



# **WEEKLY ECONOMIC UPDATE**

**15 MAY 2023**

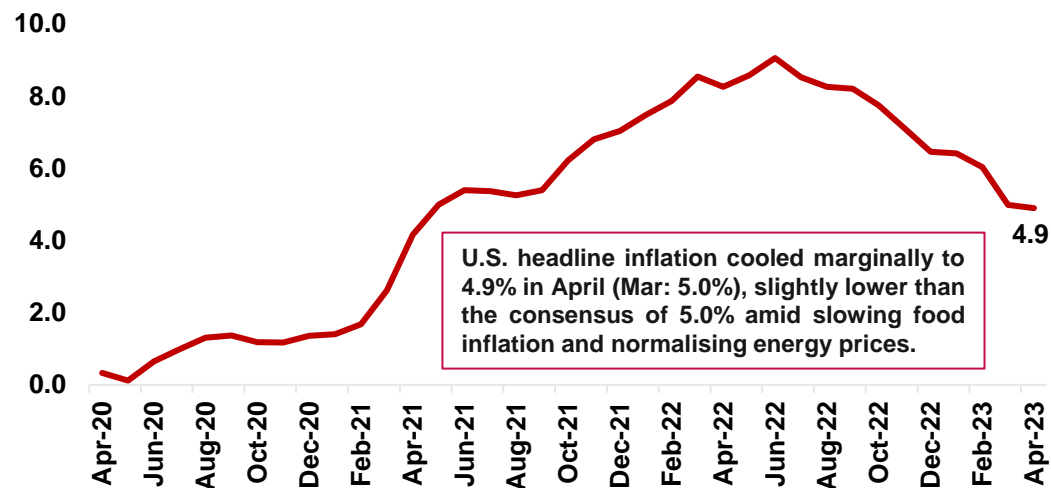
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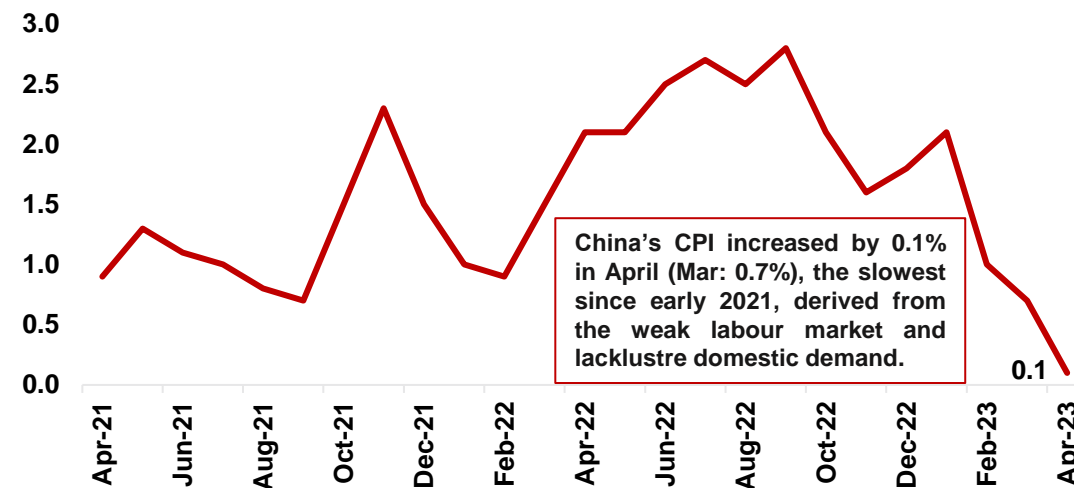
# WEEKLY HIGHLIGHT: MALAYSIA PRINTED THE HIGHEST 1Q GDP GROWTH SINCE 2015

GLOBAL

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

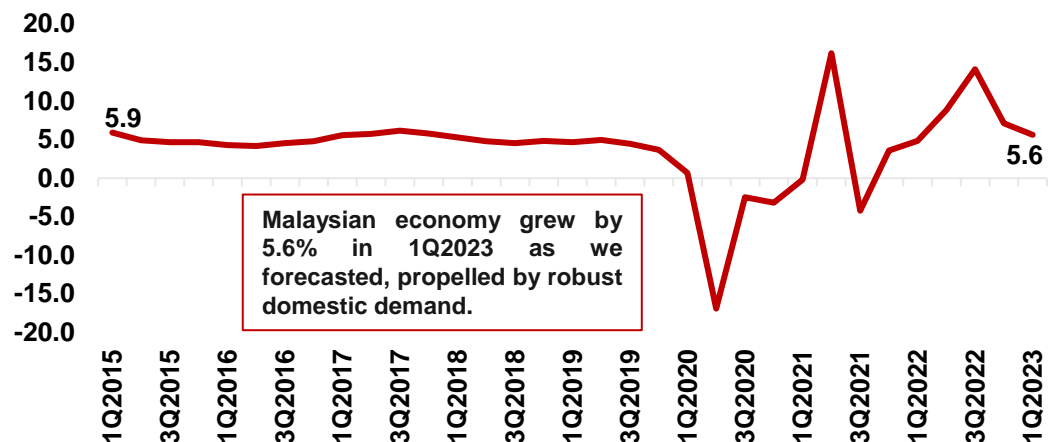


### China - CPI, y-o-y%

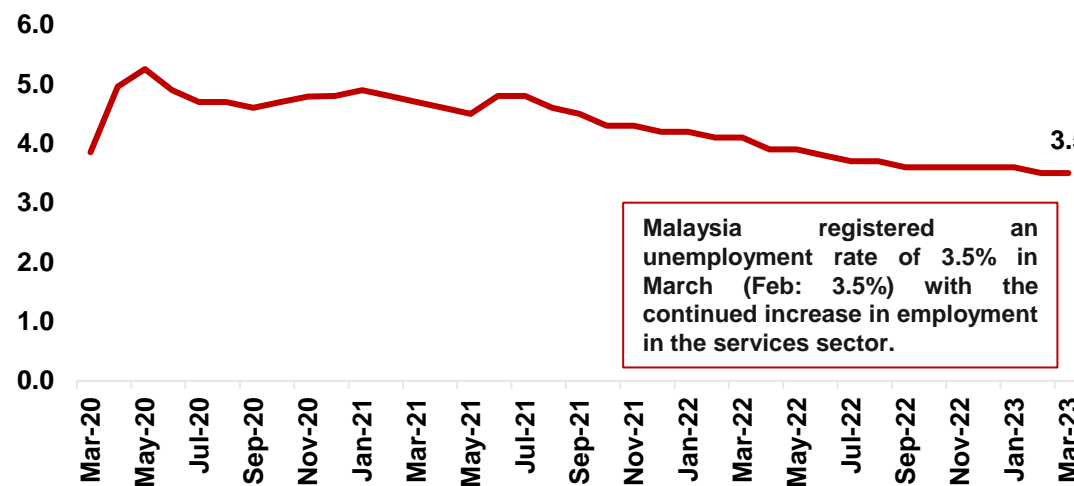


DOMESTIC

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



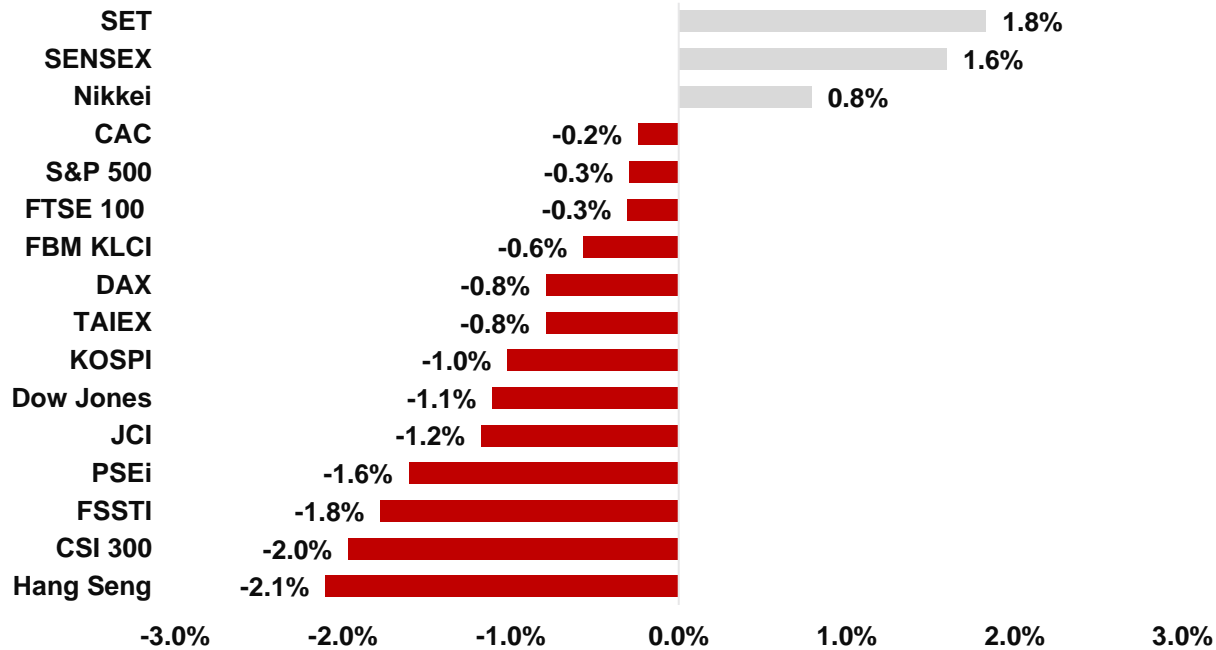
### Malaysia - Unemployment Rate, y-o-y%



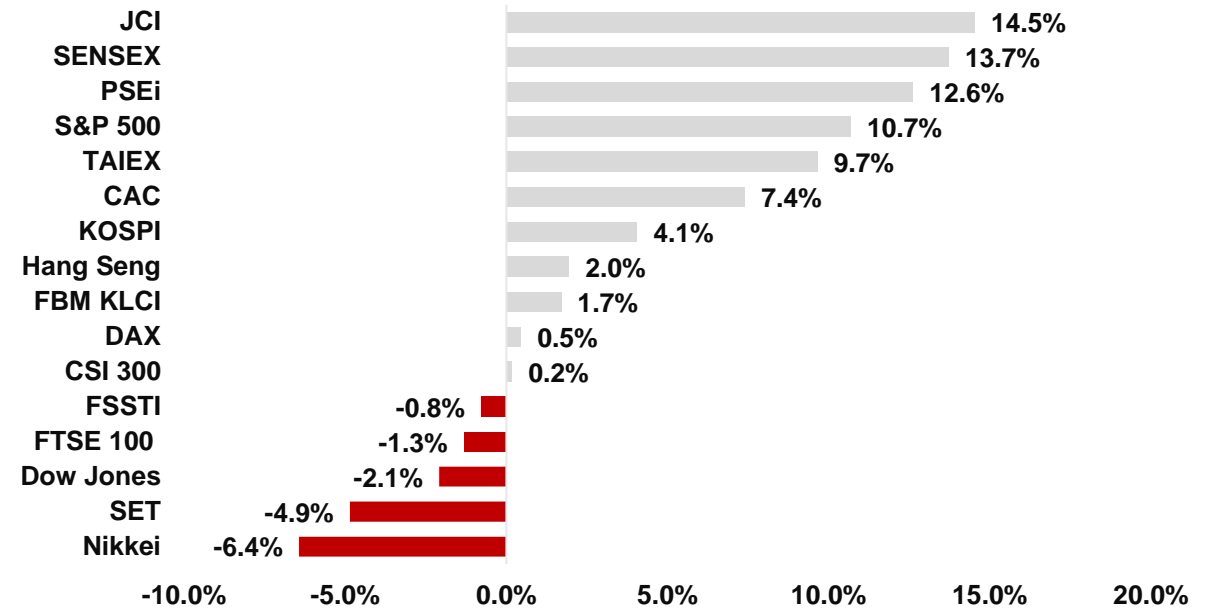
Sources: U.S. Bureau of Labour Statistics, Indonesia Central Bureau of Statistics, CEIC

# REGIONAL EQUITY: MARKET MAJORLY ENDED IN RED OVER THE LINGERING WORRIES OVER AN ECONOMIC SLOWDOWN

Weekly Gain/Loss of Major Equity Market, %



YTD Gain/Loss of Major Equity Markets, %  
(As of 12 May 2023)

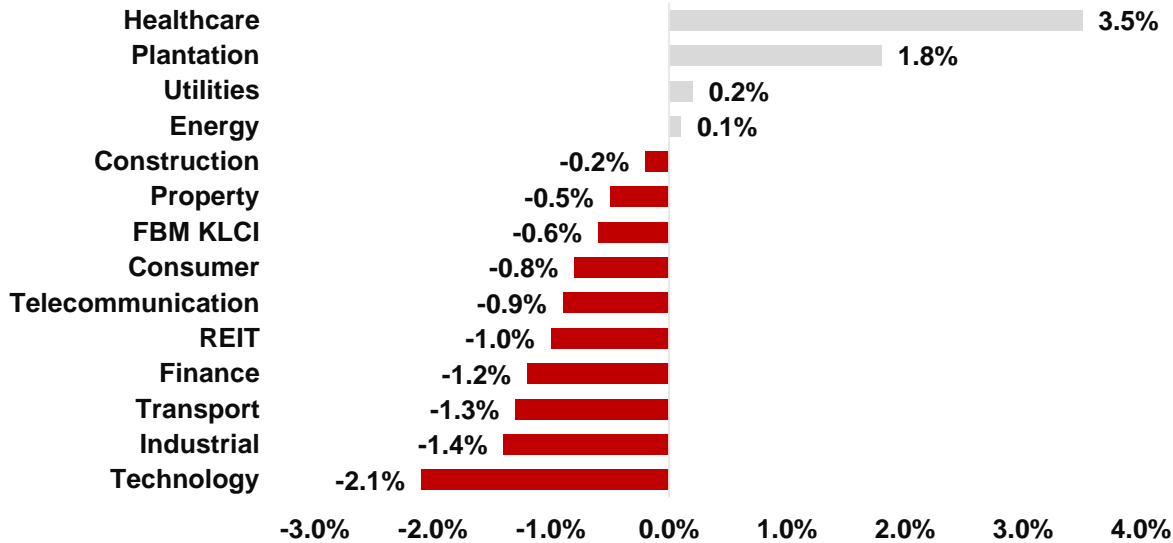


Sources: Bursa, CEIC

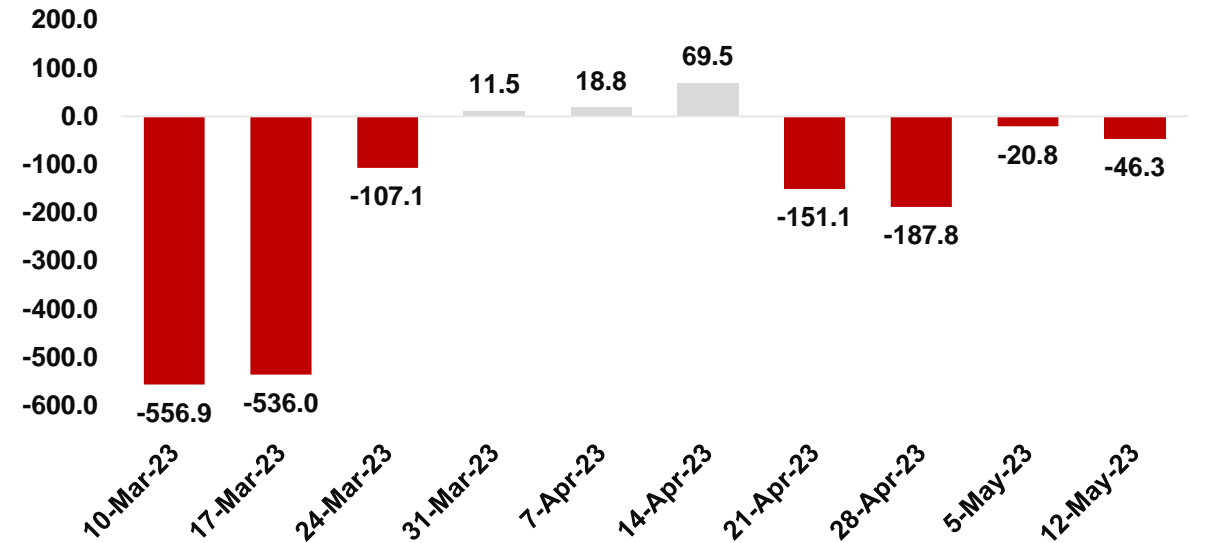
- Regional markets mostly ended in the red for the week ending 12 May. Thailand’s SET (1.8%), India’s SENSEX (1.6%) and Japan’s Nikkei (0.8%) were the only gainers last week.
- Meanwhile, Hong Kong’s Hang Seng (-2.1%), China’s CSI 300 (-2.0%) and Singapore’s FSSTI (-1.8%) were the major losers.
- The U.S. headline inflation data released last week at 4.9% in April turned lower than the forecast of 5.0%, prompting investors to reappraise the next monetary policy move by the Federal Reserve (Fed).
- The regional equity market was also hit by a deadlock over the U.S. debt ceiling and lingering worries over an economic slowdown.

# DOMESTIC EQUITY: LOCAL MARKET ENDS IN RED AMID 1Q2023 GDP ANNOUNCEMENT

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



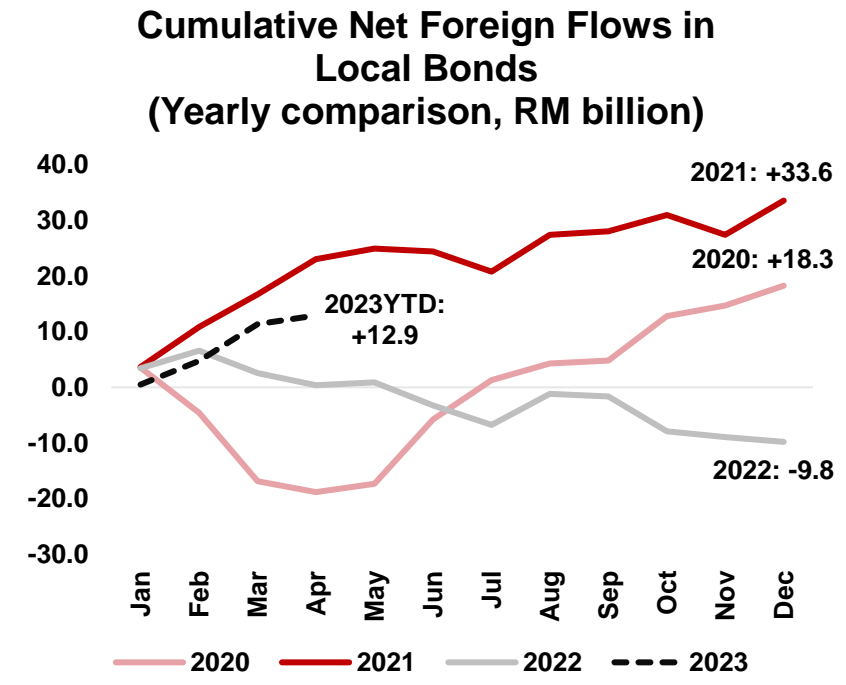
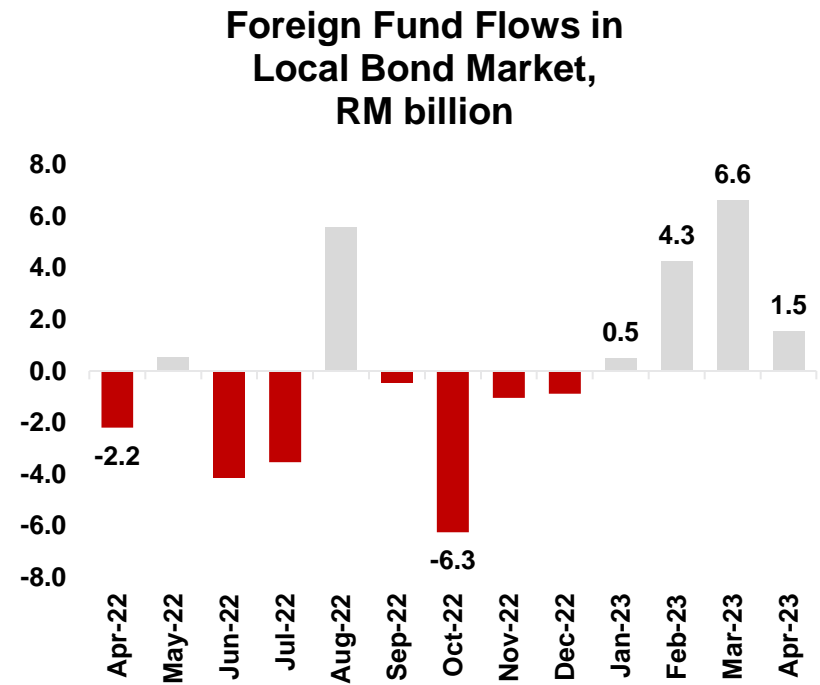
Sources: Bursa, BNM

- Local market relapsed as most of Bursa sectoral indices were in the red sea for the week ending on 12 May, with Technology (-2.1%), Industrial (-1.2) and Transport (-1.3) leading the losers. Meanwhile, Healthcare (3.5%) and Plantation (-1.8%) ended the week as the biggest winners.
- The positive momentum of the Plantation index emerged as CPO price floated higher in the past week, reaching a peak of RM3807.0 per Metric Tonne (MT) on 9 May before settling at RM3603 per MT on 12 May (5 May 2023: RM3601 per MT).
- However, the Industrial Index saw a decline amid the latest Industrial Production Index (IPI), improving by 3.1% in March (February: 3.5%), albeit slower.
- Despite anticipating Malaysia's 1Q2023 GDP data, which came in stronger-than-expected, foreign investors continued their selling spree for the fourth week, with net outflows widening to RM 46.3 million.

# FIXED INCOME: HIGHER UST YIELDS AS THE MARKET REASSESSED

## ECONOMIC AND MONETARY OUTLOOK OF THE U.S.

Weekly Changes, basis points (bps)			
UST	Yields (%) 5-May-23	Yields (%) 12-May-23	Change (bps)
3-Y UST	3.63	3.65	2
5-Y UST	3.41	3.45	4
7-Y UST	3.41	3.45	4
10-Y UST	3.44	3.46	2
MGS	Yields (%) 5-May-23	Yields (%) 12-May-23	Change (bps)
3-Y MGS	3.33	3.35	2
5-Y MGS	3.45	3.45	1
7-Y MGS	3.64	3.60	-4
10-Y MGS	3.73	3.65	-8
GII	Yields (%) 5-May-23	Yields (%) 12-May-23	Change (bps)
3-Y GII	3.29	3.30	1
5-Y GII	3.52	3.51	-1
7-Y GII	3.72	3.69	-3
10-Y GII	3.82	3.77	-4



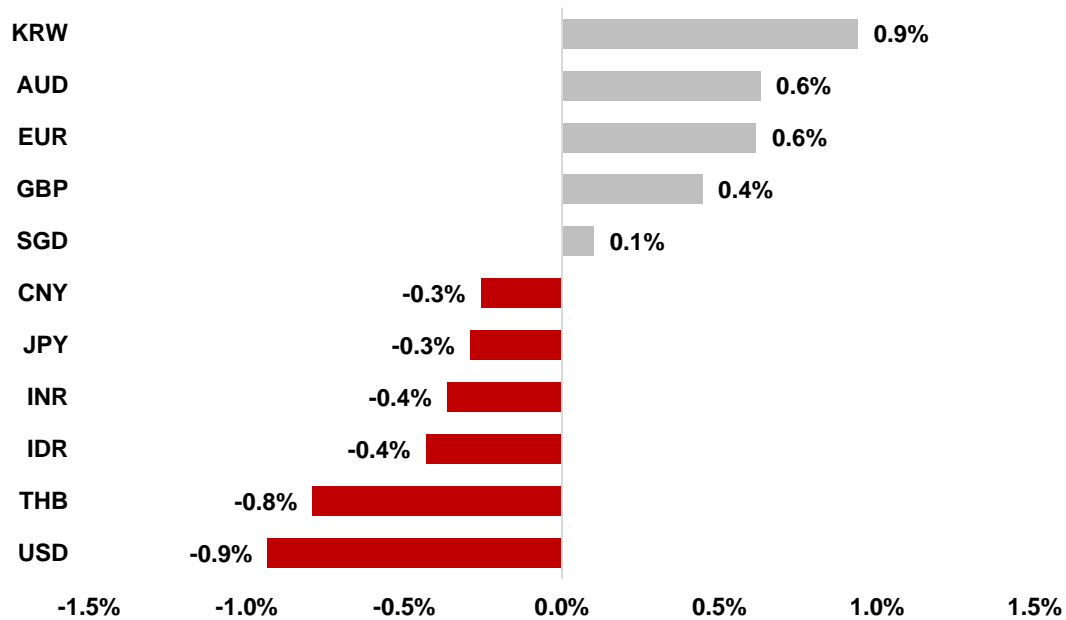
Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

- The U.S. Treasury (UST) yields rose last week, with the shorter and longer end of the curve increasing by 2bps and the belly of the curve soaring by 4bps as investors weighed on U.S. economic and monetary policy outlook as inflation readings came in lower than expected.
- Malaysian Government Securities (MGS) ended mixed last week, swinging between -8bps and 2bps. On the other hand, Government Investment Issues (GII) closed lower in the range of -1bp and -4bps. Meanwhile, the 3-year GII yield increased by merely 1bp.
- Foreign investors remained the net buyers of local bonds for four consecutive months, with April logging an inflow of RM1.5 billion, albeit lower than the prior month's inflows of RM6.6 billion.
- YTD, the local bond market received foreign inflows of RM12.9 billion, significantly higher than RM0.4 billion recorded in the first four months of last year.

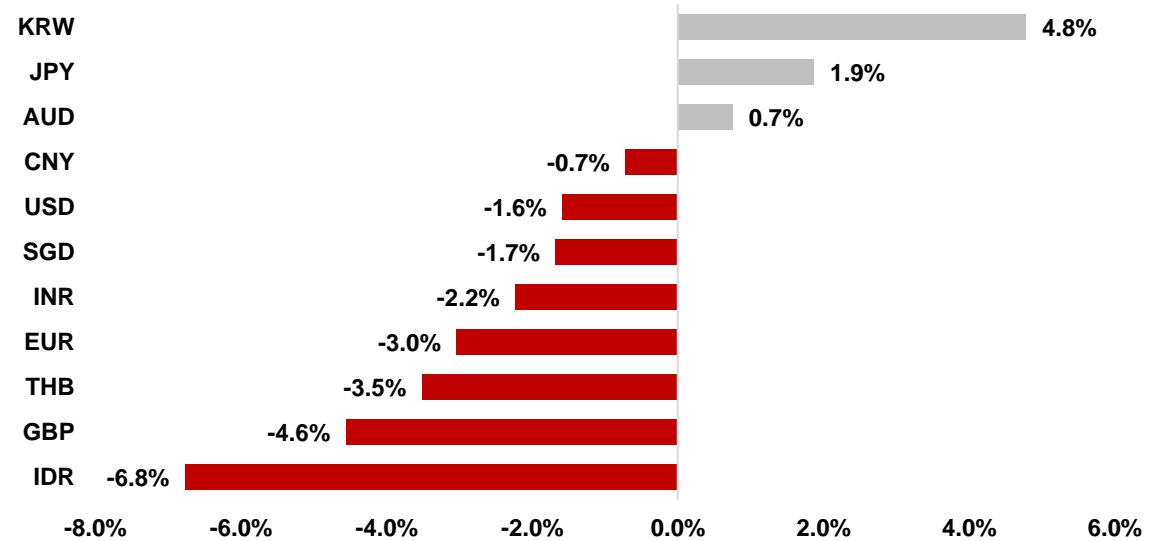
# FX MARKET: RINGGIT WAS TRADED LOWER AGAINST THE USD

## PRESSURED BY THE EXTERNAL PROSPECTS

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% Gain, (As of 12 May 2023)



Source: Investing.com

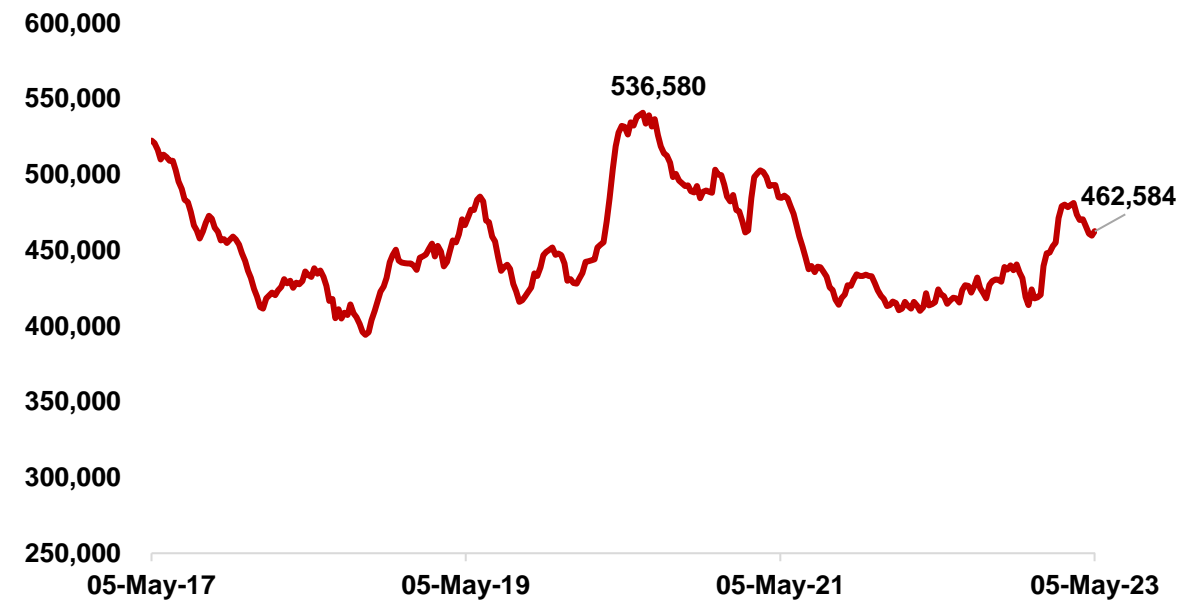
- The local note depreciated against the USD during the week despite the better-than-expected 1Q2023 GDP, which came in at 5.6% y-o-y compared to 4.8% recorded in the same quarter last year.
- We believe that the local note has been weighed down by the concern over the U.S. debt ceiling situation, which prompted the flight to safety from risky assets to safe haven ones.
- The increasing expectation for the Fed to pause in the following policy meeting failed to lift the local note during the week.
- At the same time, China's uneven recovery could have negatively impacted the ringgit as few Chinese macroeconomic data did not meet market expectations.
- Given the above reasons, we foresee the local note being under pressure against the greenback for this week.

# COMMODITY: BRENT PRICE WAS SLIGHTLY DOWN DURING THE WEEK AMID RENEWED ECONOMIC CONCERNS IN THE U.S. AND CHINA

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price settled more than 1.0% lower for the week due to uncertainty around the U.S. debt ceiling. The lack of confidence in the economy has translated to a retreat to the “safer” dollar, thus causing pessimism over the oil demand.
- Meanwhile, the slump in China’s new bank loans (April: CNY718.8 billion vs March: CNY3,890.0 billion) suggests that the economy’s post-pandemic recovery path shows signs of low momentum.

# COMMODITY: THE USD ADVANCED AS GOLD PRICE RETREATED FOLLOWING LOWEST CPI IN NEARLY TWO YEARS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, Commodity Research Bureau

- The USD strengthened last week, heading to its biggest weekly gain since September last year, making the bullion prices less attractive for buyers holding other currencies.
- Be that as it may, the upside is limited for dollar strengthening given the debt ceiling situation, whereby gold will benefit should such an issue continue.
- Apart from that, a new batch of U.S. economic data continued pointing to lower inflation trends and a cooling labour market, strengthening expectations that the Fed would pause in its next policy meeting in June.



# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- For this week, we believe that market participants will be keeping an eye on the U.S. debt ceiling talks between U.S. President Joe Biden and the top lawmakers on raising the USD31.4 trillion debt ceiling are due to resume this week after the planned meeting was postponed last Friday. The International Monetary Fund (IMF) warned that a U.S. default could inflict “very serious repercussions” for the U.S. and global economies, including likely higher interest rates.
- Though concerns about the U.S. debt ceiling linger into the coming week, a series of economic data will come from the U.S. and China, such as retail sales and industrial production for April. Additionally, the U.S. initial jobless claims are due this Thursday. As for China, last week’s economic update showed that the world’s second-largest economy seems to be grappling to gain momentum following the uneven post-pandemic recovery, adding doubts on how much it can contribute to growth in the global economy in 2023.
- Apart from that, appearances by several central bank officials in the coming days will be closely watched due to investors’ concern that the Fed’s aggressive rate hikes could tip the economy into recession. Michael Barr, the Fed Vice Chair for Supervision, will testify before Congress on recent banking sector stresses. Fed Chair Jerome Powell and former Fed head Ben Bernanke will participate in a panel discussion on monetary policy in Washington DC this Friday. Other Fed officials scheduled to appear during the week include New York Fed President John Williams, Cleveland Fed Governor Loretta Mester, Minneapolis Fed President Neel Kashkari and governors Philip Jefferson and Michelle Bowman.
- On the domestic front, our projection was spot on following BNM’s announcement on the better-than-expected 1Q2023 performance, suggesting that such growth was the best 1Q performance since 2015. As such, BNM reiterated that the country’s economy is no longer in crisis and continues to gain strength. This year’s growth will continue to be supported by further expansion in household spending, investment activity, and higher tourism activities. We are maintaining our full-year GDP growth estimation in 2023 at 4.5%.

BANK ISLAM

**THANK YOU**