



# **WEEKLY ECONOMIC UPDATE**

**11 NOVEMBER 2024**

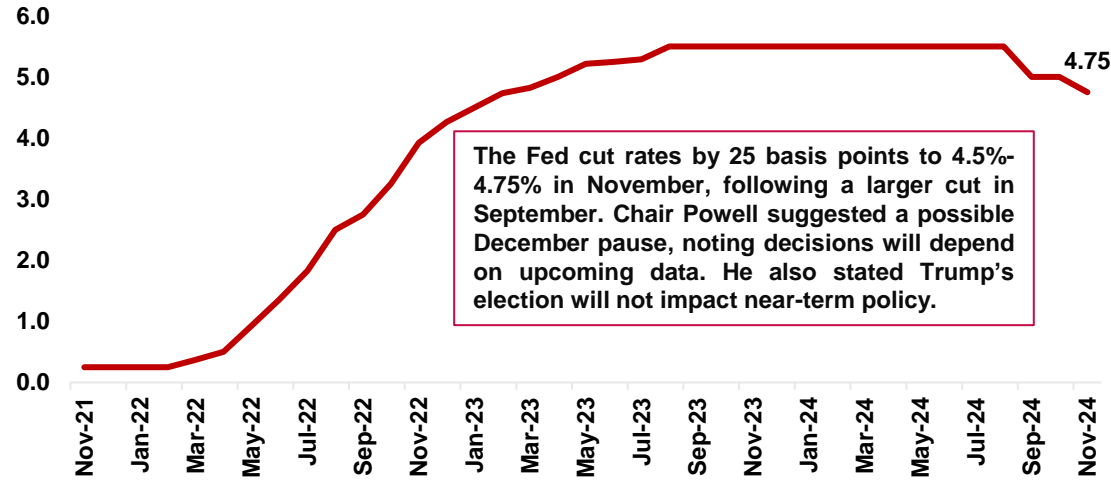
**ECONOMIC RESEARCH**

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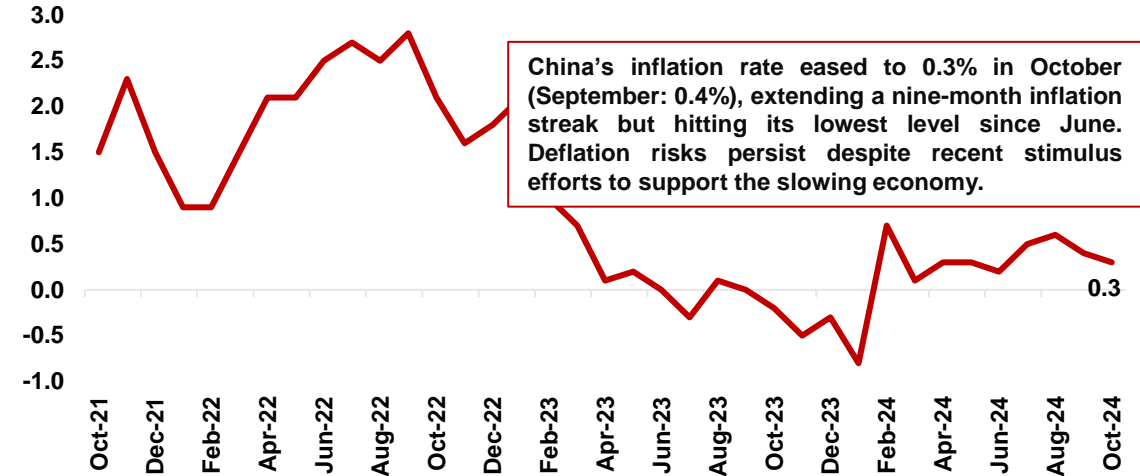
# WEEKLY HIGHLIGHT: FED CUT INTEREST RATES BY A QUARTER POINT

GLOBAL

### U.S.-Effective Federal Funds Rate (EFFR), %

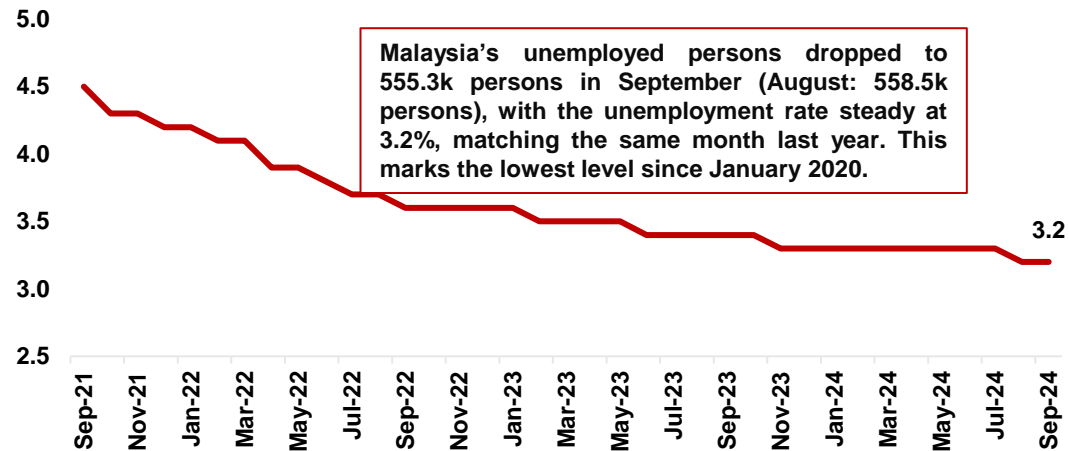


### China - Consumer Price Index (CPI), y-o-y%

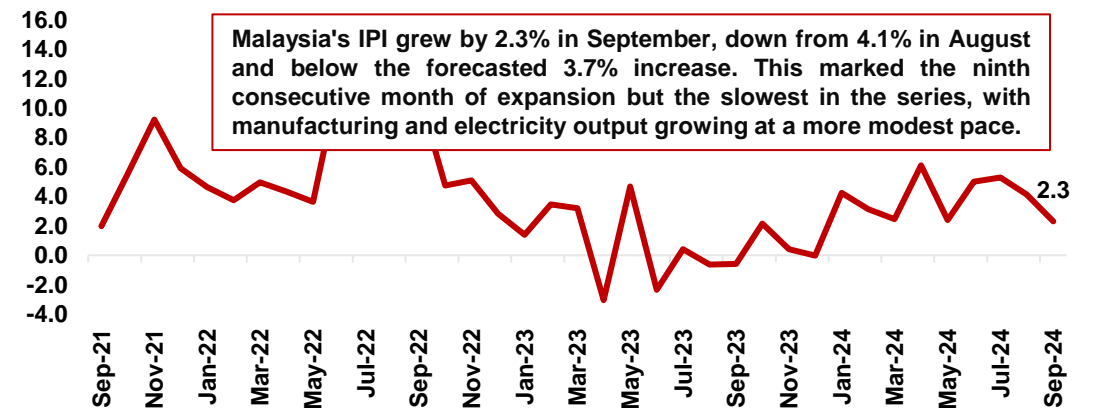


DOMESTIC

### Malaysia - Unemployment Rate, y-o-y%

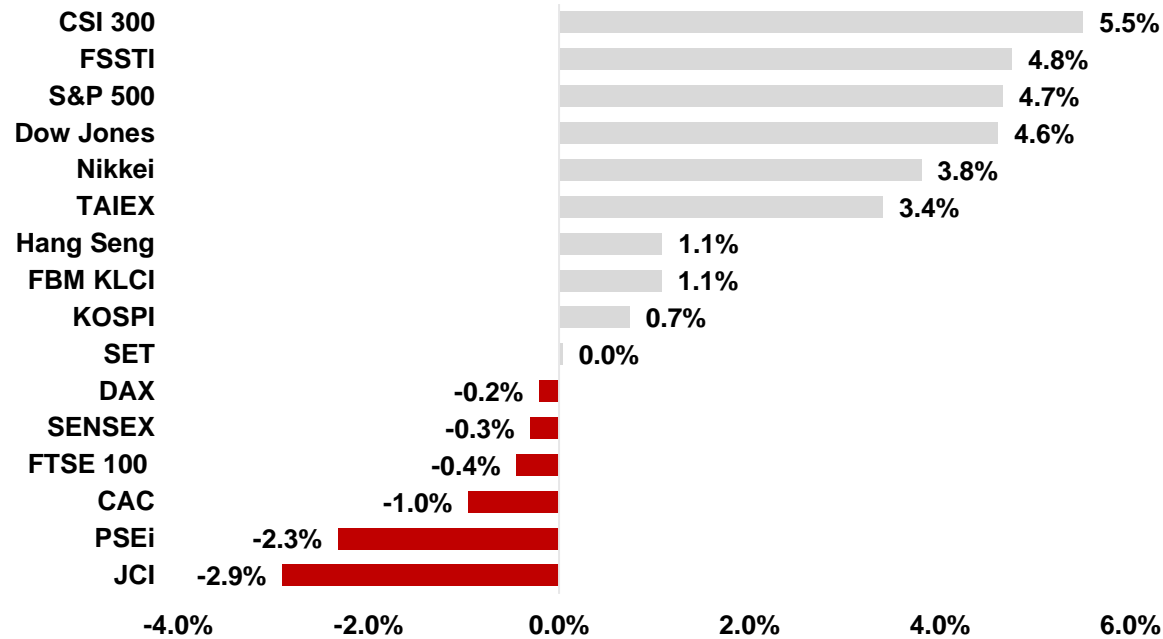


### Malaysia - Industrial Production Index (IPI), y-o-y%

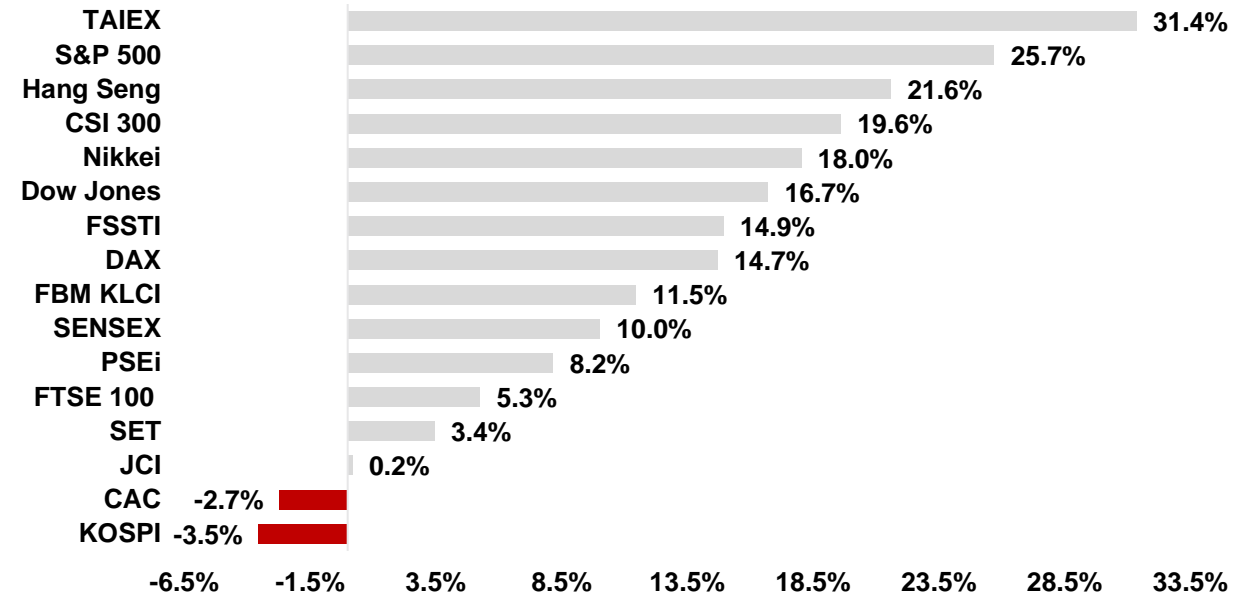


# REGIONAL EQUITY: CHINA STOCKS ROSE ON HOPES FOR STIMULUS MEASURES

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



YTD Gain/Loss of Major Equity Markets, % (As of 8 November 2024)

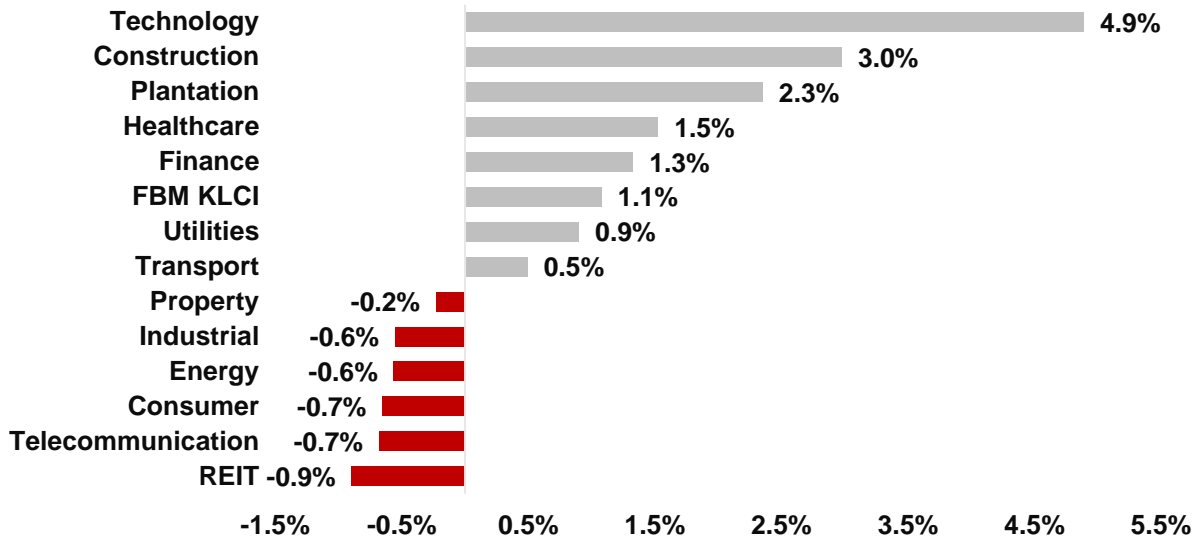


Sources: Bursa, CEIC Data

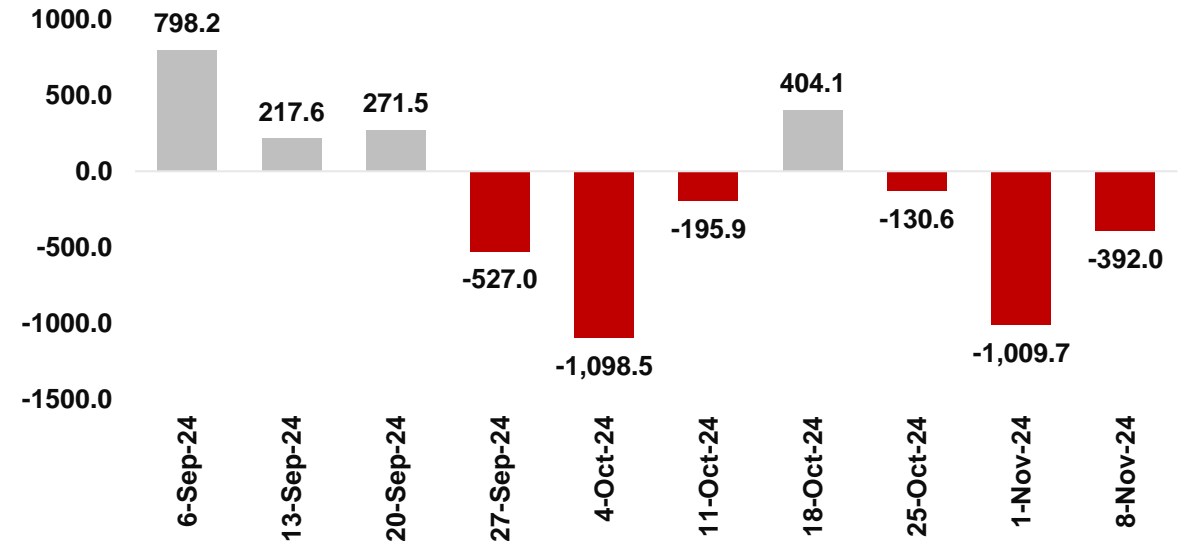
- The global stocks market ended mixed for the week ending November 8, spearheaded by China's CSI 300 which grew by 5.5% on bets that Beijing may implement additional stimulus measures to mitigate the effects of higher tariffs under a Donald Trump presidency.
- U.S. stocks – S&P 500 (+4.7%) and Dow Jones (+4.6%) rose lifted by positive optimism following Donald Trump's victory and a favorable interest rate cut from the Federal Reserve (Fed). The rally was driven by the Fed's 25bp rate cut, accompanied by Chairman Jerome Powell's reassurance of confidence in the economy.
- On the contrary, Indonesia's JCI (-2.9%), Philippines' PSEi (-2.3%) and France's CAC (-1.0%) were the major losers in the prior week.

# DOMESTIC EQUITY: FBM KLCI CLOSED ON INVESTORS' FIRMER RISK APPETITE

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI rebounded from its downtrend to jump by 1.1% w-o-w for the week ending November 8 on bargain hunting activities.
- Such rally was driven by healthy investors' risk appetite following Trump's victory in the U.S. presidential election and domestically, Bank Negara Malaysia (BNM)'s decision to keep the Overnight Policy Rate (OPR) steady at 3.00%.
- Furthermore, investor sentiments remained optimistic on the economy as they await Malaysia's official 3Q2024 Gross Domestic Product (GDP) growth, estimated to clock in at 5.3% (2Q2024: 5.9%).
- In the broader market, the Technology index surged by 4.9%, followed by the Construction (+3.0%) and Plantation (2.3%) indices.
- Meanwhile, the Telecommunications index slipped by 0.7%, marking the lowest level since October 2022. Additionally, the REIT (-0.9%) and Consumer (-0.7%) indices are among other losers.
- Foreign investors remained net sellers for the third straight week, shedding RM392.0 million worth of equities. The net selling had reduced the cumulative total net inflow this year further to RM1.6 billion.

# FIXED INCOME: UST YIELDS EDGED LOWER FOLLOWING FED RATE CUT IN NOVEMBER

## Weekly Changes, basis points (bps)

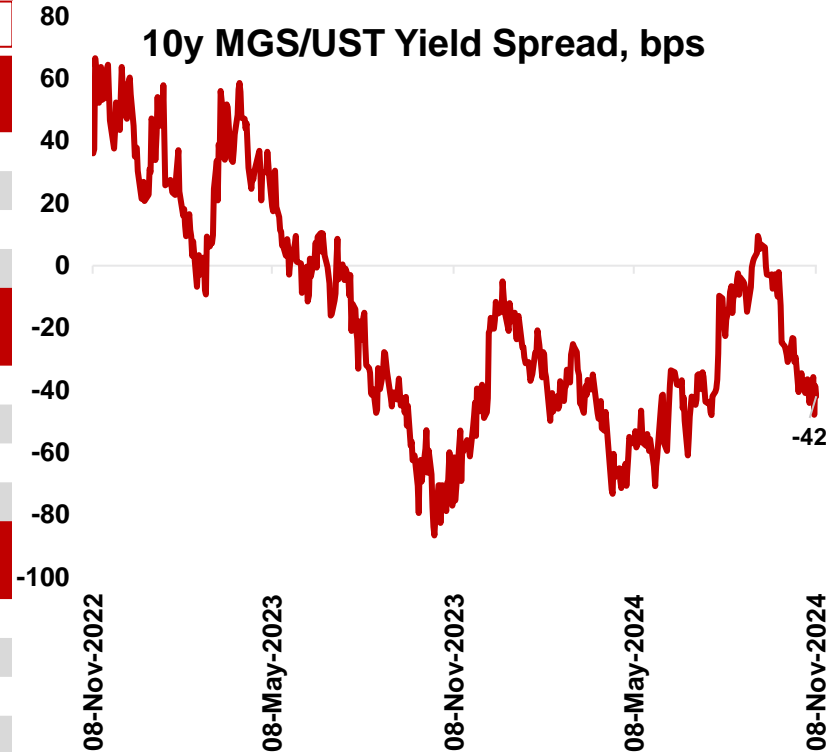
UST	Yields (%) 1-Nov-24	Yields (%) 8-Nov-24	Change (bps)
3-Y UST	4.18	4.18	0
5-Y UST	4.22	4.20	-2
7-Y UST	4.30	4.25	-5
10-Y UST	4.37	4.30	-7

MGS	Yields (%) 1-Nov-24	Yields (%) 8-Nov-24	Change (bps)
3-Y MGS	3.53	3.50	-3
5-Y MGS	3.67	3.61	-6
7-Y MGS	3.90	3.82	-8
10-Y MGS	3.93	3.88	-5

GII	Yields (%) 1-Nov-24	Yields (%) 8-Nov-24	Change (bps)
3-Y GII	3.46	3.45	-1
5-Y GII	3.67	3.64	-3
7-Y GII	3.90	3.85	-5
10-Y GII	3.95	3.90	-5



## YTD Issuances of MGS and GII

YTD	Issuances (RM Million)	Average bid-to- cover (BTC, x)	Max (BTC, x)	Min (BTC, x)
MGS	80,500	2.1	3.1	1.6
MGII	83,000	2.7	4.4	1.6

## Upcoming Auctions of MGS and GII – November 2024

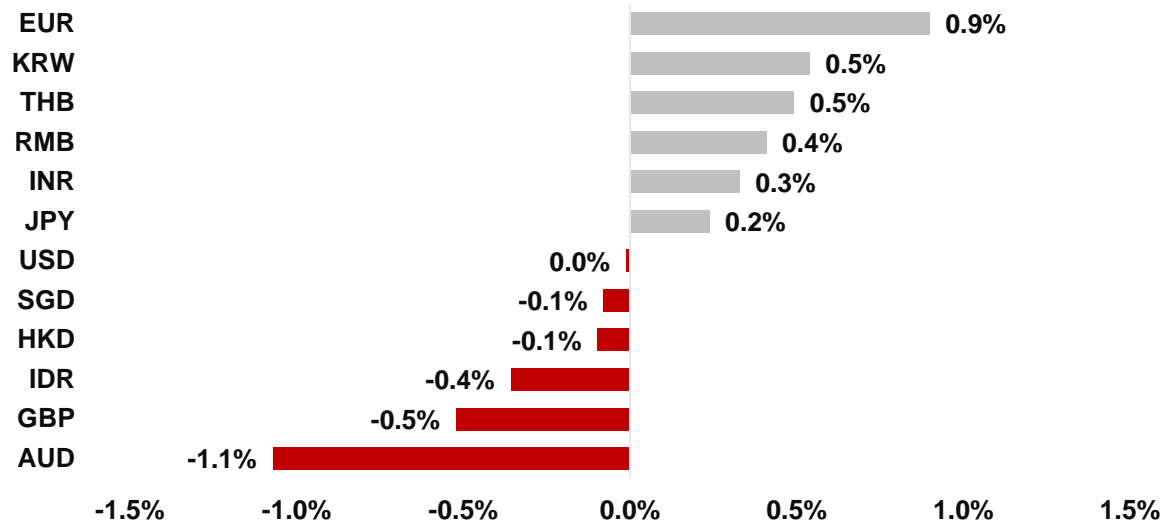
Issues	Issue Month	Private Placements
15-yr Reopening of MGS (Mat on 04/39)	November	Yes
5-yr Reopening of MGII 07/29 4.130%	November	No
10-yr Reopening of MGS 07/34 3.828%	November	No

Sources: BNM, Federal Reserve Board

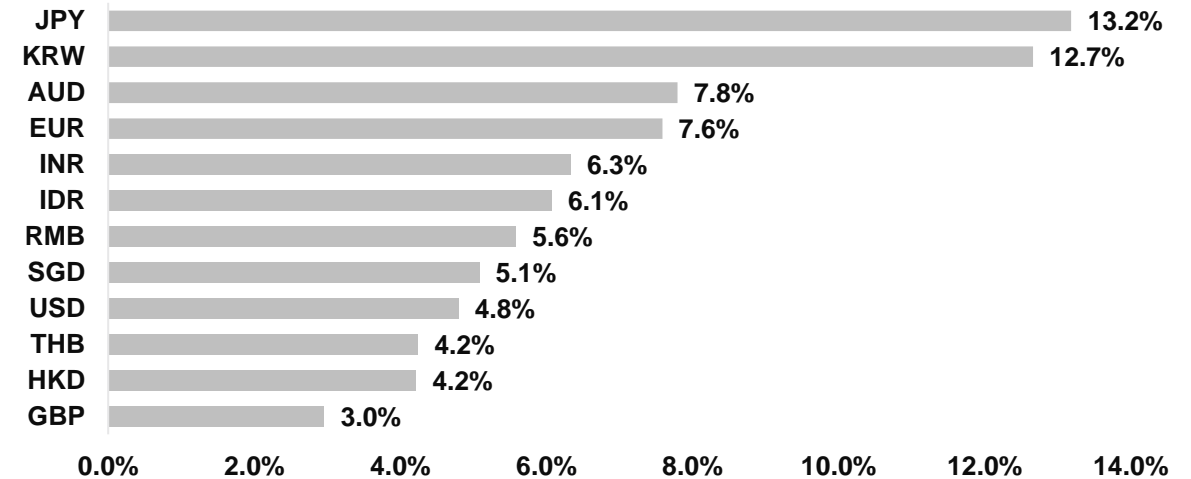
- The U.S. Treasury (UST) yield curve bullishy flattened between 2bp and 7bps for the week ending November 8 as investors were evaluating the outlook for interest rates and the economy following the Fed's latest decision. As anticipated, the Fed lowered the benchmark rate by 25bp. In addition, Chair Jerome Powell indicated that while another rate cut in December is not ruled out, it is not guaranteed and emphasized that the election results would not impact near-term policy decisions. Meanwhile, 3-Y UST yield muted at 4.18%.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at 42bps relative to -44bps in the previous week.
- On the issuance, the upcoming auction is the RM3.0 billion 15-Y reopening of MGS on November 12 with a private placement of RM2.0 billion. The previous issuance of RM3.0 billion 15-Y MGS reopening in July 2024 garnered bid-to-cover (BTC) ratio of 3.1x.
- As of October 2024, the gross issuances of MGS and GII totaled to RM163.5 billion.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF MALAYSIA'S 3Q2024 FIGURES

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 8 November 2024)



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

- The local note ended marginally lower against the USD for the week ending November 8 following the U.S. presidential election where Trump's win had caused the USD index to surge above the 105-level. This in turn had led Ringgit to depreciate to the lowest level since August.
- The election outcome was positive for the greenback as markets view Trump's pro-domestic growth, looser fiscal policy stance to encourage a more robust economic growth alongside heightening price pressures. Consequently, this would increase the burden on the Fed's monetary policy, possibly delaying the Fed's rate cut plans in 2025.
- Nevertheless, the local note regained some ground on Friday following the Fed reducing rates by 25bp, in line with market expectations. Furthermore, Fed Chair Powell had reiterated the Fed's dovish tone where he pointed that its decisions will be data-dependent and the election results will not affect policy decisions in the near term, leading markets to bet on another quarter point cut in December.
- Moving forward, the local note will trade cautiously ahead of the release of Malaysia's 3Q2024 GDP on Friday as well as the U.S.' key inflation figures.

# COMMODITY: OIL PRICES DIP AS HURRICANE RAFAEL SET TO WEAKEN

### Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices dropped to USD 73.87 per barrel for the week ending November 8, as hurricane risks eased and markets considered the impact of Trump's policies on supply.
- Meanwhile, US crude oil inventories increased by 0.5% for the week ending November 1, rising by 2.1 million barrels to 427.7 million, exceeding the forecasted 300,000-barrel gain, driven by lower exports and weaker demand.

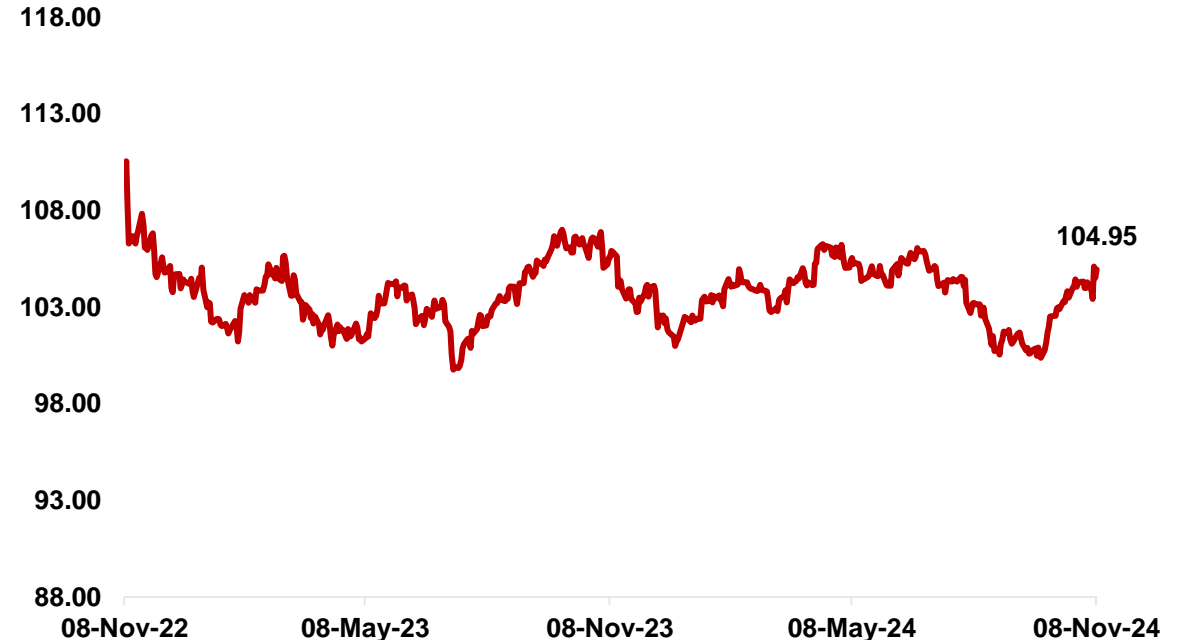


# COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AS TRUMP'S WIN DIMS THE BULLION'S SHINE

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price slipped by 1.9% in the past week following the result of the U.S. presidential election where Trump had emerged victorious.
- The win had driven the rapid rally of the greenback, thus exerting pressure on the bullion price, on expectations of a high inflationary and high-interest rate environment under the Trump administration.



## WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., the upcoming consumer price index (CPI) report will be a key economic highlight, with forecasts suggesting a modest rise in the annual inflation rate to 2.6% in October, up from 2.4% in September. The monthly inflation rate is expected to remain steady at 0.2%, while core CPI is projected to show no change, with the annual rate holding at 3.3% and the monthly rate at 0.3%. For the producer price index (PPI), a 0.2% increase is expected following September's flat reading, which would push the annual rate up to 2.3% from 1.8%. Core PPI is anticipated to rise slightly more, by 0.3% m-o-m, bringing the annual rate to 2.9% in October from 2.8% in September. Retail sales are forecasted to increase by 0.3% m-o-m, a slight slowdown from September's 0.4% m-o-m gain, while industrial production is expected to have contracted by 0.4% m-o-m (Sep: -0.3%). Traders will also be closely watching remarks from several Federal Reserve officials, including Chair Jerome Powell, for insights into the policy outlook for December.
- China is set to release a significant batch of economic data for October, providing insights into the early effects of monetary stimulus, while investors will keep assessing the impact of Beijing's CNY 10 trillion debt swap with local governments. The data will cover industrial production, retail sales, new yuan loans, credit aggregates, housing prices, unemployment, consumer and producer inflation, and car sales.
- In Japan, attention will focus on 3Q2024 GDP estimates, which are expected to show slower economic growth from a growth of 2.9% in 2Q2024. Other notable releases include the current account data and the Bank of Japan (BoJ's) Summary of Economic Opinions.
- Malaysia's 3Q2024 GDP report, scheduled for release this Friday (November 15). The advanced estimates released by DOSM showed that the economy expanded by 5.3% in 3Q2024, slowing from the strongest rise in six quarters of 5.9% in 2Q2024.

BANK ISLAM

**THANK YOU**