



WEEKLY ECONOMIC UPDATE

10 JUNE 2024

ECONOMIC RESEARCH

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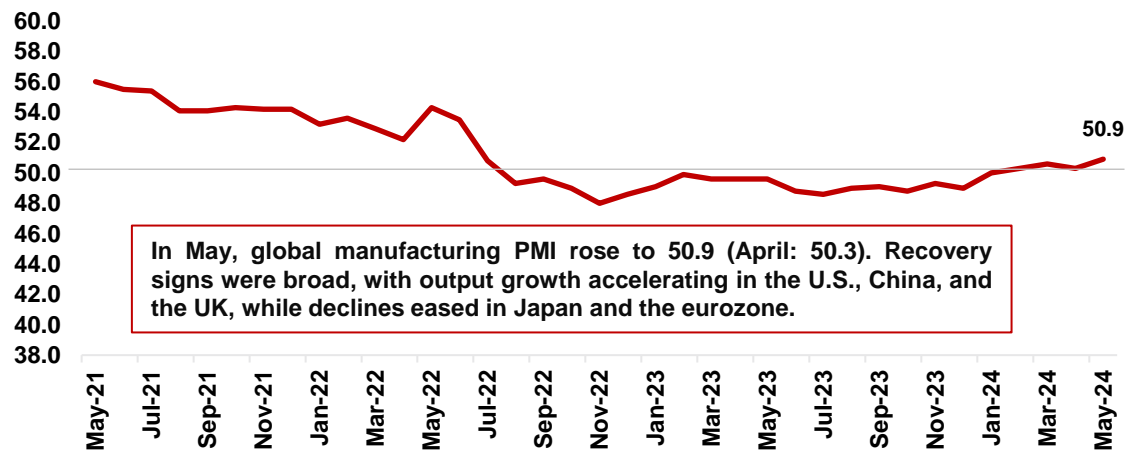
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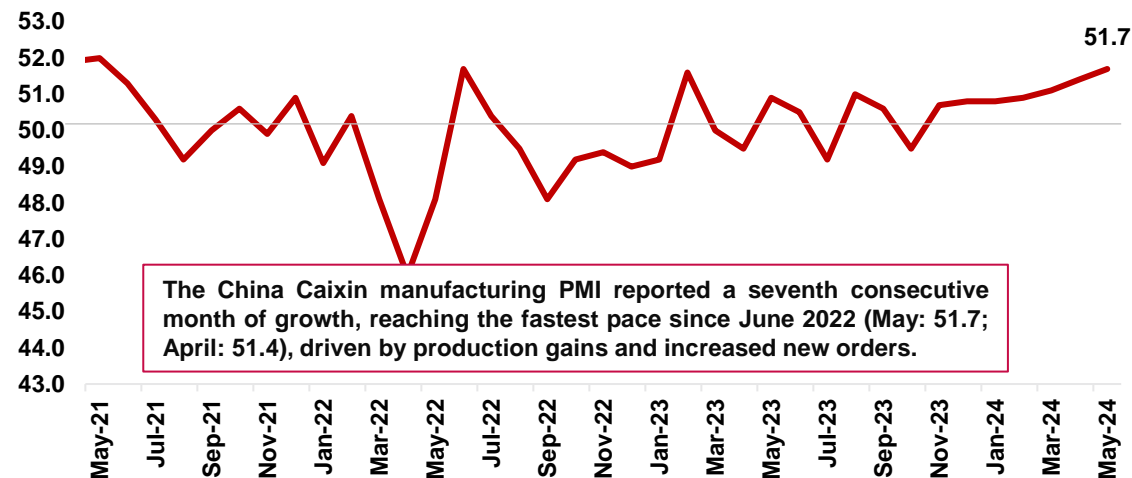
WEEKLY HIGHLIGHT: CHINA'S MANUFACTURING RECOVERY REMAINS STRONG

GLOBAL

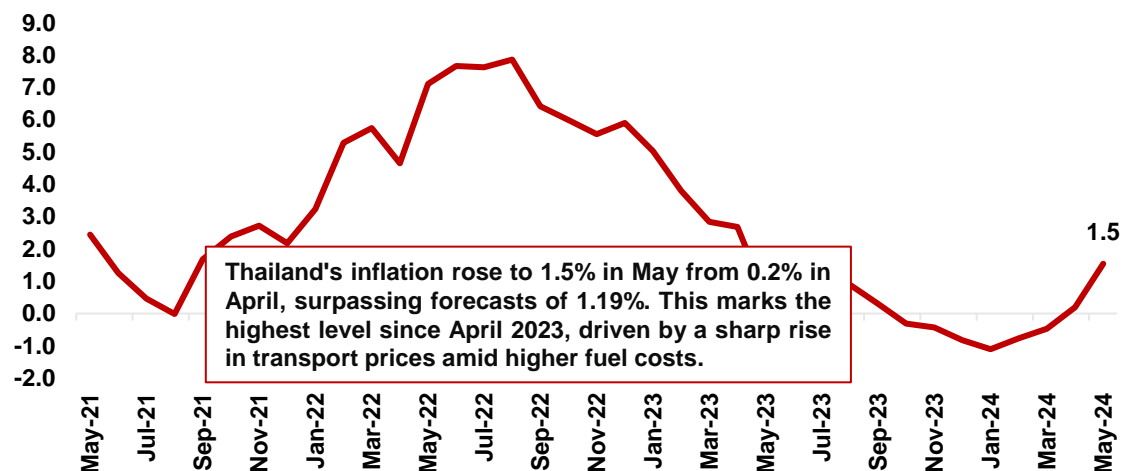
Global Manufacturing Purchasing Managers' Index (PMI), points



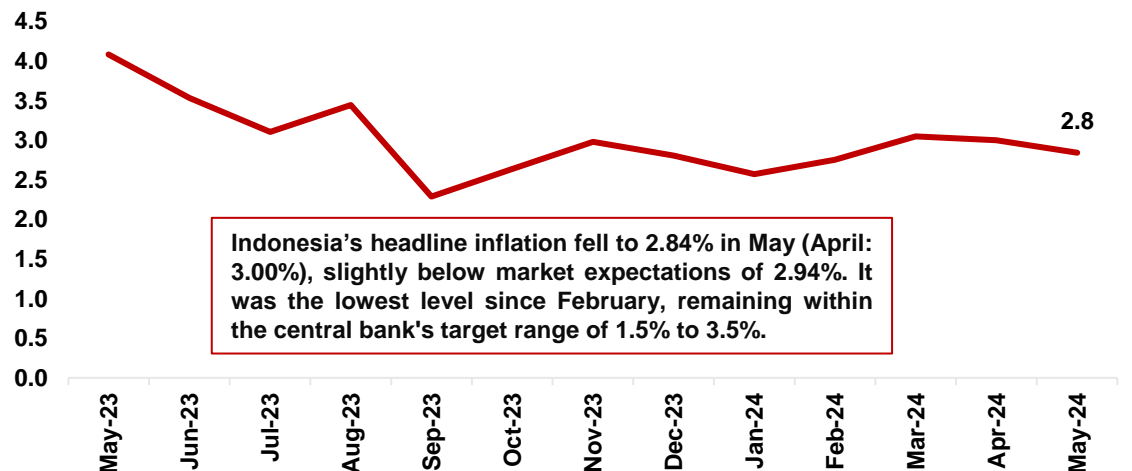
China Caixin Manufacturing PMI, points



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

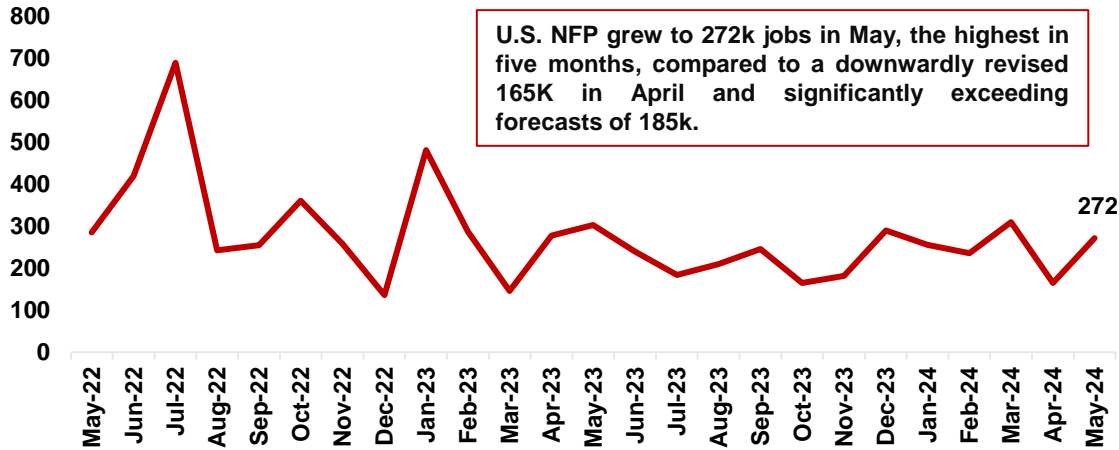


Indonesia - CPI, y-o-y%

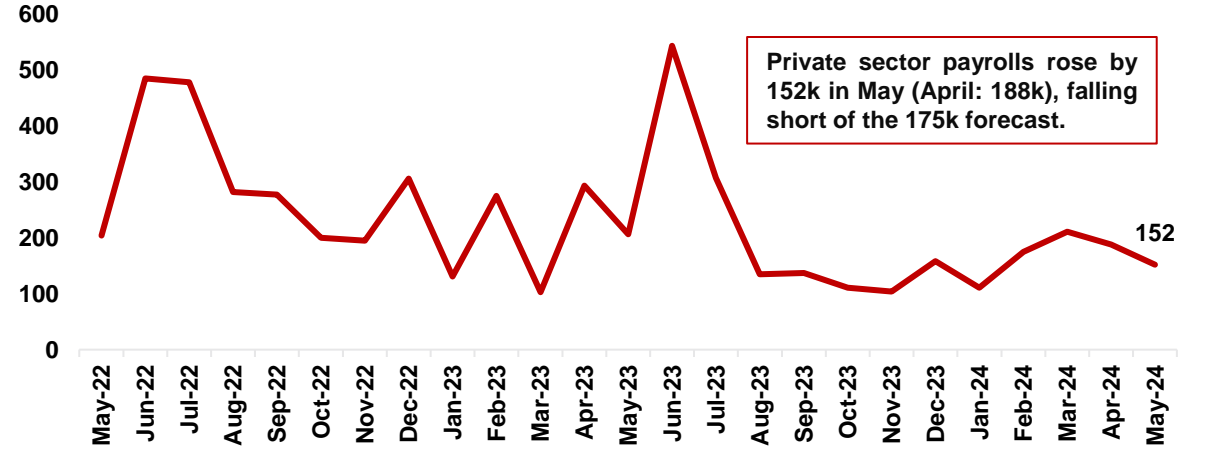


WEEKLY HIGHLIGHT: U.S. JOB GROWTH EXCEEDED EXPECTATIONS IN MAY, BUT UNEMPLOYMENT RATE RISES

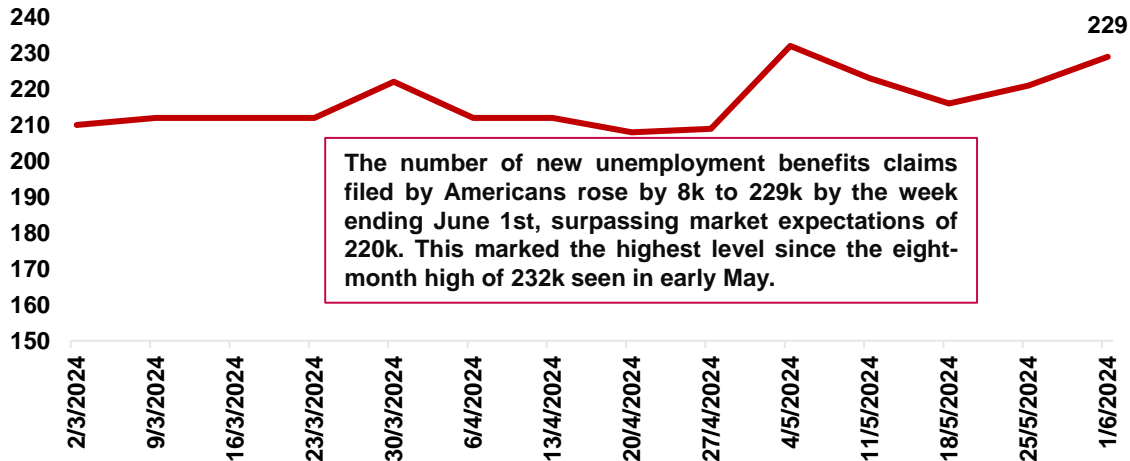
U.S. Non-Farm Payroll (NFP), m-o-m changes ('000)



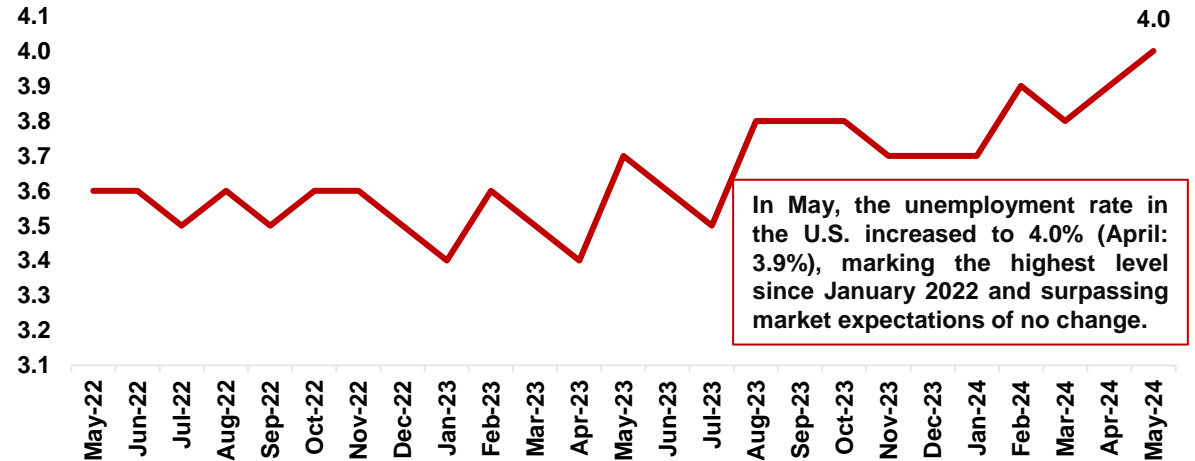
U.S. ADP Nonfarm Employment, m-o-m changes ('000)



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

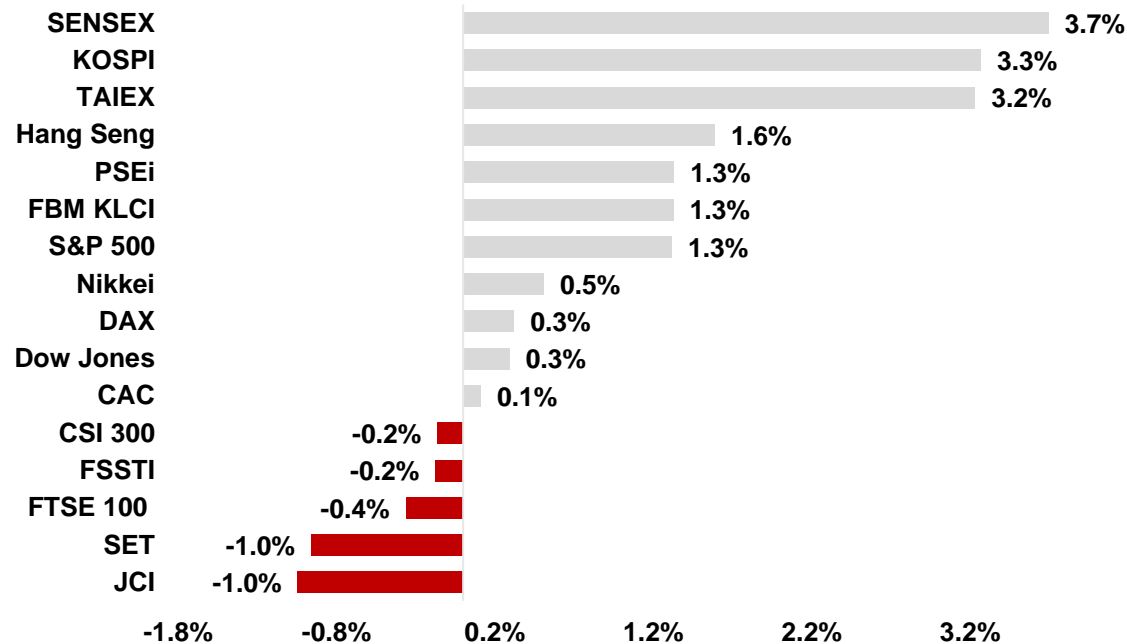


U.S. Unemployment Rate, %

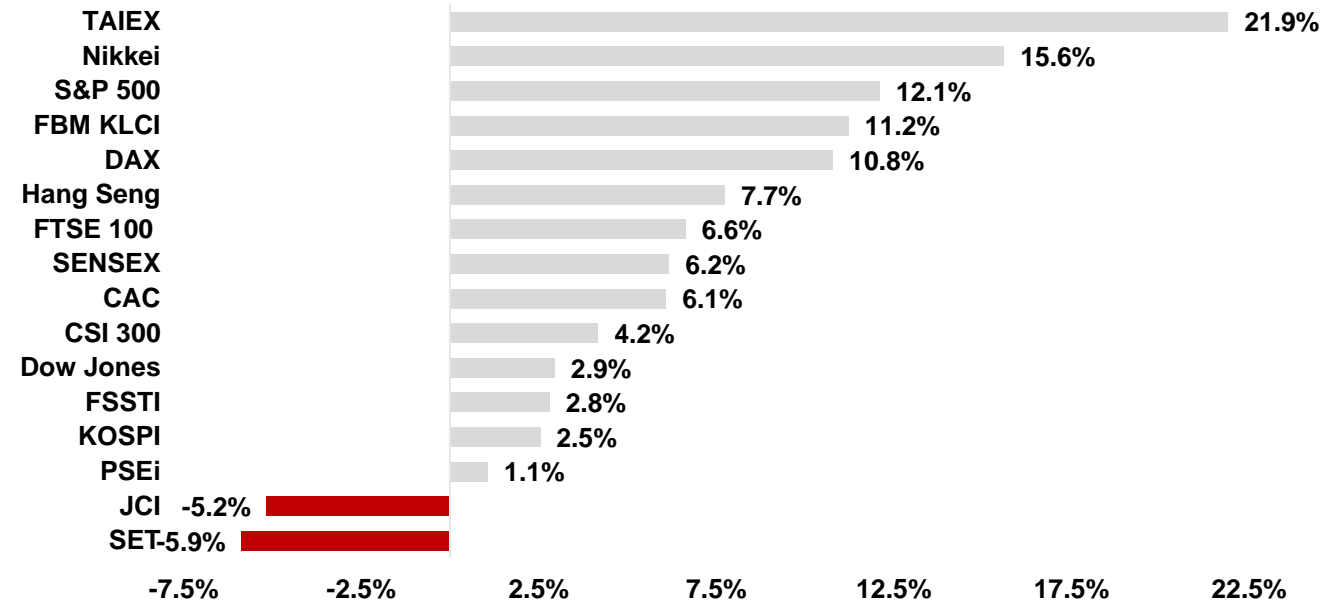


REGIONAL EQUITY: WORLD STOCKS CHEERED AFTER RATE CUTS BY ECB

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



YTD Gain/Loss of Major Equity Markets, %
(As of 7 June 2024)

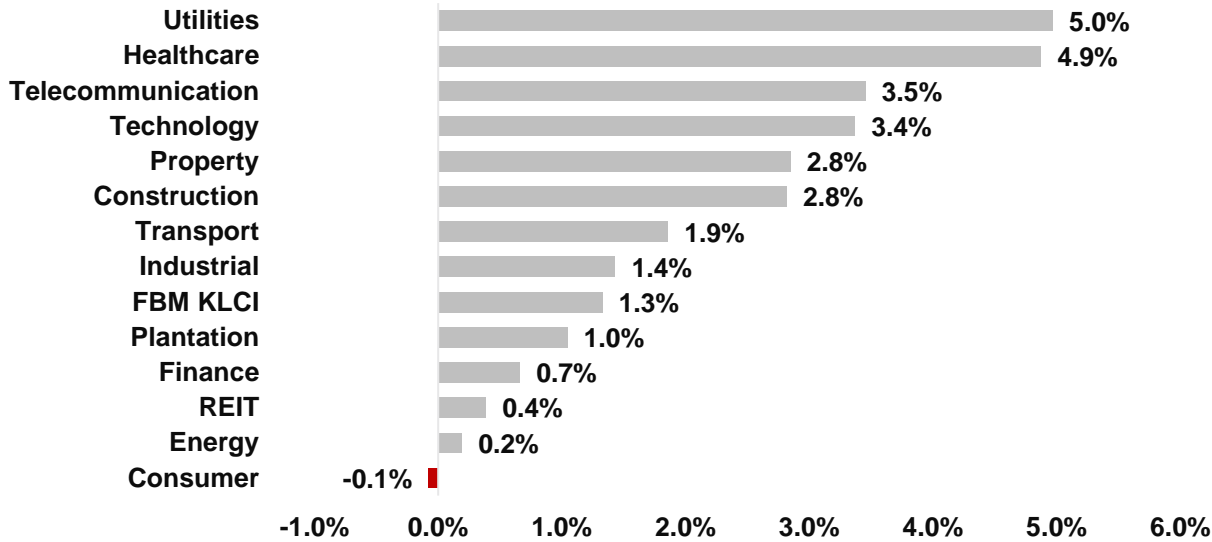


Sources: Bursa, CEIC Data

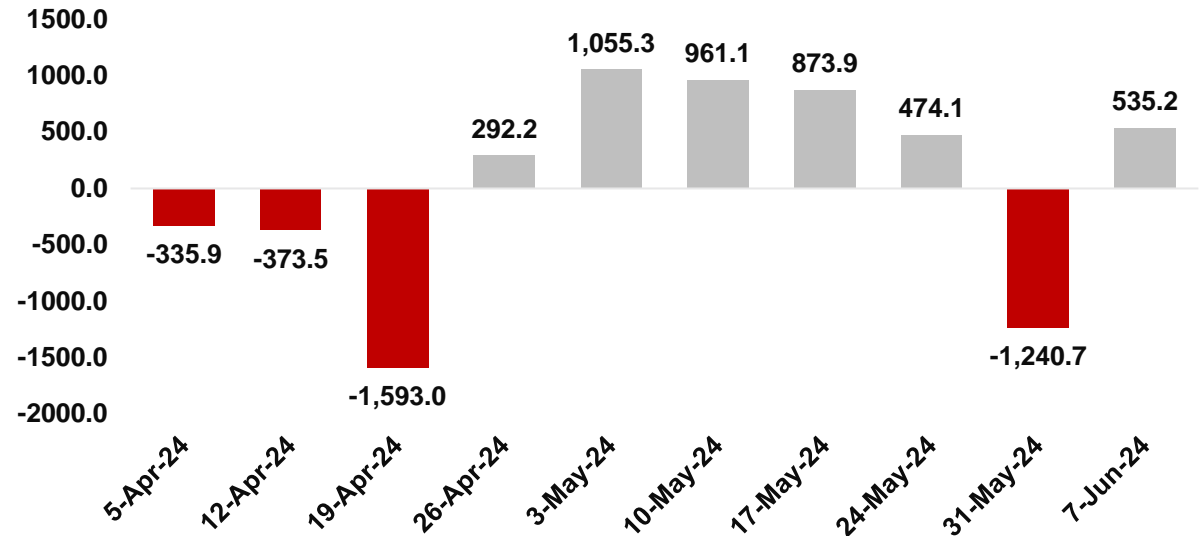
- The regional equity indices mostly ended in the green for the week ending June 7 following the European Central Bank (ECB) dipped its toes back into cutting interest rates for the first time in almost five years but hinted that future reductions might be slow and steady.
- India's SENSEX led the winners with gains of 3.7% following the Prime Minister Narendra Modi's historic third term victory and the Reserve Bank of India (RBI)'s decision to hold rates steady, coupled with its more optimistic growth forecast for the 2025 fiscal year to 7.2% from 7.0%, further fueled the rally.
- U.S. stocks – S&P 500 (+1.3%) and Dow Jones (+0.3%) climbed as the strong U.S. jobs report eased worries about a sluggish economy despite potentially delaying Federal Reserve (Fed) rate cuts.
- On the contrary, Indonesia's JCI (-1.0%) and Thailand's SET (-1.0%) were among the major losers for last week.

DOMESTIC EQUITY: LOCAL MARKET IN THE GREEN AS INVESTORS SENTIMENTS SAIL HIGH

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

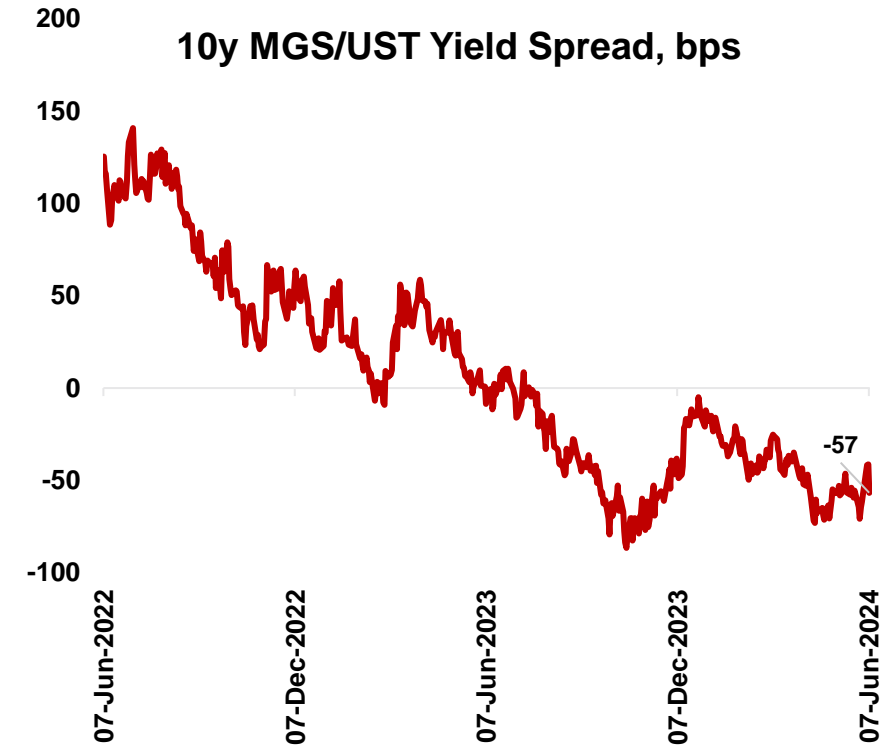
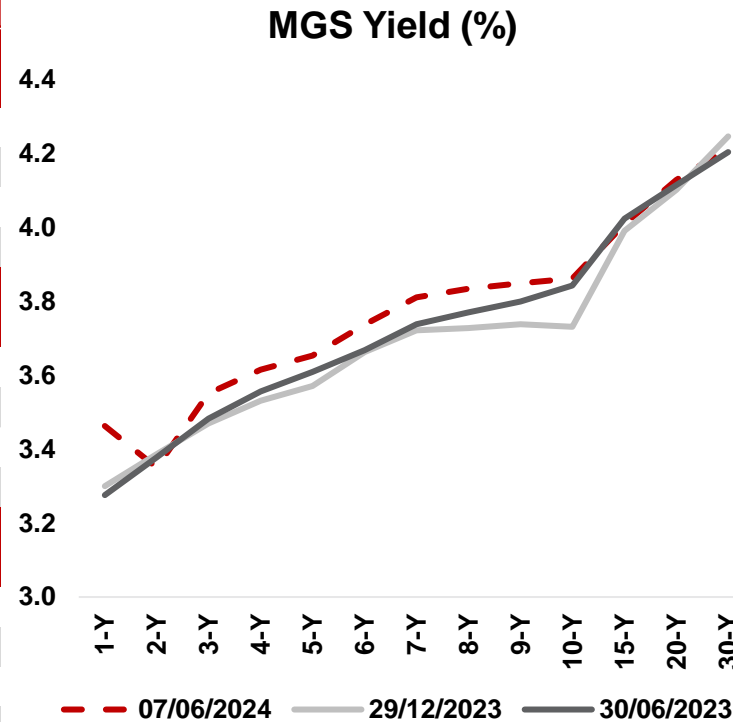


Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI closed on a positive note for the week ending June 7 amid bargain hunting activities from both domestic and foreign investors.
- Investors' sentiments remained optimistic on the prospects surrounding the technology sector's developments following Google's recent announcement of establishing a data centre and cloud region in Malaysia, in addition to Microsoft's earlier commitment to invest the said sector. Such interest had bolstered buying activities with the Technology index closing at a 26-month high, leading to spillover interest in other indices in the local bourse as well.
- The Utilities index (+5.0%) had emerged as the top gainer, followed by the Healthcare (+4.9%) and Telecommunications (+3.5%) indices.
- Meanwhile, the Consumer index closed the week as the only loser, declining by 0.1%.
- Foreign investors emerged as the net buyers last week, acquiring a total of RM535.2 million worth of equities following a net outflow of RM1.2 billion the week before. The net buying had reduced the cumulative total net outflow this year thus far to RM17.9 million.

FIXED INCOME: YIELDS LOWERED AT A SMALLER MAGNITUDE AMID STRONG U.S. LABOUR MARKET

Weekly Changes, basis points (bps)			
UST	Yields (%) 31-May-24	Yields (%) 7-Jun-24	Change (bps)
3-Y UST	4.69	4.65	-4
5-Y UST	4.52	4.46	-6
7-Y UST	4.52	4.45	-7
10-Y UST	4.51	4.43	-8
MGS	Yields (%) 31-May-24	Yields (%) 7-Jun-24	Change (bps)
3-Y MGS	3.58	3.55	-3
5-Y MGS	3.70	3.65	-4
7-Y MGS	3.84	3.81	-3
10-Y MGS	3.90	3.86	-3
GII	Yields (%) 31-May-24	Yields (%) 7-Jun-24	Change (bps)
3-Y GII	3.53	3.51	-2
5-Y GII	3.67	3.65	-2
7-Y GII	3.83	3.80	-2
10-Y GII	3.90	3.88	-2

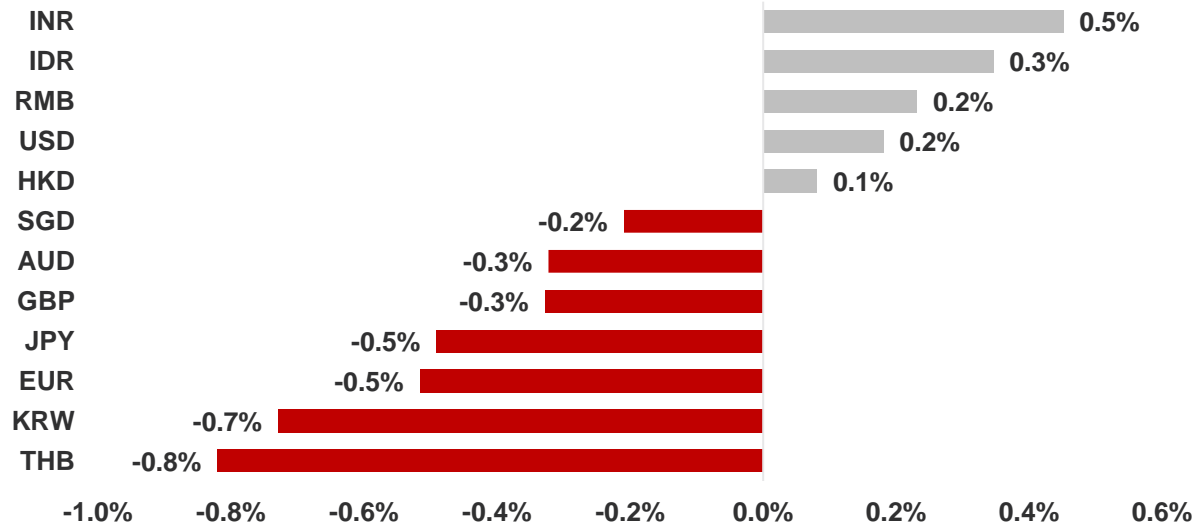


Sources: BNM, Federal Reserve Board

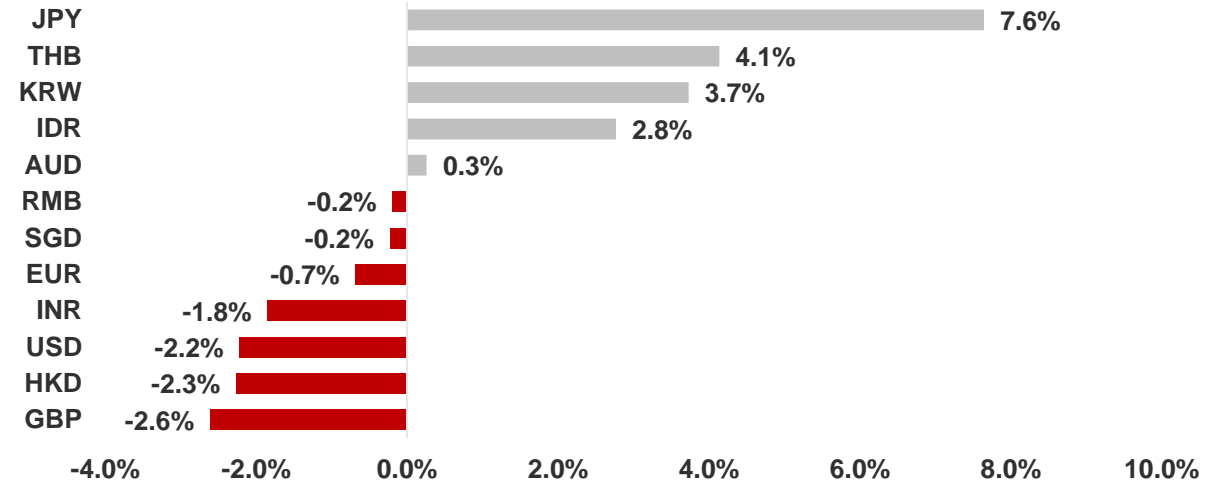
- The U.S. Treasury (UST) yield curve bullishly flattened between 4bps and 8bps for the week ending June 7. Declines in yields were rather modest amid a robust jobs market data that has dampened rate cut expectations.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched lower, albeit at a smaller magnitude in the range of 3bps and 4bps.
- The RM5.0 billion 20-Y issuance of GII which was issued on June 7 drew a robust demand with a bid-to-cover (BTC) ratio of 3.5x, significantly higher than the previous RM5.0 billion 20-Y issuance of GII in February, which garnered a BTC ratio of 3.0x.
- The 10y MGS/UST yield spread narrowed marginally in the negative territory at -57bps relative to -62bps in the previous week.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. DATA

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 7 Jun 2024)

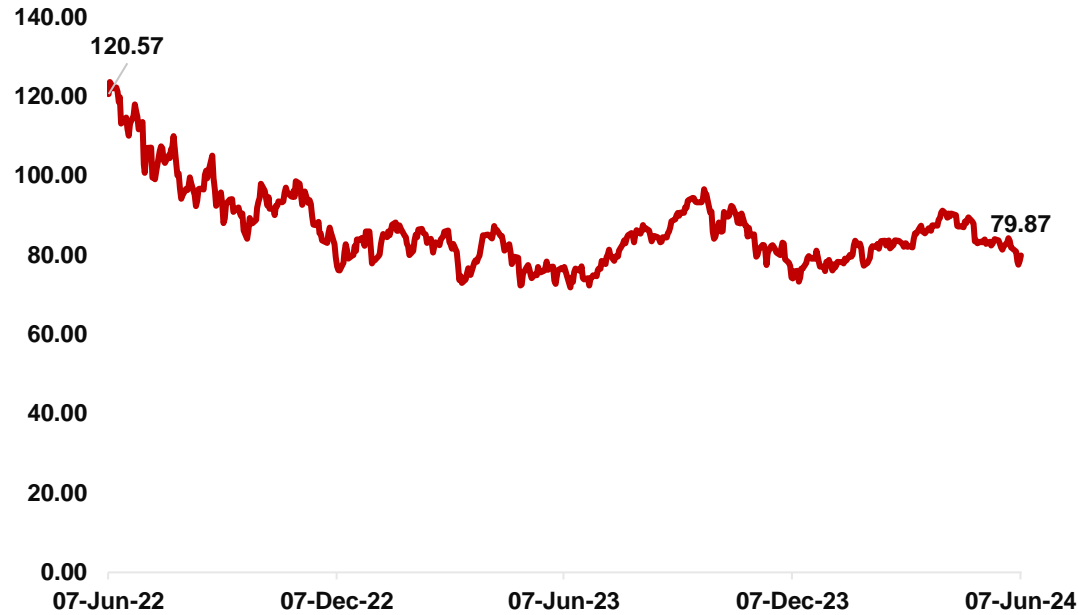


Sources: Bank Negara Malaysia (BNM), Federal Reserve Board, BLS

- Ringgit had appreciated against the USD for the week ending June 7 to close at RM4.6955 from RM4.7040 a week ago despite the increasing USD index (+0.2%).
- The strengthening greenback was supported by a hotter than anticipated U.S. job market when the NFP data surges to 272K in May (April: 165K), beating the consensus estimate of 185K. Furthermore, the number of jobs added in May marks the highest level this year, signalling that the job market has prevailed over the prolonged elevated Federal Funds Rate (FFR) environment.
- As such, possibilities of the FFR being held steady in September has rose to over 52.0% at the time of writing.
- However, in contrarian prints, the unemployment rate had ticked up to the highest level since January 2022 at 4.0% (April: 3.9%) while the job openings fell below estimates to mark the lowest level since February 2021 (Act: 8.059 million vs. Est: 8.34 million).
- Nevertheless, the scales may shift yet again as markets are eyeing the scheduled release of U.S.' May inflation data and the Federal Open Market Committee (FOMC) Economic Projections on Wednesday to gauge to Fed policy path ahead.

COMMODITY: OIL PRICES DIP ON DIMINISHED U.S. RATE CUT EXPECTATIONS AND OPEC+ DECISIONS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices fell below USD80 per barrel, marking three weeks of losses, driven by expectations of prolonged high borrowing costs impacting demand. OPEC+ extended most supply cuts into 2025 but planned to phase out voluntary output cuts from eight member countries starting in October.
- The EIA data revealed that U.S. crude oil inventories climbed by 1.2 million barrels to 455.9 million barrels, contrasting with the market's expectation of a 2.1 million barrels decrease.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS FOLLOWING HOTTER THAN EXPECTED U.S. JOB MARKET

Gold in USD per ounce



U.S. Dollar Index (DXY)



Source: Bloomberg

- The bullion price has finally slipped from its reigning wins to close below the USD2,300-level for the week ending June 7.
- Such performance was affected by markets further slashing their bets of a September Fed rate cut after U.S. job data surprises with strong figures, hinting that the economy may prove to be more resilient than anticipated.
- Nevertheless, the moves to ease their respective monetary policies by the ECB and Bank of Canada (BoC) have managed to limit the fall of the bullion price.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Fed rate cut expectations have been volatile recently amid conflicting economic signals, with a strong jobs market contrasting with weakness in consumer spending. This week's U.S. May inflation data and the FOMC meeting will be closely watched for more clues on the Fed's future policy path. No rate moves are anticipated from the Fed this week, given that Fed policymakers have consistently emphasised the possibility of prolonged high interest rates as they want to see more evidence that inflation is firmly returning to the 2.0% target before pivoting to easing. As such, focus will be on the updated dot plot projections, which are expected to show that Fed policymakers have trimmed their forecasted number of rate cuts for 2024 from three currently.
- Following Governor Kazuo Ueda's reaffirmation of his resolve to normalise the Bank of Japan (BoJ)'s ultra-loose monetary policy, there are expectations that the central bank could announce a reduction in its roughly JPY6.0 trillion worth of monthly government bond purchases at the policy meeting due this week. While the BoJ is expected to stand pat on interest rates, the bank is likely to maintain its relatively hawkish rhetoric to keep the JPY supported, and even drop hints on the timing of rate hikes.
- Bank of Thailand (BoT) is likely to hold its benchmark interest rates unchanged at a more than decade-high of 2.50% this week, defying strong calls from the government to start easing borrowing costs to boost the country's economic growth. The BoT has shown reluctance to cut as it expresses concerns about high household debt and upside risks to inflation that may arise from the government's proposed fiscal spending plans. For record, Thailand's inflation rose faster-than-expected in May to 1.5% (April: 0.2%), marking its first return to the BoT's target of between 1.0% and 3.0% since April 2023, which helps to diminish urgency for rate cuts.
- Malaysia's industrial production surged by 6.1% in April (March: 2.4%) to mark the highest level since September 2022, spearheaded by the 4.9% growth of the Manufacturing sector in the same month (March: 1.3%). Furthermore, both the Mining (April: 10.0% vs. March: 4.9%) and Electricity (April: 7.6% vs. March: 8.5%) sectors provided support to the positive trend displayed. On the labour market front, Malaysia's employment data continued to point to a healthy labour market in April with unemployment rate staying at pre-pandemic level of 3.3%. Additionally, the number of labour force continued to be on an uptrend while the number of unemployed remained on a declining trend. Meanwhile, Malaysia's retail sales is projected to moderate in April from an 11-month high of 7.1% in March.

BANK ISLAM

THANK YOU