



WEEKLY ECONOMIC UPDATE

17 APRIL 2023

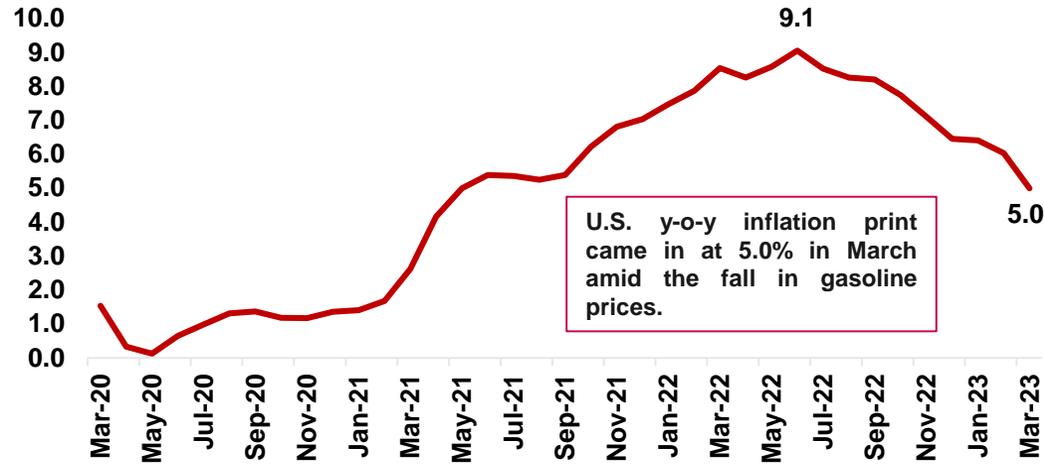
ECONOMIC RESEARCH

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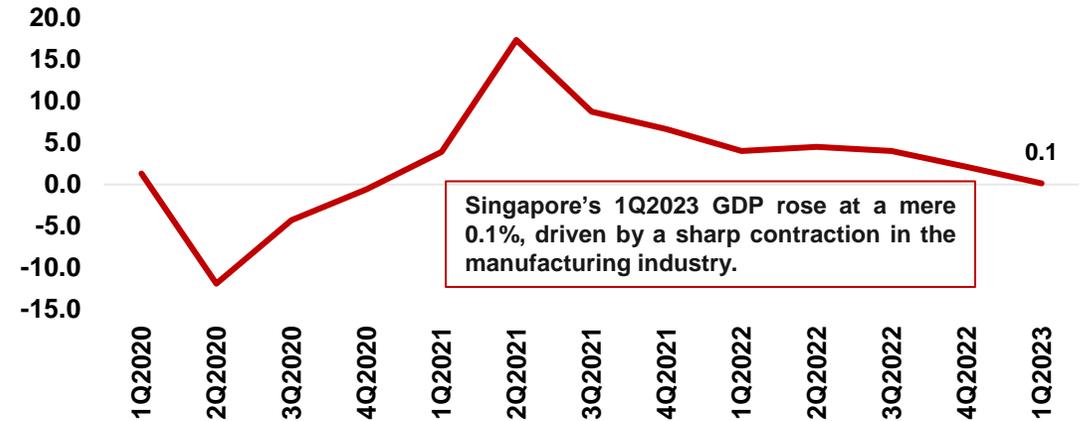
KEY HIGHLIGHT OF THE WEEK: STRONGER INDUSTRIAL AND LABOUR MARKET DATA IN MALAYSIA

GLOBAL

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

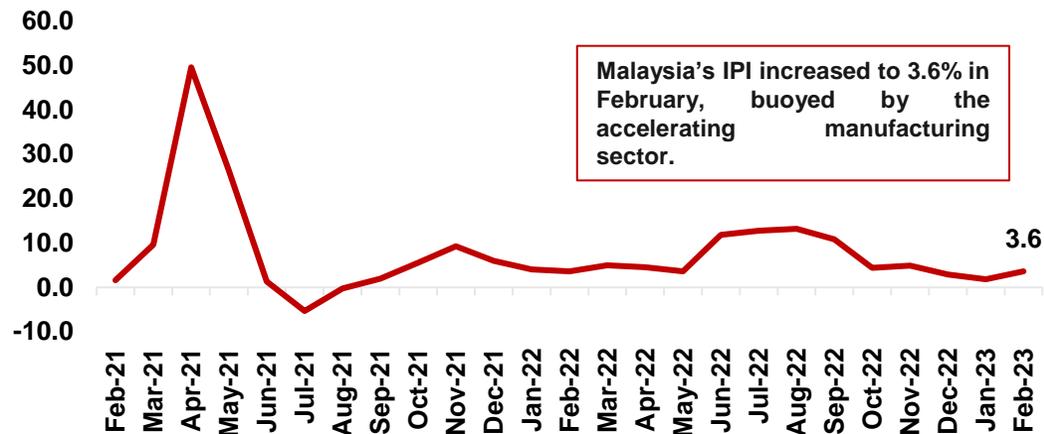


Singapore - Gross Domestic Product (GDP), y-o-y%

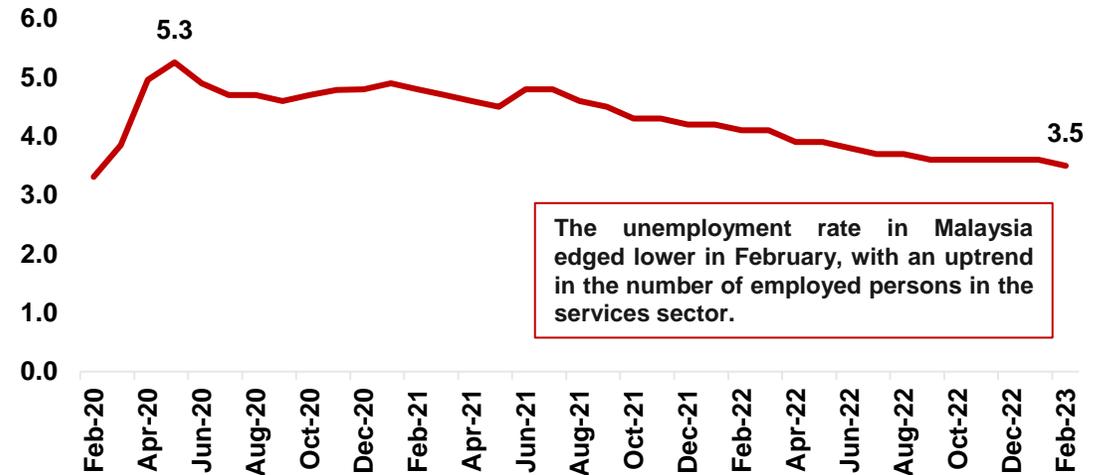


DOMESTIC

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



Malaysia - Unemployment Rate, %

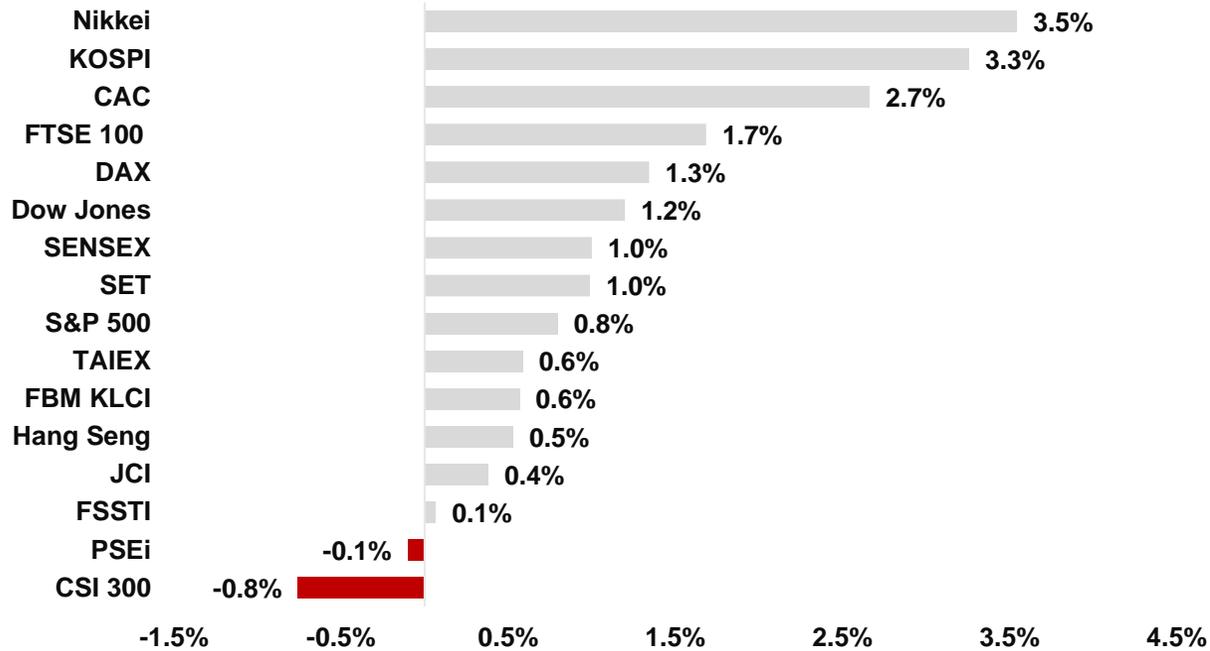


Sources: U.S. Bureau of Labor Statistics, Singapore Department of Statistics, Malaysia Department of Statistics

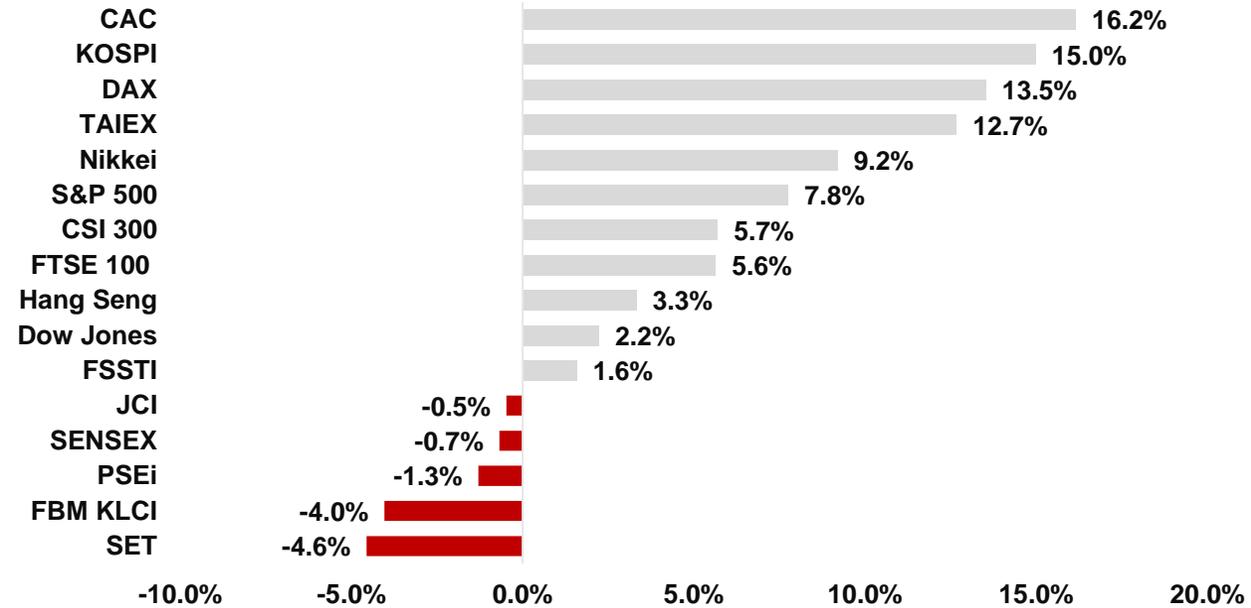
REGIONAL EQUITY: BETTER-THAN-EXPECTED EARNINGS OF MAJOR U.S. BANKS DESPITE BANKING TURMOIL



Weekly Gain/Loss of Major Equity Market, %



YTD/ Gain/Loss of Major Equity Markets, %
(As of 14 April 2023)

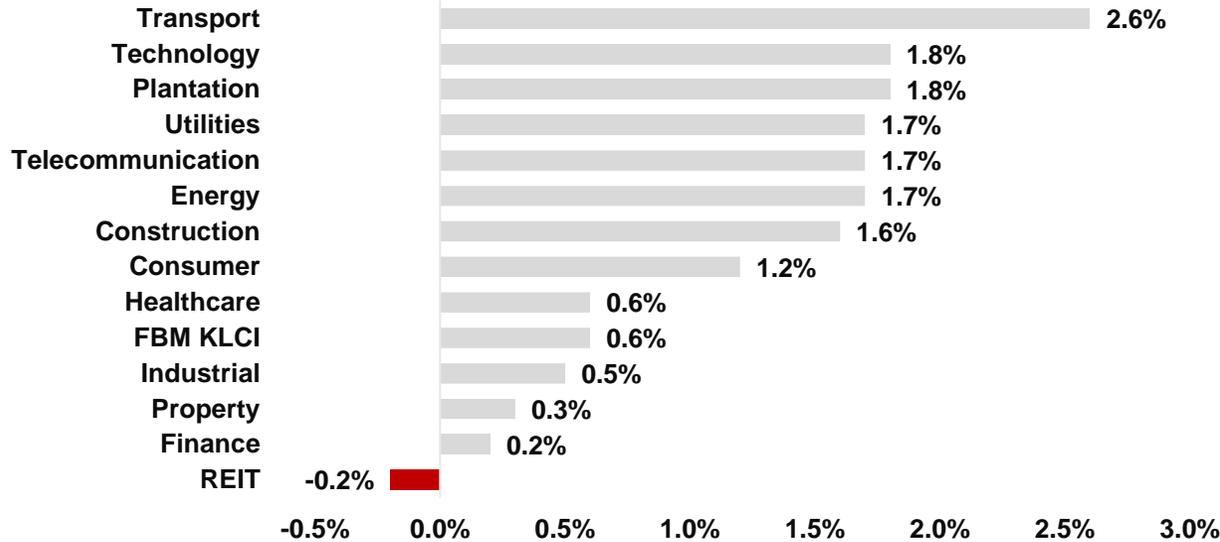


Sources: Bursa, CEIC

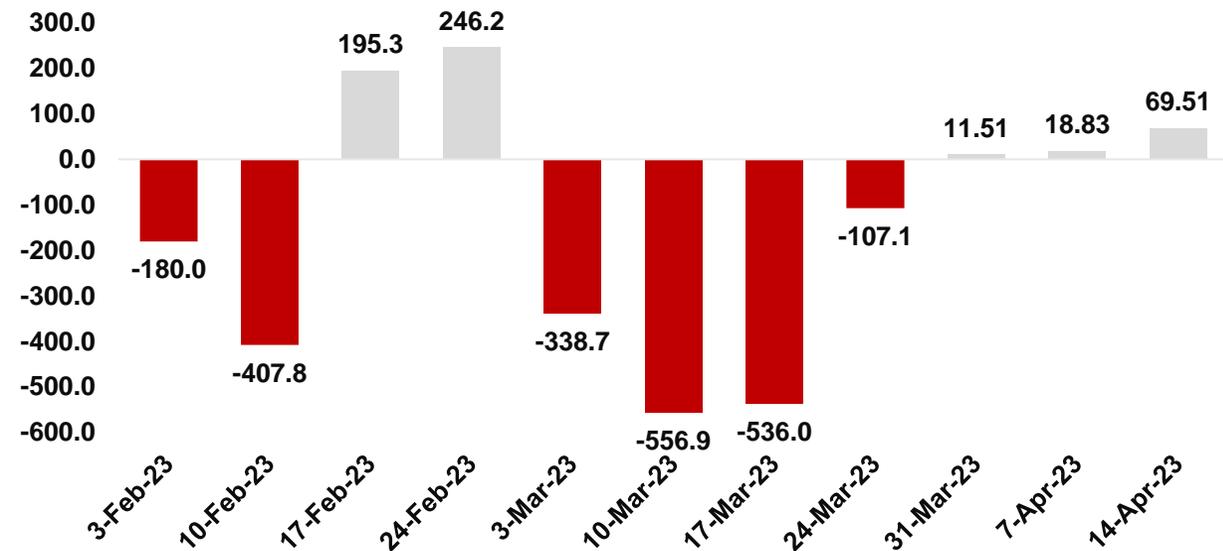
- Most regional markets closed on a positive note last week, led by Tokyo's Nikkei index, which gained by 3.5% w-o-w and was followed closely by Korea's KOSPI (3.3%) and France's CAC (2.7%). Nevertheless, the Philippines' PSEi and China's CSI 300 were the losers, declining by 0.1% and 0.8%, respectively.
- Albeit the spark of U.S. banking turmoil, the big U.S. banks recorded better-than-expected quarterly earnings and revenues, which showed resilience in the U.S. financial system, spurring a rally across banking shares.
- Investors expect the signs of cooling U.S. inflation to bring the Fed to pause its tightening cycle, extending a global stock rally.

DOMESTIC EQUITY: LOCAL MARKET RECOVERY CONTINUES IN THE SECOND WEEK OF APRIL

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, BNM

- Recovery in the local market continued as most Bursa sectoral indices closed on a positive note for the week ending on 14 April, with Transport (2.6%), Technology (1.8%) and Plantation (1.8%) topping the gainers.
- The upturn in the Plantation index was mainly supported by strong demand for export despite slipping Crude Palm Oil (CPO) price to RM3,702.0 per Metric Tonne (MT) last Friday (7 April 2023: RM3,794 per MT).
- Continuous positive local market movement also reflected recovering sentiments amid recent volatility in the global financial market and worries about global supply chain disruption.
- Foreign funds also displayed encouraging growth as RM69.51 million net inflows were recorded last week, a third week of steady increase towards a positive trend.

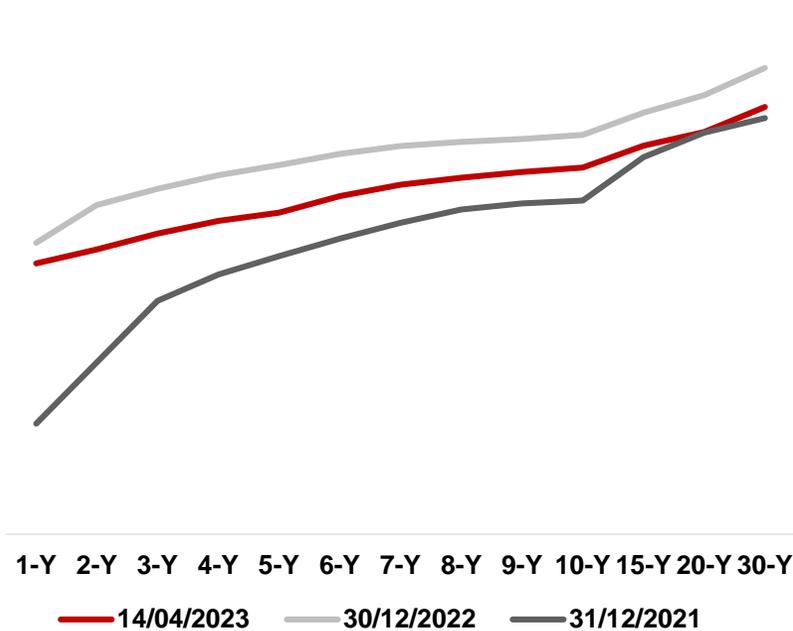
FIXED INCOME: UST YIELDS UPSURGED AMID BETS OVER THE UPCOMING U.S. INTEREST RATES MOVEMENT

Weekly Changes, basis points (bps)

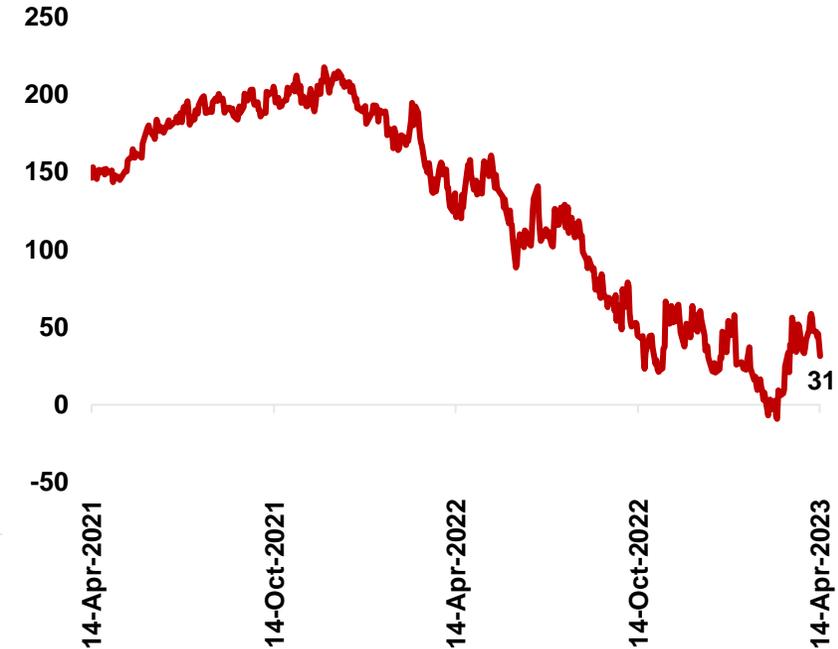
| UST | Yields (%) 7-Apr-23 | Yields (%) 14-Apr-23 | Change (bps) | |
|----------|------------------------|-------------------------|-----------------|-----|
| 3-Y UST | 3.72 | 3.83 | 11 | 5.0 |
| 5-Y UST | 3.49 | 3.60 | 11 | 4.5 |
| 7-Y UST | 3.45 | 3.56 | 11 | 4.0 |
| 10-Y UST | 3.39 | 3.52 | 13 | 3.5 |
| MGS | Yields (%) 7-Apr-23 | Yields (%) 14-Apr-23 | Change (bps) | |
| 3-Y MGS | 3.35 | 3.33 | -3 | 3.0 |
| 5-Y MGS | 3.51 | 3.49 | -2 | 2.5 |
| 7-Y MGS | 3.71 | 3.70 | -1 | 2.0 |
| 10-Y MGS | 3.87 | 3.83 | -3 | 1.5 |
| GII | Yields (%) 7-Apr-23 | Yields (%) 14-Apr-23 | Change (bps) | |
| 3-Y GII | 3.29 | 3.27 | -2 | 1.0 |
| 5-Y GII | 3.56 | 3.54 | -2 | |
| 7-Y GII | 3.80 | 3.77 | -3 | |
| 10-Y GII | 3.94 | 3.89 | -5 | |

Sources: BNM, Federal Reserve Board

MGS Yield (%)



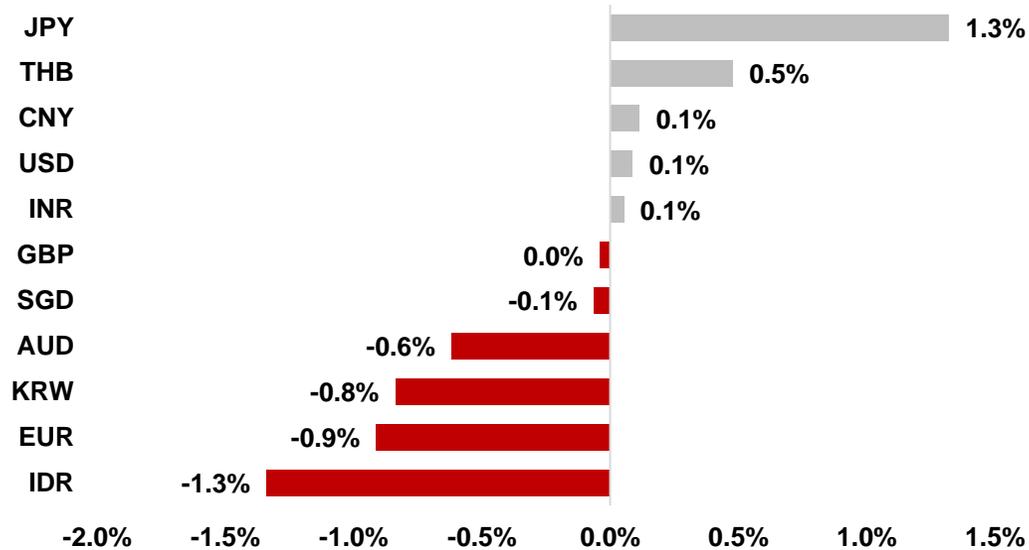
10y MGS/UST Yield Spread (bps)



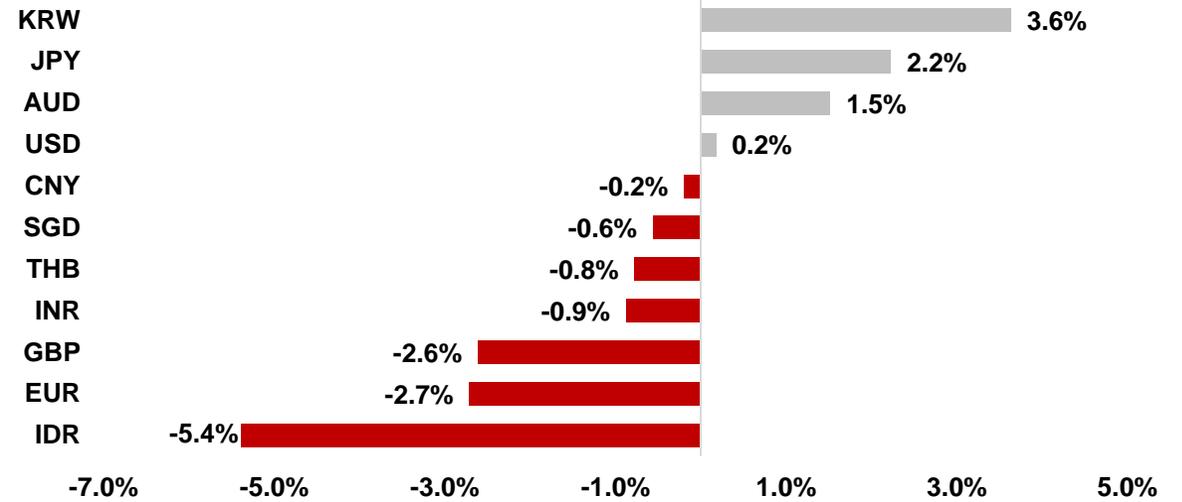
- The U.S. Treasury (UST) yields elevated across all maturities last week, in the range of 11 bps and 13 bps, as the market expected another 25bps Federal Funds Rate (FFR) hike in May before putting brakes and pivoting to a dovish move in 2H2023.
- Local govies ended the week on firmer footing amid safe haven demand spurred by concerns over an impending recession.
- For Malaysian Government Securities (MGS), the shorter and longer end yields contracted by 3bps and the belly decreased between 1bp and 2bps. Government Investment Issues (GII) also ended lower, reducing between 2bps and 5bps.
- The yield spread of 10y MGS/UST narrowed further to 31bps on 14 April from 48bps on 7 April, consequent to the uptrend in 10-year UST yield.

FX MARKET: RINGGIT IS ANTICIPATED TO TRADE AROUND RM4.40 TO RM4.41 AGAINST THE USD THIS WEEK BANK ISLAM

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% Gain, (As of 14 April 2023)



Source: Investing.com

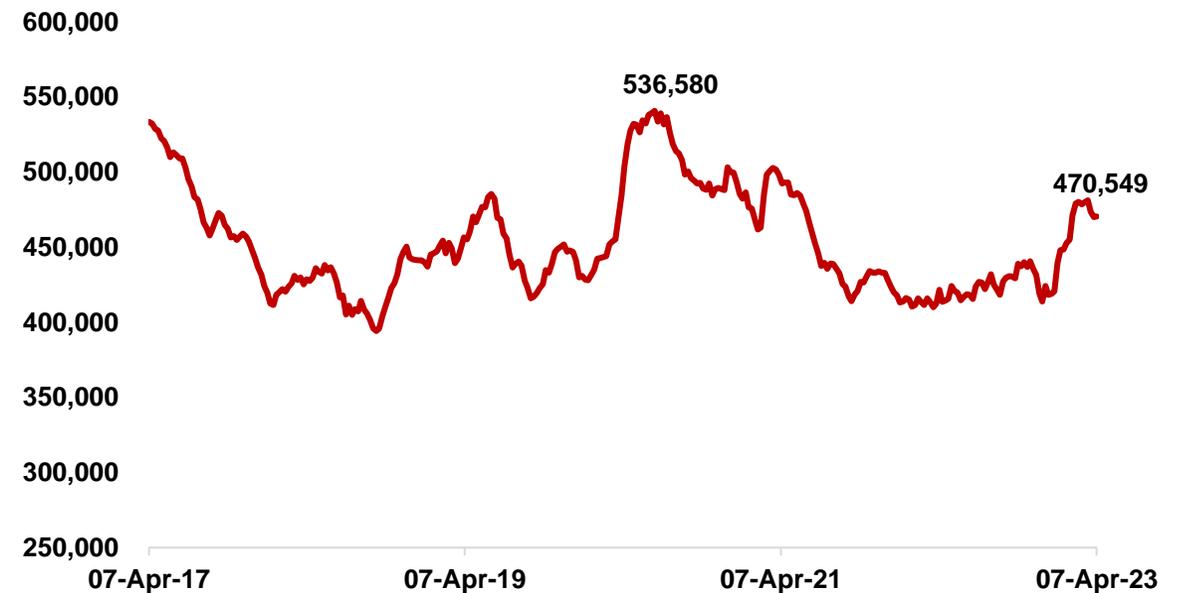
- The Ringgit traded higher against the USD on a weekly basis, partly due to the anticipation from the investors that the U.S. central bank could pause its interest rates hike after a 25bps hike in May, taking cues from dovish commentaries from the Fed officials.
- Additionally, the USD index has been mostly lingering around the 101 level last week after the release of U.S. CPI inflation, which saw the rate slowed for nine straight months y-o-y (March: 5.0% vs February: 6.0%) despite sticky core inflation figures that came slightly higher during the month (March: 5.6% vs February: 5.5%).
- At the same time, we posit that the local note has benefitted from the pressured greenback as the U.S. retail sales fell to 0.1% m-o-m in March (February: -0.2%), signalling the rising interest rates, together with the impact of elevated inflation rate which drove the consumers to cut down their spending.
- For this week, we foresee that the Ringgit to trade between RM4.40 to RM4.41 against the USD.

COMMODITY: BRENT PRICE WAS ON TRACK FOR FOURTH STRAIGHT WEEK OF GAINS, SUPPORTED BY TIGHT GLOBAL OIL SUPPLIES

Brent Crude in USD per barrel



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

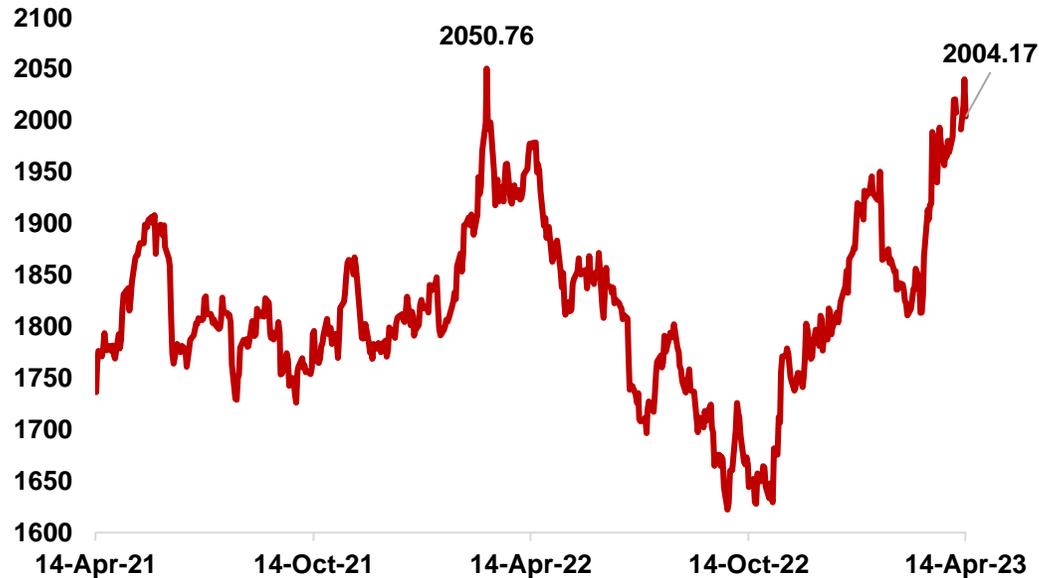


Sources: Bloomberg, Energy Information Administration (EIA)

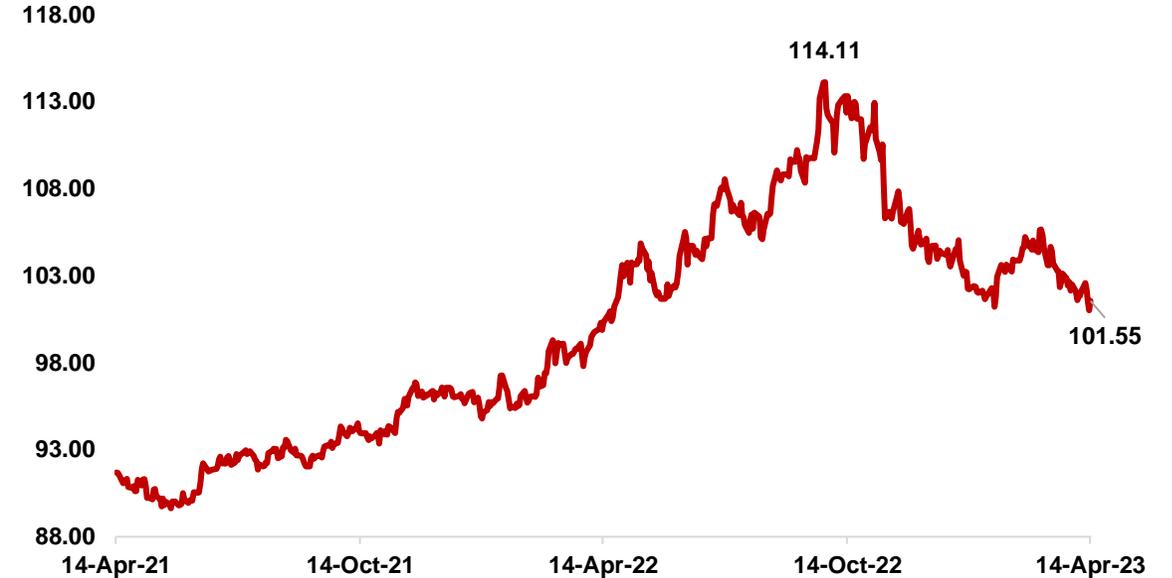
- In its latest monthly oil report, OPEC highlighted the downside risks on the oil outlook following continued restrictive monetary policy that could reduce oil demand in the summer months.
- Despite their concerns, the global oil demand forecast remains unchanged from last month, to rise by 2.32 million barrels per day (bpd) in 2023 to reach 101.9 million bpd.

COMMODITY: GOLD PRICE RETREATED AS THE USD REBOUNDED, WITH INVESTORS CONTINUING TO ADJUST THEIR MONETARY POLICY EXPECTATIONS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, Commodity Research Bureau

- At the time of writing, 84.0% of market participants expect the Fed to deliver another 25bps hike in the upcoming FOMC meeting next month. However, there has been increasing anticipation that the central bank could be nearing the era of its aggressive rate hikes campaign.
- Meanwhile, last Friday, Singapore's central bank left its monetary policy unchanged, joining other central banks from Australia, Canada, India and South Korea that had already halted their respective rate hikes.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Following the release of the Fed's March minute meeting, some Fed officials are projecting a mild recession in last month's FOMC meeting. The decision to deliver a 25bps hike was voted unanimously as FOMC members attempted to balance between curbing the still-elevated inflation reading and averting further financial sector upheaval amid the U.S. banking crisis. Before entering the traditional blackout period ahead of the May meeting, market participants would get a final chance to hear from the Fed's speeches, including New York Fed President John Williams, Governor Michelle Bowman, Governor Christopher Waller and Governor Lisa Cook.
- On the other hand, the U.S., the U.K. and the Eurozone area are set to release the Purchasing Managers' Index (PMI) this Friday, with market watchers will be on the lookout to gauge the impact on the economic growth due to the recent turmoil in the banking system last month. The International Monetary Fund (IMF) cut its outlook for global economic growth this year (New: 2.8% vs Earlier: 2.9%), warning that the financial sector problems could cause the global economy to underperform rather than surpass its estimates.
- Meanwhile, Chinese official data will be under the spotlight this week, with the biggest release of the week, the 1Q2023 GDP – which is anticipated to see a significant recovery amid the reopening of the economy following the country's withdrawal from its COVID-19 lockdowns. As for the U.K., the inflation and job reports that will be out this week will be the critical determinant for the Bank of England's (BoE) decision in the next monetary policy meeting. Market participants expect the central bank to hike from 4.25% to 4.50%, marking its twelfth straight rate hike since December 2021.
- The IMF expects the Chinese economy to benefit from its economic reopening, with positive spillover effects spread across the region. As such, the IMF raised its Asean-5 2023 estimate from 4.3% in January to 4.5% in its latest April projection. The global lender's latest projections also suggest that Malaysia is set to grow by 4.5% in 2023 and 2024, underpinned by resilient domestic growth in the labour market and a slowdown in the inflation data.

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THANK YOU