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WEEKLY ECONOMIC UPDATE

22 APRIL 2024

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: CHINA'S GDP GROWTH SURPASSES EXPECTATIONS

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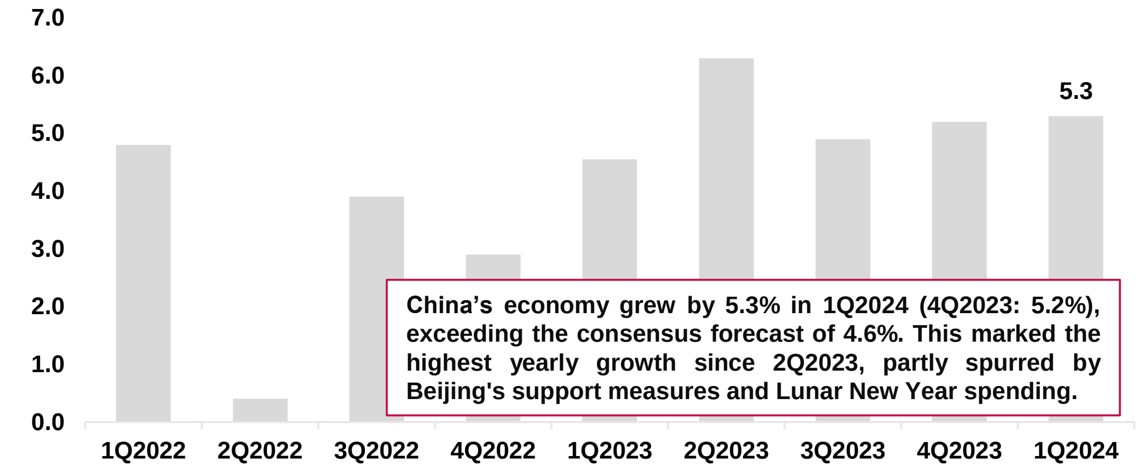
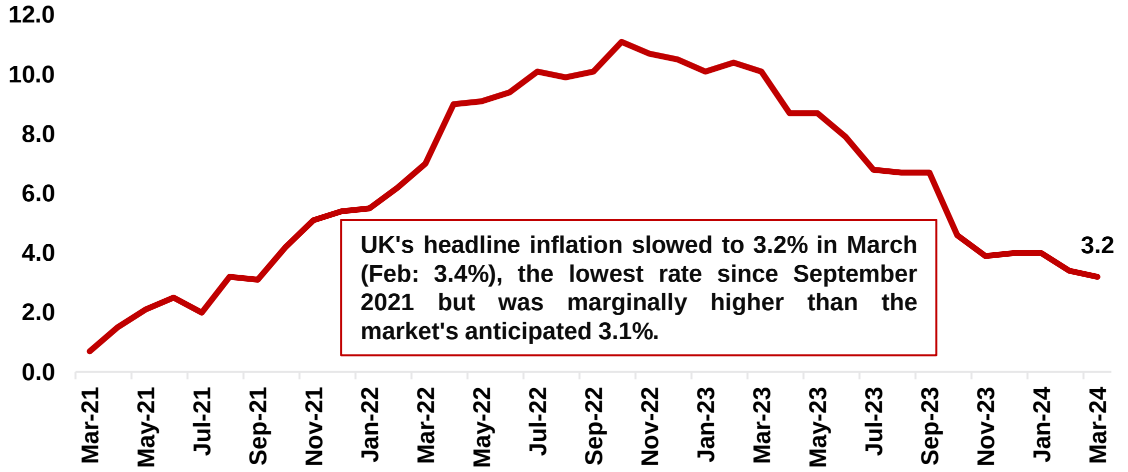
GLOBAL

China - Real GDP, y-o-y%



China’s economy grew by 5.3% in 1Q2024 (4Q2023: 5.2%), exceeding the consensus forecast of 4.6%. This marked the highest yearly growth since 2Q2023, partly spurred by Beijing's support measures and Lunar New Year spending.

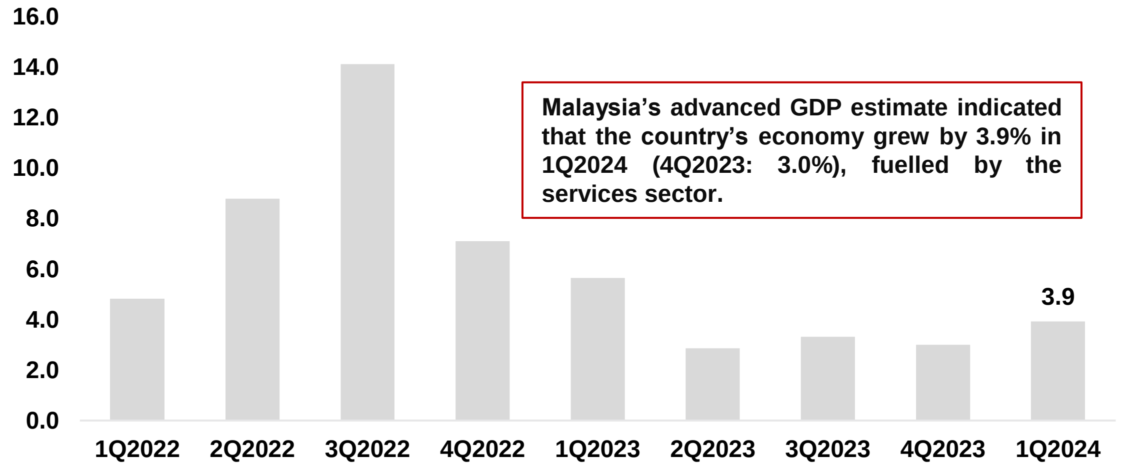
U.K. - Consumer Price Index (CPI), y-o-y%



UK's headline inflation slowed to 3.2% in March (Feb: 3.4%), the lowest rate since September 2021 but was marginally higher than the market's anticipated 3.1%.

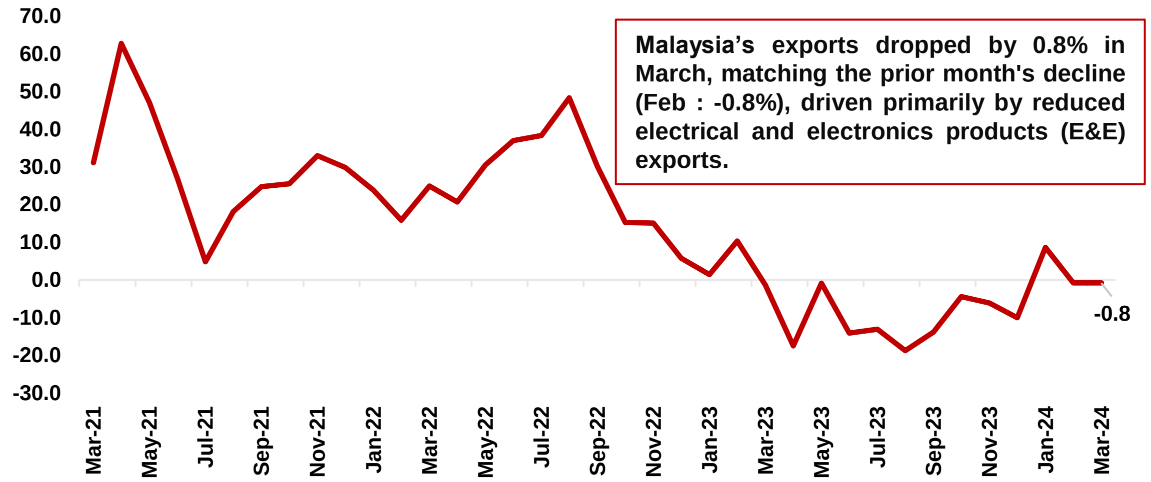
DOMESTIC

Malaysia - Real GDP, y-o-y%



Malaysia’s advanced GDP estimate indicated that the country’s economy grew by 3.9% in 1Q2024 (4Q2023: 3.0%), fuelled by the services sector.

Malaysia - Exports, y-o-y%



Malaysia’s exports dropped by 0.8% in March, matching the prior month's decline (Feb : -0.8%), driven primarily by reduced electrical and electronics products (E&E) exports.

Sources: National Bureau of Statistics, Office for National Statistics, Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: STOCKS TUMBLED AMID RISK-OFF SENTIMENT

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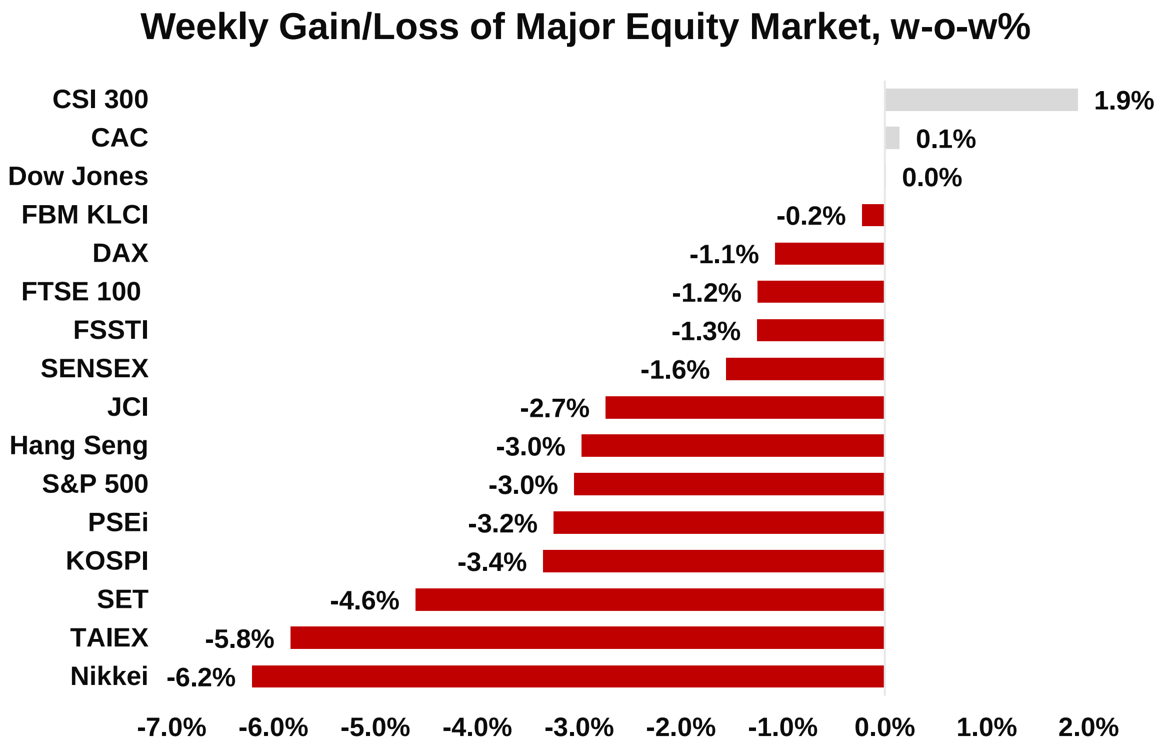

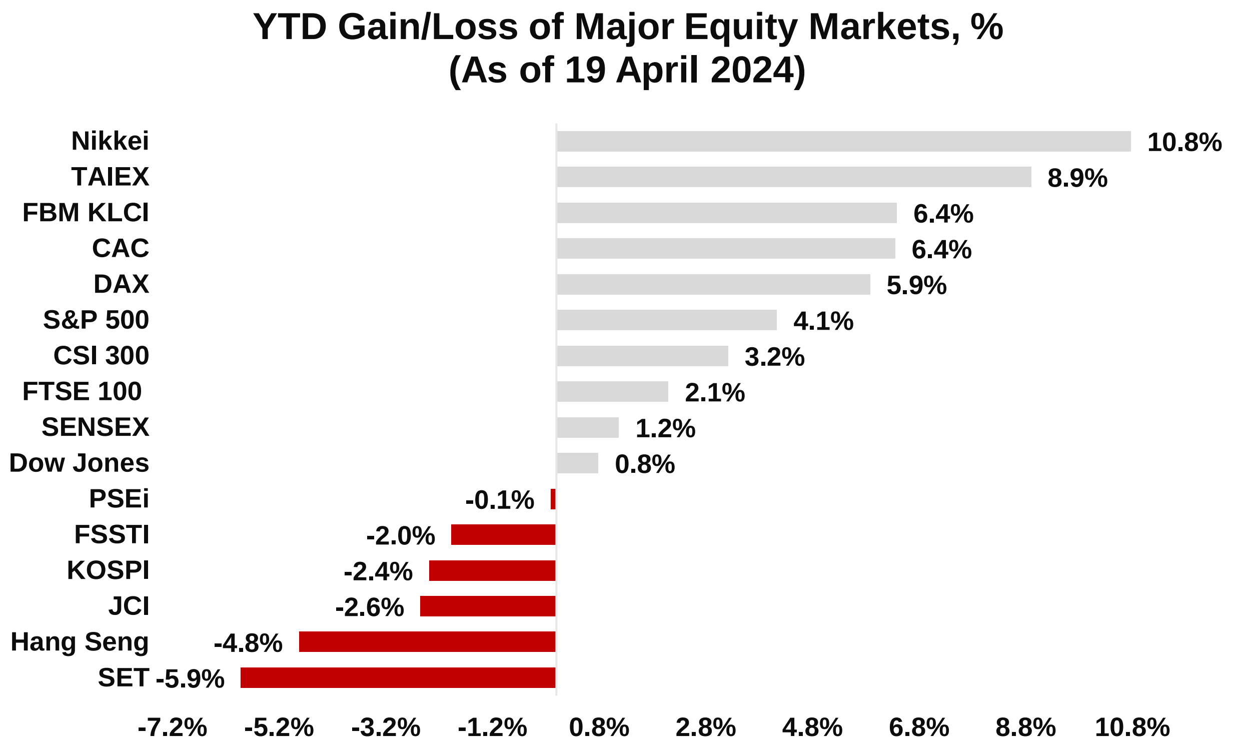

Sources: Bursa, CEIC Data

- Most of the global stocks market slumped for the week ending April 19, with Japan's Nikkei as the major loser with a decline of 6.2%, mirroring a global sell-off of risky investments after news of Israeli airstrikes on Iran. The decline also followed hawkish comments from Federal Reserve (Fed) officials that has dampened rate cuts expectations.
- Taiwan's TAIEX also slid by 5.8% as chipmaker giant, Taiwan Semiconductor Manufacturing Co. (TSMC) downgraded forecast for global chip demand this year sent shivers down the spine of investors.
- In contrast, China's CSI 300 was the major gainer last week, expanding by 1.9%, partly due to the encouraging 1Q2024 GDP data.

DOMESTIC EQUITY: LOCAL MARKET ENDED IN A SEA OF RED AS REGIONAL SENTIMENT DETERIORATES

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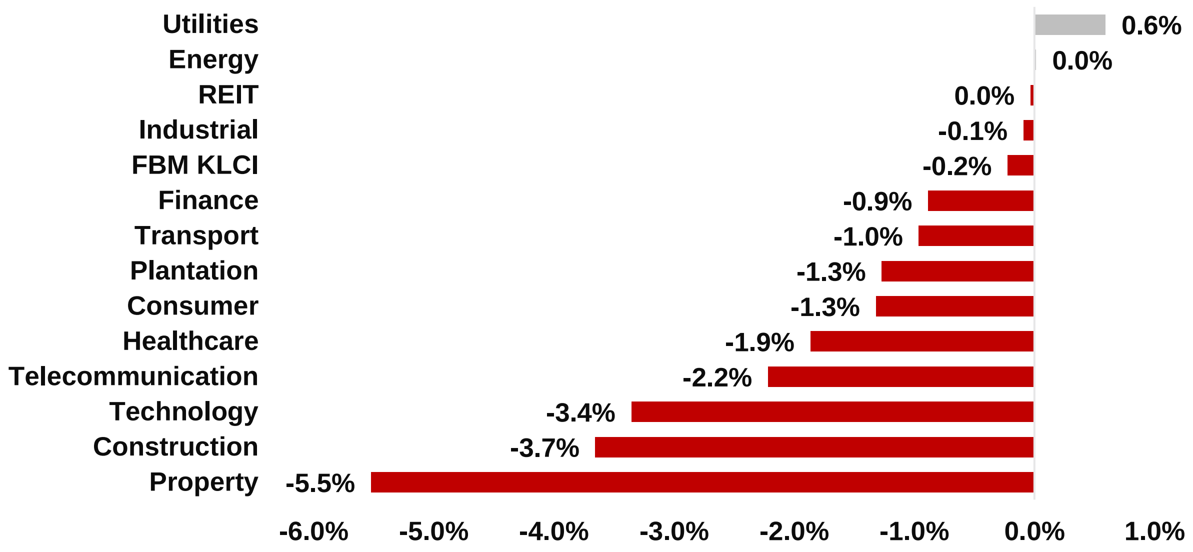

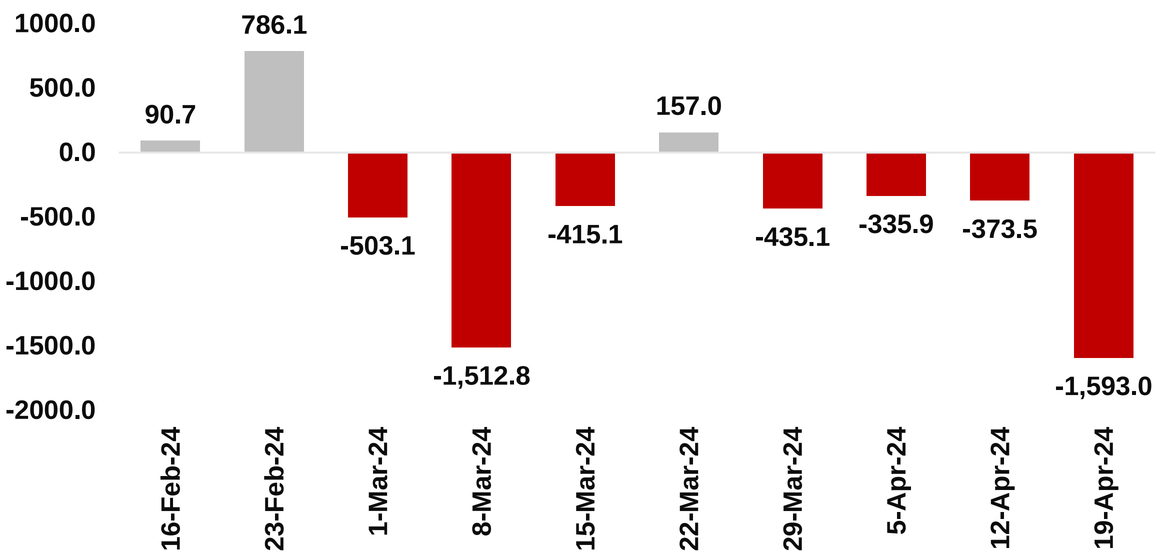

Source: Bursa, DOSM, CEIC Data

- The FBM KLCI closed on a negative note for the week ending April 19 following a major outflow of foreign investors as the escalating conflict in the Middle East spurred flight from equities to haven assets.
- Most Bursa indices ended in the red. Of note, the property index reversing last week's gains to close lower by 5.5%, the largest decline among all indices. The Construction and Technology indices followed behind with a drop of 3.7% and 3.4%, respectively.
- Meanwhile, the Utilities (+0.6%) index persevered to emerge as the only gainer as the Energy (0.0%) index stays relatively flat.
- Foreign investors persisted in the net selling streak for the fourth consecutive week, shedding off RM1.6 billion worth of equities to mark the highest net outflow this year. The net selling pushed the cumulative total net outflow this year thus far to RM 3.0 billion.
- Despite the foreign selling, local buying remained supportive of the market.

FIXED INCOME: YIELDS SOARED AS INVESTORS EXPECT U.S. INTEREST RATE TO REMAIN HIGH FOR LONGER

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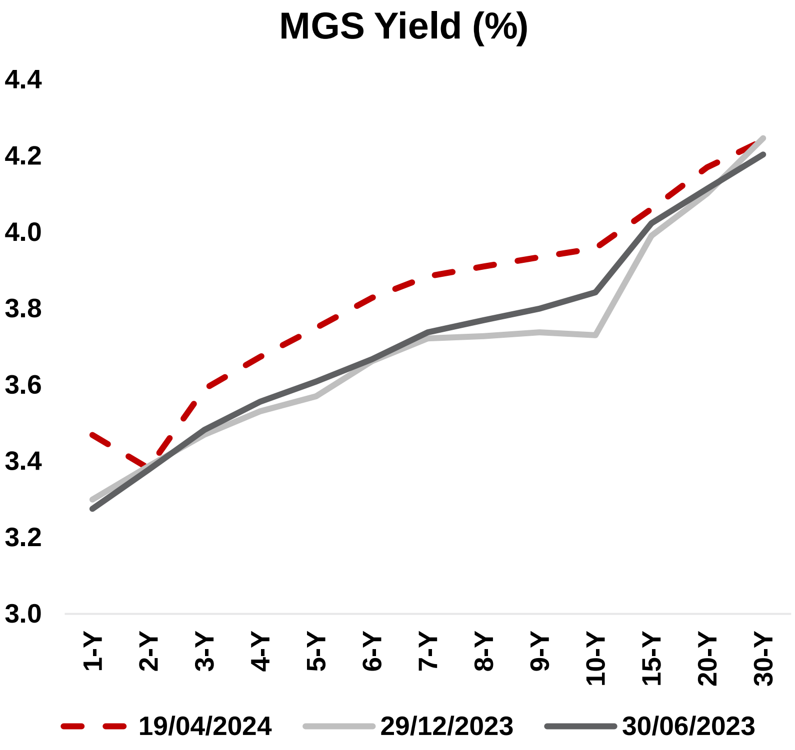
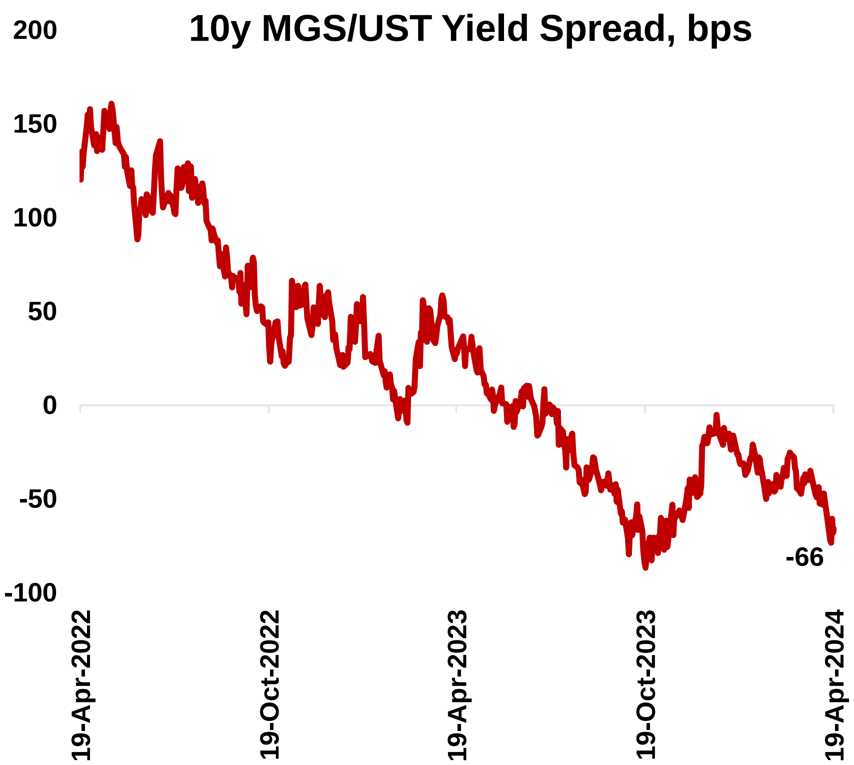
Weekly Changes, basis points (bps)

UST	Yields (%) 12-Apr-24	Yields (%) 19-Apr-24	Change (bps)
3-Y UST	4.70	4.81	11
5-Y UST	4.54	4.66	12
7-Y UST	4.53	4.65	12
10-Y UST	4.50	4.62	12
MGS	**Yields (%) 12-Apr-24**	**Yields (%) 19-Apr-24**	**Change (bps)**
3-Y MGS	3.53	3.59	6
5-Y MGS	3.72	3.75	3
7-Y MGS	3.85	3.89	4
10-Y MGS	3.91	3.96	5
GII	**Yields (%) 12-Apr-24**	**Yields (%) 19-Apr-24**	**Change (bps)**
3-Y GII	3.50	3.53	2
5-Y GII	3.67	3.71	5
7-Y GII	3.82	3.85	3
10-Y GII	3.91	3.95	4

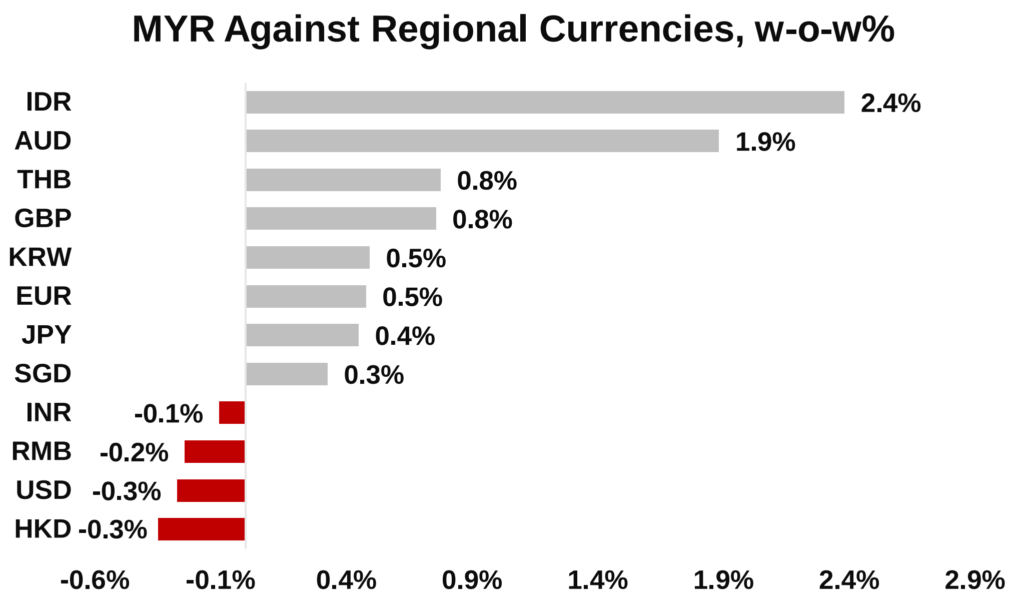
Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

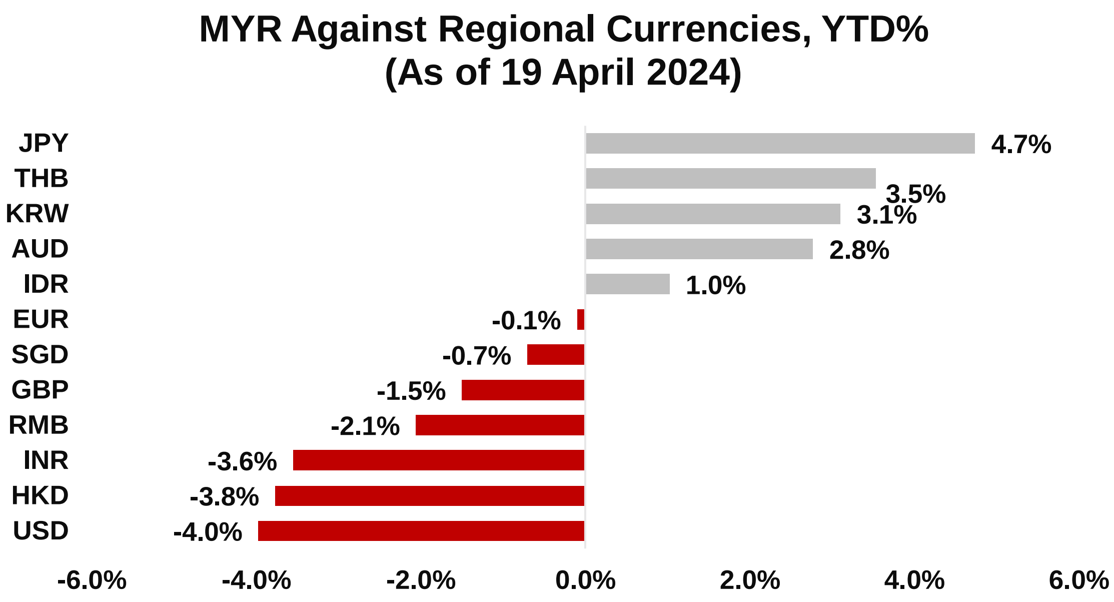




- The U.S. Treasury (UST) yield curve bearishly steepened between 11bps and 12bps for the week ending April 19, reflecting expectations that the Fed will hold off on lowering interest rates anytime soon as recent economic data suggesting sticky inflation in the U.S..
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched higher in the range of 2bps and 6bps.
- The RM5.0 billion 15-Y new issuance of MGS which was issued on April 17 drew a robust demand with a bid-to-cover (BTC) ratio of 2.2x.
- The 10y MGS/UST yield spread widened in the negative territory at -66bps relative to -59bps in the previous week.

FX MARKET: RINGGIT REMAINED PRESSURED AGAINST THE USD





Source: BNM

- Once again, the Ringgit reached nearly RM4.80 threshold last week, attributable to the strengthened USD index as it touched 106 level. We posit that strong U.S. economic data and hawkish comments from Fed policymakers had caused a bullish view for the USD.
- U.S. March retail sales came in higher than expected (Act: 0.7% m-o-m vs. Est: 0.3%), fuelled by a robust job market. The strong consumer spending data added to evidence that the country's economy remains solid, which could provide some comfort for the Fed to maintain restrictive monetary policy for an extended period, as reflected from the policymakers' remarks in their latest appearance during the 2024 Spring Meetings of the International Monetary Fund (IMF) and World Bank Group (WBG).
- Additionally, the escalation of Middle East conflict has prompted a flight to safe haven, further pressuring the emerging currencies including the Ringgit.
- Nevertheless, the local note traded mostly higher against other currencies, likely taking cue from the encouraging 1Q2024 advanced estimate reading from the DOSM when the economy is anticipated to have grown by 3.9% (Bank Islam's estimate: 4.0%) during the quarter, faster than the 3.0% expansion in 4Q2023.

COMMODITY: OIL PRICE DROPPED BELOW USD90.0 PER BARREL

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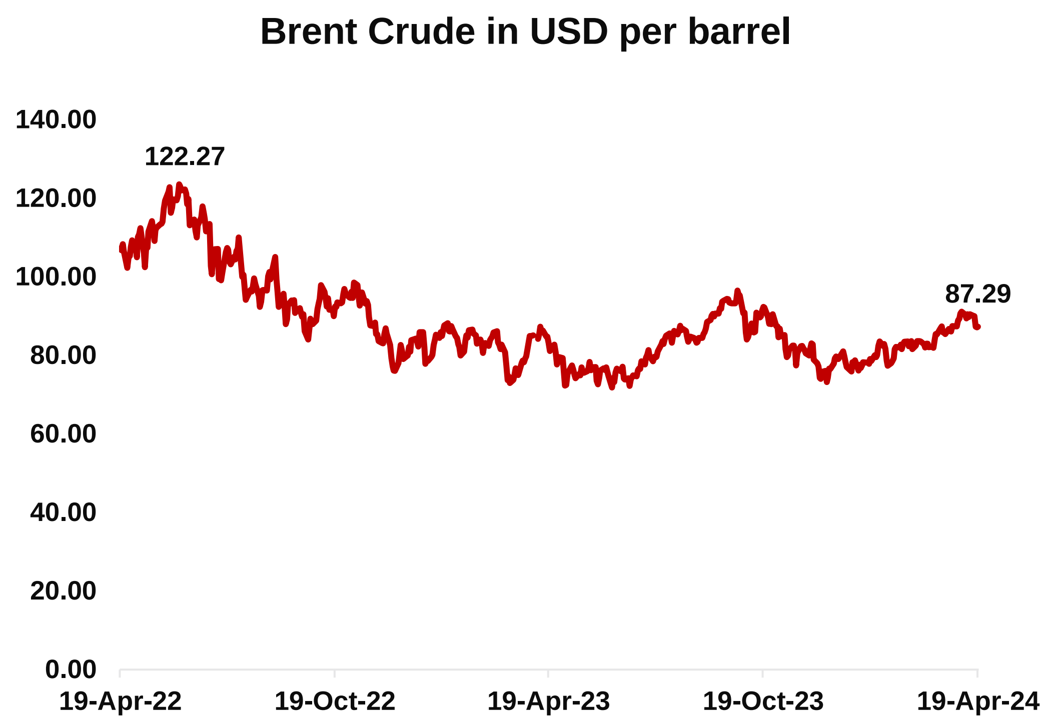
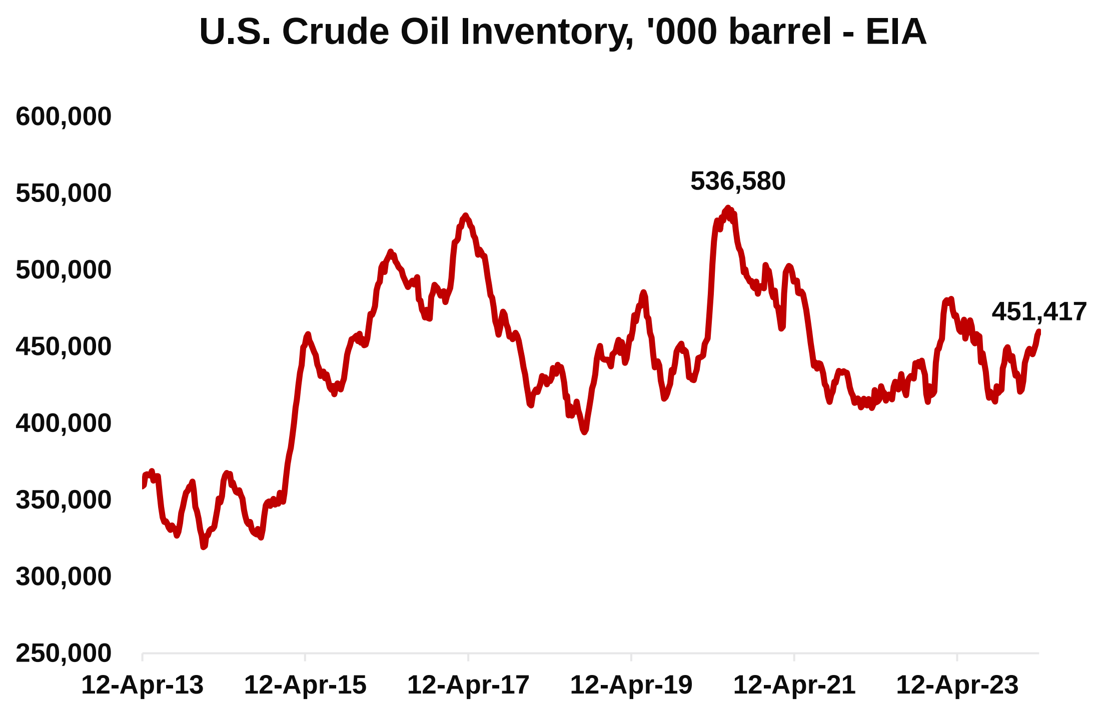


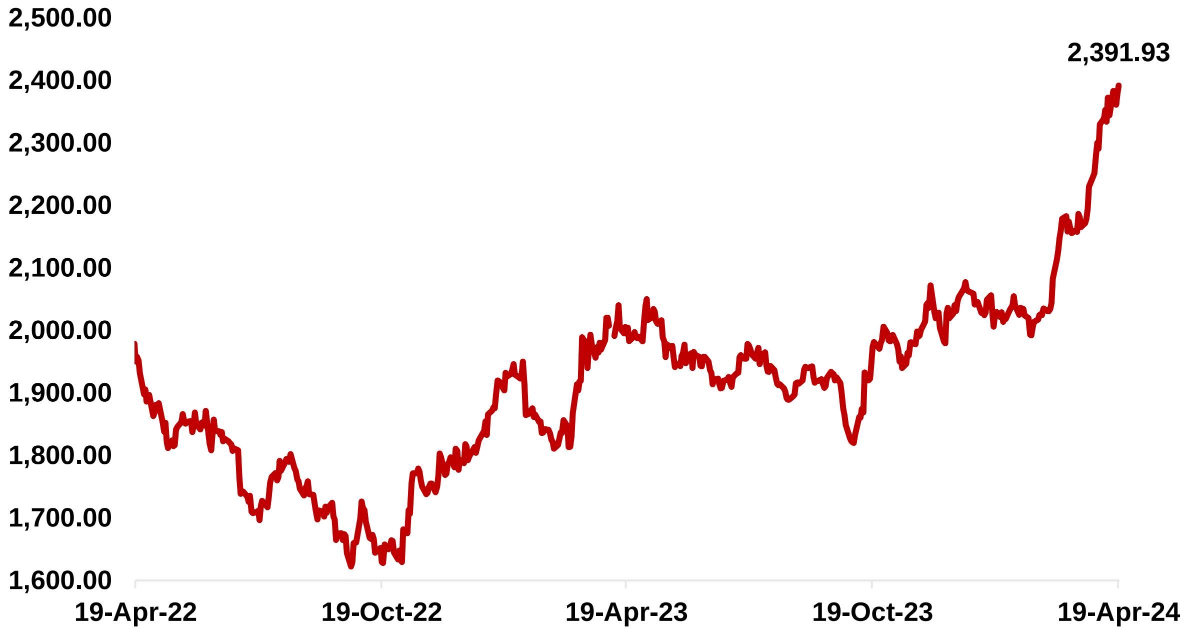


Sources: Bloomberg, Energy Information Administration (EIA)

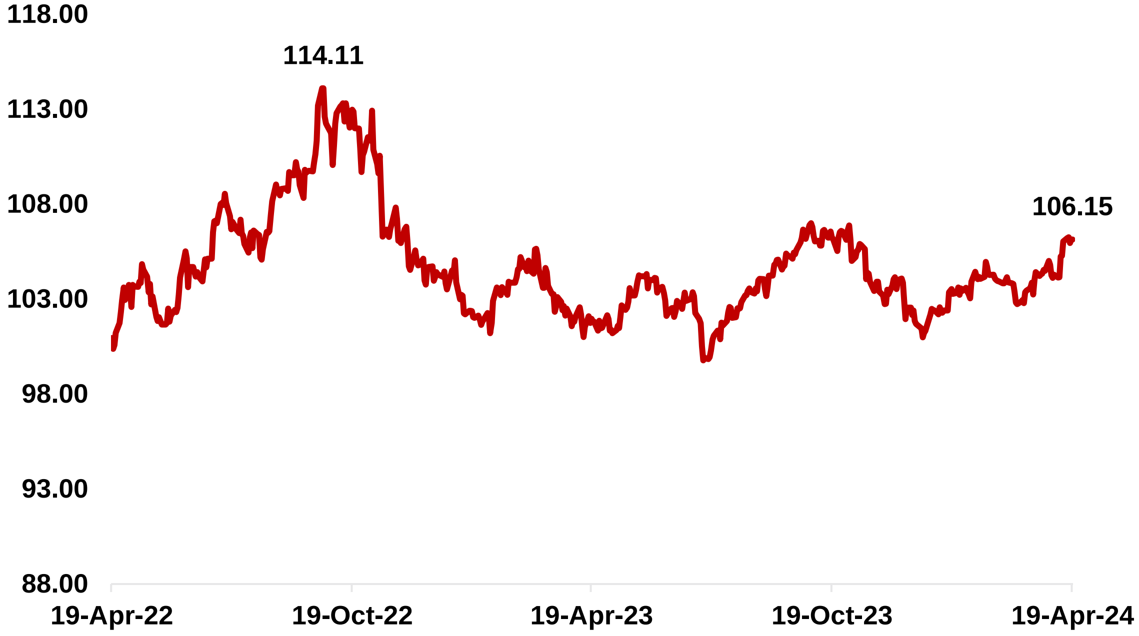
- This is after Iran downplayed Israel's attack on its land, stating it has no plan for retaliation. For record, Israel launched a strike last Friday, leading to Iran's air defense system intercepting three drones over the city of Isfahan.
- In addition, the latest oil movement reflected concerns over the global oil demand, as well as fading hopes for the U.S. interest rate cuts in the near term that has lifted the USD.

COMMODITY: GOLD PRICE ROSE IN TANDEM WITH THE USD AMID THEIR SAFE HAVEN APPEAL

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, Federal Reserve Board

- The bullion price continued its winning streak in the past week, marking a new record-high of USD2,391.93 last Friday, as the escalation of geopolitical tensions triggered a flight to safe haven.
- Furthermore, Fed Chair Jerome Powell’s hawkish remarks which indicated the lack of substantial progress in inflation trend has reinforced market bets of a slower Fed rate cuts.
- Moving forward, all eyes will be on the release of U.S.’ advanced GDP and Personal Consumption Expenditures (PCE) for 1Q2024 for further clues on the Fed’s future policy path.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

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- The People's Bank of China (PBoC) kept both the 1- and 5-year loan prime rates (LPR) steady at 3.45% and 3.95%, respectively this morning. The decision was widely expected after China's 1Q2024 GDP growth came in above consensus at 5.3%, as well as the PBoC's last week decision to maintain the medium-term lending facility rate. Meanwhile, the room for further easing will be constrained with the Chinese yuan remaining under pressure amid the uncertainty surrounding the timing of first Fed rate cut.

- The Bank of Japan (BoJ) will likely stay on the sidelines in its upcoming policy meeting this week after March's decision to exit negative interest rate policy and to scrap yield curve control policy. Market focus will shift to the fresh BoJ's quarterly outlook report for additional clues on the future monetary policy path. Rising upside risks to the inflation outlook, as indicated by the stronger wages, the persistent weakness in Japanese yen (JPY) and rising global commodity prices, could prompt the BoJ to revise its inflation forecast higher and to signal further normalisation efforts, such as rate hikes ahead, albeit in a gradual manner.

- The pressured Indonesian rupiah (IDR) could induce a rate hike from Bank Indonesia (BI) when the central bank meets this week. The IDR has dropped to its weakest level against the USD in four years last week, prompting intervention by BI mainly in the spot and domestic non-deliverable forwards markets. BI has also said that it is open to purchasing government bond if needed, indicating its strong willingness to stabilise the IDR. The weakness in the IDR will likely continue amid the looming prospect of slower interest rate cuts by the Fed amid signs of sticky U.S inflation. Given this, BI is expected to turn more hawkish than previously guided, with some investors already pushing back the timing of first rate cut to 4Q2024, aligning with the Fed.

- Malaysia is scheduled to release both consumer and producer prices data for March this week. Headline consumer price inflation is projected to pick up slightly in March from a rate of 1.8% in February to reflect the impact of the 2.0% in the Sales and Service Tax (SST). Meanwhile, producer price inflation is foreseen to show a growth for the second consecutive month after staging a rebound of 0.3% in February.

THANK YOU