



# **WEEKLY ECONOMIC UPDATE**

**15 APRIL 2024**

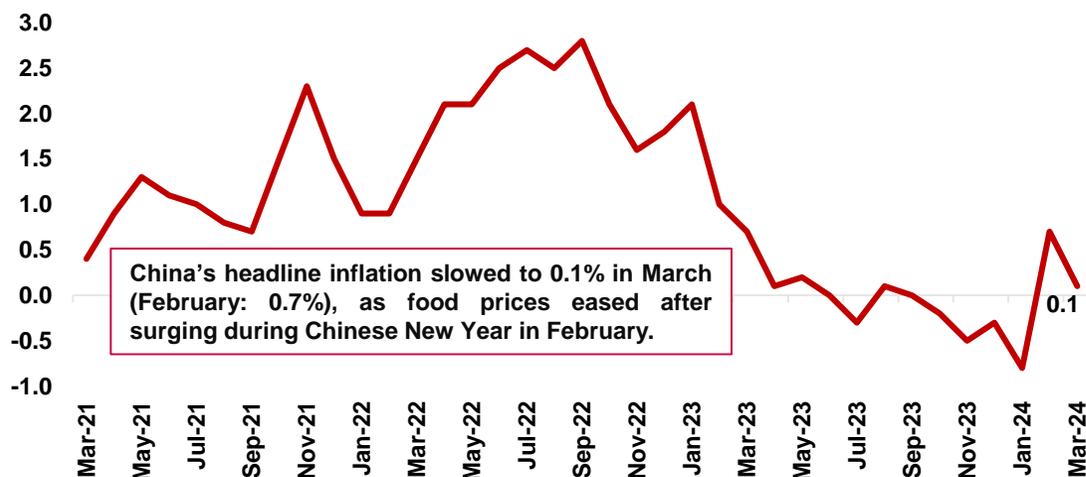
**ECONOMIC RESEARCH**

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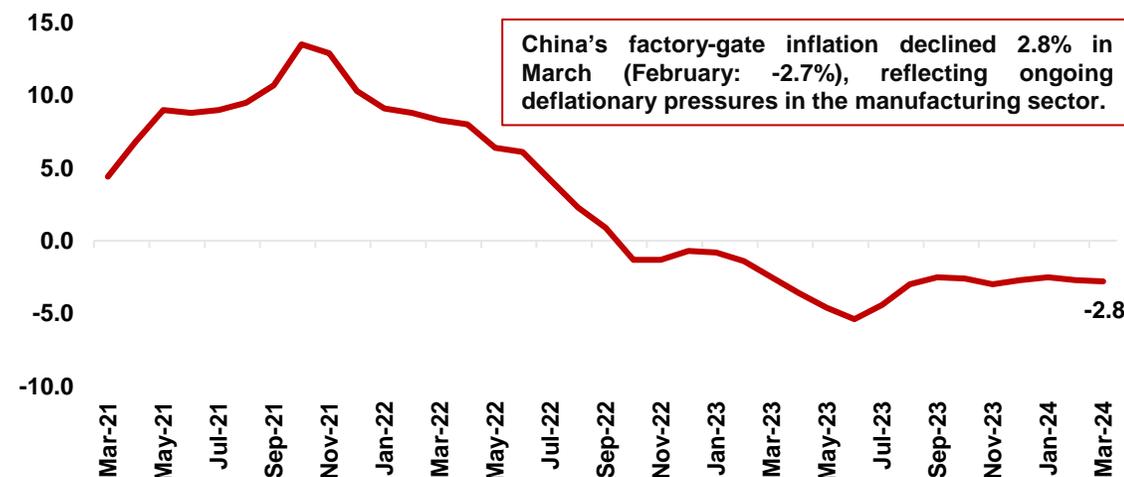
# WEEKLY HIGHLIGHT: CHINA'S WEAK INFLATION CALLS FOR SWIFT POLICY EASING

GLOBAL

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



### China - Producer Price Index (PPI), y-o-y%

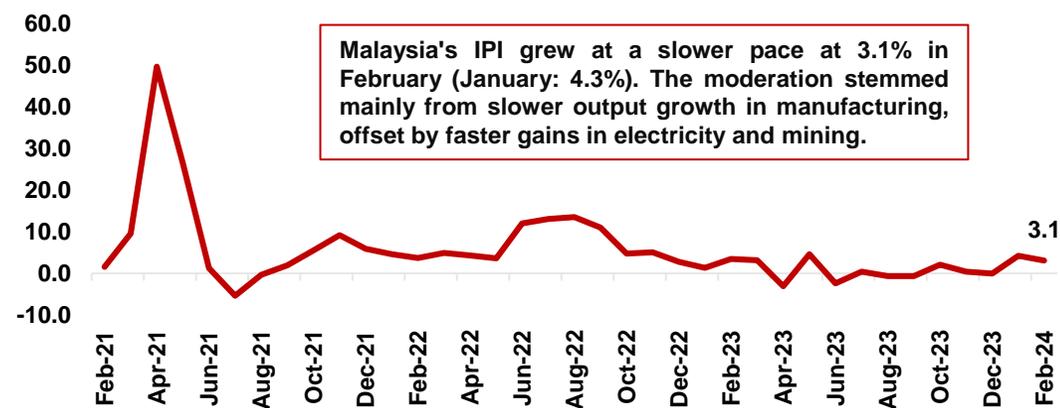


DOMESTIC

### Malaysia - Unemployment Rate, y-o-y%

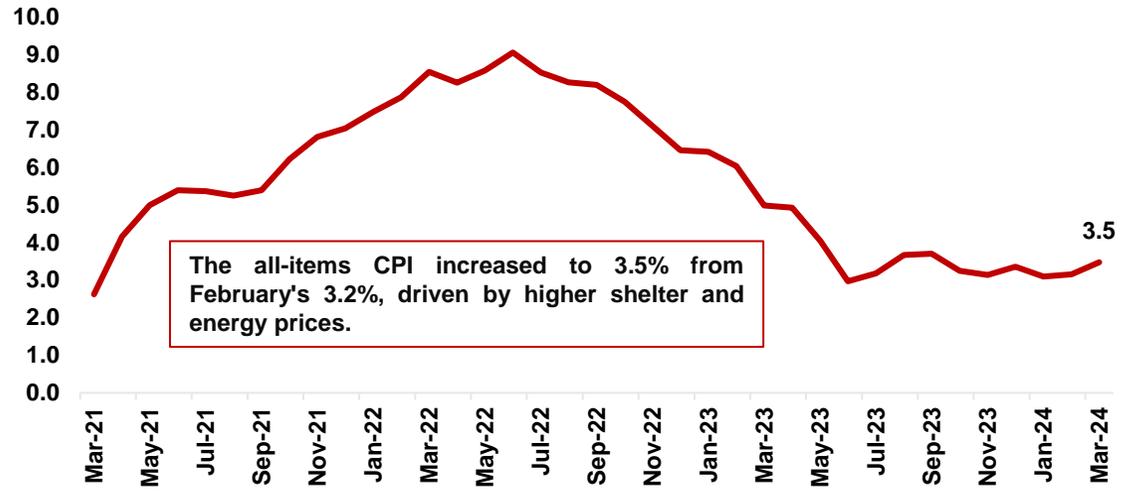


### Malaysia - Industrial Production Index (IPI), y-o-y%

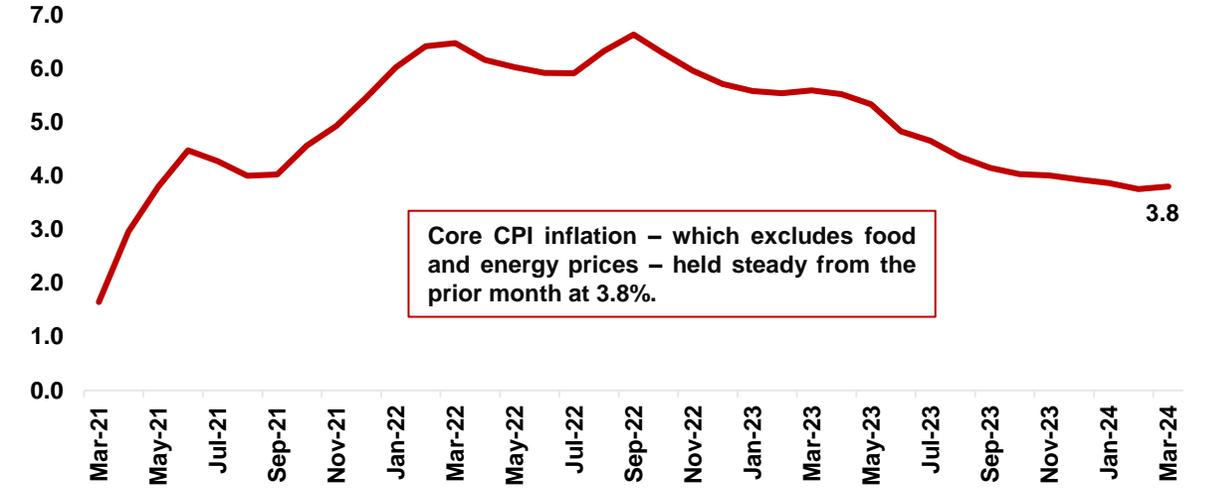


# U.S. WEEKLY HIGHLIGHT: MARCH'S HIGH INFLATION DASHES HOPES FOR THE FED TO CUT RATES

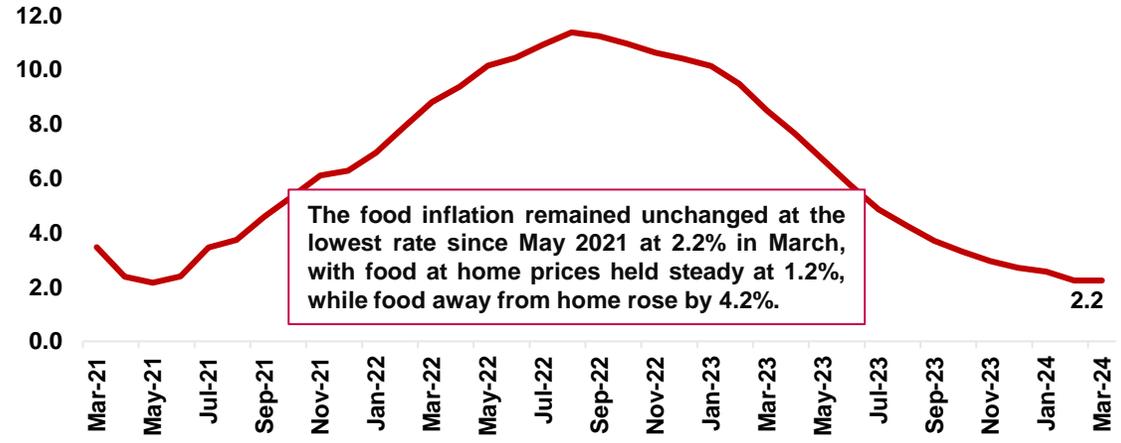
### U.S. CPI, y-o-y%



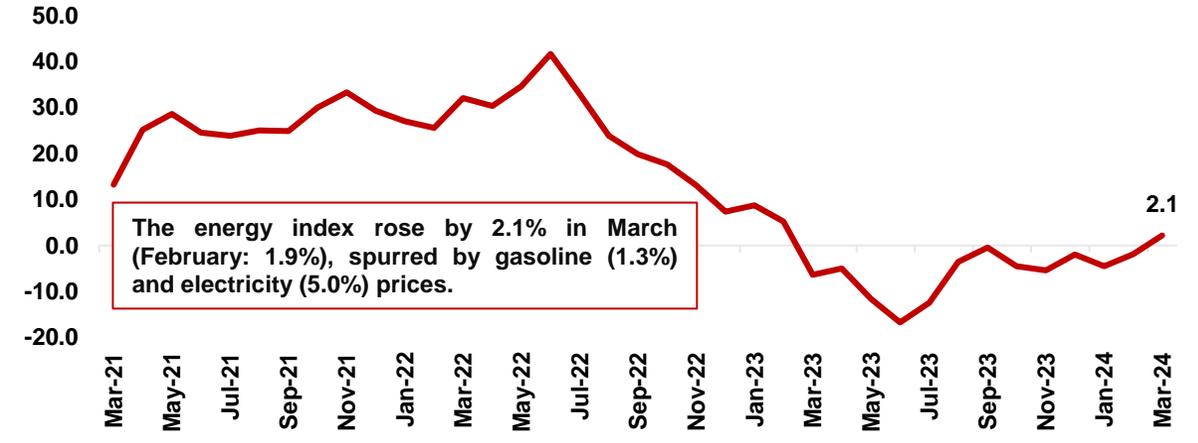
### U.S. Core CPI, y-o-y%



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

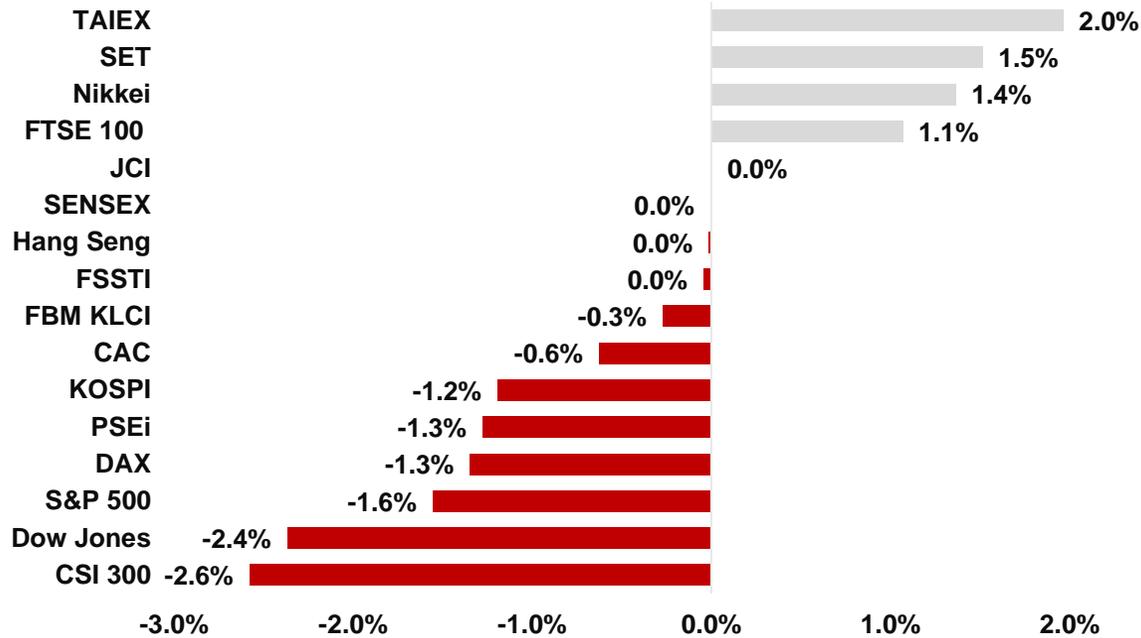


### U.S. CPI (Energy), y-o-y%

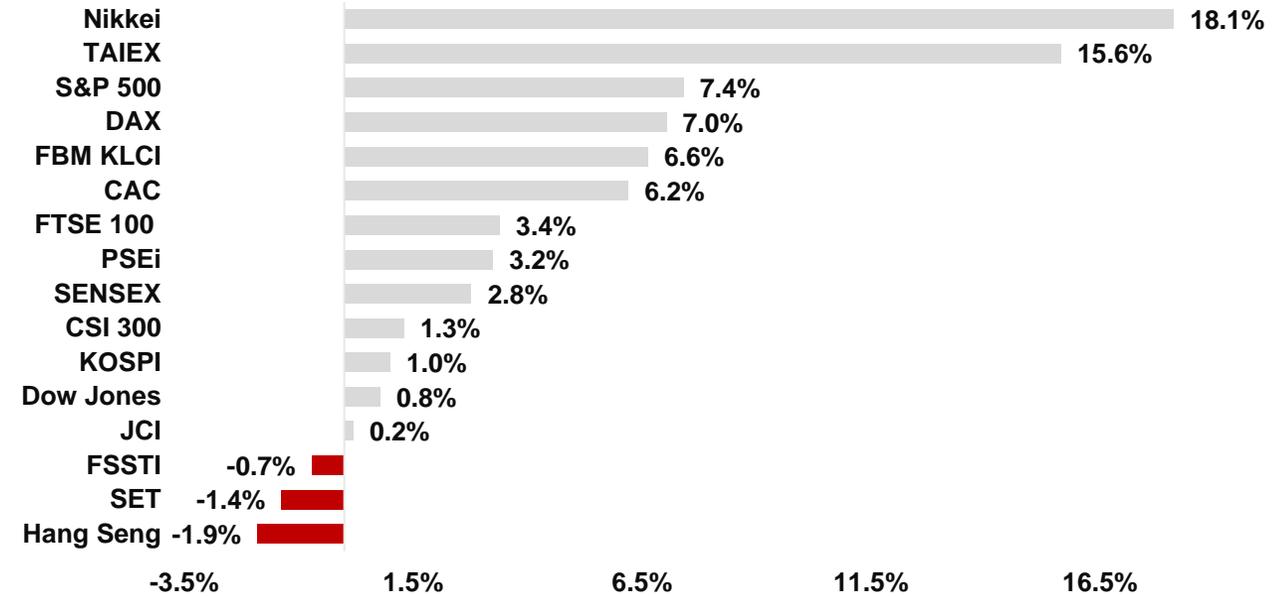


# REGIONAL EQUITY: SEA OF RED ACROSS MAJOR STOCK MARKETS AFTER HOTTER-THAN-EXPECTED U.S. INFLATION DAMPENED RATE CUT BETS

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



YTD Gain/Loss of Major Equity Markets, % (As of 12 April 2024)

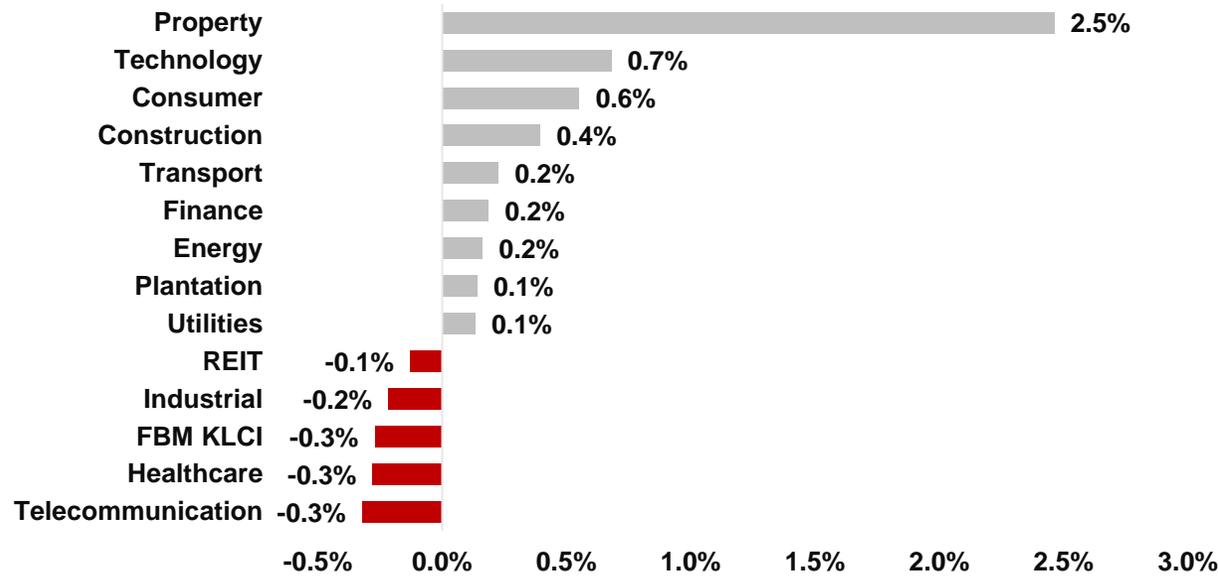


Sources: Bursa, CEIC Data

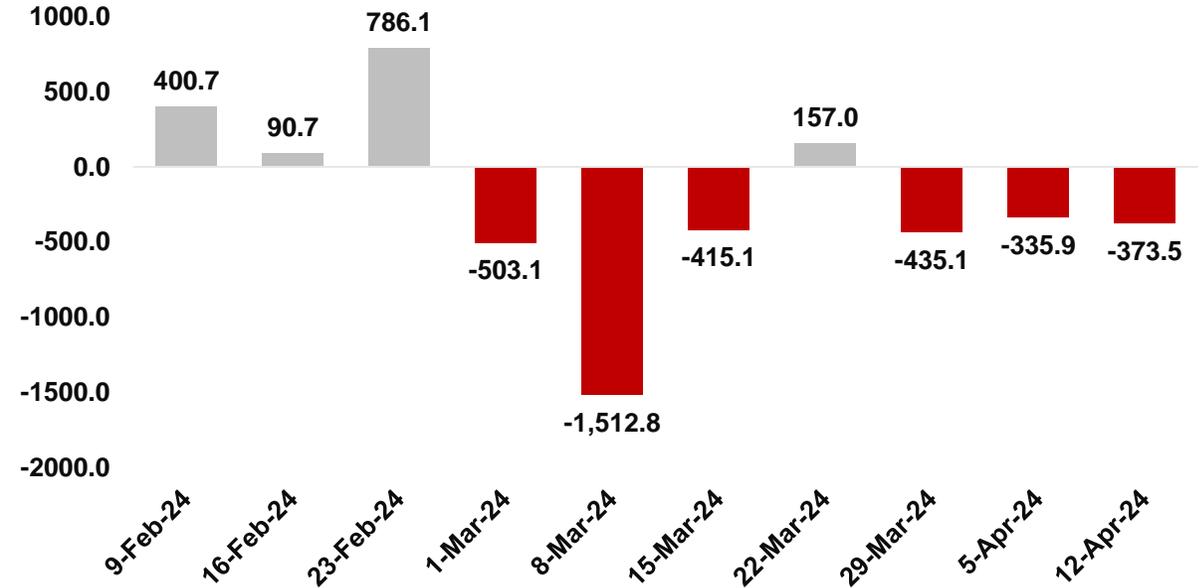
- The world stock market were mostly in the red for the week ending April 12, with China’s CSI 300 as the major loser, contracting by 2.6% since investors grew less confident about the U.S. Federal Reserve (Fed) lowering interest rates due to uncertainties surrounding inflation. In addition, China's weak trade data for March also dampened overall market optimism.
- U.S. stocks – Dow Jones (-2.4%) and S&P 500 (-1.6%) also slumped as the market’s mood turned sour after major banks reported earnings. Banking stocks dropped sharply as these reports revealed high interest rates were hurting their profits.
- In contrast, Taiwan’s TAIEX (+2.0%), Thailand’s SET (+1.5%) and Japan’s Nikkei (+1.4%) were among the top gainers, last week.

# DOMESTIC EQUITY: LOCAL MARKET SLOWS AFTER HITTING THE HIGHEST CLOSING IN ALMOST TWO YEARS

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



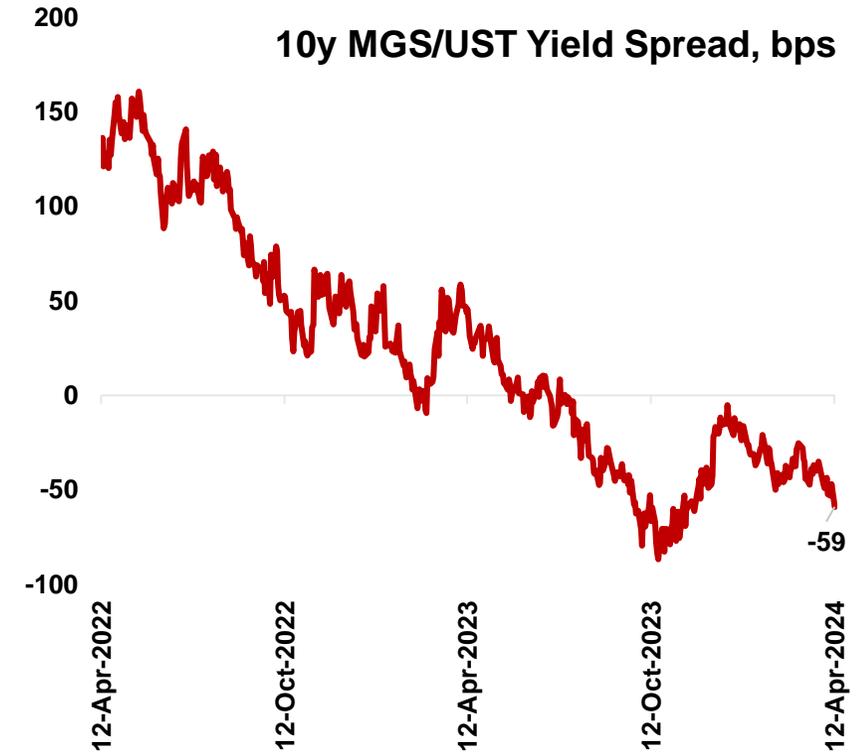
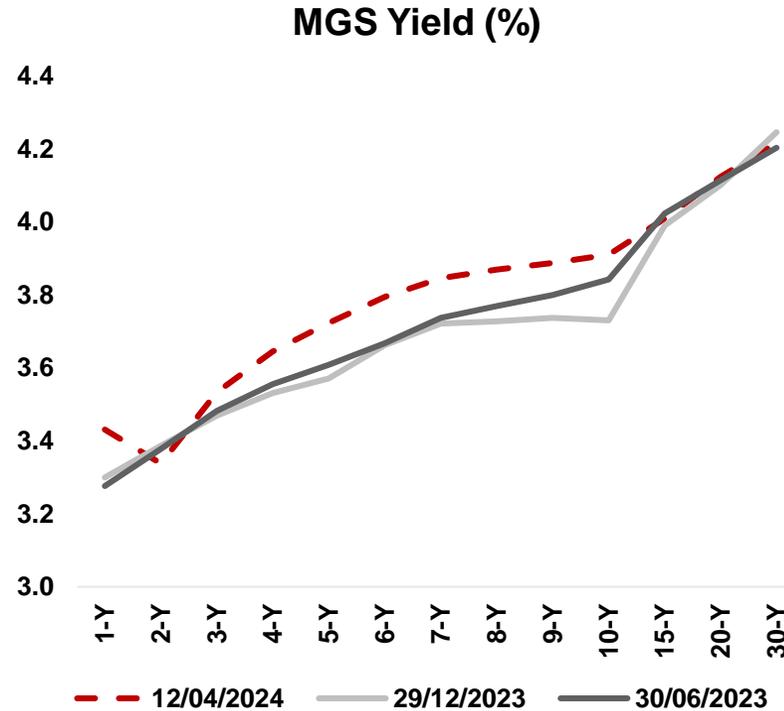
Sources: Bursa, CEIC Data

- The FBM KLCI closed lower in the week ending April 12 amid a shorter trading week due to the two-day Hari Raya Aidilfitri holiday.
- Among the losers was the Telecommunications and Healthcare indices which both closed 0.3% lower than the previous week whilst the Industrial index declined by 0.2%.
- However, not all is doomed as FBM KLCI had initially hit its highest level this year on Monday, closing at 1,559.98 points on upbeat local sentiments surrounding the property sector's prospects amid upcoming and under way development projects. Buying interest in the Property sector had propelled the index to rise by 2.5%, followed by the Technology (+0.7%) and Consumer (+0.6%) indices.
- Foreign investors continued their net selling streak for the third straight week with a total net outflow of RM373.5 million. The net selling increased the cumulative total net outflow this year thus far to RM1.4 billion.

# FIXED INCOME: SELLING PRESSURE IN THE BOND MARKET AMID HIGH-FOR-LONGER INTEREST RATE EXPECTATIONS

## Weekly Changes, basis points (bps)

UST	Yields (%) 5-Apr-24	Yields (%) 12-Apr-24	Change (bps)
3-Y UST	4.54	4.70	16
5-Y UST	4.38	4.54	16
7-Y UST	4.39	4.53	14
10-Y UST	4.39	4.50	11
MGS	Yields (%) 5-Apr-24	Yields (%) 12-Apr-24	Change (bps)
3-Y MGS	3.50	3.53	3
5-Y MGS	3.67	3.72	5
7-Y MGS	3.80	3.85	5
10-Y MGS	3.87	3.91	4
GII	Yields (%) 5-Apr-24	Yields (%) 12-Apr-24	Change (bps)
3-Y GII	3.46	3.50	4
5-Y GII	3.63	3.67	4
7-Y GII	3.79	3.82	3
10-Y GII	3.87	3.91	4

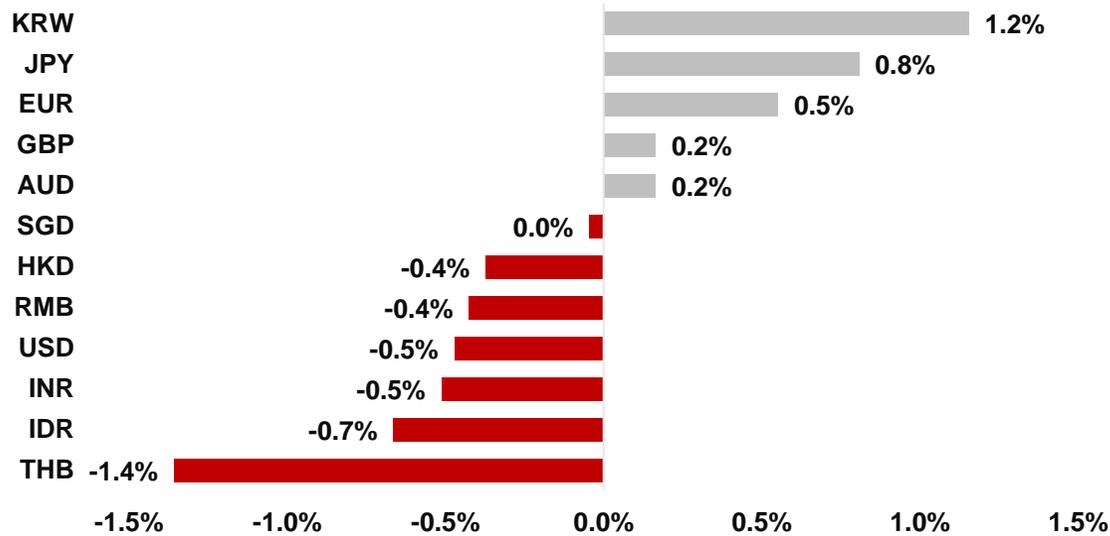


Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

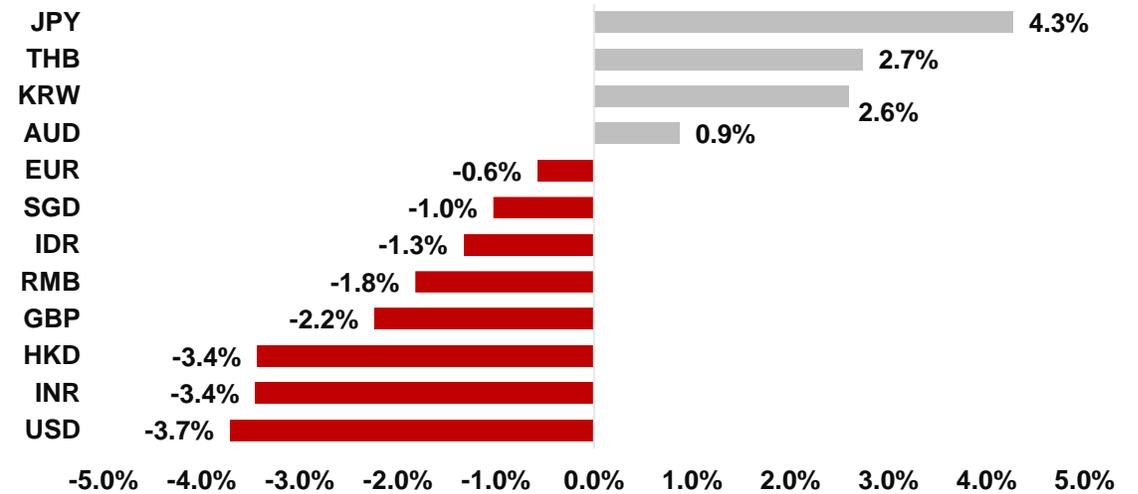
- The U.S. Treasury (UST) yield curve bearishly flattened between 11bps and 16bps for the week ending April 12 as the expectation of a prolonged period of high interest rates by the Fed following the jump in U.S. inflation, triggered a significant sell-off in the UST market, pushing bond yields sharply higher.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also moved upwards in tandem with the UST yields, with yields edging higher in the range of 3bps and 5bps. Of note, the 10-Y MGS yield closed at 3.91%, the highest since November 2023.
- The 10y MGS/UST yield spread widened in the negative territory at -59bps compared to -52bps in the previous week.

# FX MARKET: RINGGIT WEAKENED AGAINST THE USD AS U.S. INFLATION CAME IN HOTTER-THAN-EXPECTED

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 12 April 2024)



Source: BNM

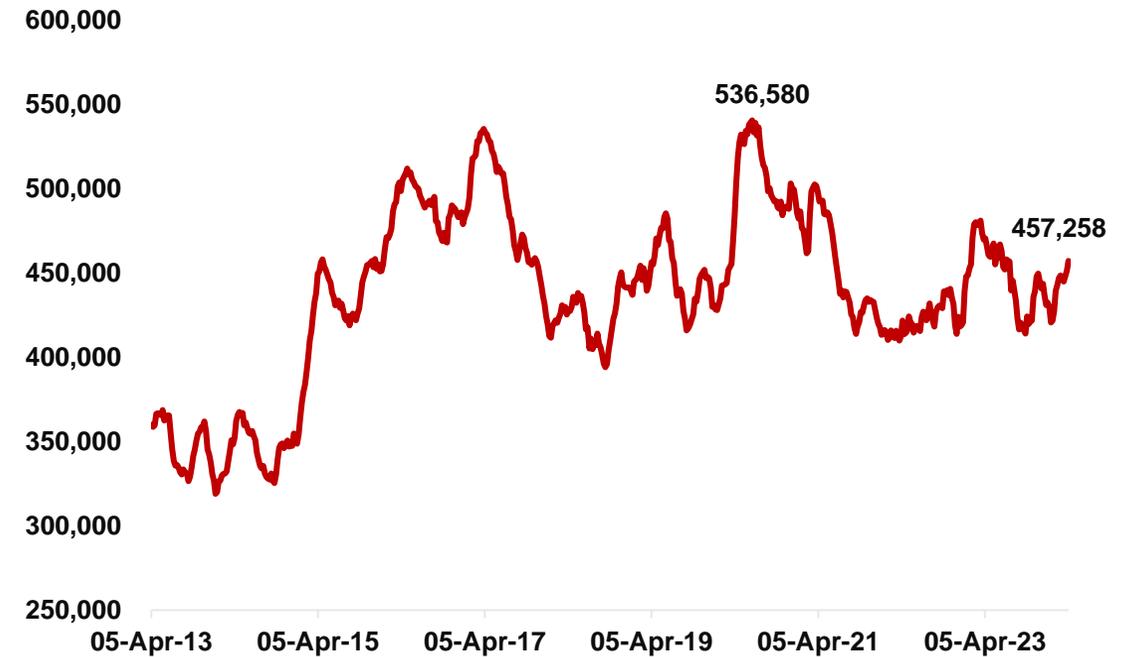
- The Ringgit had depreciated against the USD, closing at RM4.7685 last Friday from RM4.7460 the previous week.
- We posit that the local note was pressured by the continuous strength of the greenback as investors flocked to the haven currency amid an escalation of Middle East conflict which led the USD to surge past the 106 level on Friday. As the geopolitical situation developed further over the weekend, we foresee the Ringgit to remained under pressure this week.
- Furthermore, the greenback emerged more appealing in the past week as inflationary pressures flares up stronger-than-expected, derailing expectations of the Fed rate cuts. The inflation print came in hotter at 3.5% in March against market consensus of 3.4% (February: 3.2%). At the time of writing, markets priced in slightly over 63.5% likelihood of the rates being kept steady during the June Federal Open Market Committee (FOMC) meeting.
- However, the Ringgit gained on the Euro following the European Central Bank’s (ECB) dovish stance in its latest meeting as confidence of moderating inflation grows, fueling bets of the ECB taking a step towards easing its monetary policy as early as June.

# COMMODITY: GEOPOLITICAL TENSIONS KEPT OIL PRICES ELEVATED

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price surpassed \$90 per barrel last Friday, recovering most losses from the previous session amid escalating fears of wider Middle East conflicts causing supply disruptions.
- Strong US inflation data tempered expectations of early interest rate cuts by the Fed, which could negatively impact the outlook for energy demand.

# COMMODITY: GOLD PRICE HIT UNPRECEDENTED HIGH ALONGSIDE THE DOLLAR'S CLIMB

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- Relishing in its winning spree, the gold price marked another historical high of USD2,372.52 on April 11 amid heightened worries of a worsening conflict in the Middle East, making the safe haven asset more attractive to risk-averse investors.
- The upward trend had bolstered the bullion price against a stronger USD.

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week's investor focus will be on a string of economic data from China, including 1Q2024 GDP report, industrial production and retail sales data for March to gauge the country's economy health. Market expectations are for China's GDP growth in 1Q2024 to moderate from 5.2% in 4Q2023 amid a protracted property downturn that has also eroded consumer confidence. Any signs that growth could fall short of the country's full-year target of around 5.0% would amplify calls for more government stimulus to spur demand. On the other hand, the People's Bank of China (PBoC) will likely hold its 1-year Medium-term Lending Facility rate steady at 2.50% this week to ensure Chinese yuan (CNY) stability.
- There will be a flurry of inflation figures from the U.K. to Japan that are no doubt will be closely watched by the markets for additional hints on the central banks' future monetary policy path. U.K. inflation is expected to have eased further due to high base effect, albeit slightly due to the recent increase in petrol prices, after slowing to the lowest level for two and a half year at 3.4% in February. Any downside surprises could boost bets on an early rate cut by the Bank of England (BoE), but we are of the view that the central bank will also want to see evidence that wage pressure and services inflation are easing before pivot to rate cuts. Meanwhile in Japan, higher commodity prices and the weak Japanese yen (JPY) should keep the inflation rate above the 2.0% target in the near-term, which could open room for a second rate hike by the Bank of Japan (BoJ) in the coming months.
- The DOSM is scheduled to release its advance estimate for Malaysia's 1Q2024 GDP growth alongside March trade data this week. The turnaround in the industrial production and improving net trade in the first two months of the year suggest that Malaysia's economy is picking up after growth slowed to 3.0% in 4Q2023. We estimate the 1Q2024 GDP growth to come in around 4.0%. Exports are expected to return to growth in March following a 0.8% decline in February on the back of global semiconductor recovery and better demand for commodity products. Meanwhile, imports are likely remained strong (February: 8.4%), sustained by robust household spending and ongoing development projects.

BANK ISLAM

**THANK YOU**