WEEKLY ECONOMIC UPDATE

14 NOVEMBER 2023

ECONOMIC RESEARCH

FIRDAOS ROSLI
LEE SI XIN
RAJA ADIBAH RAJA HASNAN
NOR LYANA ZAINAL ABIDIN
KHAYRIN FARZANA FAZLI

WEEKLY HIGHLIGHT: BETTER-THAN-EXPECTED GROWTH IN PHILIPPINES BUT SLOWER EXPANSION IN INDONESIA

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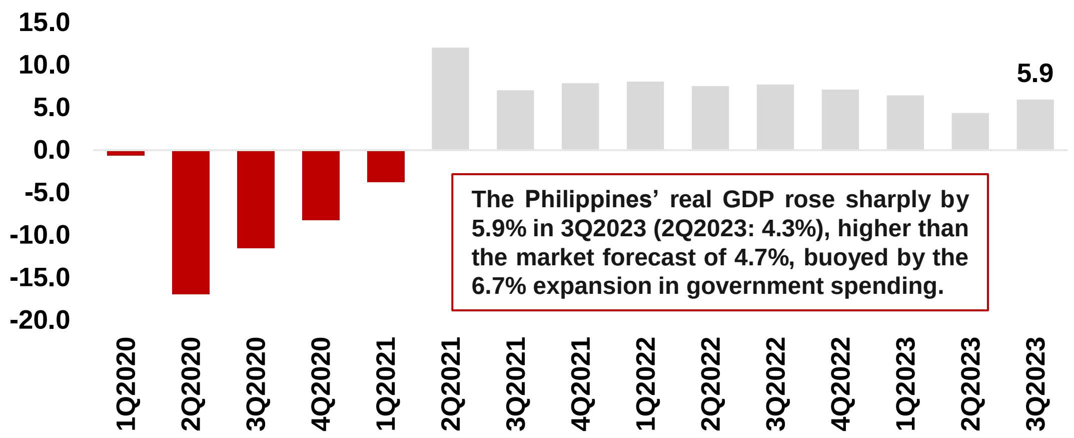
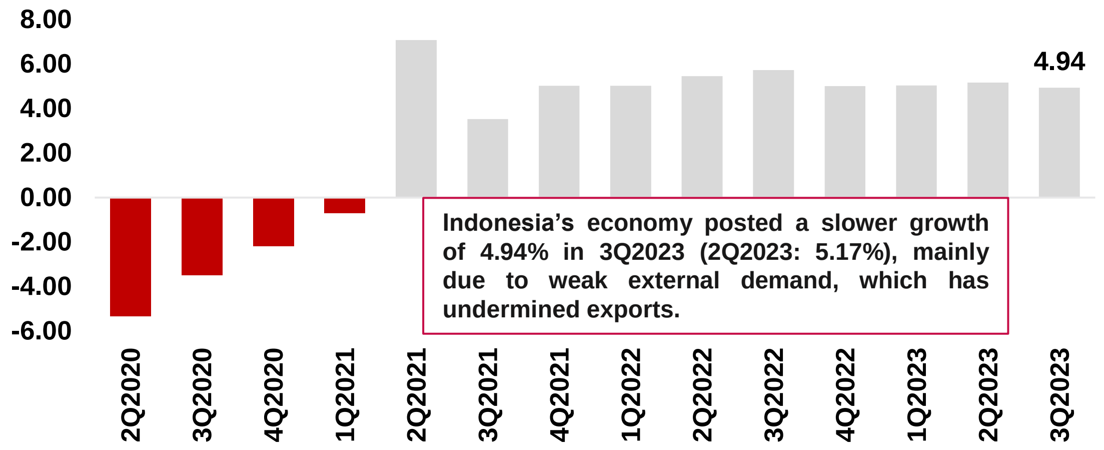
GLOBAL

Philippines - Real Gross Domestic Product (GDP), y-o-y%

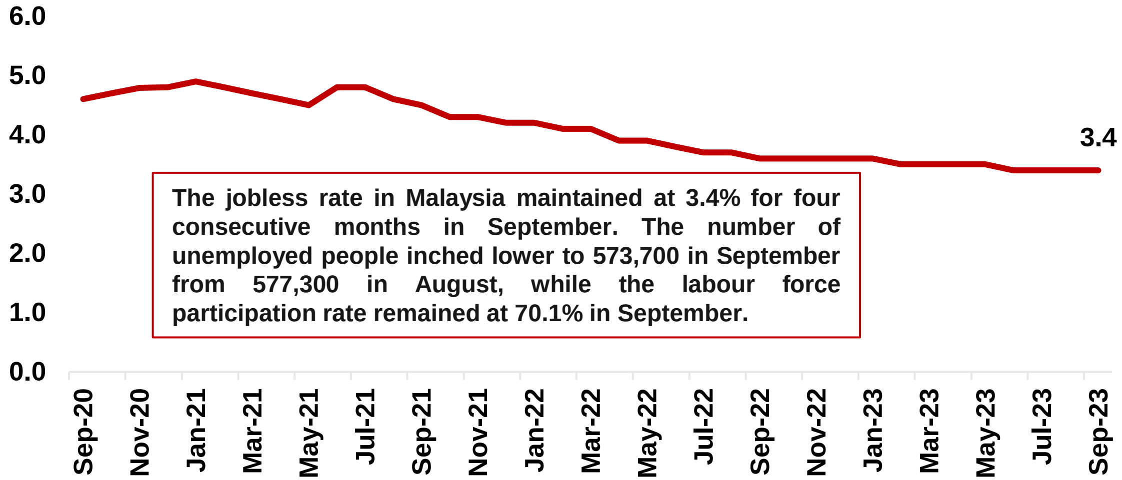


Indonesia - Real GDP, y-o-y%

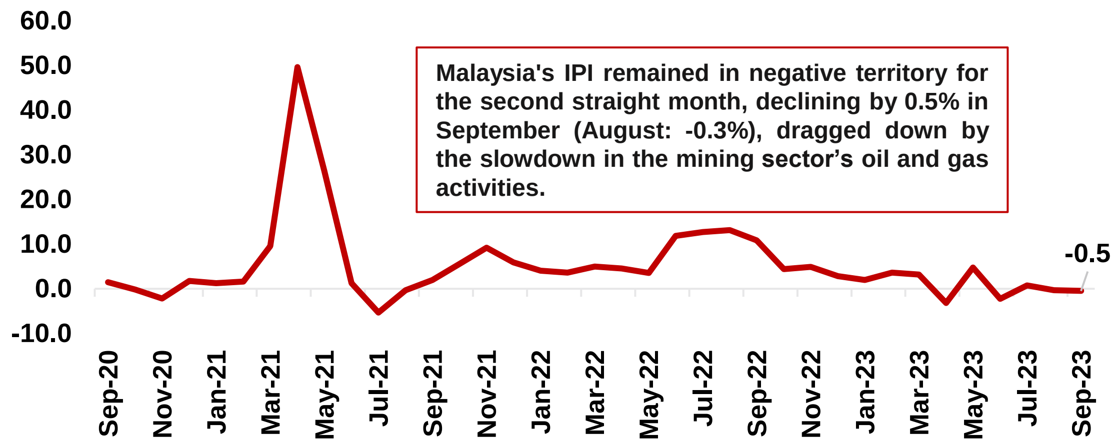


DOMESTIC

Malaysia - Unemployment Rate, %

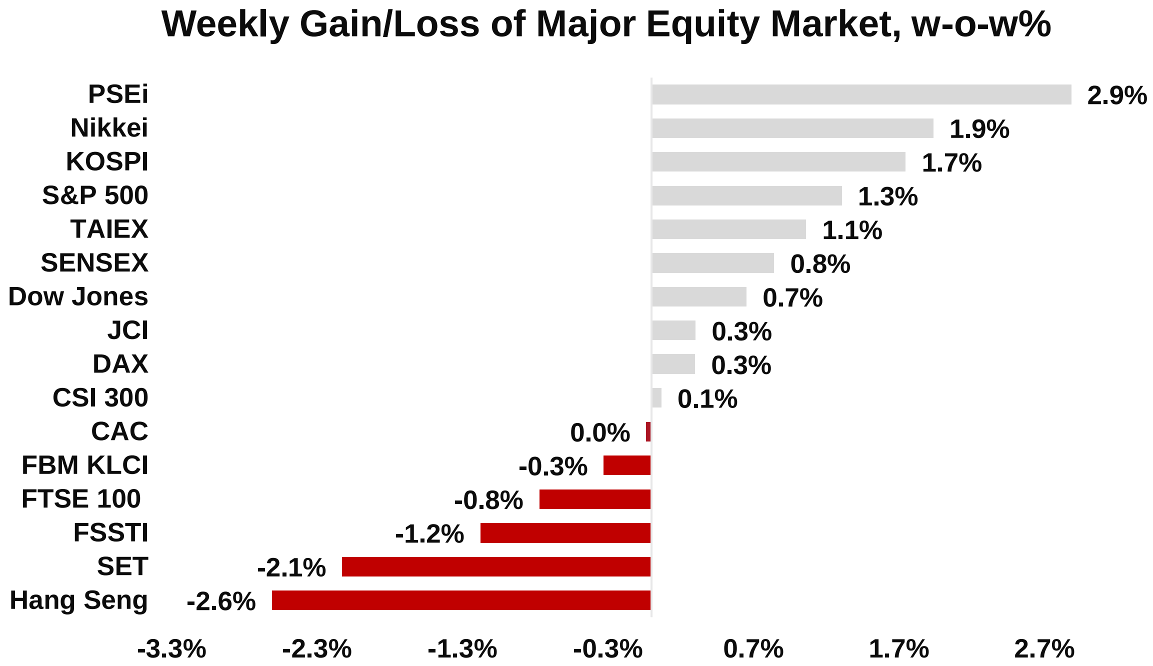


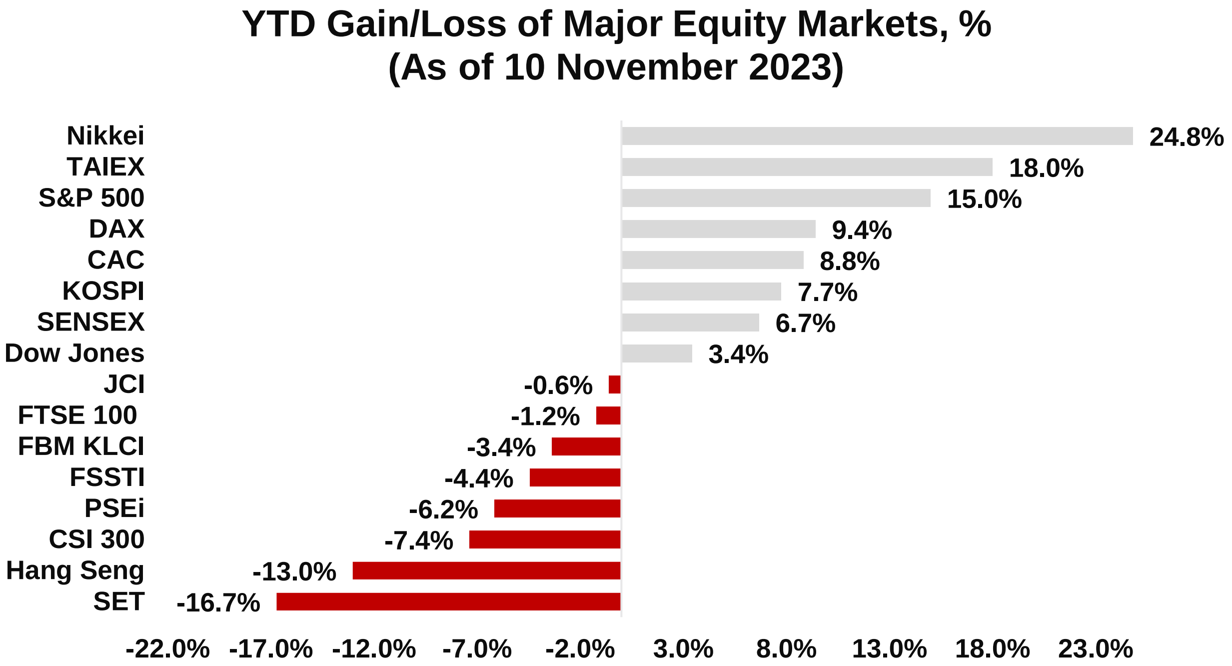
Malaysia - Industrial Production Index (IPI), y-o-y%



Sources: Philippine Statistics Authority, Statistics Indonesia, Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: GLOBAL STOCKS MARKET ENDED MIXED AFTER FED INDICATED THAT THE RATE HIKES ARE NOT OVER



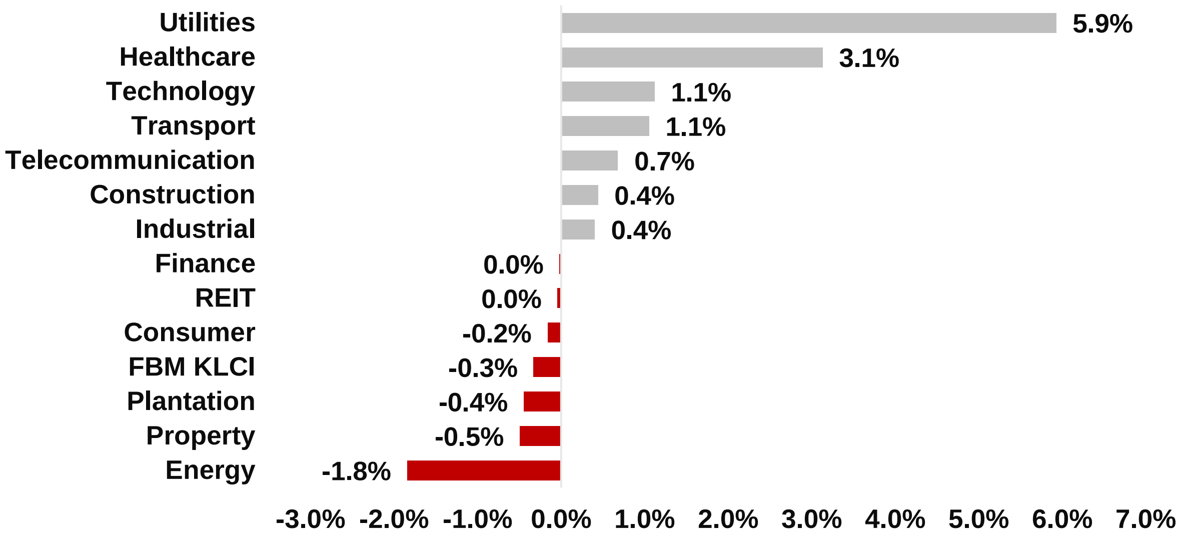


Sources: Bursa, CEIC Data

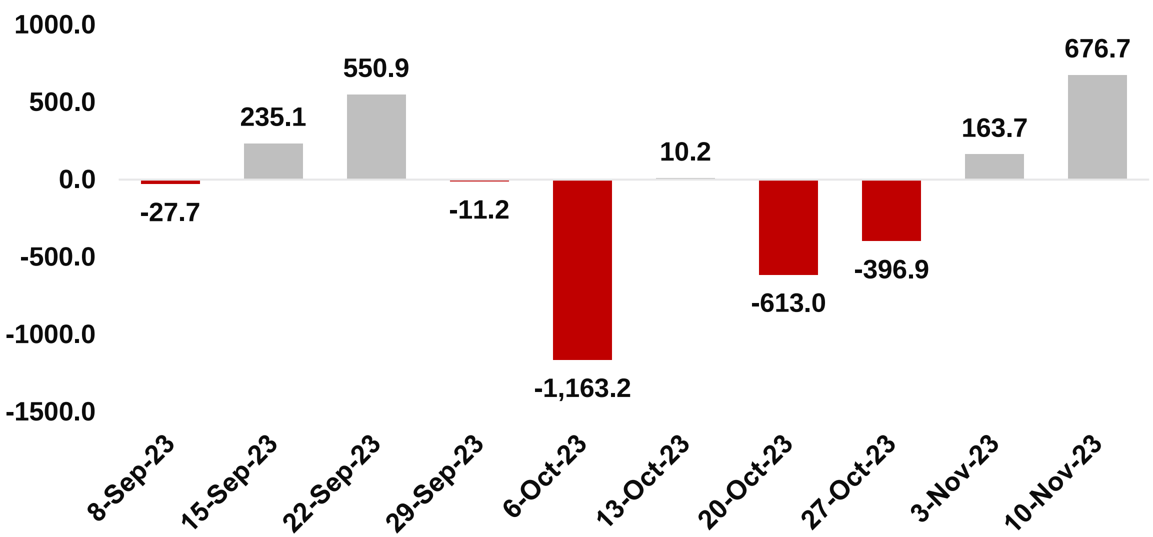
- Regional benchmark indices ended mixed for the week ending November 10 as investors digested the latest remark by the U.S Federal Reserve (Fed) Chair Jerome Powell, which stated that Fed policymakers were not sure that interest rates are high enough to bring inflation down to their inflation target of 2.0%, indicating that the rate-hiking cycle may have yet reached its peak.
- The Philippines' PSEi led the gainers by 2.9% amid the higher-than-expected real GDP expansion of 5.9% in 3Q2023, which was above the market consensus of 4.7%. Additionally, Japan's Nikkei (+1.9%) and Korea's KOSPI (+1.7%) were other major winners last week.
- Hong Kong's Hang Seng contracted by 2.6% as China's economy fell into deflation with a print of -0.2% in October (September: 0.0%). In addition, Thailand's SET (-2.1%) and Singapore's FSSTI (-1.2%) were also among the major losers last week.

DOMESTIC EQUITY: LOCAL MARKET CLOSED MIXED TO REFLECT GLOBAL PEERS

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



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

- The local market closed mixed for the week ending November 10. The varying domestic sentiments echoed regional markets following Powell's remarks on the effectiveness of interest rates on Thursday.
- The Utilities index extended its lead into the second week with a 5.9% gain. Among the other major gainers are the Healthcare (+3.1%), Technology (+1.1%) and Transport (+1.1%) indices.
- Meanwhile, the Energy index was the biggest loser (-1.8%), with the selling attributed to the continuous decline in Brent crude prices. This is followed by the Property and Plantation indices, which recorded losses of -0.5% and -0.4%, respectively.
- Foreign investors continued their buying streak for all days of the week, recording a total inflow of RM676.7 million for the week. The buying reduced the cumulative total net outflow this year thus far to RM3.3 billion.

FIXED INCOME: UST YIELDS TRENDED HIGHER AS TRADERS REACTED TO HAWKISH LEAN STATEMENT BY THE FED CHAIR

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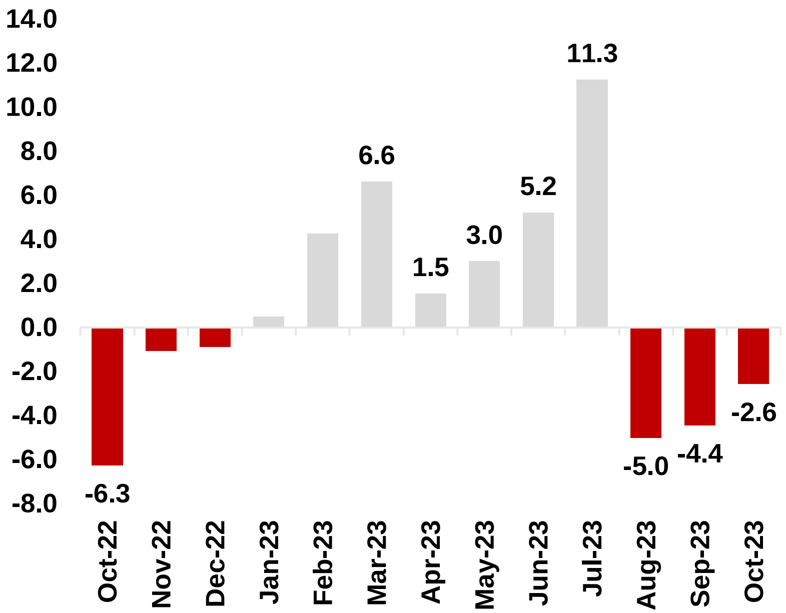
Weekly Changes, basis points (bps)

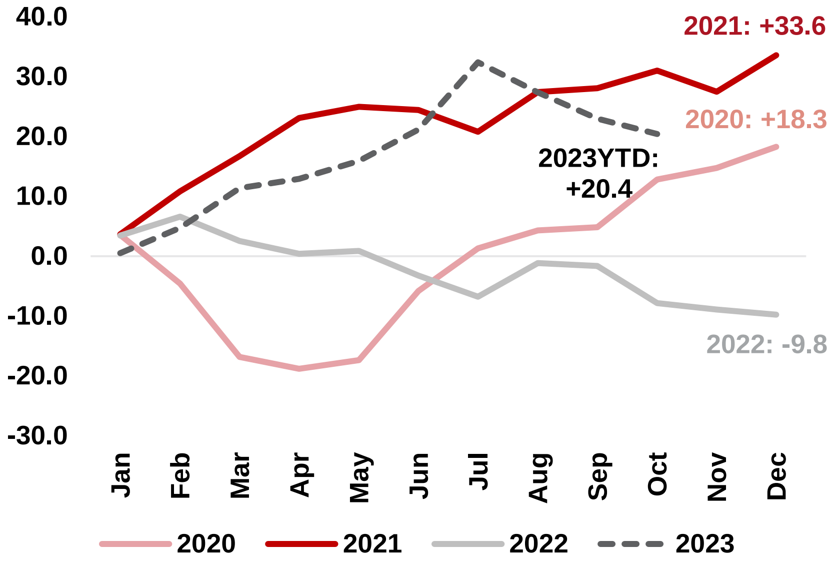
UST	Yields (%) 3-Nov-23	Yields (%) 10-Nov-23	Change (bps)
3-Y UST	4.62	4.80	18
5-Y UST	4.49	4.65	16
7-Y UST	4.55	4.68	13
10-Y UST	4.57	4.61	4
MGS	**Yields (%) 3-Nov-23**	**Yields (%) 10-Nov-23**	**Change (bps)**
3-Y MGS	3.61	3.50	-11
5-Y MGS	3.79	3.69	-10
7-Y MGS	3.97	3.88	-8
10-Y MGS	3.97	3.89	-8
GII	**Yields (%) 3-Nov-23**	**Yields (%) 10-Nov-23**	**Change (bps)**
3-Y GII	3.64	3.55	-9
5-Y GII	3.79	3.73	-6
7-Y GII	3.98	3.92	-6
10-Y GII	4.00	3.95	-5

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion

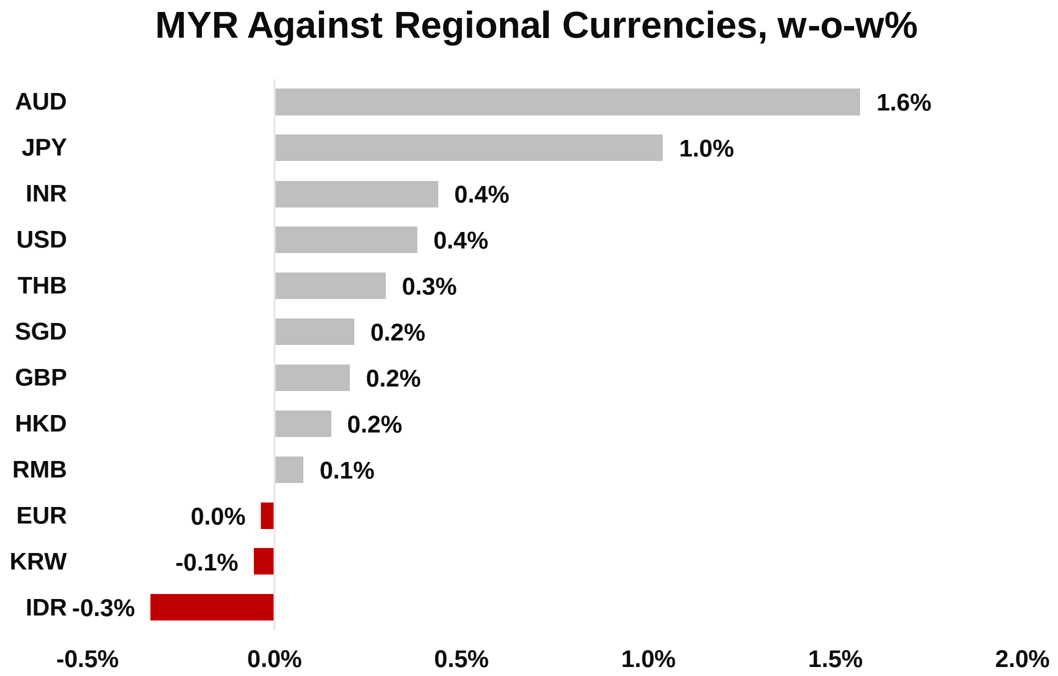


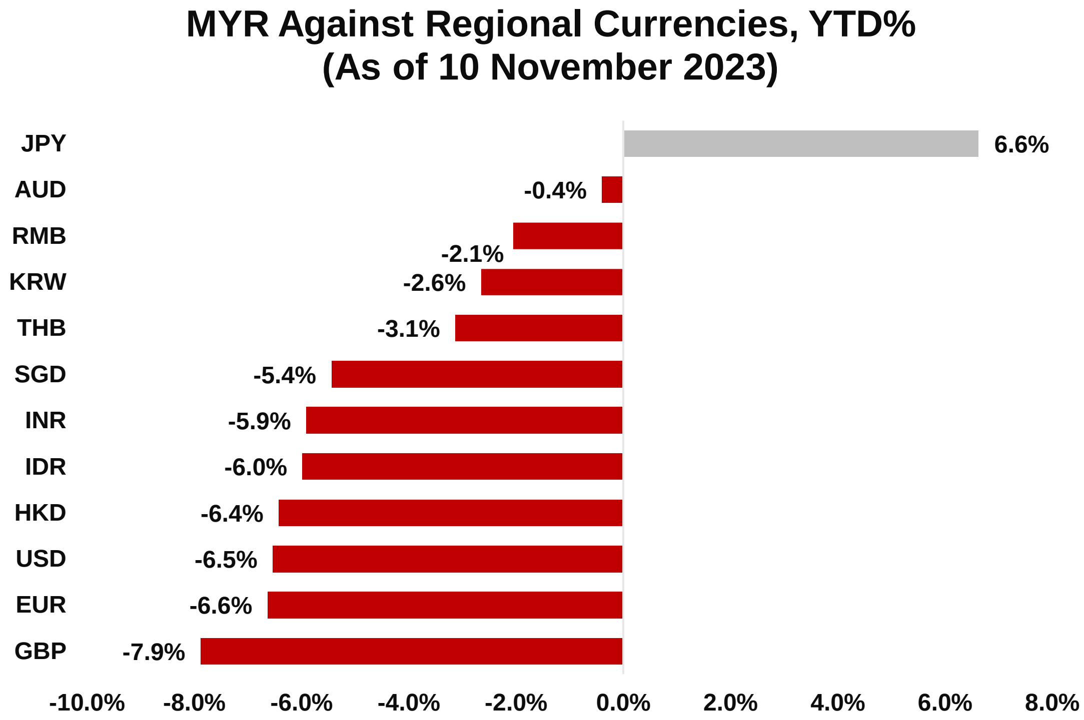
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



- The U.S. Treasury (UST) yield curve bearishly flattened, with yields soaring between 4bps and 18bps as investors digested the latest hawkish lean remark by Fed Chair Jerome Powell.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yield curves bullishly steepened, with MGS yields falling between 8bps and 11bps while GII yields ticked down in the range of 5bps and 9bps.
- The local bond market recorded a third consecutive month of net foreign outflows in October, albeit at a slower pace at RM2.6 billion (September: -RM4.4 billion). Consequently, the local govvies' foreign shareholdings to total outstanding dipped to 22.4% in October (September: 22.8%).
- The outflows reduced the cumulative net foreign inflows to RM20.4 billion from January to October this year, although still significantly higher than the outflows of RM7.9 billion in the same period in the previous year.

FX MARKET: RINGGIT TO TRADE CAUTIOUS AGAINST THE USD THIS WEEK





Source: BNM

- The Ringgit appreciated against the USD for the second straight week, closing at RM4.7215 last Friday from RM4.7395 in the previous week.
- The U.S. labour market showed some signs of loosening when the country's economy added fewer jobs than expected in October (Act: 150k vs. Est: 180k), which could support the view that the central bank might have done hiking interest rates.
- However, we posit that the local note's gain was capped during the week (3 November: 0.8%) following the relatively hawkish tone from the Fed Chair Jerome Powell. It appeared that the Fed was not convinced enough with the end of the rate hike cycle – calling for a further rise to fight against inflation.
- For this week, we foresee that the local note would trade cautiously against the greenback as market participants are eyeing Malaysia's 3Q2023 GDP figure, as well as the latest October inflation number from the U.S.

COMMODITY: OIL PRICES DECLINED FOR THIRD STRAIGHT WEEK

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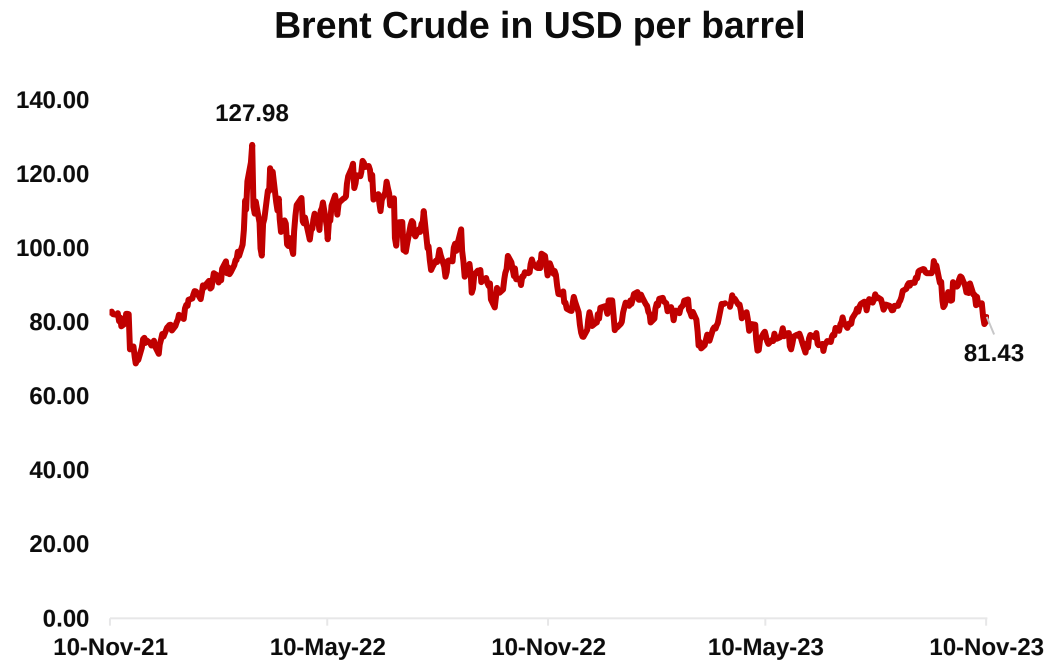
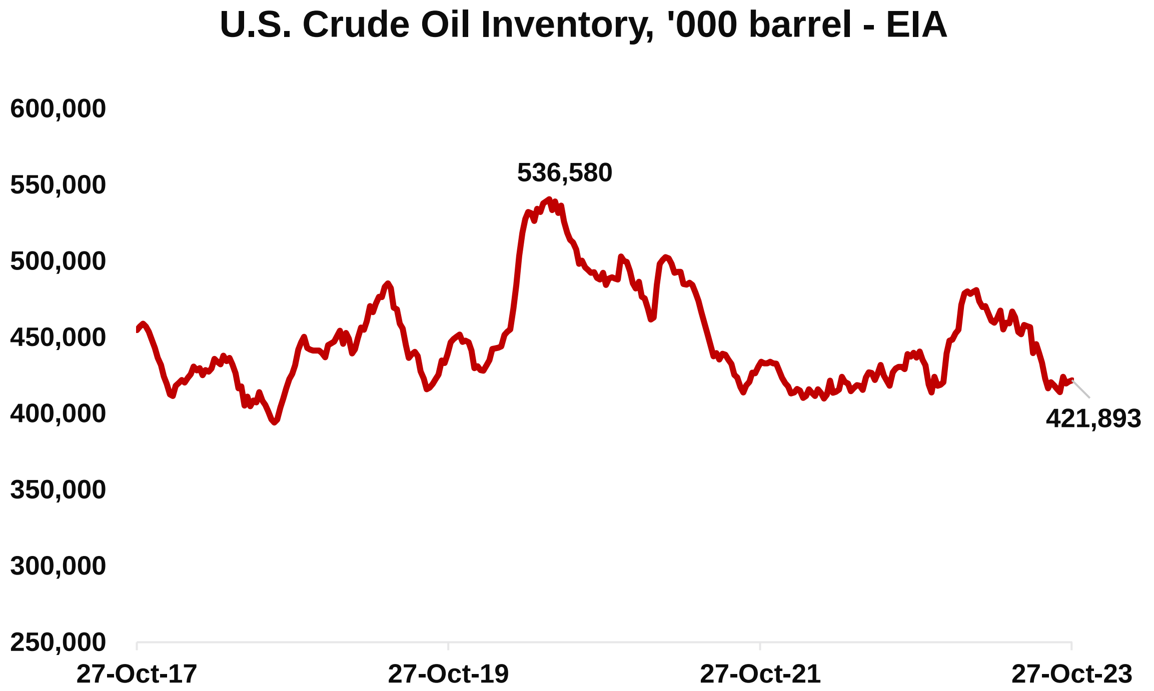
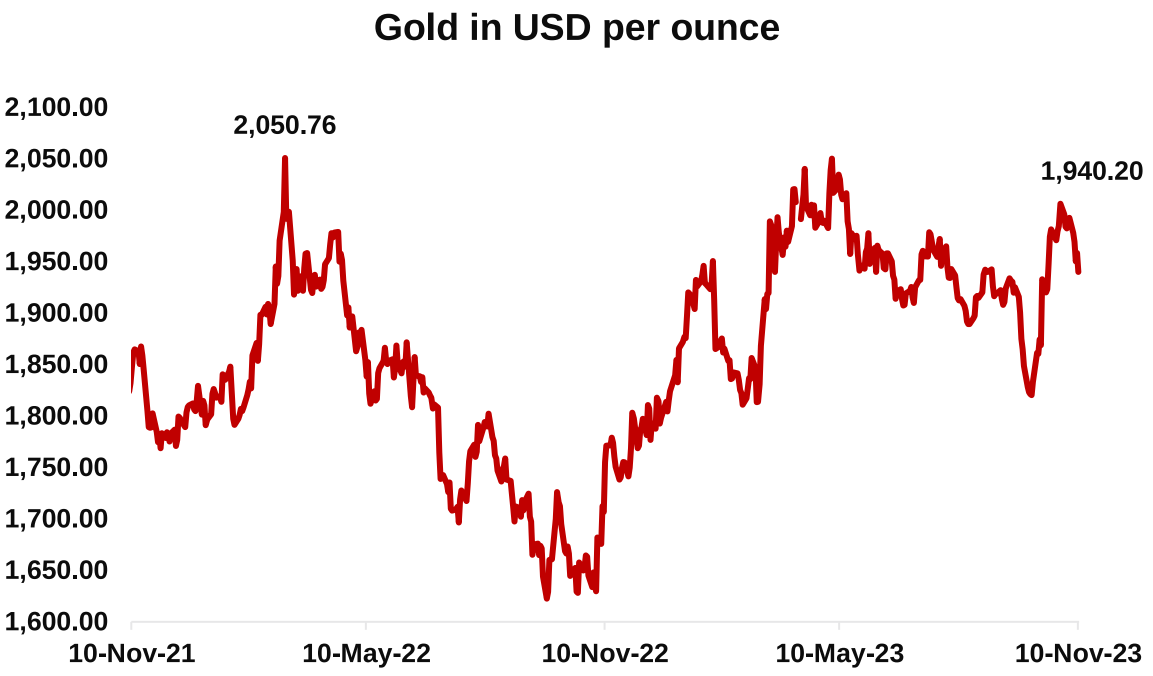


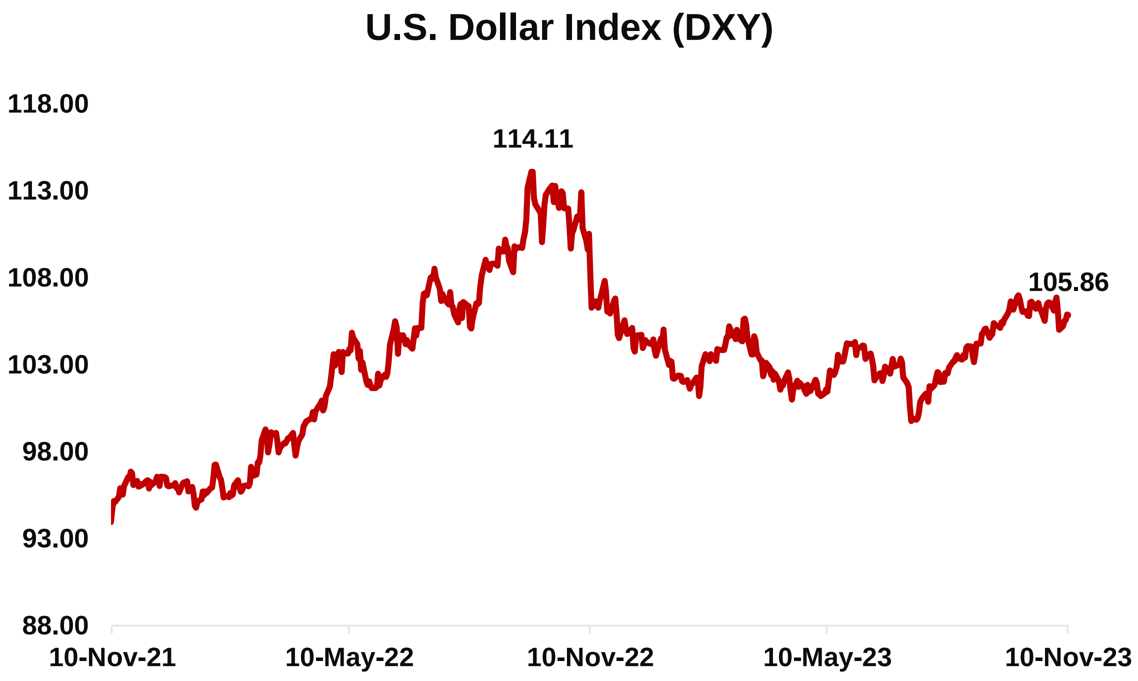


Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price was pressured by the uncertainties from demand in both of the U.S. and China.
- In particular, China's weaker-than-expected trade figures, as well as inflation, hurt the demand outlook in the world's top crude importer.
- Latest, the EIA stated that total petroleum U.S. consumption is expected to decrease by 300,000 barrels per day (bpd) this year from the earlier projection of 100,000 bpd.

COMMODITY: GOLD PRICE HEADED FOR SECOND WEEKLY LOSS AS USD EDGED UPWARDS





Sources: Bloomberg

- The greenback rose slightly following the hawkish tones of Chair Powell's remarks on Thursday, which reignited bets of another hike, dependent on economic indicators.
- As such, the bullion price had retreated for the second consecutive week, further weighed by easing risk-averse sentiment as worries surrounding the escalation of the Middle East conflict subsided.
- Be that as it may, all eyes are on the release of the October U.S. Consumer Price Index (CPI) and retail sales data this week for further clues on the monetary path for the Fed's last meeting this year.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

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- The U.S. economic data releases due this week, including inflation data for October, will be on investors' watch for more clues on the Fed policy path. Fed Chair Jerome Powell, in his latest remarks, stated that policymakers remained unsure that the current interest rate is sufficiently restrictive to return inflation to the 2.0% target sustainably, suggesting the upcoming rate decision will be data-dependent. Market consensus points to inflation easing in October (September: 3.7%) on the back of lower fuel prices. In the meantime, investors have priced in more than a 90.0% chance of rates being unchanged throughout the remainder of the year. However, any upside surprise in the inflation data would likely prompt a rate hike in the upcoming Federal Open Market Committee (FOMC) meeting in December.

- Japan's preliminary 3Q2023 GDP will be unveiled with consensus expecting a slight quarter-on-quarter (q-o-q) contraction after the relatively strong growth in 2Q2023 (1.2%). Muted factory activity, as evidenced by the three consecutive months of decline in industrial production since July 2023, would have weighed on the economy. Nonetheless, this could have been partially mitigated by the still robust services sector, with retail sales recording growth for the 19th straight month. The slowing economy could pose a challenge to the Bank of Japan's (BoJ) plan to exit from its ultra-loosening monetary policy, which may begin as soon as next year.

- The upside surprise in 3Q2023 GDP growth keeps the rate hike option open for the Philippines this week. While inflation slowed sharply to a three-month low of 4.9% in October (September: 6.1%), it remained well above the Bangko Sentral ng Pilipinas' (BSP) inflation target range of between 2.0% and 4.0%. In addition, BSP, in its latest projections, expected inflation to average 4.7% in 2024, exceeding the target for a third year. The rate hike, if materialised, would be a follow-up hike after the BSP raised the benchmark rate by 25bps to 6.50%, the highest in the region, in an off-cycle move.

- Malaysia will be releasing 3Q2023 GDP growth data this week and we expect it to be slightly higher than 2Q2023 at 3.2%, a tad lower than the official advance estimate of 3.3%, amid resilient domestic demand despite external headwinds. We foresee that the better-than-expected growth was bolstered by none other than private consumption – the main driver of economic growth given the slight uptick in both labour force participation rate (3Q2023: 70.1% vs. 2Q2023: 70.0%) and labour productivity (3Q2023: 0.6% vs. 2Q2023: 0.0%). However, sluggish external demand put a cap on growth, with exports plummeting by 15.2% in 3Q2023 (2Q2023: -11.1%). We also expect growth to moderate further in 4Q2023 amid weak external demand and slower wage growth.

THANK YOU