



WEEKLY ECONOMIC UPDATE

21 NOVEMBER 2023

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: CHINESE RETAIL SALES AND INDUSTRIAL PRODUCTION JUMPED IN OCTOBER

GLOBAL

China - Retail Sales, y-o-y%

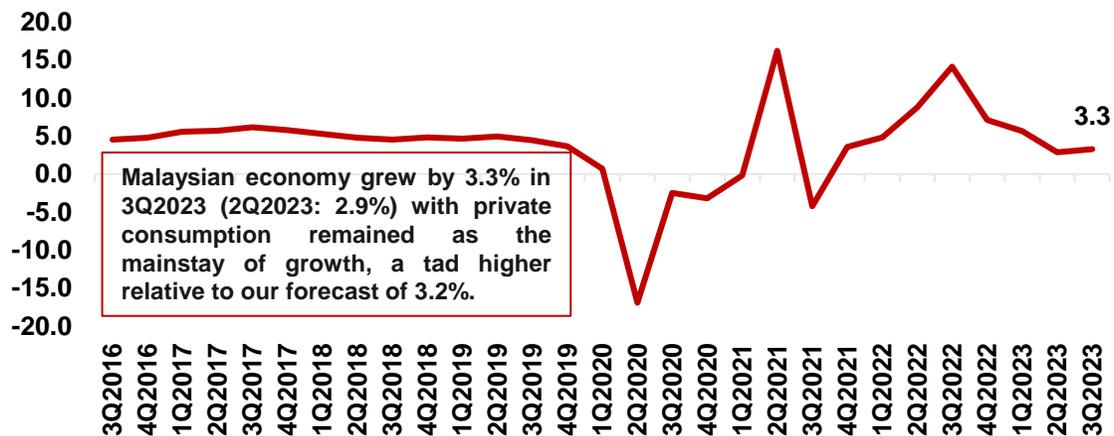


China - Industrial Production Index (IPI), y-o-y%

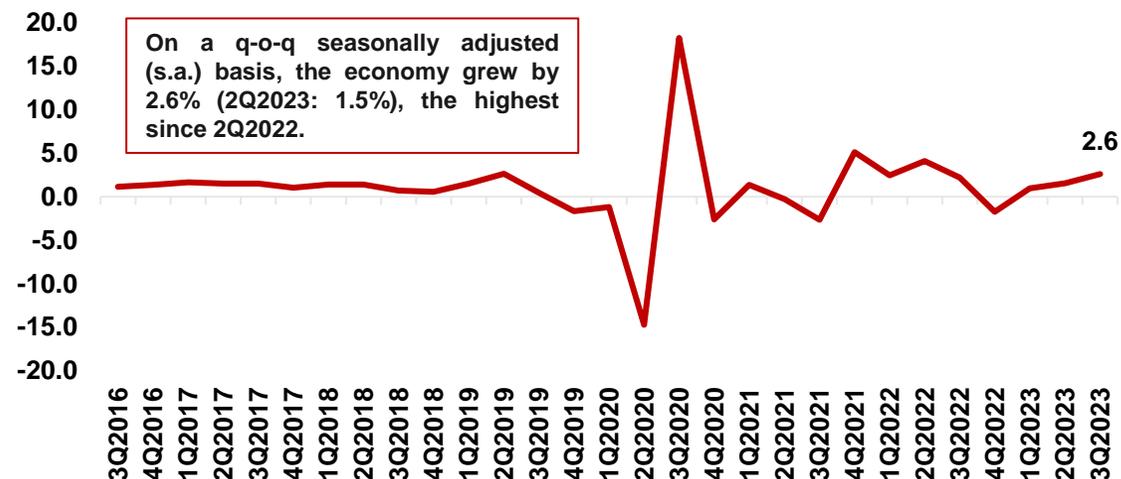


DOMESTIC

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

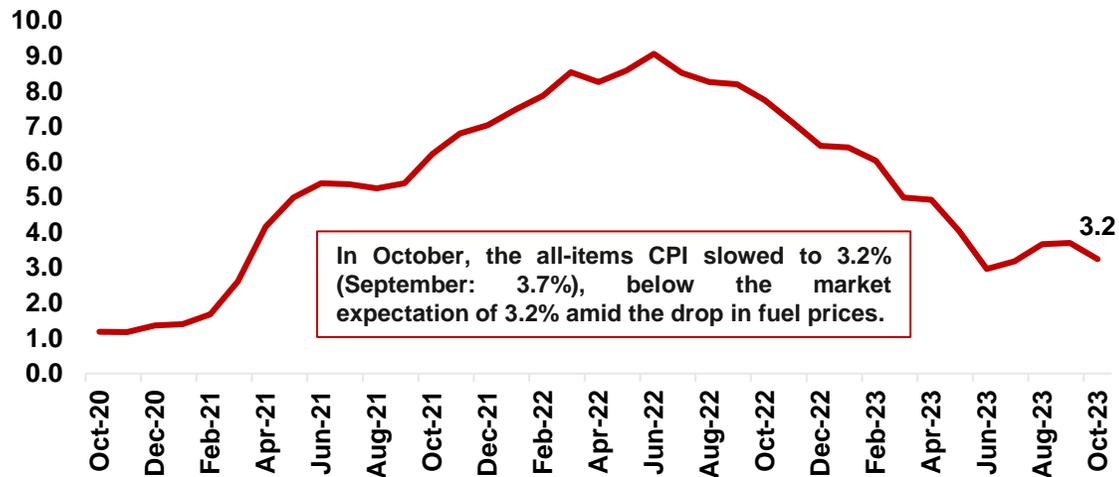


Malaysia - Real GDP, q-o-q% s.a.

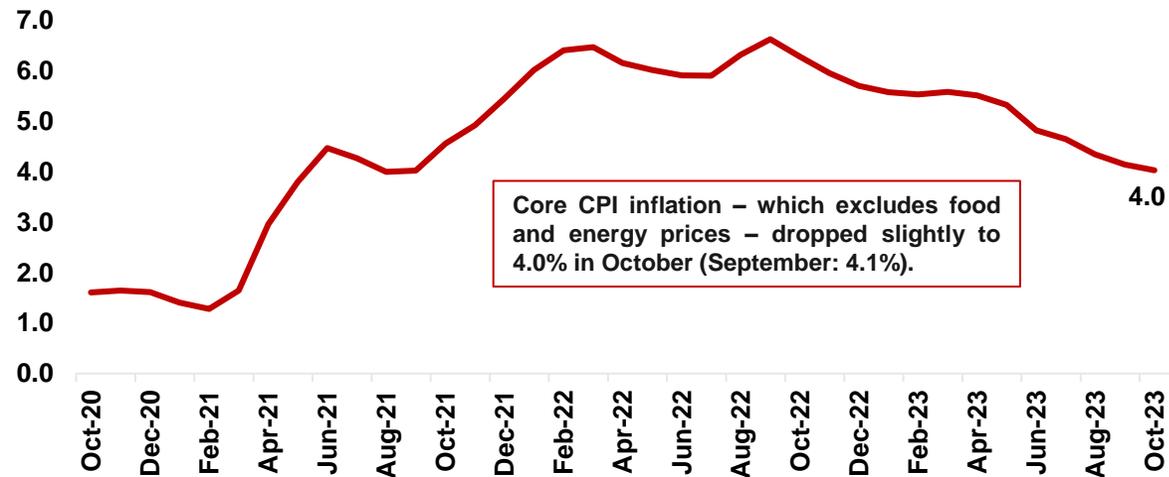


U.S. WEEKLY HIGHLIGHT: A SLOWDOWN IN INFLATIONARY PRESSURES

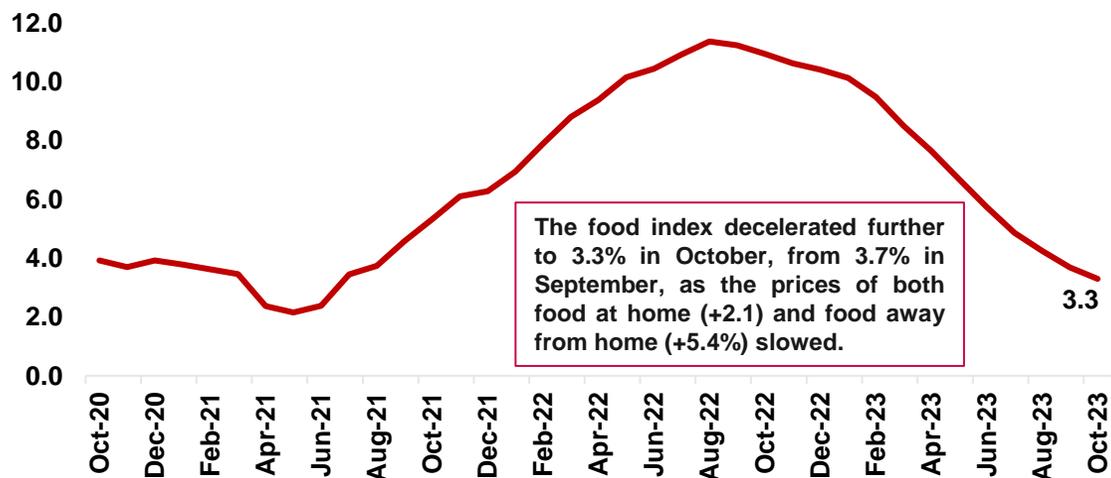
U.S. Consumer Price Index (CPI), y-o-y%



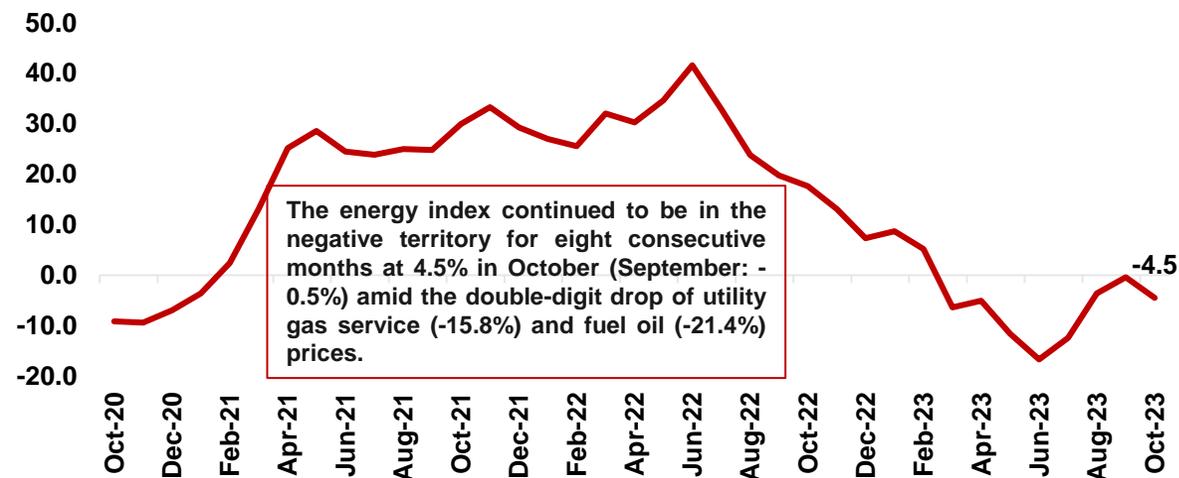
U.S. CPI (All Items less Food and Energy), y-o-y%



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

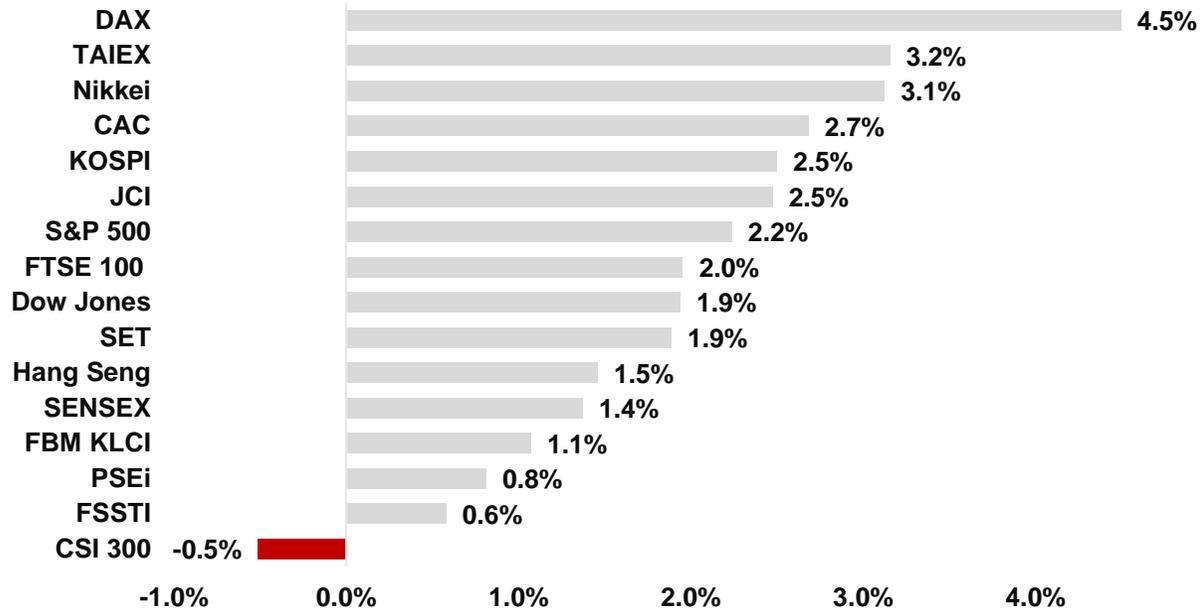


U.S. CPI (Energy), y-o-y%

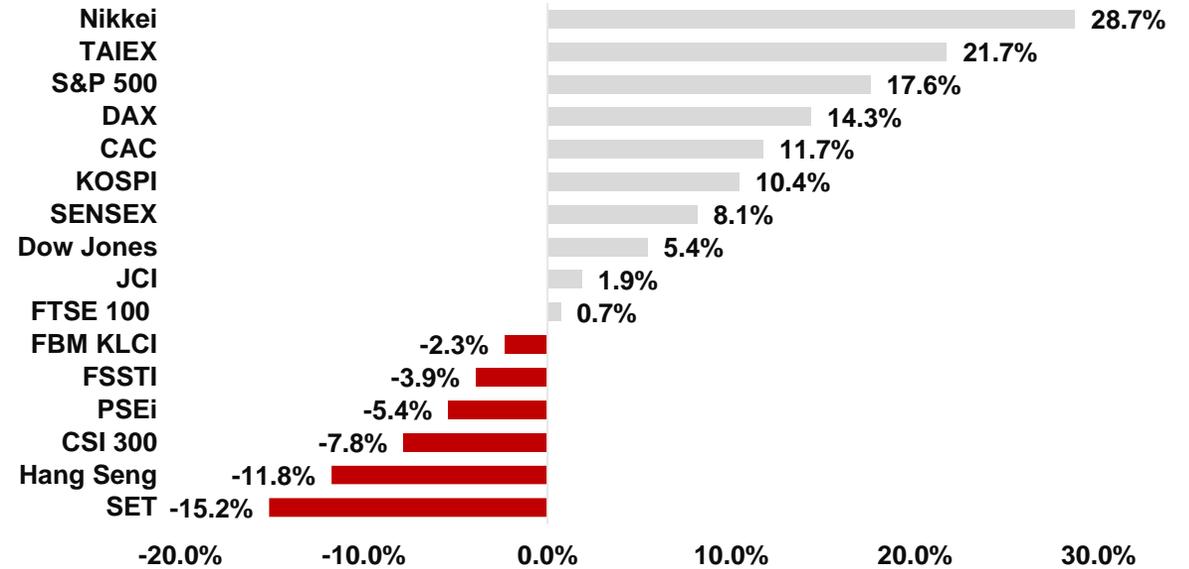


REGIONAL EQUITY: GLOBAL STOCKS RALLIED ON BETS OF INTEREST RATE CUTS

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



YTD Gain/Loss of Major Equity Markets, % (As of 17 November 2023)

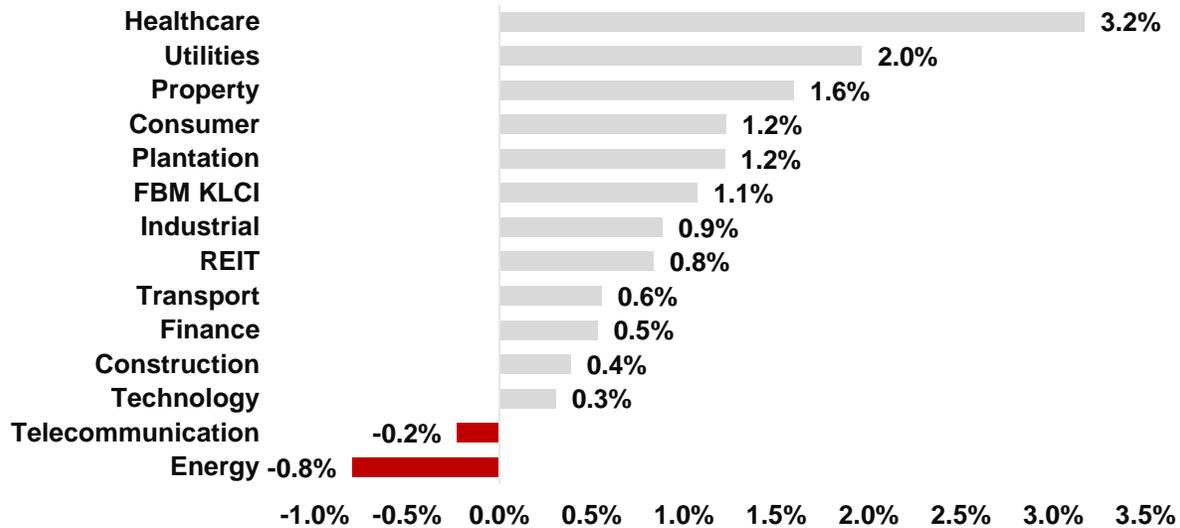


Sources: Bursa, CEIC Data

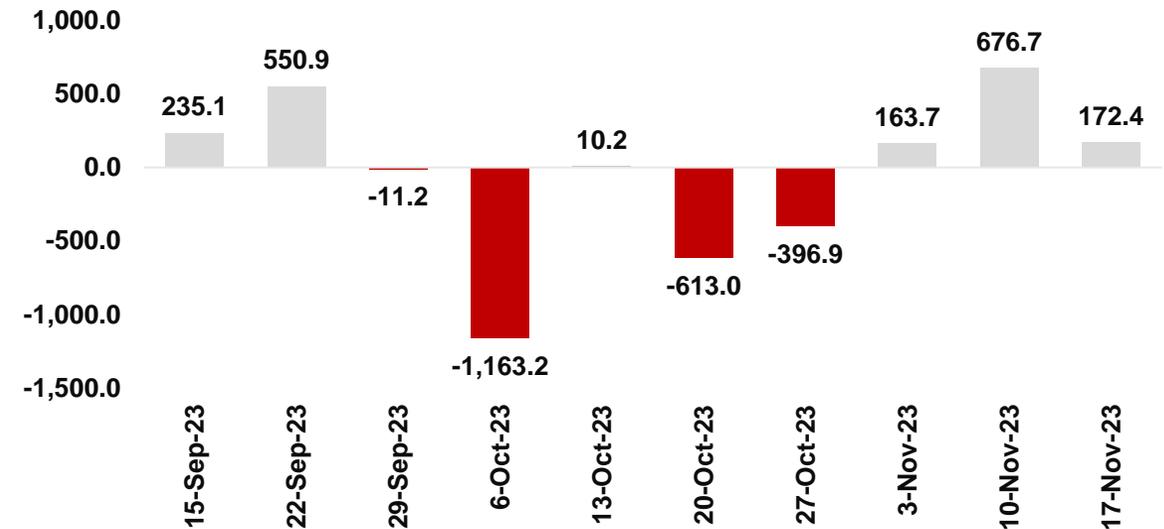
- Regional benchmark indices mostly ended in the green for the week ending November 17, with Germany's DAX (+4.5%), Taiwan's TAIEX (+3.2%) and Japan's Nikkei (+3.1%) as the major gainers in the regional market.
- Investors cheered the global economic data, indicating a slowdown in inflationary pressures in the U.S., U.K., and European countries. The better-than-expected inflation data and the falling oil prices have raised market expectations that the major central banks might initiate interest rate cuts earlier than anticipated in 2024.
- On the other hand, China's CSI 300 was the only loser, contracting by 0.5% last week.

DOMESTIC EQUITY: BULLISH MOMENTUM IN THE LOCAL MARKET AMID BETTER-THAN-EXPECTED 3Q2023 GDP PERFORMANCE

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



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

- The local market closed in a green sea for the week ending November 17 with FBM KLCI hitting an 8-month peak of 1466.84 on Wednesday.
- The gainers was led by the Healthcare index at 3.2% by a large margin, followed by the Utilities and Property indices which recorded gains of +2.0% and +1.6%, respectively.
- The local bourse was partly reflective of the positive regional market performance. The week then closed on a victorious note following a better-than-expected 3Q2023 growth of 3.3%.
- Meanwhile, the losers are the Telecommunications index (-0.2%) and the Energy index (-1.8%), which extended its loss into the second straight week amid declining Brent crude prices.
- Foreign investors remained net buyers for the week ending November 17, recording a total net inflow of RM172.4 million. The buying reduced the cumulative total net outflow this year thus far to RM3.1 billion.

FIXED INCOME: UST YIELDS ENDED FIRMER AMID SLOWER PACE OF INFLATION IN THE U.S. BANK ISLAM

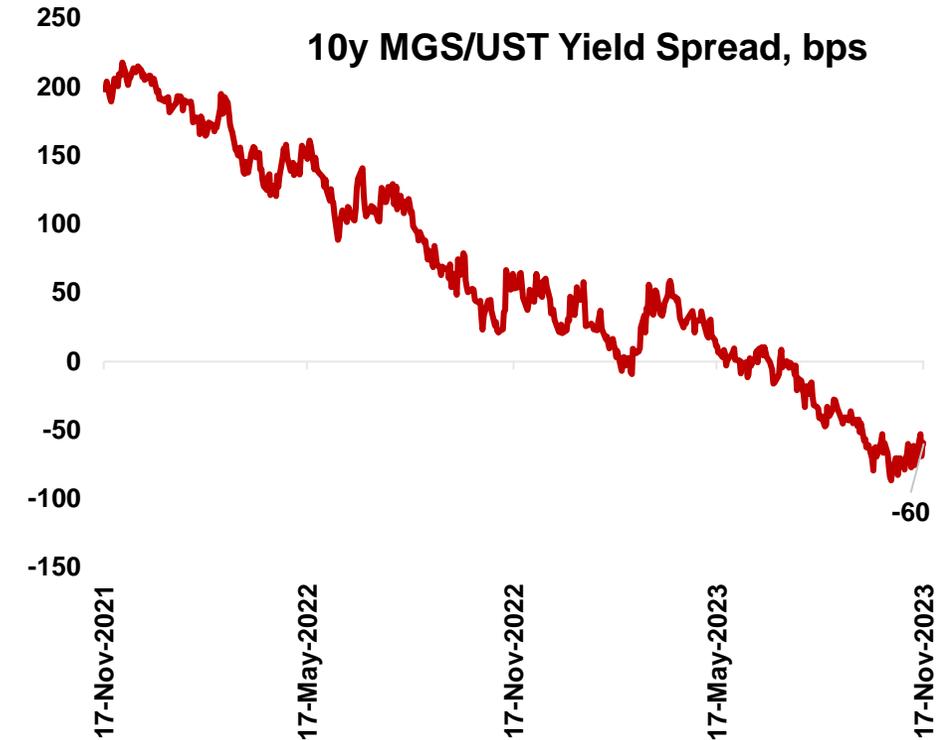
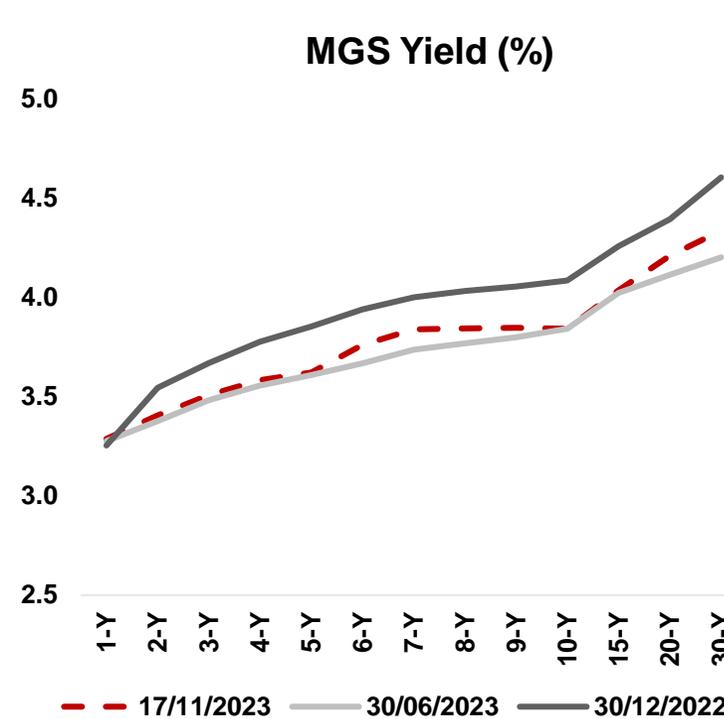
Weekly Changes, basis points (bps)

UST	Yields (%) 10-Nov-23	Yields (%) 17-Nov-23	Change (bps)
3-Y UST	4.80	4.64	-16
5-Y UST	4.65	4.45	-20
7-Y UST	4.68	4.47	-21
10-Y UST	4.61	4.44	-17

MGS	Yields (%) 10-Nov-23	Yields (%) 17-Nov-23	Change (bps)
3-Y MGS	3.50	3.51	1
5-Y MGS	3.69	3.62	-7
7-Y MGS	3.88	3.84	-4
10-Y MGS	3.89	3.84	-5

GII	Yields (%) 10-Nov-23	Yields (%) 17-Nov-23	Change (bps)
3-Y GII	3.55	3.57	2
5-Y GII	3.73	3.71	-2
7-Y GII	3.92	3.90	-3
10-Y GII	3.95	3.94	-1

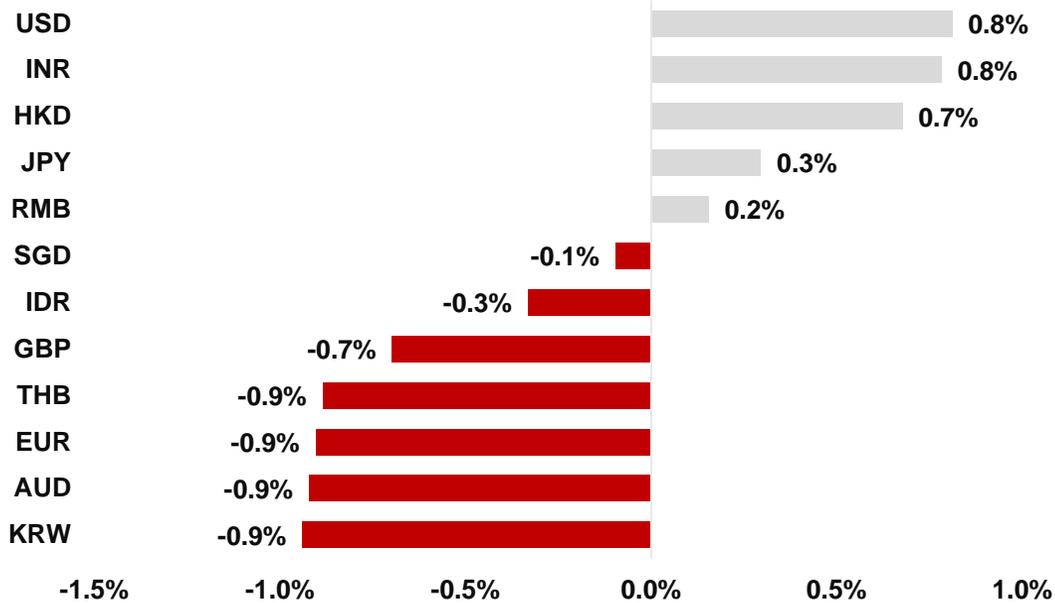
Sources: BNM, Federal Reserve Board



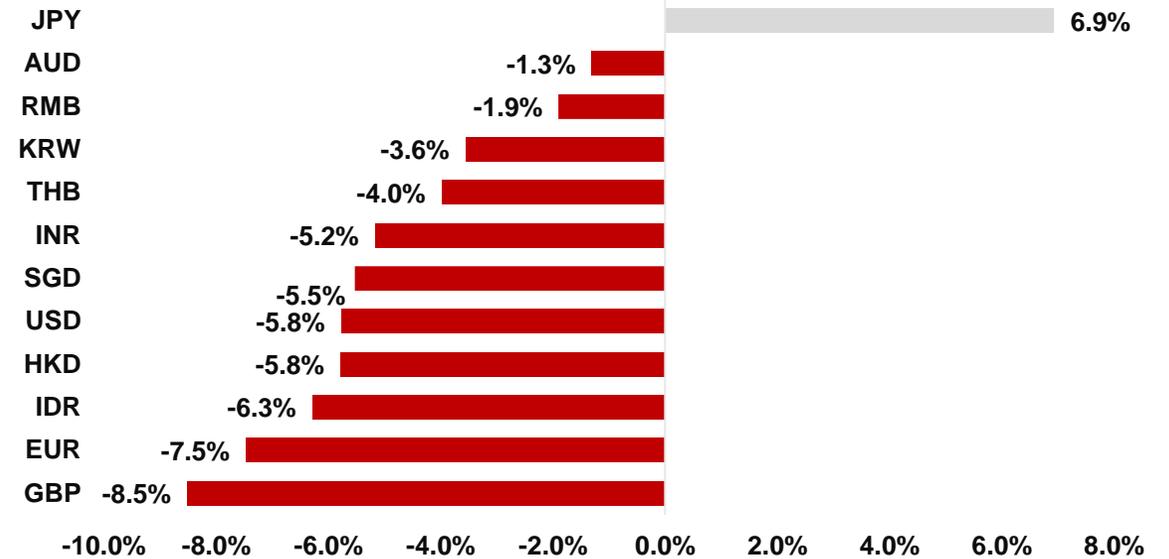
- The U.S. Treasury (UST) strengthened last week, with yields dropping between 16bps and 21bps as traders weighed on the possibility that the Federal Reserve (Fed) may start cutting rates earlier than expected in 2024 following the downtrend in U.S. inflation rates.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) mostly ended firmer, with MGS yields easing in the range of 4bps and 7bps while GII yields dipped between 1bps and 3bps along the 5y10y curves.
- In contrast, the 3-Y MGS and GII yields rose 1bp and 2bps, respectively.
- The RM5.0 billion 3-Y reopening of GII issued on November 15 drew a lower demand with a bid-to-cover (BTC) ratio of 1.5x, significantly lower than the previous RM4.5 billion 3-Y reopening of GII in September, which garnered a robust BTC ratio of 2.2x.
- Meanwhile, the 10y MGS/UST yield spread increased marginally to -60bps relative to -72bps in the previous week.

FX MARKET: RINGGIT ENDED HIGHER AGAINST THE USD AMID IMPROVED SENTIMENT

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 17 November 2023)

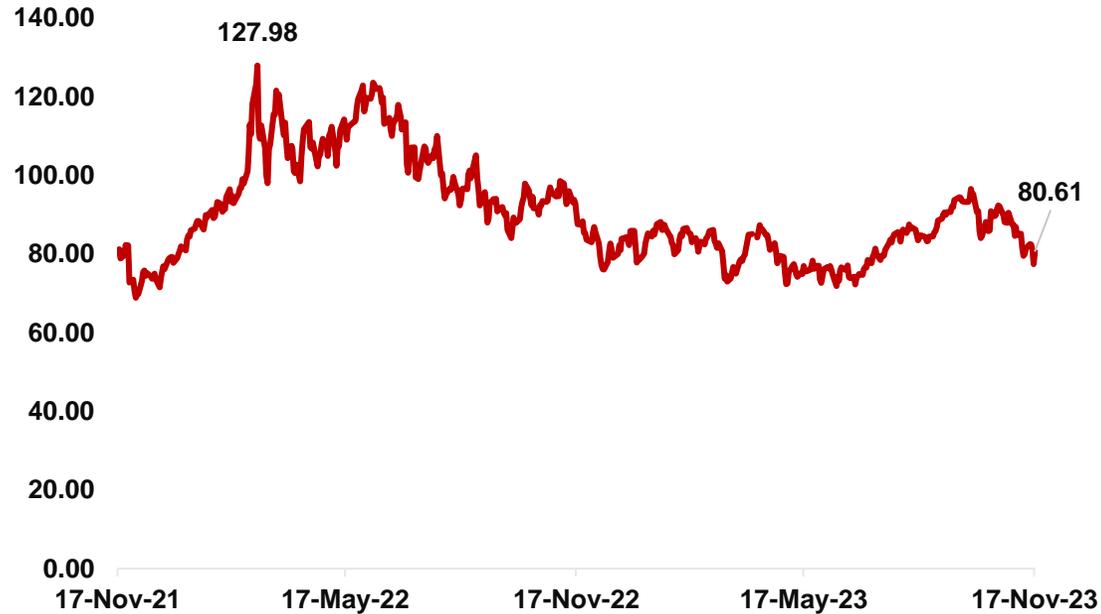


Source: BNM

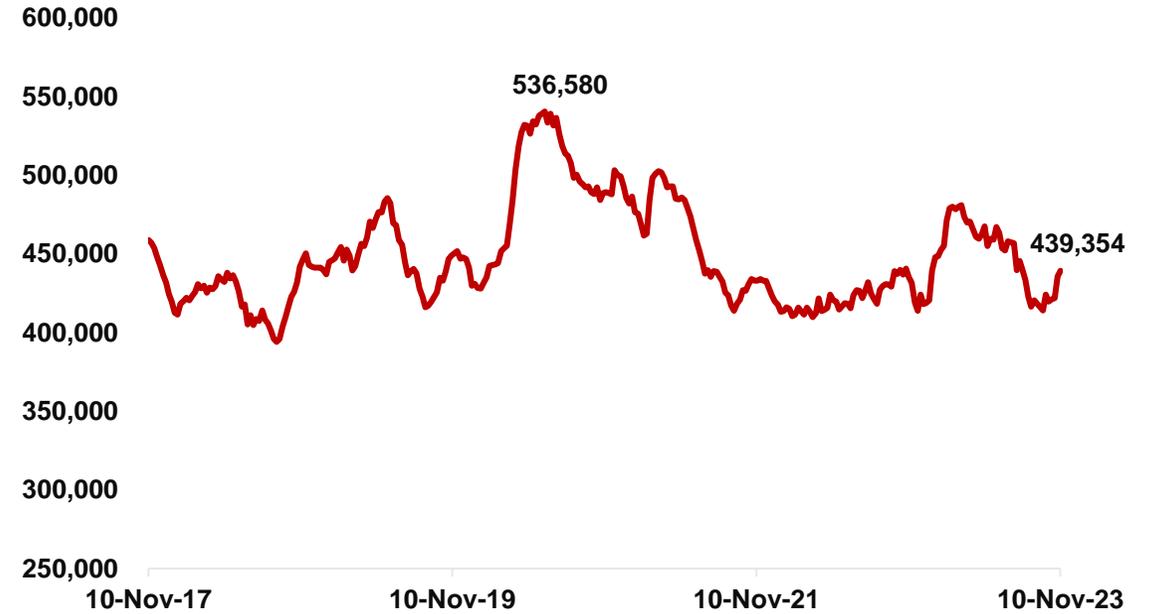
- The Ringgit once again appreciated against the USD, marking its third straight week of gaining when the local note closed at RM4.6835 on 17 November 2023 from the previous week's close of RM4.7215.
- Domestically, we posit that Ringgit could have been bolstered by the better-than-expected 3Q2023 GDP reading (Act: 3.3% vs. Est: 3.2%).
- On the global front, the Ringgit seemed to be riding on the downward trend of the USD index when it hovered around the 103-level last Friday. The USD weakness could be attributable to the U.S. slowing inflation rate (Oct: 3.2% vs. Sept: 3.7%), as well as the weaker-than-expected labour market, which might prompt the Fed to pivot earlier than it expected.
- For this week, we believe that market participants will be watching closely the November Federal Open Market Committee (FOMC) meeting minutes to scrutinise the latest decision by the Fed – though it could be unlikely to induce market-moving.

COMMODITY: OIL PRICES FELL FOR FOURTH STRAIGHT WEEK

Brent Crude in USD per barrel



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

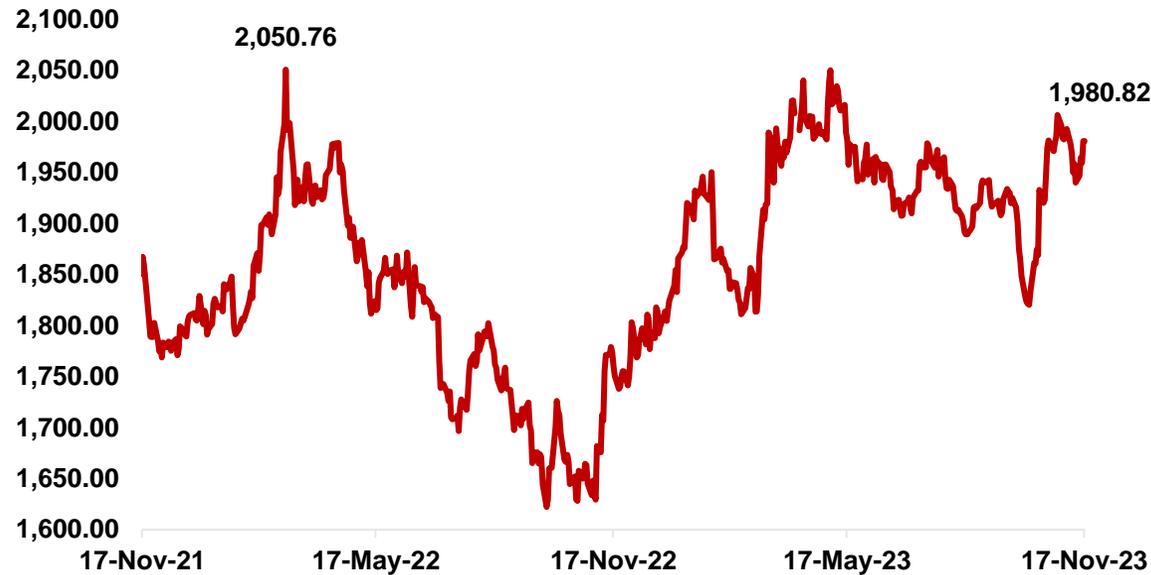


Sources: Bloomberg, Energy Information Administration (EIA)

- The oil's decline during the week was mainly triggered by a steep rise in the U.S. crude inventories coupled with signs of thawing in China's demand.
- As reported in the latest data by EIA, the U.S. crude oil inventories have been building up, rising by 3.6 million barrels to 439.4 million barrels in the week ending 10 November 2023 from 435.8 million barrels in the previous week.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN AS USD SLIPPED

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- The bullion price rose by 2.6% last week, peaking at USD1,980.90 on Thursday because of moderating inflation in the U.S. (October: 3.2% vs. September: 3.7%).
- Additionally, the U.S. Producer Price Index (PPI) rose lower-than-expected at 1.3% on a yearly basis in October as against September's 2.2%.
- Meanwhile, the U.S. job market is loosening with a higher-than-expected initial jobless claims of 231K (Est: 220K) last week.
- Such data reaffirmed market expectations that the Fed's monetary tightening has peaked, dragging the greenback to trend lower and end at the lowest level since August.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week will feature several central bank updates. These include releasing the minutes from the FOMC meeting held on October 31-November 1, which is expected to offer insights into future rate hike appetite. Market hopes that the Fed is done hiking interest rates received further boost from the latest data releases, which showed the U.S. labour market continued to loosen and the inflation extended its downtrend. At the time of writing, investors have priced in a near certainty that the Fed will hold rates steady throughout the remainder of the year. Market participants will also watch closely the speeches from the European Central Bank (ECB) President Christine Lagarde, Bank of England (BoE) Governor Andrew Bailey and Reserve Bank of Australia (RBA) Governor Michele Bullock.
- Wider-than-expected trade surplus in October and the recent rebound in the Indonesian Rupiah (IDR) will allow Bank Indonesia (BI) to stay put on interest rate decisions this week. Indonesia recorded a trade surplus of USD3.5 billion in October, up from USD3.4 billion in the previous month amid higher exports. While Indonesia's inflation rose to 2.6% in October (September: 2.3%), it remained within the BI's target range of 2.0% and 4.0%. The BI's benchmark 7-day reverse repurchase rate currently stands at 6.00% after the central bank surprised the markets with a 25bp hike during its meeting in October to support the IDR.
- Thailand's 3Q2023 GDP growth came in below consensus at 1.5%, also down from the 1.8% recorded in 2Q2023. Growth was dragged by weak exports and agriculture but remained supported by domestic consumption and the continued recovery in the tourism sector. The lacklustre growth performance would prompt more stimulus measures from the newly formed government, which aims to lift the annual GDP growth to 5.0%. Thus far, the government has unveiled a cash handout programme totalling 500.0 billion Thai baht (THB) to stimulate the economy.
- Malaysia will release trade and inflation data for October this week. Malaysia's exports contracted for an eighth consecutive month in October, but at a less pronounced pace at -4.4% compared to the -13.7% recorded in September. The exports of manufactured and mining goods recorded declines of 3.5% and 21.9%, respectively, while the exports of agriculture goods grew by 3.3%. The trade balance remained in surplus, albeit narrower, as imports registered a marginal decline of 0.2% (September: -11.1%). Meanwhile, inflation is expected to hover around the current level (September: 1.9%), with the moderation in commodity prices limiting any upside potential.

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THANK YOU