



WEEKLY ECONOMIC UPDATE

23 SEPTEMBER 2024

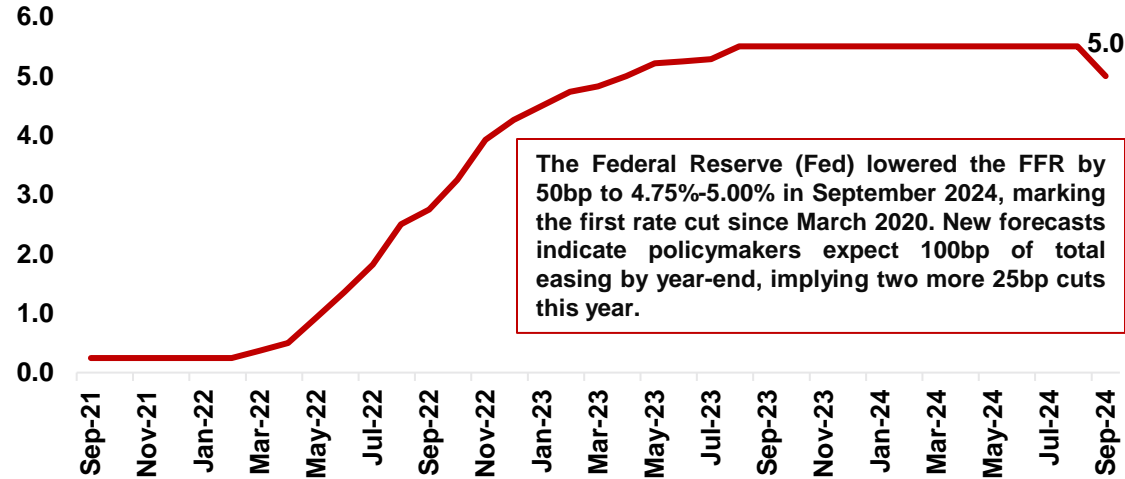
ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: FED SLASHED RATES BY 50BP, MARKING THE FIRST EASING IN FOUR YEARS

GLOBAL

U.S.- Federal Funds Rate (FFR) Upper Bound, %

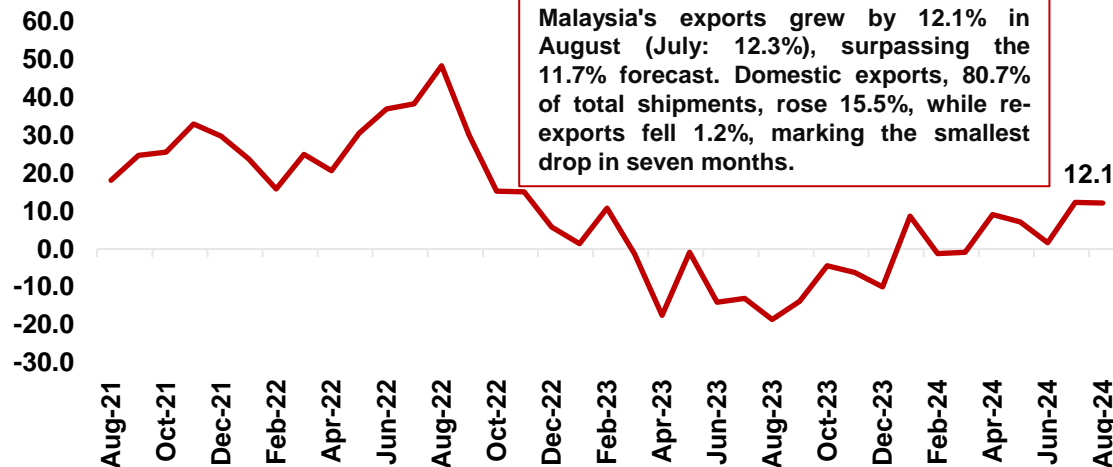


Indonesia – 7-Day Reverse Repo Rate, %

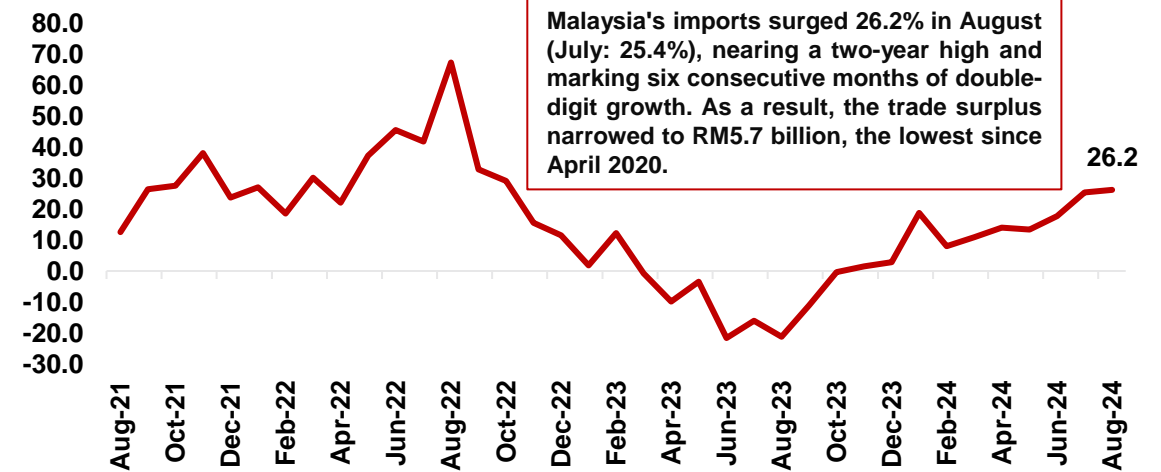


DOMESTIC

Malaysia - Exports, y-o-y%

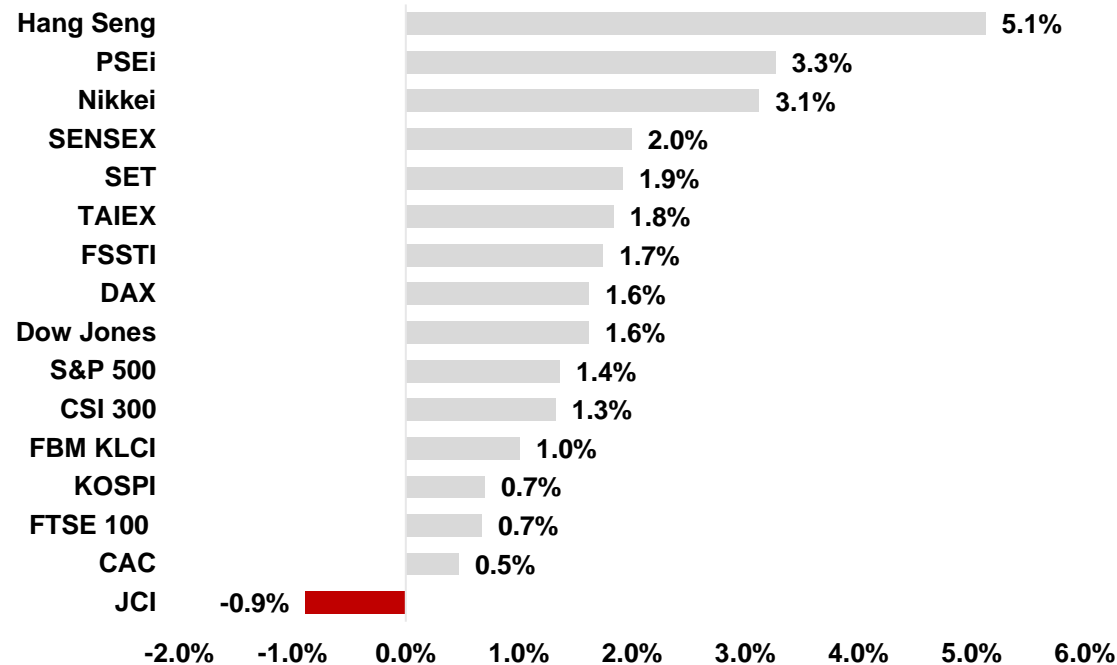


Malaysia - Imports, y-o-y%

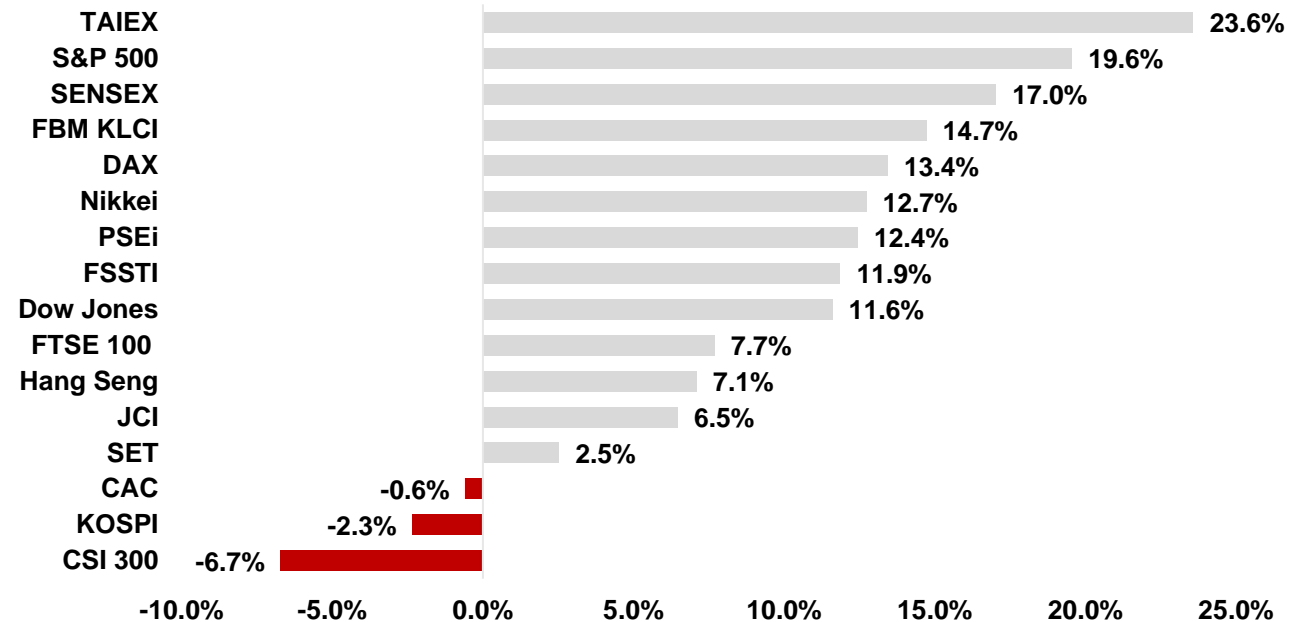


REGIONAL EQUITY: STOCKS MARKET CHEERED OVER THE JUMBO RATE CUTS BY THE FED

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



YTD Gain/Loss of Major Equity Markets, %
(As of 20 September 2024)

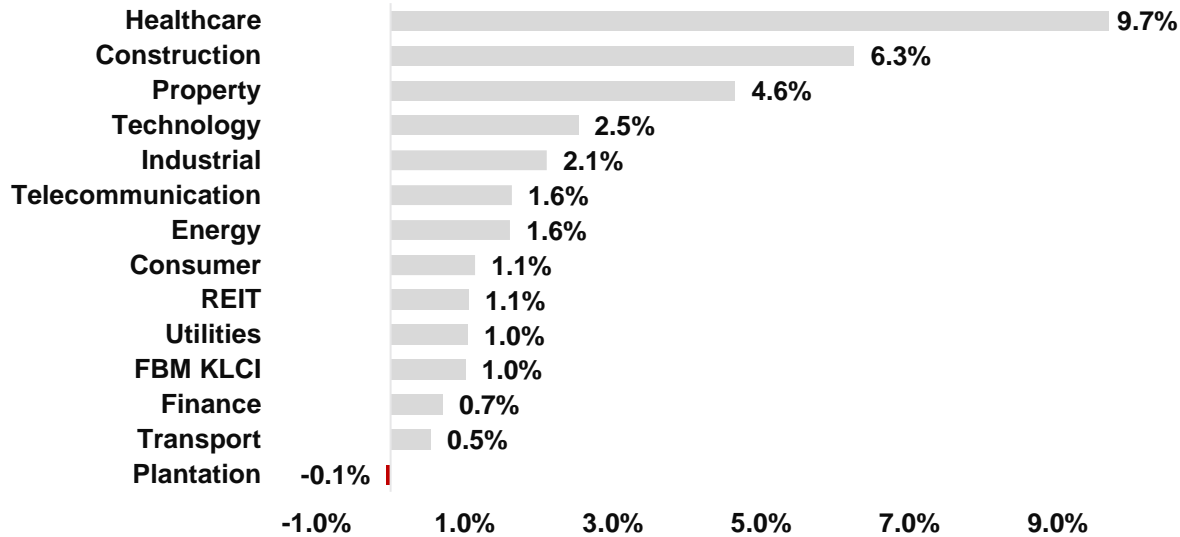


Sources: Bursa, CEIC Data

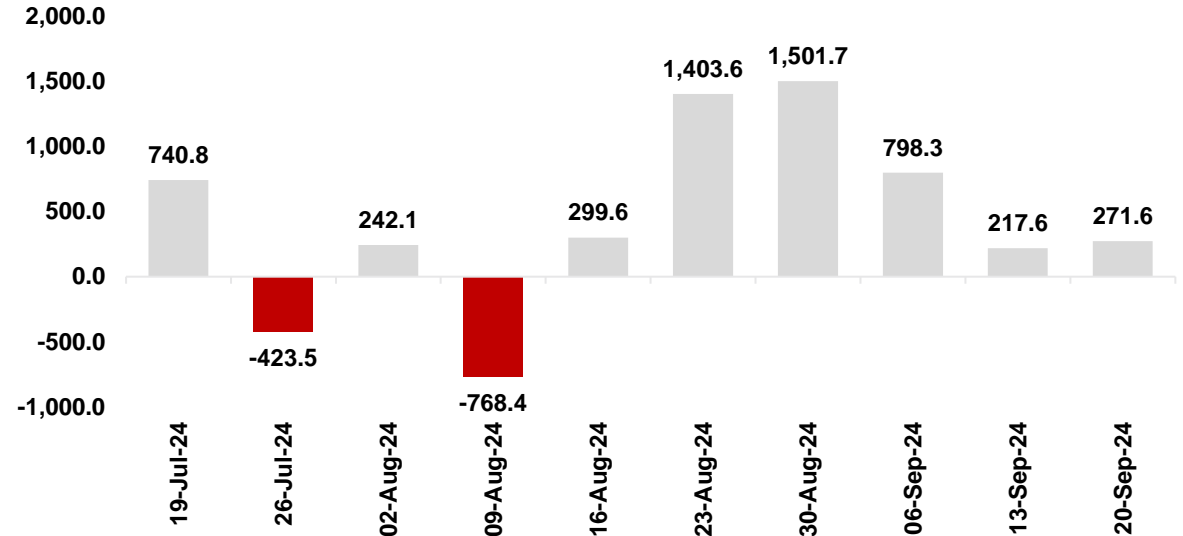
- The regional equity index mostly in the green last week with Hong Kong's Hang Seng expanded to the tune of 5.1% amid strong growth across all sectors following the start of monetary policy easing in the U.S., marked by a significant rate cut. In addition, Beijing is considering lifting some of the most significant remaining restrictions on home purchases after earlier efforts to revive the housing market proved ineffective.
- U.S. stocks – Dow Jones (+1.6%) and S&P 500 (+1.4%) also soared driven by a 50bp interest rate cut by the Fed during the September's Federal Open Market Committee (FOMC) meeting.
- In contrast, Indonesia's JCI was the only loser last week, contracting by 0.9%.

DOMESTIC EQUITY: LOCAL MARKET CLOSED HIGHER, TRACKING GAINS WITH REGIONAL MARKET

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Funds Net Inflows/Outflows, RM Million

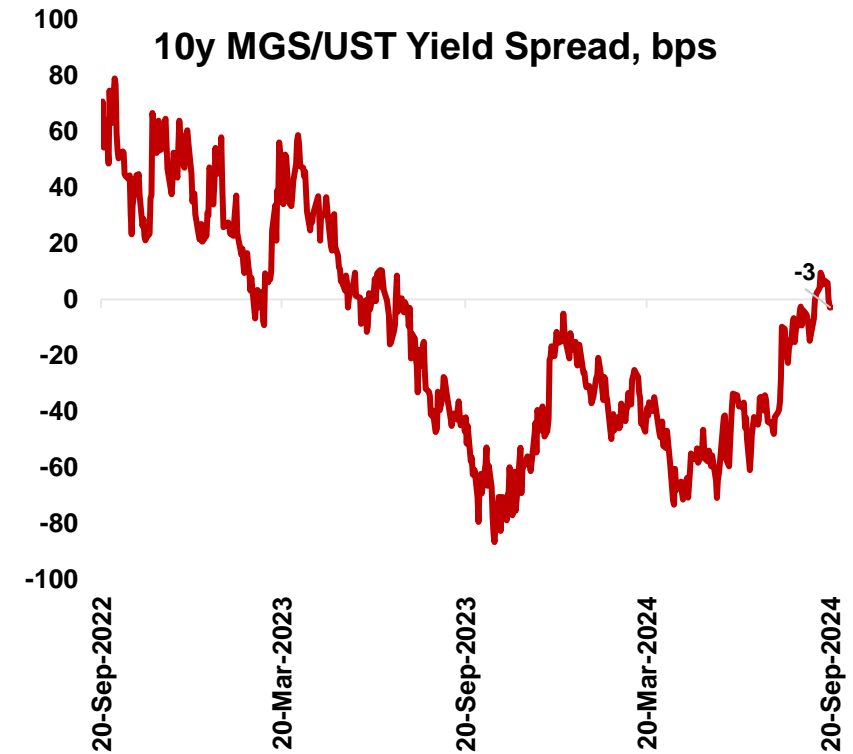
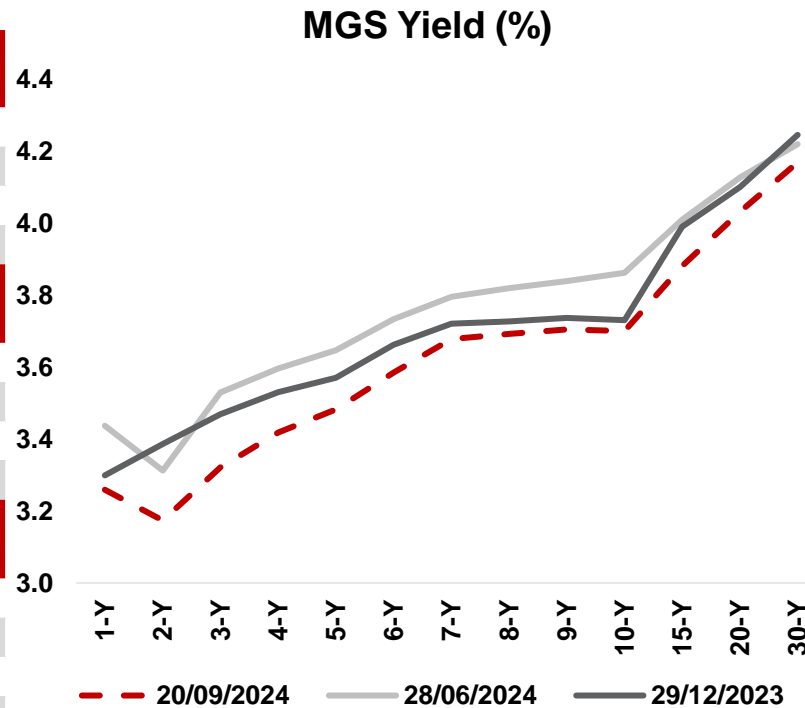


Sources: Bursa, CEIC Data

- The FBM KLCI closed higher by 1.0% w-o-w for the week ending September 20, parallel with most Asian markets, reflecting gains from Wall Street as investors reacted positively to the U.S. Fed's significant interest rate cut.
- The Healthcare index emerged as the top gainer, surging by 9.7%, followed by the Construction (+6.3%), Property (+4.6%) and Technology (+2.5%) indices.
- On the other hand, the Plantation index was the only loser, contracting slightly by 0.1% last week.
- Foreign investors remained as the net buyers for the sixth straight week, accumulating a total of RM271.6 million worth of equities. The net buying had increased the cumulative total net inflow this year to RM4.3 billion.

FIXED INCOME: UST YIELDS SURGED DESPITE A SIGNIFICANT RATE CUTS BY THE FED

Weekly Changes, basis points (bps)			
UST	Yields (%) 13-Sep-24	Yields (%) 20-Sep-24	Change (bps)
3-Y UST	3.42	3.46	4
5-Y UST	3.43	3.48	5
7-Y UST	3.53	3.59	6
10-Y UST	3.66	3.73	7
MGS	Yields (%) 13-Sep-24	Yields (%) 20-Sep-24	Change (bps)
3-Y MGS	3.33	3.32	-1
5-Y MGS	3.49	3.48	-1
7-Y MGS	3.68	3.68	0
10-Y MGS	3.73	3.70	-3
GII	Yields (%) 13-Sep-24	Yields (%) 20-Sep-24	Change (bps)
3-Y GII	3.32	3.31	-1
5-Y GII	3.51	3.49	-1
7-Y GII	3.69	3.68	-1
10-Y GII	3.77	3.74	-3

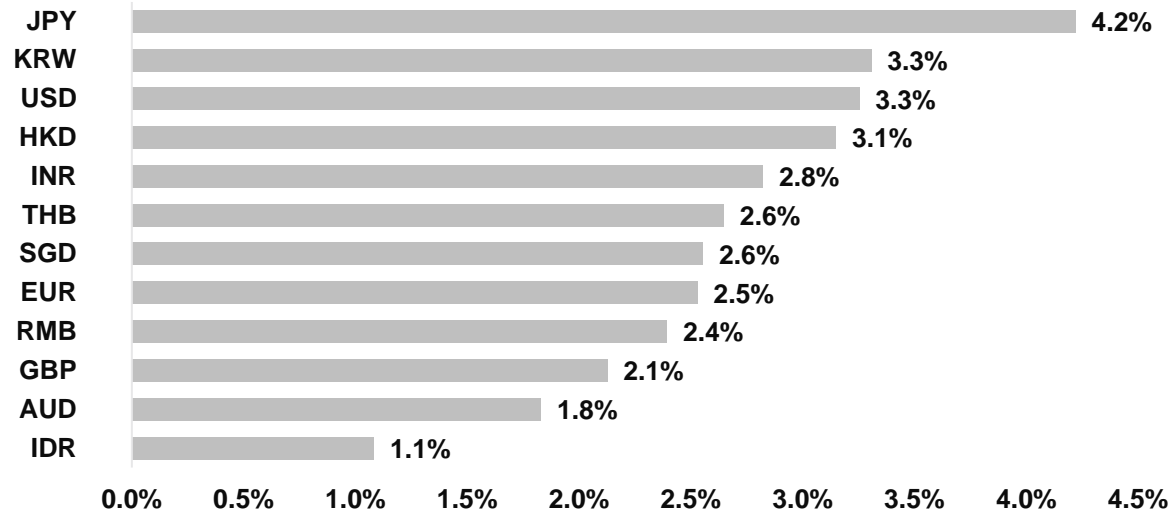


Sources: BNM, Federal Reserve Board

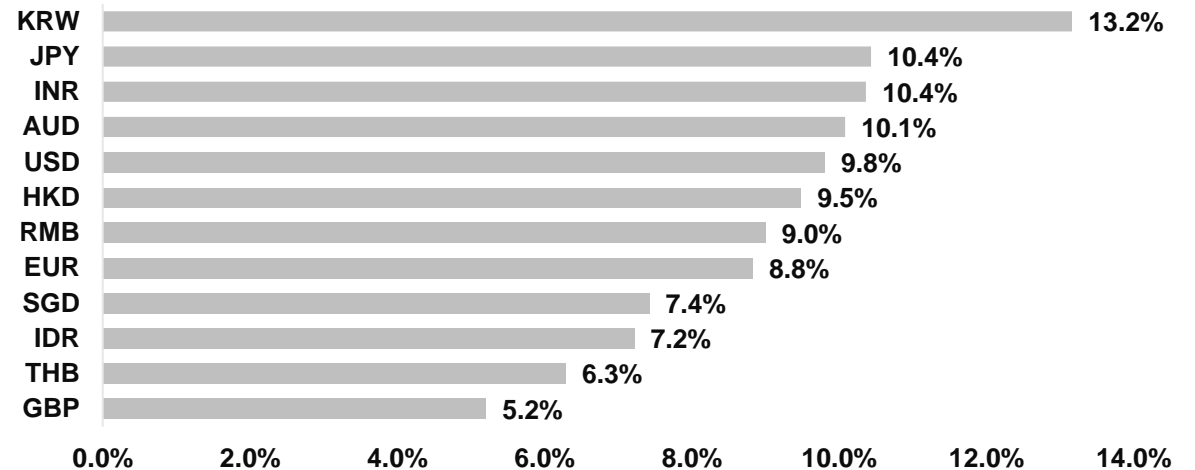
- The U.S. Treasury (UST) yield curve bearishly steepened in the range of 4bps and 7bps for the week ending September 20, even after the Fed cut rates by half a percentage point in September's FOMC meeting. Initial jobless claims for the week of September 14 totaled 219K, coming in below the expected 230K and reflecting a decrease from 231K in the previous week.
- On the other hand, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields edged lower between 1bp and 3bps. Meanwhile, 7-Y MGS yield plateaued at 3.68%.
- The auction of 7-Y reopening of MGS worth RM5.5 billion which was issued on September 20 drew a tepid demand with a bid-to-cover (BTC) ratio of 1.7x, lower compared to the previous RM5.0 billion 7-Y reopening of MGS in May 2024.
- Meanwhile, the 10y MGS/UST yield spread returned to the negative territory at -3bps relative to +7bps in the previous week.

FX MARKET: RINGGIT SHINES AFTER FFR CUT, STRENGTHENS AGAINST THE USD

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 20 September 2024)



Sources: BNM, Federal Reserve Board, BLS

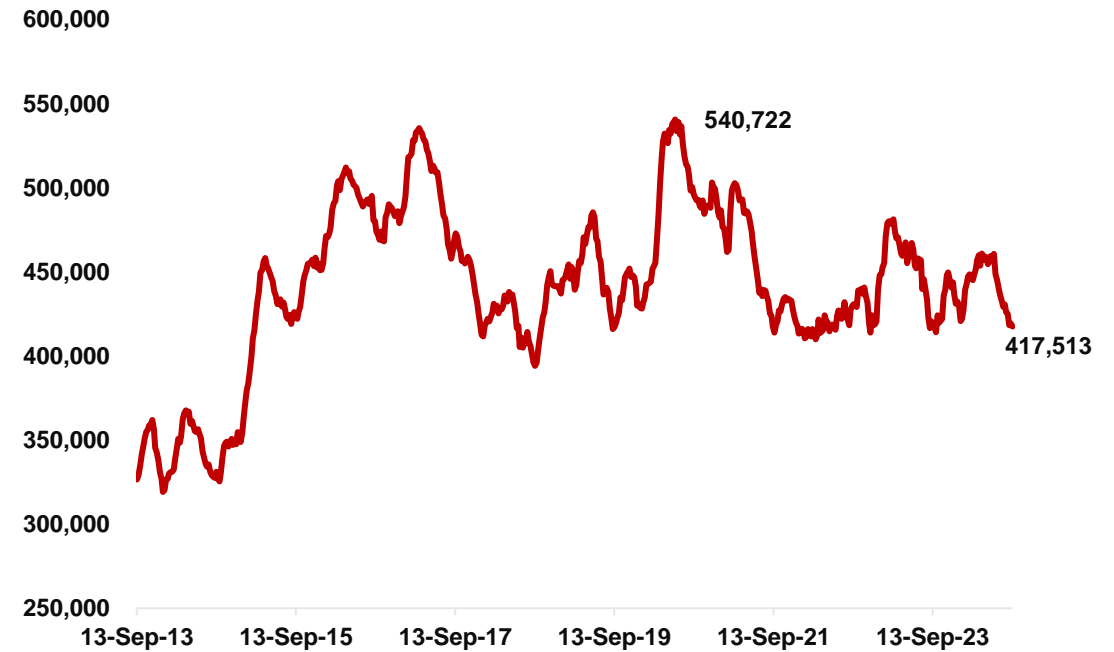
- The Ringgit rose by 3.3% against the USD for the week ending September 20, as the USD index slipped by 0.4% w-o-w.
- The local note's recent appreciation saw it reaching RM4.1815 on Friday, the strongest level since March 2022.
- The recent 50-basis-point rate cut by the US Federal Reserve is likely to reduce the difference between the Federal Funds Rate and Malaysia's Overnight Policy Rate, enhancing the appeal of ringgit-denominated assets for investors.
- Moving forward, markets will keep an eye on important data, including the US Personal Consumption Expenditure (PCE) inflation report due out on Friday, alongside the University of Michigan Consumer Sentiment Index (CSI).
- In the coming week, we expect the Ringgit to maintain a slightly bullish trend, see a likely trading range of 4.1800 - 4.2300 against the dollar and staying strong.

COMMODITY: OIL PRICES FELL ON FRIDAY BUT POSTED A SECOND CONSECUTIVE WEEKLY GAIN

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

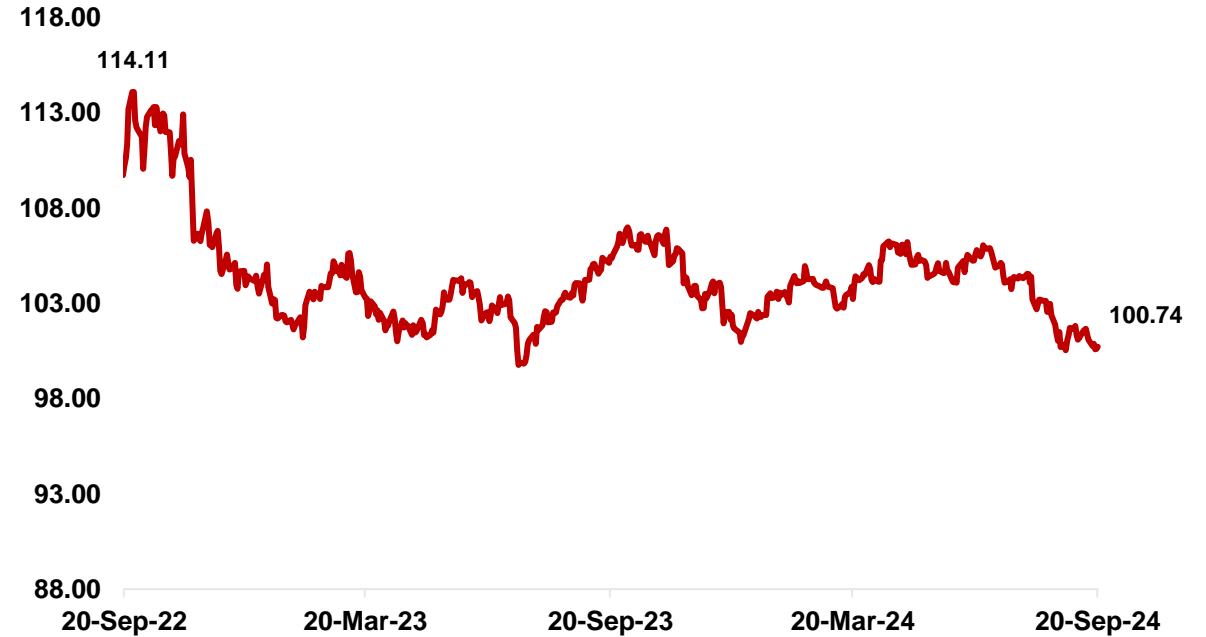
- Brent oil prices dipped for the week ending September 20 but logged a second consecutive weekly gain, supported by a U.S. jumbo rate cut, lower U.S. supply, and rising Middle East tensions.
- U.S. crude oil inventories fell to their lowest level in a year at 417.5 million barrels for the week ending September 13, missing analysts' expectations of a 500,000-barrel draw.

COMMODITY: GOLD PRICE UP OVER 1% AS FED KICKS OFF DEEPER RATE-CUT CYCLE

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- The bullion price surpassed USD2,600 per ounce on Friday, reaching a new all-time high as expectations of interest rate cuts and rising geopolitical tensions boosted its appeal.
- Additionally, escalating tensions in the Middle East, particularly Israel's advance toward the Lebanon border, heightened concerns about a broader conflict, further enhancing gold's safe-haven status.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Attention in the U.S. will be centered on the PCE inflation report, with both headline and core PCE price indexes expected to rise by 0.2% m-o-m, consistent with the previous month. On the other hand, consumer spending is likely to have grown at a slower pace of 0.3% m-o-m from 0.5% in July. The S&P Global flash purchasing managers' index (PMI) are expected to indicate a continued contraction in the manufacturing sector at 48.5 points, albeit at a slower rate relative to 47.9 points in July, while growth in services is anticipated to ease to 55.2 points from 55.7 points in July. Traders will also focus on appearances by key officials, including Fed Chair Powell and Treasury Secretary Yellen, at the 2024 Treasury Market Conference hosted by the Federal Reserve Bank of New York. Other important indicators to monitor include final 2Q2024 GDP growth figures where the preliminary figure showed a growth of 3.0%.
- In Europe, flash PMI estimates will offer insight into economic performance for September, with the Eurozone expected to experience continued contraction in manufacturing at 45.6 points (Aug: 45.8 points) and slower growth in services at 52.4 points (Aug: 52.9 points). In the U.K., the week is relatively quiet, with the flash estimates for the S&P Global flash PMIs in focus.
- In Japan, eyes will be on the flash PMIs for September and the minutes from the Bank of Japan's last policy meeting, providing potential clues on the timing and size of future rate hikes in this cycle. In Australia, a busy week will feature the Reserve Bank of Australia's interest rate decision, with expectations of maintaining current borrowing costs, alongside the monthly consumer price index (CPI) indicator and flash PMIs.
- Malaysia's latest CPI inflation rate showed encouraging signs of moderation, with inflation easing to 1.9% in August, down from 2.0% in July. Meanwhile, core CPI inflation held steady at 1.9% in August, maintaining the same rate observed since April. For 2024, we anticipate inflation to average at 2.0%, lower than 2.5% recorded in 2023.

BANK ISLAM

THANK YOU