



WEEKLY ECONOMIC UPDATE

17 OCTOBER 2023

ECONOMIC RESEARCH

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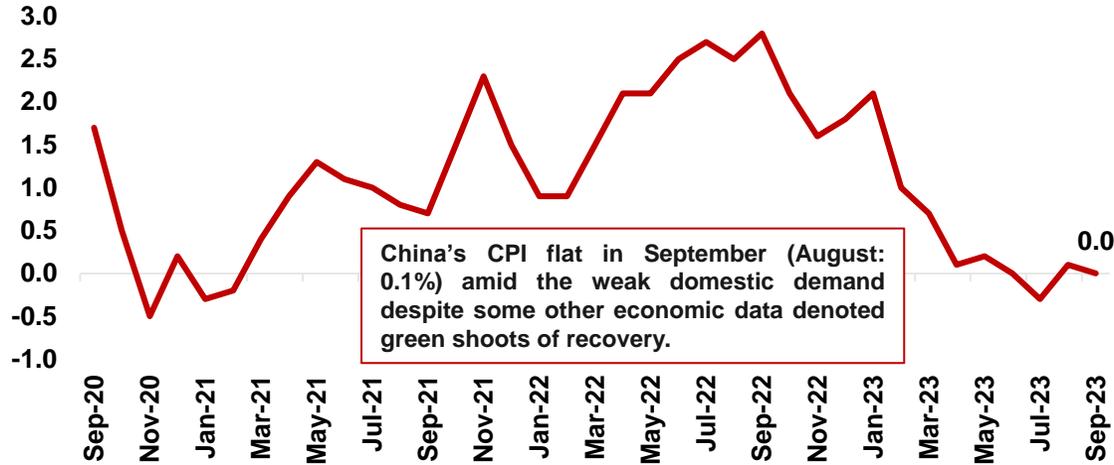
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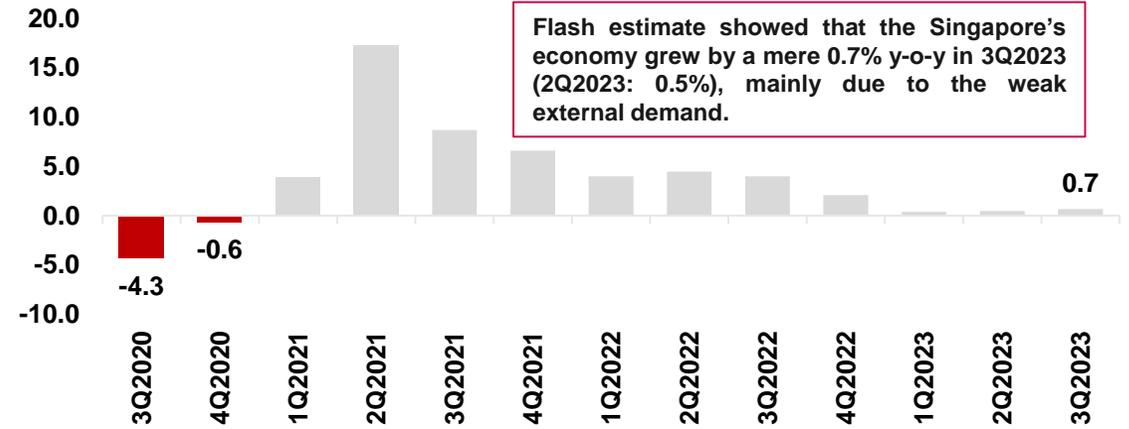
WEEKLY HIGHLIGHT: WEAK DOMESTIC DEMAND DRAGGED CHINA INTO DISINFLATION

GLOBAL

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



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

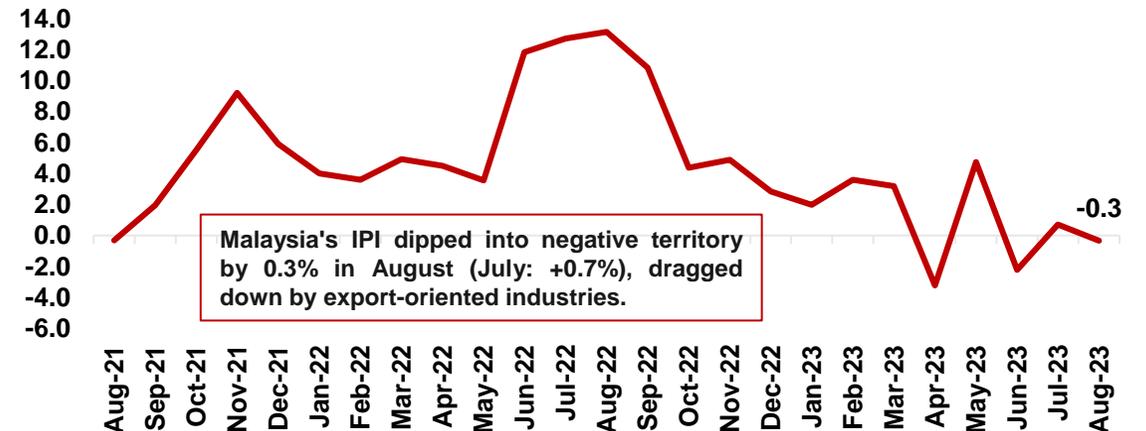


DOMESTIC

Malaysia - Unemployment Rate, %

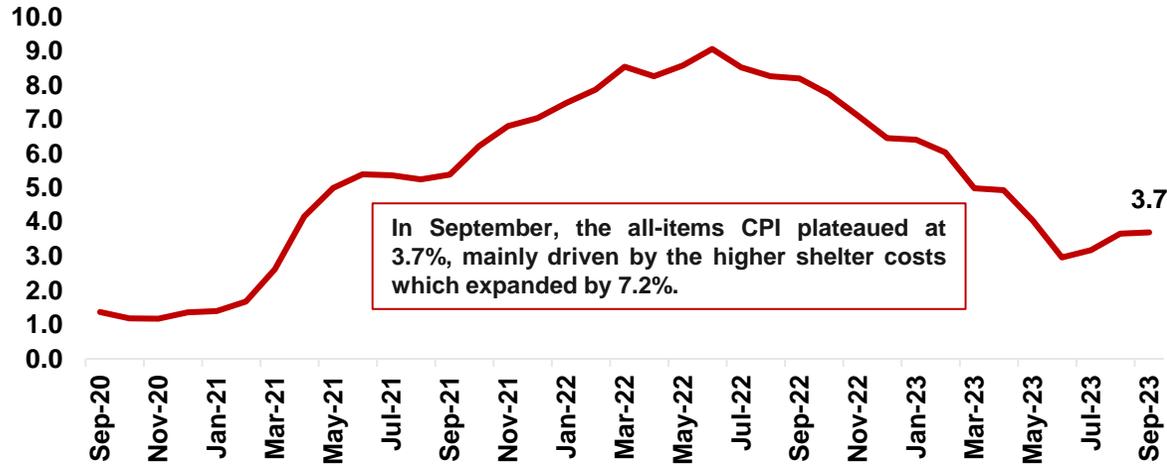


Malaysia - Industrial Production Index (IPI), y-o-y%

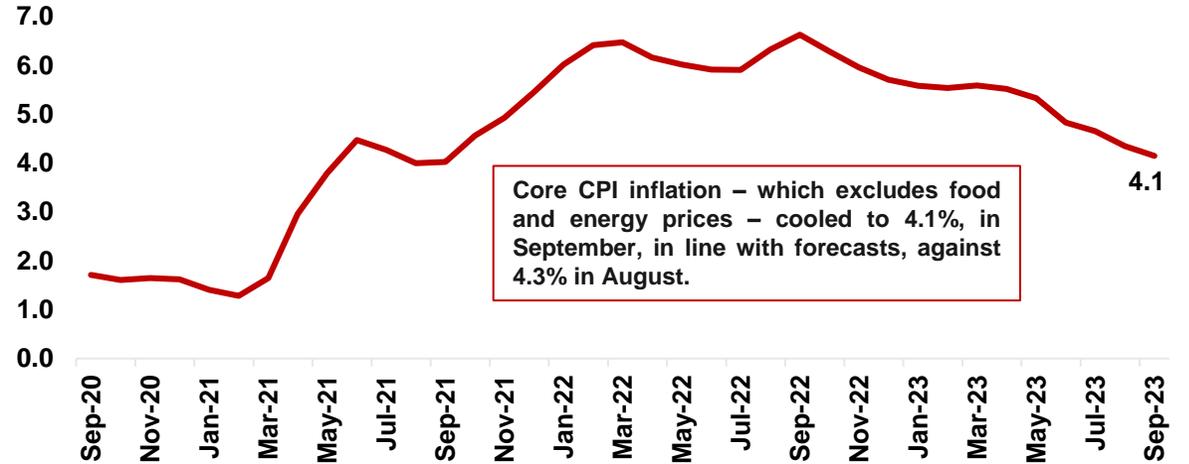


U.S. WEEKLY HIGHLIGHT: ANOTHER RATE HIKE ON THE TABLE AS INFLATION REMAINED ABOVE TARGET

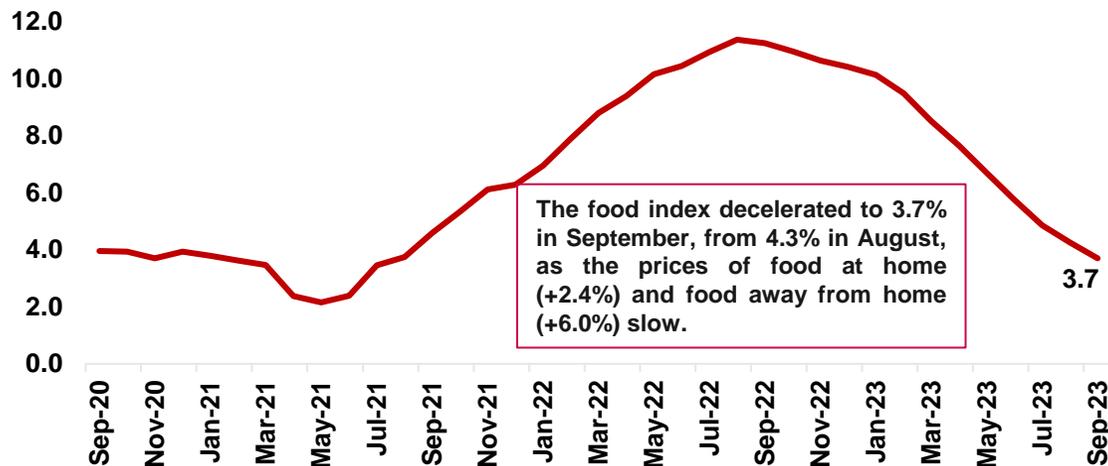
U.S. CPI, y-o-y%



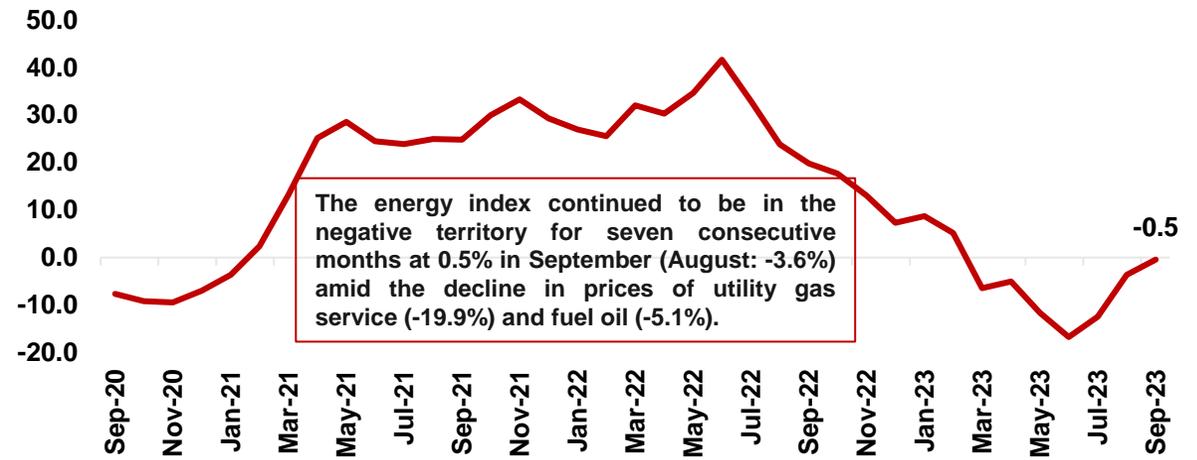
U.S. CPI (All Items less Food and Energy), y-o-y%



U.S. CPI (Food), y-o-y%

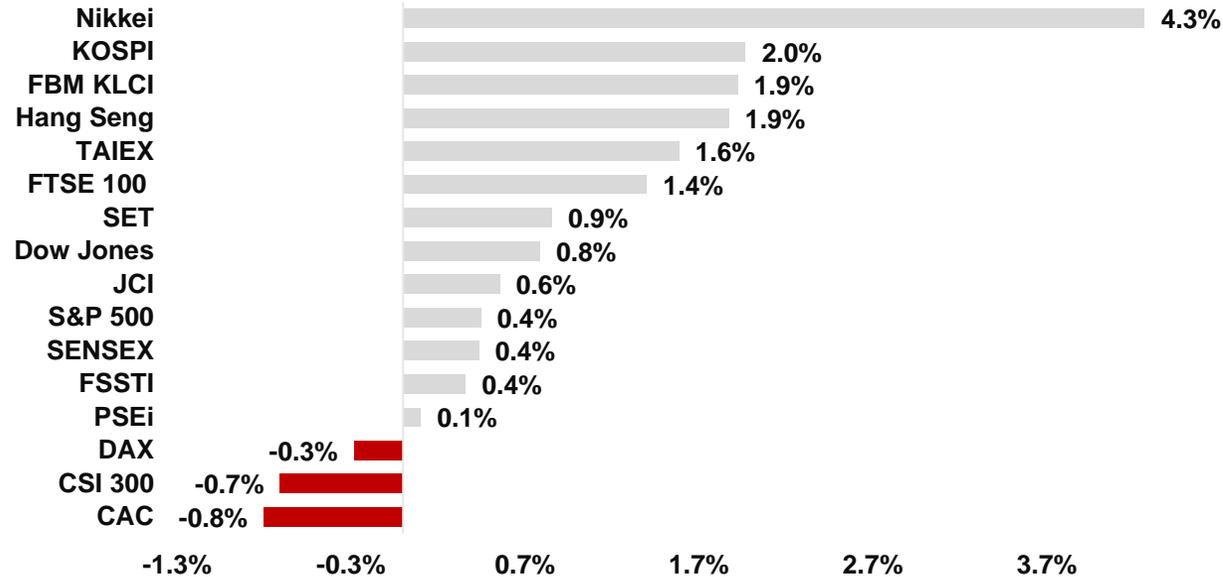


U.S. CPI (Energy), y-o-y%

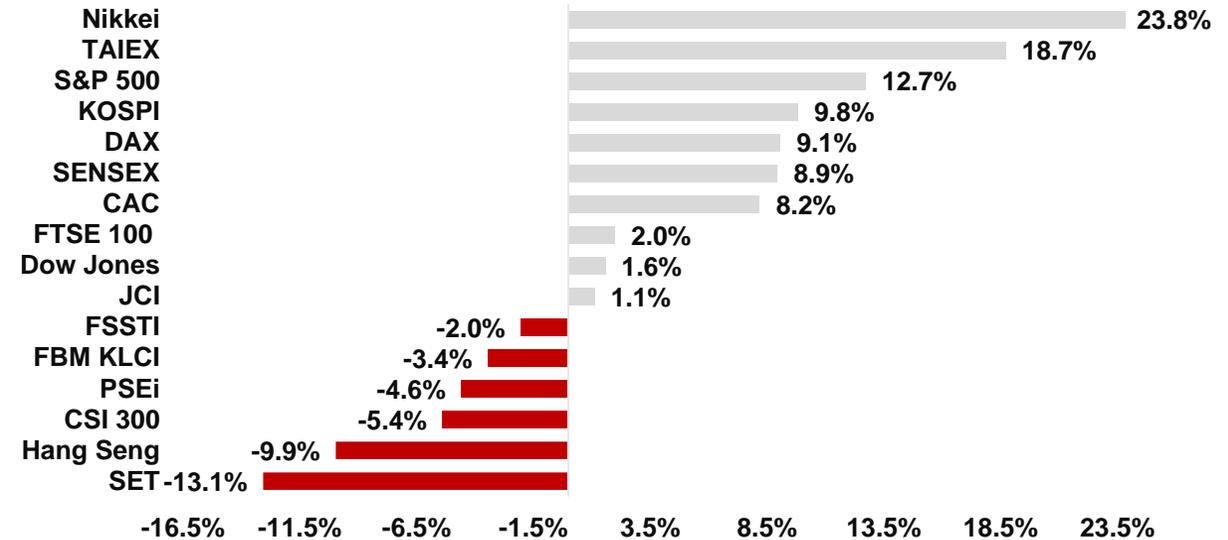


REGIONAL EQUITY: GLOBAL STOCKS EDGED HIGHER AFTER THREE CONSECUTIVE WEEKS OF RED SEA

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



YTD Gain/Loss of Major Equity Markets, % (As of 13 October 2023)

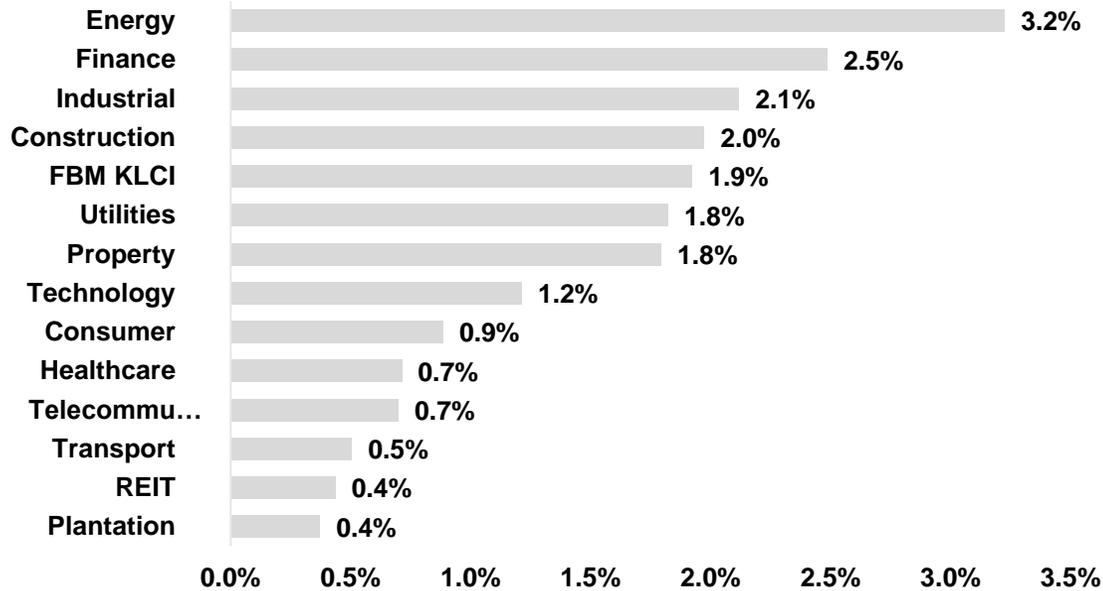


Sources: Bursa, CEIC Data

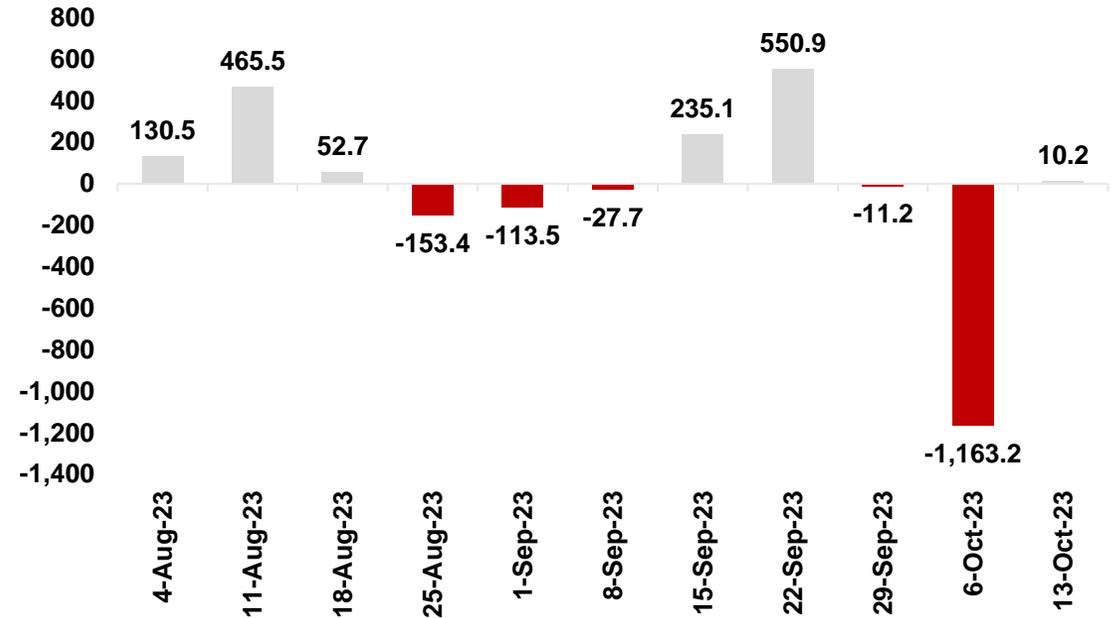
- Regional benchmark indices mostly ended in the green for the week ending October 13, with the Japan's Nikkei leading the gainers by 4.3% on bargain-hunting activities.
- In addition, the minutes from the September Federal Open Market Committee (FOMC) meetings showed that all Federal Reserve (Fed) policymakers had agreed that the central bank should proceed carefully on rate decisions, and incoming data would help determine whether another hike was needed in coming months. This, alongside the dovish comments from Fed officials, lifted hopes that the Fed will end its rate-hiking cycle soon.
- Nevertheless, China's CSI 300 contracted by 0.7% as investors deemed that improvements in the Chinese economy were not strong enough, with the China's CPI inflation remaining flat in September.

DOMESTIC EQUITY: LOCAL STOCKS RALLIED ON BUDGET HOPES

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

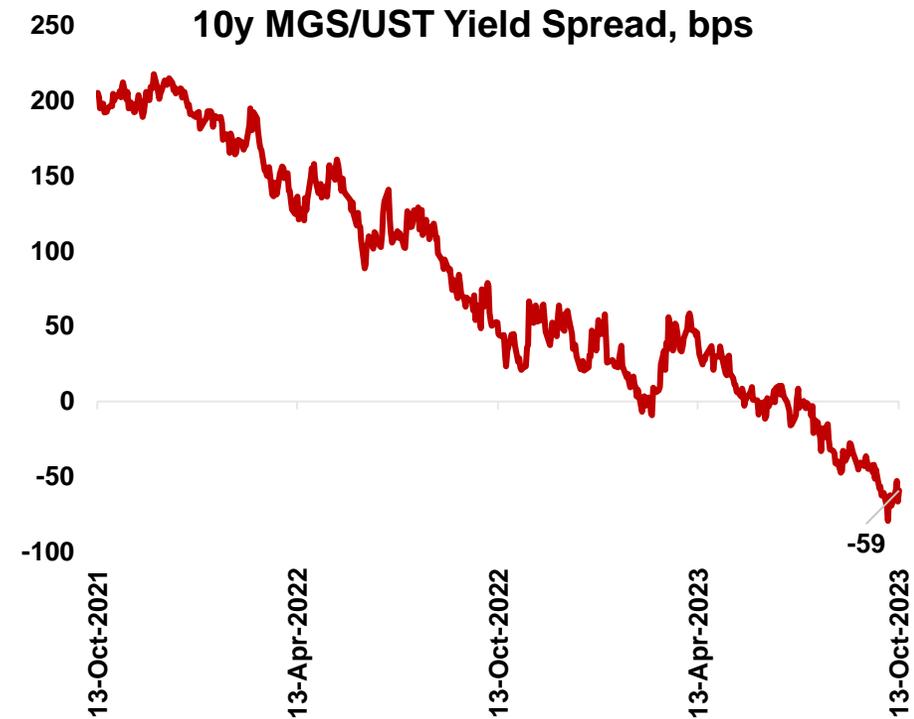
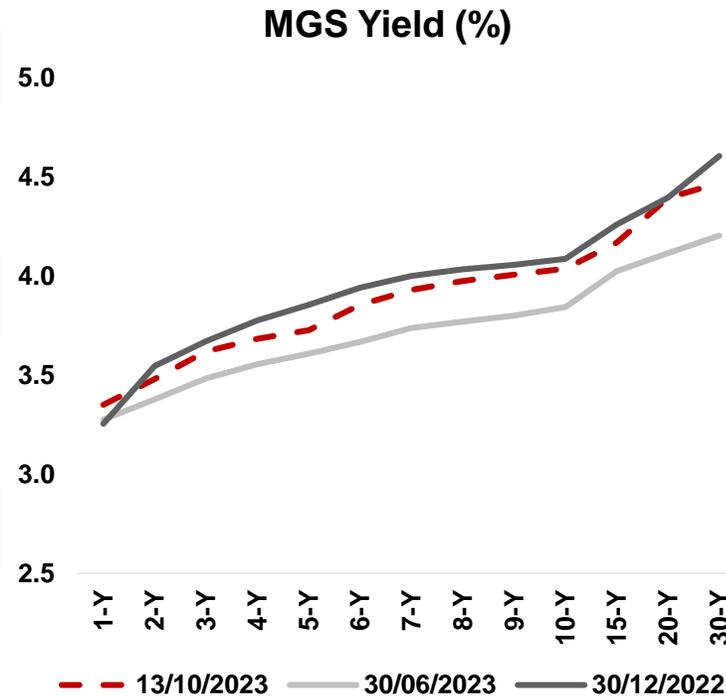


Sources: Bursa, Bank Negara Malaysia (BNM), CEIC Data

- The FBM KLCI closed the week ending October 13 higher by 1.9% after three consecutive weeks of losses, partly on expectations that the Budget 2024 – announced on Friday afternoon – would remain people-centric and development focus.
- Investor sentiment was also uplifted by upbeat regional market performance.
- All Bursa sectoral indices recorded gains during the week, with the Energy index leading with a rise of 3.2% as investors expected the ongoing military conflict in Gaza would keep oil prices elevated. This is followed by the Finance (+2.5%) and Industrial (+2.1%) indices.
- Foreign investors turned net buyers after two weeks of selling, with inflows of RM10.2 million relative to outflows of RM1.2 billion recorded in the previous week. The cumulative total net outflow this year thus far came in at RM3.1 billion.

FIXED INCOME: YIELDS ENDED LOWER AMID FLIGHT TO SAFETY AND REASSESSMENT ON THE U.S. INTEREST RATE OUTLOOK

Weekly Changes, basis points (bps)			
UST	Yields (%)	Yields (%)	Change (bps)
	6-Oct-23	13-Oct-23	
3-Y UST	4.87	4.80	-7
5-Y UST	4.75	4.65	-10
7-Y UST	4.79	4.66	-13
10-Y UST	4.78	4.63	-15
MGS	Yields (%)	Yields (%)	Change (bps)
	6-Oct-23	13-Oct-23	
3-Y MGS	3.67	3.62	-5
5-Y MGS	3.82	3.73	-9
7-Y MGS	4.01	3.93	-8
10-Y MGS	4.09	4.04	-5
GII	Yields (%)	Yields (%)	Change (bps)
	6-Oct-23	13-Oct-23	
3-Y GII	3.68	3.65	-3
5-Y GII	3.85	3.79	-6
7-Y GII	4.02	3.96	-6
10-Y GII	4.11	4.07	-4

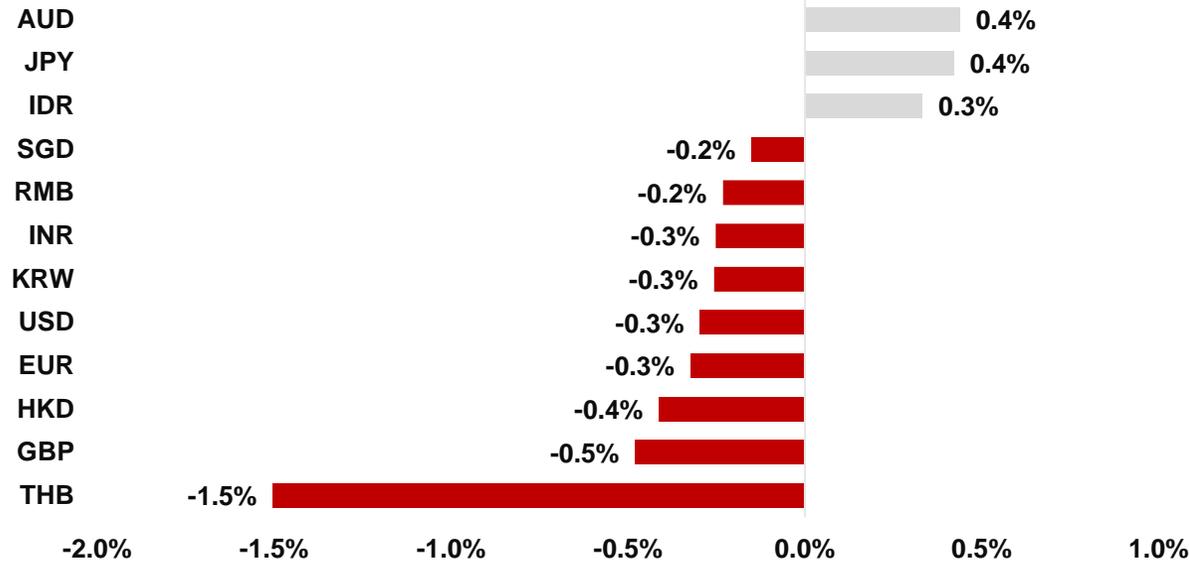


Sources: BNM, Federal Reserve Board

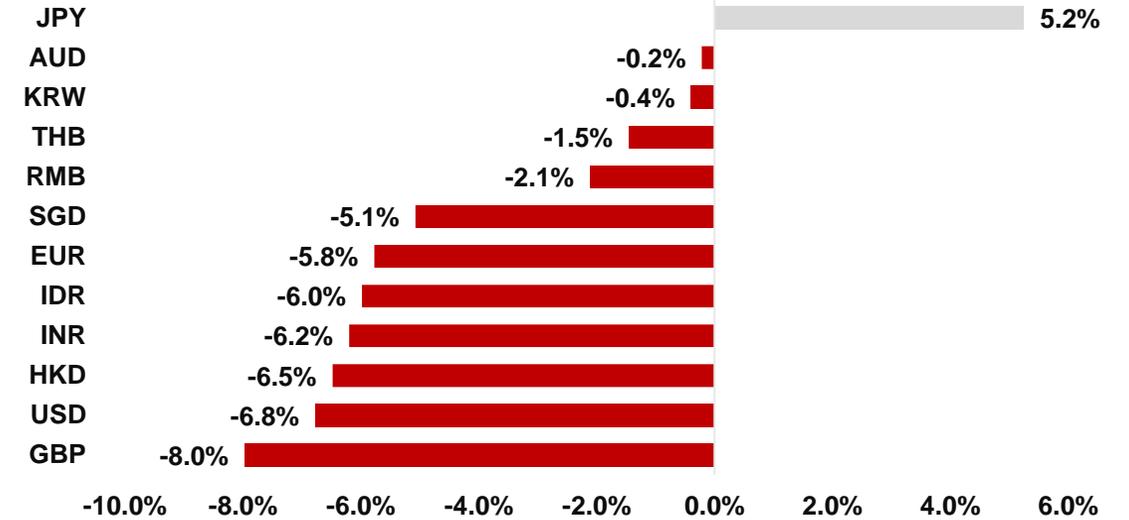
- The U.S. Treasury (UST) yield curve bullishly steepened, with yields dipping in the range of 7bps and 15bps as investors weighed the outlook for interest rates following relatively dovish Fed comments, and as the escalation of the war in the Middle East prompted a renewed flight to safety.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) were also on a buying spree, with MGS yields declining between 5bps and 9bps while GII yields dropped between 3bps and 6bps.
- The RM5.5 billion 10-Y reopening of GII issued on October 13 drew robust demand with a bid-to-cover (BTC) ratio of 2.7x, relatively higher than the previous RM4.5 billion 10-Y reopening of GII in April, which garnered a BTC ratio of 2.4x.
- Meanwhile, the 10y MGS/UST yield spread reduced marginally to -59bps relative to -69bps in the previous week.

FX MARKET: BUDGET 2024 ANNOUNCEMENT DID LITTLE TO LIFT THE LOCAL NOTE

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 13 October 2023)



Source: Investing.com

- Ringgit continued to depreciate for the week ending on October 13 at RM4.728 compared to RM4.7135 in the previous week on the back of a stronger dollar amid sticky U.S. inflation. The September FOMC meeting minutes signalled that the Fed remained committed in achieving the inflation target of 2.0%, even if it meant holding rates higher-for-longer.
- Nevertheless, the 7.5% rise of Brent crude prices (week ending October 13: USD90.9 per barrel vs. week ending October 6: USD84.6 per barrel) managed to alleviate some downward pressure on the local note.
- As it is, all eyes are on the geopolitical conflict unfolding in the Middle East, as fears over global supply chain disruptions and inflationary pressures reignited.

COMMODITY: OIL PRICES REBOUNDED AS GLOBAL STOCKPILES TIGHTENED

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

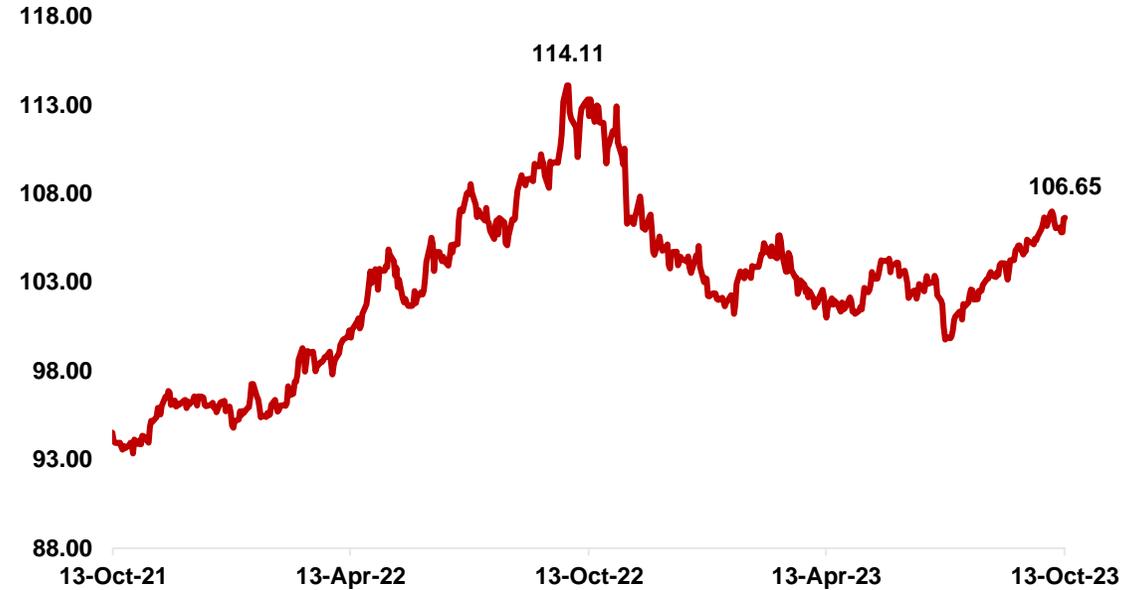
- Oil prices jumped to USD90.89 per barrel on the week ended October 13 on speculation of oil sanctions being imposed following latest developments in the Middle East.
- Such concerns, on top of the declining oil inventories in the U.S., had renewed market concerns about tightening oil supply that could lead the oil price breaching USD100.0 per barrel this year.
- The EIA projected Brent price to average at USD90.65 per barrel in 4Q2023 and USD94.91 per barrel in FY2024 in its latest outlook report released on October 11. The projection has taken into account the diminishing global oil inventories following the production cuts by OPEC+.

COMMODITY: GOLD PRICE RECORDED BIGGEST WEEKLY GAIN SINCE MARCH

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, Commodity Research Bureau

- On the other hand, the bullion price gained by 5.4% w-o-w for the week ending on 13 October as the conflict in Gaza drove investors to flee to safe-haven assets.
- We believe that the volatile external environment would support gold price to trend higher in the coming week.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., investors' attention remains locked on several Fed speeches scheduled this week, including one from Fed Chair Jerome Powell, after last week's dovish remarks by other Fed officials that the recent surge in UST yields would lessen the need for the Fed to raise interest rates further. Investors also await data, including retail sales and industrial production for September, to get a clearer picture on the country's economic outlook. U.S retail sales data is expected to show a cooling consumer demand, in line with the decline in card spending amid tighter financial conditions. Likewise, consensus points to a slowdown in U.S. industrial production, mirroring the contraction in manufacturing Purchasing Managers' Index (PMI).
- China will release its 3Q2023 GDP report alongside retail sales and industrial production and unemployment rate for September this week. A slight moderation in GDP growth in 3Q2023 is expected (2Q2023: 6.3%) given a high base from a year ago and the weakness in economic data during early months of the said quarter. Retail sales (August: 4.6%) and industrial production (August: 4.5%) in September will meanwhile see similar growth as in August in signs that the economy is stabilising. Against this backdrop, further rate cuts by the People's Bank of China (PBoC) are less likely in the near-term.
- There will also be central bank updates from the Bank of Korea (BoK) and Bank Indonesia (BI). The BoK will likely stand pat on its interest rate of 3.5% for the sixth consecutive time this week amid headwinds to growth and rising household debt. Korea's household debt-to-GDP currently exceeds 100.0% as the latest data showed an increase in total household borrowing from banks to KRW1,079.8 trillion in September (August: KRW1,075.0 trillion). On the other hand, BI is set to extend rate pause, with its benchmark interest rate unchanged at 5.75%, following recent remarks from Governor Perry Warjiyo. Warjiyo said BI will hold interest rates steady for some time to help support the currency amidst global market volatilities. This notwithstanding the decelerating inflation and risks of slowing growth that would justify a rate cut as BI is watchful of potential impacts of another rate hike by the Fed.
- On the domestic front, the focus will be on trade and inflation data for September. Exports is expected to improve but remain in contraction zone in September (August: -18.6%), marking the seventh month of decline, reflecting the still sluggish external demand. The trade balance, however, will likely remain positive. Meanwhile, an uptick in inflation (August: 2.0%) is expected given the impacts of price shock arising from a hike in the price of imported rice.

BANK ISLAM

THANK YOU