



# WEEKLY ECONOMIC UPDATE

6 MAY 2024

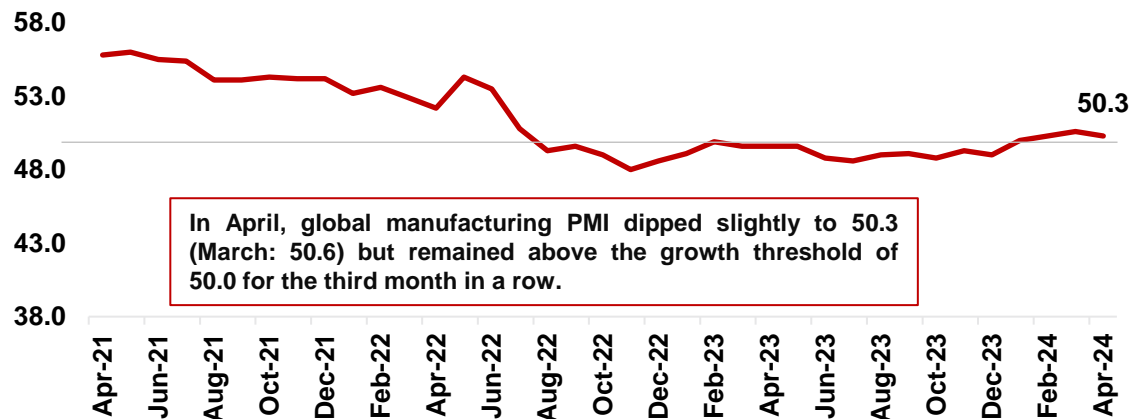
## ECONOMIC RESEARCH

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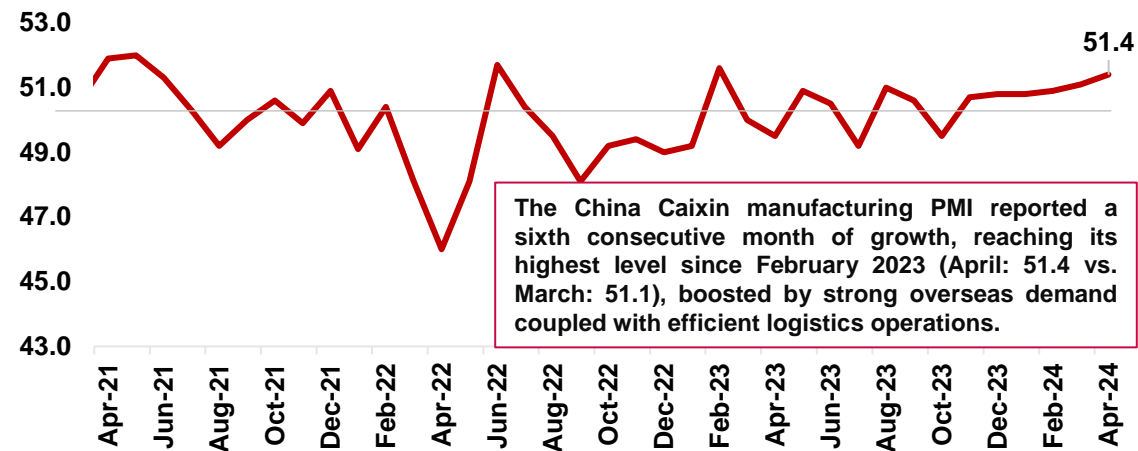
# WEEKLY HIGHLIGHT: CHINA'S MANUFACTURING RECOVERY PERSISTS

GLOBAL

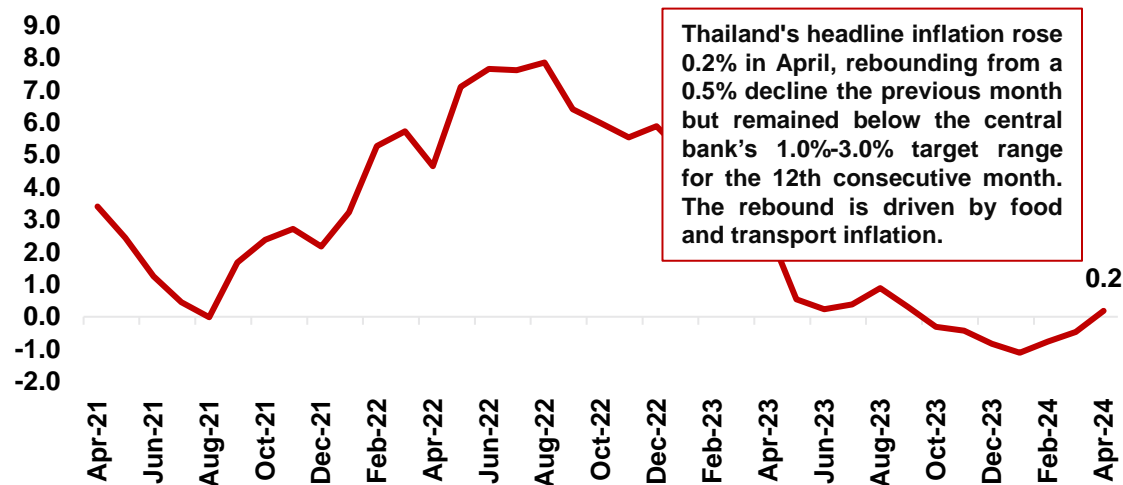
### Global Manufacturing Purchasing Managers' Index (PMI), points



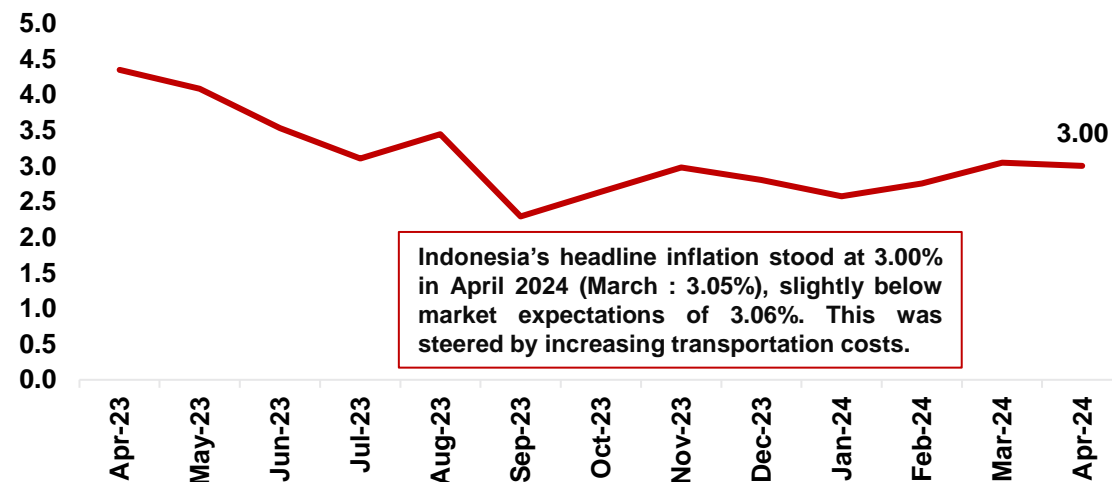
### China Caixin Manufacturing PMI, points



### Thailand - Consumer Price Index (CPI), y-o-y%

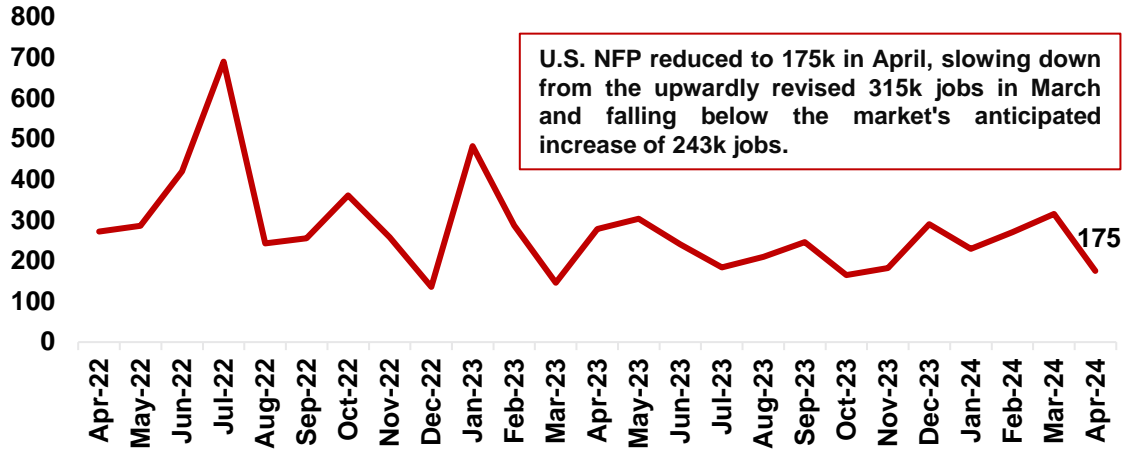


### Indonesia - CPI, y-o-y%

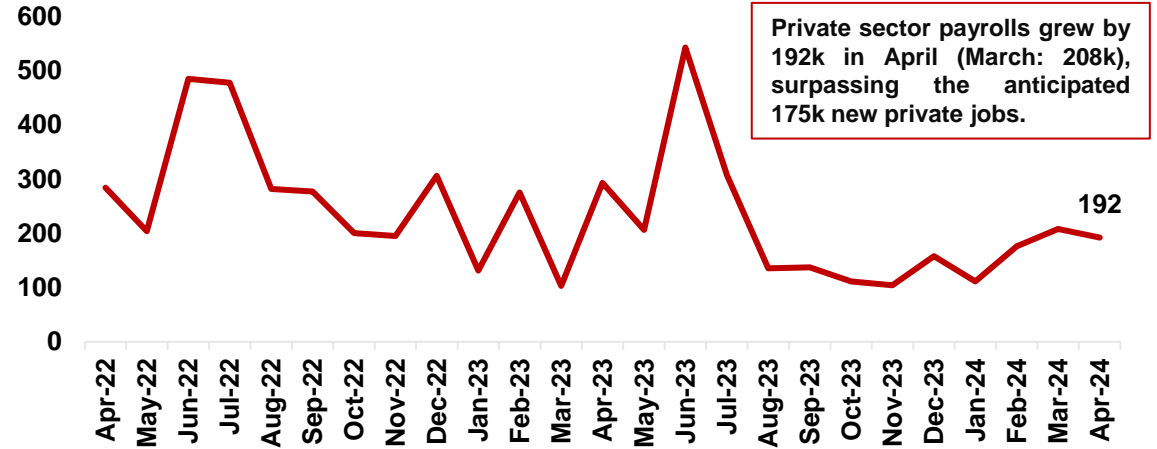


# WEEKLY HIGHLIGHT: U.S. JOB GROWTH SLOWS IN APRIL, SLIGHT UPTICK IN UNEMPLOYMENT RATE

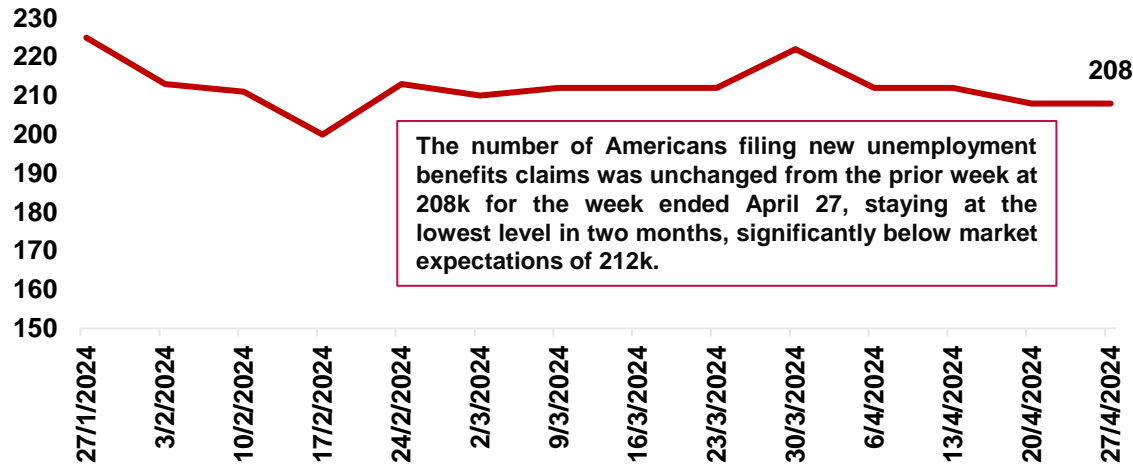
### U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



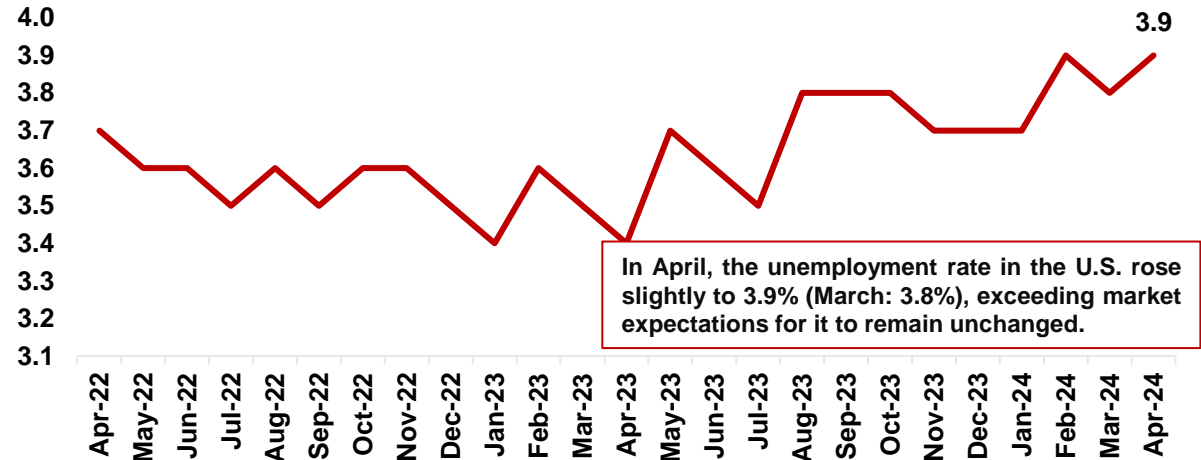
### U.S. ADP Nonfarm Employment, m-o-m changes ('000)



### U.S. Weekly Initial Jobless Claims (IJC), '000

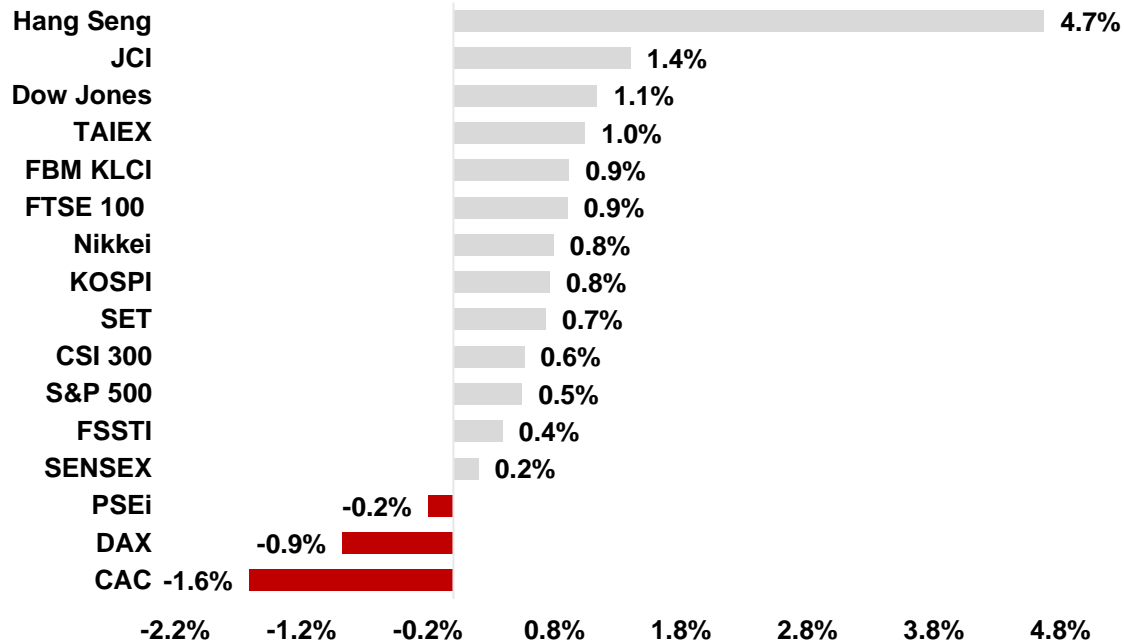


### U.S. Unemployment Rate, %

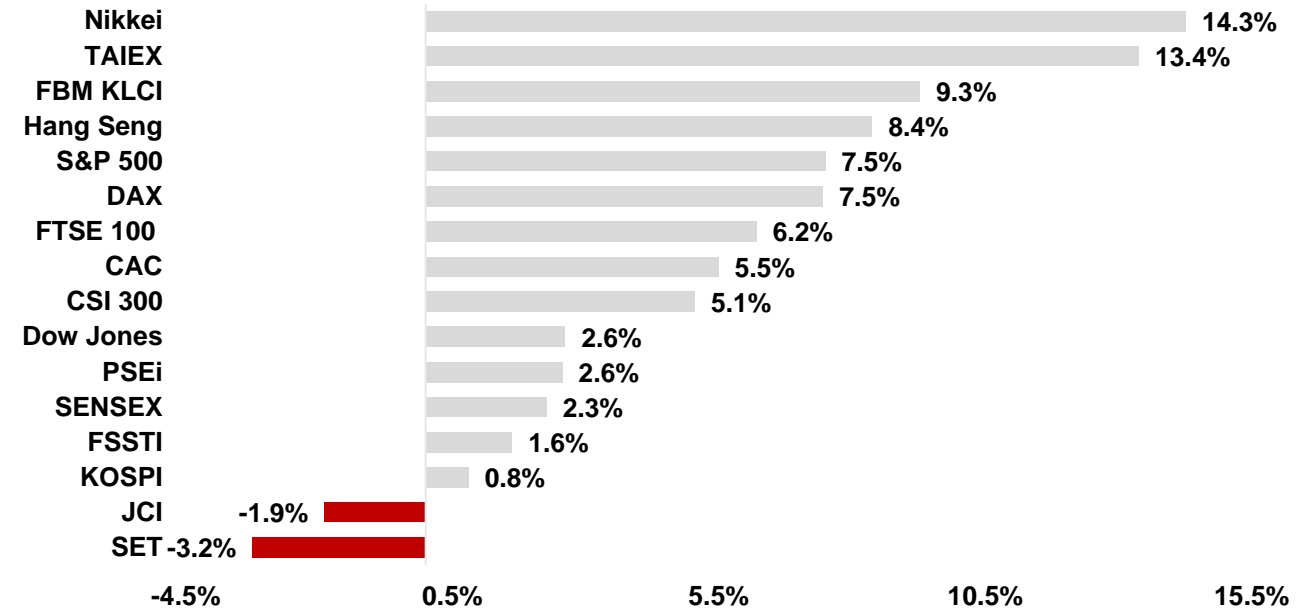


# REGIONAL EQUITY: HONG KONG STOCKS EXTENDED GAINS AMID OPTIMISM OVER FUTURE POLICY SUPPORT

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



YTD Gain/Loss of Major Equity Markets, %  
(As of 3 May 2024)

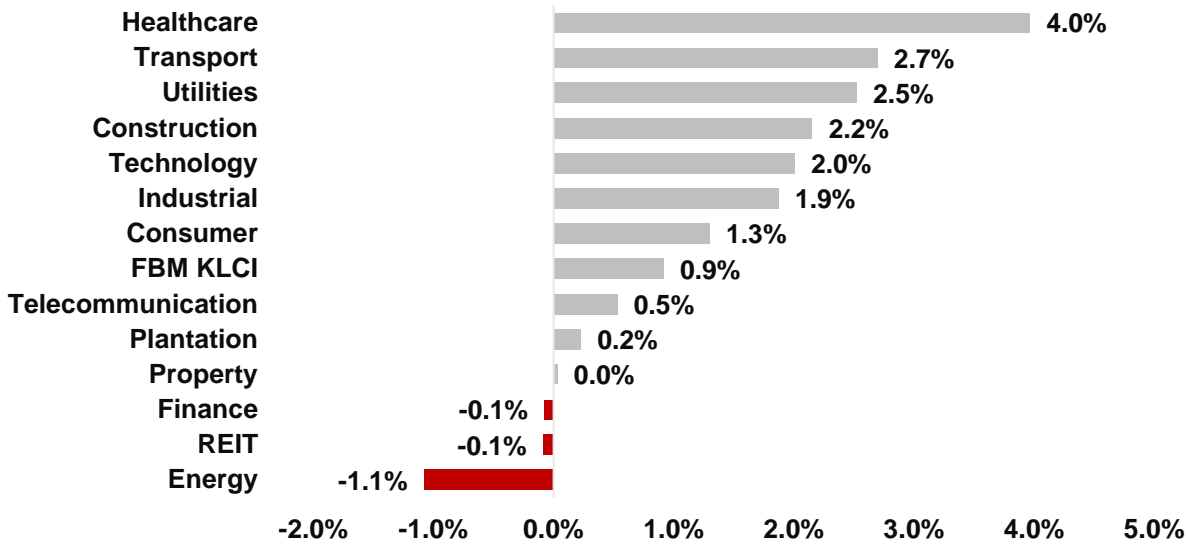


Sources: Bursa, CEIC Data

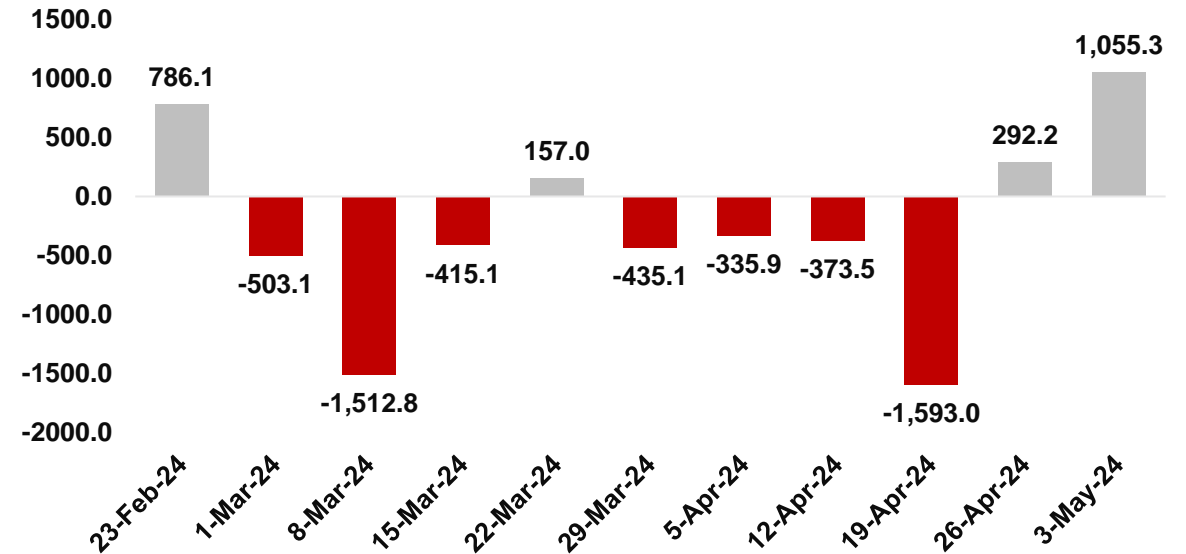
- The regional equity indices mostly ended in the green for the week ending May 3, spearheaded by Hong Kong’s Hang Seng, climbing by 4.7%, which was fuelled by hopes that Beijing would take further action to address the housing crisis. In the meantime, Hong Kong's economy grew more than expected (Act: 2.7% vs. Est: 0.9%) in 1Q2024, marking its fifth consecutive quarter of expansion, also helped lifted the sentiment.
- A disappointing April jobs report triggered a rally in U.S. stocks – Dow Jones (+1.1%) and S&P 500 (+0.5%). Investors interpreted the weaker data as a sign the U.S. Federal Reserve (Fed) might cut interest rates sooner, now expecting a cut in September instead of November.
- On the contrary, France’s CAC (-1.6%), Germany’s DAX (-0.9%) and Philippines’ PSEi (-0.2%) were among the only major losers for last week.

# DOMESTIC EQUITY: LOCAL MARKET IS ON A ROLL AMID FOREIGN FUND INFLUX

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



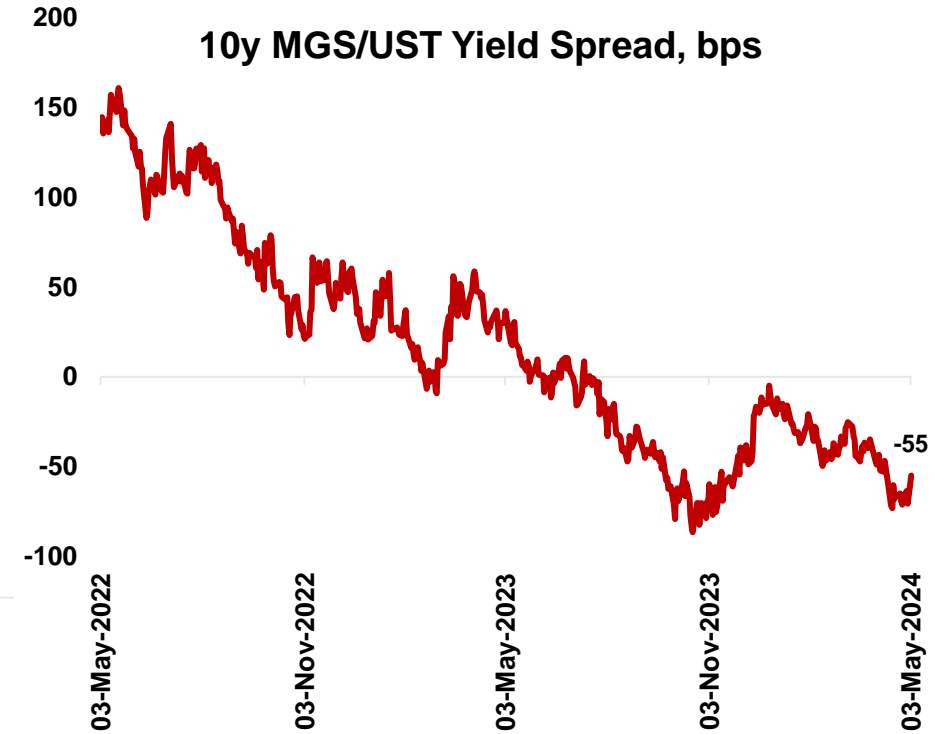
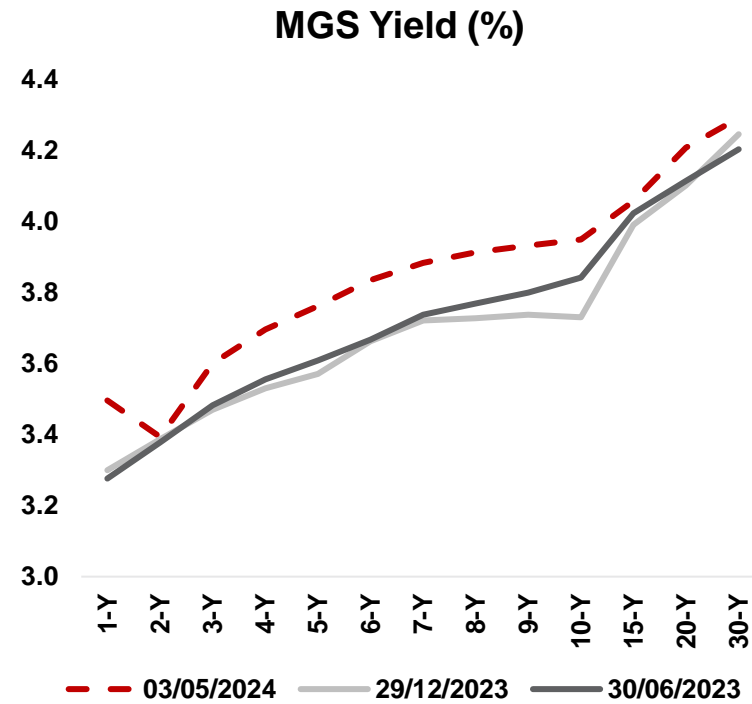
Sources: Bursa, Department of Statistics Malaysia (DOSM), CEIC Data

- The FBM KLCI continued its winning streak for the week ending May 3 following the highest inflow of foreign investors this year, marking a fresh two-year high of 1,589.59 points.
- Local sentiment was lifted in tandem with the rebound in Ringgit as a disappointing U.S. labour market report boosted Fed’s rate cut bets. Furthermore, investors flocked to the local bourse following Microsoft’s announcement of an investment totaling USD2.2 billion over the next four years in Malaysia’s cloud and AI services.
- Topping the gainers was Healthcare index (+4.0%), followed by the Transport (+2.7%) and Utilities (+2.5%) indices.
- Meanwhile, the Energy index slipped by 1.1% in the same week, followed by the REIT and Finance indices which both fell by 0.1%.
- Foreign investors continued their net buying streak for the second straight week, acquiring RM1.1 billion worth of equities. The net buying had reduced the cumulative total net outflow this year thus far to RM 1.6 billion.

# FIXED INCOME: DISAPPOINTING JOBS REPORT DRAGGED DOWN BOND YIELDS

## Weekly Changes, basis points (bps)

UST	Yields (%) 26-Apr-24	Yields (%) 3-May-24	Change (bps)
3-Y UST	4.84	4.63	-21
5-Y UST	4.68	4.48	-20
7-Y UST	4.68	4.49	-19
10-Y UST	4.67	4.50	-17
MGS	Yields (%) 26-Apr-24	Yields (%) 3-May-24	Change (bps)
3-Y MGS	3.63	3.60	-2
5-Y MGS	3.81	3.76	-4
7-Y MGS	3.93	3.88	-4
10-Y MGS	4.00	3.95	-5
GII	Yields (%) 26-Apr-24	Yields (%) 3-May-24	Change (bps)
3-Y GII	3.60	3.57	-3
5-Y GII	3.78	3.76	-2
7-Y GII	3.90	3.88	-2
10-Y GII	3.99	3.96	-3

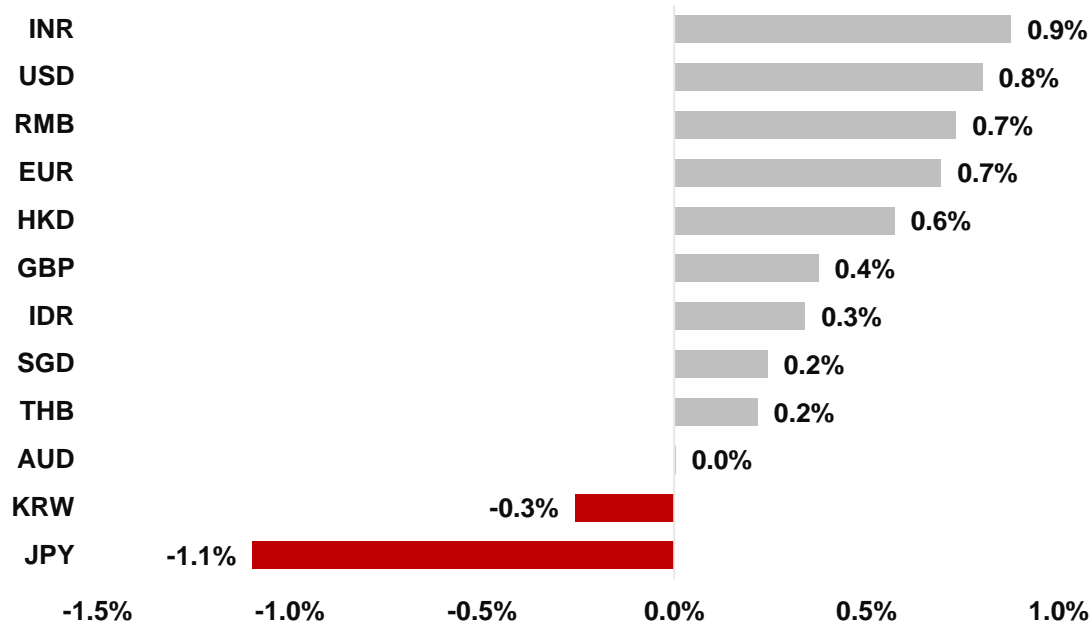


Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

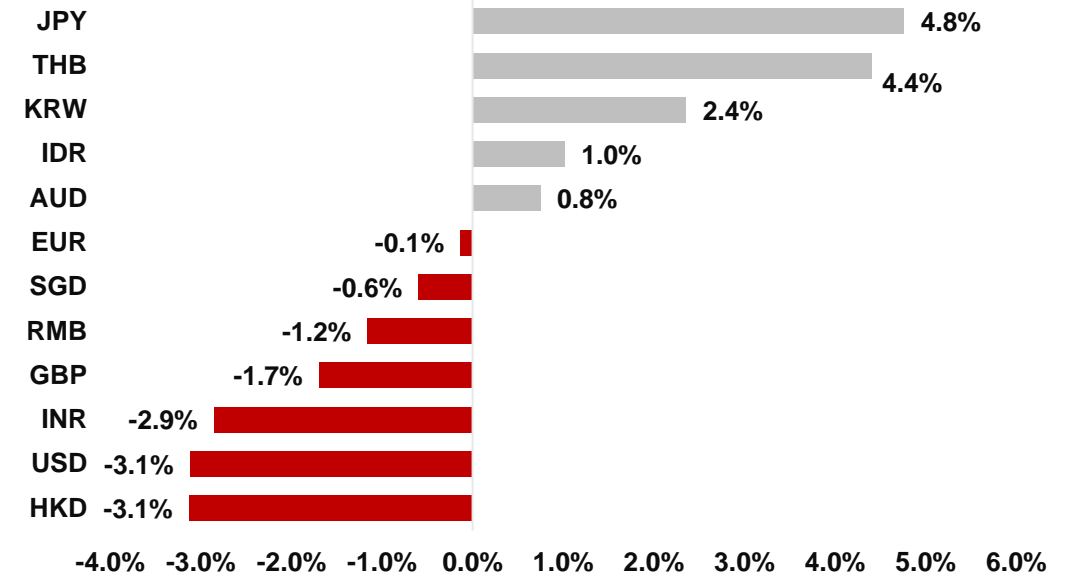
- The U.S. Treasury (UST) yield curve bullishy steepened between 17bps and 21bps for the week ending May 3 as the latest data on job growth came in much lower than expected, it sparked a shift in the financial markets. Investors now predict the Fed will lower interest rates earlier in September instead of November in an effort to stimulate the economy.
- In addition, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also dipped in the range of 2bps and 5bps.
- The 10y MGS/UST yield spread narrowed in the negative territory at -55bps relative to -67bps in the previous week.

# FX MARKET: RINGGIT REBOUNDED AGAINST THE USD DURING THE WEEK

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 3 May 2024)



Source: BNM

- The Ringgit appreciated against the USD when the local note closed at RM4.7395 during Friday's last week from RM4.7775 in the previous week, probably due to the downward trend seen in the USD index on a weekly basis (3 May 2024: -0.8% vs. 26 April 2024: -0.2%).
- The local note could have been lifted up by the softer reading in the U.S. labour market when the economy added jobs less than expected (Act: 175k vs. Est: 243k) in April, underscoring a significant slowdown from a brisk pace observed in the first quarter.
- However, on a YTD basis, the Ringgit remained pressure against the USD following a higher for-longer stance by the U.S. Fed with regards to interest rate path outlook.
- Last week, the Fed decided to leave its interest rate unchanged at 5.25%-5.50% in the May meeting for a sixth consecutive month with a possibility for the central bank to begin the first rate cut in September instead.

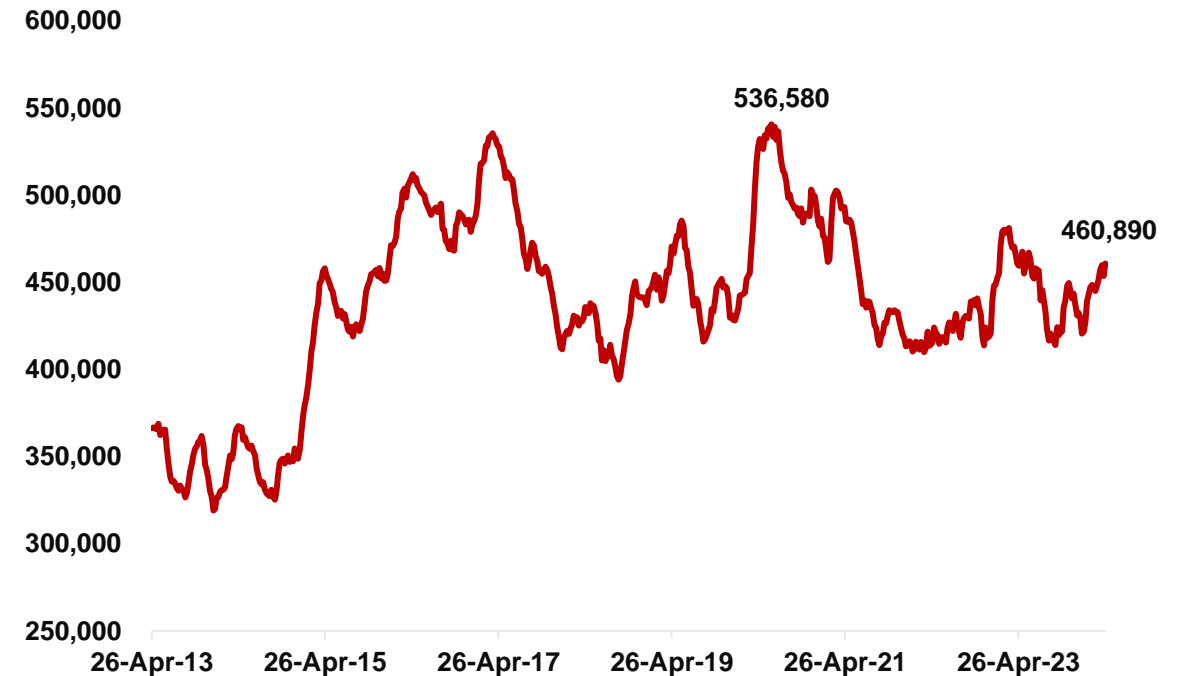


# COMMODITY: OIL PRICE RECORDED LARGEST WEEKLY DROP SINCE EARLY FEBRUARY THIS YEAR

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- This is due to the weaker-than-expected U.S. job data, as well as cooling wage gains which reinforced bets for the Fed to begin its rate-cutting cycle in September.
- Additionally, the prolonged high interest rate raised a concern that it could dampen the economic growth after the Fed left the interest rate unchanged in the latest meeting, suggesting the persistent inflation reading that could delay its rate cut plan.



# COMMODITY: GOLD PRICE SLIPPED FROM RECENT WINS DESPITE WEAKNESS IN THE DOLLAR

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, Federal Reserve Board

- The bullion price had trended downwards in the past week, slipping by 0.8% w-o-w following prospects of a prolonged high U.S. interest rate environment as well as cooling tensions in the Middle East.
- Fed Chair Jerome Powell took on a hawkish tone, stating that inflation trend thus far has not given the Fed confidence to start cutting rates soon.
- However, the weaker-than-expected U.S. job market had weighed on the greenback in the same week as unemployment rate ticked up to 3.9% (Est: 3.8%) and NFP rose by 175k (Est:243k).

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week's Bank of England's (BoE) policy meeting will be watched for any additional hints on the timing of rate cuts. The markets are currently of the view that signs of sticky inflation could push any BoE rate cut until August the earliest. While the U.K.'s overall inflation continued to edge lower to 3.2% in March (February 3.4%), albeit slightly above consensus expectations of 3.1%, services inflation – one of which the BoE is currently focusing on – came in higher than the BoE's most recent forecast. Recent economic data pointing to a recovery is underway also removes the urgency for the BoE to reduce the restrictive stance of monetary policy.
- The Reserve Bank of Australia (RBA) is likely to extend its rate pause when it meets this week. Australia's inflation eased at a slower-than-expected pace in 1Q2024 (3.6% vs. 4Q2023: 4.1%) and is not expected to fall within the RBA's target range of 2.0%-3.0% until 2025. This implies that the central bank may need to maintain high interest rates for an extended period, with the markets currently expecting the first cut in November, if not end-September. While RBA Governor Michele Bullock has, in her latest remarks, said that policymakers are not ruling anything in or out, the case for a further rate hike at this point remains weak given the soft consumer spending.
- It will be a data-heavy week in Malaysia, with reports on retail sales, industrial production and unemployment rate for March awaited. Retail sales is expected to remain robust in March due in part to the festive demand after recording a 5.8% expansion in February. Unemployment rate is projected to remain at 3.3%, indicating a still healthy labour market. Meanwhile, industrial production is likely to have eked out only modest growth in March (February: 3.0%) as the manufacturing PMI pointed to deteriorating business sentiment amid tepid demand environment.
- BNM is expected to maintain the Overnight Policy Rate (OPR) at 3.00% at its policy meeting this week. We opine that BNM will continue to pursue a policy stance supportive of the economy despite the threat to inflation from a 2.0% service tax hike and the winding back of government subsidies for key items such as fuel. Whether the materialisation of any upside risks to inflation trigger a monetary response will depend on the persistence of price pressures. As BNM noted, transitory changes in prices which are likely to normalise over "a reasonable period of time" may not justify a monetary response. Latest data showed Malaysia's inflation remained modest at 1.8% in March, unchanged from February, as softer growth in prices for foods and non-alcoholic beverages offset the inflationary impact of the service tax rate hike on housing and utilities, as well as restaurant and accommodation services.

BANK ISLAM

**THANK YOU**