WEEKLY MARKET UPDATES

17 October 2022

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KEY HIGHLIGHTS OF THE WEEK: U.S. INFLATION REMAINS HIGH

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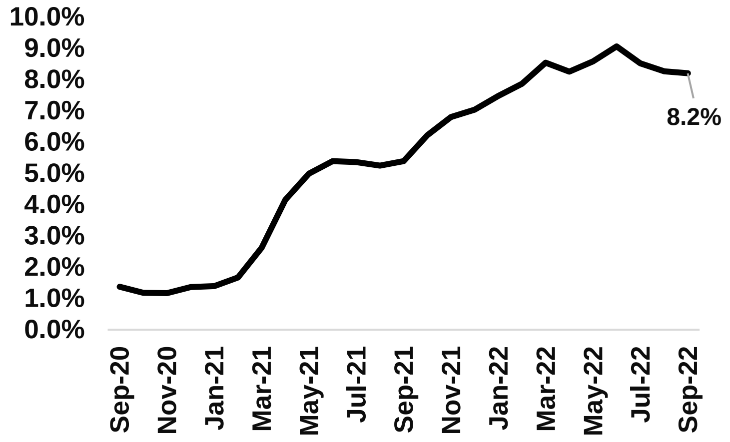
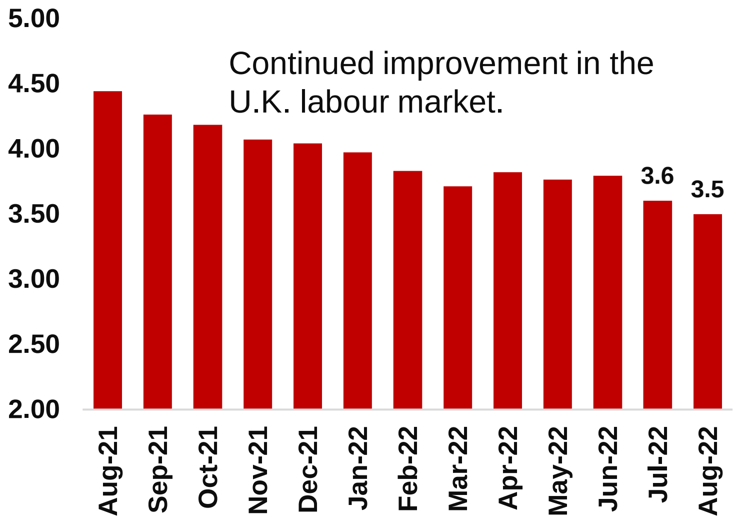
Global

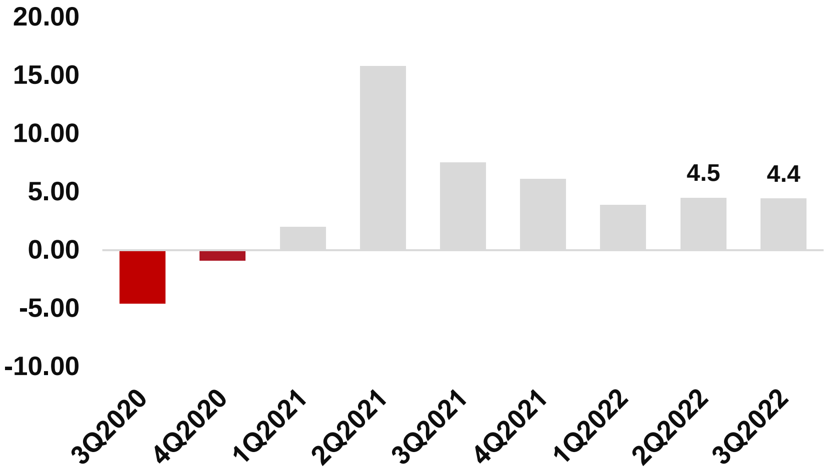
U.S. Consumer Price Index (CPI), y-o-y%



U.K. Unemployment Rate (UR) %

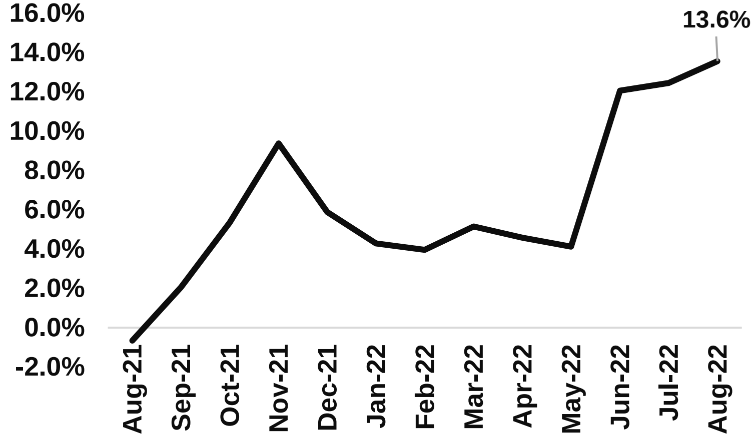


Singapore's Gross Domestic Product (GDP), y-o-y%

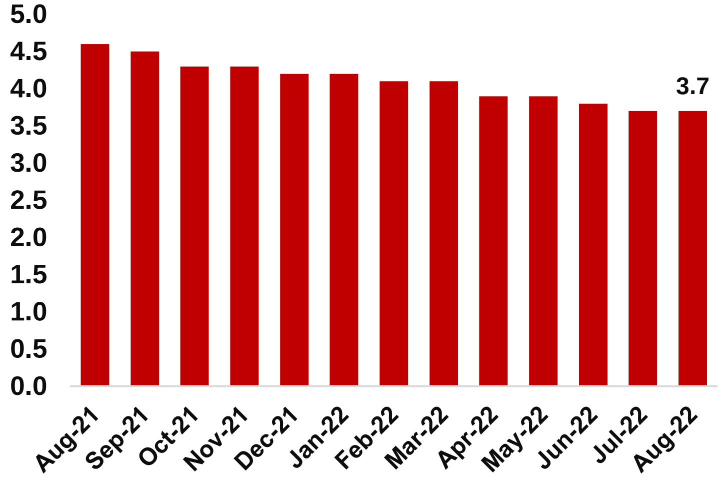


Domestic

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



Malaysia’s UR, %



- US CPI m-o-m edged up by 0.2% in September 2022. According to CME Fedwatch, there is a 99.8% chance for another 75 bps hike in the November FOMC meeting.
- Malaysia’s labour market recovered whilst industrial production activities remained strong. This suggests Malaysian economy remained resilient despite rising risks from the external front.

Source: CEIC

REGIONAL EQUITY MARKET: BROADLY ENDED LOWER

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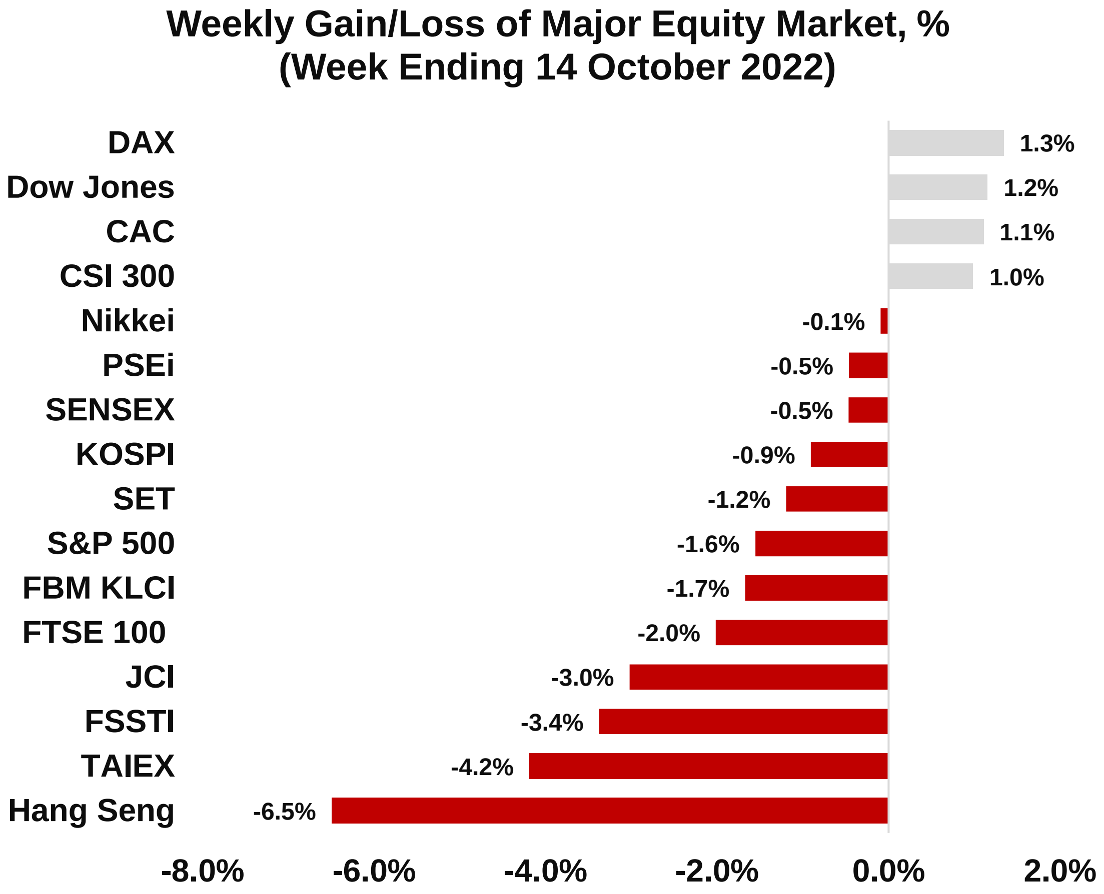

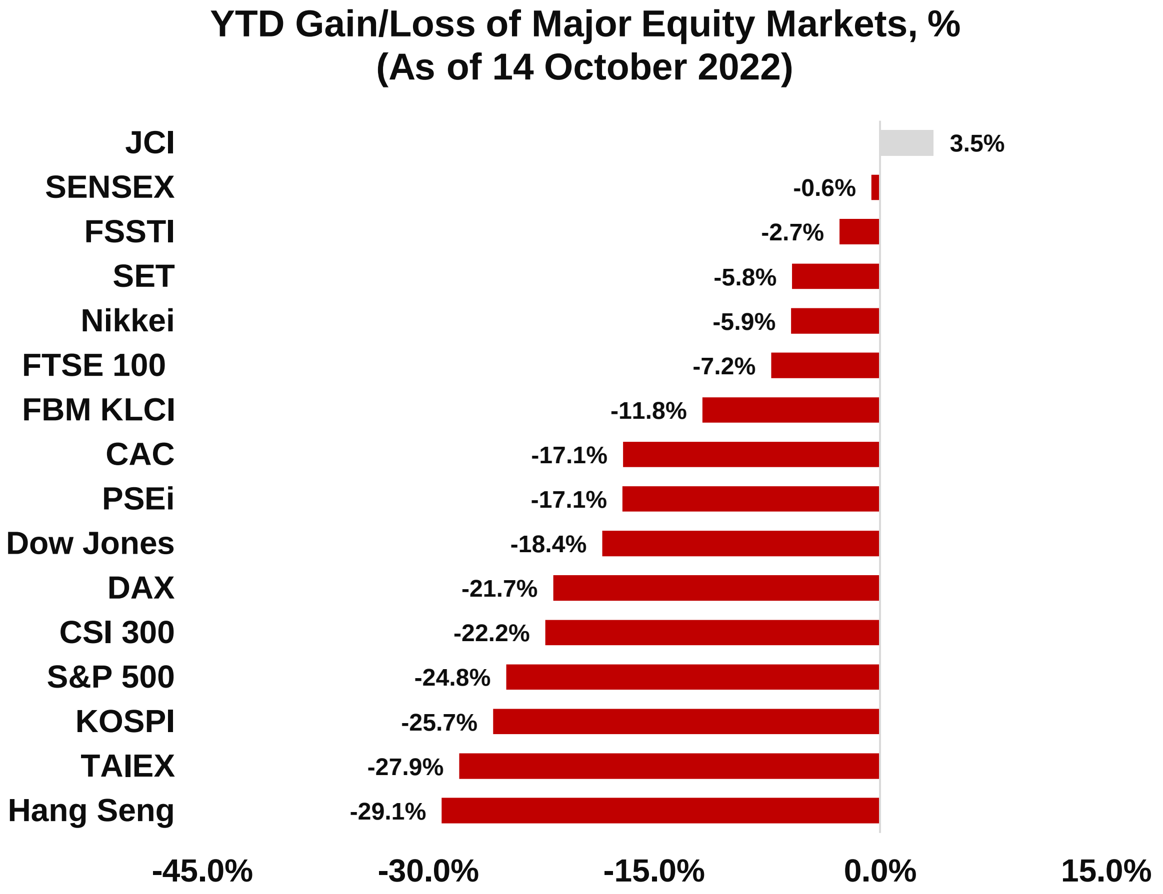

Source: CEIC

- Most indices were in the red, led by Hong Kong's Hang Seng index, which plunged by 6.5% on a weekly basis.
- The Hang Seng index was dragged by the implementation of new export controls on advanced computing and semiconductor manufacturing items by the U.S. This has negatively impacted the Chinese chipmakers listed in the city.

DOMESTIC EQUITY MARKET: BURSA CONTINUED TO SEE SELLING ACTIVITIES

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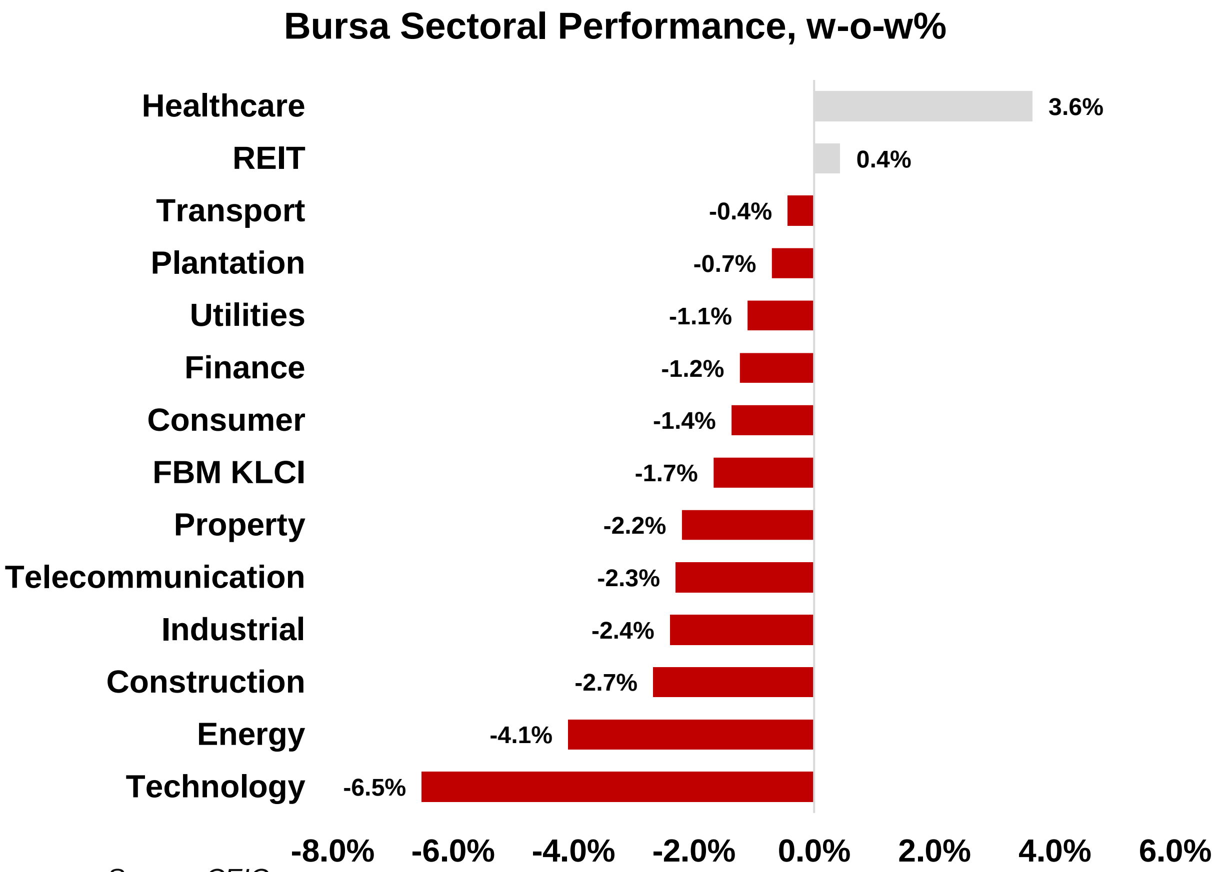
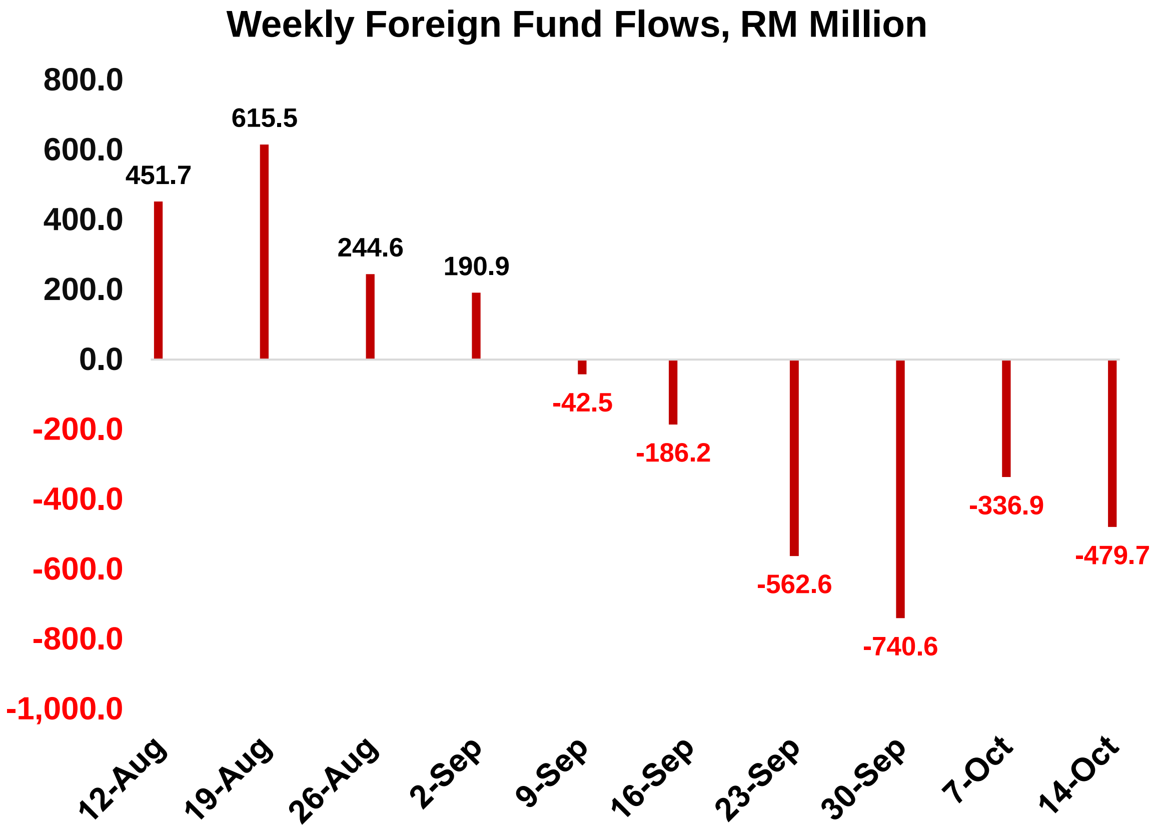


Source: CEIC



- Losers outnumbered gainers for the week ending on 14 October.
- Healthcare and REIT were the only two indices that recorded gains, rising by 3.6% and 0.4% respectively.
- We anticipate the local equities to remain volatile considering the hawkish monetary stance by the U.S. Fed alongside uncertainty surrounding GE15.

- Bursa Malaysia continued to record foreign net selling for the sixth consecutive week.
- Foreign investors have **net sold RM479.7 million** worth of equities for the week ending on 14 October compared to RM336.9 million sold in the previous week.
- The trend could persist in the upcoming months until there are clear signs that U.S. inflation is easing, or a rate pause by the Fed.

BOND MARKET: HIGHER BOND YIELDS CAME ALONG WITH FOREIGN NET SELLING

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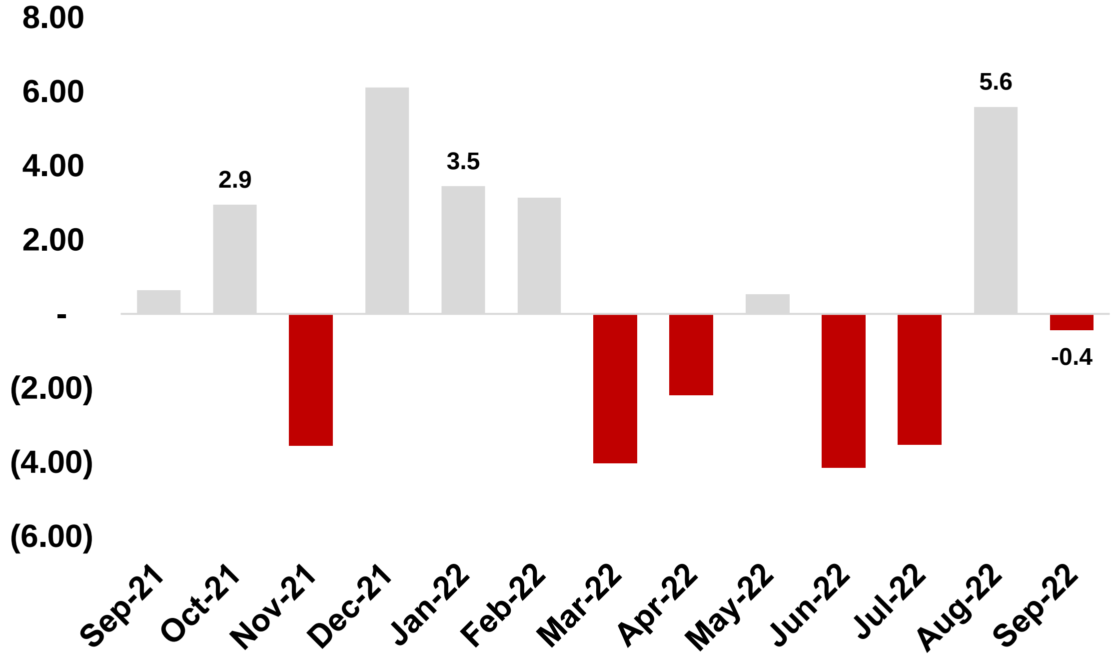
UST	Yields (%) 7-Oct-22	Yields (%) 14-Oct-22	Change (bps)
3-M UST	3.45%	3.81%	36
2-Y UST	4.30%	4.48%	18
5-Y UST	4.14%	4.25%	11
10-Y UST	3.89%	4.00%	11
MGS	**Yields (%) 7-Oct-22**	**Yields (%) 14-Oct-22**	**Change (bps)**
3-Y MGS	3.86%	3.93%	7
5-Y MGS	4.15%	4.25%	10
7-Y MGS	4.28%	4.36%	8
10-Y MGS	4.33%	4.46%	13

Sources: CEIC, BNM

Foreign Fund Flows in Bond Market, RM billion



Source: CEIC

- The U.S. Treasury (UST) and Malaysian Government Securities (MGS) yields continued to surge amid hotter-than-expected U.S. inflation print.
- Looking forward, we anticipate the MGS yields would remain on an upward trend with the latest Fed policy meeting, which signaled that policymakers were committed to pushing rates to a restrictive level.

- Foreign investors sold off **RM0.4 billion** of local govvies in September (August: RM5.6 net inflows).
- On a cumulative basis, the foreign fund recorded RM1.6 billion net outflows (9M2021: RM28.1 billion net inflows) as investor appetite subsided, driven by the strengthening USD.
- Following this, the foreign holding ratio also decreased to 35.9% in September from 36.1% in August.

RINGGIT IS LIKELY TO BE TRADING WITHIN RM4.70 TO RM4.73 DURING THE WEEK

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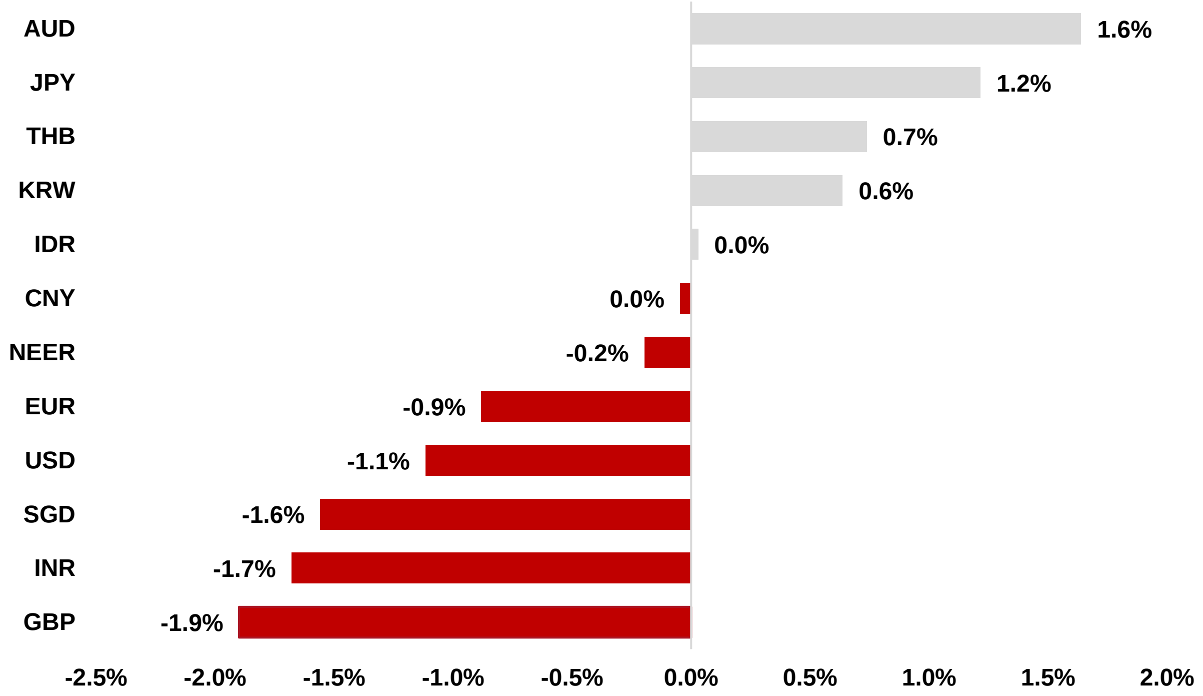
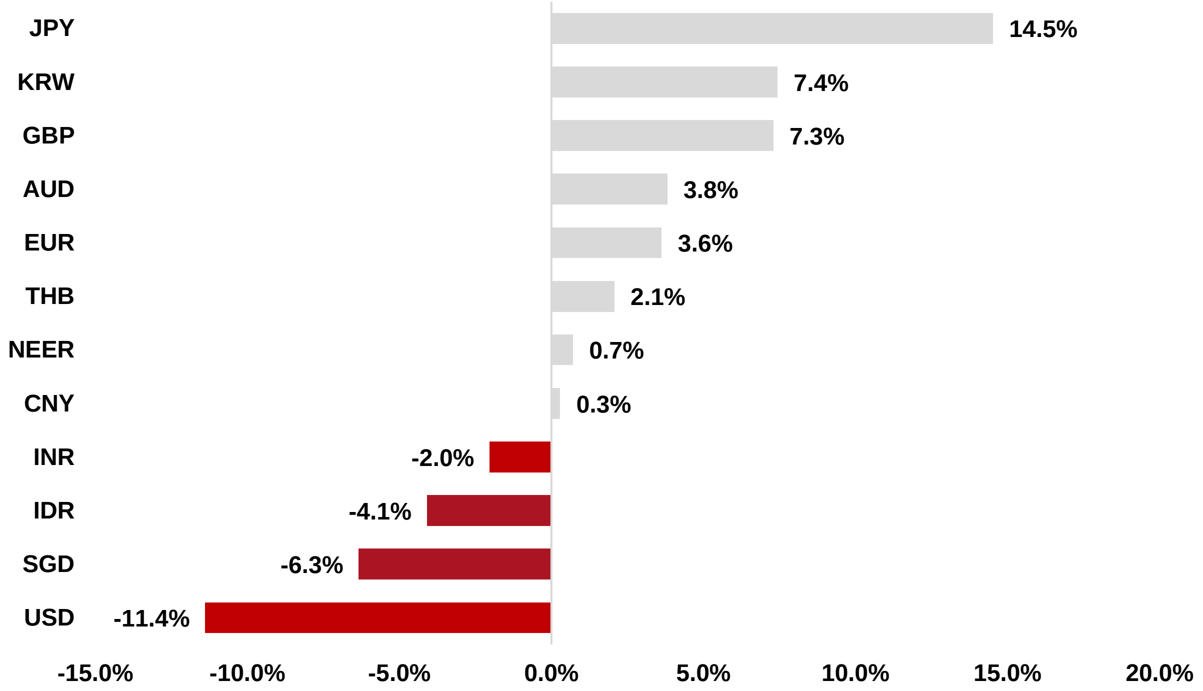
MYR against regional currencies, w-o-w% (Week Ending 14 October)



MYR against regional currencies, YTD Gain% (As at 14 October)



Source: Investing.com

- Ringgit remains on its downward trajectory, reaching RM4.7000 last Friday, pressured by the inflation outlook in the U.S., which is still staying stubbornly high in September.
- Additionally, political uncertainty amid the dissolution of parliament last week, paving the way for GE15, is also added to the risk premium factor in the local note during the week.

BRENT PRICE DECLINED DURING THE WEEK AMID RECESSION FEARS DESPITE SUPPORT FROM OPEC+ LARGE OUTPUT CUT

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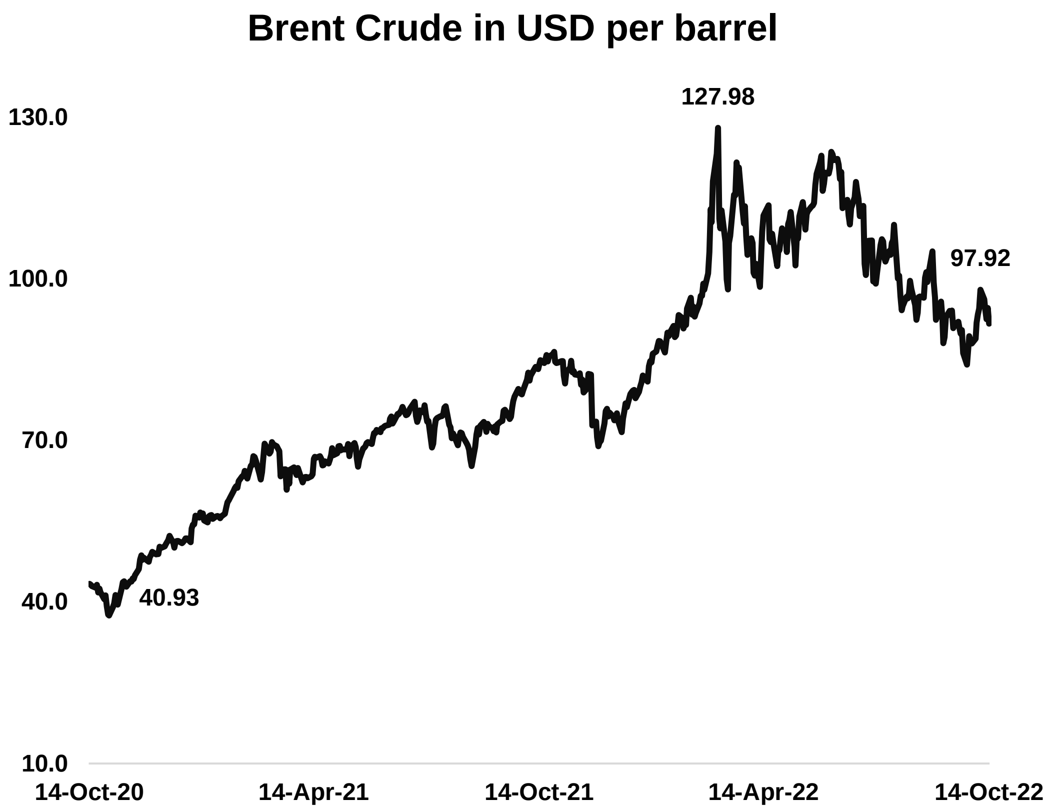
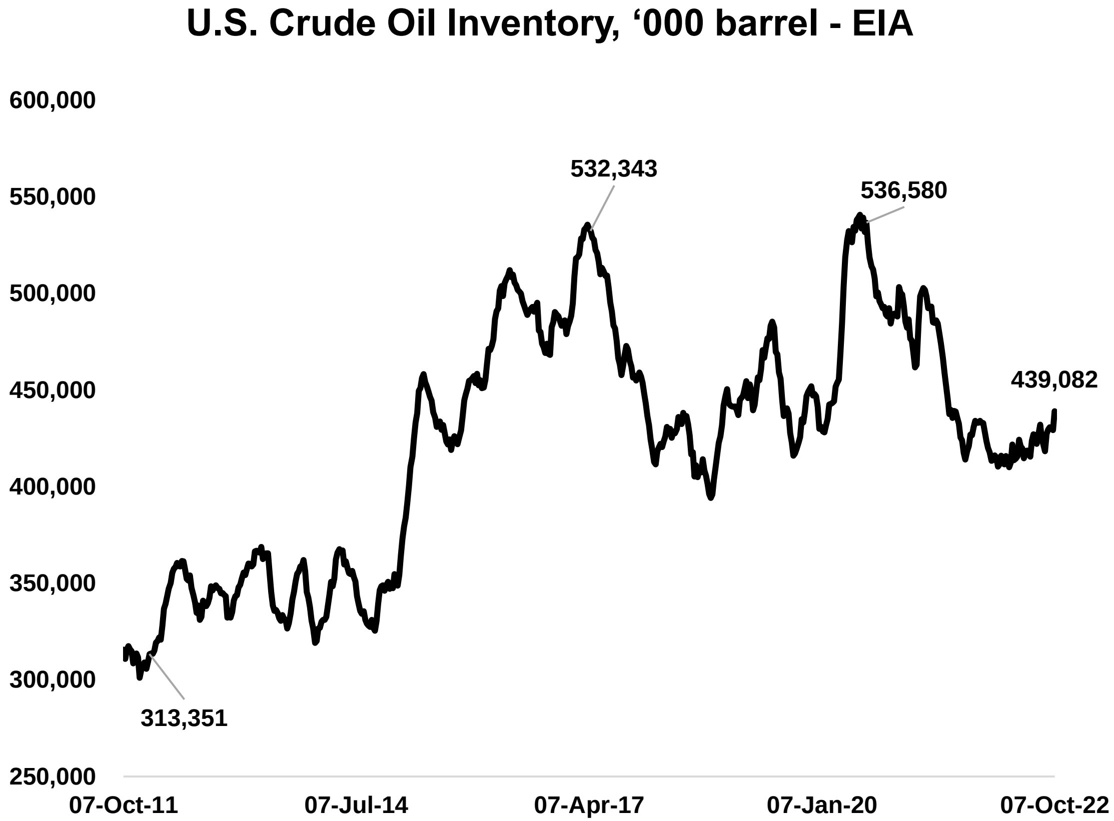


Source: Bloomberg



Source: Energy Information Administration (EIA)

- Few organisations, such as OPEC, the U.S. Energy Department, and International Energy Agency (IEA), slashed their global oil demand forecast amid the potential global recession.
- Adding to the softer demand was China's zero Covid-19 policy which keeps the demand outlook from the top crude importer gloomy, spooking the investors.

GOLD PRICE CONTINUED TO BE HAMMERED FOLLOWING RATE HIKE FEARS BY THE U.S. FED

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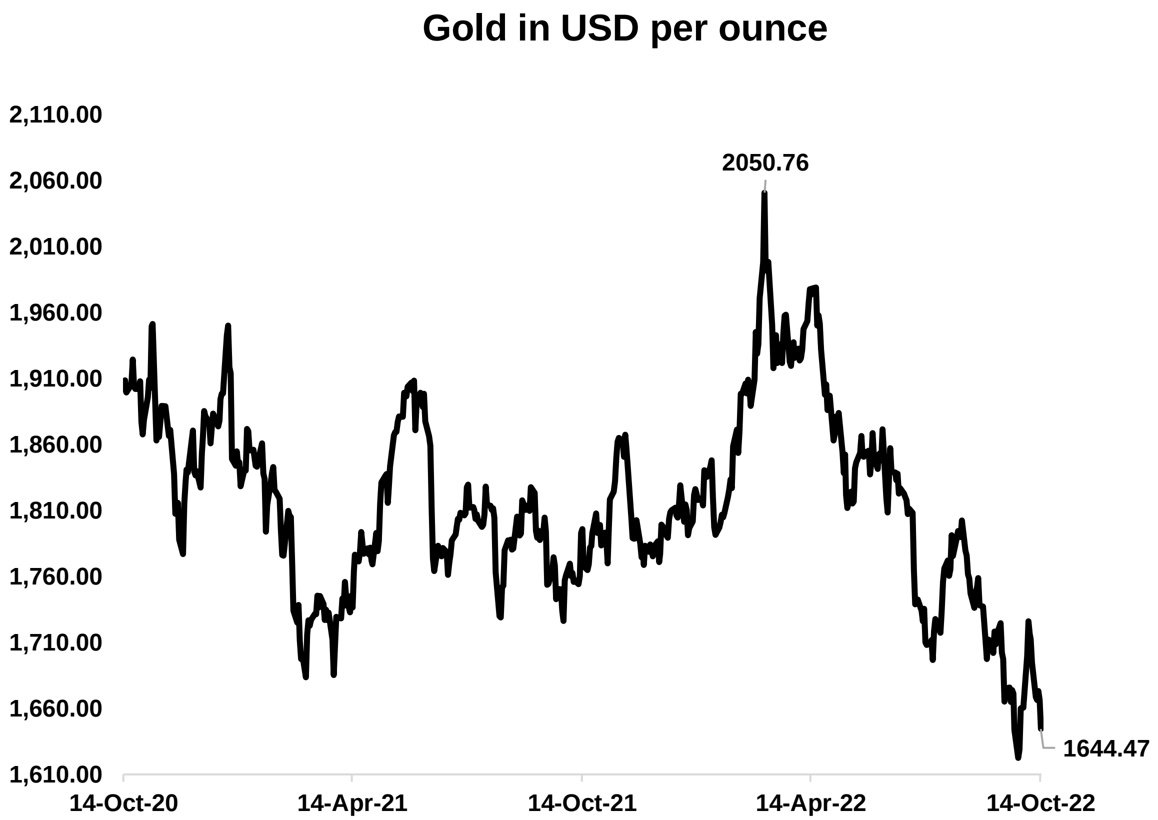

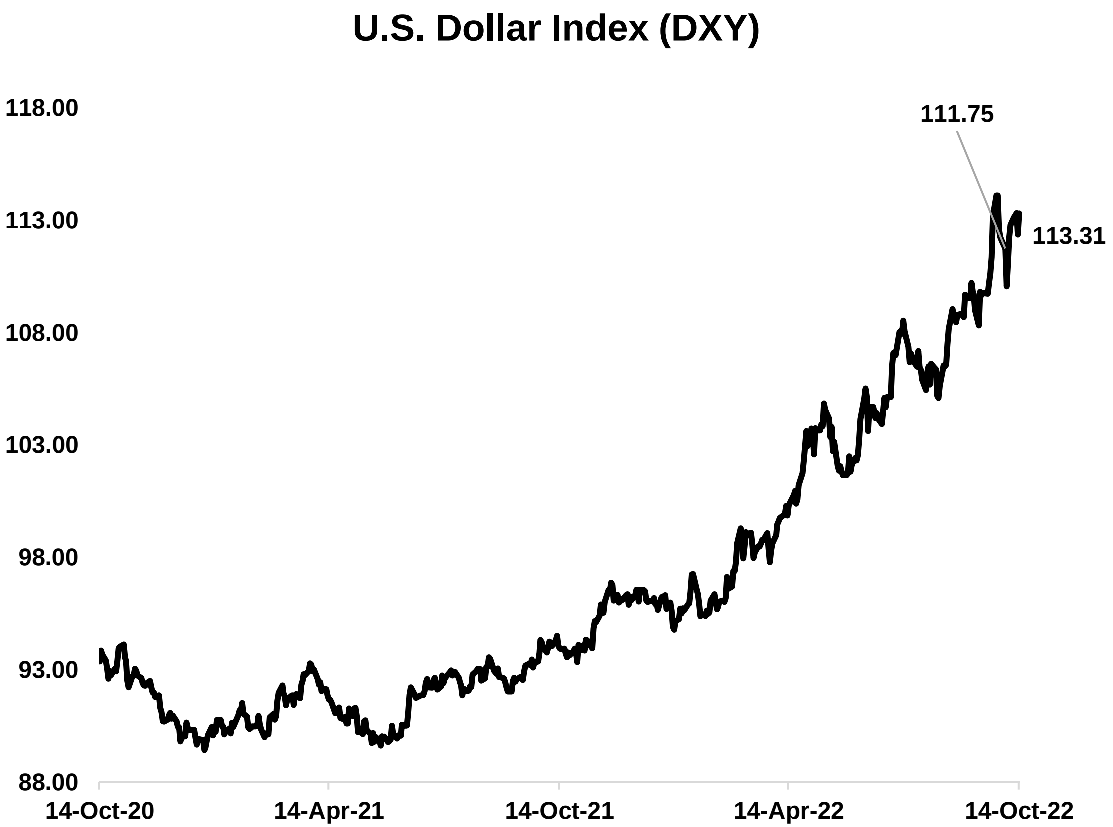

Source: Bloomberg

- The gold price was heading its worst weekly decline since mid-August (-3.1%), dragged by a firmer USD index.
- The U.S. CPI data, which remained well above the U.S. Fed’s target of 2.0%, suggests persistence in the policymakers' sharp rate hikes to curb the soaring inflation.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Several releases for key U.S. data points would be anticipated during the week, such as industrial production figures, with the September growth is expected to ease slightly from the previous month. Following the last week's higher-than-expected U.S. inflation data, the housing market data is also keenly watched for the impact of soaring mortgage rates.

- Additionally, it would be another busy calendar for the Fed officials as several FOMC members would appear during the week, such as Minneapolis Fed President Neel Kashkari, Chicago Fed President Charles Evan, and St Louis Fed President James Bullard. To date, the recent comments suggesting that the Fed is cognizant in its policymaking with fighting inflation remains the top priority.

- Elsewhere, market participants would assess a few data sets from mainland China as the tough Covid-19 curbs economy weighed on the world's largest economy. President Xi Jinping reiterated that the zero-covid strategy stays, while no stimulus signals for the ailing property sector for now. At the same time, the People's Bank of China (PBoC) is due to meet during the week to decide on the interest rates.

- This week will see upcoming inflation data from the U.K., E.U., Japan, Italy, and Canada, which are likely to remain elevated. The U.K. is expected to dominate headlines again as the figure is anticipated to hit double-digit growth, adding pressure to the already volatile market following the dismissal of finance minister by the U.K. Prime Minister Liz Truss after the government's controversial mini-budget. There is mounting pressure to force her out of her post.

- Likewise, the Department of Statistics Malaysia (DOSM) will publish the data on 21 October. Latest, the inflation rate in the country is on its higher trend, reaching 4.7% y-o-y in August. However, the country's rate is ranked the lowest as compared to its neighbouring countries, such as Indonesia (5.95%), Thailand (6.41%), and the Philippines (6.9%). This is due to support from the government's biggest subsidy allocation thus far, amounting to RM77.7 billion in 2022, to ease people's burden.

- All in all, we foresee the market undertone remaining jittery following the heightened global market risk and volatility.

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