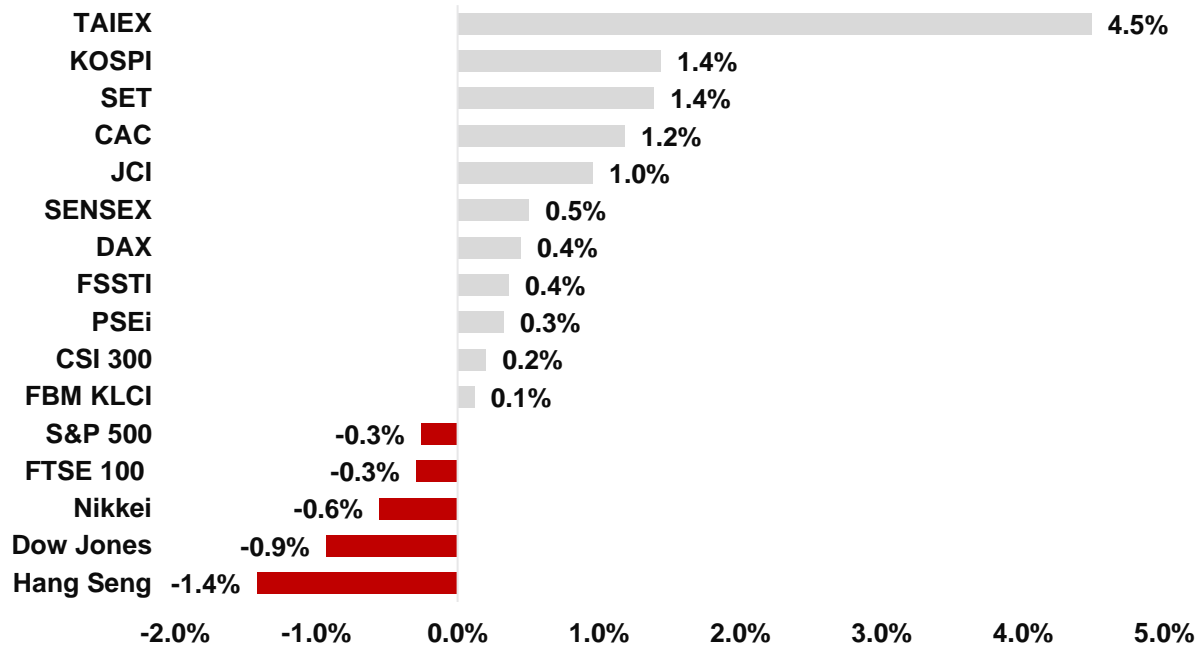


U.S. Unemployment Rate, %

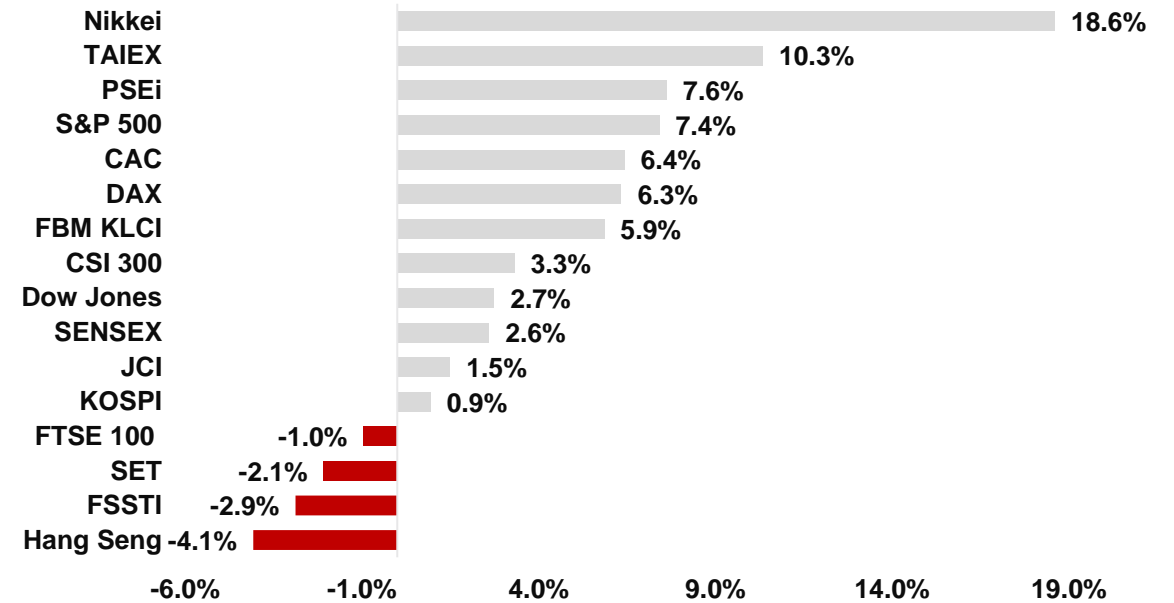


REGIONAL EQUITY: ASIAN STOCKS MOSTLY SOARED BUT HONG KONG'S HANG SENG REMAINED AS MAJOR LOSER

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



YTD Gain/Loss of Major Equity Markets, %
(As of 8 March 2024)

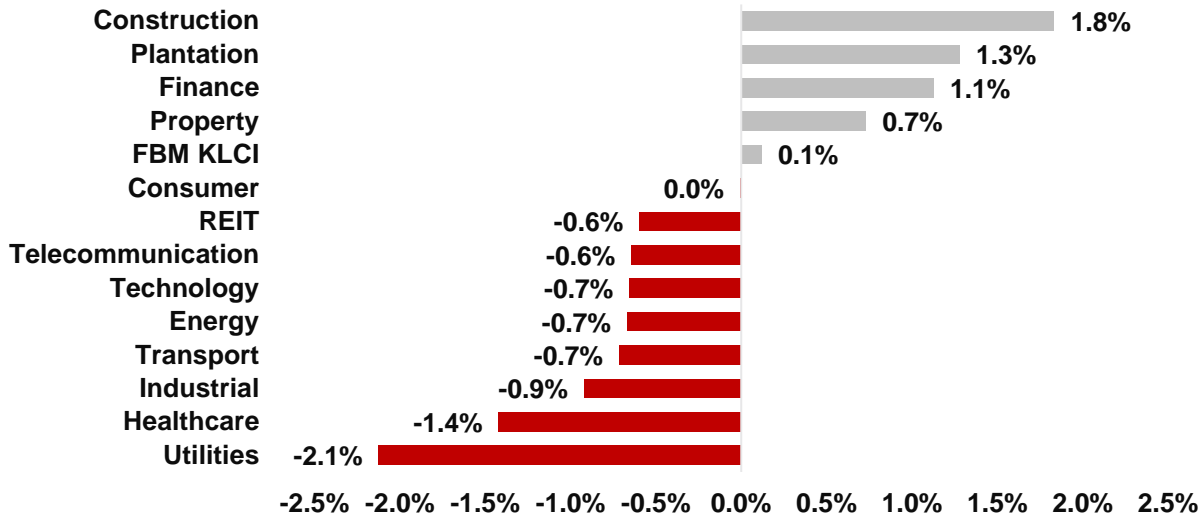


Sources: Bursa, CEIC Data

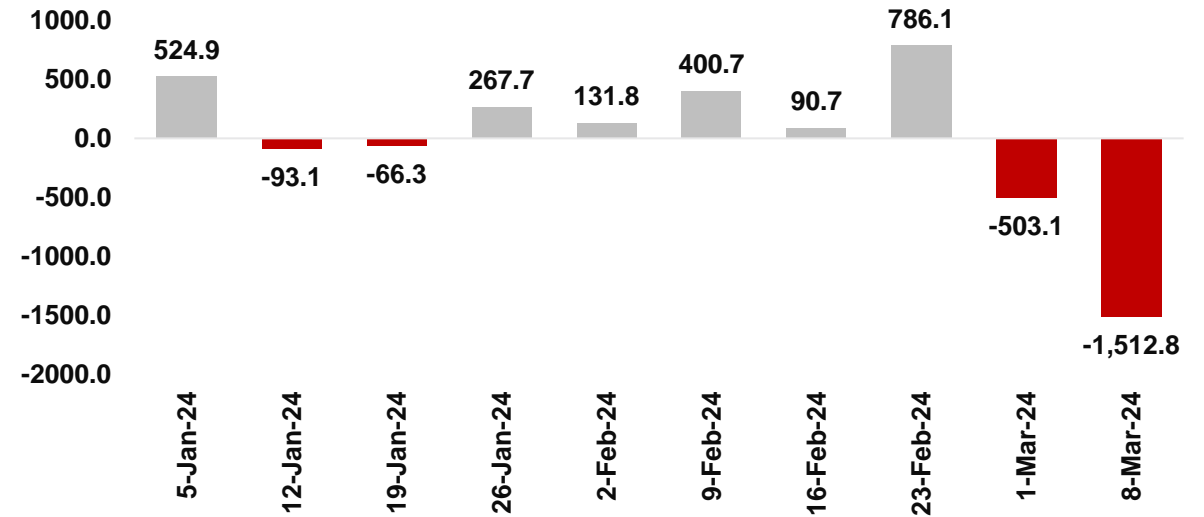
- The regional equity indices mostly ended in the green for the week ending March 8, with Taiwan's TAIEX spearheaded the gainers, expanding by 4.5%, buoyed by a strong performance of chip companies including the Taiwan Semiconductor Manufacturing Company (TSMC).
- Among other major winners were Korea's KOSPI (1.4%) and Thailand's SET (1.4%).
- Hong Kong's Hang Seng finished as the major loser, contracting by 1.4% with US-China tensions simmering in the Mainland China's chip sector and amid concerns about the health of the Chinese economy ahead of the inflation data release due last Saturday.

DOMESTIC EQUITY: BURSA ENDED SLIGHTLY HIGHER AFTER THE BNM KEPT OPR STEADY AS EXPECTED

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

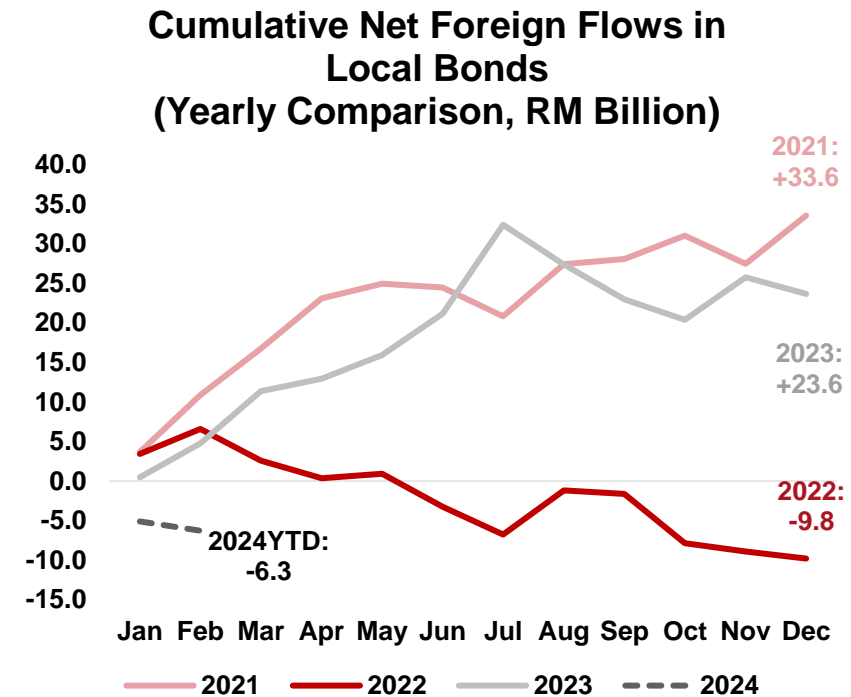
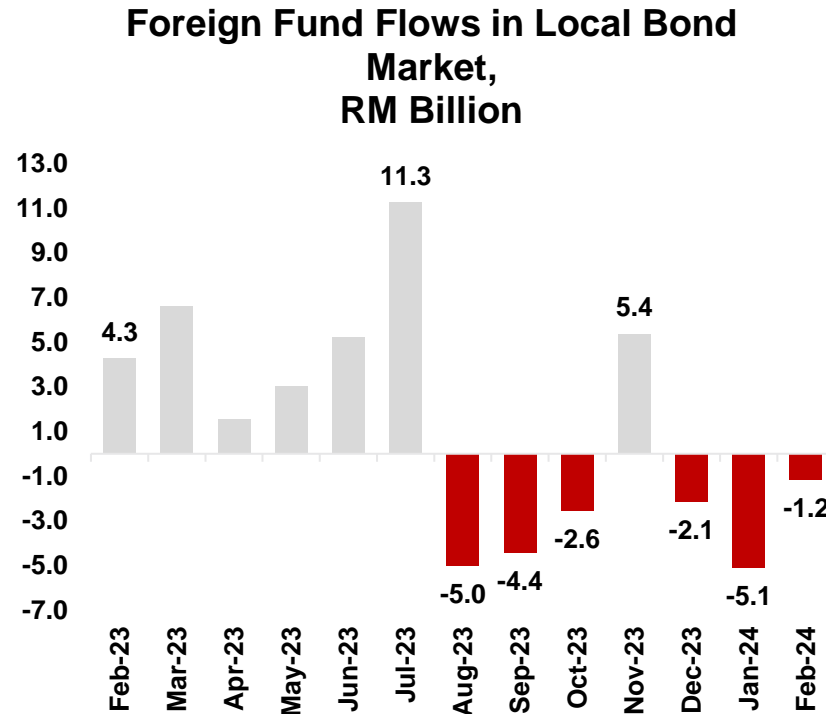


Sources: Bursa, BNM, CEIC Data

- The FBM KLCI closed in the green for the week ending March 8 on bargain-hunting activities after slipping midweek ahead of the Overnight Policy Rate (OPR) announcement.
- Bank Negara Malaysia (BNM), in its March meeting, has opted to keep the OPR steady at 3.00%, marking one year since the last hike.
- Leading the gainers was the Construction index (+1.8%), followed closely by the Plantation (+1.3%) and Finance (+1.1%) indices.
- On the other hand, the Utilities index (-2.1%) was the biggest loser, followed by the Healthcare and Industrial indices at -1.4% and -0.9%, respectively.
- Foreign investors remained net sellers for the second week, shedding a total of RM1.5 billion to mark the highest net outflow this year. Reversing the upbeat momentum from the start of the year, the selling dragged the cumulative total net inflow this year thus far to RM26.6 million.

FIXED INCOME: FOREIGN OUTFLOWS FOR TWO CONSECUTIVE MONTHS IN THE LOCAL BOND MARKET BANK ISLAM

Weekly Changes, basis points (bps)			
UST	Yields (%) 1-Mar-24	Yields (%) 8-Mar-24	Change (bps)
3-Y UST	4.32	4.25	-7
5-Y UST	4.17	4.06	-11
7-Y UST	4.20	4.08	-12
10-Y UST	4.19	4.09	-10
MGS	Yields (%) 1-Mar-24	Yields (%) 8-Mar-24	Change (bps)
3-Y MGS	3.49	3.45	-4
5-Y MGS	3.59	3.55	-3
7-Y MGS	3.78	3.74	-4
10-Y MGS	3.86	3.83	-3
GII	Yields (%) 1-Mar-24	Yields (%) 8-Mar-24	Change (bps)
3-Y GII	3.47	3.44	-3
5-Y GII	3.61	3.58	-3
7-Y GII	3.78	3.76	-2
10-Y GII	3.87	3.84	-2

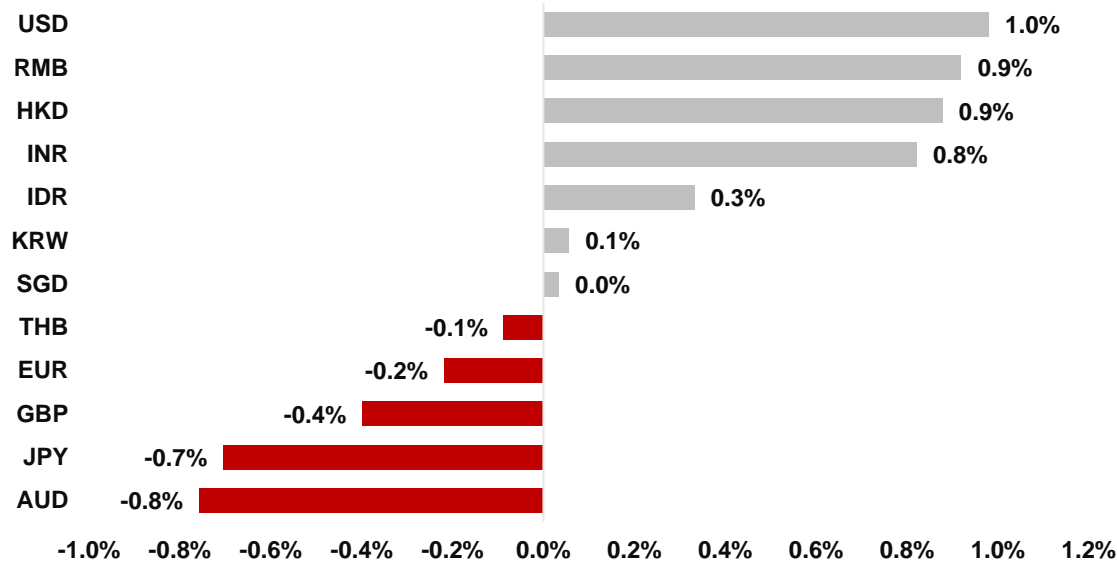


Sources: BNM, Federal Reserve Board

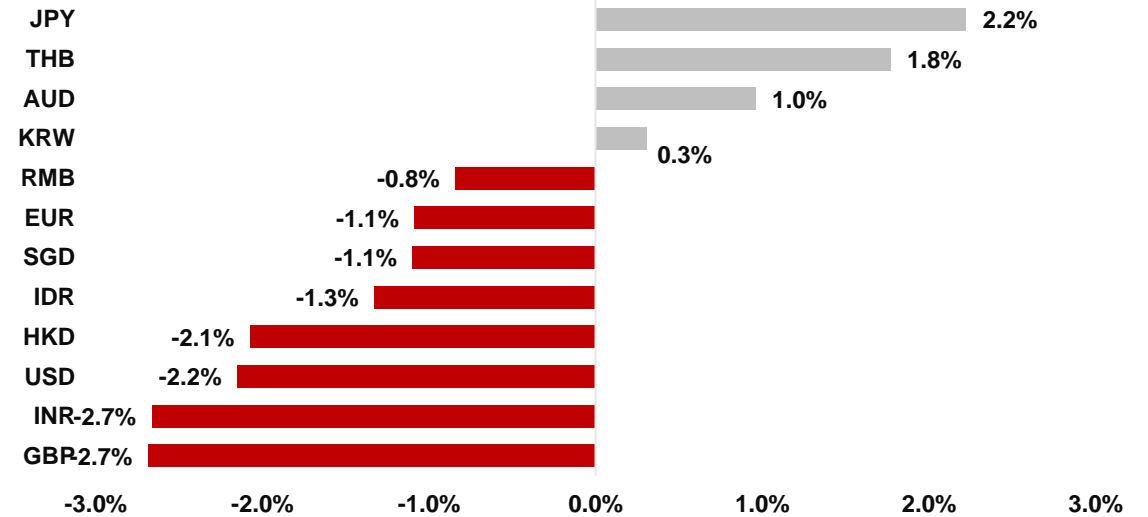
- The U.S. Treasury (UST) yield inched lower between 7bps and 12bps for the week ending March 8 as strong job growth hints at possible U.S. Federal Reserve (Fed) rate cuts.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also rallied last week in the range of 2bps and 4bps.
- Foreign fund flows in the local bond market remained sluggish in the negative territory with a net foreign outflow of RM1.2 billion in February (January: -RM5.1 billion). Consequently, local govies' foreign shareholdings to total outstanding slid to 21.5% in February (January : 21.8%).
- For the first two months of this year, the local bond market recorded the cumulative net foreign outflows RM6.3 billion, significantly lower than the inflows of RM4.8 billion in the same period in the previous year.

FX MARKET: RINGGIT STRENGTHENED BELOW RM4.70-MARK, A LEVEL THAT WAS LAST SEEN IN MID-JANUARY THIS YEAR

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 8 March 2024)



Source: BNM

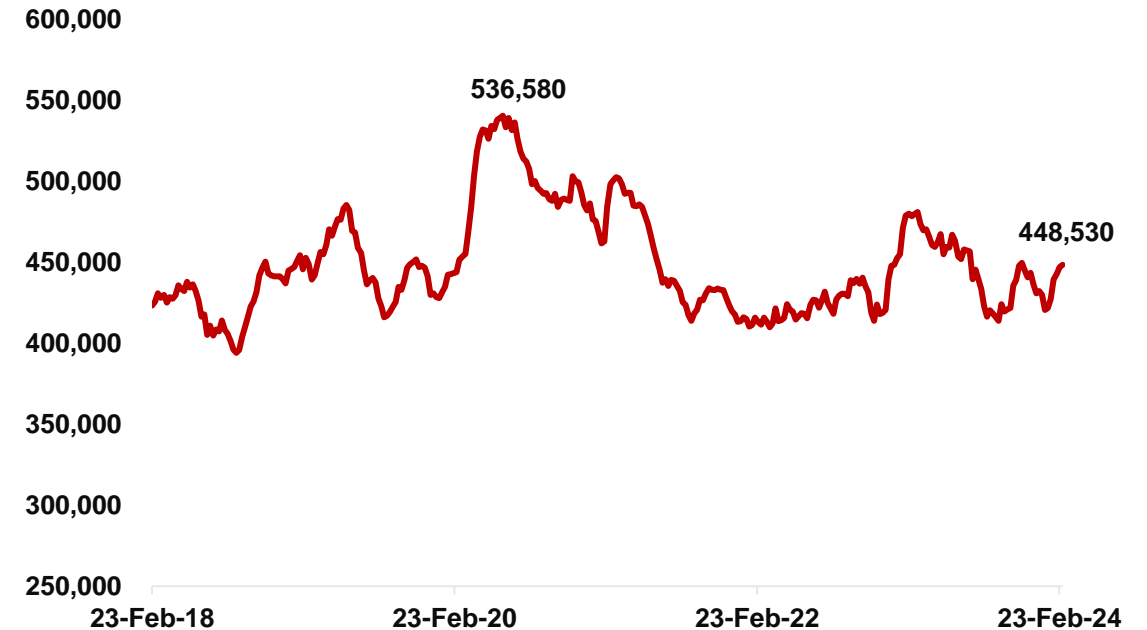
- The Ringgit appreciated against the USD when the local note closing at RM4.6925 last Friday from RM4.7385 in the previous week. We posit that an official statement from the BNM regarding the undervaluation of the Ringgit has improved the market sentiment when the local note touched briefly RM4.80 threshold in late February.
- Aside from that, the decline in the USD index (8 March 2024: -1.1% vs. 1 March: 0.0%) during the week could have supported the Ringgit, after Fed Chair Jerome Powell indicated that rate cuts could be possible in 2024.
- For this week, we believe that market participants would be eyeing closely on the latest reading for U.S. inflation rate and retail sales in February to gauge the Fed's assessment on the interest rate decision, which in our view, would determine the local note movement in the week.

COMMODITY: THE OIL PRICE SETTLED LOWER, REGISTERED A 1.8% LOSS FOR THE WEEK

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Market sentiment remained cautious amid concerns over Chinese demand as the country's crude oil import fell by 5.7% to 10.8 million barrels per day (bpd) for the first two months of this year compared to 11.44 million bpd in December 2023. This is despite the OPEC+ group extending supply cuts until the end of June, cited from a statement by Saudi Arabia's Ministry of Energy.
- Meanwhile, Fed Chair Powell's hint of the potential interest rate adjustments bolstered the outlook for global growth and energy demand.

COMMODITY: GOLD PRICE ON ALL-TIME HIGH AS PROSPECTS OF RATE CUTS INCHES CLOSER

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, BLS

- The bullion price surged to record high in the week ending March 8 following the dollar's declining trend as the chances of a rate cut in 2H2024 comes into focus.
- Fed Chair Powell has signalled that the Fed is increasingly confident that inflation is moving at the desired momentum to the targeted 2.0%, fuelling bets that the rate cuts may happen as soon as June.
- Market expectations also stirred amid a cooling job market as the U.S. unemployment rate rising to a two-year high of 3.9% in February (January: 3.7%). Furthermore, NFP figures for December 2023 and January 2024 has been revised downwards, docking a total of 167K from the initial reports.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week's market focus will be on U.S. consumer and producer price data for February that could influence expectations around the Fed's future monetary policy path and pace. The market consensus points to continued stickiness in inflation amid an uptick in gasoline prices, which, if comes true, would reinforce the view that the first rate cut by the Fed is not imminent. Currently, the Fed Fund futures market shows market expectations are align with the Fed's projections, anticipating at least three 25bp rate cuts by the end of this year, starting in June.
- Meanwhile in the U.K., monthly GDP report for January will be watched for signs of a recovery after the country's economy slipped into a shallow recession in the 2H2023. Apart from that, figures on wage growth, currently the key indicator closely monitored by the Bank of England (BoE) to assess the underlying inflation backdrop, also due this week. U.K. wage growth has eased at a slower-than-expected pace in 4Q2023 (6.2% vs. 3Q2023: 6.7%), affirming the case of interest rate staying high for longer before the BoE is satisfied with the progress in inflation. BoE's Chief Economist Huw Pill has, in his latest remarks, indicated his view that the first rate cut is "still some way off".
- China's above-consensus inflation data for February (0.7% vs. January: -0.8%) provides room for the People's Bank of China (PBoC) to leave its 1-year Medium-Term Lending Facility (MLF) rate unchanged this week. Amid calls for more stimulus to support the tepid economic growth, the PBoC has already eased monetary policies with a 50bp cut to the required reserve rate (RRR) and a 25bp cut to the 5-year Loan Prime Rate (LPR) this year thus far. While the PBoC has repeatedly signalled its readiness to do more if needed, room for further monetary easing is constrained by concerns about Chinese yuan (CNY) volatility.
- Malaysia is scheduled to release its industrial production and retail sales data for January this week. Industrial production is foreseen to record a rebound from a decline of 0.1% in December. Meanwhile, retail sales are likely to have received a boost from festive demand, and its growth is expected to come in higher than the 5.0% recorded in December.

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THANK YOU