



WEEKLY ECONOMIC UPDATE

14 OCTOBER 2024

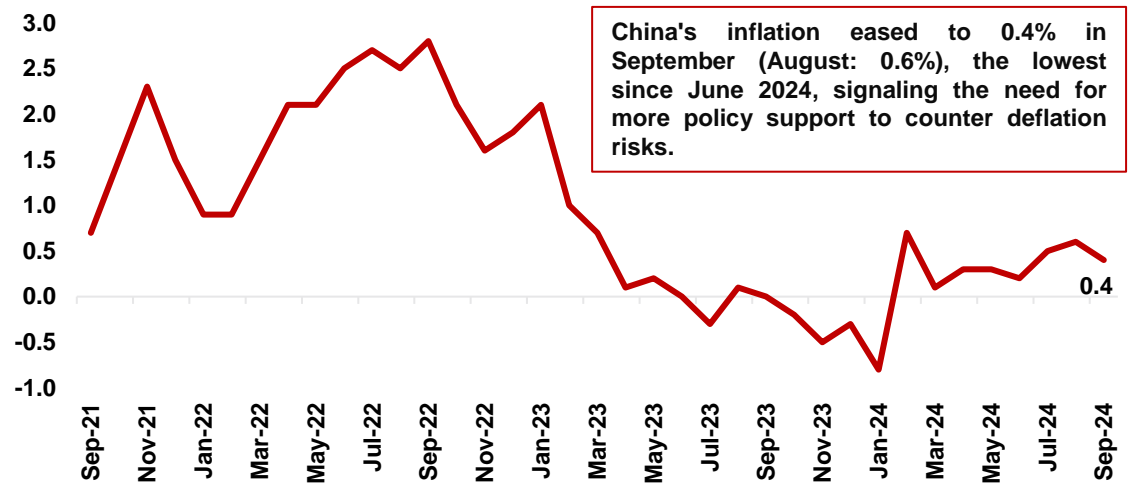
ECONOMIC RESEARCH

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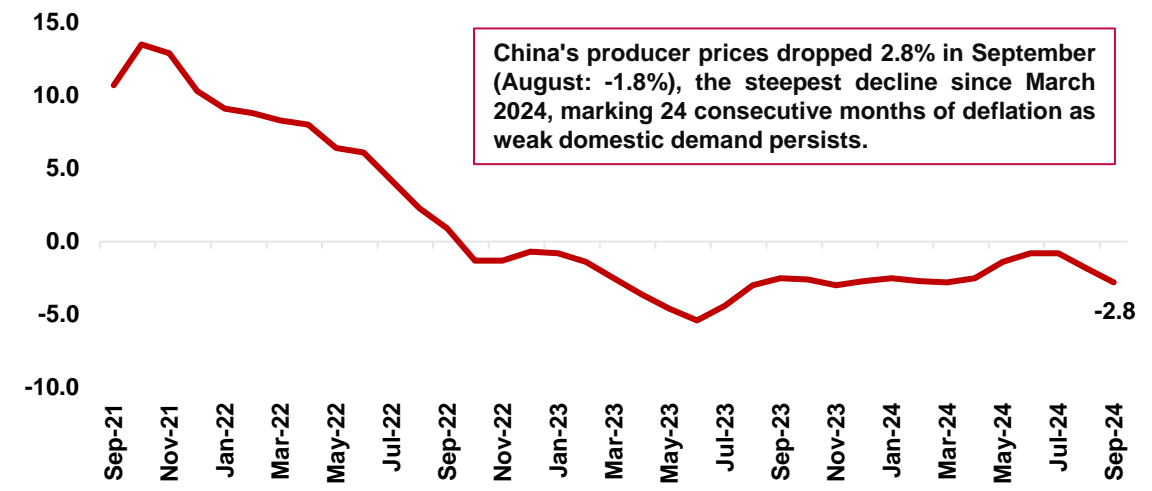
WEEKLY HIGHLIGHT: CHINA'S DEFLATIONARY PRESSURES INTENSIFY AS INFLATION SLOWS

GLOBAL

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

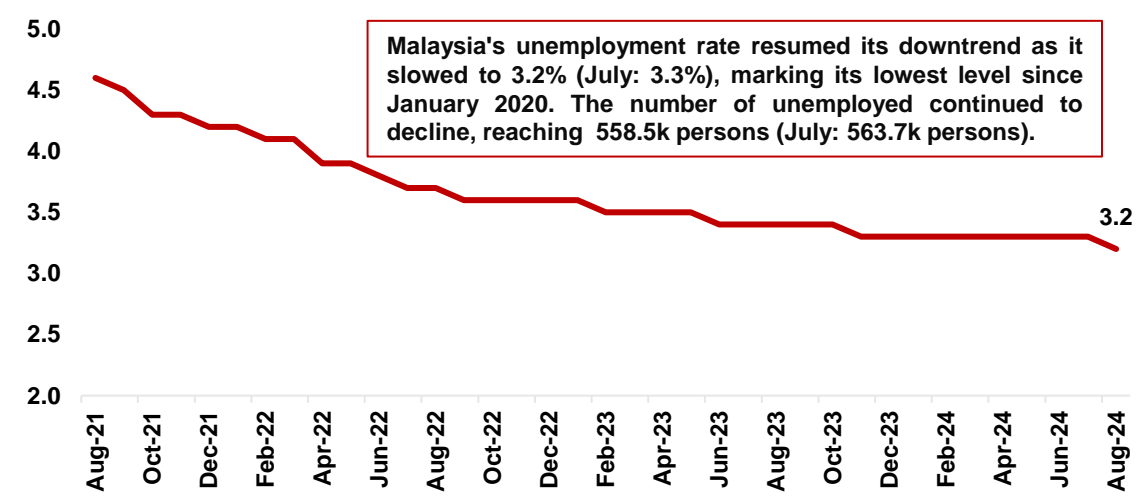


China - Producer Price Index (PPI), y-o-y%

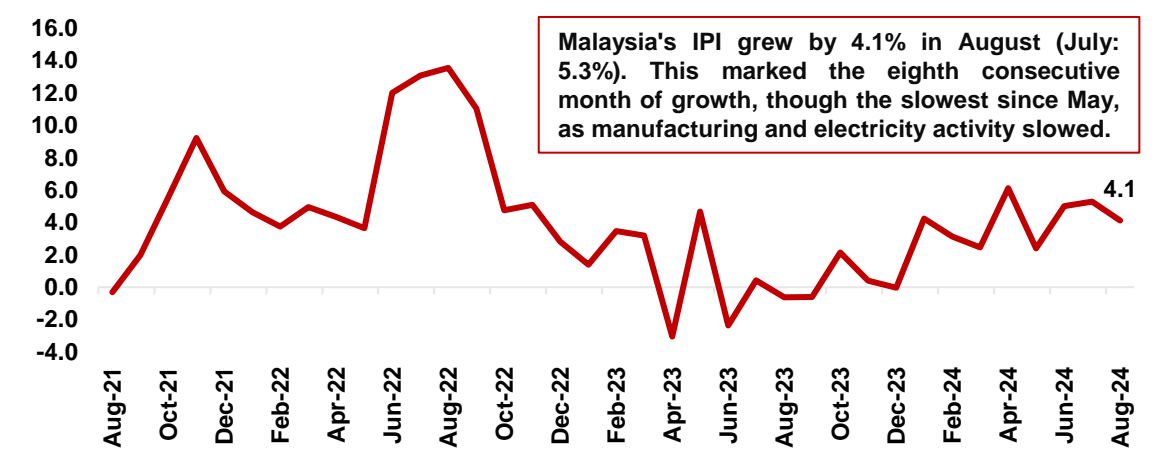


DOMESTIC

Malaysia - Unemployment Rate, y-o-y%

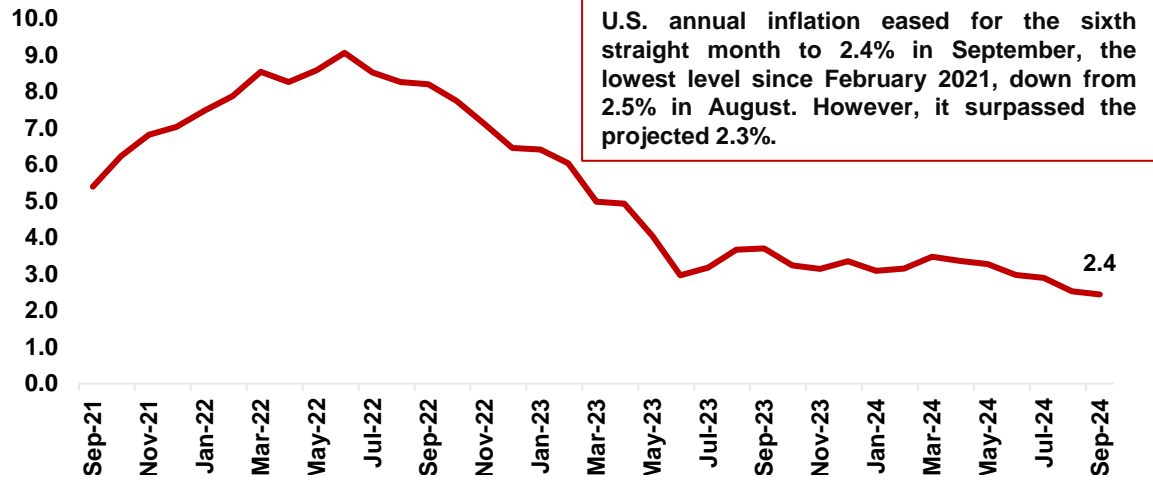


Malaysia - Industrial Production Index (IPI), y-o-y%

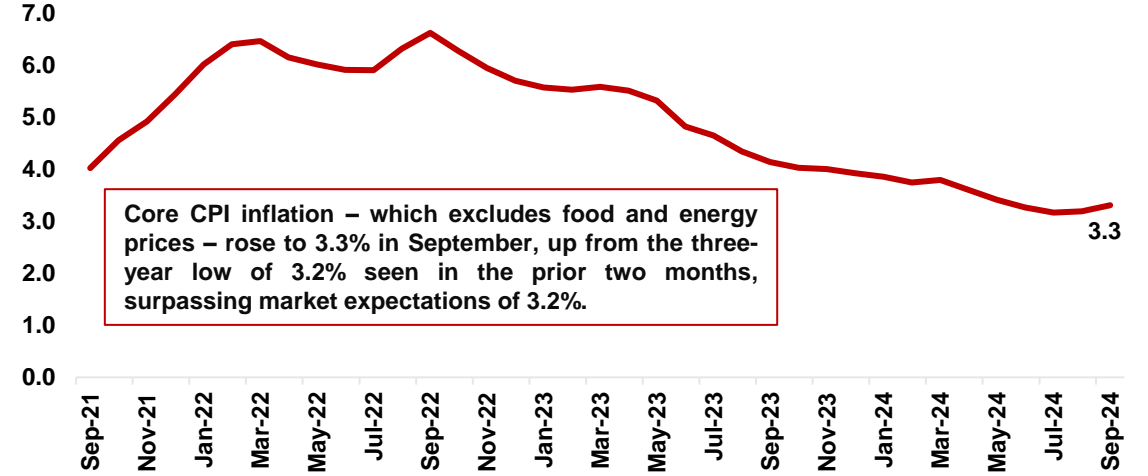


U.S. WEEKLY HIGHLIGHT: U.S. INFLATION HIT THREE-YEAR LOW, YET SOME PRICE PRESSURES PERSIST

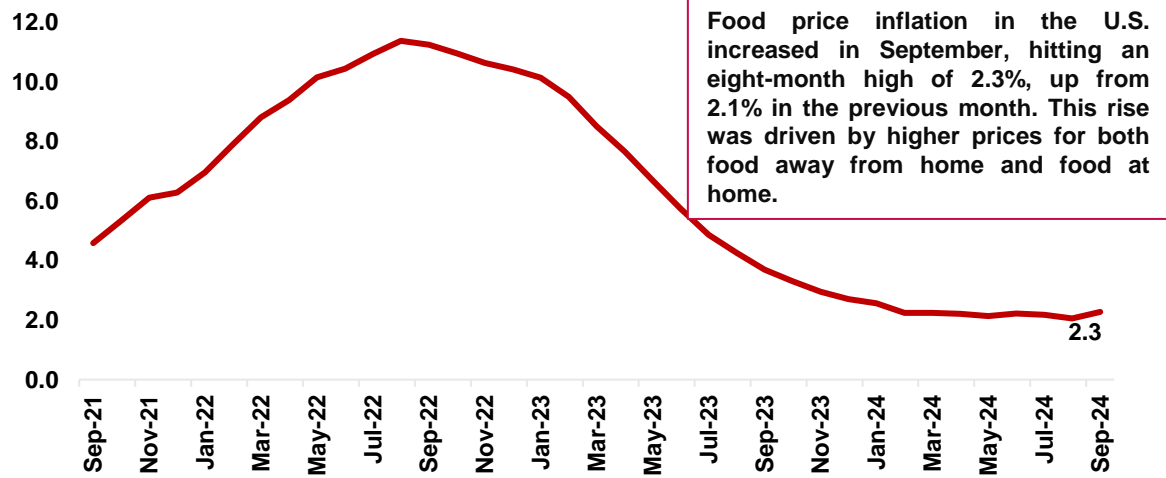
U.S. CPI, y-o-y%



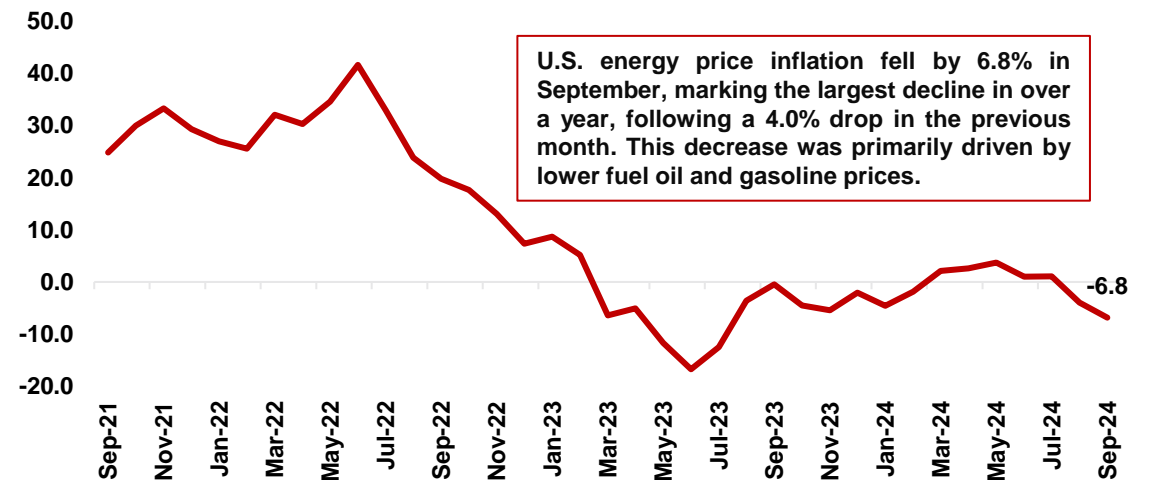
U.S. CPI (All Items less Food and Energy), y-o-y%



U.S. CPI (Food), y-o-y%

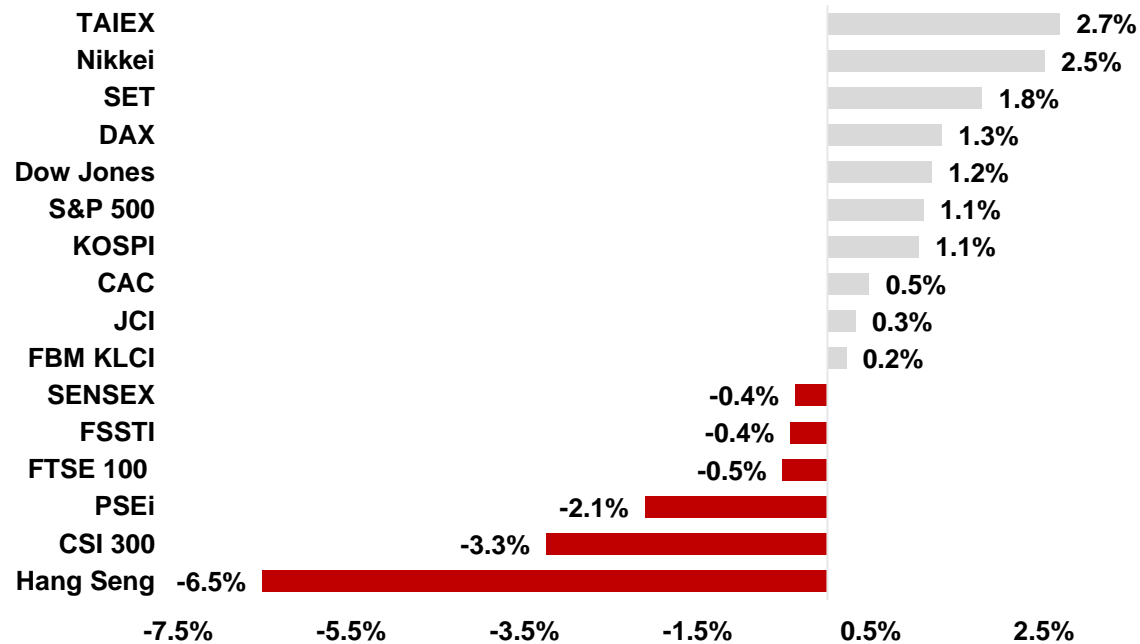


U.S. CPI (Energy), y-o-y%

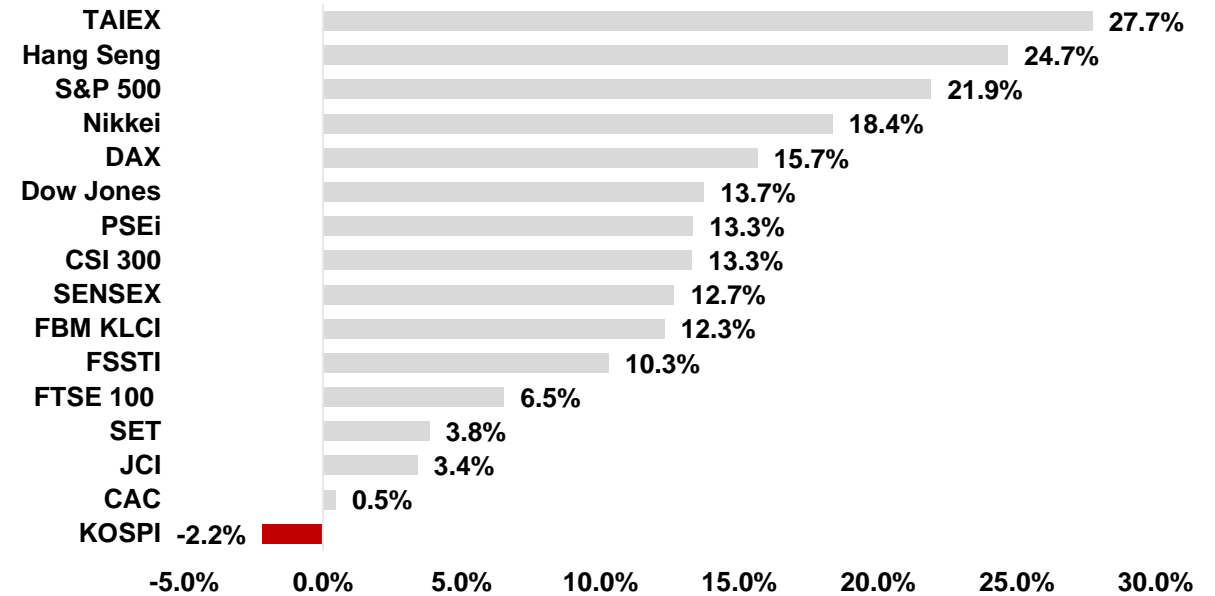


REGIONAL EQUITY: CHINESE STOCKS EDGED LOWER AMID GROWING DOUBTS OVER EFFECTIVENESS OF MONETARY STIMULUS

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



YTD Gain/Loss of Major Equity Markets, % (As of 11 October 2024)

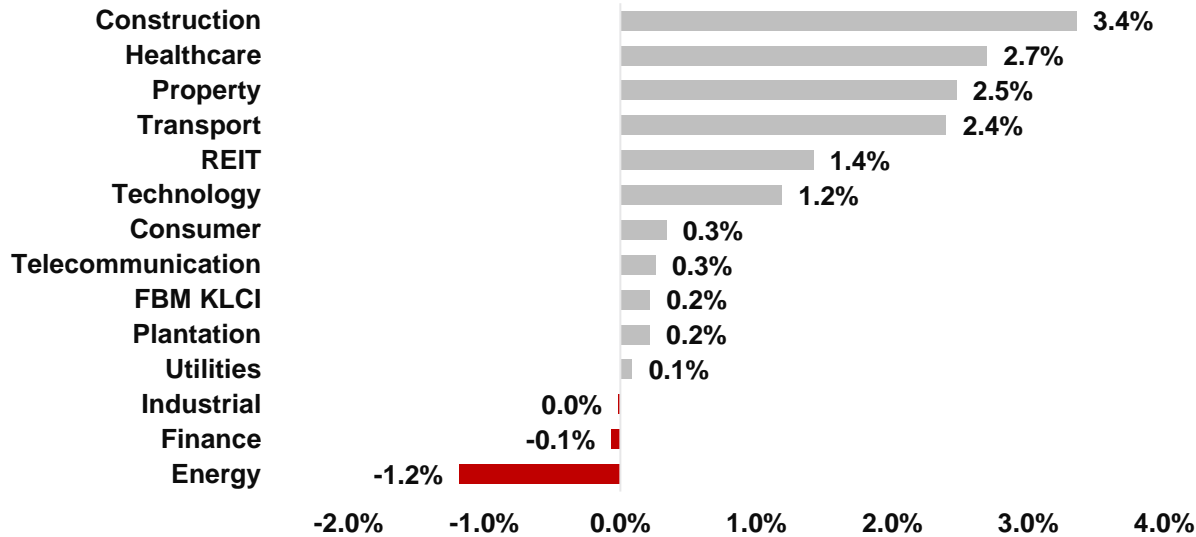


Sources: Bursa, CEIC Data

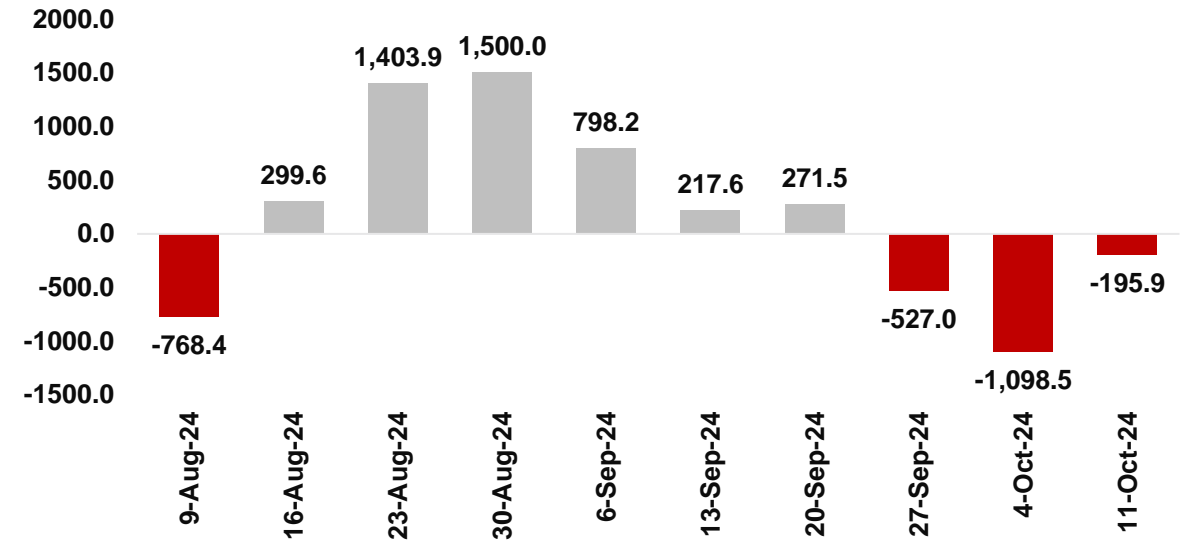
- The global stocks market ended mixed for the week ending October 11, with Taiwan’s TAIEX as the major gainer growing by 2.7%, encouraged by the gains in U.S. tech stocks, investors snapped up large-cap electronics stocks with ties to artificial intelligence (A.I.).
- U.S. stocks – Dow Jones (+1.2%) and S&P 500 (+1.1%) rose boosted by robust corporate earnings at the beginning of the reporting season, investors also kept evaluating the latest economic data for clues about the Federal Reserve’s (Fed’s) future policy direction.
- On the contrary, Chinese stocks - Hong Kong’s Hang Seng (-6.5%) and China’s CSI 300 (-3.3%) were the major losers driven by profit-taking and growing doubts over the effectiveness of monetary stimulus in spurring growth. Investors were also cautious ahead of a finance ministry press conference scheduled for on October 13, where additional stimulus measures were anticipated.

DOMESTIC EQUITY: FBM KLCI TO TRADE CAUTIOUSLY AHEAD OF THE TABLING OF BUDGET 2025

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

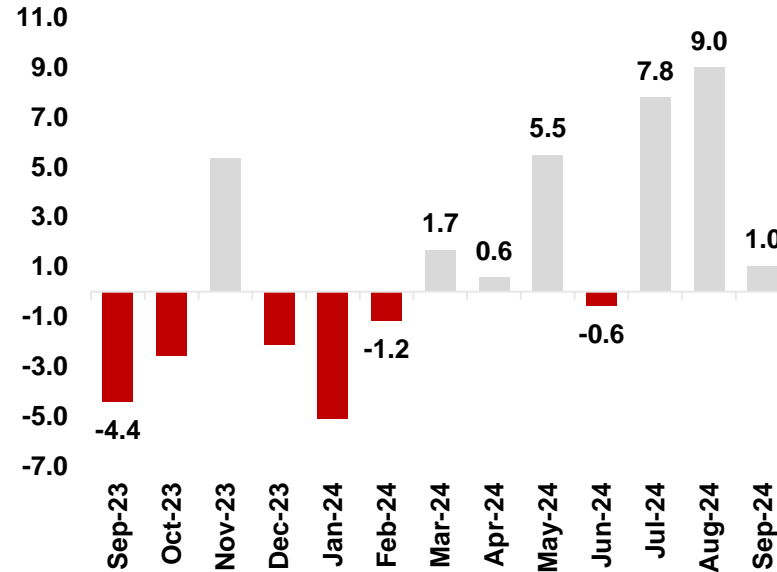
- The FBM KLCI gained slightly by 0.2% for the week ending October 11 on bargain hunting activities following the heavy selling in the week before.
- Investor sentiments were largely lifted by the solid domestic economy following latest figures from DOSM which points to resilient labour market conditions. Notably, the unemployment rate had eased to 3.2% in August after trending at 3.3% for nine straight months while the number of unemployed persons recorded the largest monthly decline since September 2022.
- Looking closer, the Construction (+3.4%) index topped the gainers, followed by the Healthcare (+2.7%) and Property (2.5%) indices.
- Meanwhile, the Energy index (-1.2%) retreated from last week's win to close as the biggest loser, followed by the Finance (-0.1%) index.
- Foreign investors remained net sellers for the third straight week, shedding off a total of RM195.9 million worth of equities. The net selling had reduced the cumulative total net inflow this year to RM2.7 billion.

FIXED INCOME: UST YIELDS CLIMBED AS U.S. INFLATION DECELERATED LESS-THAN-ANTICIPATED

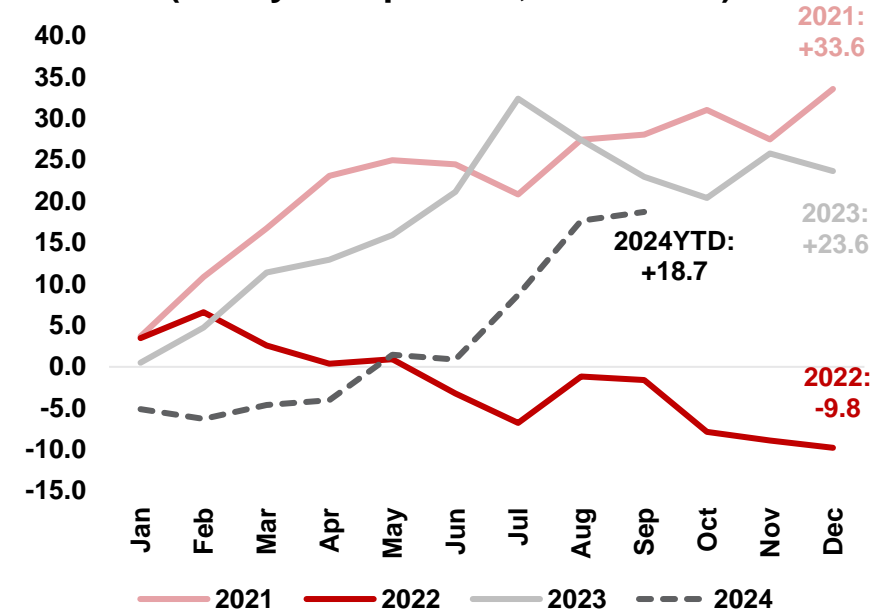
Weekly Changes, basis points (bps)

UST	Yields (%) 4-Oct-24	Yields (%) 11-Oct-24	Change (bps)
3-Y UST	3.84	3.85	1
5-Y UST	3.81	3.88	7
7-Y UST	3.88	3.97	9
10-Y UST	3.98	4.08	10
MGS	Yields (%) 4-Oct-24	Yields (%) 11-Oct-24	Change (bps)
3-Y MGS	3.36	3.42	7
5-Y MGS	3.52	3.56	5
7-Y MGS	3.70	3.76	6
10-Y MGS	3.73	3.78	5
GII	Yields (%) 4-Oct-24	Yields (%) 11-Oct-24	Change (bps)
3-Y GII	3.34	3.37	3
5-Y GII	3.51	3.55	3
7-Y GII	3.71	3.76	5
10-Y GII	3.76	3.80	4

Foreign Fund Flows in Local Bond Market, RM Billion



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

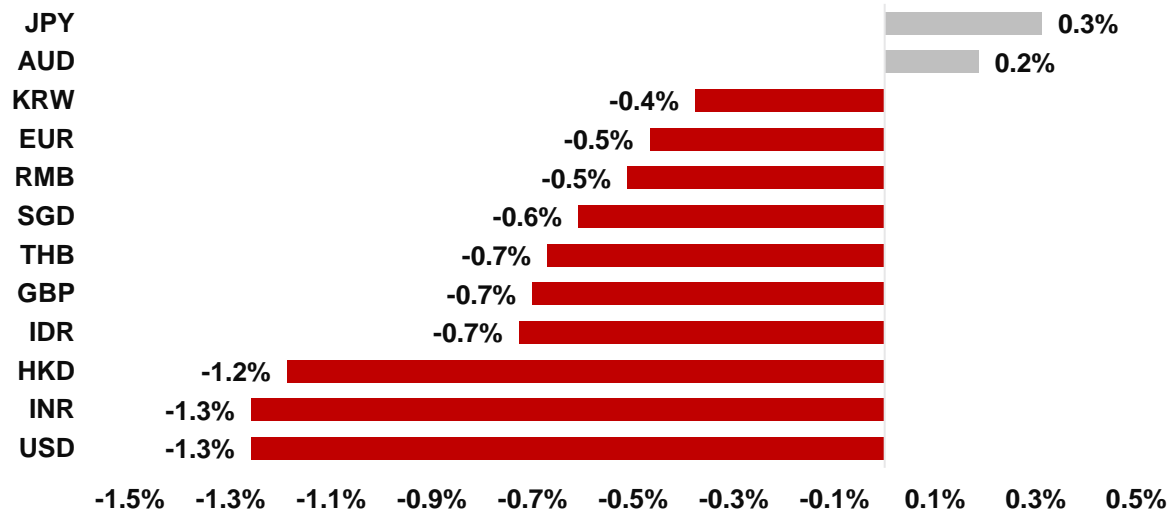


Sources: BNM, Federal Reserve Board

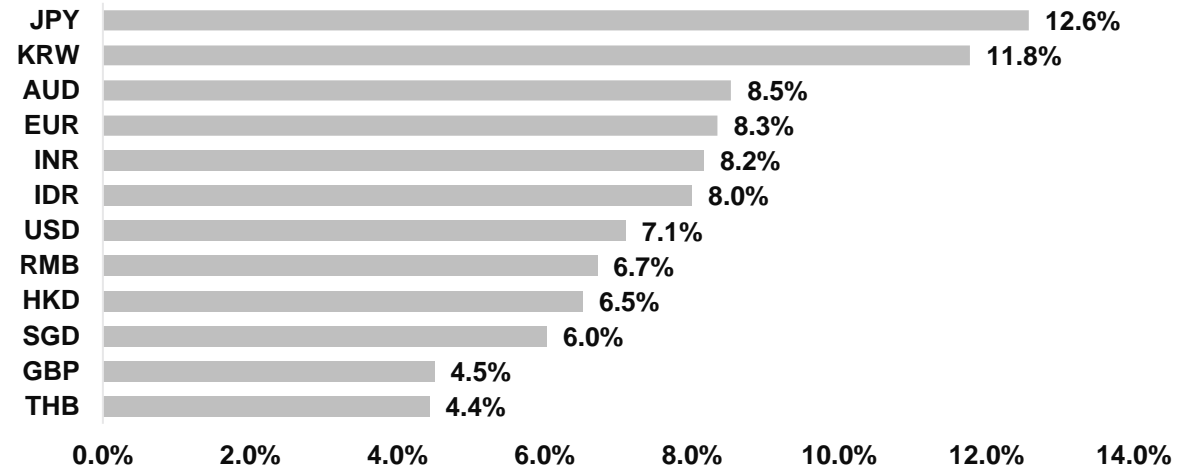
- The U.S. Treasury (UST) yield curve bearishly steepened between 1bp and 10bps for the week ending October 11 as the latest economic data revealed that consumer inflation decelerated less than anticipated in September (Act: 2.4% vs. Est: 2.3%), sparking concerns that persistently high inflation could prompt the Fed to forgo a rate cut in upcoming meetings.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also ticked higher in the range of 3bps and 7bps.
- Foreign fund flows in the local bond market remained in the positive territory with a net foreign inflow of RM1.0 billion in September (Aug: +RM9.0 billion). Local govvnies' foreign shareholdings to total outstanding increased to 22.7% in September (Aug: 22.6%).
- As of the first nine months of 2024, the local bond market recorded the cumulative net foreign inflows of RM18.7 billion, significantly lower than the inflows of RM23.0 billion in the same period in the previous year.

FX MARKET: RINGGIT DEPRECIATED AS KEY U.S. FIGURES DASHES HOPE OF A JUMBO RATE CUT

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 11 October 2024)



Sources: BNM, BLS

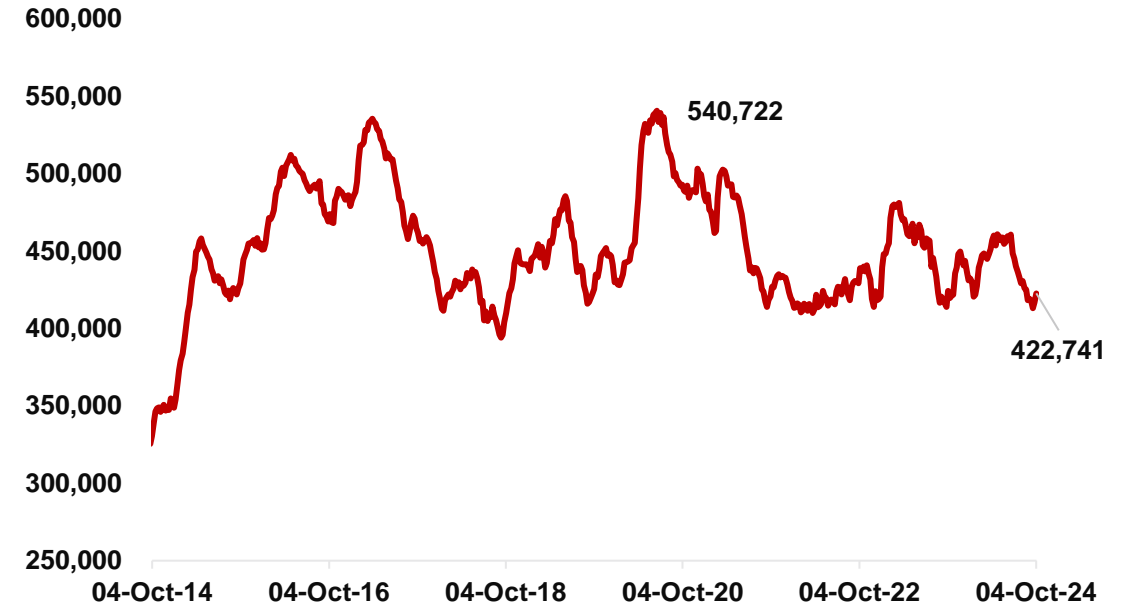
- The Ringgit remained pressured by the slew of data from the U.S., depreciating by 1.3% against the USD for the week ending October 11 as the USD index trended above the 102-level.
- Last week, all eyes were trained on the release of U.S. inflation figures whereby the headline inflation eased to 2.4% in September (August: 2.5%), albeit still higher than the anticipated 2.3%. On a monthly basis, inflation rose at 0.2% as recorded in August (Est: 0.1%).
- Meanwhile, U.S. core inflation unexpectedly ticked up to 3.3% in September from 3.2% in August. It also rose more than expected on a monthly basis (Act: 0.3% vs. Est: 0.2%).
- Coupled with the earlier release which showed a hotter than expected U.S. job market, the Fed has more room to navigate through gradual policy easing without possibly reigniting inflationary pressures. As such, the latest data reinforces market bets of a 25bp Fed rate cut in its November meeting.
- This week, we posit that the local note will trade cautiously ahead of the tabling of Budget 2025 on Friday.

COMMODITY: OIL FELL ON CONCERNS OVER FLORIDA DEMAND AND MIDDLE EAST RISKS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

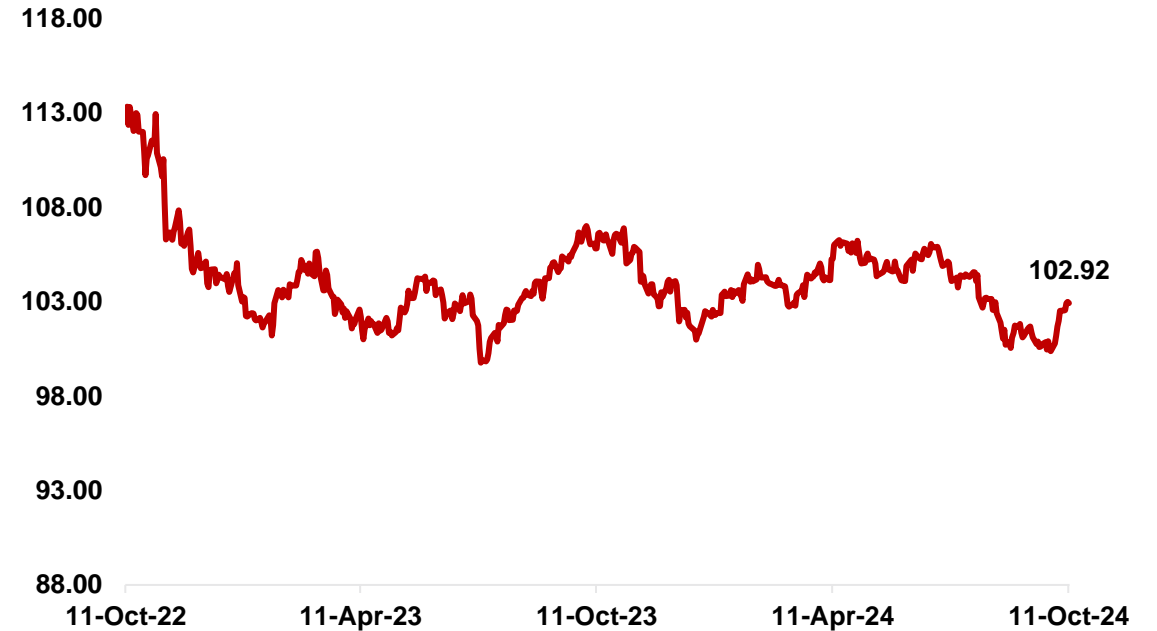
- Brent oil prices fell 0.4% to USD 79 for the week ending October 11, pressured by concerns over Middle East supply disruptions and Hurricane Milton's impact on Florida demand. However, prices rose over 10% since Iran's missile attack on Israel, marking a second consecutive week of gains.
- U.S. crude inventories increased by 1.4% for the week ending October 4, or approximately 5.8 million barrels, reaching 422.7 million barrels, exceeding market expectations of a 2 million barrel rise.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN DESPITE STRENGTH IN THE GREENBACK

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, BLS

- The bullion price rose marginally by 0.1% last week, attributable to the higher-than-expected U.S. Initial Jobless Claims (IJC) figures.
- Of note, the IJC had increased by 33K to 258K for the week ending October 5 from 225K in the previous week (Est: 230K).
- Furthermore, upside to the bullion price stemmed from the escalating geopolitical conflict in the Middle East, prompting flight to the safe-haven asset.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- On the U.S. economy, focus will be on retail sales and industrial production data which is expected to be released. Retail sales are forecast to rise 0.3% m-o-m in September, accelerating from 0.1% growth m-o-m in August. Meanwhile, industrial production is projected to decline 0.1% m-o-m after a robust 0.8% increase in August. Several Fed officials will also be making public appearances. Furthermore, the earnings season will kick off in earnest, with numerous companies reporting their quarterly results.
- The European Central Bank (ECB) will take the spotlight this week as it is expected to implement another 25bp cut in its key deposit rate, following similar reductions in September and June. Additionally, traders will focus on Eurozone industrial production, trade balance, current account, and construction output. The U.K. will also have a busy week, with the inflation rate expected to decline to 1.9%, the lowest reading since July 2021, from 2.2% in August. The core rate is also forecast to fall, but at a slower pace, to 3.5% from 3.6% in August. The unemployment rate is anticipated to remain steady at 4.1% in August. Retail sales, on the other hand, are likely to have contracted 0.3% m-o-m in September, following a 1.0% increase m-o-m in August.
- China's 3Q2024 GDP is expected to show that the country's output continued to fall short of its 5.0% annual growth target, prompting Beijing to accelerate fiscal stimulus. Markets will also closely watch September's trade balance, industrial production, retail sales and unemployment rate. In Japan, the week will be filled with economic data, including September's inflation rate, trade balance, and machinery orders from August. Other key events include interest rate decisions from Indonesia, Thailand, and the Philippines as well as advance estimates of GDP for 3Q2024 from Singapore and Malaysia.

BANK ISLAM

THANK YOU