WEEKLY ECONOMIC UPDATE

5 FEBRUARY 2024

ECONOMIC RESEARCH

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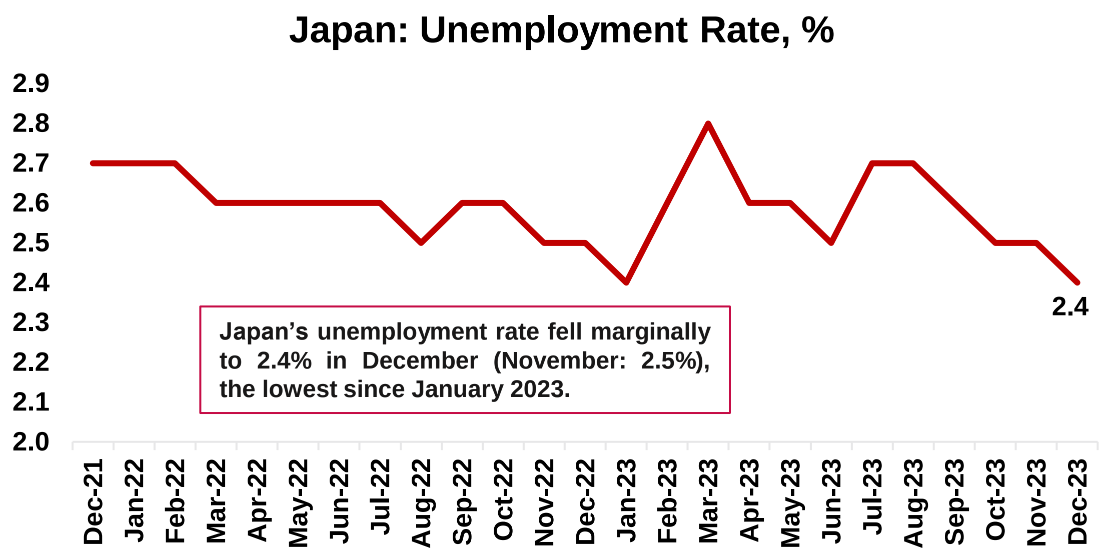
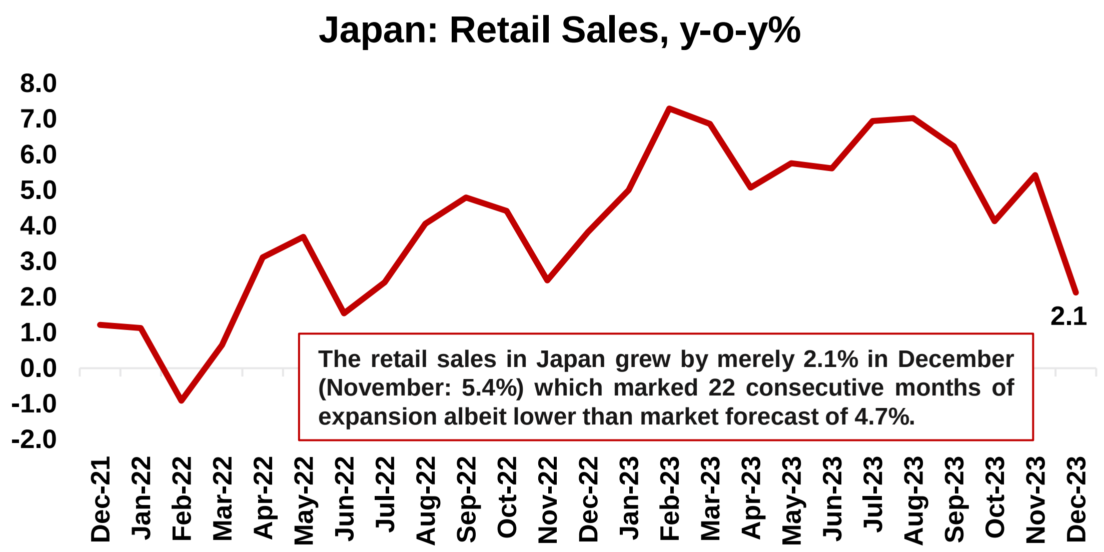
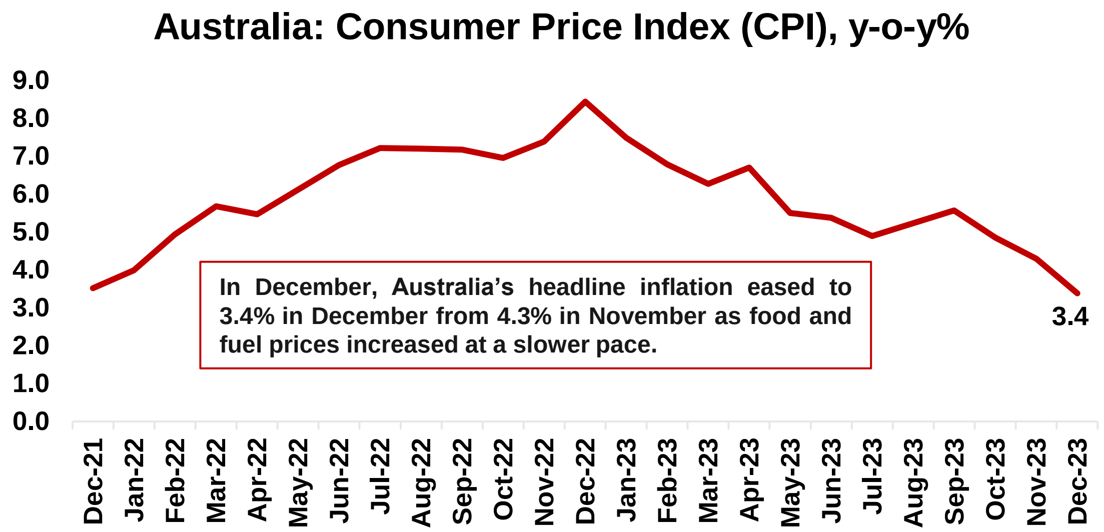
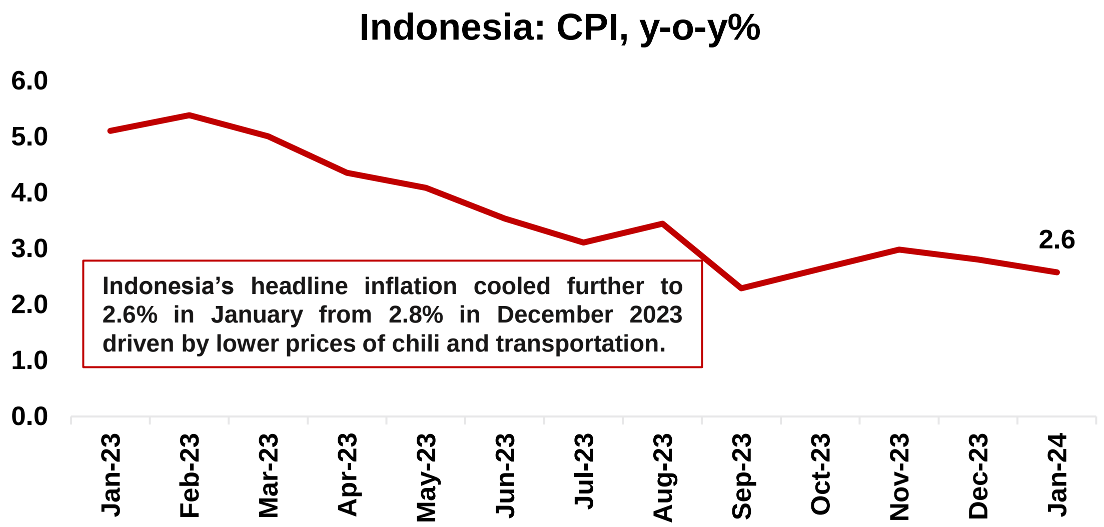
WEEKLY HIGHLIGHT: INFLATION INCHED LOWER IN AUSTRALIA AND INDONESIA

GLOBAL





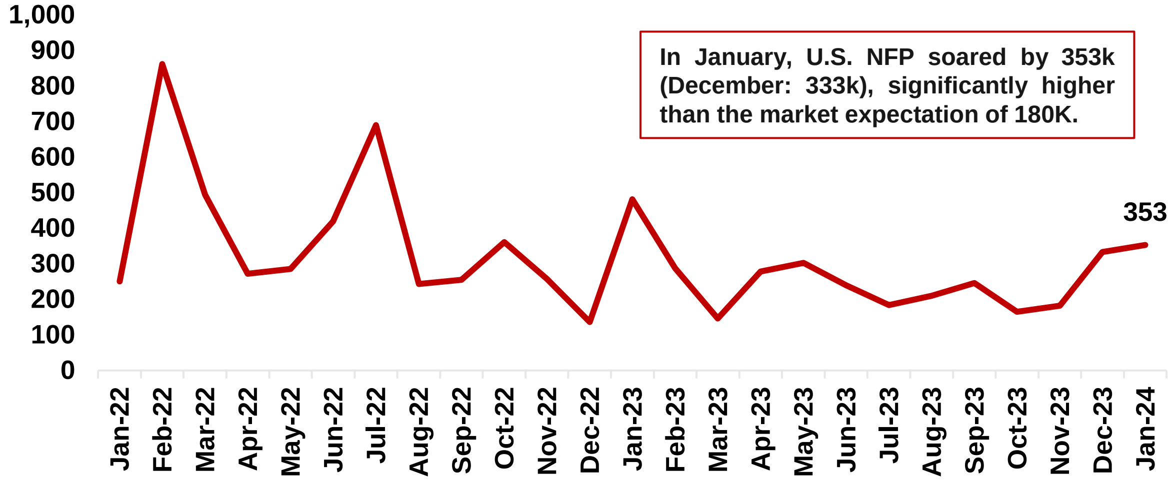




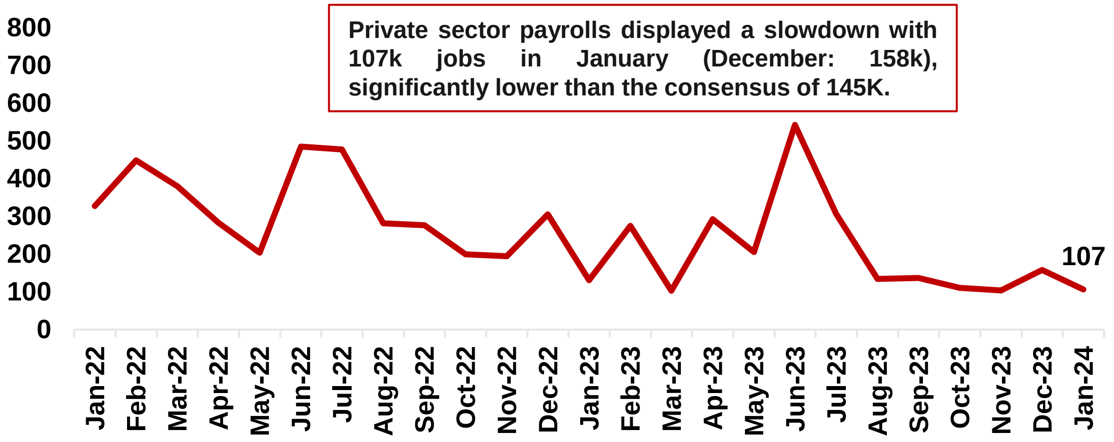
Sources: Statistical Bureau of Japan, Japan Ministry of Economy, Trade and Industry, Australian Bureau of Statistics, Statistics Indonesia

U.S. WEEKLY HIGHLIGHT: ROBUST LABOUR MARKET PERFORMANCE DILUTED ANTICIPATIONS FOR RATE CUTS

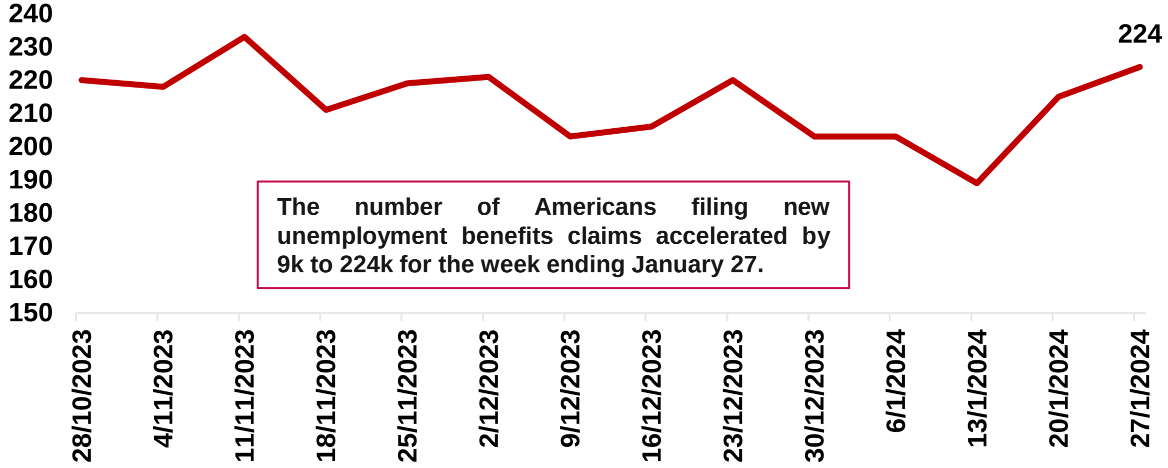
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



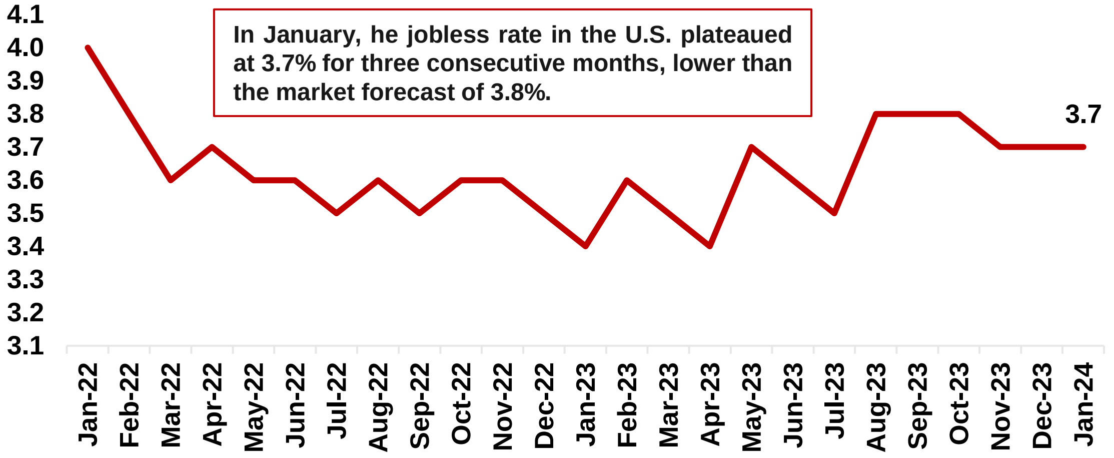
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



U.S. Weekly Initial Jobless Claims (IJC), '000



U.S. Unemployment Rate, %



Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor

REGIONAL EQUITY: SOUTH KOREA’S STOCKS RALLIED ON RENEWED OPTIMISM OVER REGULATIONS

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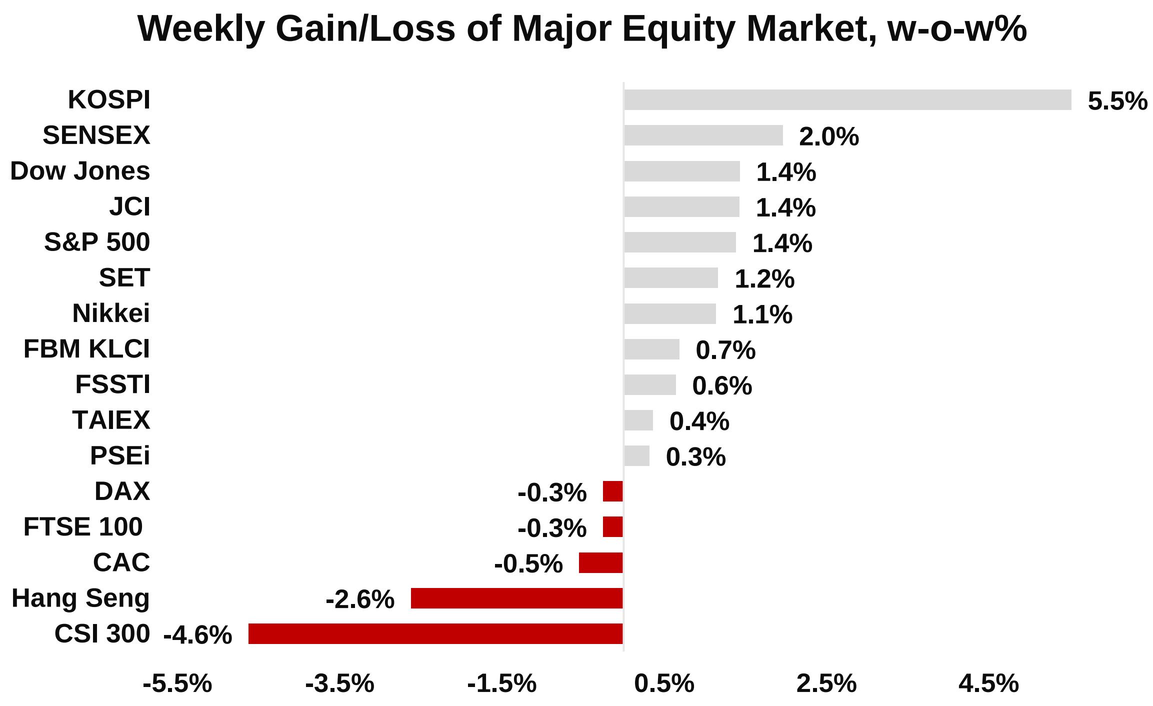

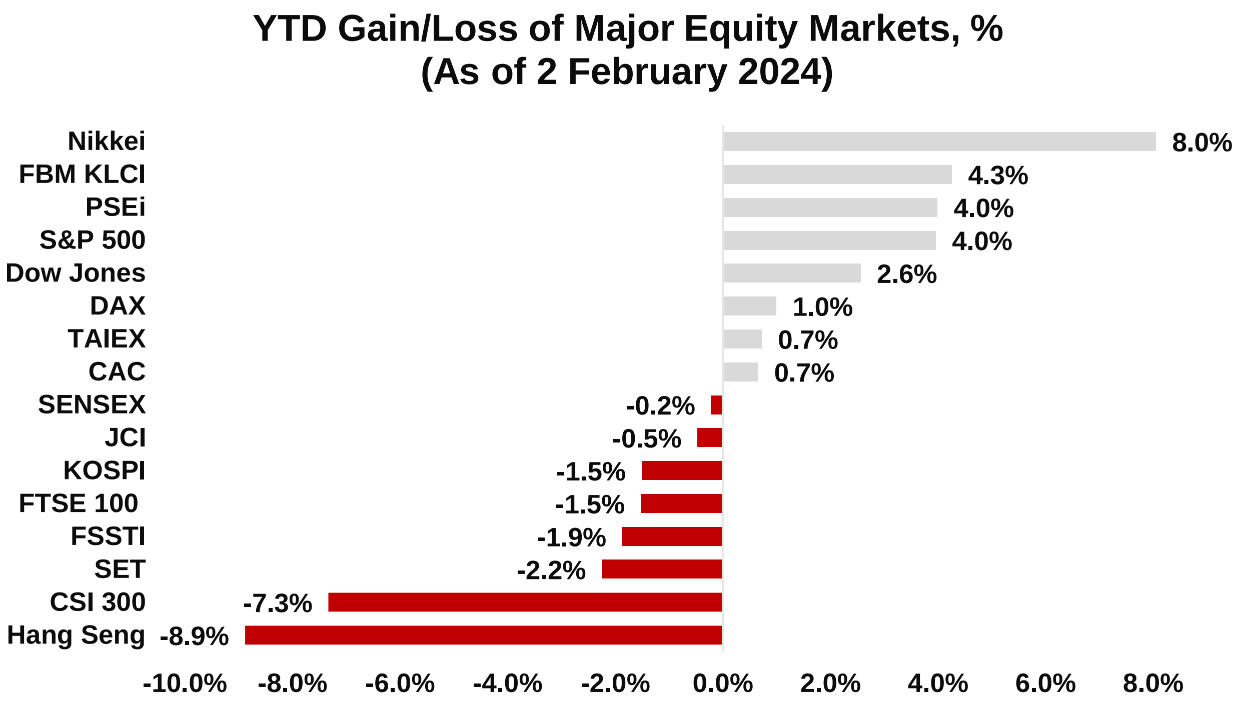

Sources: Bursa, CEIC

- Regional benchmark indices mostly ended in the green for the week ending February 2 spearheaded by Korea’s KOSPI (+5.5%) as investors anticipates for regulations that address weaknesses in corporate governance, ultimately benefiting shareholders.
- Other major winners were India’s SENSEX (+2.0%) and U.S.’ Dow Jones (+1.4%).
- Strong megatech earnings calmed investor nerves despite a robust job market, leading to a market rally in the U.S. stocks.
- Chinese stocks, China’s CSI 300 (-4.6%) and Hong Kong’s Hang Seng (-2.6%) recorded notable declines as shaky post-COVID recovery, deepening property crisis, and geopolitical tensions weigh on China's economy, with stock market deleveraging posing a further risk to confidence.

DOMESTIC EQUITY: LOCAL BOURSE CLOSED MIX TO REFLECT VARYING SENTIMENTS ACROSS THE MARKET

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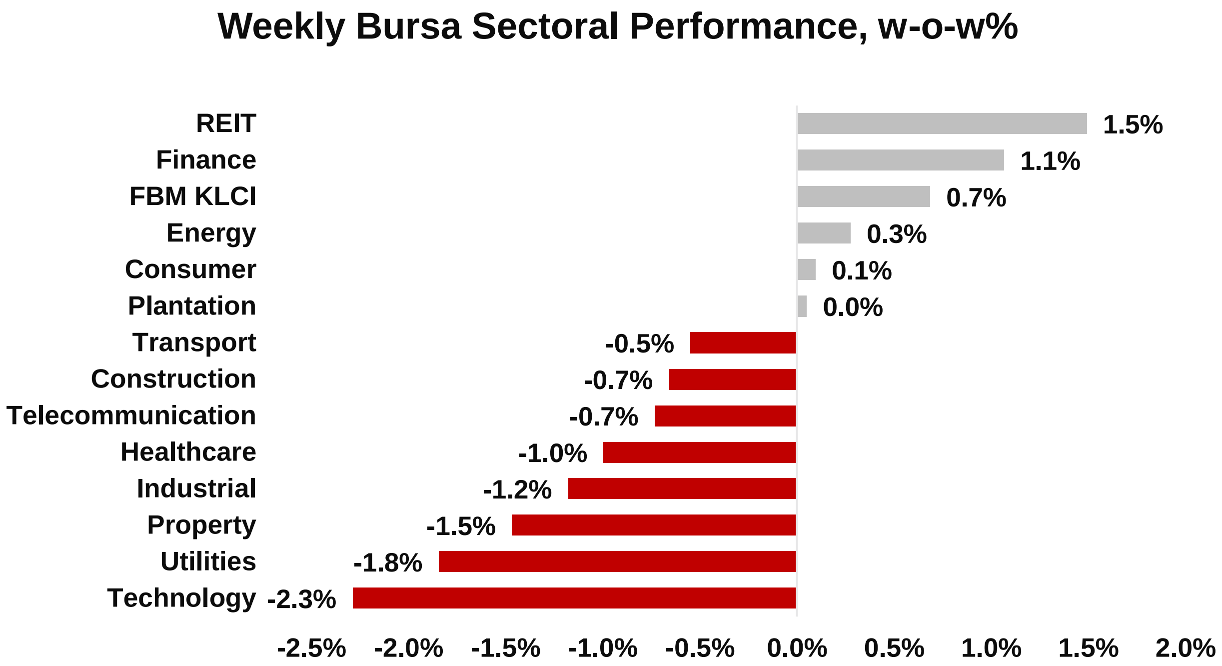

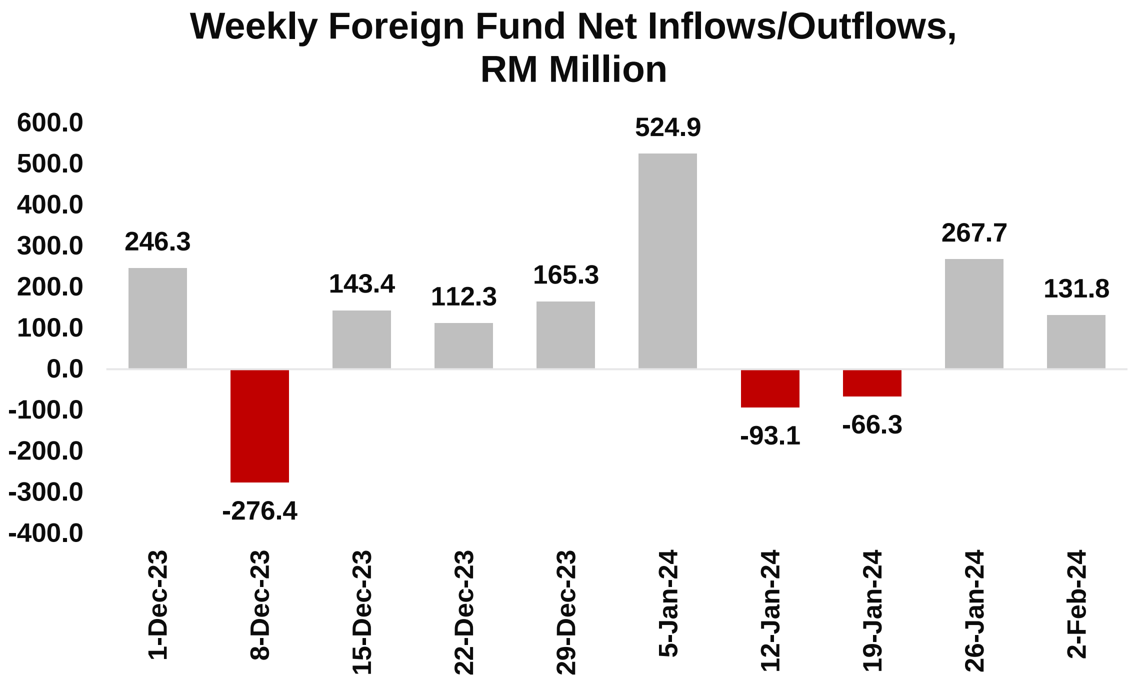

Sources: Bursa, Bank Negara Malaysia (BNM), CEIC Data

- The FBM KLCI closed on a positive note for the week ending February 2, settling above the 1,500-mark through the week after breaching the resistance level earlier this year.
- Such performance was driven by bargain hunting activities as well investors' optimism surrounding Malaysia's political premium as Sultan Ibrahim Ibni Almarhum Sultan Iskandar was sworn in as Malaysia's 17th Yang di-Pertuan Agong.
- The major gainer was the REIT index (+1.5%), followed by the Finance (+1.1%) and Energy (+0.3%) indices.
- The Technology index (-2.3%) ended the week as the biggest loser, followed by the Utilities (-1.8%) and Property (-1.5%) index.
- Foreign investors remained net buyers for the second week, recording a total net inflow of RM131.8 million. The buying increased the cumulative total net inflow this year thus far to RM765.0 million.

FIXED INCOME: UST YIELDS RALLIED AMID FLIGHT-TO-SAFETY

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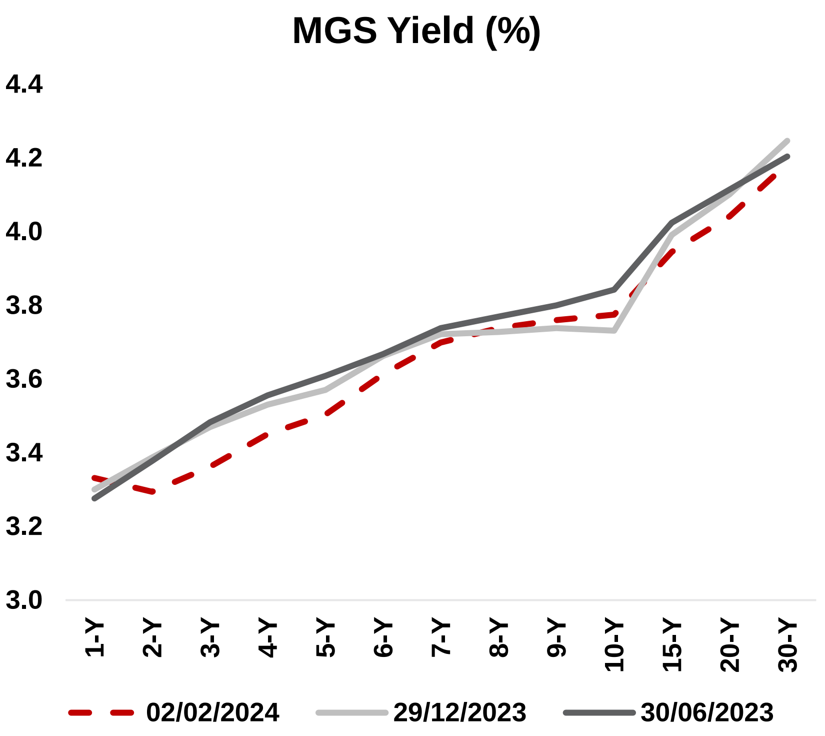
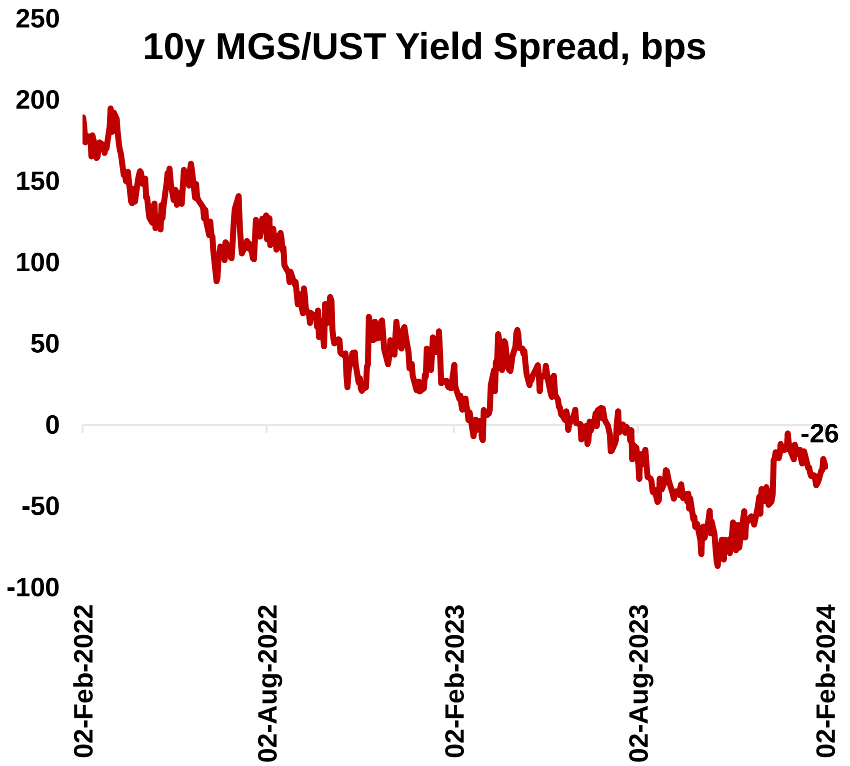
Weekly Changes, basis points (bps)

UST	Yields (%) 26-Jan-24	Yields (%) 2-Feb-24	Change (bps)
3-Y UST	4.15	4.14	-1
5-Y UST	4.04	3.99	-5
7-Y UST	4.10	4.02	-8
10-Y UST	4.15	4.03	-12
MGS	**Yields (%) 26-Jan-24**	**Yields (%) 2-Feb-24**	**Change (bps)**
3-Y MGS	3.40	3.36	-4
5-Y MGS	3.55	3.50	-5
7-Y MGS	3.74	3.70	-4
10-Y MGS	3.80	3.78	-3
GII	**Yields (%) 26-Jan-24**	**Yields (%) 2-Feb-24**	**Change (bps)**
3-Y GII	3.45	3.41	-4
5-Y GII	3.60	3.55	-5
7-Y GII	3.77	3.74	-3
10-Y GII	3.84	3.81	-3

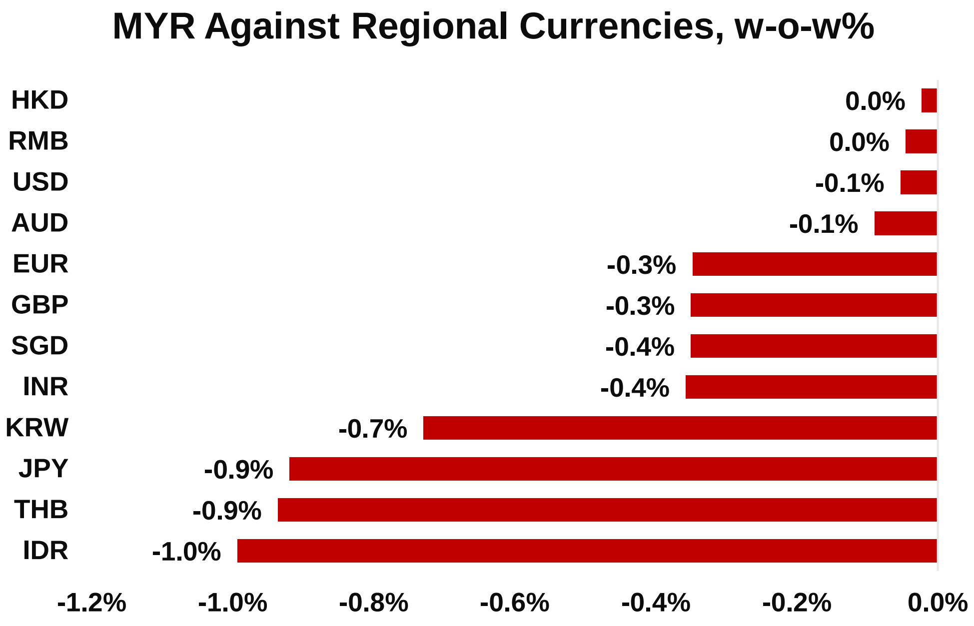
Sources: BNM, Federal Reserve Board

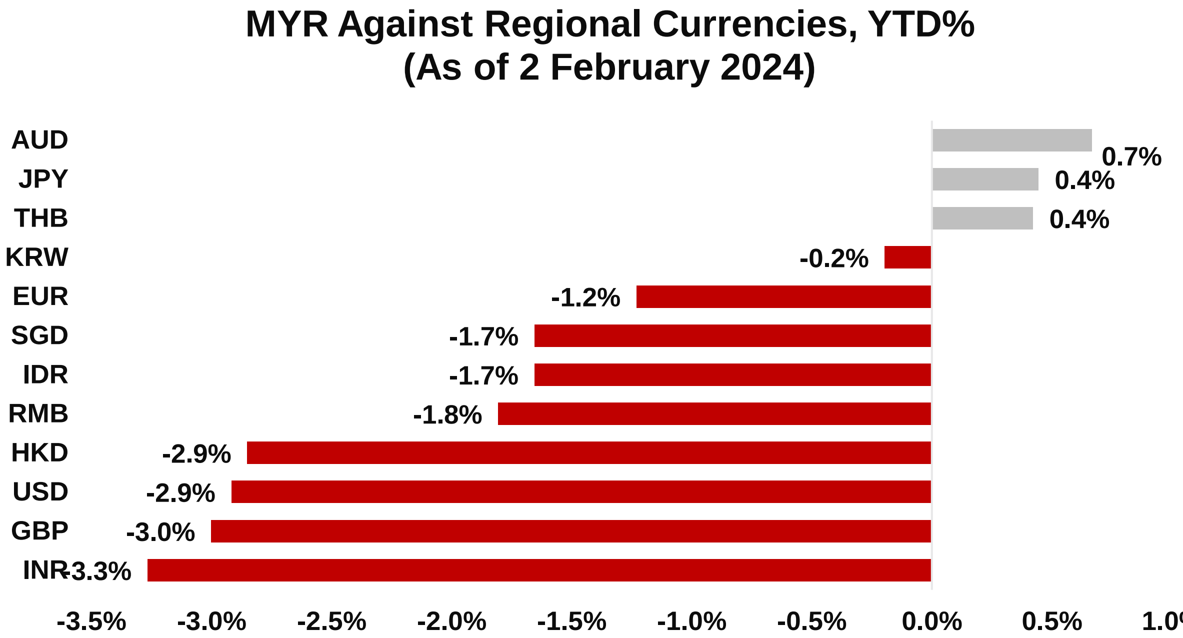




- The U.S. Treasury (UST) yield curve bullishly flattened in the range 1bp and 12bps as investors sought safer assets amid concerns about regional U.S. banks resurfaced. In addition, market participants held a long-term outlook, anticipating interest rate cuts by major central banks, but with revised expectations regarding the timing.
- On the local bond market, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields rallied between 3bps and 5bps, tracking UST gains.
- Concurrently, the 10y MGS/UST yield spread ended narrower at -26bps relative to -35bps in the previous week.

FX MARKET: RINGGIT WEAKENED AGAINST THE USD DURING THE WEEK



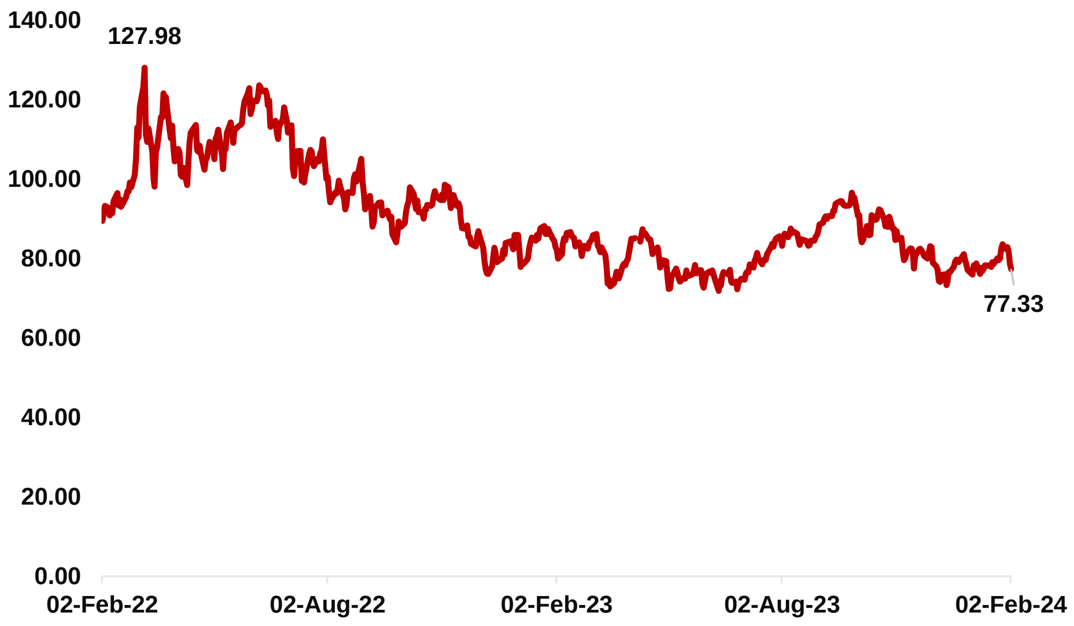


Source: BNM

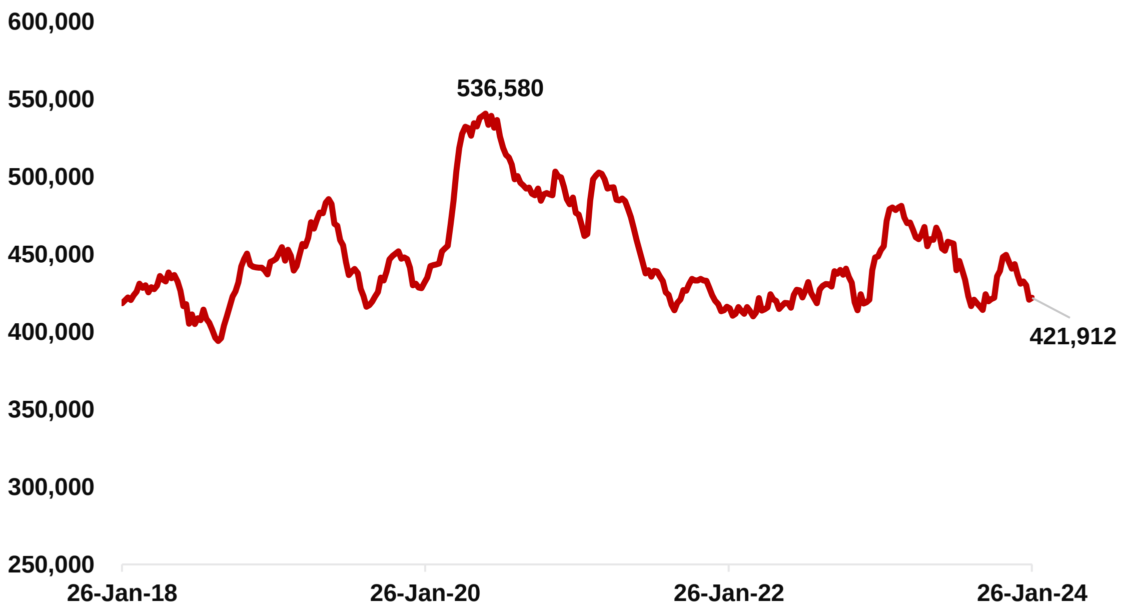
- The Ringgit depreciated last Friday, closing at RM4.7295 against the USD from RM4.7270 from the previous week, as the USD index remained at 103 level and continued to gain on a weekly basis at 0.5% (26 January: 0.1%).
- The local note remained almost unchanged last week, possibly due to the already anticipated of U.S. Federal Open Market Committee (FOMC) meeting decision when the central bank kept the Federal Funds Rate (FFR) between 5.25%-5.50% for the fourth straight meeting in January this year.
- Be that as it may, the Ringgit continued to stay under pressure against the greenback as the U.S. policymakers seemed inclined to higher-for-longer stance until they are confident the inflation rate is moving sustainably at 2.0% goal. Additionally, the Fed Chairman Jerome Powell stated rate cut in March is unlikely – perhaps in June.
- Meanwhile, the U.S. labour market still remain tight when the economy added jobs more than market estimation in January (Act: 353k vs. Est: 180k). This could delay the rate cut from the U.S. central bank, suggesting the greenback could strengthen further and pressuring emerging currencies including the Ringgit.

COMMODITY: OIL PRICES DROPPED AMID SIGNS OF DEFUSING TENSION TENSIONS IN THE MIDDLE EAST

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price was set to decline around 7.0% last week following Israel and Hamas agreed to a ceasefire proposal with Hamas stated it was reviewing the deal. As such, this could put an end to the geopolitical war that has buoyed oil price movement in the recent months.
- Meanwhile, OPEC+ kept its current production policy, maintaining output cuts 2.2 million barrels per day (bpd) for the first quarter.
- As for the demand side, EIA reported that the global oil demand will likely increase by 2.00 million bpd in 2024, much higher than a previous forecast of 1.24 million bpd.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN DESPITE HOTTER-THAN-EXPECTED U.S. JOB MARKET

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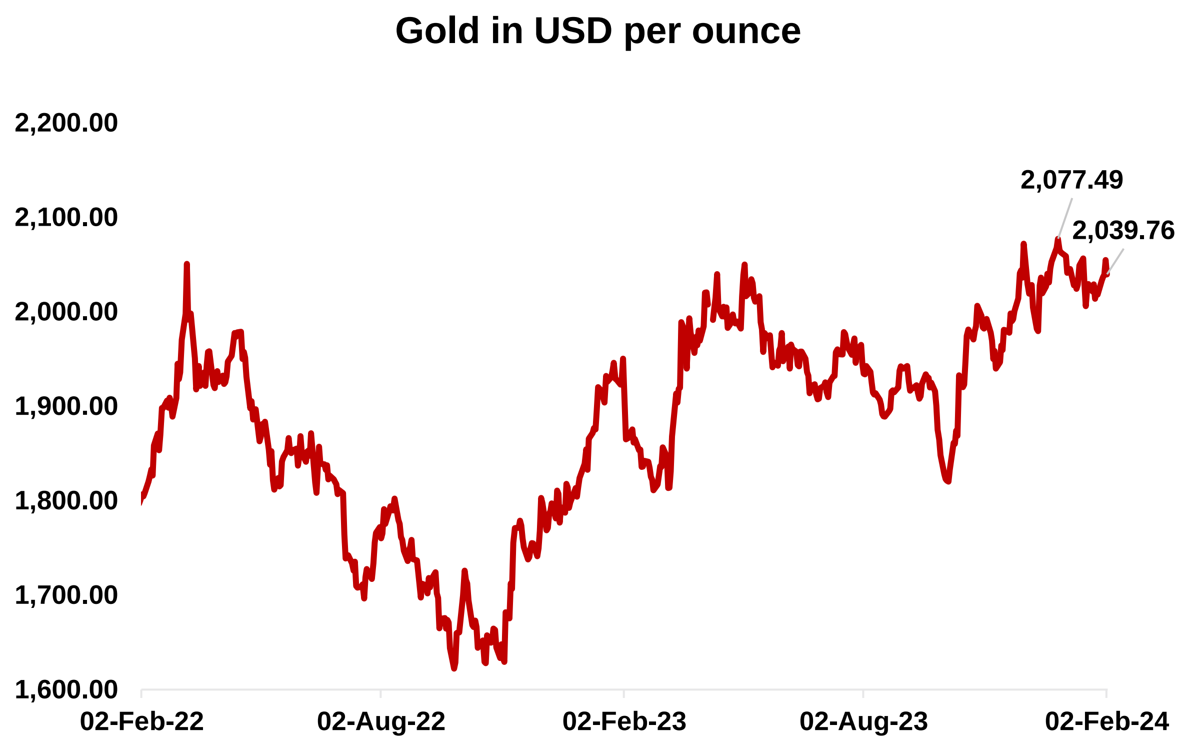

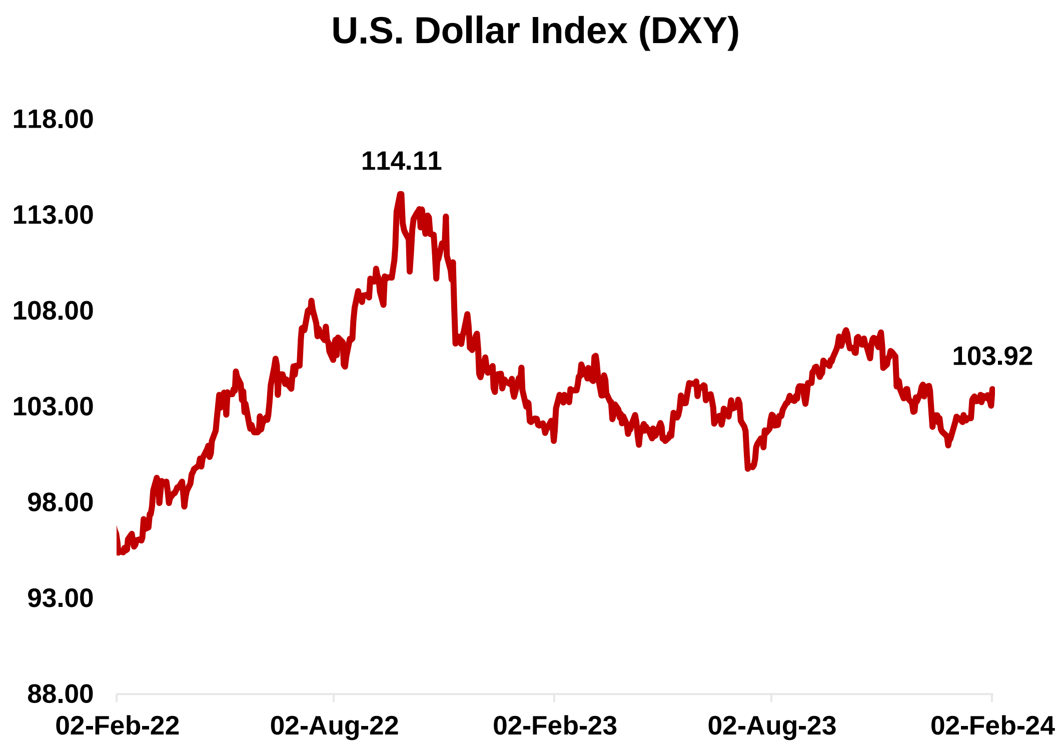

Sources: Bloomberg

- The bullion price rose by 1.1% w-o-w for the week ending February 2, alongside the USD, despite signals pointing to a still undeterred economy. Last week, the Fed had kept the rates unchanged at 5.25%-5.50%, in a widely expected move.
- Recent NFP figures rose more-than-expected (Act: 353k vs. Est: 180k) whilst unemployment rate beat expectations to rest at 3.7% (Est: 3.8%).
- As such, market participants currently price in nearly 80.0% chance of the Fed holding FFR steady in the coming March meeting – a pivot from the consensus just last month.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- It was an eventful week in the global markets last week with the U.S. Fed shot down expectations on the rate cut in March as reiterated by the Fed Chairman Powell emphasizing that it was not the “base case” scenario. Despite the inflation reading has declined substantially, he downplayed speculation that rate cuts are just around the corner, arguing the central bank is not fully confident on the battle against the inflation rate. Solid economic growth, resilient consumer spending, as well as a tight labor market are among of the factors that could keep inflation above 2.0% for some time thus, calling the need for the higher-for-longer sentiment.

- Additional central bank meetings will take place in Australia, India and Thailand this week. While there will be no changes to monetary policy decisions expected in the former two, the latter – Bank of Thailand (BoT) meeting is seen as a ‘live’ meeting following political pressure to lower the rates which will be widely watched on Wednesday. Meanwhile, both Reserve bank of Australia (RBA) and Reserve Bank of India (RBI) will be scrutinized for their views relating to inflation and the policy path moving forward.

- At the same time, January’s services Purchasing Managers’ Index (PMI) numbers will be due at the start of the week to complete the picture following indications of renewed improvement in the global manufacturing output. Apart from that, detailed sector PMI data for insights performance across the U.S., European, Asian and global economies will also be updated. It is foreseen that activity within financial sectors improved at the end of last year, as financial conditions have loosened, which could be sphere of interest should the trend has carried through into this year.

- Domestically, BNM kicked off its first meeting of the year by maintaining the Overnight Policy Rate (OPR) at 3.00% for the fourth consecutive meeting in January 2024, align with the market estimation. The central bank stated that such decision was in line with the current assessment of inflation and growth prospects. On the price front, the inflationary pressures are expected to be modest this year but will remain elevated subject to domestic policy changes on subsidies, price controls, global commodities prices, and financial market developments. Meanwhile, the country’s advanced 4Q2023 GDP projection came at 3.4%, suggesting the overall growth for 2023 expanded within estimation.

THANK YOU