



# **WEEKLY ECONOMIC UPDATE**

**18 MARCH 2024**

**ECONOMIC RESEARCH**

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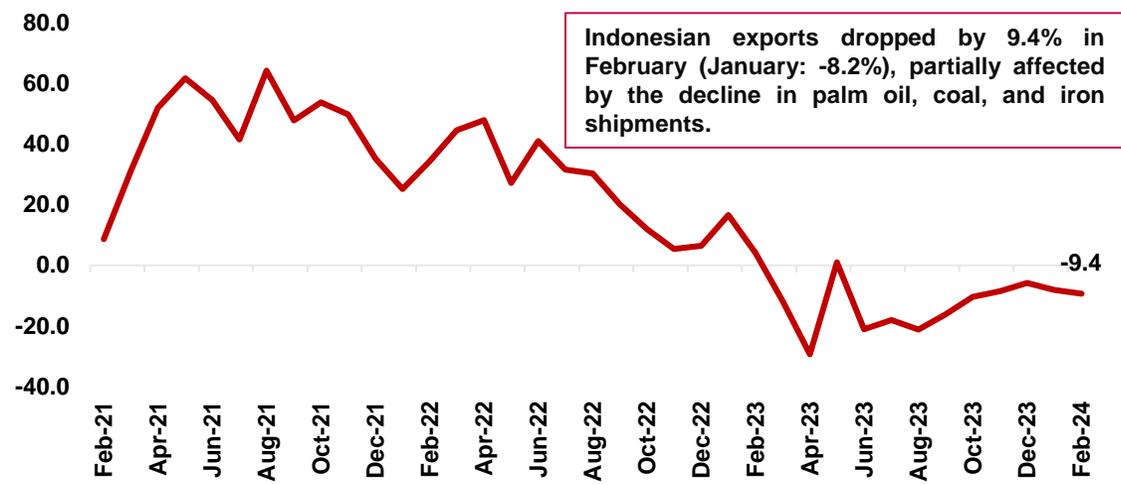
# WEEKLY HIGHLIGHT: MALAYSIA'S REMAINED ROBUST

# CONSUMER DEMAND

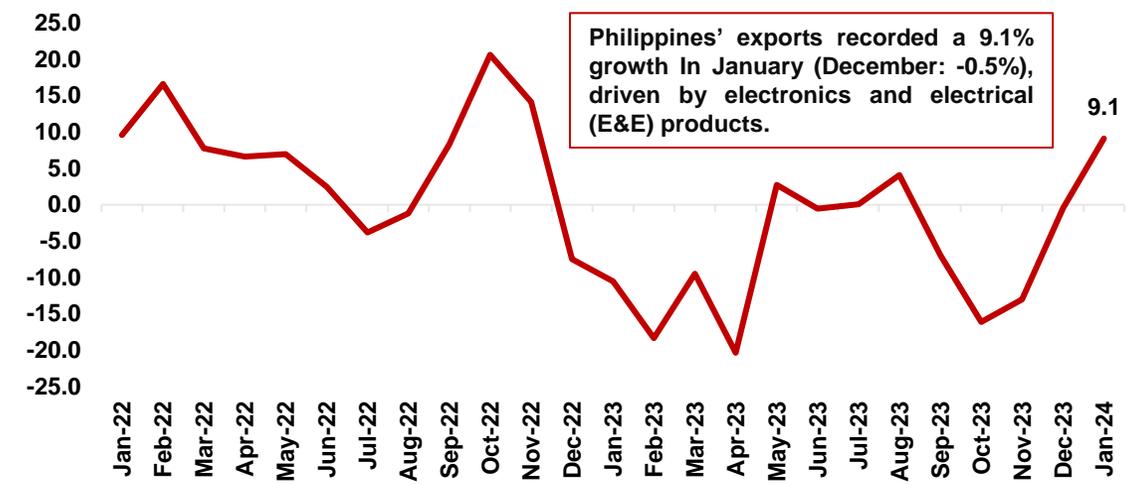


GLOBAL

Indonesia: Exports, y-o-y%

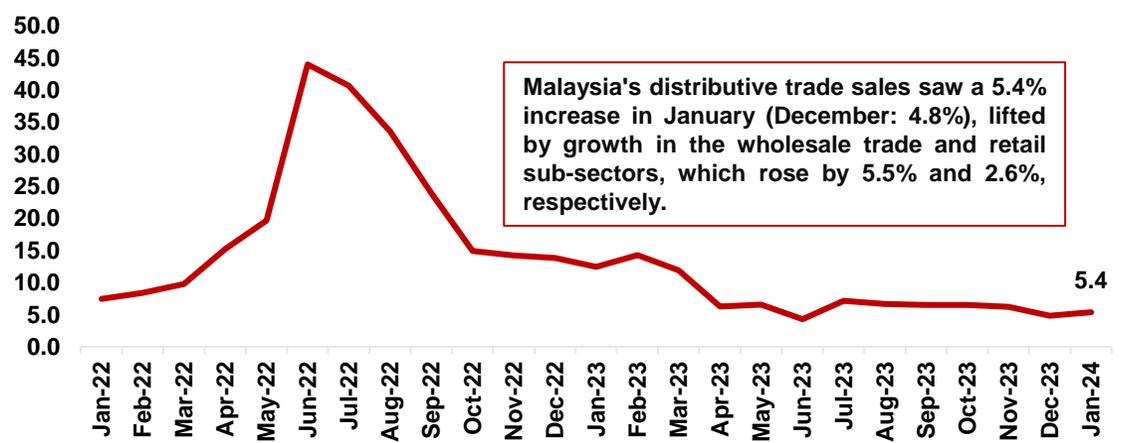


Philippines: Exports, y-o-y%

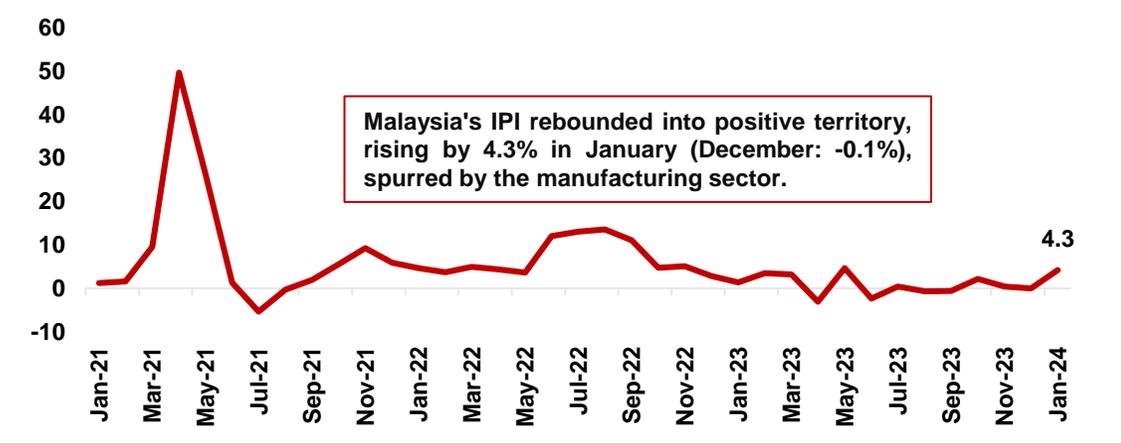


DOMESTIC

Malaysia - Distributive Trade Sales, y-o-y%

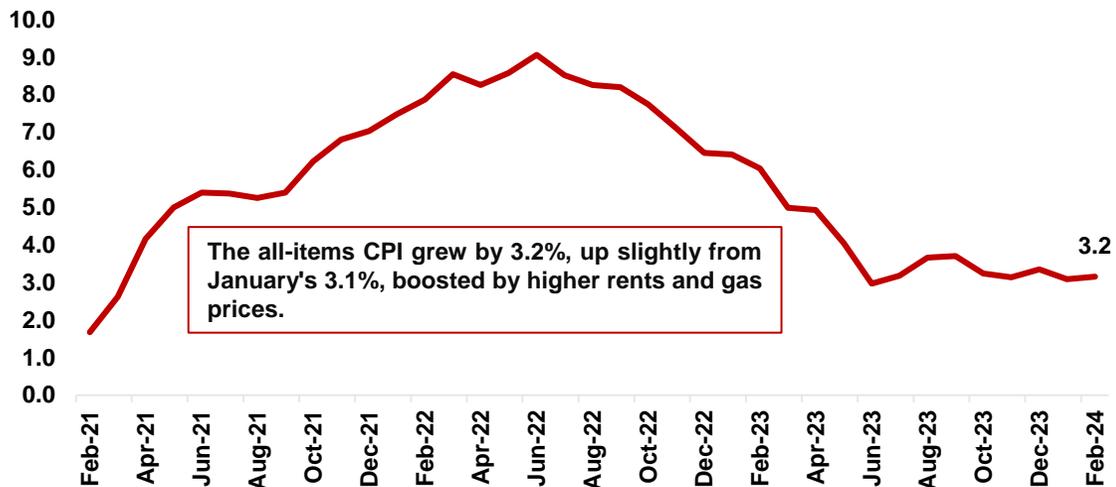


Malaysia - Industrial Production Index (IPI), y-o-y%

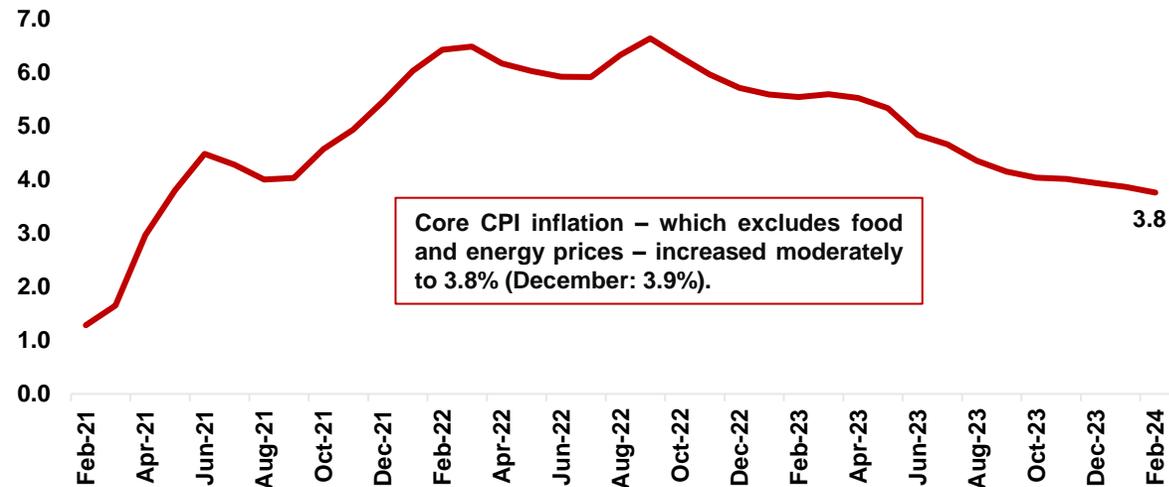


# U.S. WEEKLY HIGHLIGHT: U.S. INFLATION'S SIDEWAYS TREND MAY DELAY FED RATE CUTS

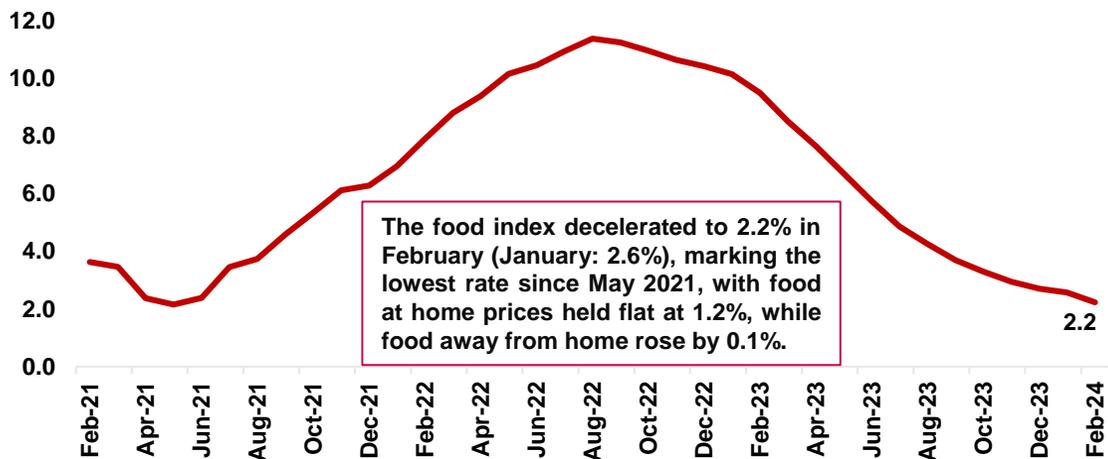
### U.S. Consumer Price Index (CPI), y-o-y%



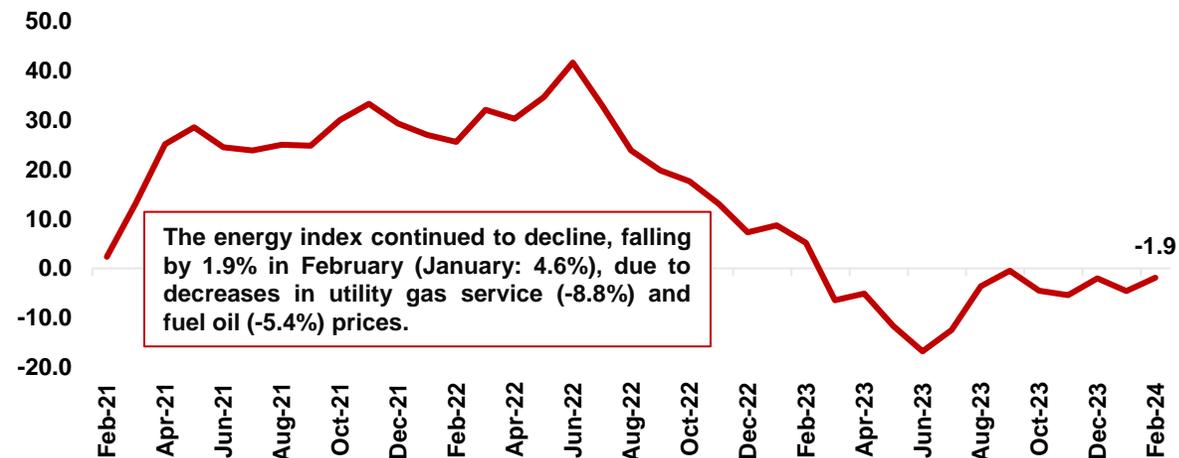
### U.S. CPI (All Items less Food and Energy), y-o-y%



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

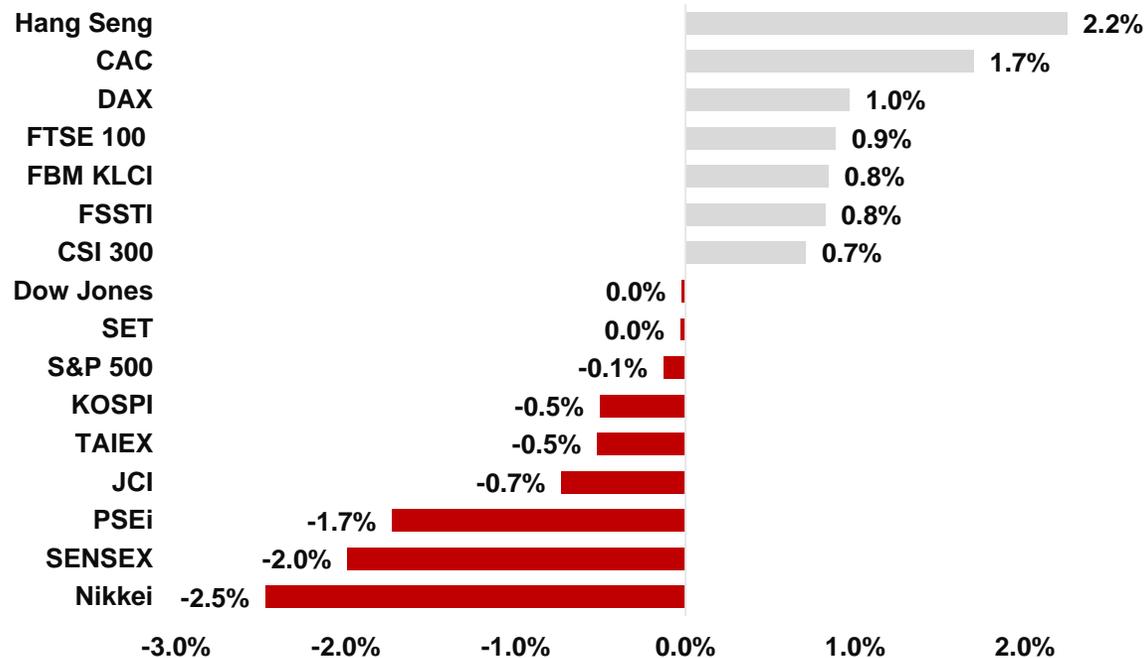


### U.S. CPI (Energy), y-o-y%

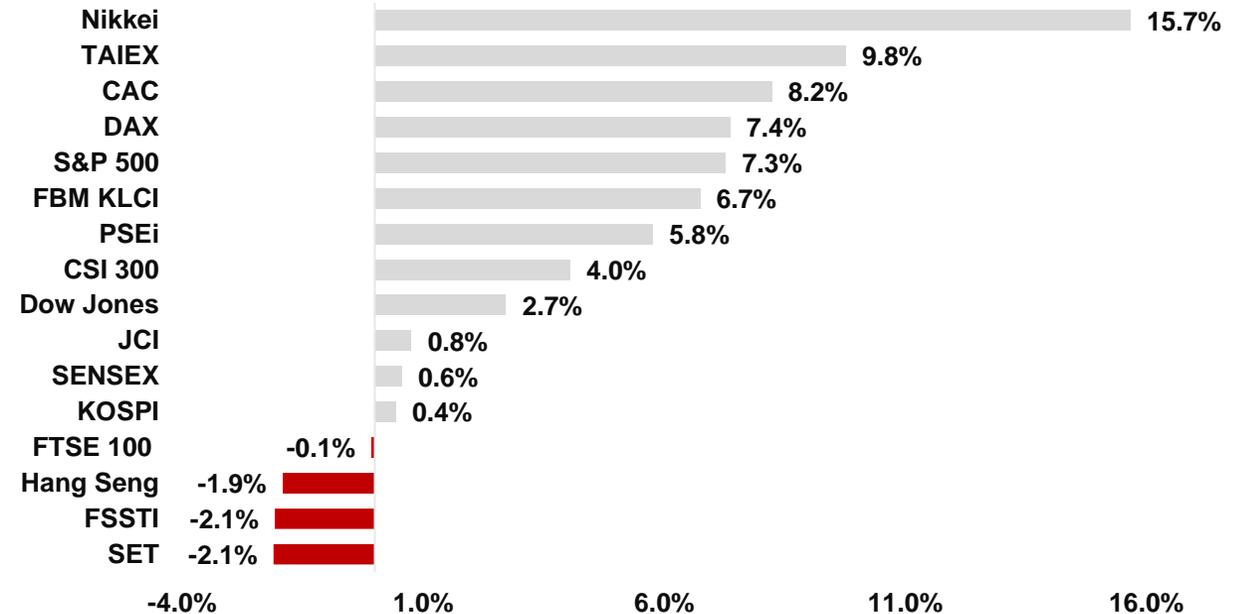


# REGIONAL EQUITY: CHINESE STOCKS RALLIED ON ANTICIPATIONS FOR NEW GOVERNMENT SUPPORT MEASURES

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



YTD Gain/Loss of Major Equity Markets, % (As of 15 March 2024)

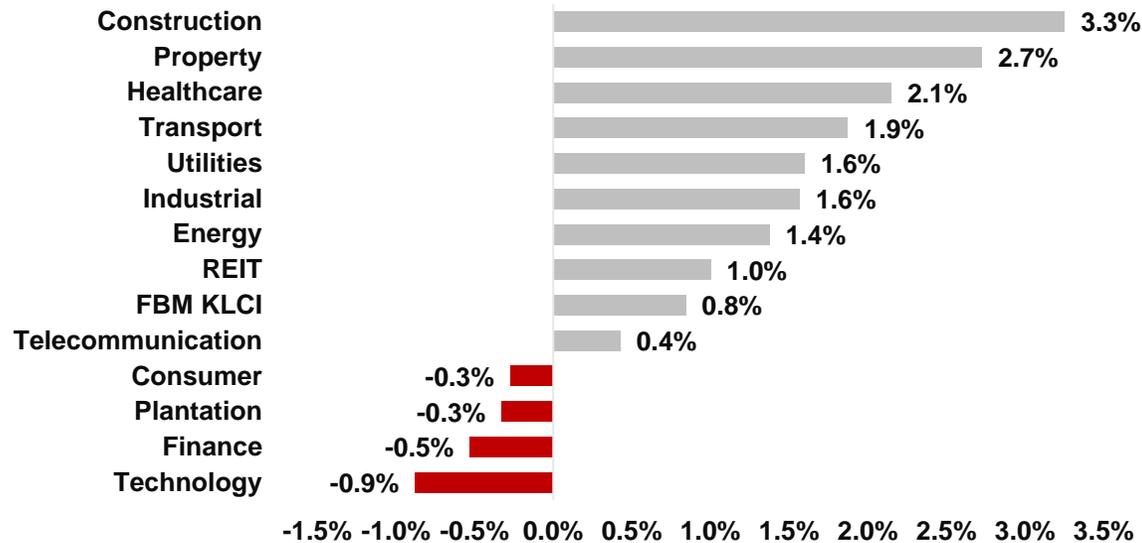


Sources: Bursa, CEIC Data

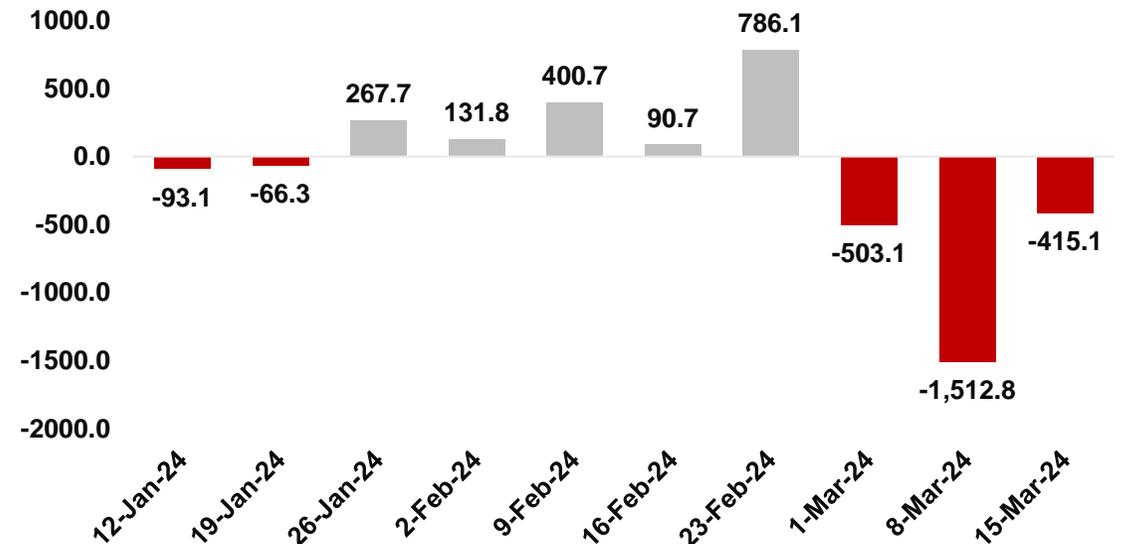
- The regional equity indices ended mixed for the week ending March 15, with Hong Kong stocks leading the gainers by 2.2%, fuelled by anticipation of China announcing fresh support measures to achieve its ambitious 2024 GDP target growth of around 5.0%.
- Among other major winners were France’s CAC (1.7%) and Germany’s DAX (1.0%).
- In contrast, Japan’s Nikkei contracted by 2.5% amid rising wages, high inflation, and a strengthening economy fuelled speculation of a shift in monetary policy, leading investors to take a wait-and-see approach.

# DOMESTIC EQUITY: LOCAL MARKET LIFTED BY POSITIVE SENTIMENTS AMID THE MANUFACTURING SECTOR REVIVAL

Weekly Bursa Sectoral Performance, w-o-w%



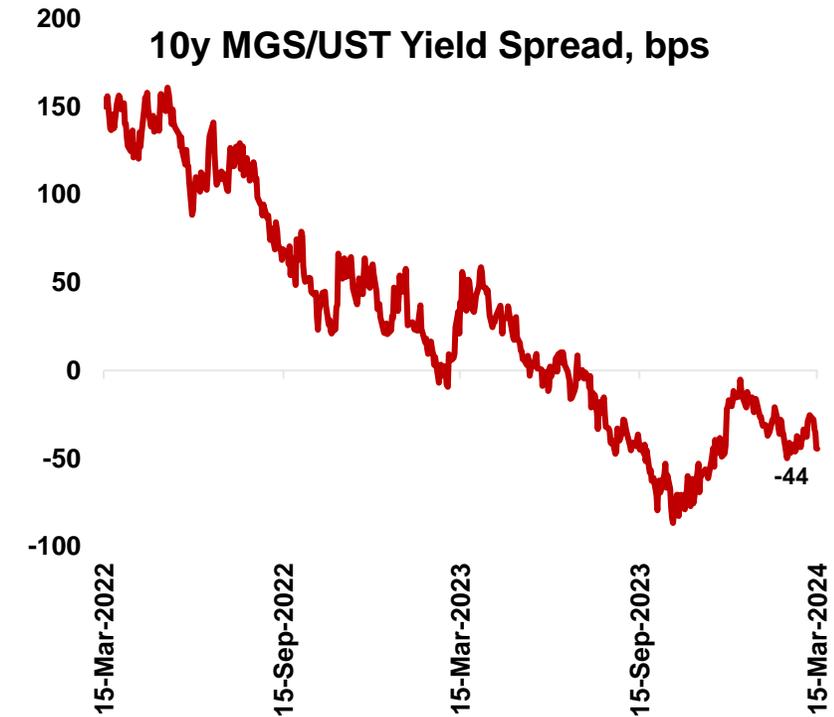
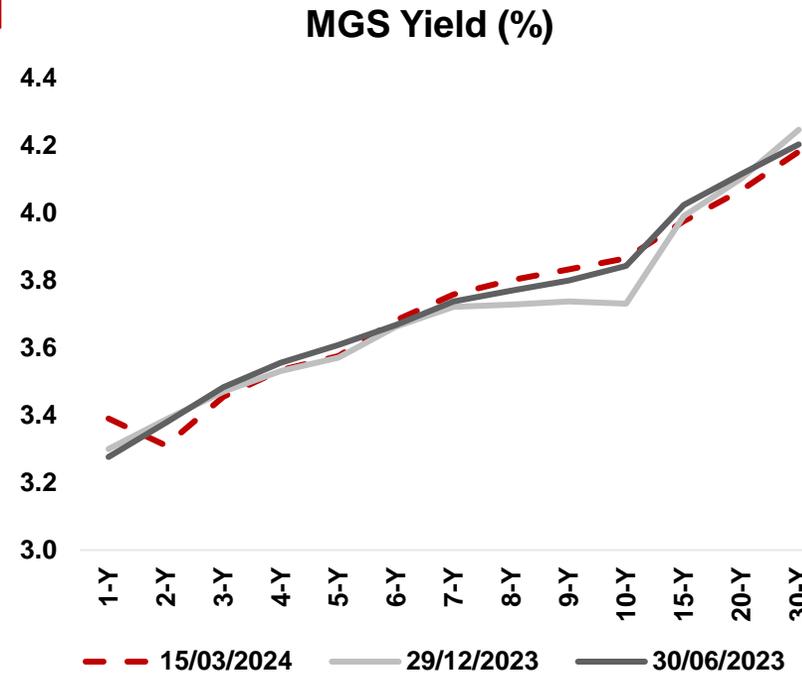
Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, Bank Negara Malaysia (BNM)

- The FBM KLCI closed in the green for the week ending March 15 on late buying activities in several heavyweights as well as amid upbeat local sentiments following a strong IPI data.
- Led by a strong turnaround in the Manufacturing IPI (January: 3.7% vs. December: -1.4%), the IPI expanded by 4.3% in January (December: 0.0%) after seven months of contraction. The upbeat data lifted investor sentiment and pushed the Industrial index higher by 1.6%.
- Among other gainers was the Construction index (+1.8%), which extended its gains from the week before. This was followed by the Property (+2.7%) and Healthcare (+2.1%) indices.
- Leading the losers was the Technology index (-0.9%), followed by the Finance (-0.5%), Plantation and Telecommunications indices (-0.3%).
- Foreign investors continued their net selling streak with a total net outflow of RM415.1 million. The selling dragged the cumulative total net outflow this year thus far to RM388.5 million.

Weekly Changes, basis points (bps)			
UST	Yields (%)	Yields (%)	Change (bps)
	8-Mar-24	15-Mar-24	
3-Y UST	4.25	4.51	26
5-Y UST	4.06	4.33	27
7-Y UST	4.08	4.33	25
10-Y UST	4.09	4.31	22
MGS	Yields (%)	Yields (%)	Change (bps)
	8-Mar-24	15-Mar-24	
3-Y MGS	3.45	3.46	1
5-Y MGS	3.55	3.58	2
7-Y MGS	3.74	3.76	1
10-Y MGS	3.83	3.87	4
GII	Yields (%)	Yields (%)	Change (bps)
	8-Mar-24	15-Mar-24	
3-Y GII	3.44	3.46	2
5-Y GII	3.58	3.61	2
7-Y GII	3.76	3.76	0
10-Y GII	3.84	3.87	2

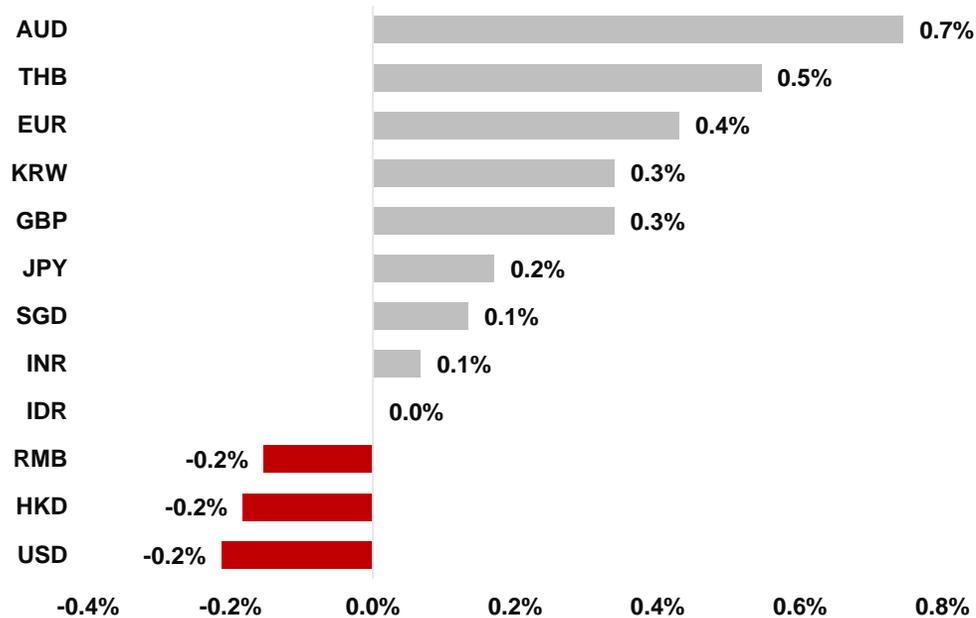


Sources: BNM, Federal Reserve Board

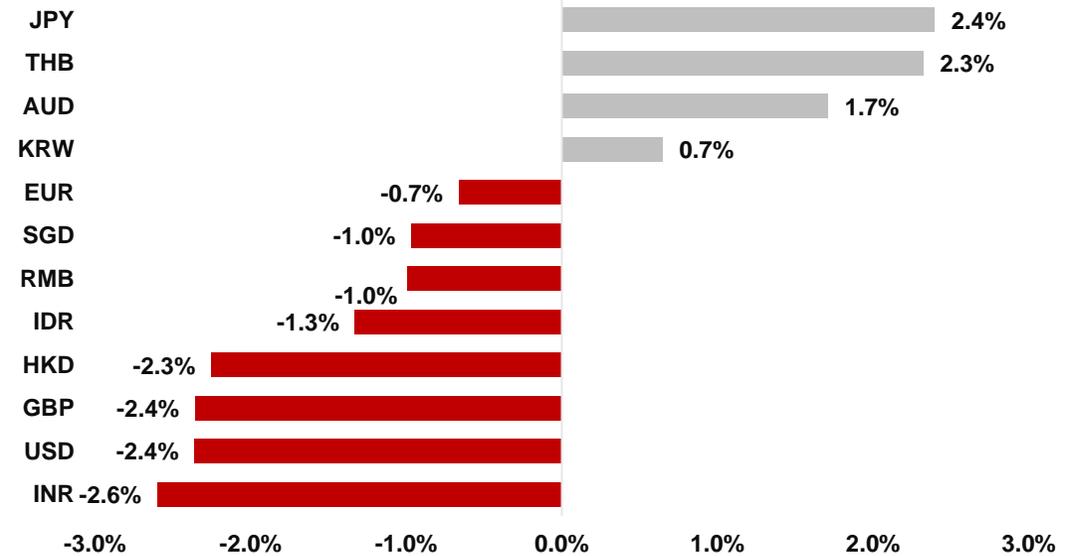
- The U.S. Treasury (UST) yields edged higher between 22bps and 27bps across the curve for the week ending March 15, as all eyes are on the U.S. Federal Reserve’s (Fed) upcoming policy decision. While the central bank is widely expected to hold the line on interest rates, investors will be dissecting the Fed's updated economic forecasts and searching for hints about the timing of future rate cuts.
- On the domestic front, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also trended upwards albeit at a smaller momentum, in the range of 1bp and 4bps. Meanwhile, 7-Y GII yield remained unchanged at 3.76%
- The RM5.0 billion 10-Y reopening of MGS issued on March 15 drew a robust demand with a bid-to-cover (BTC) ratio of 2.0x, slightly lower relative to the previous RM5.0 billion 10-Y reopening of MGS in December 2023, which garnered a BTC ratio of 2.2x.
- The 10y MGS/UST yield spread widened in the negative territory at -44bps relative to -26bps in the previous week.

# FX MARKET: RINGGIT IS ANTICIPATED TO TRADE CAUTIOUSLY AHEAD OF THE FOMC MEETING THIS WEEK

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%  
(As of 15 March 2024)

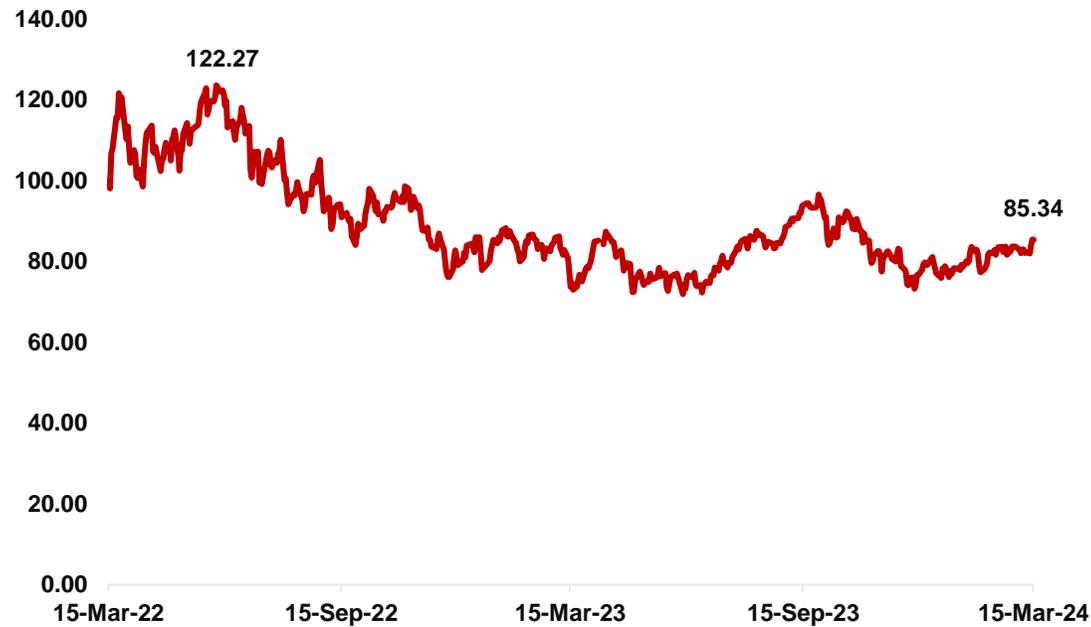


Source: BNM

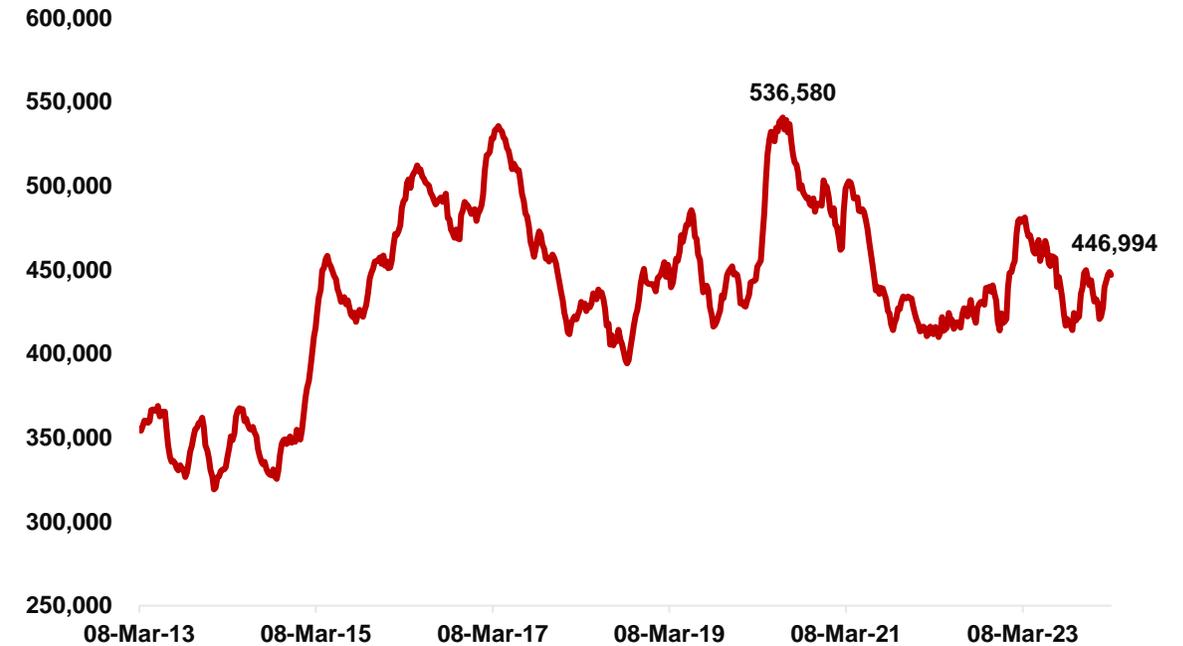
- The Ringgit rally last week seemed short-lived when the local note ended lower against the USD on Friday as the USD index rebounded for the week by 0.7% (8 March: -1.1%).
- This could have been due to key U.S. economic data such as CPI (Act: 3.2% vs. Est: 3.1%) and producer price index (PPI) (Act: 1.6% vs. Est: 1.1%) which came in higher than estimation. Such a situation has led to a retreat in rate cut expectations, with the market pricing in only slightly over 55.0% likelihood of a June Fed rate cut at the point of writing as indicated by the CME FedWatch tool.
- For the Federal Open Market Committee's (FOMC) March meeting this week, we expect no changes in the benchmark interest rate. However, we believe that market participants would be eyeing closely the latest Summary of Economic Projections (SEPs) from the central bank, a survey among the policymakers, particularly on the future trajectory of the Federal Funds Rate (FFR) movement. A further delay in the rate cut as compared to previous SEP published in December 2023 could bolster the USD and thus, pressuring the Ringgit.

# COMMODITY: THE CRUDE OIL PRICE SECURED A GAIN AMID OPTIMISTIC OUTLOOK FOR GLOBAL OIL CONSUMPTION

### Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- The EIA revised its 2024 global oil demand forecast higher from 1.2 million barrels per day (bpd) to 1.3 million bpd. Following this, it adjusted its projection of global oil supply this year to a slight deficit instead of a surplus.
- In the meantime, the ongoing geopolitical tensions in the Middle East and new supply curbs from the OPEC+ contributed further to the strength in the crude oil prices.

# COMMODITY: GOLD PRICE SLIPPED AS INFLATION DATA DISSAPPOINTS

### Gold in USD per ounce



### U.S. Dollar Index (DXY)



Sources: Bloomberg, BLS

- The bullion price slipped by 1.1% for the week ending March 15, plunging from record highs in the week before amid the greenback's gains.
- Market expectations of the Fed's rate cut path once again took a hit following hotter-than-anticipated February U.S. inflation (Act: 3.2% vs. Est: 3.1%).
- Similarly, the PPI also rose higher-than-expected (Act: 1.6% vs. Est: 1.1%), signaling persistent price pressures on both ends.
- Moving forward, market participants will be focusing on the Fed's SEP, set to be released on Thursday, for further clues on its policy path.

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week will be dominated by central bank meetings including the Fed. A stream of resilient U.S. economic data and slower-than-expected disinflation have pushed market expectations of the first Fed rate cut from March to June, but the fresh Fed's economic forecast due March 20 will be watched for more clues about future interest rate path. Nevertheless, we expect little changed in the Fed's policy stance at the upcoming meeting, reiterating that it is "not far from" having more confidence that inflation is firmly returning to the 2.0% target before embarking on rate cuts. At the time of writing, the market priced in nearly 65.0% chance of at least three 25 bp rate cuts by the end of 2024, aligning with the Fed's latest dot plot published in December 2023.
- The Bank of England (BoE) is expected to remain on the sidelines this week, keeping its policy rate at 16-year high of 5.25%. While the UK economy unexpectedly slipped into recession at the end of 2023, recent remarks from several BoE policymakers indicated hesitancy to cut rates too soon. Underlying prices – for which the BoE is focusing at services inflation and wage growth – has remained stubbornly high, suggesting the path of inflation returning sustainably to the 2.0% target will not be entirely smooth. The market currently expects a first rate cut in August, having pushed that back from June at the start of 2024.
- The Bank of Japan's (BoJ) policy meeting this week will be pivotal amid growing speculation of an imminent rate hike. The rate hike, if materialises, will mark the BoJ's first increase since February 2007 and the end of its eight years of negative interest rates policy. The case for a rate hike has been bolstered by an agreement reached between Japanese large corporations and their labour unions on substantial wage hikes as the BoJ expects higher wages to help boost consumer spending and sustain inflation. In the meantime, market expectations are currently divided between a March and April rate hike. Apart from a rate hike, the BoJ will likely scrap its yield curve control policy of capping long-term interest rate at around 1.0%.
- Positive momentum in Malaysia's trade performance continued in February, with trade balance remaining in surplus, as shown by the latest data released today. Exports, however, missed market expectations with a marginal decline of 0.8%, after staging a strong rebound of 8.7% in January, dragged by exports of manufacturing and agricultural products. Meanwhile, imports increased by 8.4%, albeit slowing from a downwardly revised 18.7% surge in January.

BANK ISLAM

**THANK YOU**