



WEEKLY ECONOMIC UPDATE

13 MAY 2024

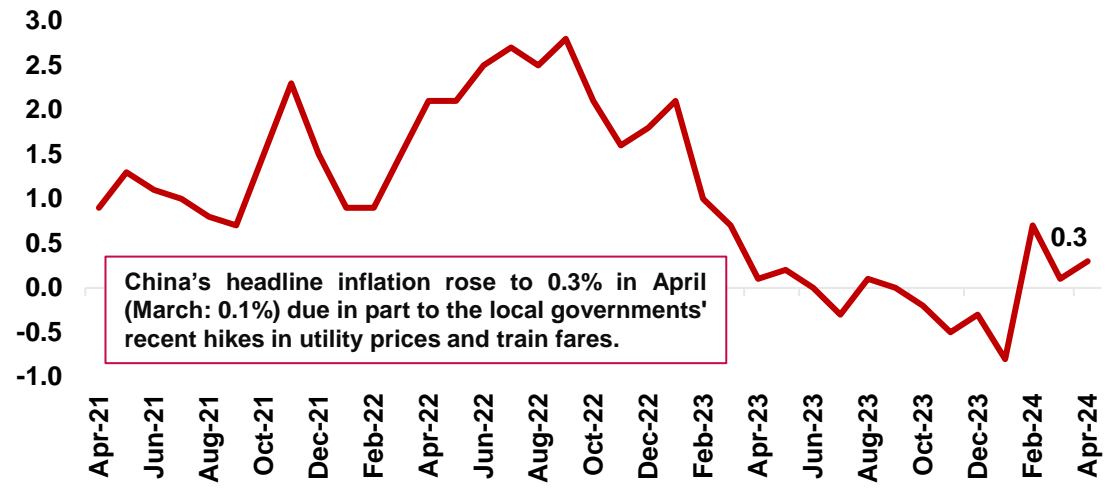
ECONOMIC RESEARCH

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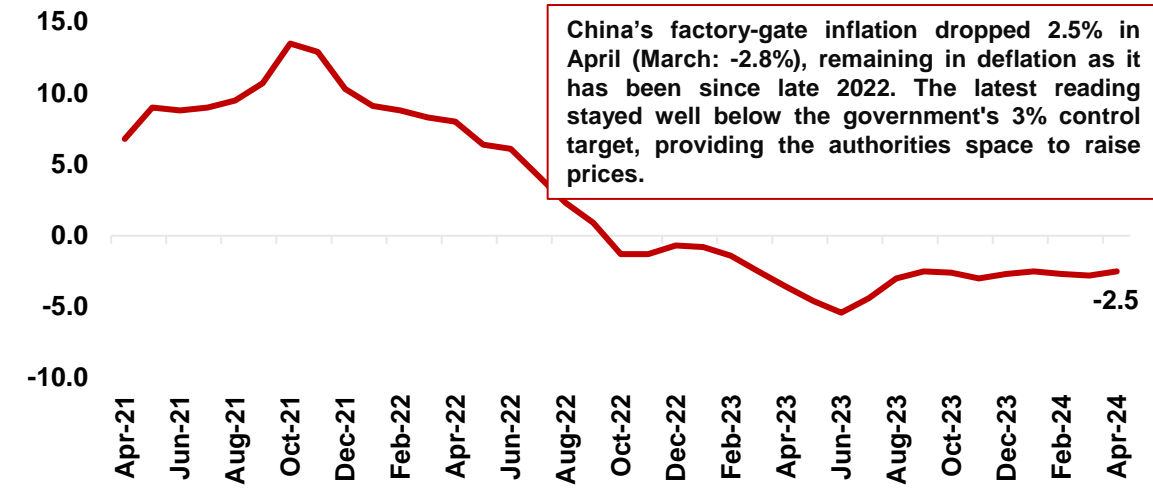
WEEKLY HIGHLIGHT: CHINA'S MILD PRICE UPTICK INDICATES ONGOING DEMAND RECOVERY

GLOBAL

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

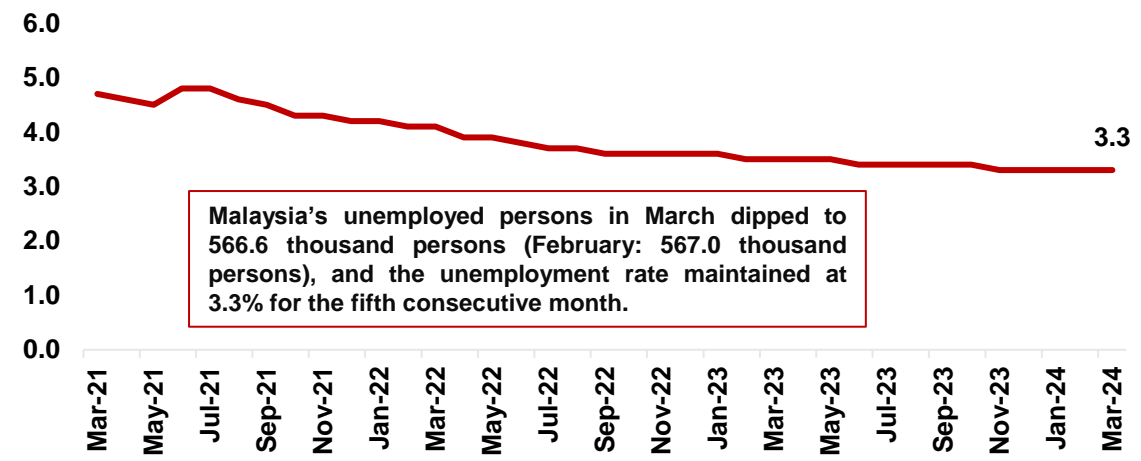


China - Producer Price Index (PPI), y-o-y%

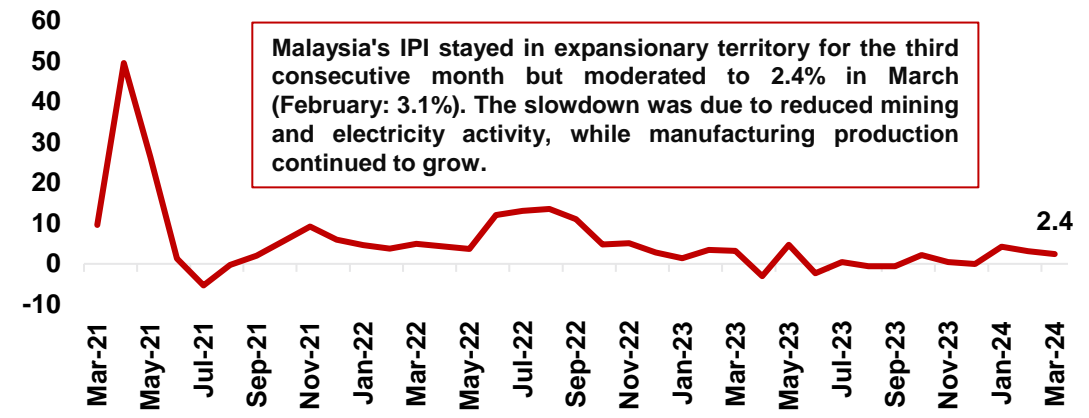


DOMESTIC

Malaysia - Unemployment Rate, y-o-y%

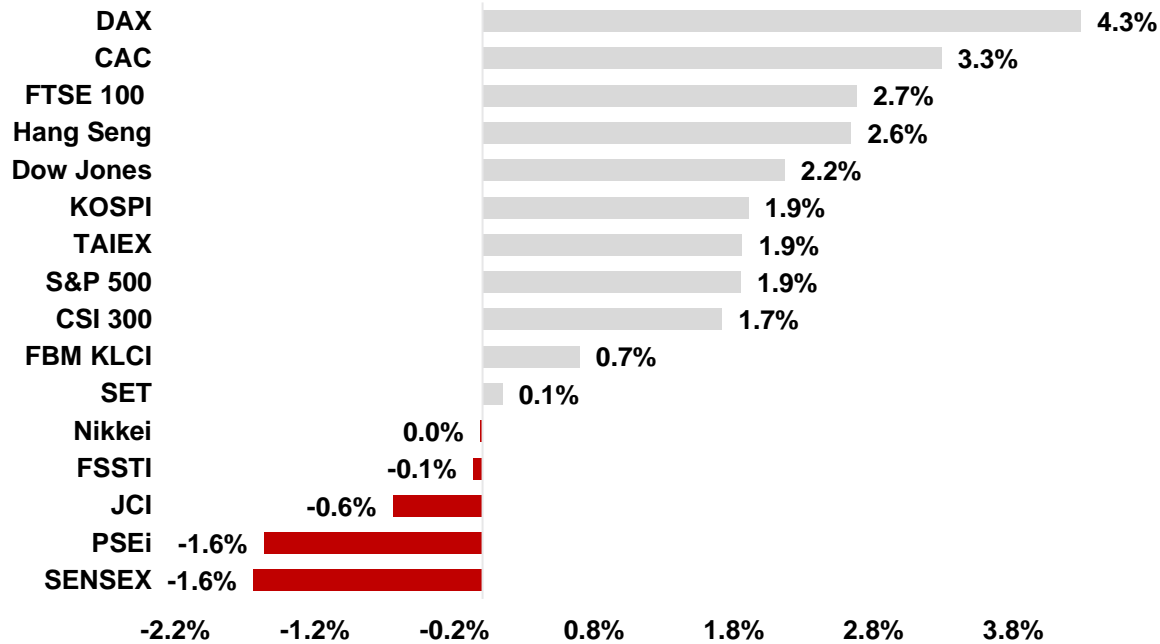


Malaysia - Industrial Production Index (IPI), y-o-y%

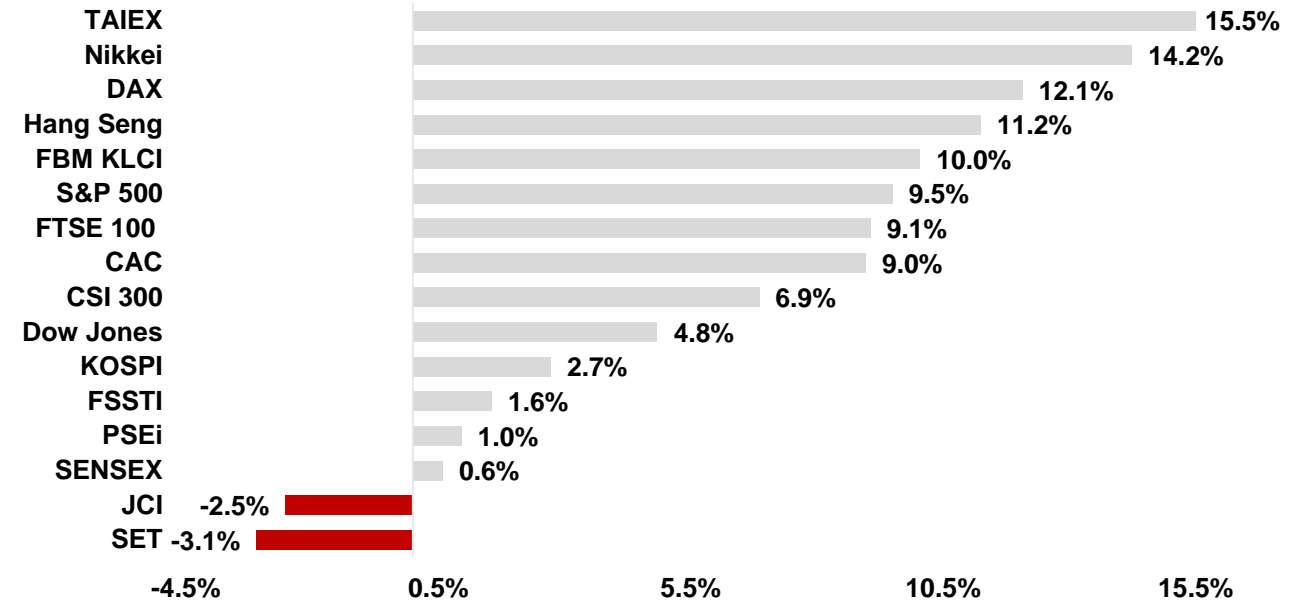


REGIONAL EQUITY: EUROPEAN SHARES LED THE GAINERS AMID RATE CUTS EXPECTATION

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



YTD Gain/Loss of Major Equity Markets, % (As of 10 May 2024)

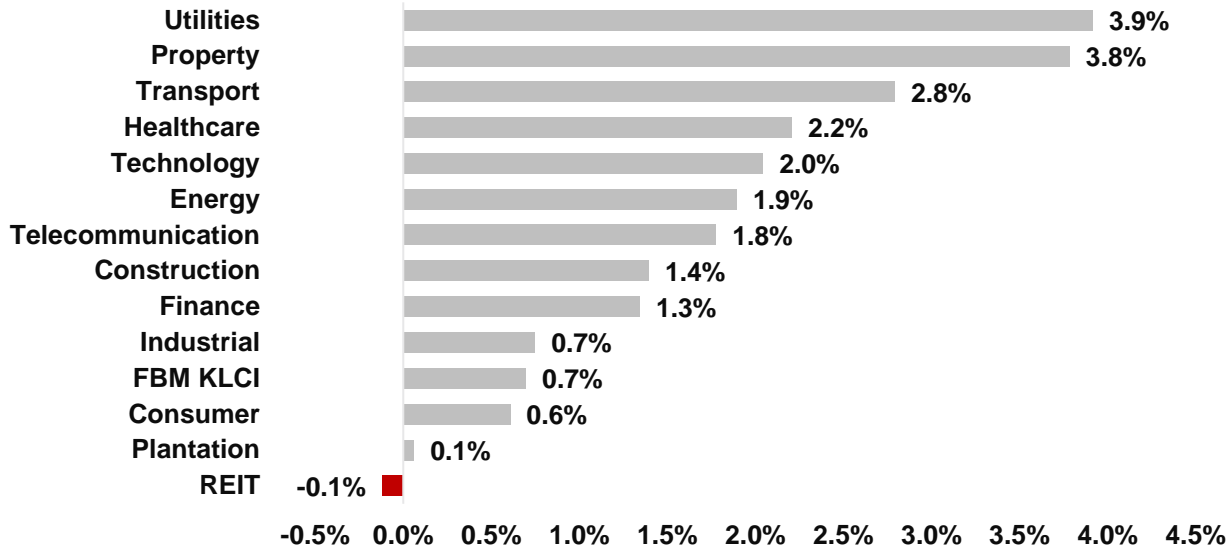


Sources: Bursa, CEIC Data

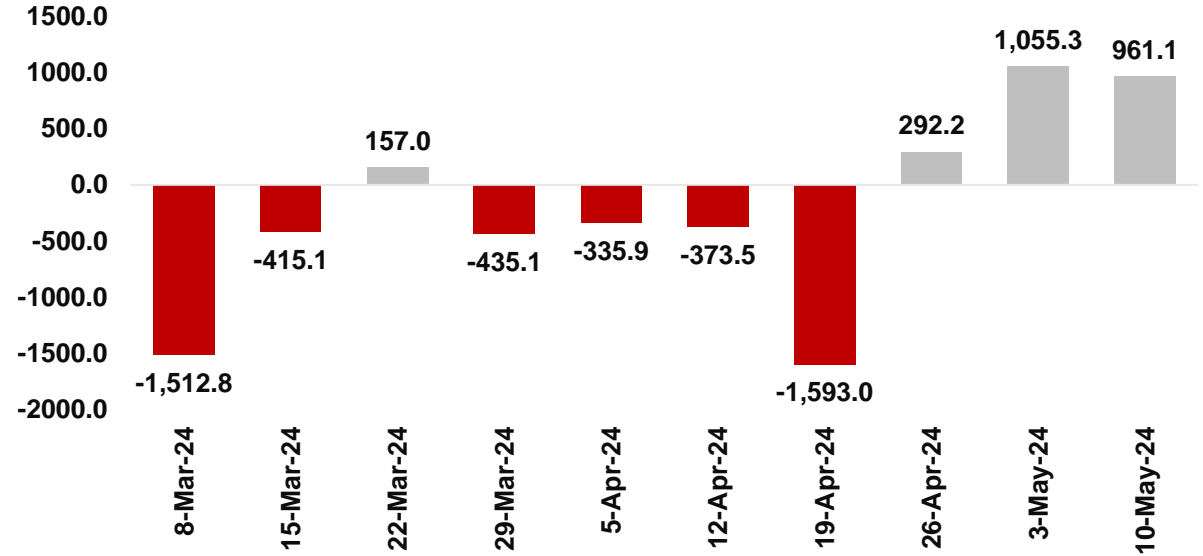
- The regional equity indices mostly ended in the green for the week ending May 10, spearheaded by the European stocks - Germany's DAX (4.3%), France's CAC (3.3%) and U.K.'s FTSE 100 (+2.7%) as investors are still confident that major central banks, including the European Central Bank (ECB), will begin reducing interest rates soon.
- The recent meeting minutes from the ECB support this optimism, as the Governing Council acknowledged that inflation is dropping towards their target faster than expected, suggesting a rate cut is likely in June.
- In contrast, India's SENSEX (-1.6%), Philippines' PSEi (-1.6%) and Indonesia's JCI (-0.6%) were among the major losers for last week.

DOMESTIC EQUITY: THE LOCAL MARKET IS FLOURISHING AMID PREVAILING FOREIGN FUNDS INFLUX

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



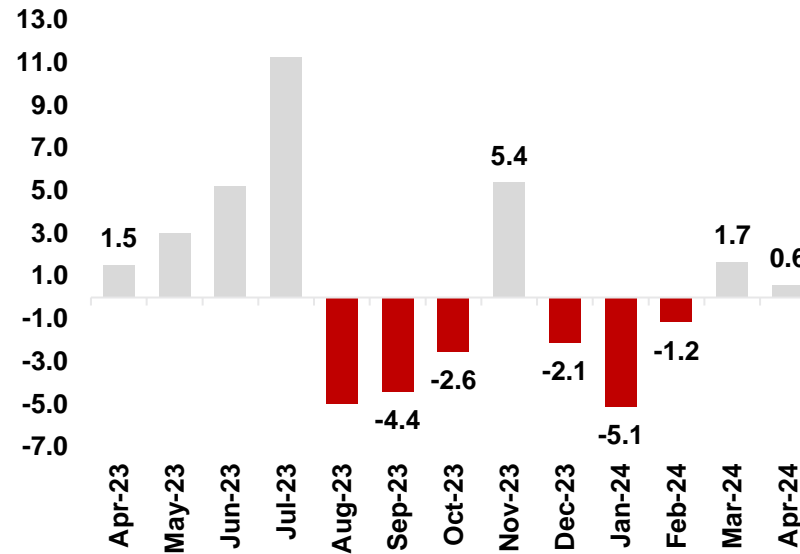
Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI continued its winning streak for the week ending May 10, breaching the 1,600-level to close at a two-year high of 1,605.68 points on Tuesday before trending above the level for the remainder of the week.
- Such performance was driven by the continued buying interest from both local and foreign investors as the market remained optimistic of Malaysia’s outlook. Of note, Malaysia’s 1Q2024 will be released on this Friday although the initial estimate had coined in a 3.9% growth in the quarter (4Q2023: 3.0%) with healthy performances across all sectors of the economy.
- Topping the gainers was Utilities index (+3.9%), followed by the Property and Transport indices which rose by 3.8% and 2.8%, respectively.
- Meanwhile, the REIT index (-0.1%) was the only loser last week.
- Foreign investors continued their net buying streak for the third straight week, acquiring RM961.1 million worth of equities. The net buying had reduced the cumulative total net outflow this year thus far to RM660.4 million.

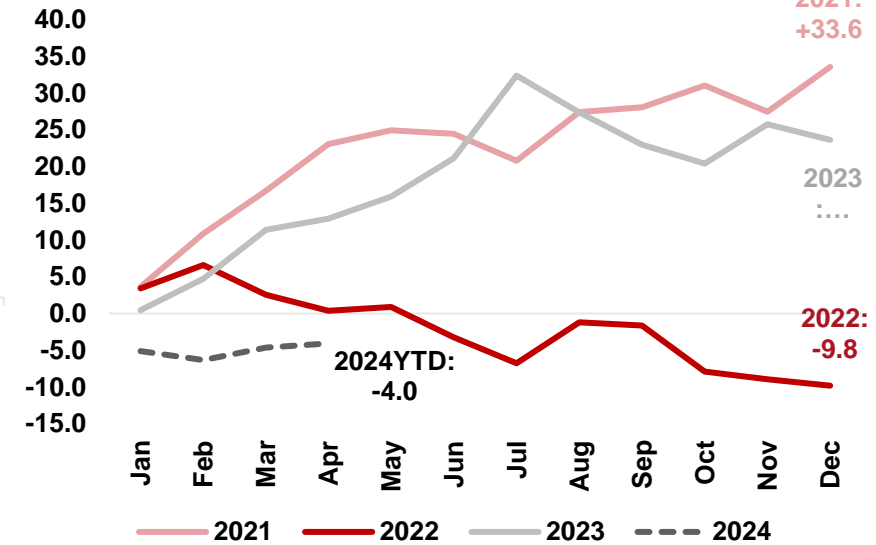
FIXED INCOME: FOREIGN INVESTORS REMAINED AS NET BUYERS OF LOCAL BONDS FOR TWO CONSECUTIVE MONTHS

Weekly Changes, basis points (bps)			
UST	Yields (%) 3-May-24	Yields (%) 10-May-24	Change (bps)
3-Y UST	4.63	4.65	2
5-Y UST	4.48	4.52	4
7-Y UST	4.49	4.51	2
10-Y UST	4.50	4.50	0
MGS	Yields (%) 3-May-24	Yields (%) 10-May-24	Change (bps)
3-Y MGS	3.60	3.60	0
5-Y MGS	3.76	3.73	-3
7-Y MGS	3.88	3.84	-5
10-Y MGS	3.95	3.92	-3
GII	Yields (%) 3-May-24	Yields (%) 10-May-24	Change (bps)
3-Y GII	3.57	3.54	-3
5-Y GII	3.76	3.72	-4
7-Y GII	3.88	3.82	-6
10-Y GII	3.96	3.91	-6

Foreign Fund Flows in Local Bond Market, RM Billion



Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)

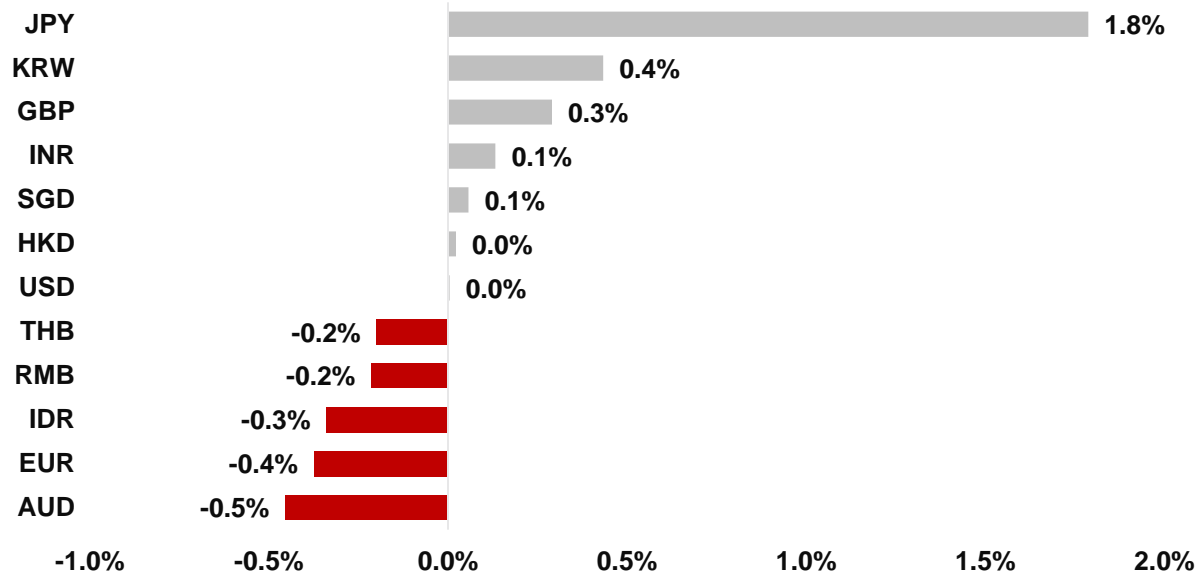


Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

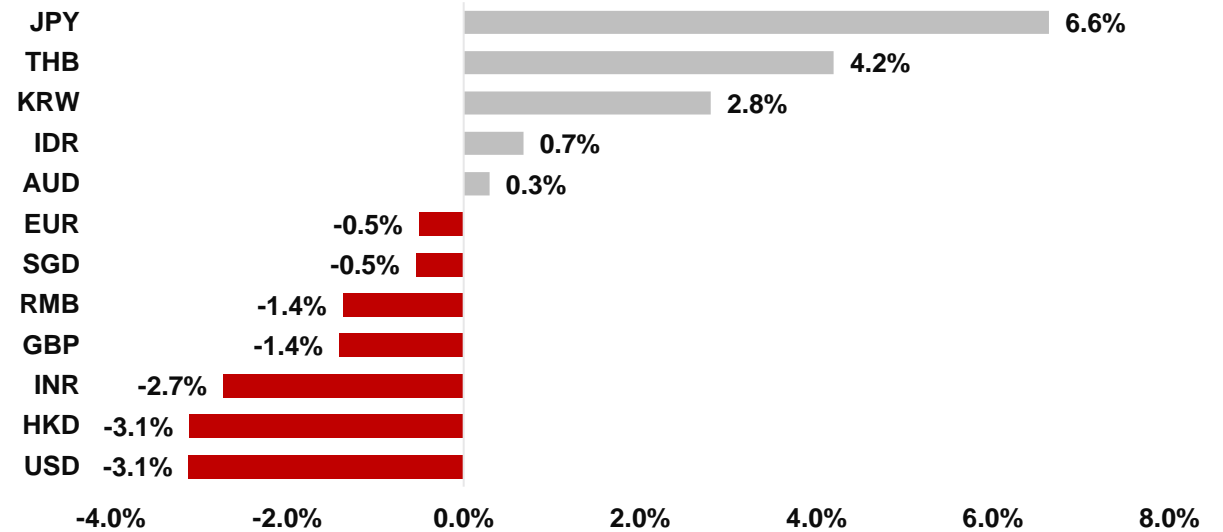
- The U.S. Treasury (UST) yields edged higher between 2bps and 4bps for the week ending May 10 as investors are carefully analysing recent economic data alongside cautious statements from Federal Reserve (Fed) officials concerning potential interest rate cuts.
- Domestically, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields decreased in the range of 3bps and 6bps. On the other hand, 3-Y MGS yield remained constant at 3.60%.
- Foreign fund flows in the local bond market remained in the positive territory albeit at a smaller magnitude with a net foreign inflow of RM0.6 billion in April (March: +RM1.7 billion). Nevertheless, local govvies' foreign shareholdings to total outstanding decreased slightly to 21.2% in April (March: 21.4%).
- For the first four months of this year, the local bond market recorded the cumulative net foreign outflows of RM4.0 billion, significantly lower than the inflows of RM12.9 billion in the same period in the previous year.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY DOMESTIC AND U.S. FIGURES

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 10 May 2024)

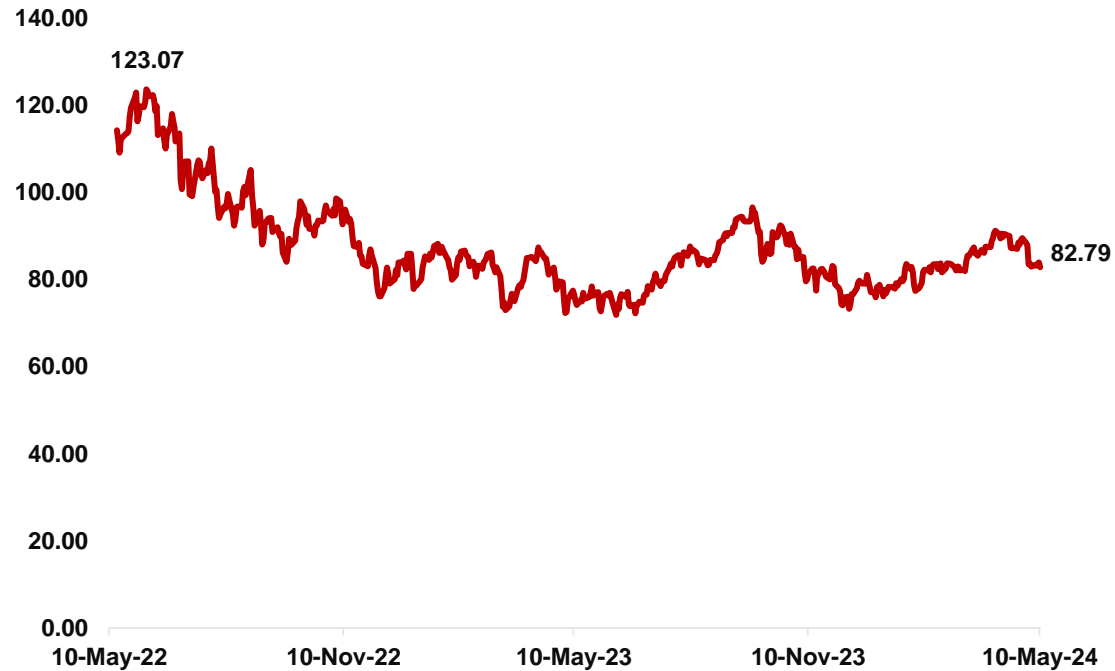


Sources: BNM, U.S. Bureau of Labor Statistics (BLS)

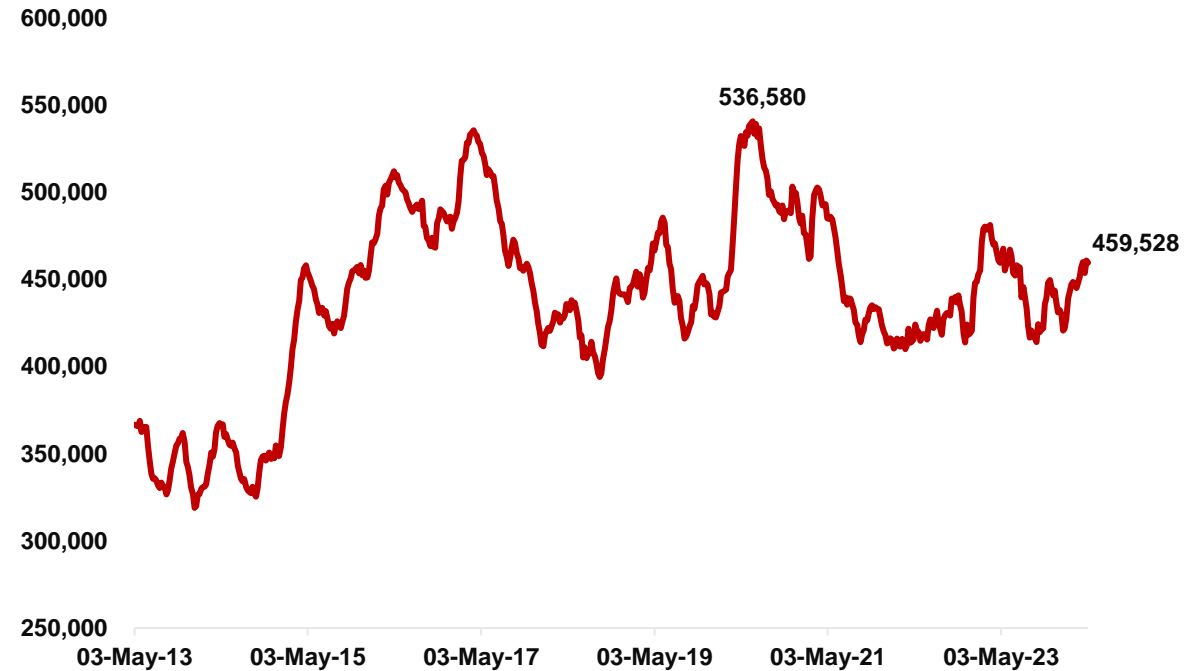
- The Ringgit ended flat against the USD on a weekly basis to closed at RM4.7393 on Friday (3 May 2024: RM4.7395) as the USD index inched up by 0.3% following uncertainties surrounding the Fed’s policy path.
- The disinflationary process (April: 3.5% vs. March: 3.2%) has been bumpy whilst the job market shows signs of losing steam as the initial jobless claims rose more than expected (Act: 231k vs. Est: 210k) for the week ending 4 May 2024, marking the highest level since August 2023. Previously, both the April unemployment rate (Act: 3.9% vs. Est: 3.8%) and non-farm payroll (NFP) data (Act: 175k vs. Est: 243k) surprised the market with softer than expected figures.
- We foresee the Ringgit to trade cautiously in the coming week due to inflation and retail sales data coming out from the U.S., which could influence Fed rate cut expectations.
- Nevertheless, we expect support for the Ringgit to emerge as the market remains largely optimistic of Malaysia’s 1Q2024 GDP growth figures, slated to be announced on this Friday.

COMMODITY: OIL PRICES DECLINED FURTHER DUE TO INCREASING DEMAND CONCERNS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

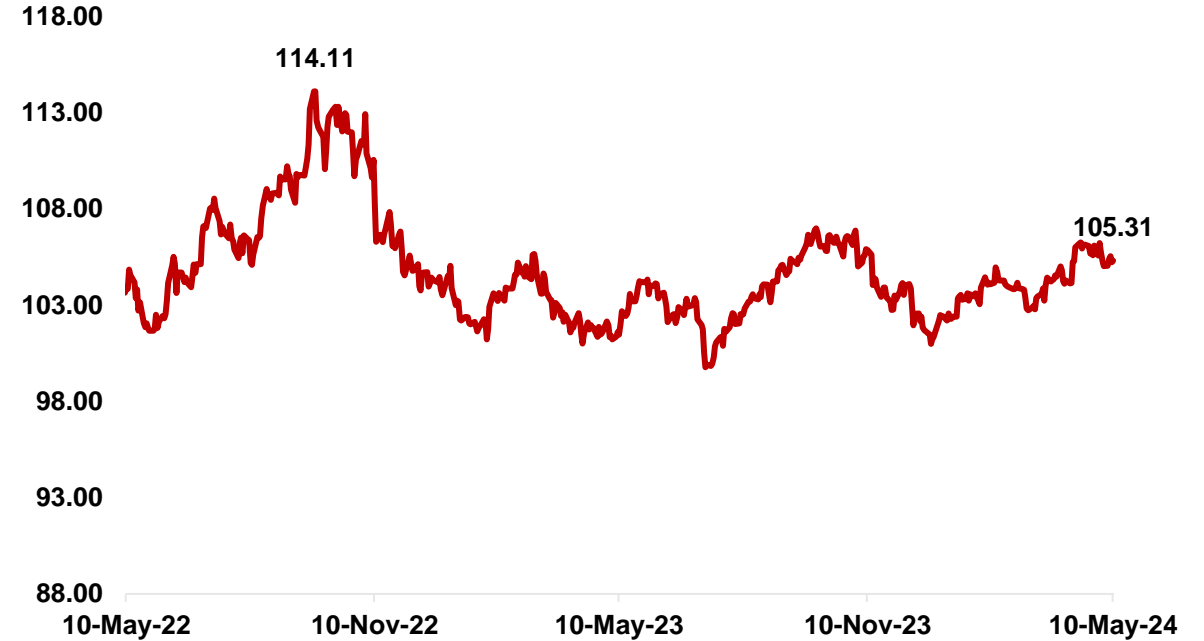
- Brent prices dropped below USD83.0 per barrel following remarks from Fed policymakers suggesting prolonged high interest rate environment, which could potentially dampen demand from major crude consumers globally.
- Additionally, increasing U.S. crude oil inventories ahead of the usually strong summer driving period also contributed to the downward pressure on oil prices.

COMMODITY: GOLD PRICE REBOUNDED AS CENTRAL BANKS MOVE CLOSER TO EASING THEIR MONETARY POLICY

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, BLS

- The bullion price surged by 2.6% for the week ending May 10 amid cooling U.S. labour market and reignited fears of an escalation of the conflict in the Middle East.
- Elsewhere, the Bank of England (BoE) voted by a narrower margin to keep rates steady whilst the ECB officials signalled increasing confidence in the disinflation trend. Meanwhile, the Reserve Bank of Australia (RBA) opted to stay pat with a dovish stance in their May meeting.
- Furthermore, China's rising demand for the bullion also provides support to the bullion price.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- While rate cuts are certainly still on the table for this year, Fed Chair Powell has, in his post-meeting remarks early this month, said that it will take longer than previously expected for policymakers to gain confidence that inflation will return sustainably to the 2.0% target. U.S. CPI data for April 2024 due this week will reveal whether the recent uptick in inflation sticks and could thus influence Fed rate cut expectations which now discount two cuts this year. The market consensus is for inflation to ease slightly after accelerating for a second consecutive month to 3.5% in March, thus supporting the Fed's stance to maintain high interest rates for longer.
- The upcoming release of Japan's 1Q2024 GDP report, anticipated this week, is likely to show a contraction. Household spending, the main growth driver, is expected to be undermined by rising living costs, exacerbated by the depreciation of the JPY. Output has also been impacted by the earthquakes that struck the Noto Peninsula as well as a disruption in production and shipments amid the safety scandal at Daihatsu. The uninspiring GDP data could cast doubt on the Bank of Japan's (BoJ) plan to continue raising interest rates.
- The Bangko Sentral ng Pilipinas (BSP) is expected to keep its benchmark interest rate unchanged at a 17-year high of 6.50% when it meets this week. While Philippines' inflation picked up pace in April with a 3.8% rise (March: 3.7%), approaching the upper bound of the BSP's 2.0%-4.0% target, the country's 1Q2024 GDP growth came in below consensus at 5.7%. BSP Governor Eli Remolona has, prior to the release of April inflation data, said that there is still room to maintain interest rates even if inflation breaches above the target range, and that a higher-than-expected inflation could lead the BSP to delay its rate cuts.
- Malaysia's 1Q2024 GDP report scheduled to release this Friday (May 17) will confirm that the economy is gaining momentum after GDP growth slowing to 3.0% in 4Q2023. According to the advanced estimate by the DOSM, Malaysia's GDP expanded by 3.9% in 1Q2024 as all main sectors registered positive growth. Services sector led growth with a 4.4% increase, reflecting still robust domestic demand underpinned by healthy labour market conditions and the government's cash transfers. In the meantime, the latest trade data showed Malaysia's exports rebounded by 2.2% in 1Q2024 (4Q2023: -6.9%) after recording three consecutive quarters of contraction, suggesting that the drag from net trade on overall growth is fading.

BANK ISLAM

THANK YOU