



# **WEEKLY ECONOMIC UPDATE**

**22 JULY 2024**

## **ECONOMIC RESEARCH**

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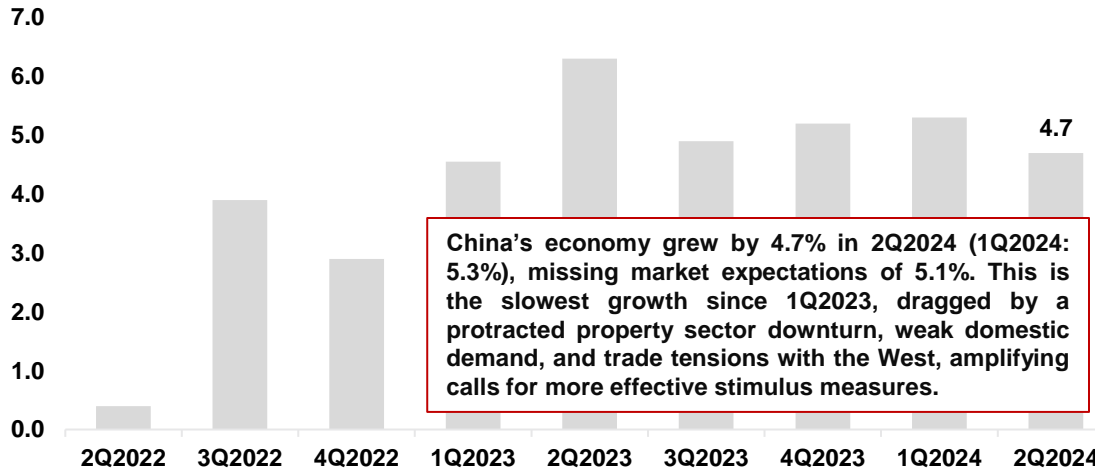
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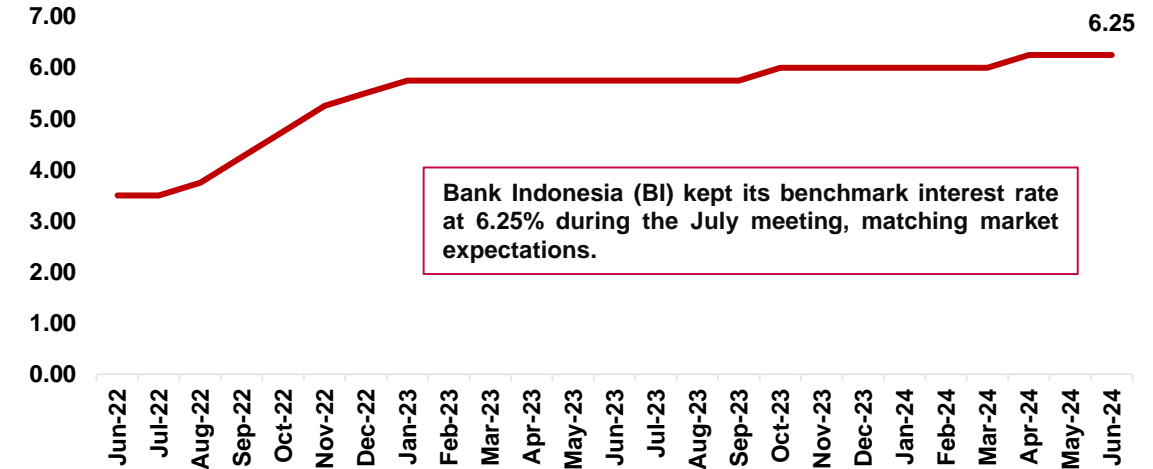
# WEEKLY HIGHLIGHT: MALAYSIA'S ECONOMY POISED FOR FASTEST GROWTH IN SIX QUARTERS

## GLOBAL

China - Real GDP, y-o-y%

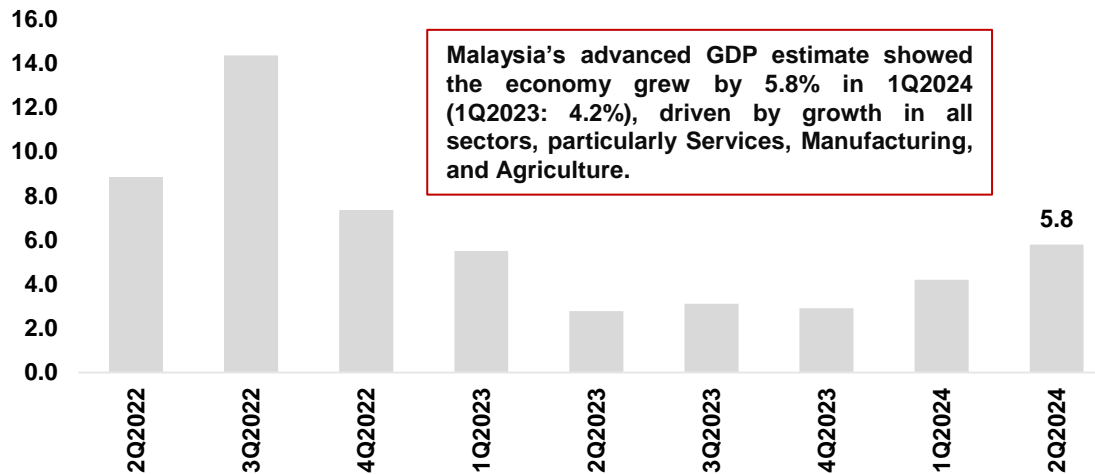


Indonesia – 7-Day Reverse Repo Rate, %

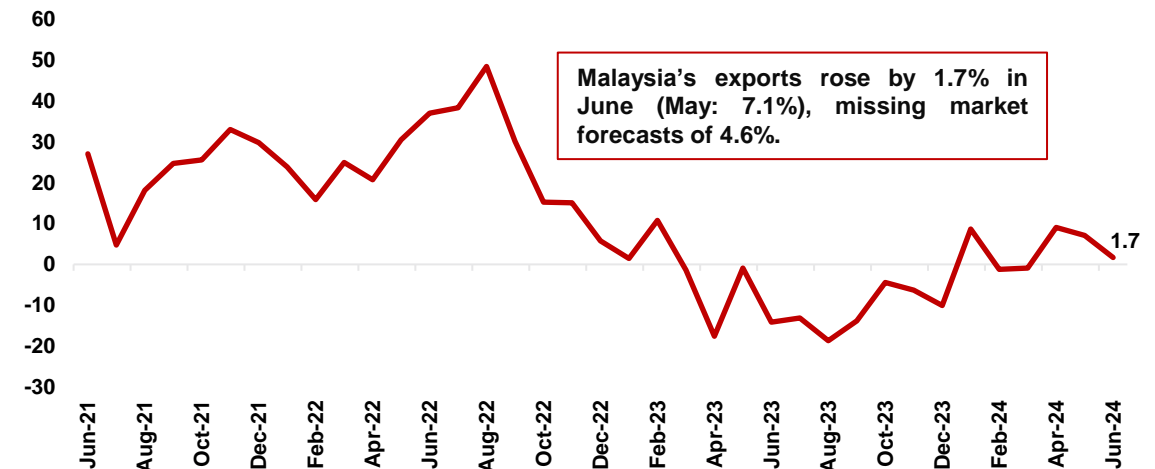


## DOMESTIC

Malaysia - Real GDP, y-o-y%

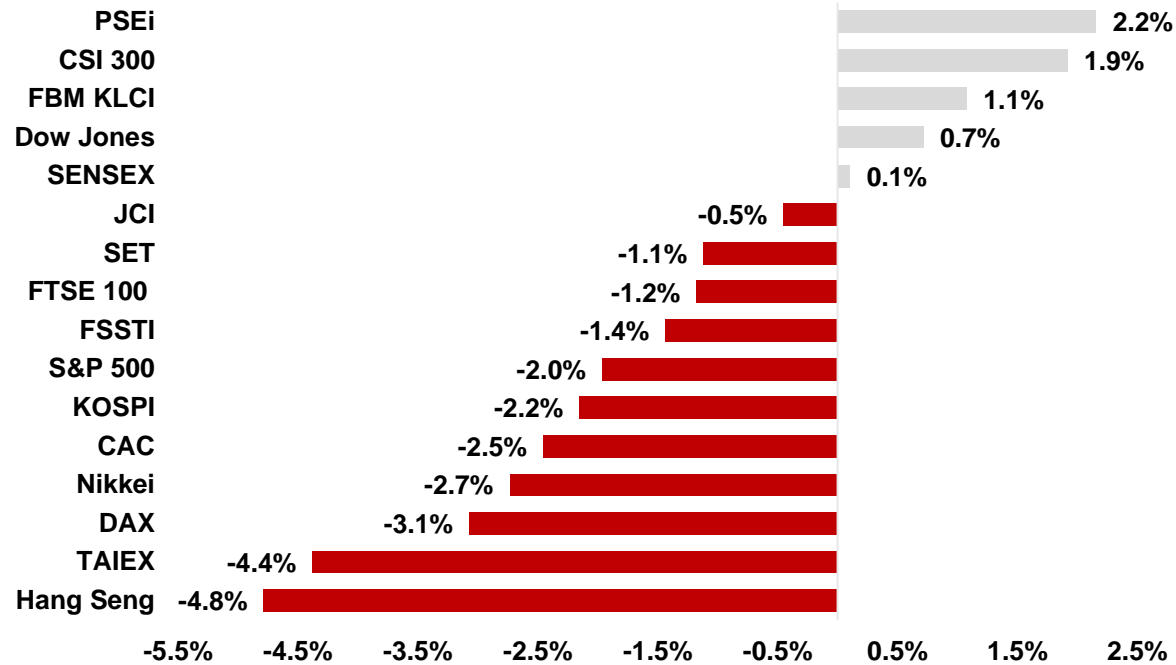


Malaysia - Exports, y-o-y%

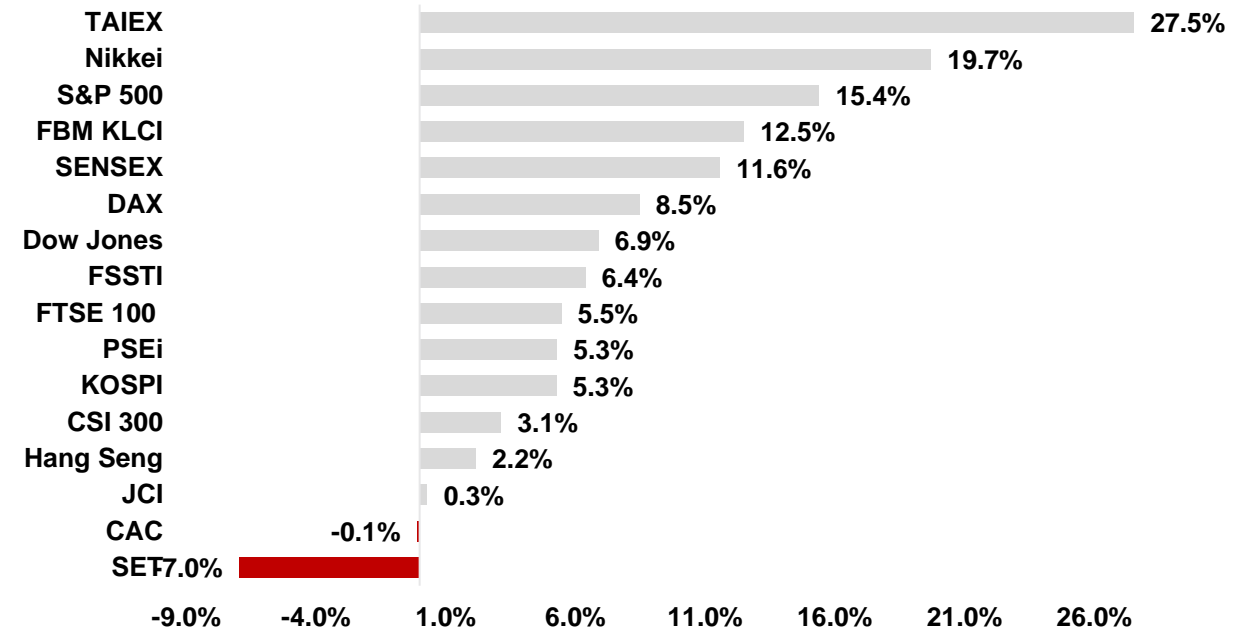


# REGIONAL EQUITY: HONG KONG STOCKS PLUNGED AS THIRD PLENUM FELL SHORT OF EXPECTATIONS

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



YTD Gain/Loss of Major Equity Markets, %  
(As of 19 July 2024)

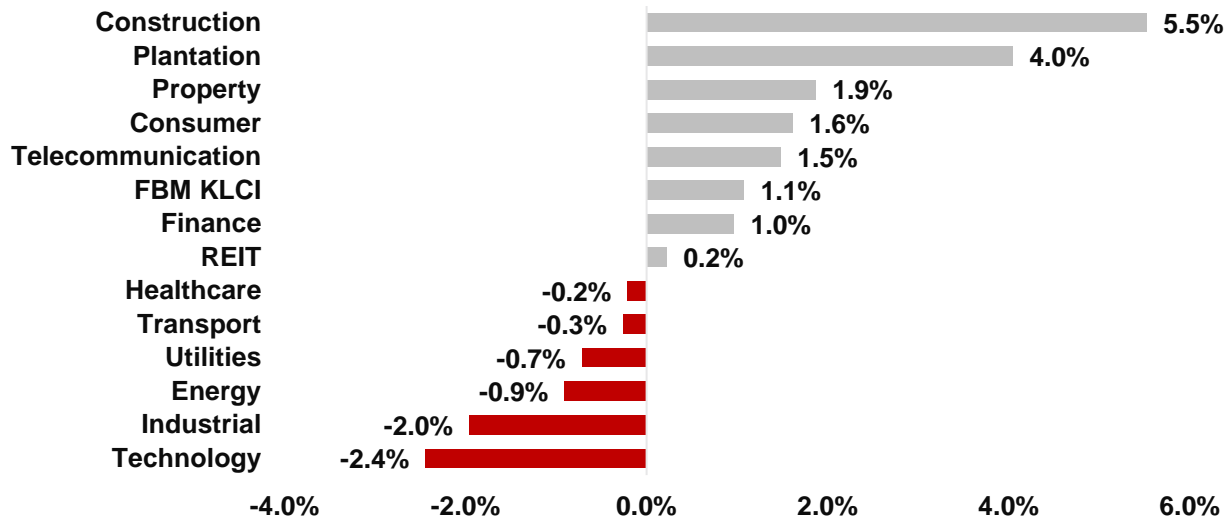


Sources: Bursa, CEIC Data

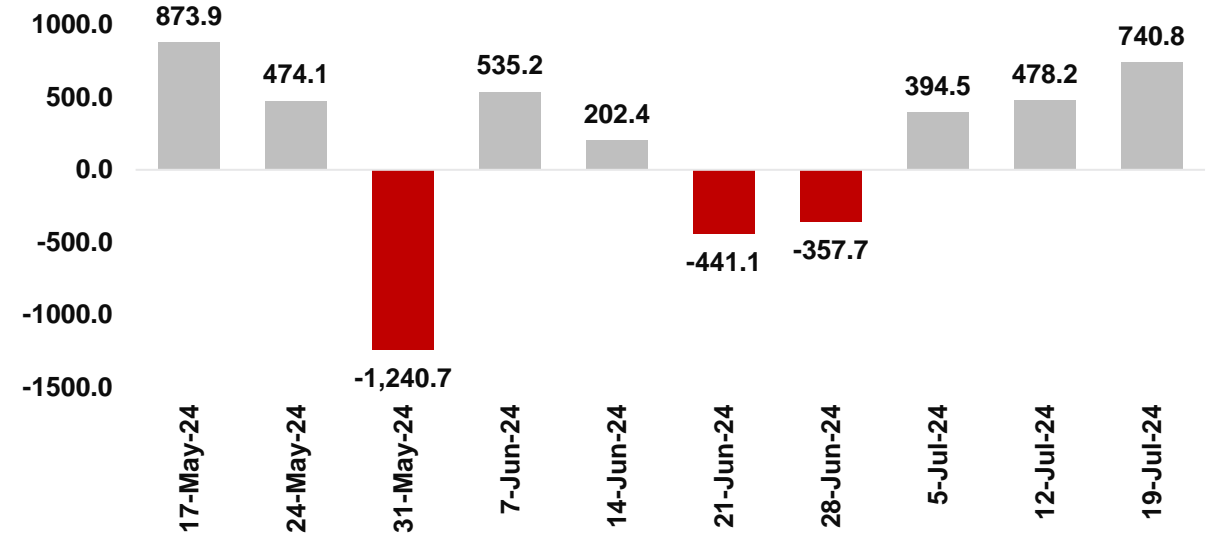
- Most stocks closed lower for the week ending July 19, led by Hong Kong's Hang Seng, which fell by 4.8%. This decline was driven by disappointment among traders over the Third Plenum communiqué, which lacked details on reform. Experts on China noted the statement's lack of specifics and recycled phrases, suggesting no major economic reforms are on the horizon.
- In addition, Taiwan's TAIEX also dipped last week by 4.4%, following a downturn in U.S. tech stocks, led by the plunge in Taiwan Semiconductor Manufacturing Co. (TSMC) as investors in Taiwan mirrored the cautious sentiment spreading from the U.S.
- In contrast, Philippines' PSEi (+2.2%), China's CSI 300 (+1.9%) and FBM KLCI (+1.1%) were the major gainers last week.

# DOMESTIC EQUITY: FBM KLCI HIT HIGHEST LEVEL IN MORE THAN THREE YEARS BANK ISLAM

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI was on a roll for the week ending July 19, finally breaching past the 1,630-resistance level and closed at the highest level since March 2021. The uptrend was partly bolstered by heightened market bets of the U.S. Federal Reserve (Fed) cutting rates in September, leading to shifting funds flow into emerging markets.
- Moreover, investor sentiments were lifted by the official advance estimates of Malaysia's Gross Domestic Product (GDP) released last Friday, pointing to a robust economy backed by expansion across all sectors. The construction sector, in particular, is estimated to record double-digit growth of 17.2% in 2Q2024 (1Q2024: 11.9%), highlighting the strong prospects of infrastructure developments projects. This confidence drove buying interest in the Construction index, which surged by 5.5%, marking its highest level since February 2018.
- Meanwhile, the Technology index (-0.9%) was the biggest loser, followed by the Utilities (-0.7%) and Transport (-0.4%) indices.
- Foreign investors remained as net buyers for the third straight week, marking a total net inflow of RM740.8 million. The net buying had increased the cumulative total net inflow this year thus far to RM999.2 million.

# FIXED INCOME: UST YIELDS SURGED AS INVESTORS REASSESSED INTEREST RATE PATH

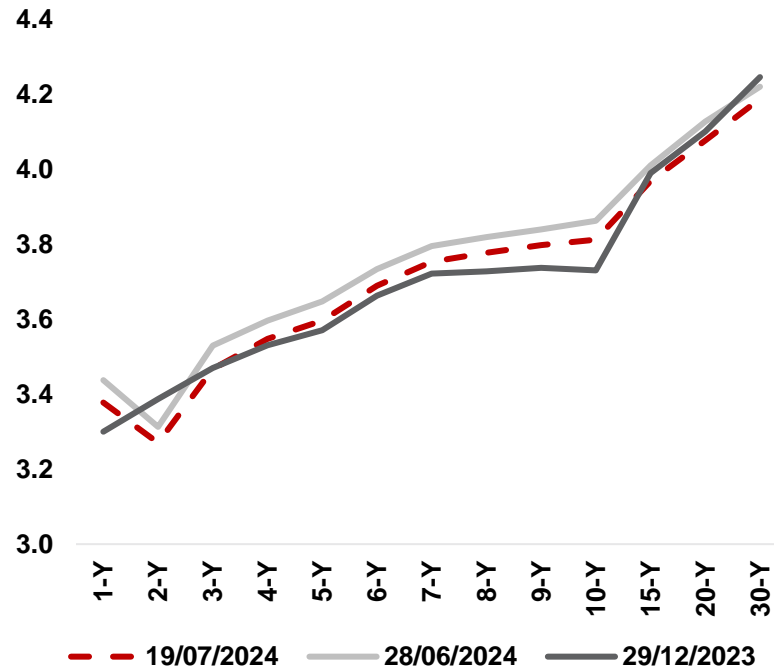
## Weekly Changes, basis points (bps)

UST	Yields (%) 12-Jul-24	Yields (%) 19-Jul-24	Change (bps)
3-Y UST	4.22	4.28	6
5-Y UST	4.10	4.16	6
7-Y UST	4.13	4.18	5
10-Y UST	4.18	4.25	7
MGS	Yields (%) 12-Jul-24	Yields (%) 19-Jul-24	Change (bps)
3-Y MGS	3.48	3.47	-1
5-Y MGS	3.62	3.60	-2
7-Y MGS	3.77	3.75	-2
10-Y MGS	3.83	3.81	-2
GII	Yields (%) 12-Jul-24	Yields (%) 19-Jul-24	Change (bps)
3-Y GII	3.43	3.42	-1
5-Y GII	3.60	3.58	-2
7-Y GII	3.76	3.75	-1
10-Y GII	3.85	3.81	-4

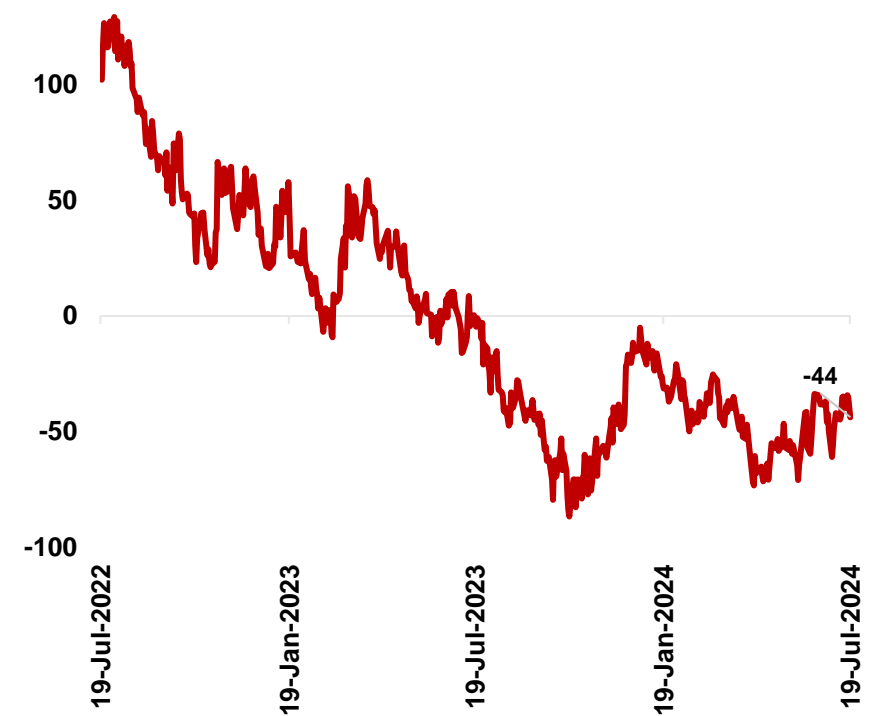
Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

- The U.S. Treasury (UST) yields ticked upwards between 5bps and 7bps for the week ending July 19 as latest economic data releases pointing to still robust economy and relatively less dovish comments from the Fed prompted investors to scale back their rate cut bets.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged lower in the range of 1bp and 4bps.
- The RM5.0 billion 15-Y reopening of MGS which was issued on July 19 drew a strong demand with a bid-to-cover (BTC) ratio of 3.1x.
- The 10y MGS/UST yield spread widened in the negative territory at -44bps relative to -38bps in the previous week.

## MGS Yield (%)

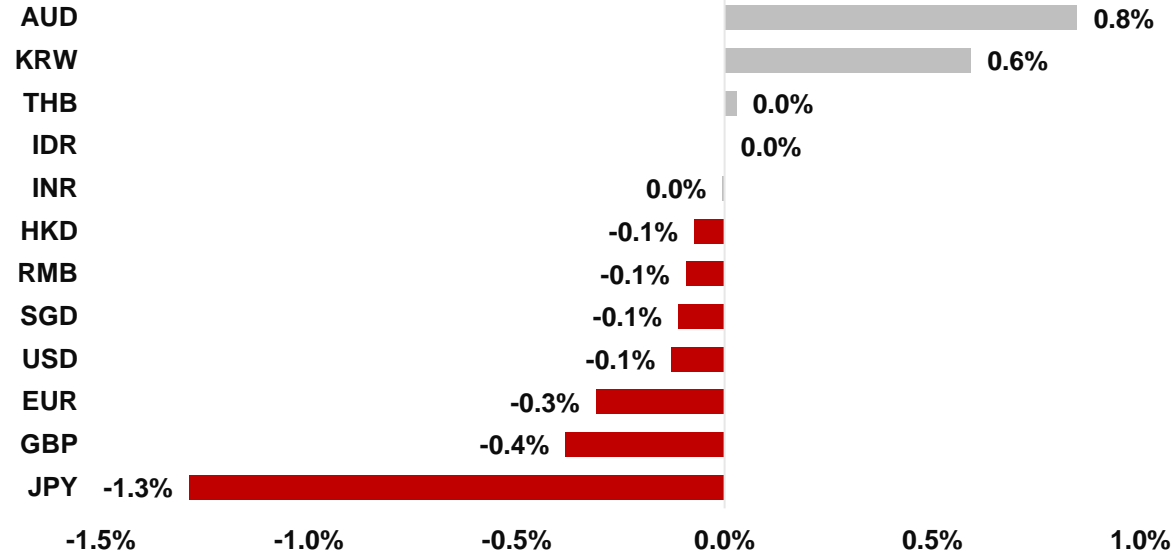


## 10y MGS/UST Yield Spread, bps

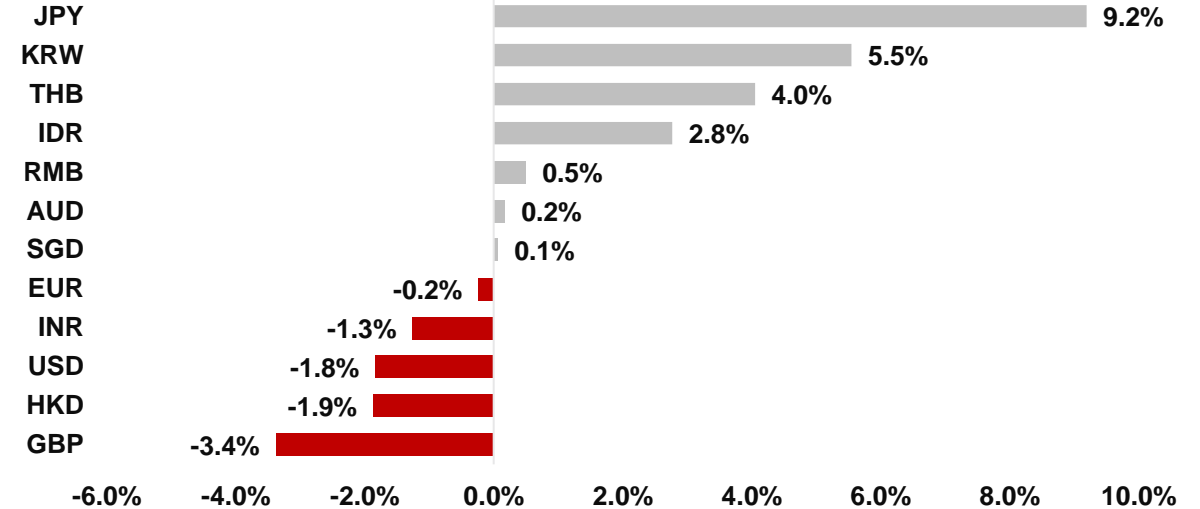


# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY IN THE COMING WEEK AHEAD OF KEY U.S. ECONOMIC DATA

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%  
(As of 19 July 2024)

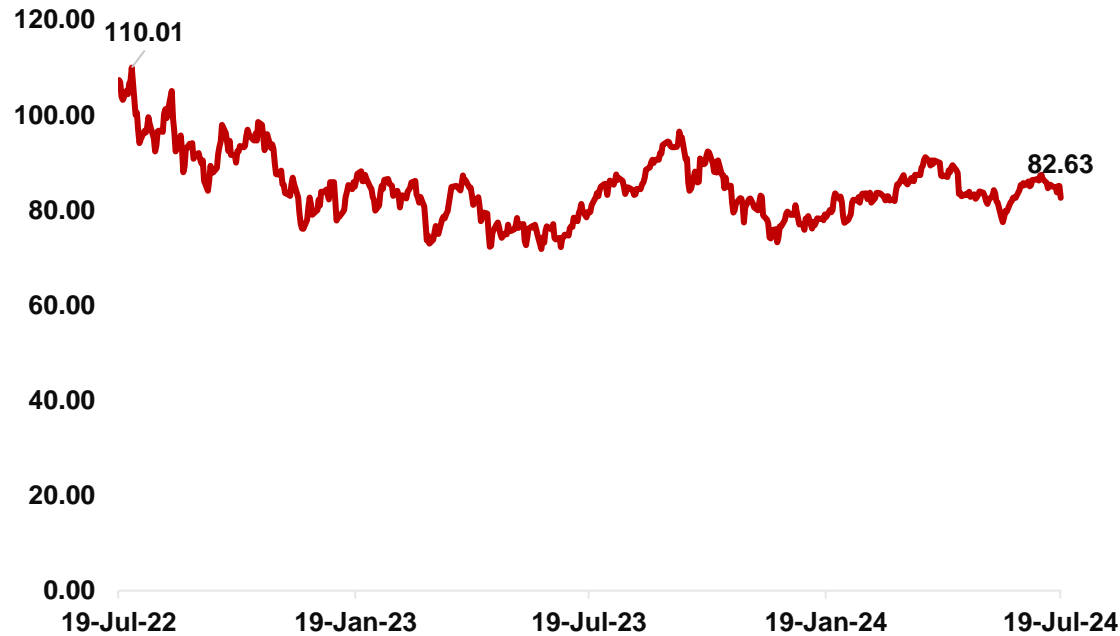


Sources: BNM, Federal Reserve Board, Bureau of Labor Statistics (BLS)

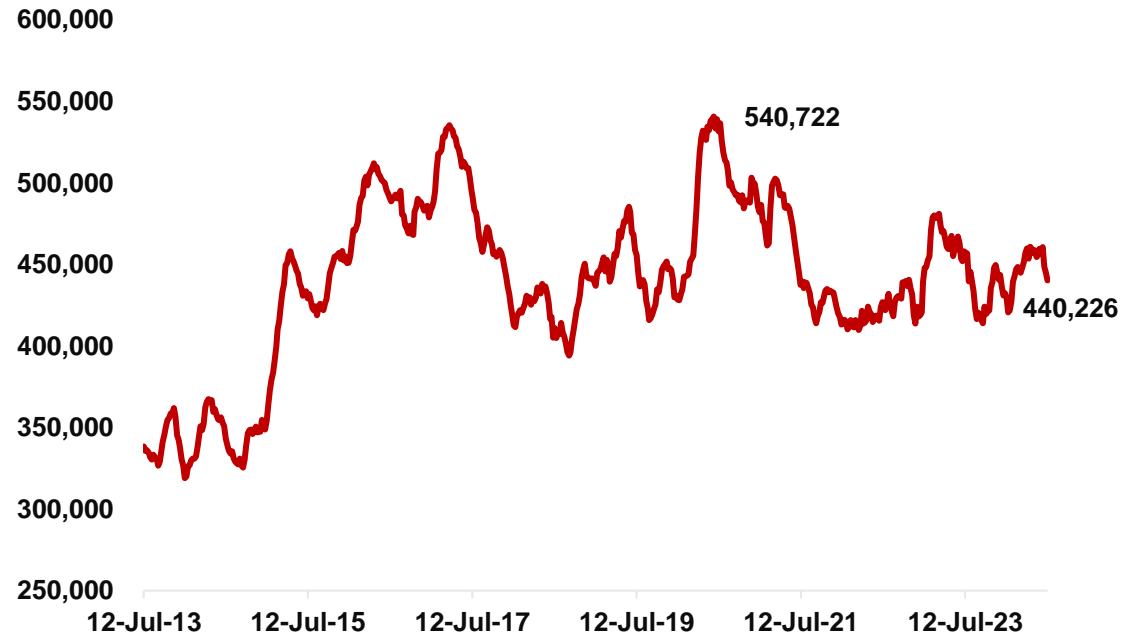
- The ringgit depreciated against the USD to close 0.1% lower at RM4.6775 on July 19 (July 12: RM4.672).
- Despite a slew of softer-than-expected U.S. economic data previously, the greenback had strengthened following presidential candidate Trump's rhetoric about imposing elevated tariffs on Chinese goods. The rhetoric fuelled expectations of an escalating trade war with China should the election turn in his favour, spurring flows into the greenback.
- Moving forward, we believe the local note to trade cautiously ahead of the U.S. 2Q2024 GDP release on Thursday whereby markets expect an acceleration in growth. Additionally, all eyes will also be trained on the release of the core Personal Consumption Expenditure (PCE) print on Friday for further hints on the Fed's policy path.

# COMMODITY: OIL PRICES POISED FOR SECOND CONSECUTIVE WEEKLY DROP

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent prices settled at USD82.63 per barrel for the week ending July 19, marking a 2.8% drop from the previous week and a decline for the second week in a row. The decrease was driven by a strong greenback and concerns about China's economy, despite a tighter supply situation.
- Latest data showed U.S. crude oil inventories fell by 4.9 million barrels for the week ending July 12, exceeding the expected 0.9 million barrels drop, and marking the third straight week of declines due to higher summer travel demand.

# COMMODITY: GOLD PRICES BRIEFLY HIT ALL-TIME HIGH ON TUESDAY FOLLOWING A DOVISH FED

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, National Bureau of Statistics China

- The bullion price surged to a fresh high of USD2,469.08 per ounce on Tuesday following Fed Chair Powell's speech, with dovish statements reinforcing market expectations of a rate cut in September.
- However, the bullion price retreated soon after as China's second quarter growth disappoints (Act: 4.7% vs. Est: 5.1%), ending the week at USD2,400.83.



# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- It is another relatively heavy data week for the market, with the U.S. set to release its advance estimate for 2Q2024 GDP and the Fed's preferred inflation gauge, the core PCE inflation for June. U.S. GDP growth is broadly expected to have accelerated in the 2Q2024 amid resilient consumer spending and investment, with a closely watched 'nowcast' estimate from the Atlanta Fed projecting a jump in annualised growth to 2.7% from 1.4% in 1Q2024. Meanwhile, cooler-than-expected core Consumer Price Index (CPI) data for June suggests a potential moderation in the core PCE inflation for the same month. This implies that market expectations of Fed rate cuts will remain firm even if the GDP growth comes in stronger.
- The People's Bank of China (PBoC) cut its benchmark lending rates at the beginning of this week following the below-consensus 2Q2024 GDP data, which amplified calls for more effective stimulus measures. The one-year Loan Prime Rate (LPR) was lowered by 10bp to 3.35% while the 5-year LPR was reduced by same margin to 3.85%. Earlier, the PBoC has announced a 10bp reduction to the seven-day reverse repo rate, bringing it to 1.70%, and indicated its intention to improve the mechanism of open market operations.
- The Monetary Authority of Singapore (MAS) is also scheduled to update its monetary policy statement this week, with a decision to maintain all policy settings anticipated. Nevertheless, MAS may start to loosen policy by adjusting the slope of the SGD nominal effective exchange rate (NEER) slightly lower in its next review in October, following an expected rate cut by the Fed. Given the better-than-expected advance estimate of 2.9% GDP growth for 2Q2024 (1Q2024: 3.0%) and the global semiconductor recovery expected to boost Singapore's exports, MAS is likely to revise its growth projection range slightly higher from the current 1.0%-3.0%.
- On the domestic front, investors will closely watch the June CPI data release to assess the inflationary impact resulting from the diesel subsidy rationalisation implemented on June 10, 2024. We expect that June CPI inflation will increase to 2.6%, up from 2.0% in May, reflecting the increase in diesel retail price from RM2.15 per litre to RM3.35 per litre, along with its spillover effects.

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**THANK YOU**