WEEKLY ECONOMIC UPDATE

25 NOVEMBER 2024

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION EDGED UP SLIGHTLY IN OCTOBER

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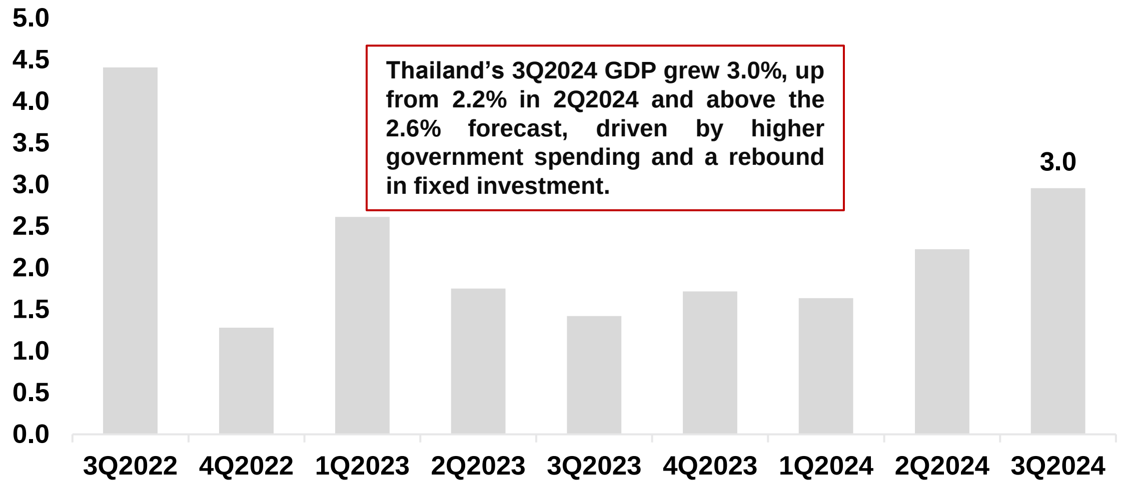
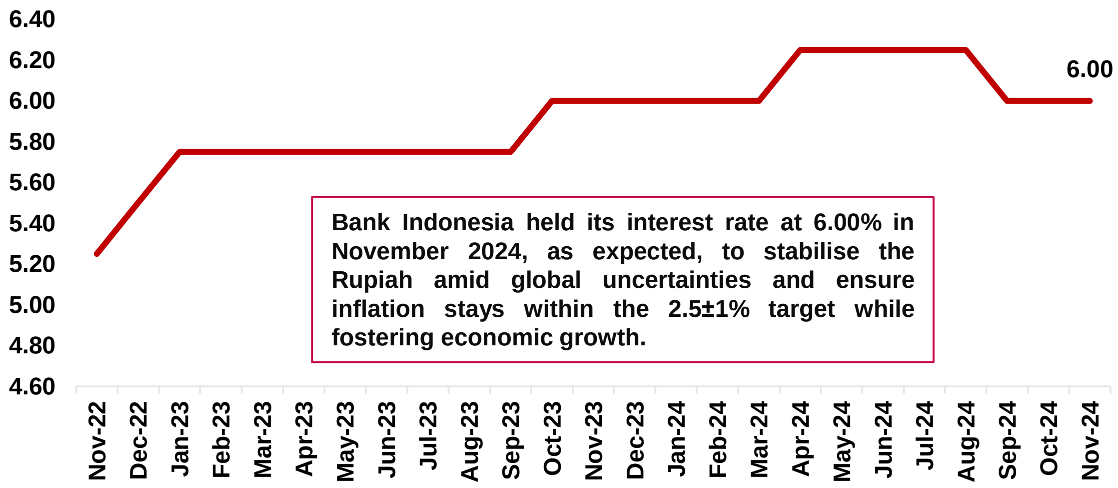
GLOBAL

Thailand - Real GDP, y-o-y%

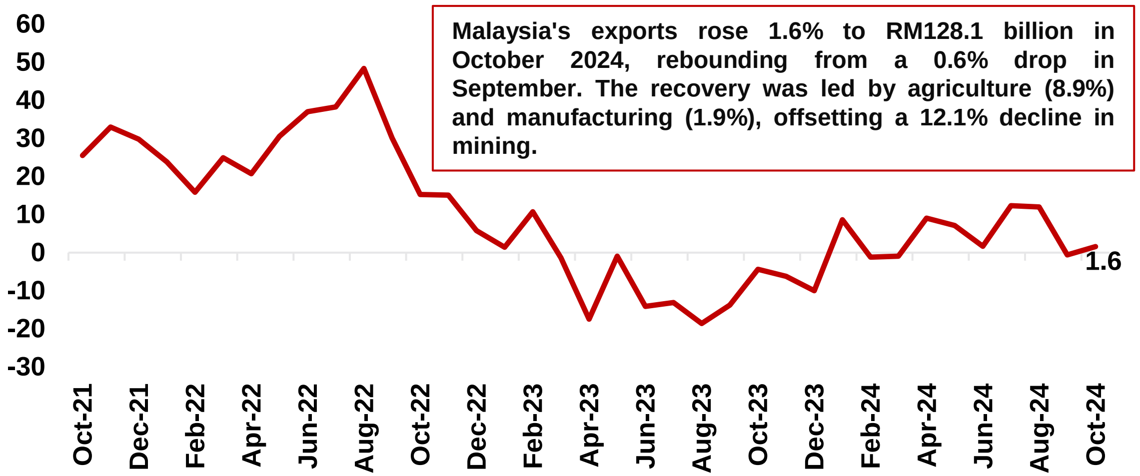


Indonesia – 7-Day Reverse Repo Rate, %

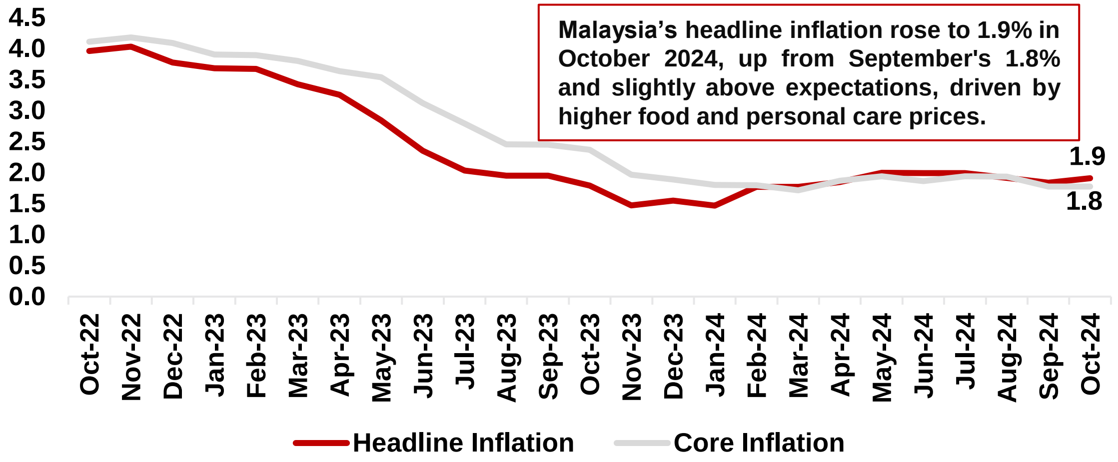


DOMESTIC

Malaysia - Exports, y-o-y%

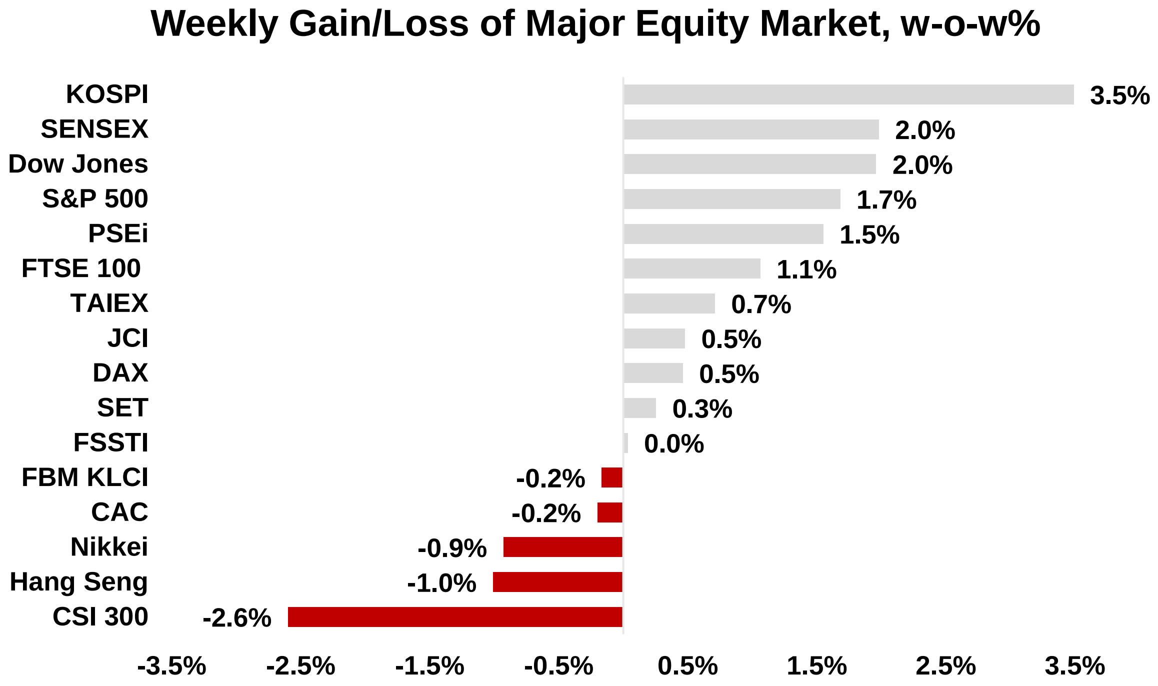


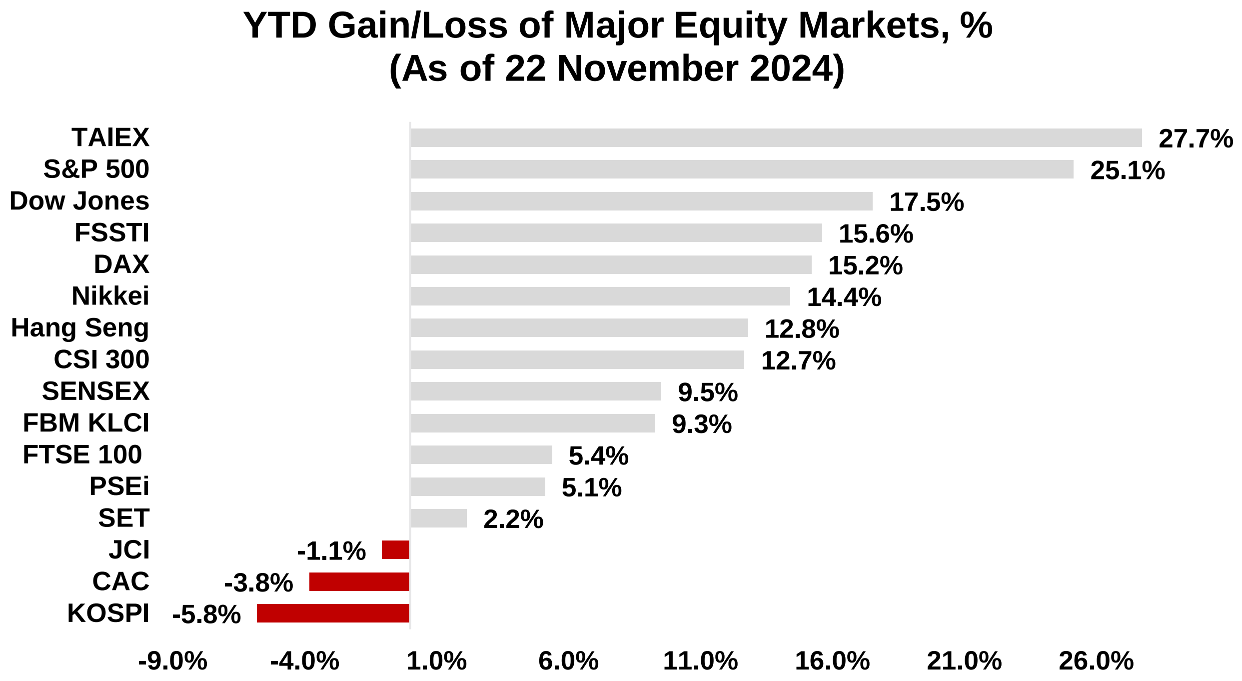
Malaysia – Consumer Price Index (CPI), y-o-y%



Sources: National Economic and Social Development Council (NESDC), Bank Indonesia, Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: SOUTH KOREA LEADS GAINS, WHILE CHINESE STOCKS STRUGGLE





Sources: Bursa, CEIC Data

- The global stocks market were in the mostly in the green last week with South Korea's KOSPI as the major gainer, amid the index heavyweight SK Hynix saw a rally after its parent company, SK Square, revealed measures aimed at enhancing shareholder value. These included a 200 billion won share buyback plan and the nomination of an independent director to strengthen shareholder value.
- U.S. stocks – Dow Jones (+2.0%) and S&P 500 (+1.7%) grew as traders responded positively to stronger-than-anticipated Purchasing Managers' Index (PMIs). The S&P Global Composite PMI climbed to 55.3 points in November, indicating the most robust expansion in private sector activity since April 2022, driven by a boost in services and a moderation in the manufacturing decline.
- On the other hand, Chinese stocks – China's CSI 300 (-2.6%) and Hong Kong's Hang Seng (-1.0%) were the major losers last week amid uncertainty about the effectiveness of China's stimulus measures in boosting economic growth, while concerns over potential higher tariffs under the incoming Trump administration further weighed on the economic outlook.

DOMESTIC EQUITY: FBM KLCI PERSISTED IN ITS DOWNTREND AMID CAUTIOUS REGIONAL SENTIMENTS

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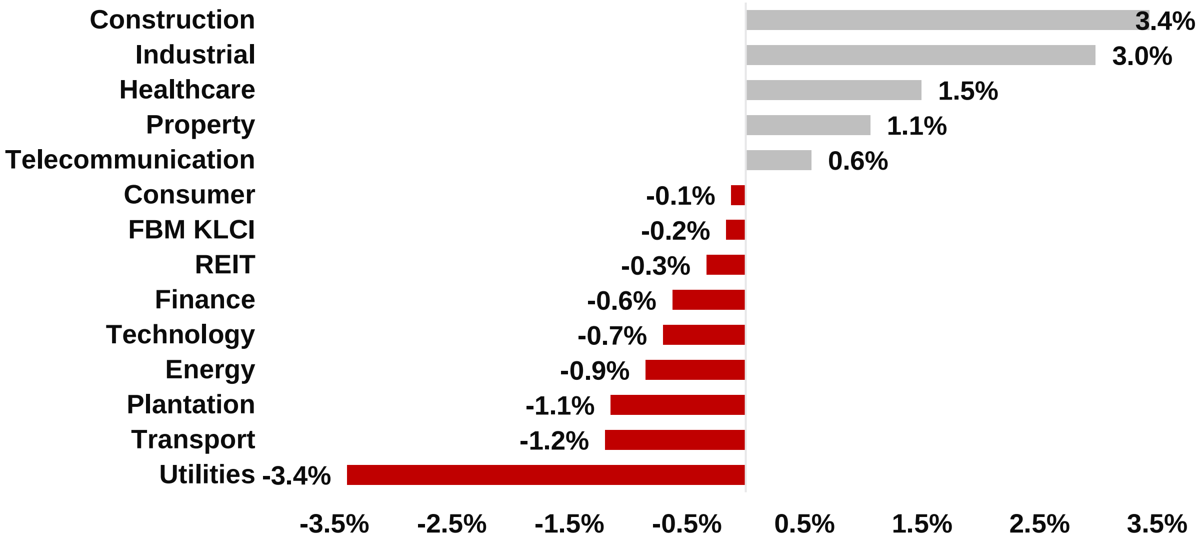
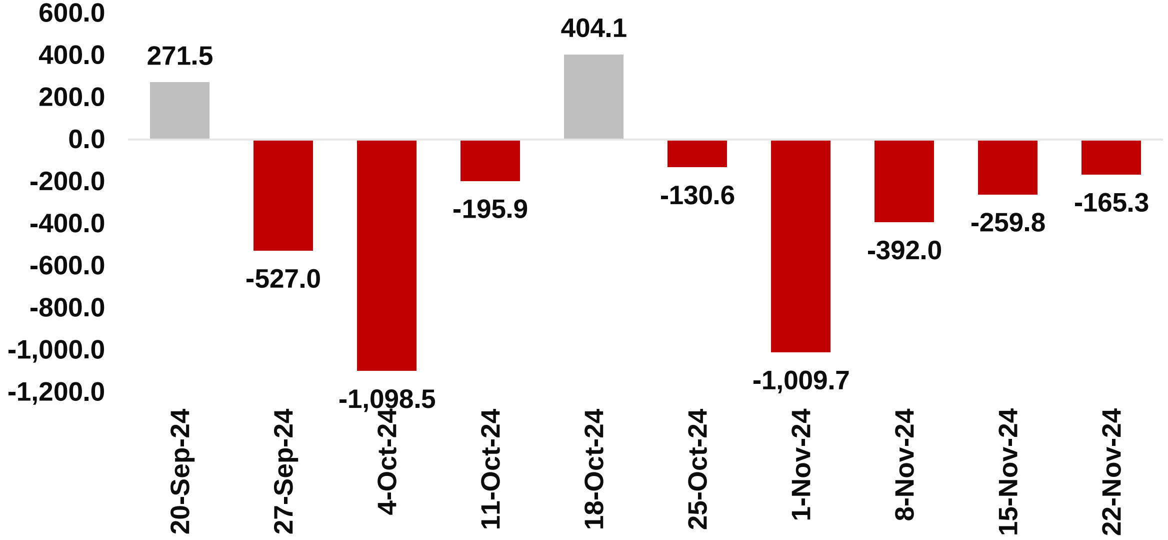
Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI edged marginally lower by 0.2% w-o-w for the week ending November 22, slipping below the 1,600-level after gains earlier in the week.
- Investor sentiments remained cautious throughout the week, dragged by fears of the heightening geopolitical conflict in Ukraine as well as rising expectations of the Fed maintaining interest rates in its last meeting which further reduced buying interest in emerging market assets.
- The Utilities index were plagued by late selling activities, ending as the biggest loser with a 3.4% plunge. This was followed by the Transport and Plantation indices which slipped by 1.2% and 1.1%, respectively.
- Meanwhile, the Construction (+3.4%) index emerged as the top gainer, followed by the Industrial (+3.0%) and Healthcare (+1.5%) indices.
- Foreign investors shed a total of RM165.3 million worth of equities, marking the smallest net outflow in four weeks. This selling activity further decreased the cumulative net inflow for the year to RM1.2 billion.

FIXED INCOME: UST YIELD CURVE FLATTENS AS RATE CUT EXPECTATIONS SOFTEN

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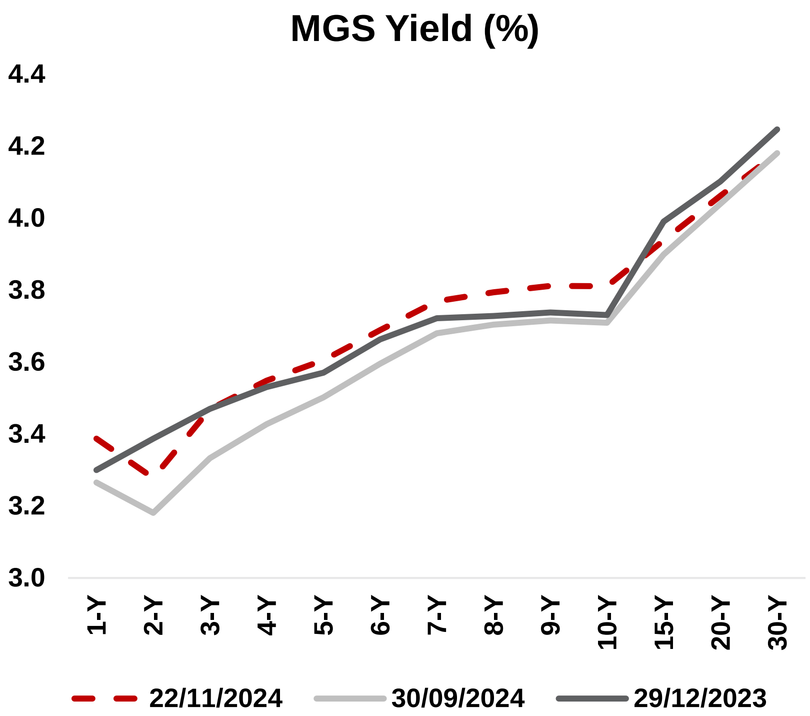
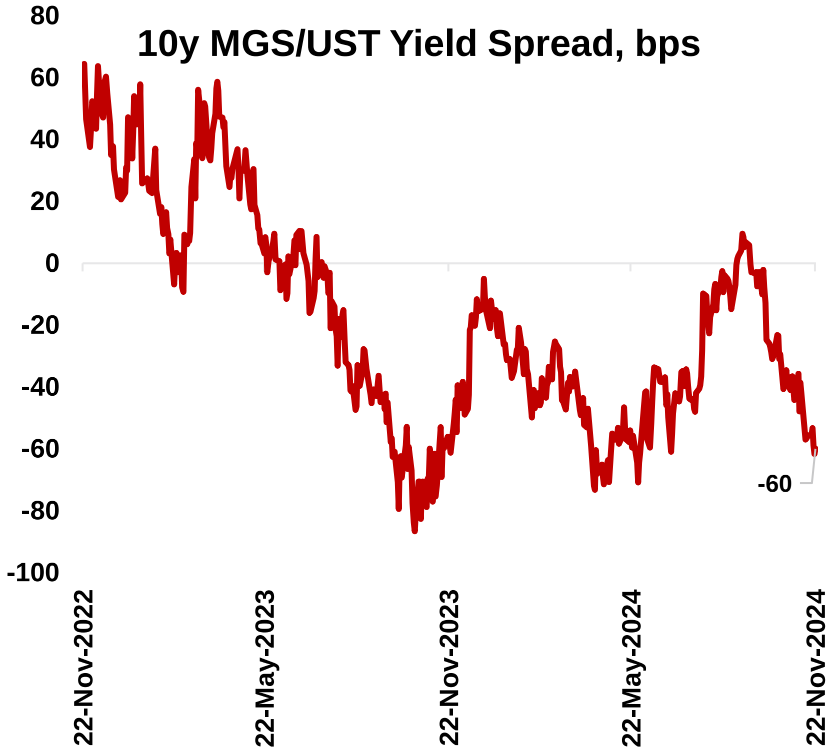
Weekly Changes, basis points (bps)

UST	Yields (%) 15-Nov-24	Yields (%) 22-Nov-24	Change (bps)
3-Y UST	4.27	4.32	5
5-Y UST	4.30	4.30	0
7-Y UST	4.36	4.35	-1
10-Y UST	4.43	4.41	-2
MGS	**Yields (%) 15-Nov-24**	**Yields (%) 22-Nov-24**	**Change (bps)**
3-Y MGS	3.51	3.47	-4
5-Y MGS	3.67	3.61	-6
7-Y MGS	3.82	3.77	-5
10-Y MGS	3.87	3.81	-6
GII	**Yields (%) 15-Nov-24**	**Yields (%) 22-Nov-24**	**Change (bps)**
3-Y GII	3.44	3.42	-2
5-Y GII	3.67	3.62	-6
7-Y GII	3.83	3.78	-5
10-Y GII	3.89	3.83	-6

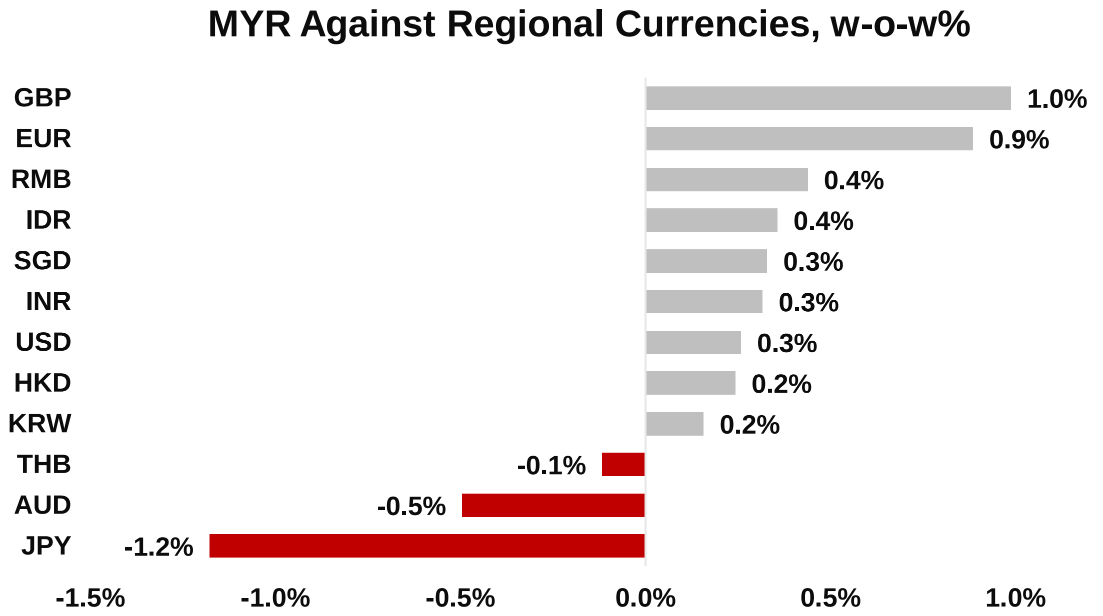
Sources: BNM, Federal Reserve Board

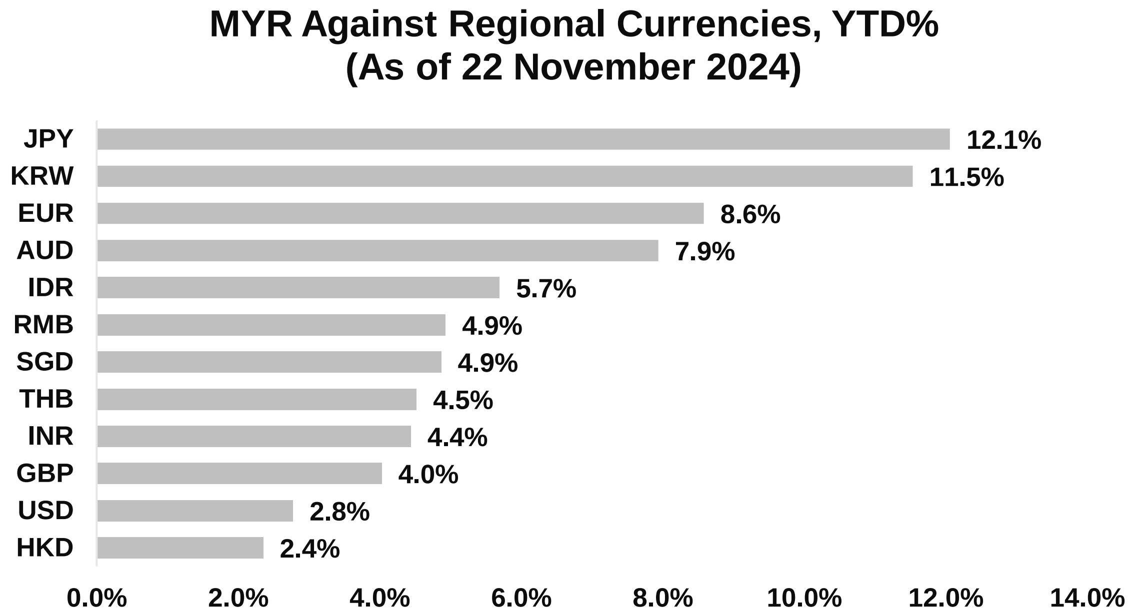




- The U.S. Treasury (UST) yields ended mixed with the 3-Y UST edged higher by 5bps as recent data strengthened the expectation that the Federal Reserve would need to slow the pace of rate cuts. In contrast, 7-Y and 10Y UST yields inched lower in the range of 1bp and 2bps. Meanwhile, 5-Y UST yield plateaued at 4.3%.
- Domestically, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields declined between 2bps and 6bps.
- The auction of 5-Y reopening of GII worth RM4.5 billion which was issued on November 19 drew a strong demand with a bid-to-cover (BTC) ratio of 2.0x, albeit lower compared to the previous RM4.0 billion 5-Y reopening of GII in August 2024 with a BTS ratio of 3.7x.
- The 10y MGS/UST yield spread widened in the negative territory at -60bps relative to -56bps in the previous week.

FX MARKET: RINGGIT POISED FOR CAUTIOUS TRADING AHEAD OF KEY U.S. DATA RELEASES



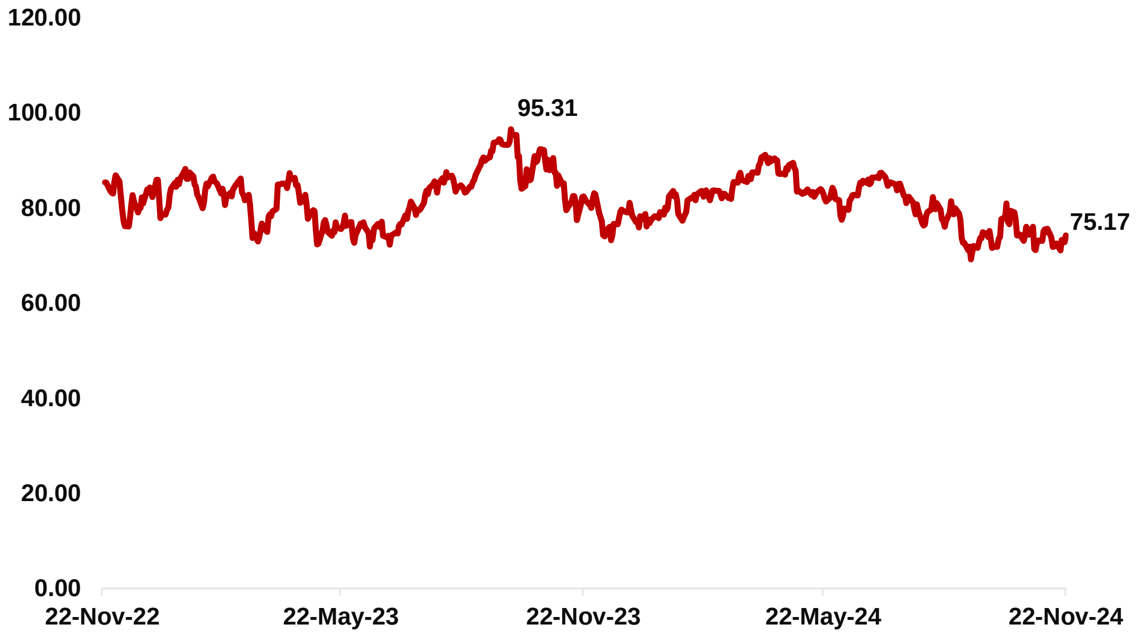


Sources: BNM, Federal Reserve Board, U.S. Bureau of Labor Statistics (BLS)

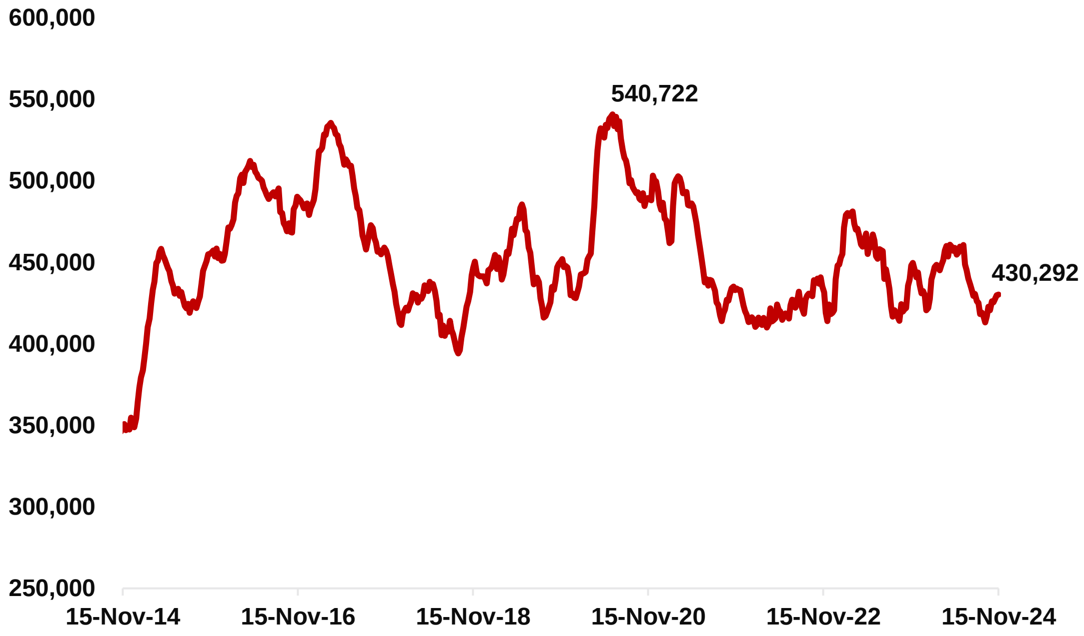
- Ringgit beat its losing streak when it appreciated slightly by 0.3% against the USD for the week ending November 22 despite the USD index breaching above the 107-level, which was last seen in November 2022.
- The greenback's rapid climb was a culmination of resilient U.S. economic figures coupled with the expectations of a loose fiscal-tight monetary policy mix under a Trump administration starting next year. The job market proved to be tighter than expected with the Initial Jobless Claims clocking in the lowest drop of 6K since April (Act: 213K vs. Est: 220K) for week ending November 16 while earlier figures point to inflation remaining elevated (October: 2.6% vs. September: 2.4%), prompting concerns of interest rates to stay restrictive for longer.
- Such expectations had caused markets to reprice their bets of a rate cut in the Fed's December meeting, echoing Fed Chair Powell's hawkish remarks that there is no immediate need to preemptively cut rates and subsequently lifted the bullish view on the greenback.
- Moving forward, markets are cautiously awaiting the release of FOMC minutes on Tuesday for further clues on the central bank's decision as well as the core Personal Consumption Expenditure (PCE) index figures on Wednesday.

COMMODITY: OIL SET FOR WEEKLY GAINS AMID UKRAINE WAR CONCERNS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices rose to USD75 per barrel for the week ending November 22, posting a gain of over 5%, driven by the escalating Ukraine conflict adding a geopolitical risk premium. Despite these geopolitical concerns, the oil market remains well supplied and fundamentals are rather depressed.
- Meanwhile, U.S. crude oil inventories rose by 0.545 million barrels for the week ending November 15, exceeding the expected 0.4 million increase. The higher-than-anticipated rise pointed to weakening demand in the U.S., which capped the upward movement in prices.

COMMODITY: GOLD PRICE SURGED DESPITE STRONG USD ON GEOPOLITICAL FEARS

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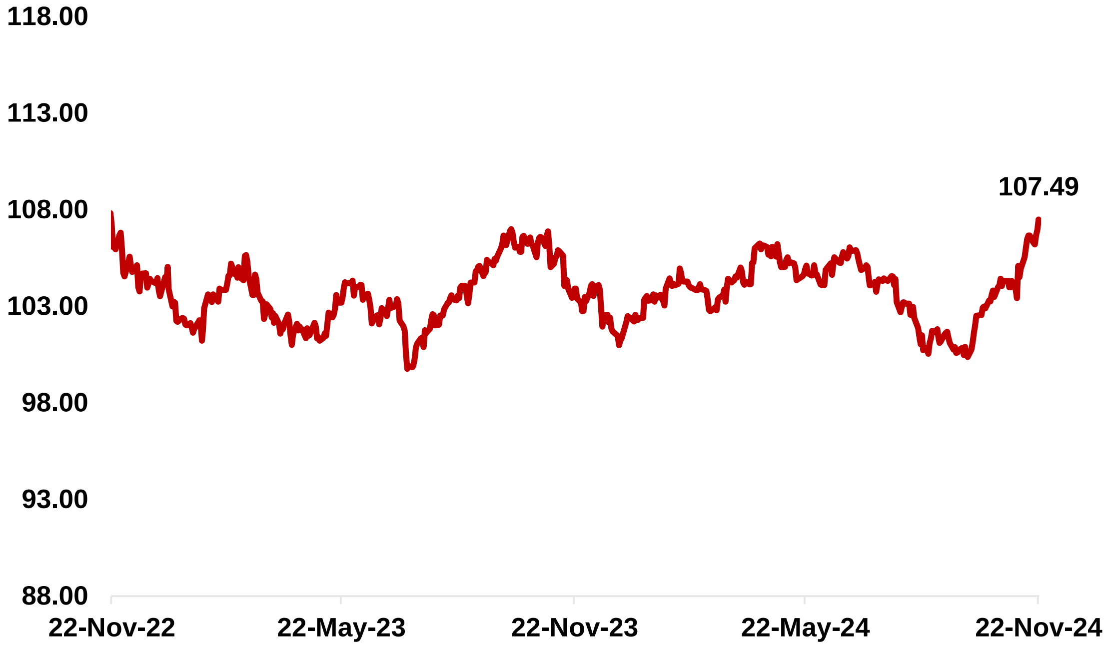
Gold in USD per ounce

U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price rebounded strongly, surging by 6.0% for the week ending November 22, climbing above the USD2,700-level, driven by the escalating conflict in the Russia-Ukraine war which prompted a flight to safe-haven assets.
- Furthermore, markets are repricing their bets on the Fed's monetary policy path as concerns over reigniting inflation following Trump's victory mounts. At the time of writing, markets are almost equally split on the possibilities of Fed maintaining or cutting rates by 25bp.

ECONOMIC RESEARCH

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The shortened holiday week in the U.S. will see the release of the Federal Open Market Committee (FOMC) minutes on Tuesday, instead of the usual Wednesday. On the economic data front, the personal consumption expenditures (PCE) report is expected to show 2.2% y-o-y increase in PCE prices for October, slightly higher than September's rise of 2.1%, with core PCE remaining unchanged at 2.7%. The second estimate of 3Q2024 GDP is likely to confirm a 2.8% growth, matching the advanced estimate and lower than 2Q's 3.0%.

- Japan will see a busy week of economic data, with key releases including October's retail sales, which is expected to edge slightly higher to 0.7% from 0.5% in September. Additionally, Japan's unemployment rate is anticipated to ticked marginally higher to 2.5% in October from 2.4% in September. Other date includes industrial production and consumer confidence for November. Meanwhile, India's third-quarter GDP is expected to show a slowdown in annual growth, reaching its lowest level since 1Q 2023, raising concerns that the G20's fastest-growing economy may struggle to maintain the momentum of the past two years.

- In other developments, the Bank of Korea (BoK) is expected to keep interest rates unchanged, while Australia's October CPI is forecasted to show a rise in consumer prices at the start of Q3. Other important Australia's data include construction and housing credit figures. Lastly, the Reserve Bank of New Zealand (RBNZ) is anticipated to implement another rate cut in its final meeting of the year.

THANK YOU