



WEEKLY ECONOMIC UPDATE

7 OCTOBER 2024

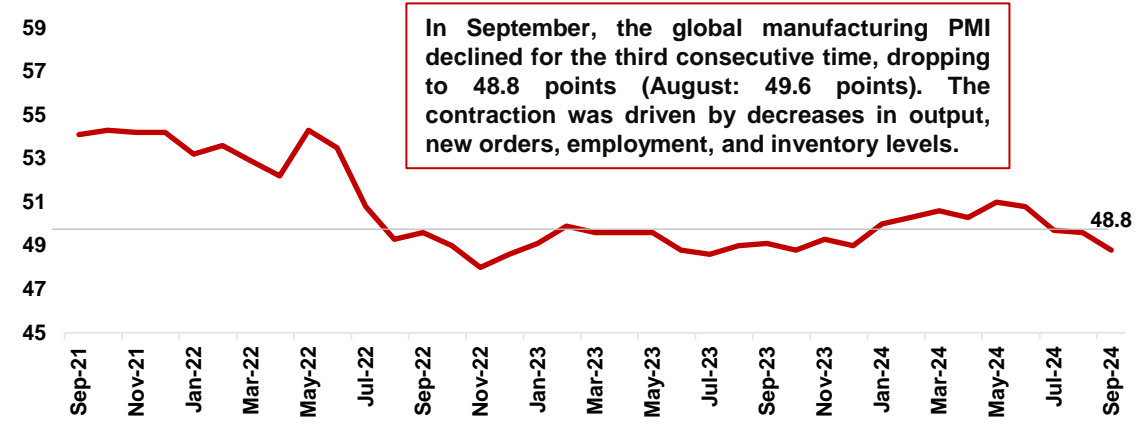
ECONOMIC RESEARCH

IMRAN NURGINIAS IBRAHIM
NOR LYANA ZAINAL ABIDIN
KHAYRIN FARZANA FAZLI
AMIRATUL HUSNA MOHAMMAD

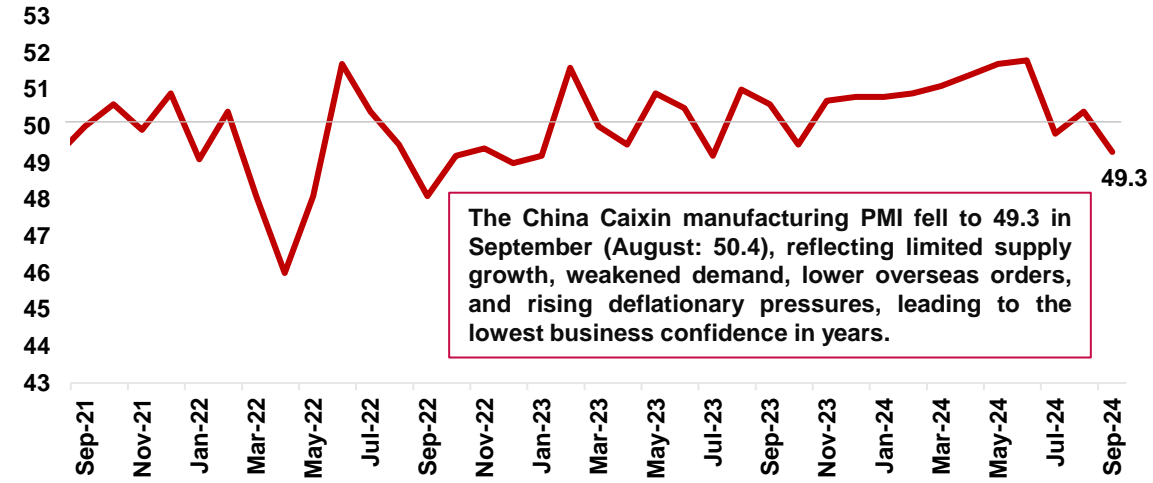
WEEKLY HIGHLIGHT: CHINA'S MANUFACTURING PMI INDICATED ECONOMIC WEAKNESS AMID NEW STIMULUS FOCUS

GLOBAL

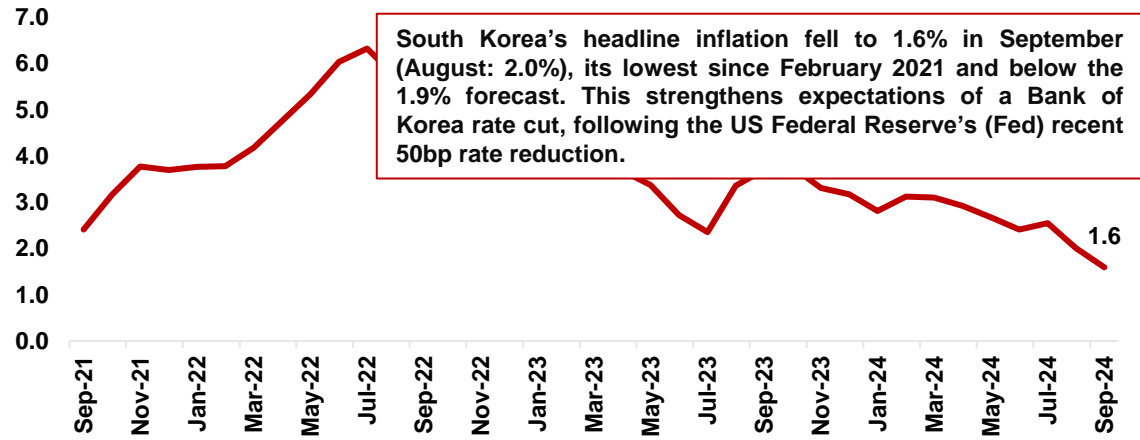
Global Manufacturing Purchasing Managers' Index (PMI), points



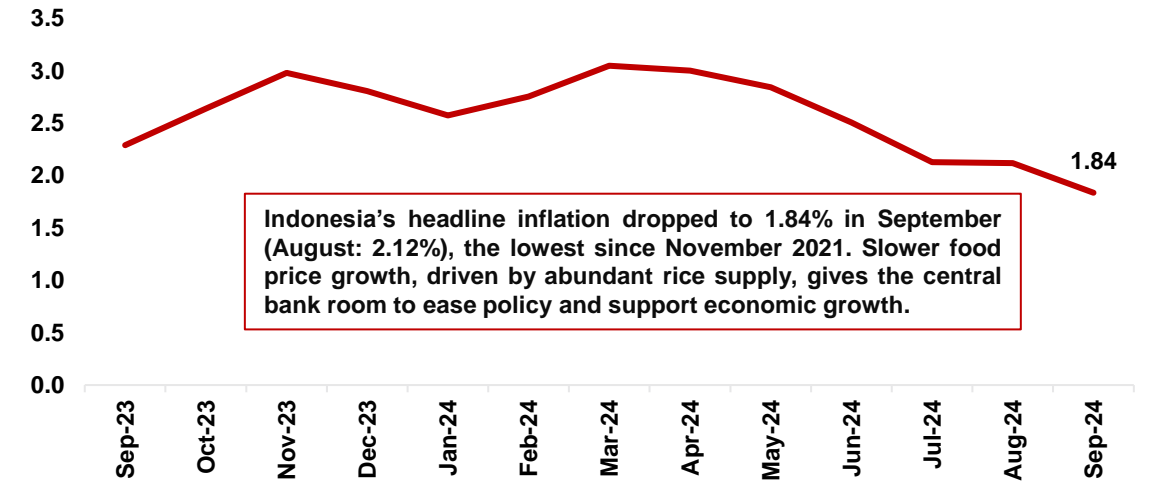
China Caixin Manufacturing PMI, points



South Korea - Consumer Price Index (CPI), y-o-y%

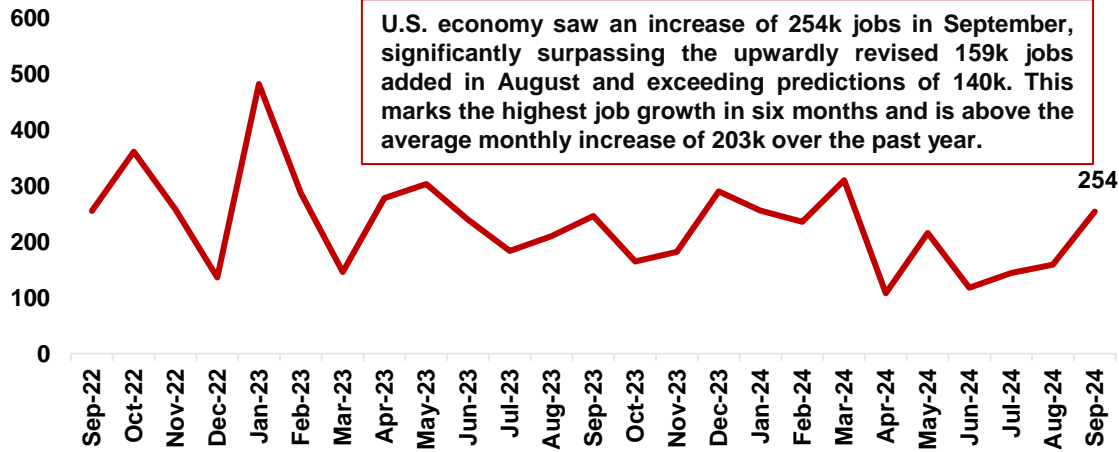


Indonesia - Consumer Price Index (CPI), y-o-y%

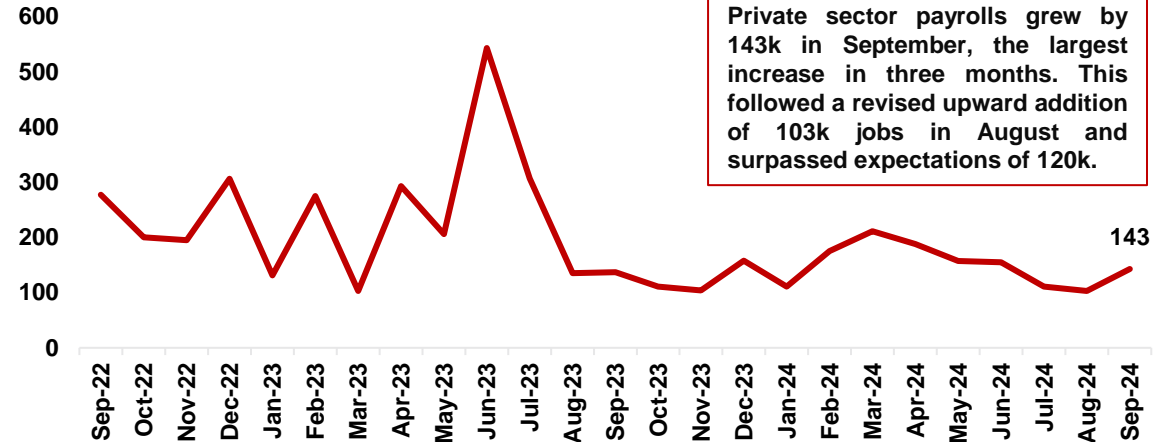


WEEKLY HIGHLIGHT: U.S. JOB GROWTH SPIKED IN SEPTEMBER AS UNEMPLOYMENT RATE DECLINED

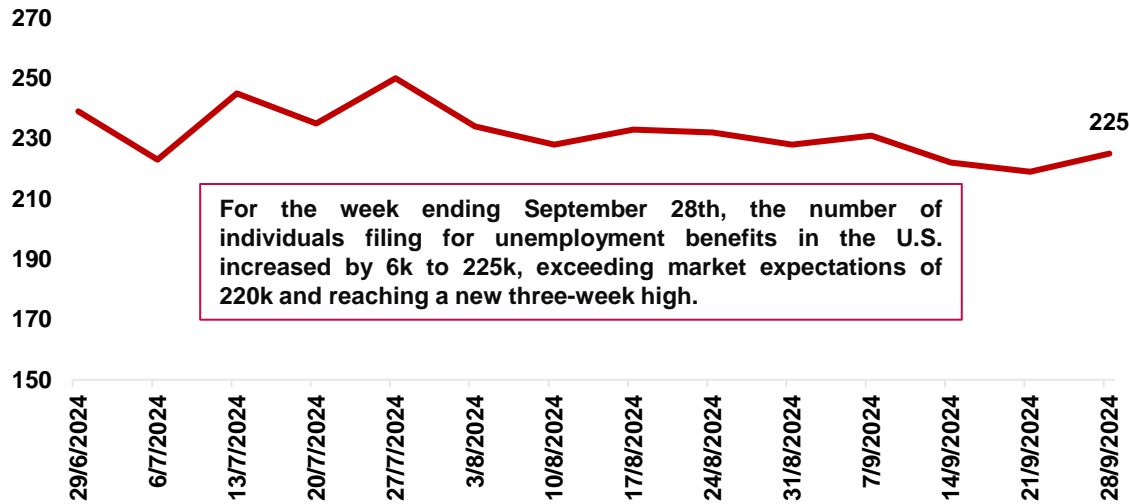
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



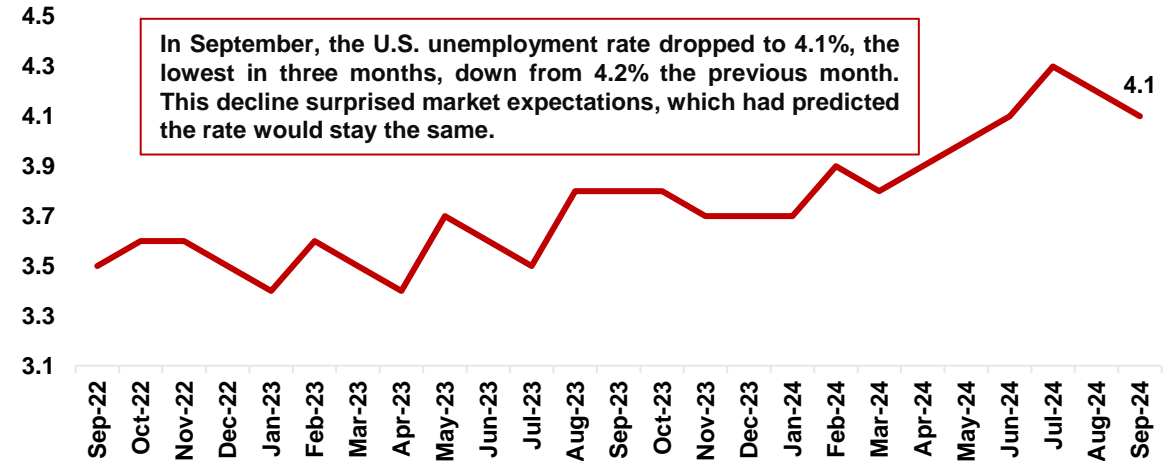
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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

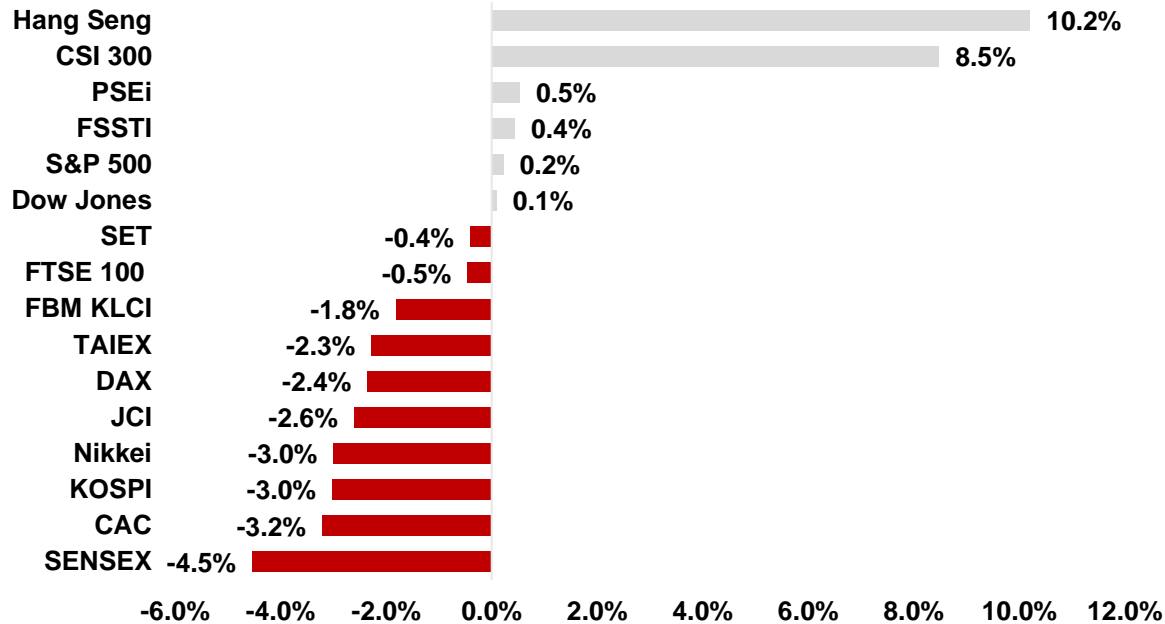


U.S. Unemployment Rate, %

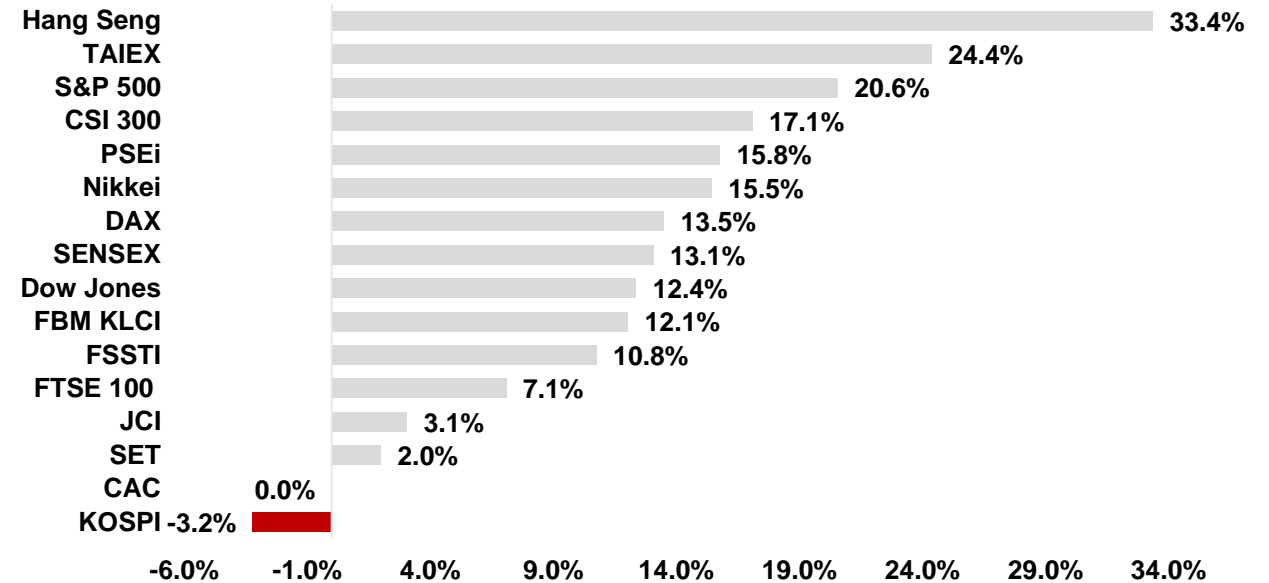


REGIONAL EQUITY: CHINESE STOCKS CONTINUED THEIR WINNING STREAK AMID GROWING OPTIMISM OVER ADDITIONAL STIMULUS

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



YTD Gain/Loss of Major Equity Markets, % (As of 4 October 2024)

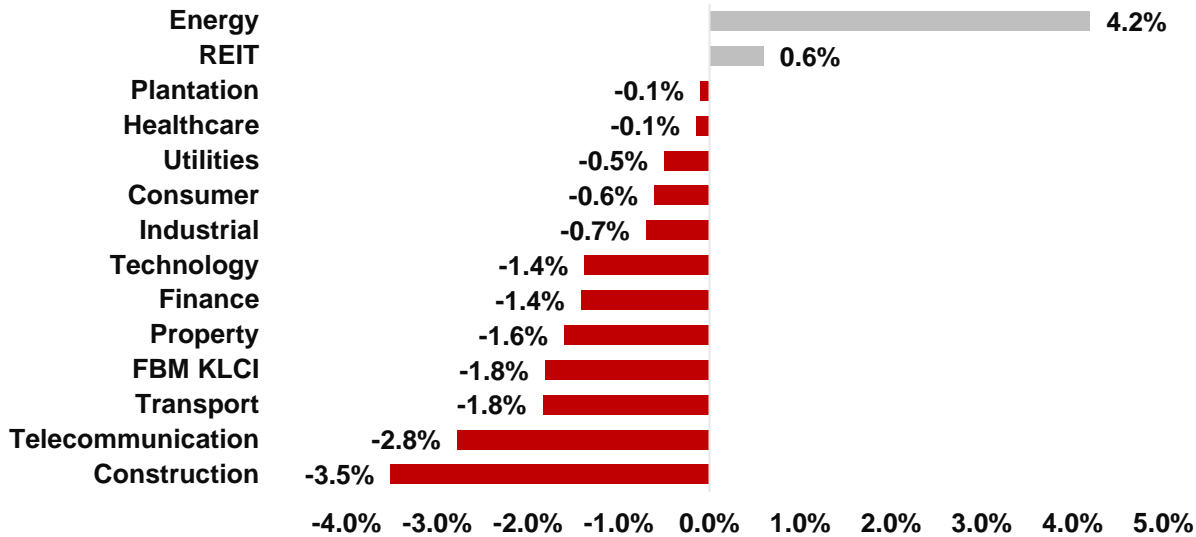


Sources: Bursa, CEIC Data

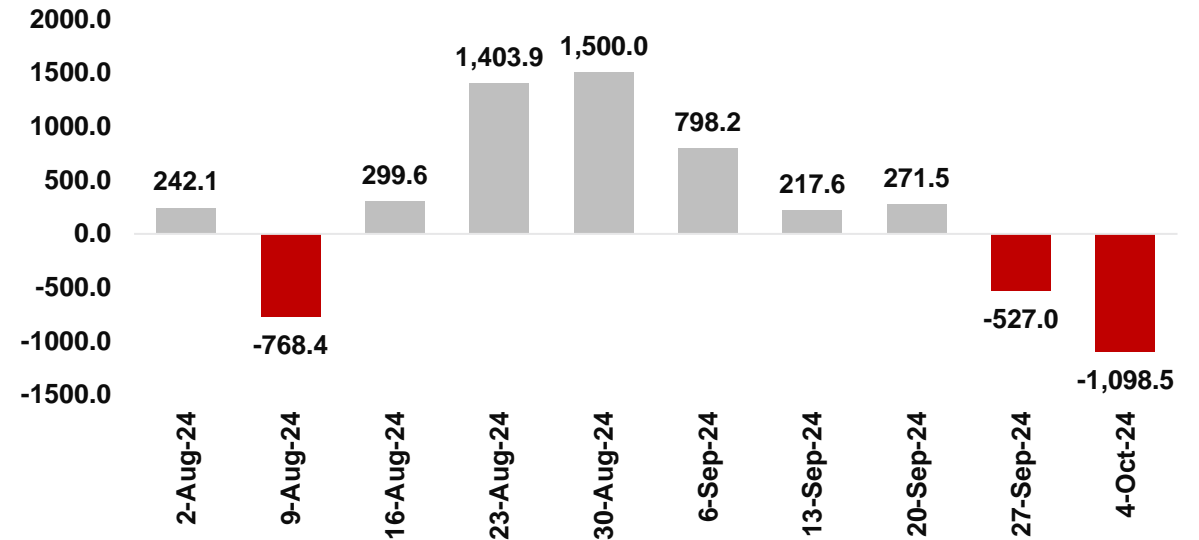
- Chinese stocks – Hong Kong’s Hang Seng (+10.2%) and CSI 300 (+8.5%) soared amid growing optimism that holiday spending in China would provide further momentum and growing speculation that China will implement additional stimulus measures to support the market.
- U.S. stocks – S&P 500 (+0.2%) and Dow Jones (+0.1%) expanded marginally after an unexpectedly strong jobs report, as investors set aside concerns about tensions in the Middle East. The September jobs report revealed that the labor market added 254K jobs, exceeding the expected 140K. Furthermore, the unemployment rate dropped to 4.1%, down from 4.2% in August.
- In contrast, India’s SENSEX plunged by 4.5% as the domestic market has experienced heightened volatility amid growing concerns over the potential escalation of conflict in the Middle East and its implications on global oil prices.

DOMESTIC EQUITY: A SEA OF RED IN THE LOCAL MARKET AS MIDDLE EAST TENSIONS INTENSIFIED

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

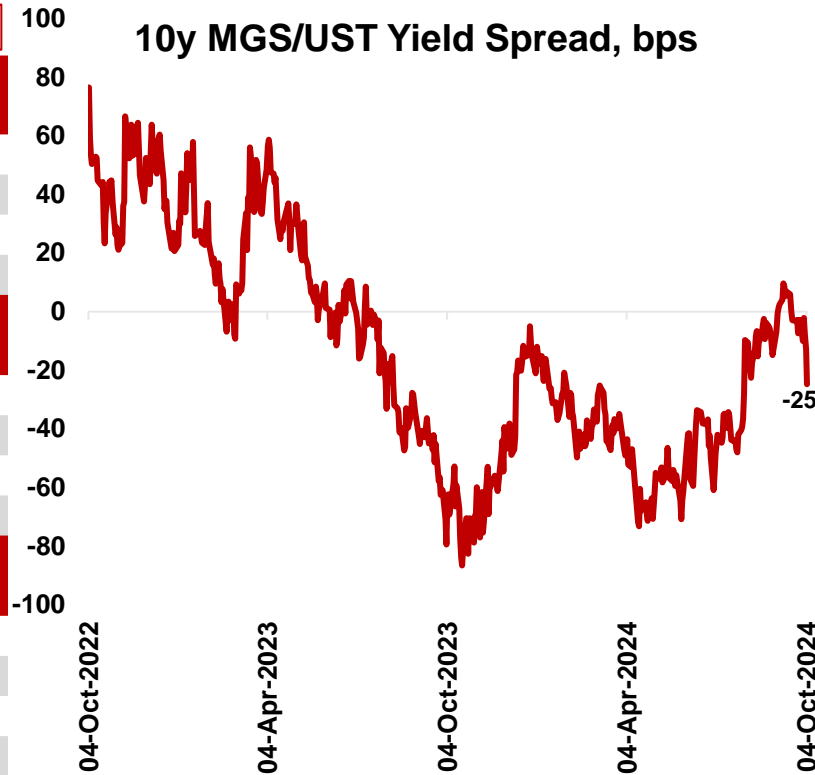


Sources: Bursa, CEIC Data

- The FBM KLCI slipped by 1.8% for the week ending October 4 as external development weighs on the local market.
- Investors were on a risk-off mode amid the intensifying geopolitical conflict in the Middle East, prompting them to flock towards safe haven assets instead.
- Furthermore, investors pared back their expectations of the magnitude of the Fed's November rate cut whilst buying interest into Chinese stocks remained high following China's surprise stimulus measures, both of which had led to subdued sentiments for the local market.
- Nevertheless, the heightened conflict had led to climbing oil prices which had bolstered the Energy index to surge by 4.2%.
- Meanwhile, the Construction index (-3.5%) was the biggest loser, followed by the Telecommunications (-2.8%) and Transport (-1.8%) indices.
- Foreign investors net sold a total of RM1.1 billion worth of equities last week, marking the highest net outflow since May. The net selling had reduced the cumulative total net inflow this year to RM2.9 billion.

FIXED INCOME: UST YIELDS TICKED HIGHER AMID ROBUST U.S. LABOUR MARKET

Weekly Changes, basis points (bps)			
UST	Yields (%) 27-Sep-24	Yields (%) 4-Oct-24	Change (bps)
3-Y UST	3.49	3.84	35
5-Y UST	3.50	3.81	31
7-Y UST	3.60	3.88	28
10-Y UST	3.75	3.98	23
MGS	Yields (%) 27-Sep-24	Yields (%) 4-Oct-24	Change (bps)
3-Y MGS	3.34	3.36	2
5-Y MGS	3.51	3.52	1
7-Y MGS	3.69	3.70	1
10-Y MGS	3.72	3.73	1
GII	Yields (%) 27-Sep-24	Yields (%) 4-Oct-24	Change (bps)
3-Y GII	3.32	3.34	2
5-Y GII	3.51	3.51	1
7-Y GII	3.69	3.71	2
10-Y GII	3.76	3.76	1



YTD Issuances of MGS and GII				
YTD	Issuances (RM Million)	Average bid-to- cover (BTC, x)	Max (BTC, x)	Min (BTC, x)
MGS	71,000	2.2	3.1	1.7
MGII	73,500	2.8	4.4	1.7

Upcoming Auctions of MGS and GII – October 2024

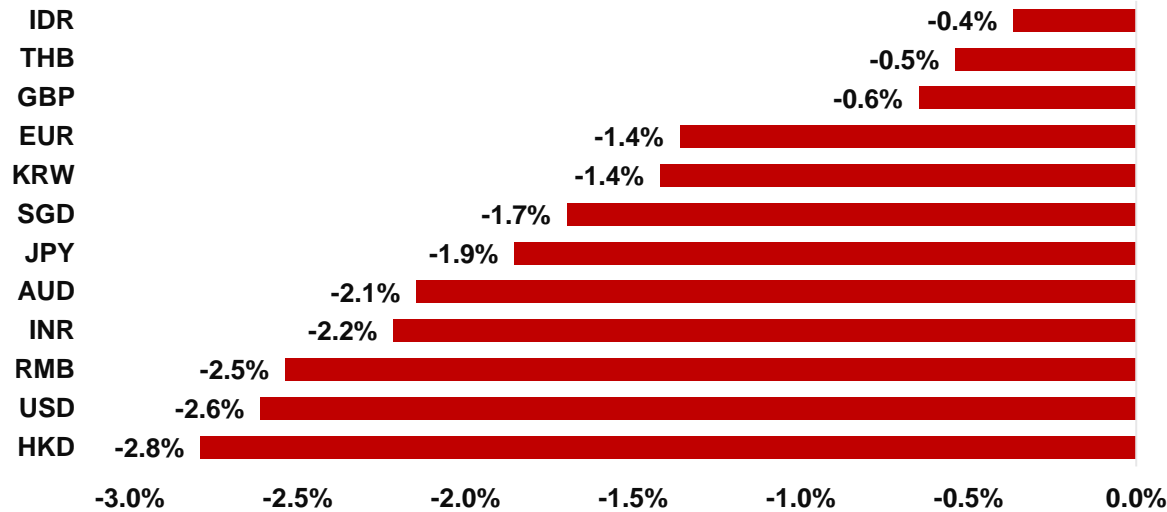
Issues	Issue Month	Private Placements
3-yr Reopening of MGS 05/27 3.502%	October	No
10-yr Reopening of MGII 11/34 4.119%	October	No
20-yr Reopening of MGS (Mat on 05/44)	October	Yes
7-yr Reopening of MGII (Mat on 10/31)	October	No

Sources: BNM, Federal Reserve Board

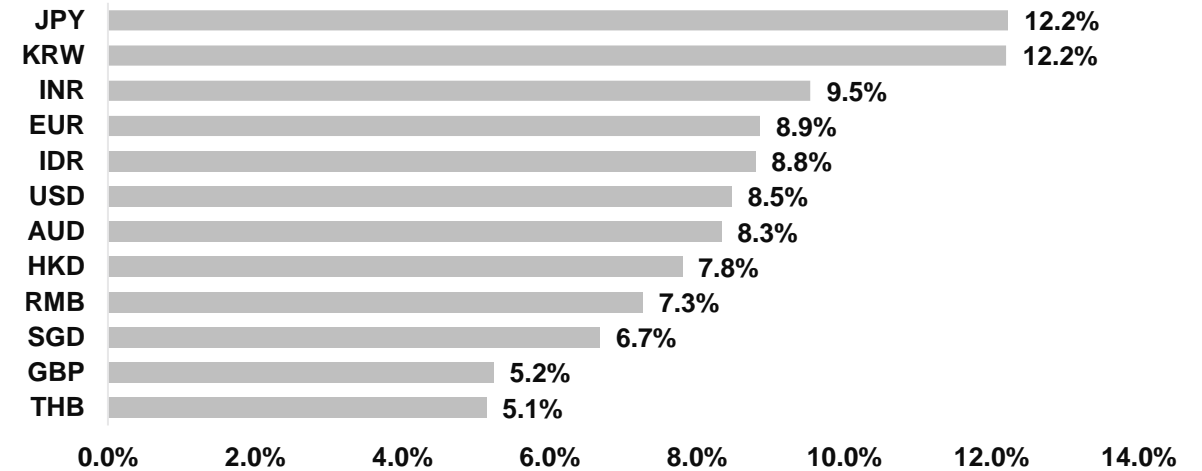
- The U.S. Treasury (UST) yield curve bearishly flattened between 23bps and 35bps last week after signs of a robust U.S. labour market reduced the urgency for the Fed to pursue further aggressive rate cuts for the remaining of this year.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also closed higher in the range of 1bp and 2bps.
- The 10y MGS/UST yield spread widened in the negative territory at 25bps relative to -3bps in the previous week.
- On the issuance, the upcoming auction is the RM4.5 billion 3-Y reopening of MGS on October 8 without any private placement. The previous issuance of RM5.0 billion 3-Y MGS reopening in June 2024 garnered a bid-to-cover (BTC) ratio of 1.7x.
- As of September 2024, the gross issuances of MGS and GII totaled to RM144.5 billion, 81.0% of our forecast of RM178.4 billion for 2024.

FX MARKET: RINGGIT ENDED LOWER AGAINST REGIONAL PEERS AS U.S. JOB FIGURES SURPRISED MARKETS

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 4 October 2024)



Sources: BNM, Federal Reserve Board, BLS

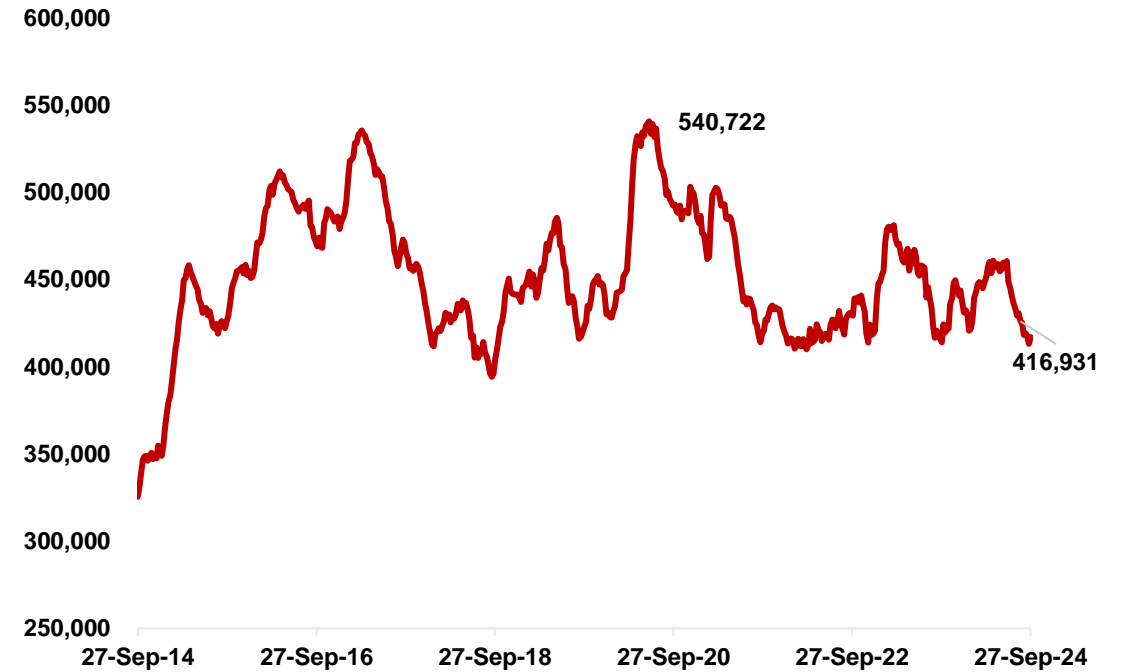
- The Ringgit depreciated by 2.6% against the USD for the week ending October 4 following the USD index's climb back above the 102-level.
- The rebound of the greenback was fueled by the hotter-than-expected U.S. job market as evidenced by a slew of job figures. The U.S. unemployment rate ticked up to 4.1% in September (August: 4.2%) while NFP data showed that the economy added 254K jobs in the same month (August: 159K), significantly higher than the estimated 140K. Meanwhile, the JOLTs job openings rose more than expected to 8.04 million in August (Est: 7.66 million).
- Coupled with Fed Chair Powell's statement earlier last week where he signaled smaller cuts moving forward after the 50bp rate cut delivered in September, such figures had bolstered market sentiments as the probability of a 25bp rate cut in the Fed's November meeting jumped to more than 94% at the time of writing.
- Moving forward, the local will trade cautiously ahead of key U.S. releases including the Fed's Federal Open Market Committee (FOMC) minutes as well as U.S. inflation figures on Thursday.

COMMODITY: OIL PRICES SURGED AMID MIDDLE EAST WAR RISKS, POSTING BIGGEST WEEKLY GAINS IN OVER A YEAR

Brent Crude in USD per barrel



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

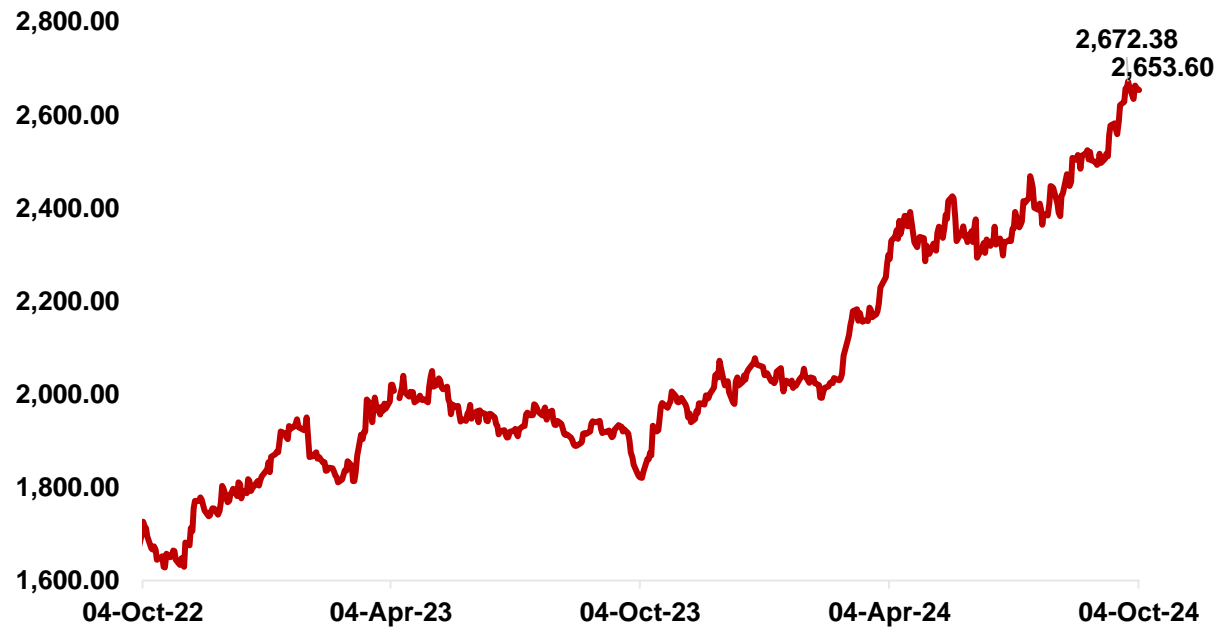


Sources: Bloomberg, Energy Information Administration (EIA)

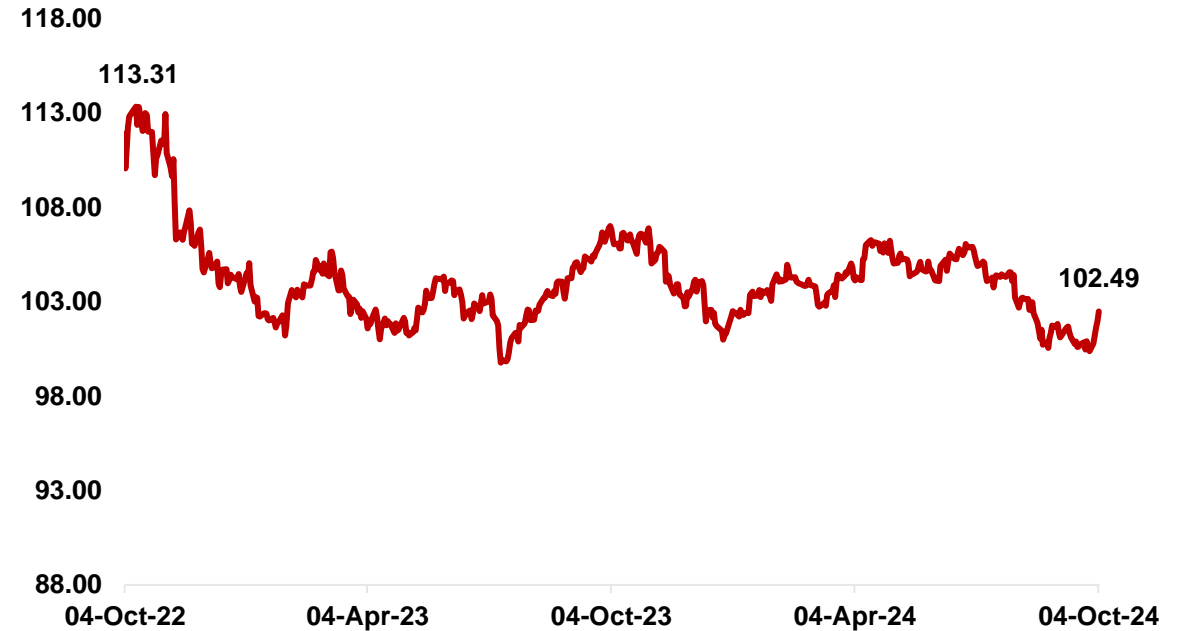
- Brent oil prices rose above USD78 per barrel for the week ending October 4, marking their largest weekly gains in over a year amid fears of a Middle East conflict, though gains were limited by President Biden's caution to Israel against targeting Iranian oil facilities.
- Meanwhile, U.S. crude oil inventories increased by 0.9%, with a build of 3.9 million barrels for the week ending September 27, reaching 416.9 million barrels, despite market expectations of a 1.5 million barrel draw, driven by recent Middle East escalations.

COMMODITY: GOLD PRICE EDGED LOWER AS FAVOURABLE U.S. JOB DATA STRENGTHENS CASE FOR A SMALLER CUT

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg

- Following the solid performance of the U.S. job market, the bullion price slipped by 0.2% as markets are now expecting a 25bps rate cut by the Fed in its November meeting, down from the 50bps cut expected just a week before.
- Nevertheless, losses to the bullion was capped by influx of buying into the safe-haven asset following the broadening Middle East tensions as Iran has now joined in the conflict.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., attention will focus on consumer price index (CPI) data, FOMC minutes and the start of the earnings season. Annual inflation is expected to have slowed to 2.3% in September (Aug: 2.5%), the lowest since February 2021. The headline CPI is forecasted to rise by 0.1% m-o-m, down from the 0.2% increase in August. Core CPI is projected to increase by 0.2% m-o-m, slightly lower than the previous month's 0.3%. Additionally, producer price index (PPI) is expected to rise by 0.1% m-o-m, with core PPI up by 0.2% m-o-m. The release of the FOMC minutes will offer clues on the Fed's next rate cut, with expectations scaled back after a strong jobs report lowered the odds of a significant 50bp cut. Furthermore, attention will be on appearances by several Fed officials. On the corporate front, Q3 earnings season kicks off with major banks like JPMorgan, Wells Fargo, and Bank of New York Mellon reporting on Friday.
- The European Central Bank (ECB) will publish the minutes from its recent monetary policy meeting on Thursday. In September, policymakers reduced borrowing costs by 25bp, marking the second cut this year, with another reduction anticipated this month. In the U.K., monthly GDP data from the Office for National Statistics (ONS) is expected to show economic growth in August, after recording a growth of 1.2% y-o-y in July (June: 0.7%) in line with a recovery in industrial and manufacturing output.
- In Australia, a packed week of events will be highlighted by the release of minutes from the Royal Bank of Australia's (RBA's) September meeting on October 8 with market participants seeking clues on its hawkish stance. RBA Deputy Governor Andrew Hauser is also scheduled to speak that same day. Meanwhile, the Reserve Bank of New Zealand (RBNZ) is expected to announce another policy rate cut on October 8, though the market remains divided on the extent of the reduction. The central bank reduced the official cash rate for the first time in over four years during its August meeting, a full year ahead of its own forecasts. RBNZ Governor Adrian Orr expressed his intention to implement two additional rate cuts by Christmas.

BANK ISLAM

THANK YOU