



# **WEEKLY ECONOMIC UPDATE**

**27 NOVEMBER 2023**

**ECONOMIC RESEARCH**

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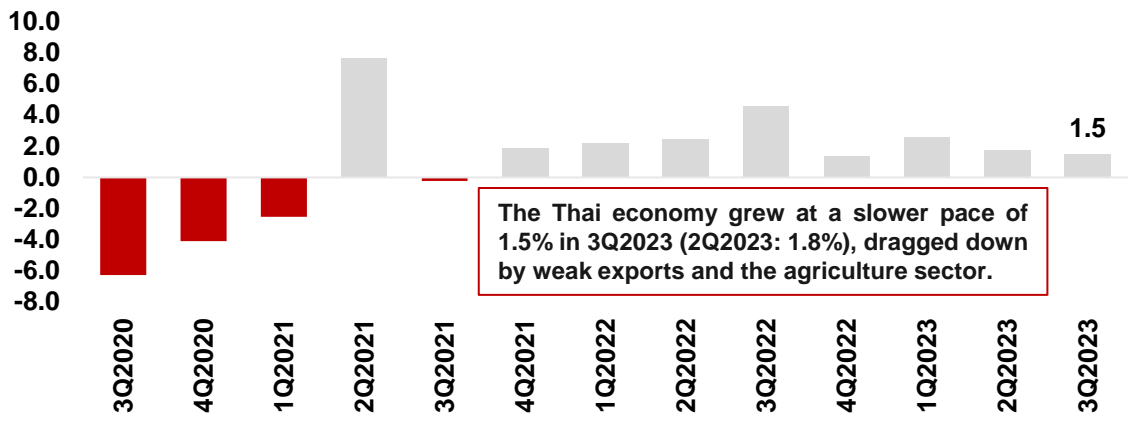
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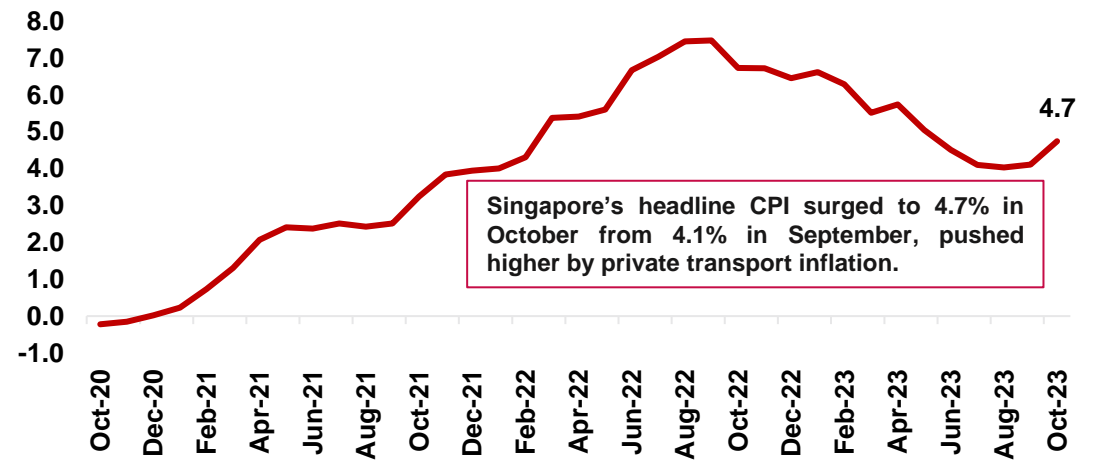
# WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION EDGED LOWER IN OCTOBER

GLOBAL

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

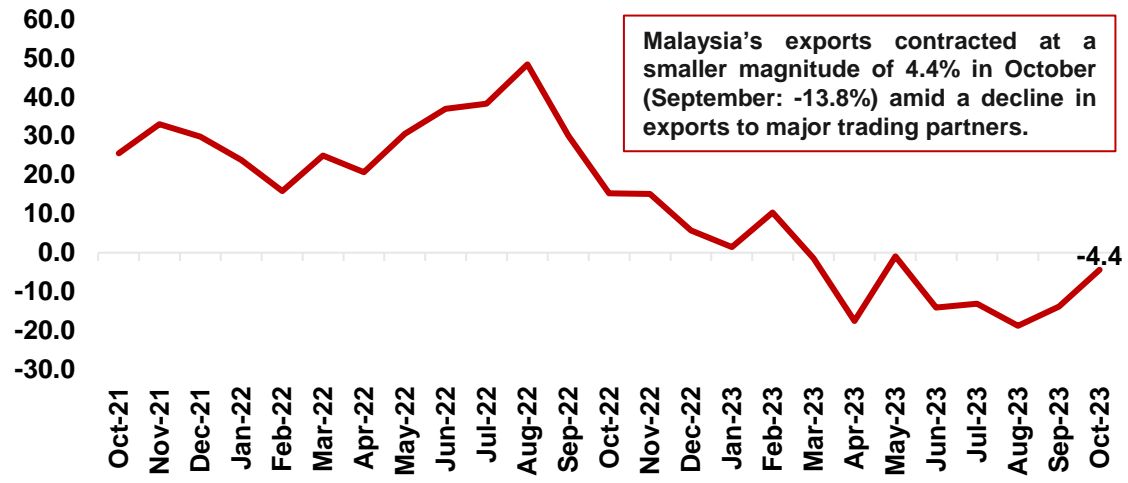


### Singapore - Consumer Price Index (CPI), y-o-y%

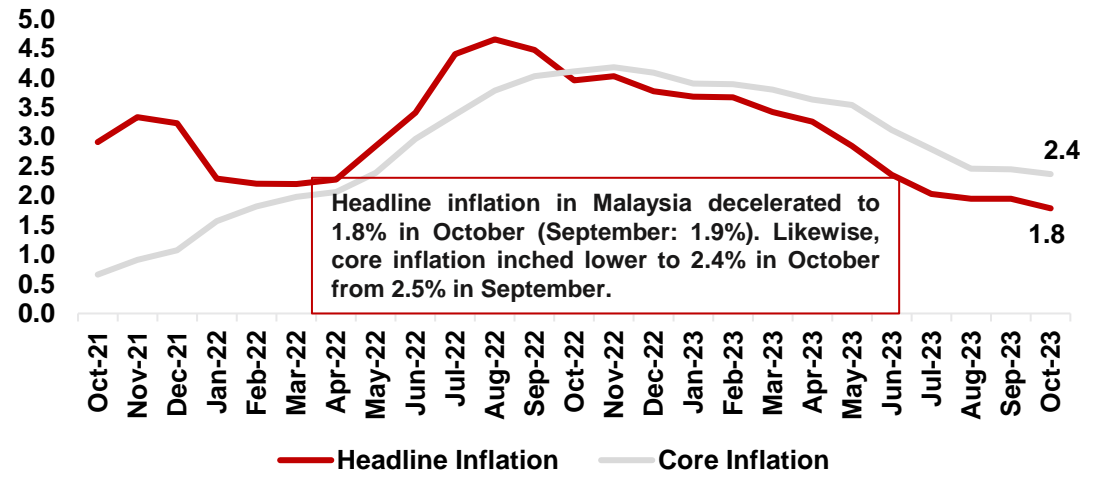


DOMESTIC

### Malaysia - Exports, y-o-y%

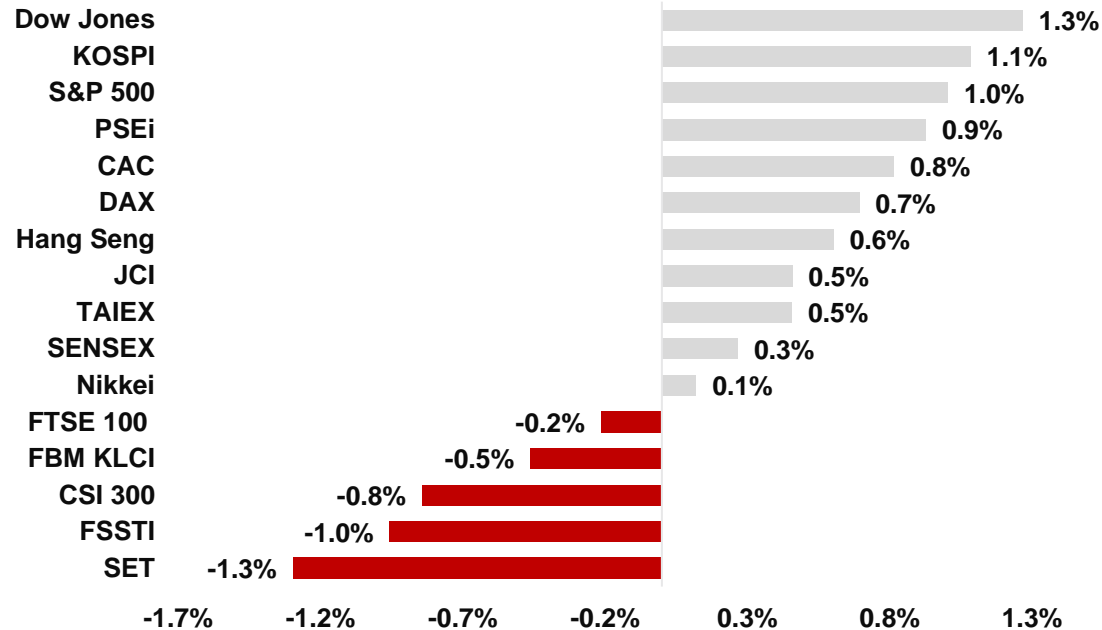


### Malaysia - CPI, y-o-y%

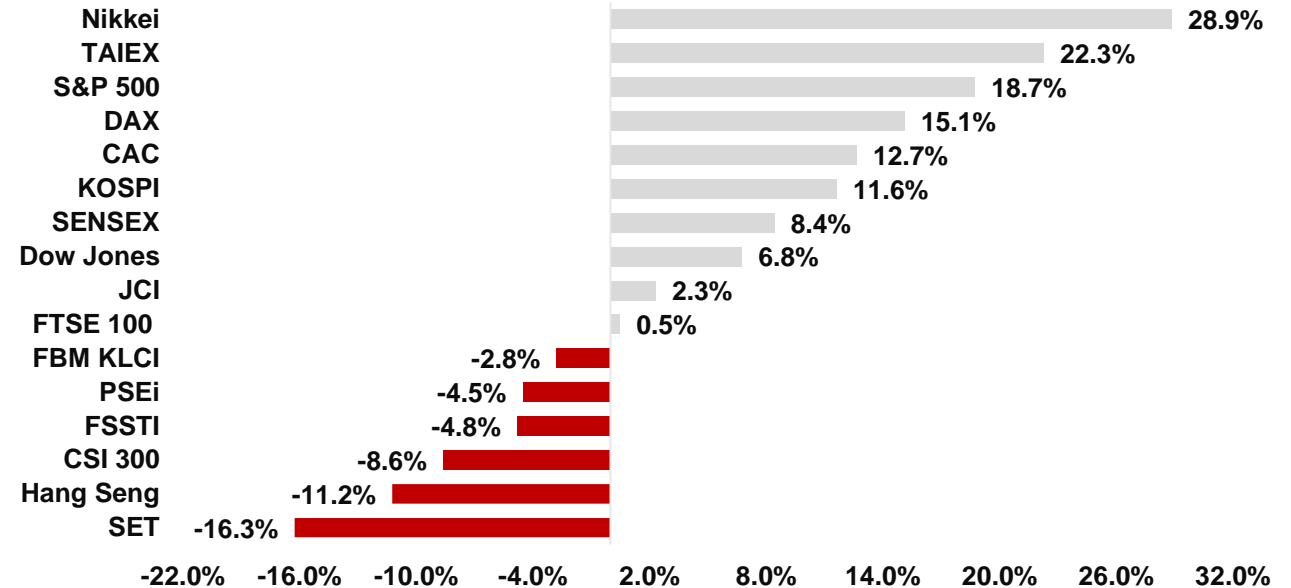


# REGIONAL EQUITY: U.S. STOCKS INDICES TOPPED OTHER REGIONAL EQUITY INDICES

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



YTD Gain/Loss of Major Equity Markets, % (As of 24 November 2023)

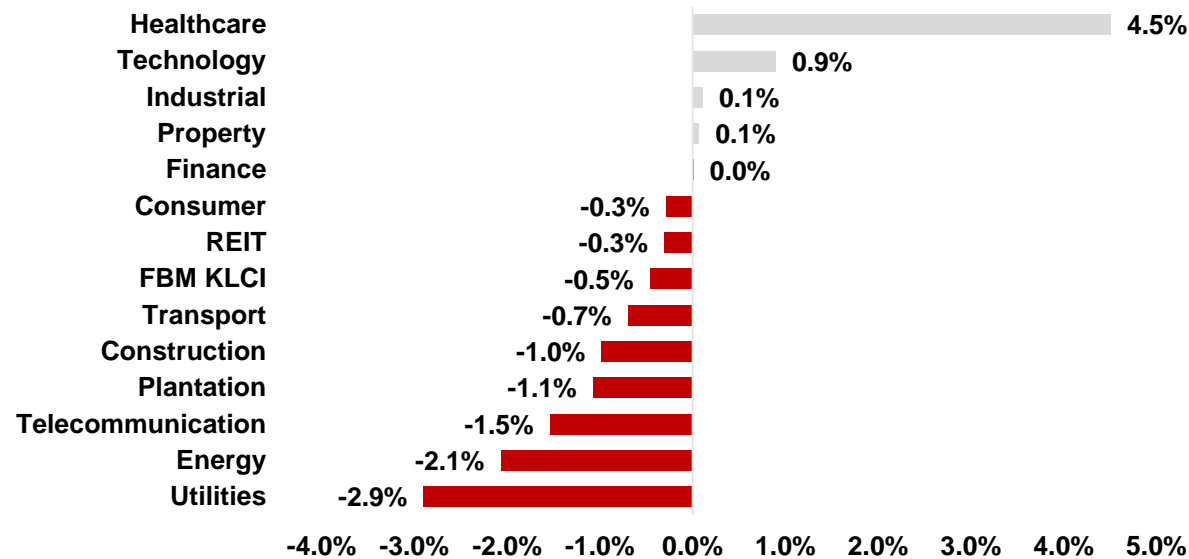


Sources: Bursa, CEIC Data

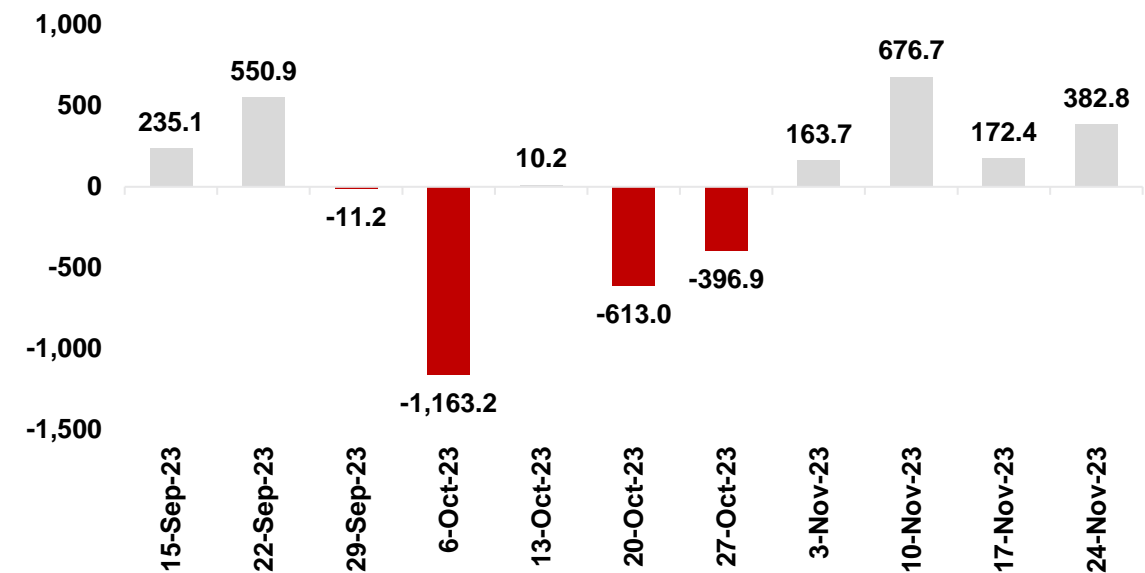
- World equity markets drifted to a mixed mode for the week ending November 24.
- The U.S. stock indices, Dow Jones (+1.3%) and S&P 500 (+1.0%), were among the major winners as investors have grown cautiously optimistic that inflation has started to moderate, which could lead the U.S. Federal Reserve (Fed) to extend its rate pause in December.
- The major losers for last week were Thailand's SET (-1.3%), Singapore's FSSTI (-1.0%) and China's CSI 300 (-0.8%).

# DOMESTIC EQUITY: LOCAL STOCKS RETREATED AMID THE LACK OF CATALYST

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 November 24, pressured by mild profit-taking activities after the previous week's rally.
- As investors awaited corporate earnings reports, most bursa sectoral indices ended lower, with losses led by the Utilities (-2.9%) and the Energy index (-2.1%). Meanwhile, gainers were again led by the healthcare index by a large margin at 4.5%, partly reflecting investors' optimism towards the outlook of the healthcare industry.
- Foreign investors remained net buyers for the fourth week, recording a total net inflow of RM382.8 million, higher than the RM172.4 million recorded in the previous week. The buying reduced the cumulative total net outflow this year thus far to RM2.7 billion.

# FIXED INCOME: UST YIELDS RETREATED AMID CONCERNS ABOUT THE FED'S TIGHTENING STANCE BANK ISLAM

## Weekly Changes, basis points (bps)

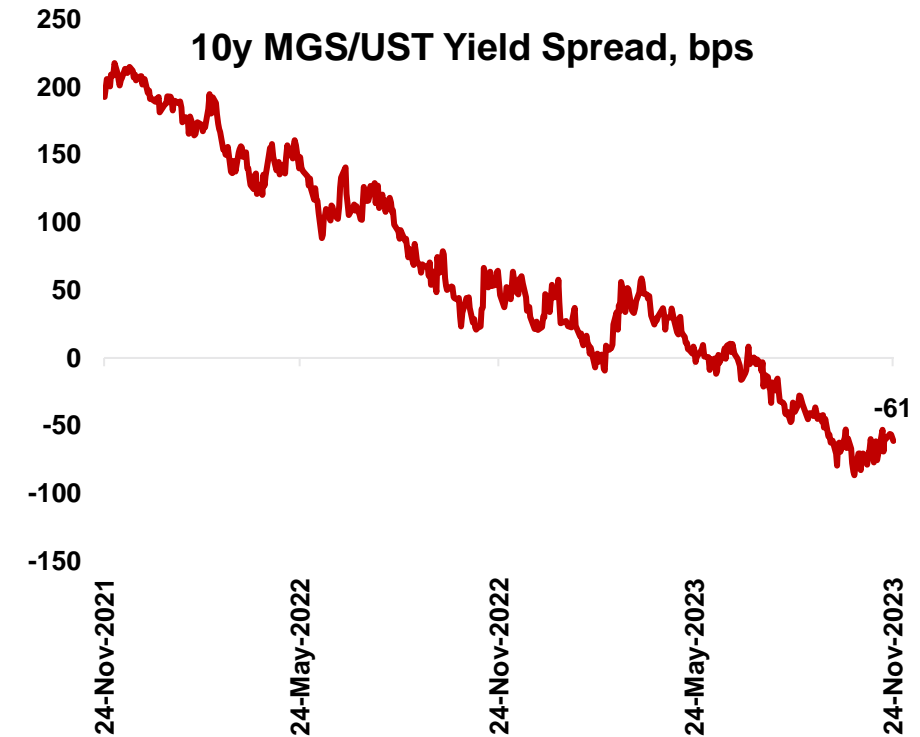
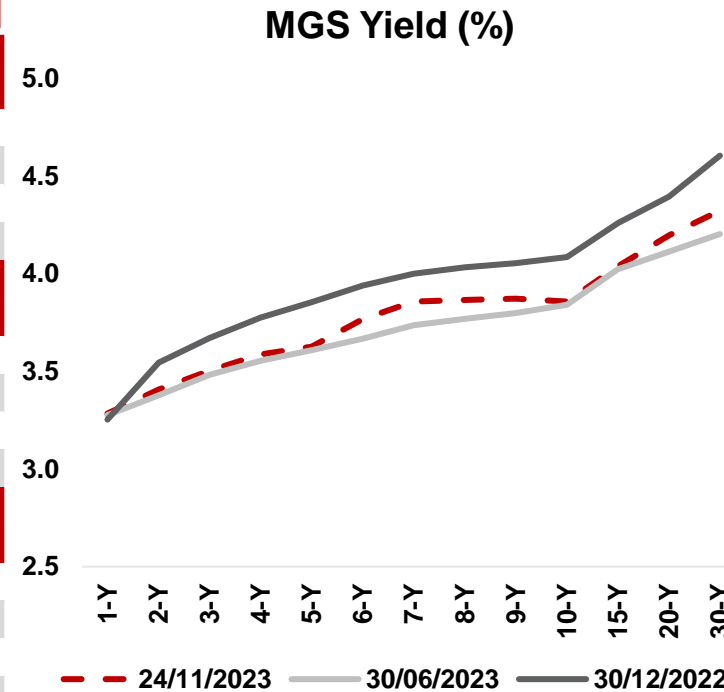
UST	Yields (%) 17-Nov-23	Yields (%) 24-Nov-23	Change (bps)
3-Y UST	4.64	4.67	3
5-Y UST	4.45	4.49	4
7-Y UST	4.47	4.51	4
10-Y UST	4.44	4.47	3

MGS	Yields (%) 17-Nov-23	Yields (%) 24-Nov-23	Change (bps)
3-Y MGS	3.51	3.51	0
5-Y MGS	3.62	3.63	1
7-Y MGS	3.84	3.86	2
10-Y MGS	3.84	3.86	2

GII	Yields (%) 17-Nov-23	Yields (%) 24-Nov-23	Change (bps)
3-Y GII	3.57	3.58	1
5-Y GII	3.71	3.71	1
7-Y GII	3.90	3.91	1
10-Y GII	3.94	3.94	0

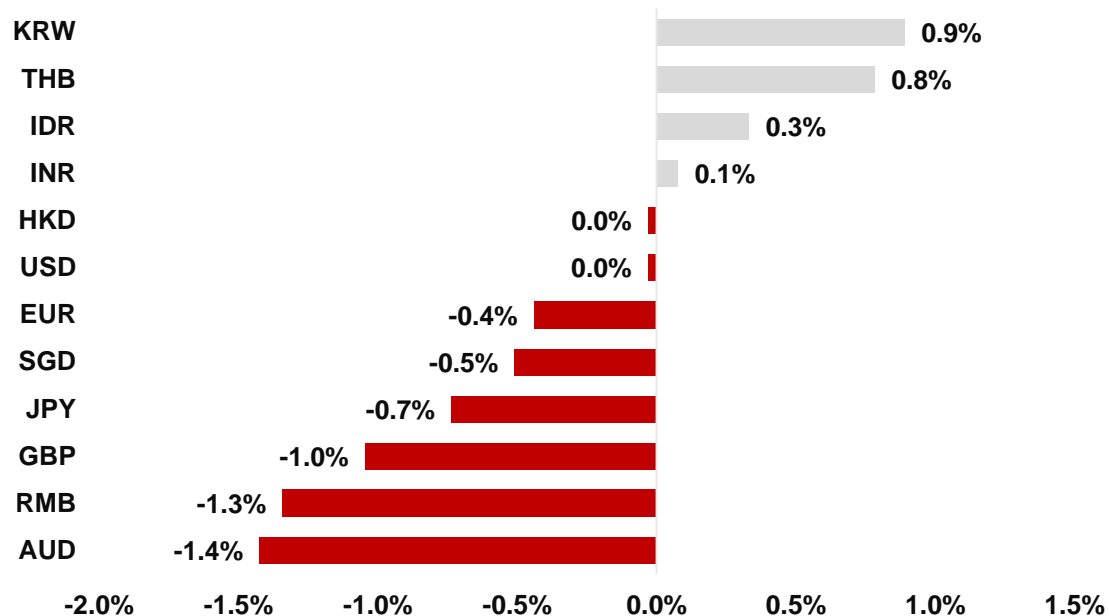


Sources: BNM, Federal Reserve Board

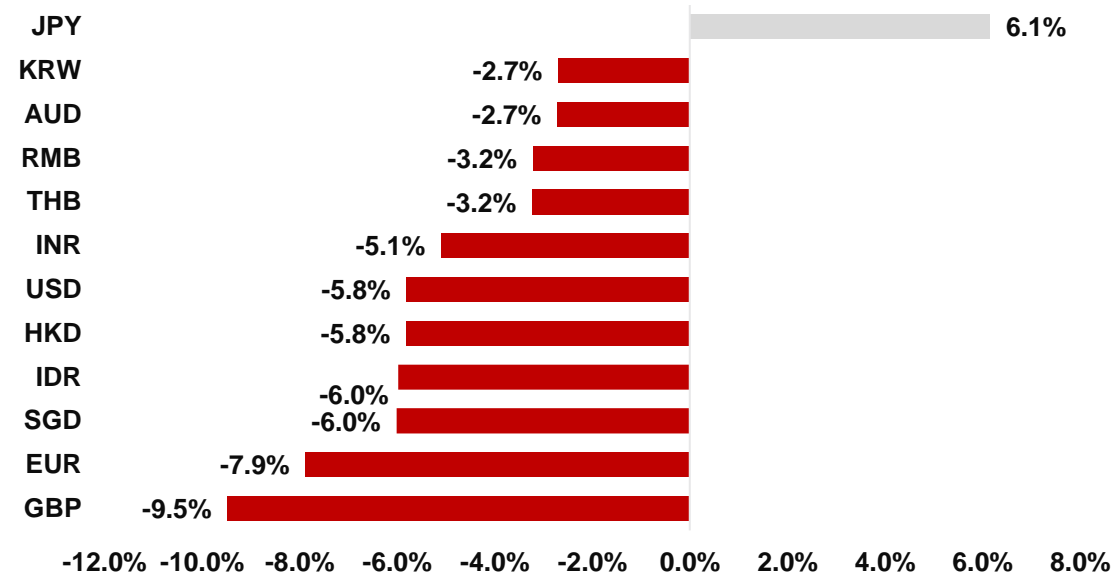
- The U.S. Treasury (UST) yields moved upwards in the range of 3bps and 4bps as the economic data presented a mixed outlook of the U.S. economy, leaving market participants uncertain about the prospects of a Fed pivot.
- Additionally, the latest Federal Open Market Committee (FOMC) meeting minutes revealed limited inclination among Fed policymakers for lowering interest rates in the near term as inflation remains significantly higher than their target of 2.0%.
- The 5y10y Malaysian Government Securities (MGS) yields surged between 1bp and 2bps. Meanwhile, the 3y7y Government Investment Issues (GII) yields increased slightly by 1bp. On the other hand, 3y MGS and 10y GII yields were unchanged.
- The 10y MGS/UST yield spread expanded marginally to -61bps relative to -60bps in the previous week.

# FX MARKET: RINGGIT ENDED FLAT DURING THE WEEK

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 24 November 2023)



Source: BNM

- The Ringgit ended flat during the week as the local note closed at RM4.6850 on November 17, 2023 compared to the previous week’s close of RM4.6835. Be that as it may, the local note depreciated slightly, as the USD index maintained the 103 level during the week due in part to the Fed’s cautious policy approach about its outlook on interest rates.
- Meanwhile, we foresee that the continuous deceleration in Malaysia’s inflation would prompt BNM to maintain the Overnight Policy Rate (OPR) at 3.00% for quite some time.
- For this week, we posit that market participants would be closely eyeing the U.S. labour market update in which a further softer-than-expected reading could lift the local note.
- Additionally, the Ringgit’s sentiment could be driven by the outcome of the rescheduled OPEC+ meeting at the end of this month.

# COMMODITY: OIL PRICES REMAINED FLAT DURING THE WEEK

### Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- However, the oil price was down more than 1.0% on Friday to USD80.58 per barrel from USD81.42 per barrel on Thursday amid uncertainty over a delayed OPEC+ meeting, initially scheduled on 26 November 2023 but postponed to 30 November 2023.
- The rescheduled policy meeting to the end of the month was linked to disputes over oil production quotas for African members, including Angola and Nigeria.
- Additionally, global oil prices were pressured by the rising U.S. inventories, as reported by the latest EIA data. The U.S. stockpiles surged by 8.7 million barrels to 448.1 million barrels in the week ending 17 November 2023 from 439.4 million in the previous week.

# COMMODITY: GOLD PRICE ON TRACK FOR SECOND WEEKLY GAIN AS USD WEAKEN FOLLOWING FED PAUSE BETS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- The bullion price hovered around USD2,000 per ounce last Friday as market participants widely expected the Fed would leave the rates unchanged in its upcoming policy meeting in December.
- Meanwhile, the latest FOMC minutes showed that policymakers favoured maintaining a restrictive monetary policy for some time with no indications of the rate cut soon.
- Additionally, the latest figure for initial jobless claims (IJC) fell more than expected (Act: 209k vs. Est: 225k) for the week ending 18 November 2023. While such a result indicated that the slowdown in the labour market has not fully materialised, it could allow for the Fed's flexibility to maintain interest rates at restrictive levels.



# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- There will be a flurry of economic data from the U.S. this week, with a focus on the Personal Consumption Expenditures (PCE) Price Index, the Fed's preferred inflation gauge, in October. The PCE inflation is expected to have eased in October from 3.4% in September, on track to return to the Fed's 2.0% target. It would support the case for the Fed to maintain its interest rates in the upcoming December FOMC meeting. Meanwhile, the ISM manufacturing Purchasing Managers' Index (PMI) will be watched to see if the weakness in the factory activities persists into November. The ISM Manufacturing PMI dipped to 46.7 in October, pointing to the 11th straight month of contraction in the U.S. manufacturing sector.
- The upcoming OPEC+ meeting is anticipated to extend, or even deeper, oil production cuts to prevent oil prices from spiralling downwards. This is especially true for Saudi Arabia, whose additional 1.0 million voluntary oil production cut expires in December 2023. However, rescheduling the OPEC+ meeting from November 26 to this Thursday is perceived as a sign of disagreements between the allies over the oil production cut targets, with some hoping to get a lift on its oil production allowance.
- India is scheduled to release its 3Q2023 GDP data this week, which is likely to post a weaker expansion than the 7.8% growth recorded in 1Q2023 to reflect the dissipating favourable base effect and the negative impact of the monsoon. However, GDP growth could surpass the 6.5% estimated by the Reserve Bank of India (RBI) earlier. India's consumer consumption has remained robust, likely led by urban demand, as evidenced by better passenger car sales and the faster growth in bank credit. Furthermore, still strong government spending would have supported the country's capital expenditure growth.
- This week will feature several central bank meetings, including the Bank of Korea (BoK) and the Bank of Thailand (BoT). The BoK is widely expected to hold its interest rate steady at 3.50% for the seventh consecutive time amid the still cloudy growth outlook, the rising household debt and the likely rate pause by the Fed in December. Meanwhile, the BoT will likely keep its policy rate unchanged at 2.50%, ending its year-long rate hiking cycle in the face of below-target inflation and weak economic momentum. Thailand's inflation declined by 0.3% in October, undershooting the BoT's target of between 1.0% and 3.0%.

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**THANK YOU**