



WEEKLY ECONOMIC UPDATE

13 FEBRUARY 2024

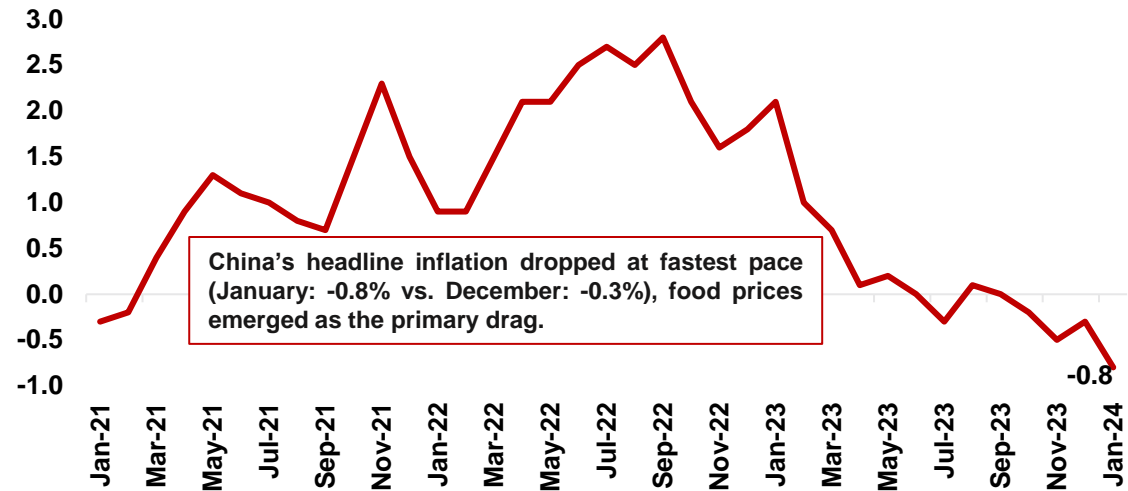
ECONOMIC RESEARCH

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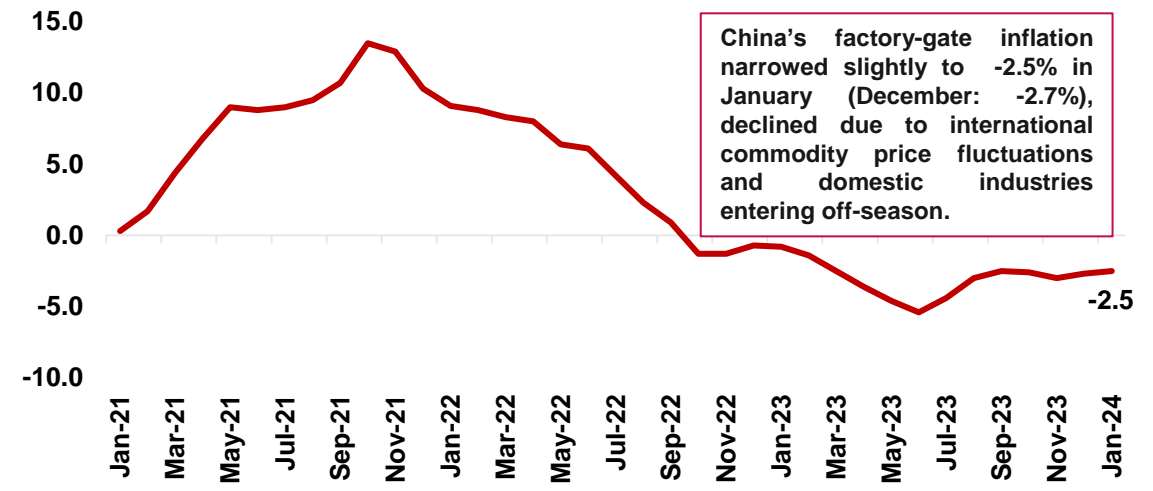
WEEKLY HIGHLIGHT: CHINA FACES LARGEST CONSUMER PRICE DROP SINCE 2009, HEIGHTENING DEFLATION CONCERNS

GLOBAL

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

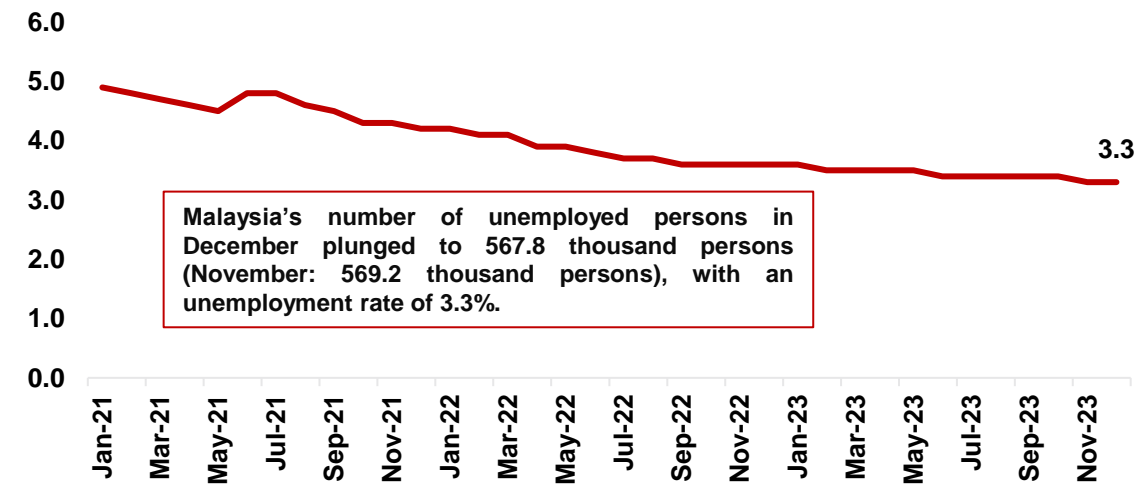


China - Producer Price Index (PPI), y-o-y%

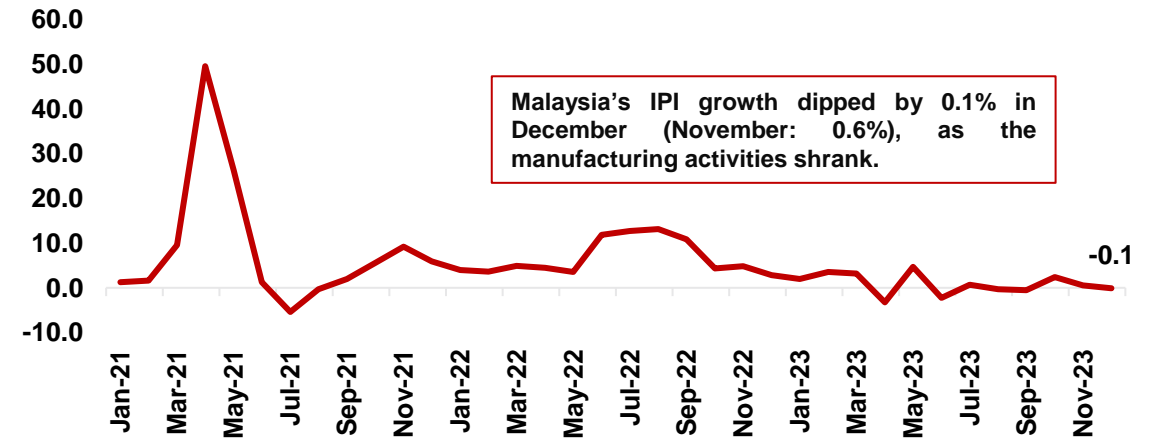


DOMESTIC

Malaysia - Unemployment Rate, y-o-y%

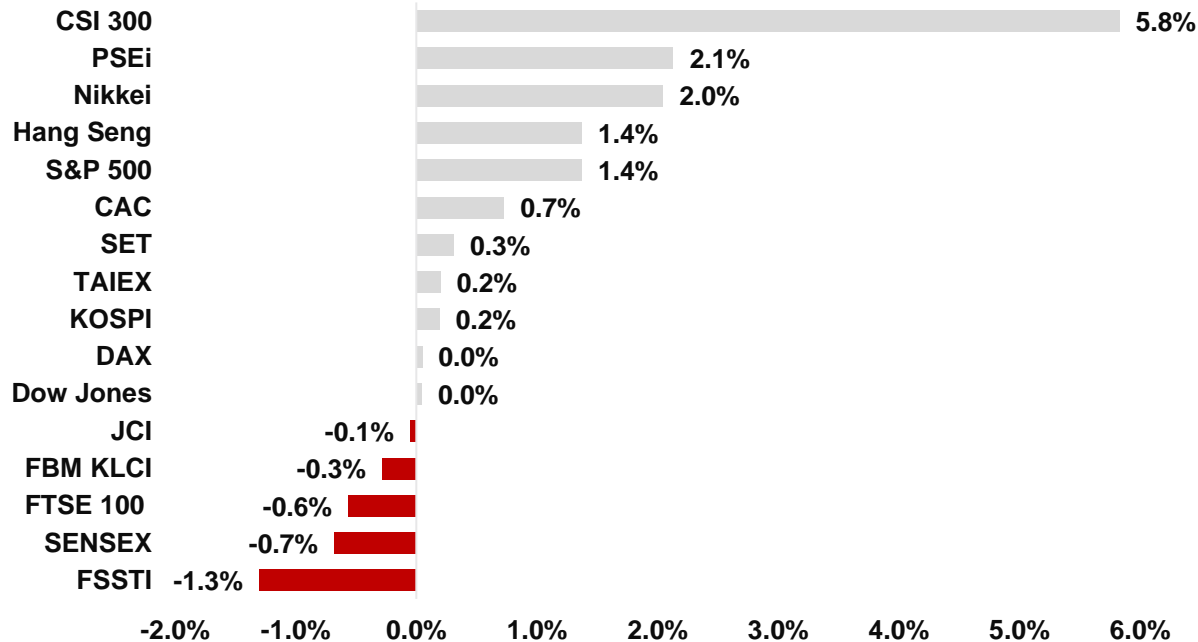


Malaysia - Industrial Production Index (IPI), y-o-y%

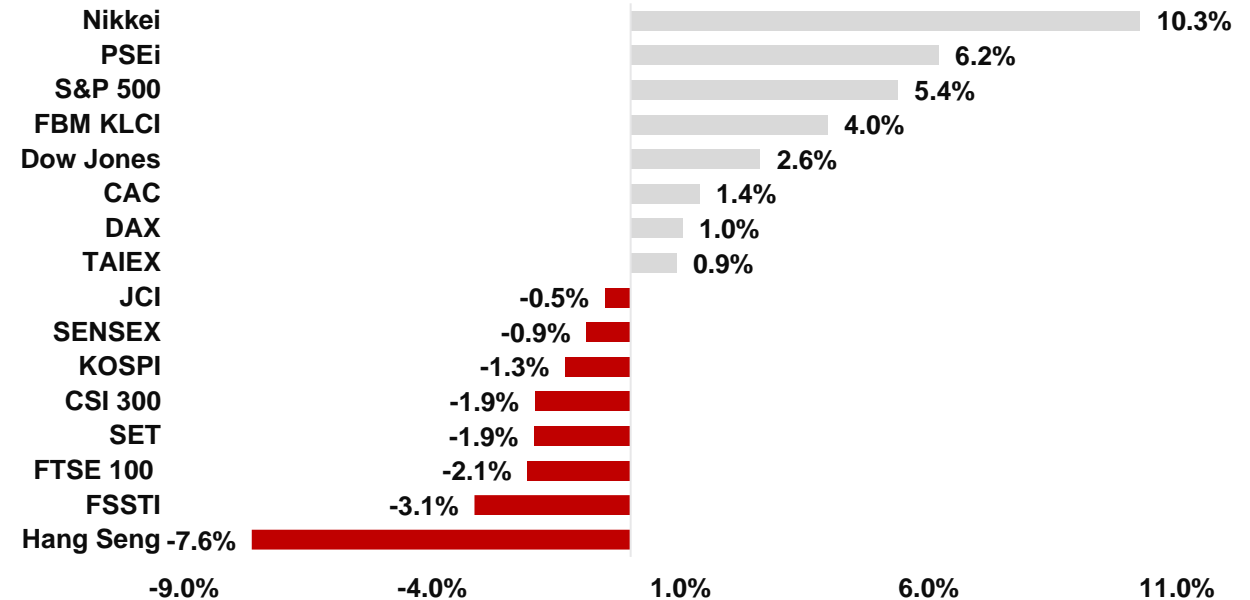


REGIONAL EQUITY: CHINESE STOCKS RALLIED AS THE GOVERNMENT INTERVENES TO PROP UP THE MARKET

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



YTD Gain/Loss of Major Equity Markets, % (As of 9 February 2024)

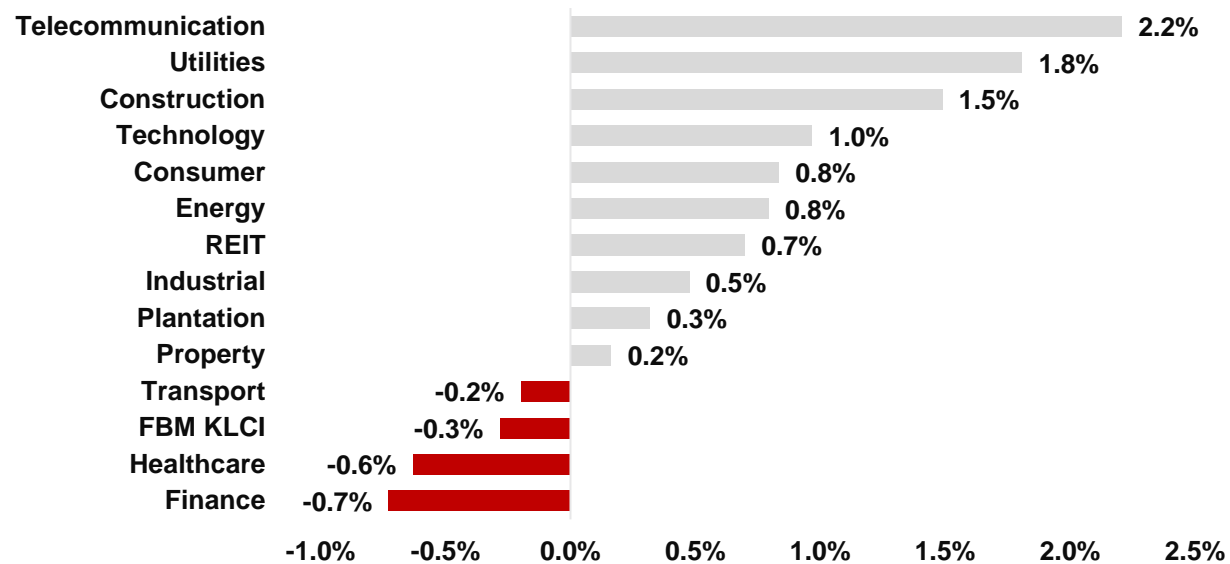


Sources: Bursa, CEIC Data

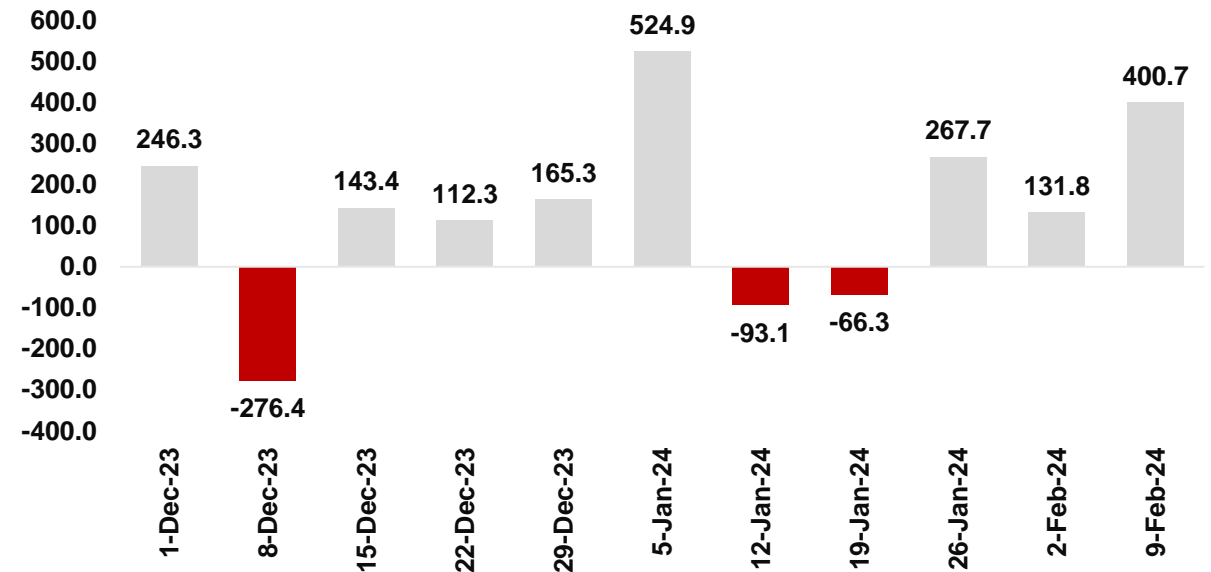
- The worldwide equity indices mostly ended in the green for the week ending February 9, with China’s CSI 300 leading ahead of other regional benchmark indices with gains of 5.8% following the appointment of a seasoned regulator as the head of the securities watchdog and policy interventions aimed at bolstering the struggling stock market.
- Among other major winners were Philippines’ PSEi (2.1%) and Japan’s Nikkei (2.0%).
- Singapore’s FSSTI finished lacklustre, contracting by 1.3% amid continued selling pressure emerged amid anxieties over the impact of China's weakening economy and growing geopolitical instability in the Middle East on its trade-dependent economy.

DOMESTIC EQUITY: LOCAL MARKET CLOSED MIX AHEAD OF THE LUNAR NEW YEAR

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



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

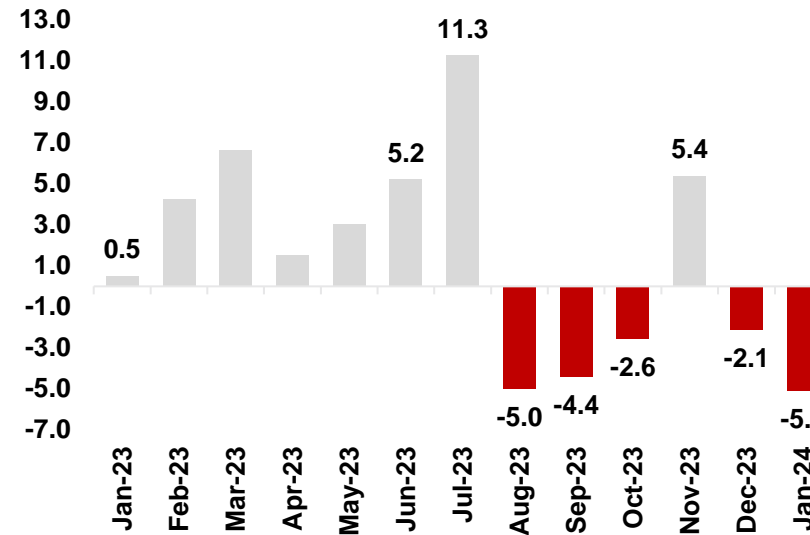
- The FBM KLCI closed in the red for the week ending February 9 amid profit taking activities ahead of the long Lunar New Year weekend.
- Sentiment in the local market was subdued ahead of the festive season as there were less catalysts coming into play to weigh in on the market. However, losses were capped by increased foreign buying.
- Leading the gainers was the Telecommunications index (+2.2%), followed by the Utilities (+1.8%) and Construction (+1.5%) indexes.
- Meanwhile, the Finance index (-0.7%) ended the week as the biggest loser, followed by the Healthcare (-0.6%) and Transport (-0.2%) indexes.
- Foreign investors remained net buyers for the third straight week, recording a total net inflow of RM400.7 million. The buying increased the cumulative total net inflow this year thus far to RM1.2 billion.

FIXED INCOME: FOREIGN INVESTORS KICKED OF THE YEAR AS THE NET SELLER OF LOCAL BONDS

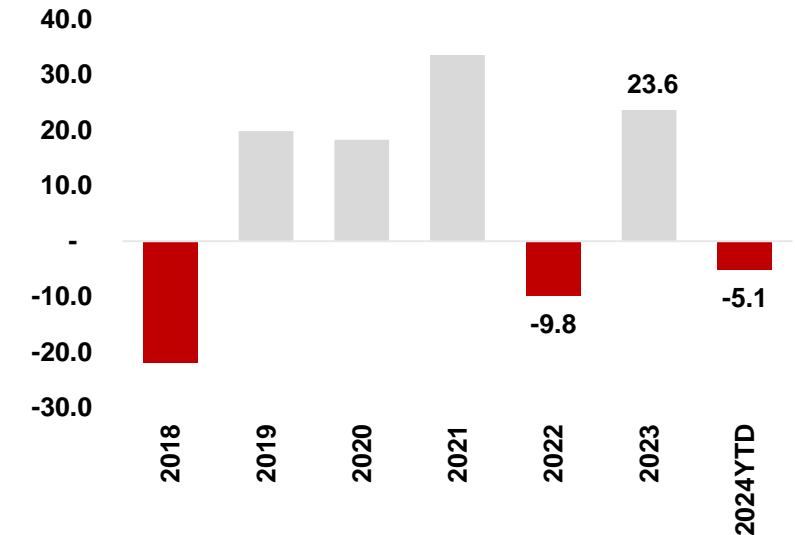
Weekly Changes, basis points (bps)			
UST	Yields (%) 2-Feb-24	Yields (%) 9-Feb-24	Change (bps)
3-Y UST	4.14	4.25	11
5-Y UST	3.99	4.14	15
7-Y UST	4.02	4.17	15
10-Y UST	4.03	4.17	14
MGS	Yields (%) 2-Feb-24	Yields (%) 9-Feb-24	Change (bps)
3-Y MGS	3.36	3.39	3
5-Y MGS	3.50	3.53	3
7-Y MGS	3.70	3.77	7
10-Y MGS	3.78	3.81	4
GII	Yields (%) 2-Feb-24	Yields (%) 9-Feb-24	Change (bps)
3-Y GII	3.41	3.43	2
5-Y GII	3.55	3.56	2
7-Y GII	3.74	3.74	1
10-Y GII	3.81	3.84	3

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion



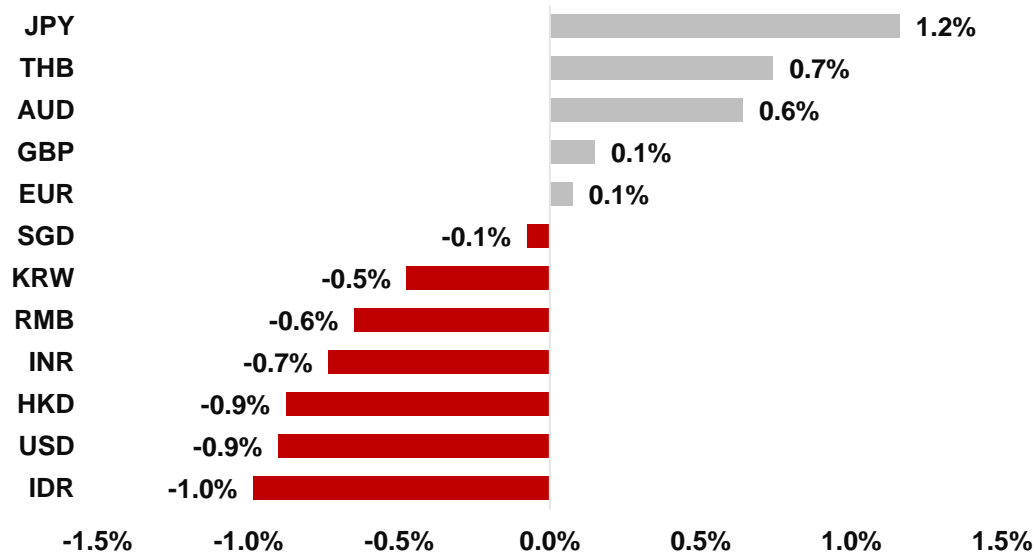
Cumulative Net Foreign Flows into Local Bonds, RM billion



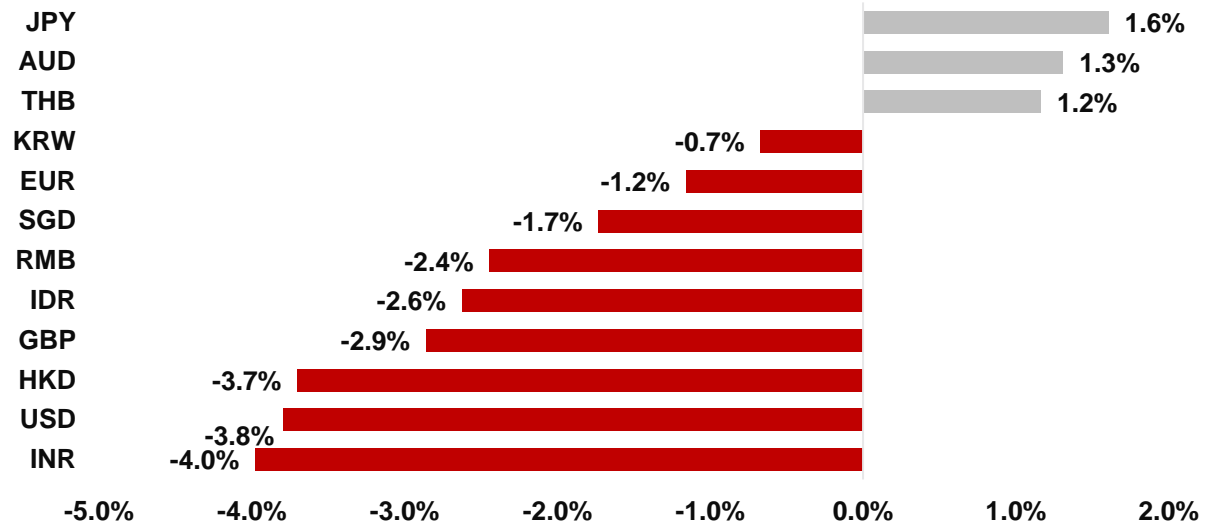
- The U.S. Treasury (UST) yields edged higher between 11bps and 15bps for the week ending February 9 as investors viewed the downward revision of headline inflation data as a justification for the U.S. Federal Reserve (Fed) to maintain its high interest rates for an extended period.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched up last week in the range of 1bp and 7bps.
- The RM5.0 billion 7-Y reopening of MGS issued on February 6 drew a significantly robust demand with a bid-to-cover (BTC) ratio of 2.2x, significantly higher relative to the previous RM5.0 billion 7-Y reopening of MGS in October 2023, which garnered a BTC ratio of 1.4x.
- Foreign fund flows in the local bond market embarked the year by dipping into the negative territory with a net foreign outflow of RM5.1 billion in January (December: -RM2.1 billion). Local govovies' foreign shareholdings to total outstanding slid to 21.8% in January (December : 22.5%).

FX MARKET: RINGGIT WAS UNDER PRESSURE AGAINST THE USD LAST WEEK BANK ISLAM

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 9 February 2024)



Source: BNM

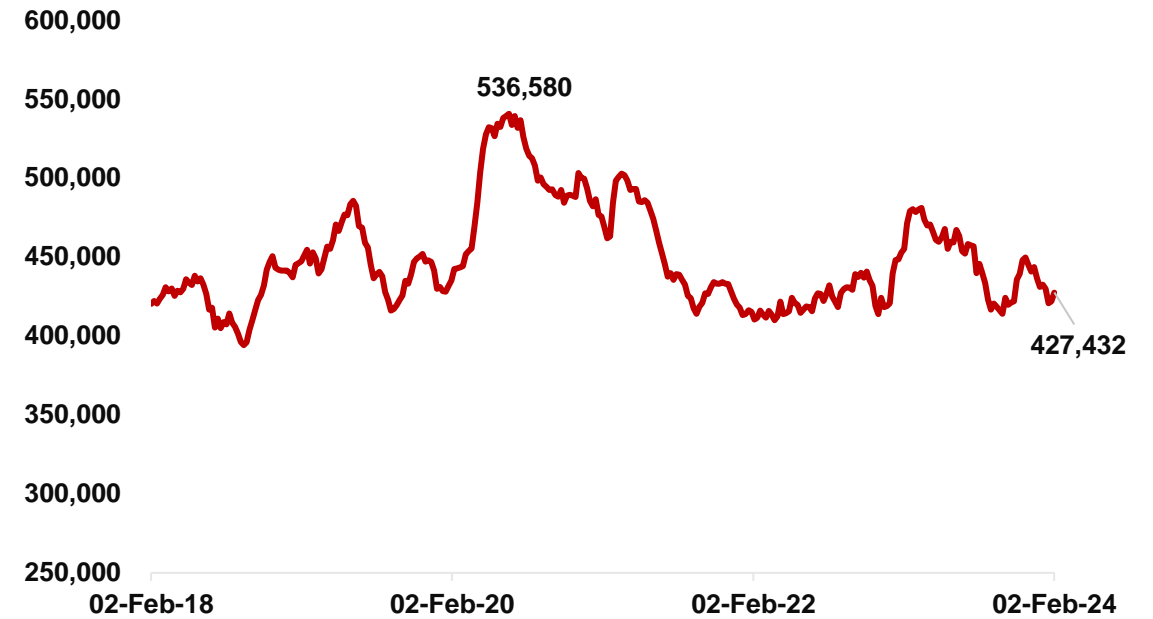
- The Ringgit ended lower against the USD by 0.9% on a weekly basis as the USD index has been lingering around the 104 threshold throughout the week following the strong U.S. economic data.
- The latest U.S. job report reinforcing the expectation that an imminent rate cut by the Fed is unlikely when the initial jobless claims (IJC) showed the number of people claiming unemployment benefits fell more than expected (Act: 218k vs. Est: 220k) in the week ending February 3, affirming resilient U.S. labour market.
- Such a situation has spurred the demand for USD denominated assets, thus pressuring the emerging currencies including the Ringgit last Friday. Despite that, the local note was traded higher against other regional currencies on a weekly basis, including the Japanese Yen (JPY), Thailand Bhat (THB) and Australian Dollar (AUD).

COMMODITY: GEOPOLITICAL TENSIONS IN THE MIDDLE EAST CONTINUED TO DRIVE UP OIL PRICES DURING THE WEEK

Brent Crude in USD per barrel



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

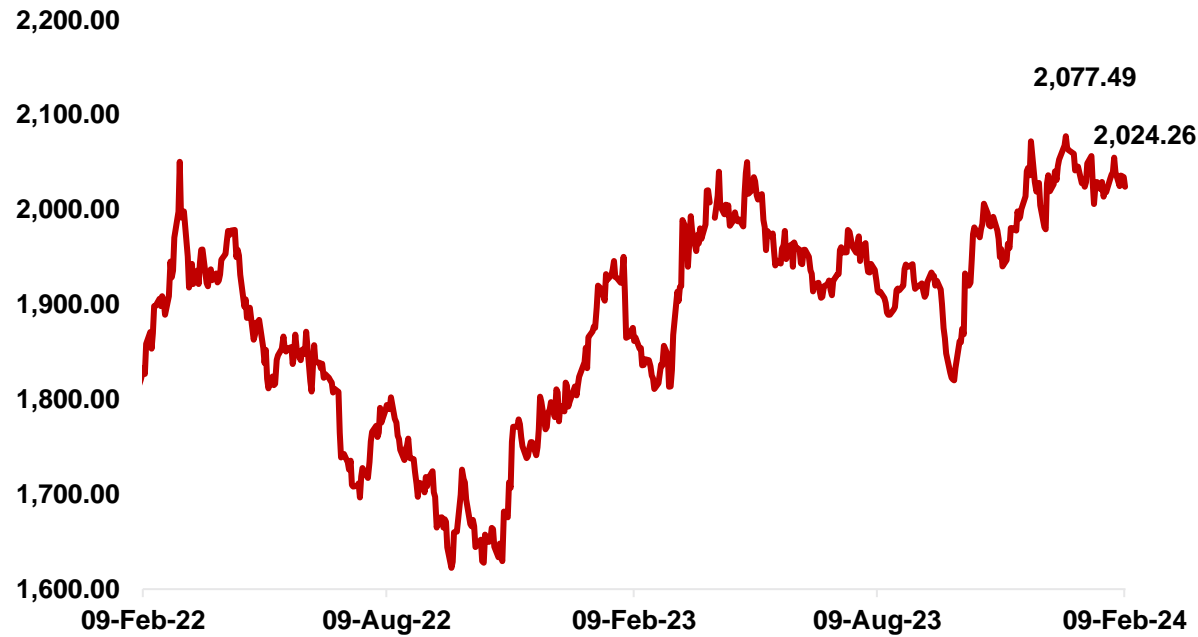


Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price jumped by 6.3% on last Friday as Israel continued its military operations in southern Gaza following Prime Minister Benjamin Netanyahu's rejection of Hamas' proposed ceasefire terms.
- Additionally, the U.S. also conducted a drone strike in Baghdad, heightening tensions with the Iraqi government, a significant oil-producing nation.
- Elsewhere, the U.S. oil inventories have been building up on the supply side, as EIA reported. The crude oil rose by 5.5 million barrels in the week ending February 2 to 427.4 million barrels from 421.9 million barrels in the previous week.

COMMODITY: GOLD PRICE DECLINED FOR THE WEEK AMID A STRONGER DOLLAR

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- The bullion price slipped by 0.8% w-o-w for the week ending February 9 as the USD index grows firmer by 0.2%.
- The performance was attributable to cautious sentiments across the board ahead of the U.S. inflation report due this week, whereby signals of persistent underlying price pressures would further slashed expectations of a rate cut starting as early as May. At the time of writing, a little over half of market participants are pricing in a cut during the Fed's May meeting.
- As such, in the coming week, all eyes are on the release of the U.S.' January CPI for further clues on the Fed's next move.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- It will be a heavy data week for the U.S. with CPI data for January in focus as investors assess the timing and pace of Fed rate cuts. For record, the U.S. disinflationary trend has stalled in recent months, with CPI rising by 3.4% in December from 3.1% in November. The Fed has, in its latest policy meeting held in January, indicated that rate cuts would not begin until it has gained more confidence that inflation is moving sustainably toward its 2.0% target. The remarks, in addition to still-robust U.S. economy and labour market conditions, have led to a pushback in market bets on the timing of the first Fed rate cut from March to May.
- Likewise, in the U.K., this week is packed with economic data updates including the 4Q2023 GDP report, which will confirm whether the economy fell into recession during 2H2023. Taking cue from the slump in retail sales in December 2023, the market consensus expect a flat GDP growth in 4Q2023, if not slight contraction (3Q2023: -0.1%). Apart from that, U.K. inflation report for January will be closely watched for additional clues on when the Bank of England (BoE) will start cutting interest rates. Any signs of price stickiness will dash expectations of an imminent rate cut.
- The Bangko Sentral ng Pilipinas (BSP) is widely expected to leave its benchmark policy rate at a 16-year high of 6.50% during the meeting this week. While Philippines' inflation decelerated sharply to 2.8% in January (December: 3.9%), staying within the BSP's inflation target of between 2.0% and 4.0% for the second consecutive month, upside risks to inflation stemming from the ongoing El Nino Phenomenon, for instance, would provide justification for the BSP to keep monetary policy "sufficiently tight" in the coming months.
- On the domestic front, 4Q2023 GDP report will be under the spotlight this week. Advanced estimates by DOSM suggested that Official advance estimates showed GDP growth improved marginally to 3.4% in 4Q2023 (3Q2023: 3.3%), translating into a full-year growth of 3.8%, which fall short of the government's expectation of 4.0%.

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THANK YOU