



WEEKLY ECONOMIC UPDATE

16 JANUARY 2024

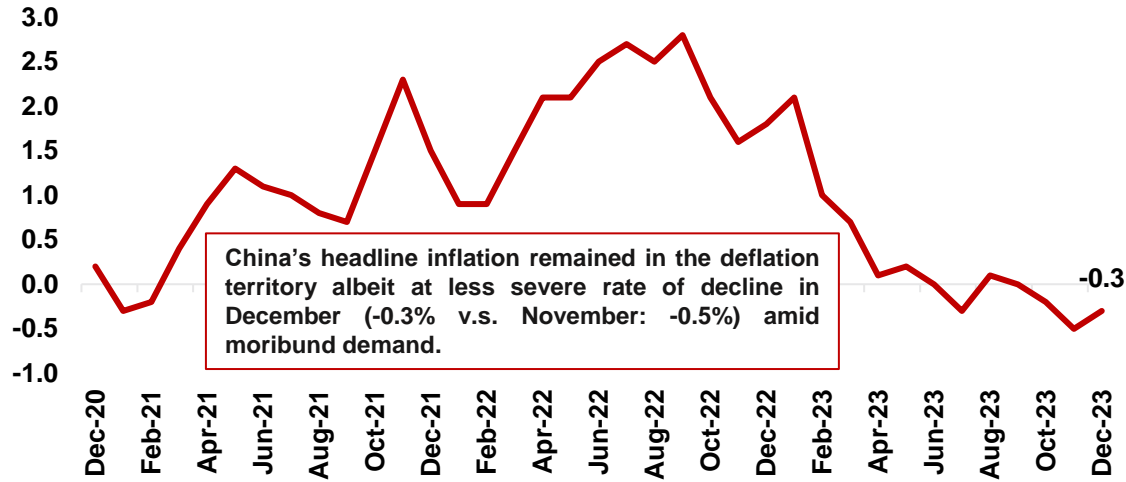
ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: DEFLATION LINGERED IN CHINA, CASTING A SHADOW OVER ECONOMIC RECOVERY

GLOBAL

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

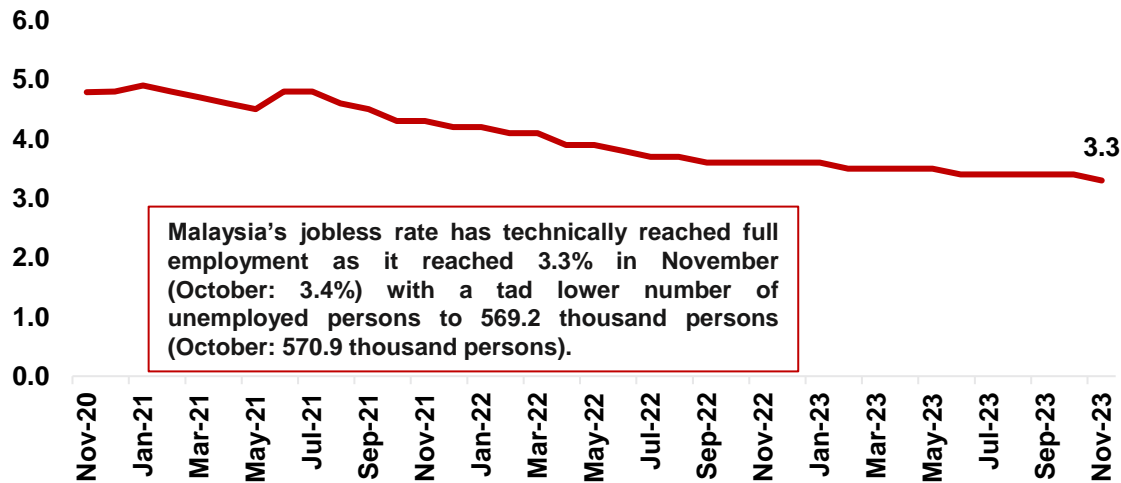


China - Exports, y-o-y%

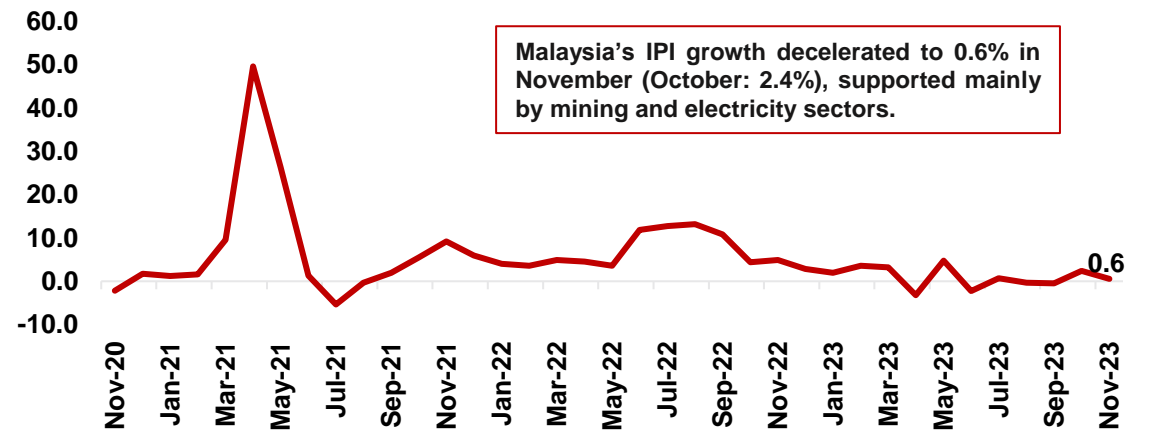


DOMESTIC

Malaysia - Unemployment Rate, %

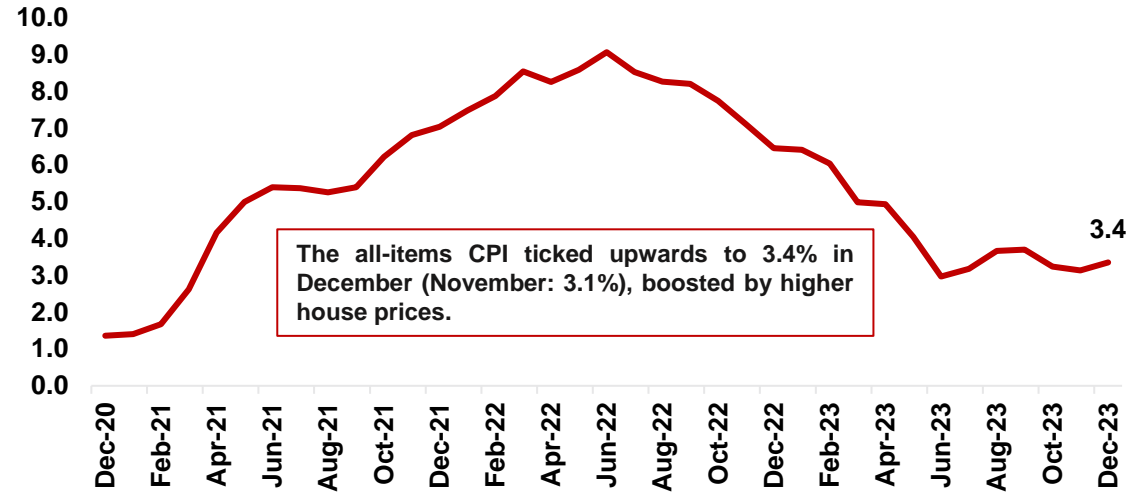


Malaysia - Industrial Production Index (IPI), y-o-y%

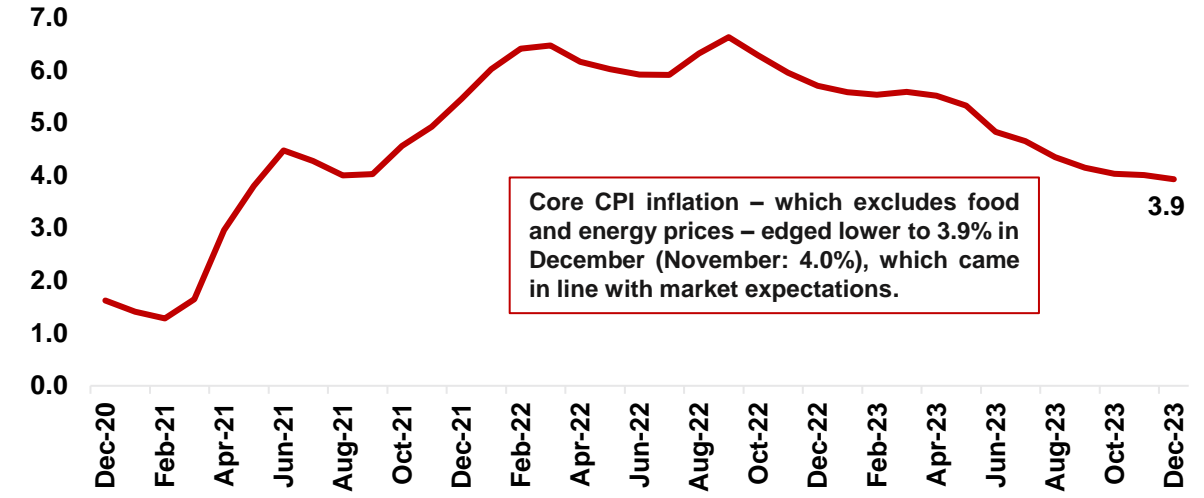


U.S. WEEKLY HIGHLIGHT: HEADLINE INFLATION INCHED UP BUT CORE EASED MARGINALLY

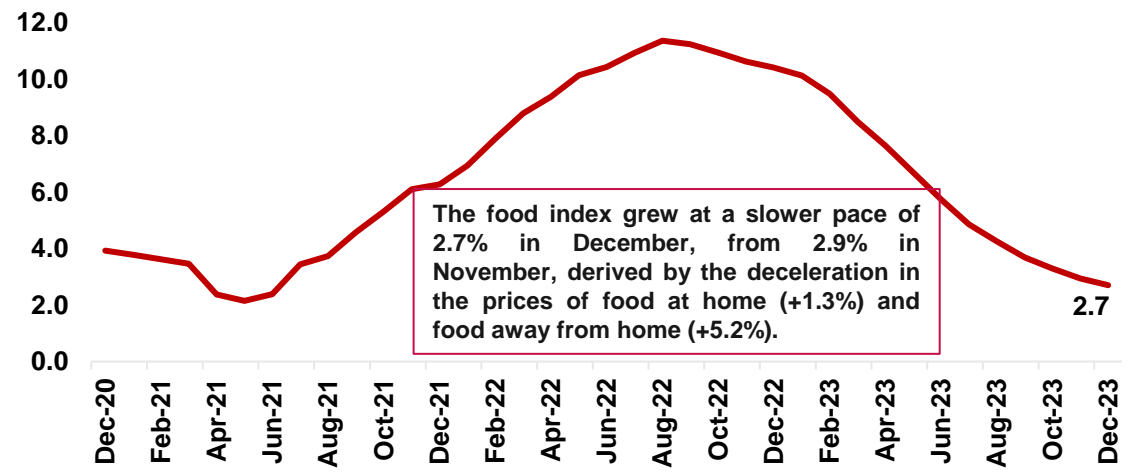
U.S. CPI, y-o-y%



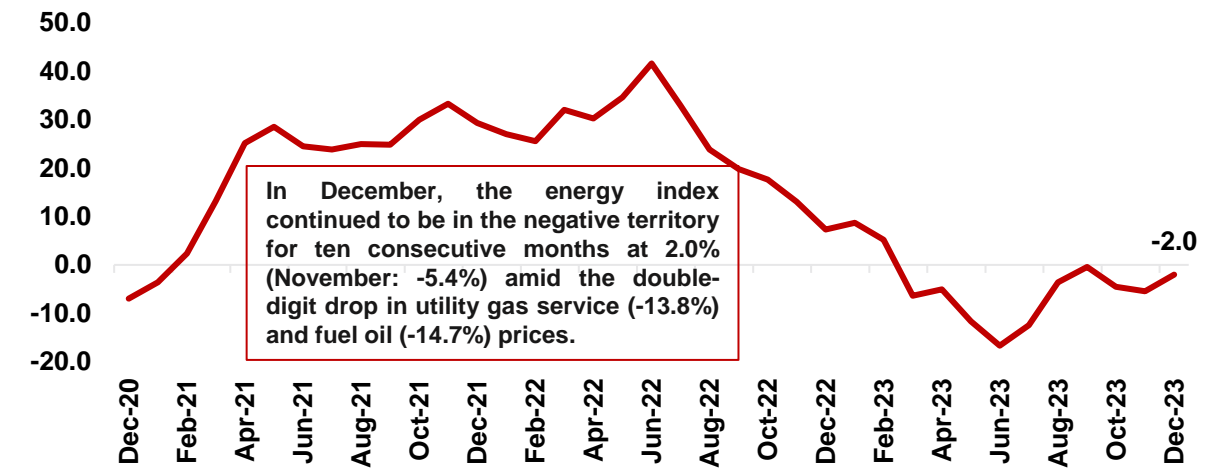
U.S. CPI (All Items less Food and Energy), y-o-y%



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

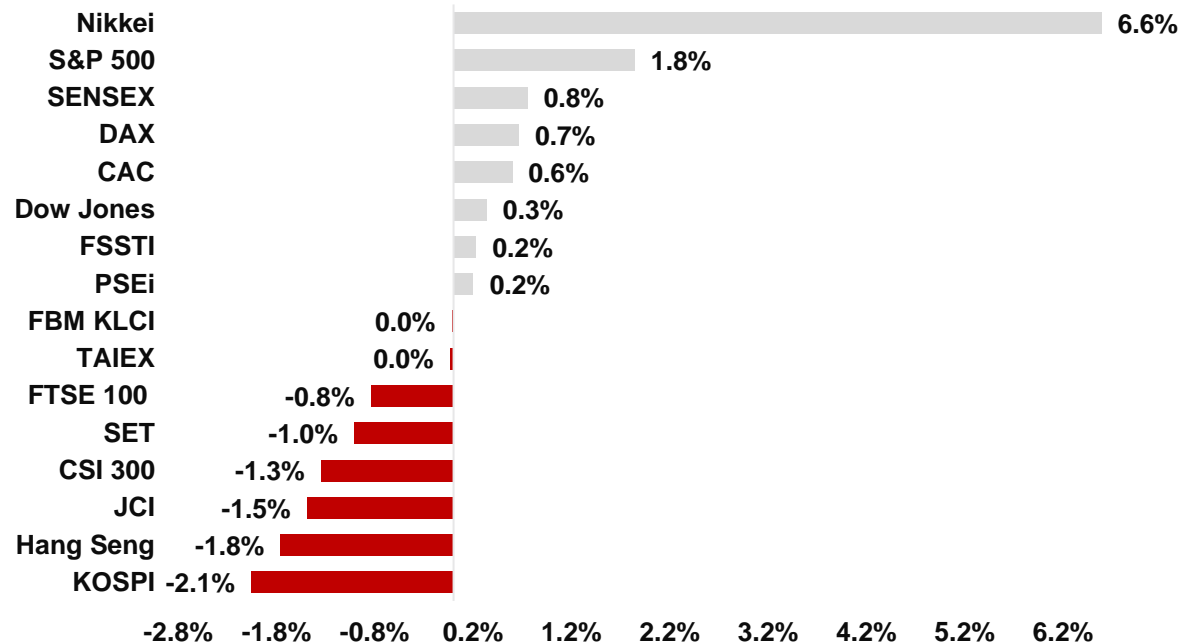


U.S. CPI (Energy), y-o-y%

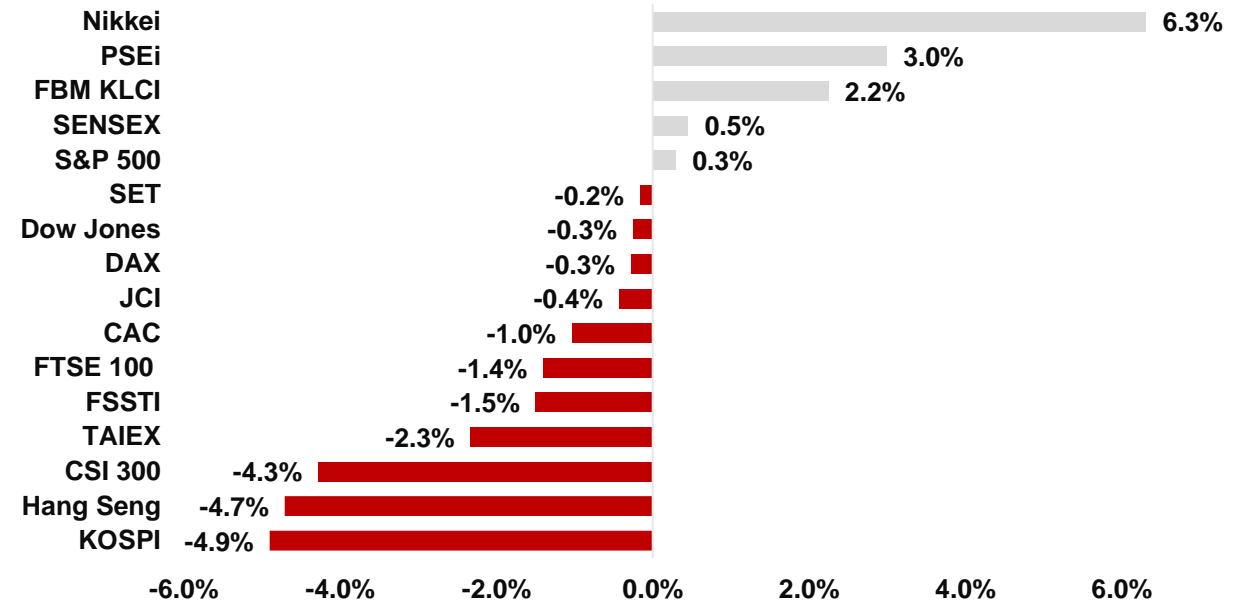


REGIONAL EQUITY: JAPAN'S STOCK MARKET CONTINUED TO OUTSHINE ITS GLOBAL COUNTERPARTS

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



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

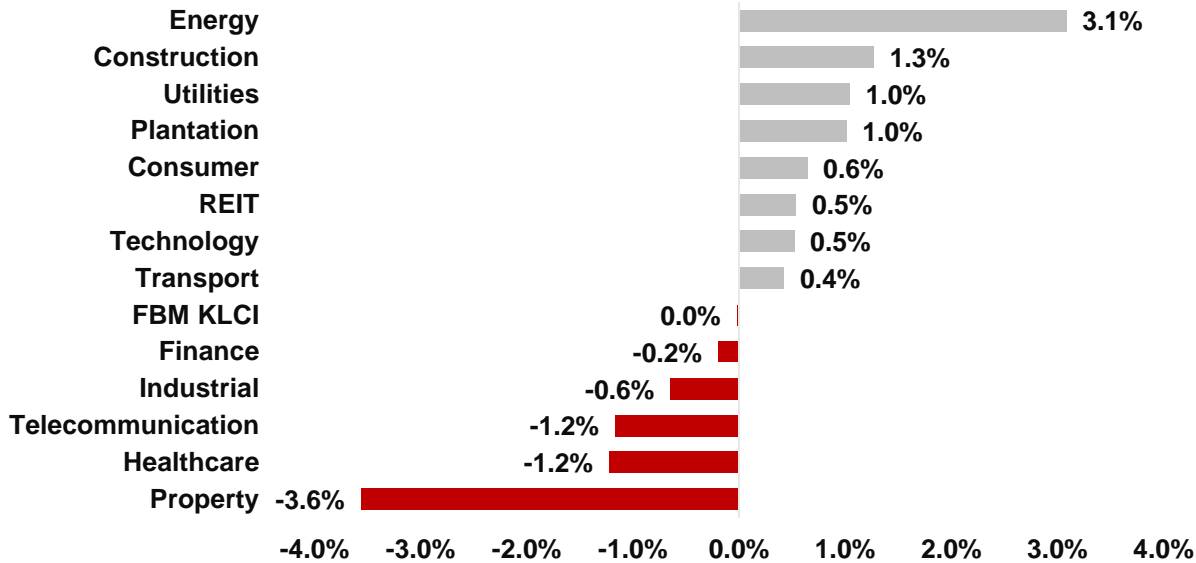


Sources: Bursa, CEIC Data

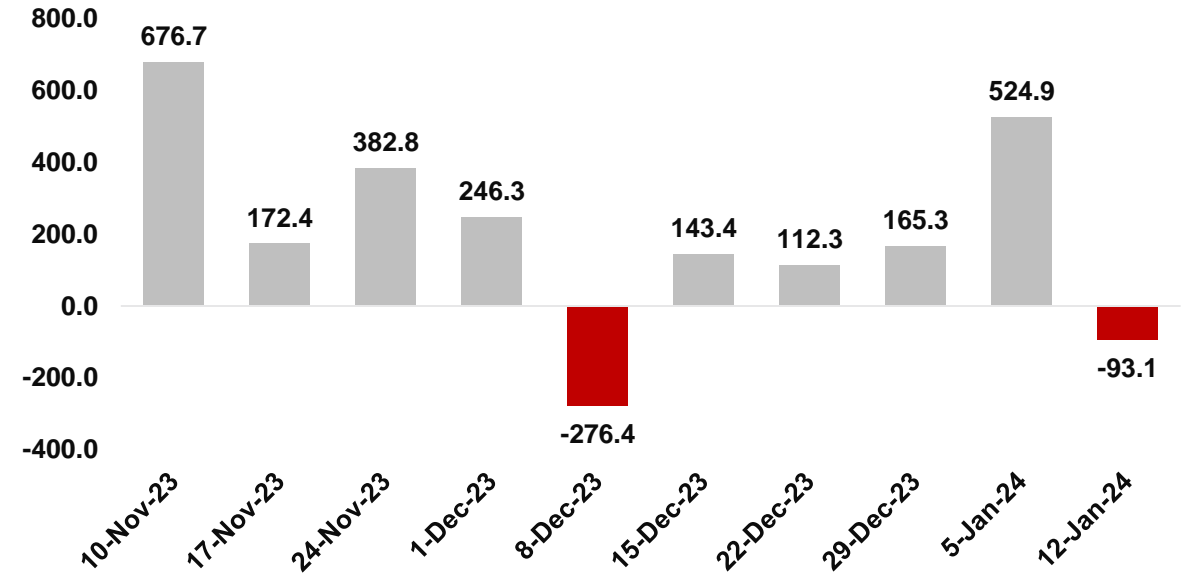
- The worldwide equity indices ended mixed for the week ending January 12, with the Japan's Nikkei leading ahead of other regional benchmark indices with gains of 6.6%, fueled by fading fears of the Bank of Japan (BoJ) ending its stimulus program and a surge of interest from foreign investors.
- U.S. stocks posted modest gains with the S&P 500 adding 1.8%, as markets reacted to a mixed bag of corporate earnings and softer-than-anticipated producer inflation data.
- Asian stocks broadly dipped, stirred by the ebb of China's exports which declined by 4.6% for full-year 2023 and among the major losers in the equity market were Korea's KOSPI (-2.1%), Hong Kong's Hang Seng (-1.8%) and Indonesia's JCI (-1.5%).

DOMESTIC EQUITY: LOCAL MARKET CLOSED MIX TO MIRROR REGIONAL PERFORMANCE

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

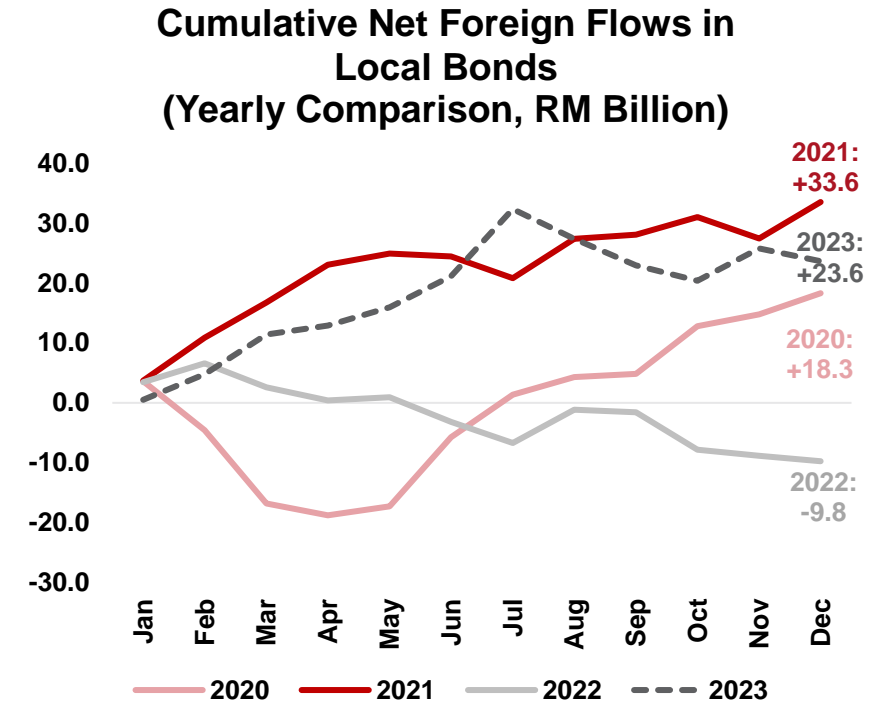
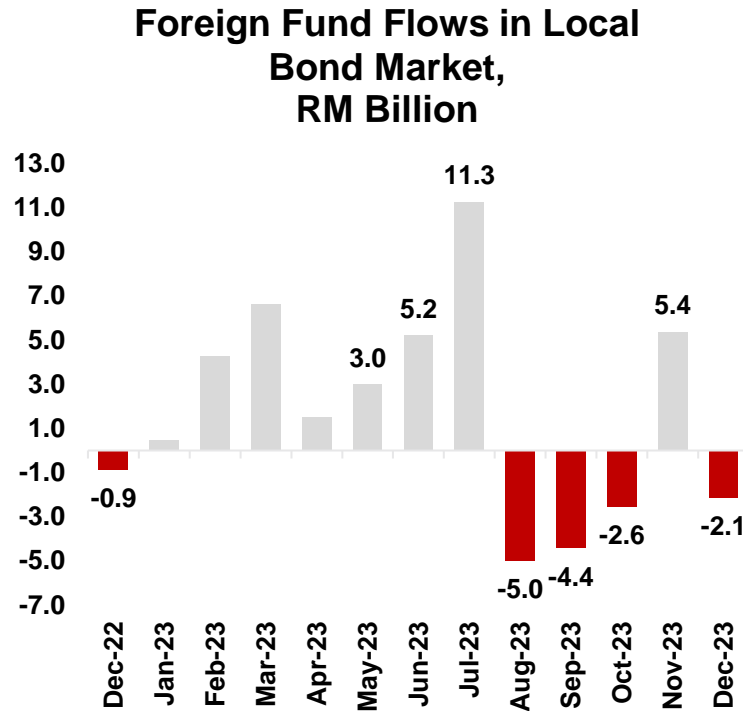


Sources: Bursa, Bank Negara Malaysia (BNM), CEIC Data

- Downturn in the local bourse for the week ending January 12 with the FBM KLCI closing on a flat note amid profit taking activities.
- Leading the gainers was the Energy index (+3.1%), followed by the Construction (+1.3%), Utilities (+1.0%) and Plantation (+1.0%) indices.
- The Construction index gained following the signing of the Memorandum of Understanding (MoU) with Singapore to establish the Johor-Singapore Special Economic Zone (JS-SEZ), which would foresee more construction developments to be announced.
- On the other end, the Property index (-3.6%) recorded the biggest loss, followed by Healthcare and Telecommunications indices which both declined by 1.2%.
- Additionally, foreign investors switched to net selling after four straight weeks of buying, leading to a total net outflow of RM93.1 million for the week ending January 12. The cumulative total net inflow this year thus far is RM431.8 million.

FIXED INCOME: BOND YIELDS PLUMMETTED AS INVESTORS REASSESSED INTEREST RATE MOVEMENTS

Weekly Changes, basis points (bps)			
UST	Yields (%) 5-Jan-24	Yields (%) 12-Jan-24	Change (bps)
3-Y UST	4.17	3.92	-25
5-Y UST	4.02	3.84	-18
7-Y UST	4.04	3.91	-13
10-Y UST	4.05	3.96	-9
MGS	Yields (%) 5-Jan-24	Yields (%) 12-Jan-24	Change (bps)
3-Y MGS	3.48	3.41	-8
5-Y MGS	3.64	3.54	-10
7-Y MGS	3.80	3.73	-7
10-Y MGS	3.87	3.80	-7
GII	Yields (%) 5-Jan-24	Yields (%) 12-Jan-24	Change (bps)
3-Y GII	3.50	3.43	-8
5-Y GII	3.65	3.59	-6
7-Y GII	3.83	3.77	-6
10-Y GII	3.89	3.83	-6

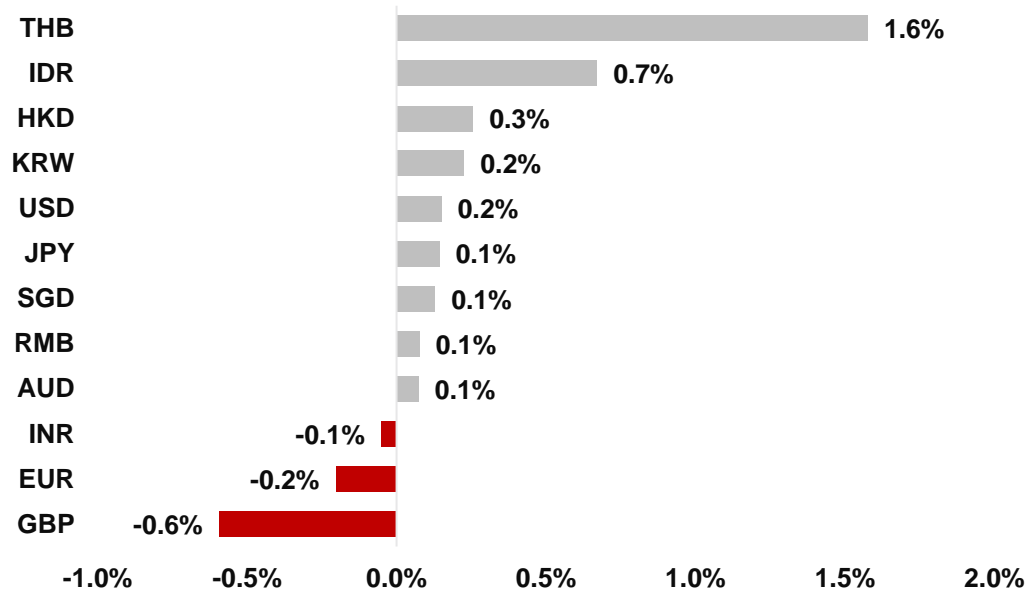


Sources: BNM, Federal Reserve Board

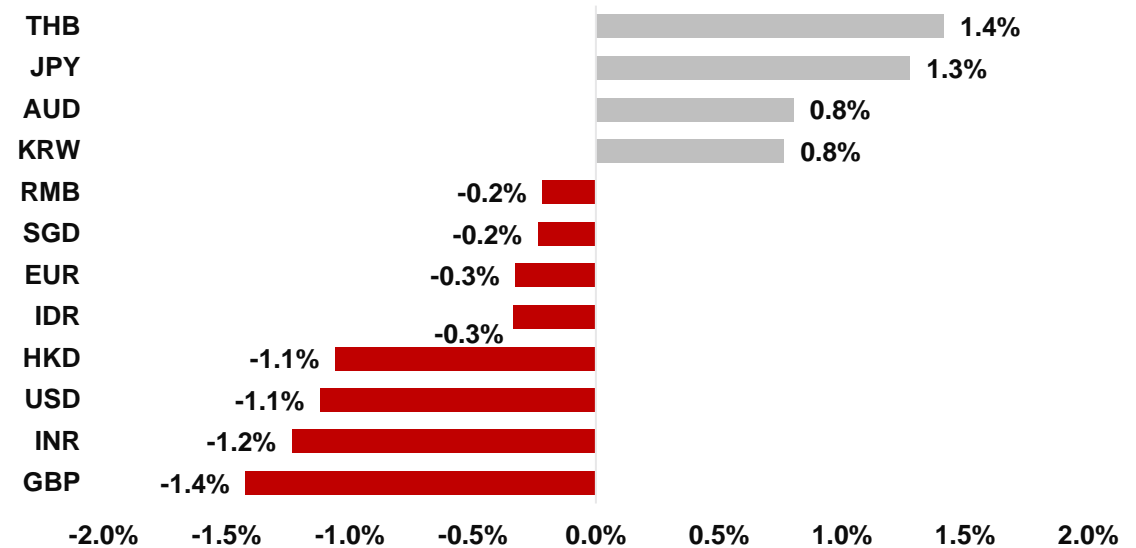
- The U.S. Treasury (UST) yield curve bullishly steepened for the week ending January 12, with yields sliding between 9bps and 25bps, as investors digested the latest U.S. inflation prints and reassessing the timing of future interest rates cuts by the U.S. Federal Reserve (Fed).
- In tandem with the UST rally, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also dipped last week, trending lower in the range of 6bps and 10bps.
- According to the latest available statistics, foreign investors were net sellers in the local bond market with a net foreign outflow of RM2.1 billion in December 2023 (November: +RM5.4 billion). Concurrently, local govovies' foreign shareholdings to total outstanding slid to 22.5% in December (November: 22.9%).
- Nevertheless, the cumulative net foreign inflows in 2023 remained in the positive territory of RM23.6 billion, significantly higher than the outflows of RM9.8 billion in 2022.

FX MARKET: RINGGIT STRENGTHENED AGAINST THE USD DURING THE WEEK

MYR Against Regional Currencies, w-o-w%



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



Source: BNM

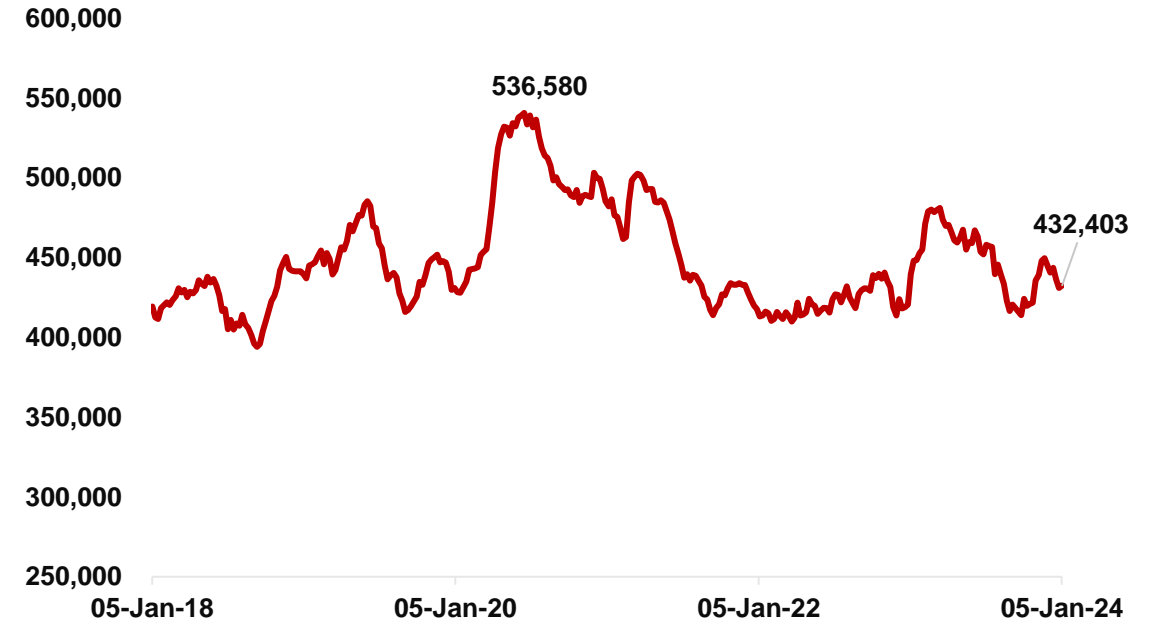
- The Ringgit was traded slightly higher against the USD on a weekly basis despite the hotter-than-expected U.S. inflation data in December 2023. The markets might have dismissed the latest outcome of the said report as they are still expecting a March rate cut from the Fed.
- While it is a question of timing, still, the market participants have priced in nearly 70.0% chance of the rate cut starts in March, according to the CME FedWatch tool at the point of writing.
- Meanwhile, we posit that the local note might have been supported by the absence of upside from the USD index.
- For this week, market participants might be focusing on the China's 4Q2023 figure of which, any positive catalyst development could support further Ringgit movement in the week. Also, they will be eyeing on the U.S. December's retail sales and speeches from the Federal Open Market Committee (FOMC) officials.

COMMODITY: OIL PRICES ON THE RISE AMID ESCALATION IN YEMEN

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- The oil price rose over 1.1% to USD78.29 per barrel in last Friday from previous session (January 11: USD77.41 per barrel) amid concerns on potential supply disruptions after the U.S. and Britain launched strike against the Yemeni Houthi targets after attacks on shipping by the Iran-backed group.
- The escalation of Middle East conflicts has fed worries that the Israel-Hamas war could widen further, and thus disrupting oil supplies.

COMMODITY: GOLD PRICE RECORDED WEEKLY GAIN AMID GROWING CONCERNS OF ESCALATING MIDDLE EAST CONFLICT

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- Hotter-than-expected U.S. December inflation data (Act: 3.4% vs. Est: 3.2%) buffered losses of the greenback as expectations of an early rate cut by the Fed dims further, leading the note to end flat for the week ending January 12.
- In the past week, several Fed officials reiterated commitment to a restrictive monetary policy in bringing inflation to target of 2.0%.
- However, the bullion price recorded gains as recent developments in the Middle East region heightened fears of a worsening conflict, causing investors to flee to safe-haven assets.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- It will be a heavy data week for the U.S. with retail sales and industrial production reports in focus. The upcoming data will likely continue to indicate uneven growth across sectors, with the robust growth in services sector offsetting the weak manufacturing activities. U.S. retail sales have picked up pace in November 2023, rising by 4.1% y-o-y (October: 2.2%). A stronger-than-expected retail sales report for December could push back Fed rate cut expectations as the markets currently priced nearly 70.0% chance of the first rate cut in March 2024. Meanwhile, December's industrial production may have remained soft following a 0.4% decline recorded in November as manufacturing PMI stayed in contraction zone.
- China's 4Q2023 GDP will be unveiled with consensus anticipating an improvement from the 4.9% growth recorded in the previous quarter. Given this, the markets are also of the view the government's 2023 full-year growth target of around 5.0% is achievable. While an easing of retail sales growth is expected after a six-month high reading of 10.1% in November, there are hopes that China's industrial production will show continued strength (November: 6.6%). Any miss in expectations would prompt increasing calls for more stimulus as the People's Bank of China (PBoC) will announce its Loan Prime Rate (LPR) decision the following week.
- Bank Indonesia (BI) will likely maintain its policy rate unchanged at 6.00% for the third consecutive time during this week's meeting. BI Governor Perry Warjiyo, in his latest remarks, has said that there may be room for rate cuts provided the Indonesian Rupiah (IDR) strengthens earlier and inflation remains low, but they will not rush. Latest data showed that Indonesia's inflation decelerating to 2.61% in December 2023 (November: 2.86%), remaining within BI's target range of between 2.0% and 4.0% for the seventh consecutive month. BI has set a lower inflation target range at 1.5%-3.5% for 2024 and the upside risks to inflation stemming from El Nino will keep BI in cautious mode. Furthermore, IDR has been down by nearly 1.0% since the start of 2024.
- On the domestic front, Department of Statistics Malaysia (DOSM) is scheduled to release trade data for December 2023. Malaysia's exports has dipped slightly deeper in the contraction zone in November, recording a decline of 5.9% y-o-y (October: -4.5%), reflecting still subdued external demand. Meanwhile, imports has turned positive in the said month, rising 1.7% (October: -0.3%), the first expansion since February 2023. Both trade components are expected to show marginal improvement in December alongside Malaysia's major trading partners namely China, which has recorded a 2.3% rise in exports in the same month.

BANK ISLAM

THANK YOU