



WEEKLY ECONOMIC UPDATE

15 JULY 2024

ECONOMIC RESEARCH

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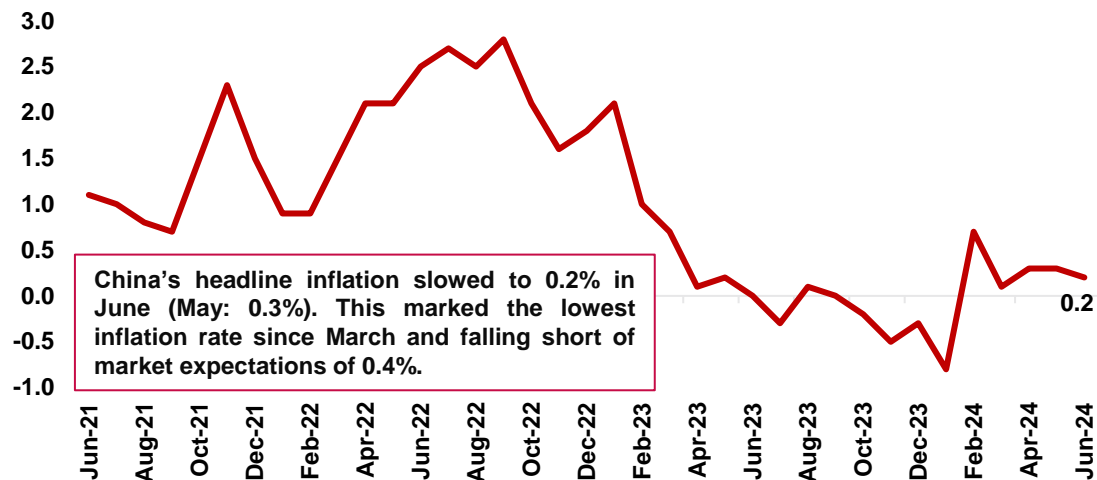
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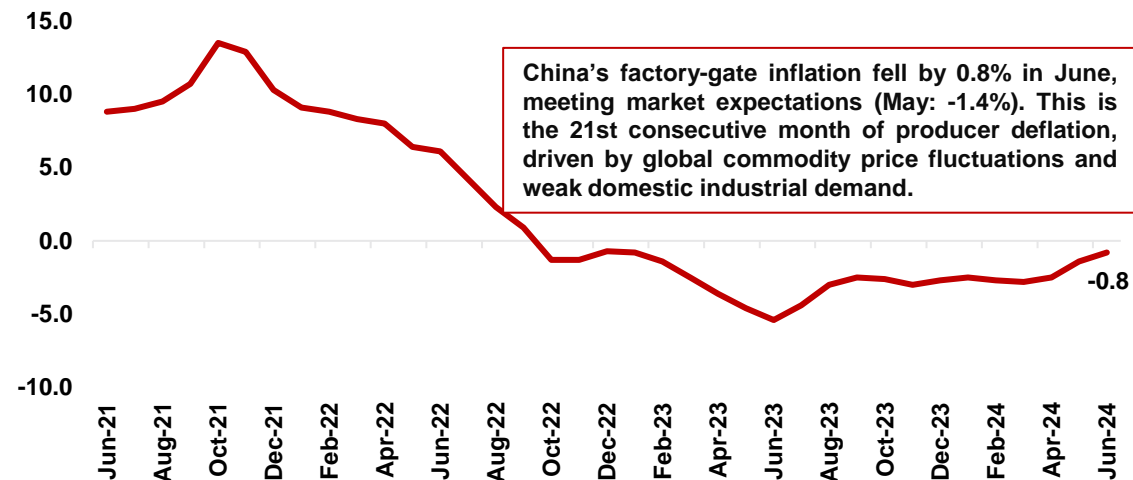
WEEKLY HIGHLIGHT: CHINA'S TEPID DEMAND POINTS TO MORE STIMULUS

GLOBAL

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

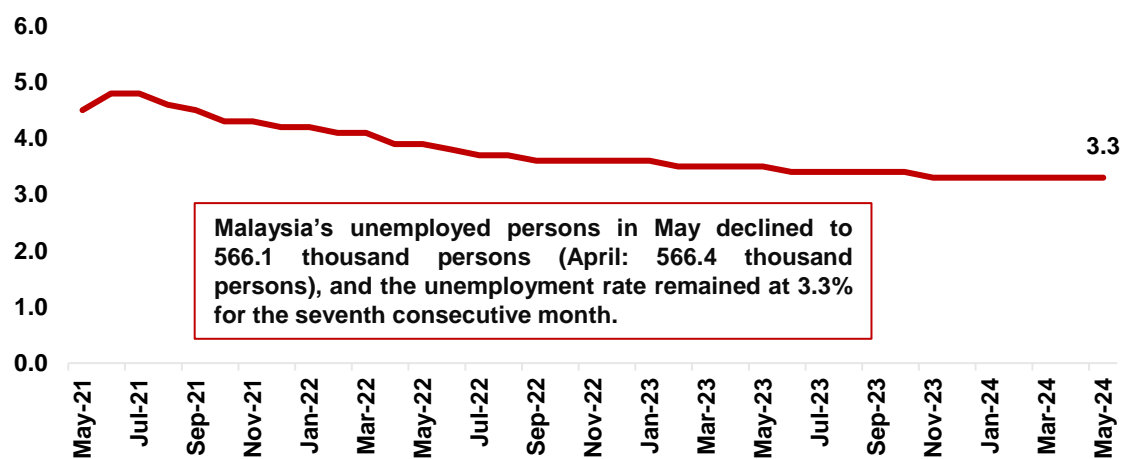


China - Producer Price Index (PPI), y-o-y%

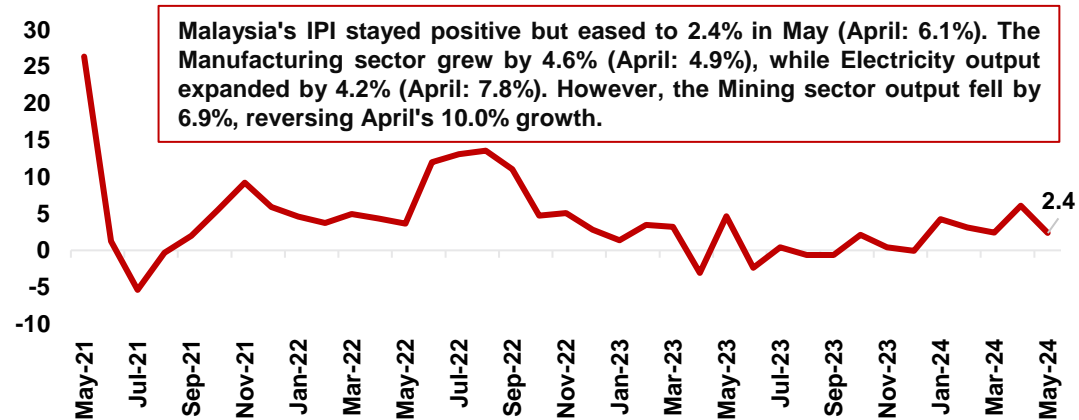


DOMESTIC

Malaysia - Unemployment Rate, y-o-y%

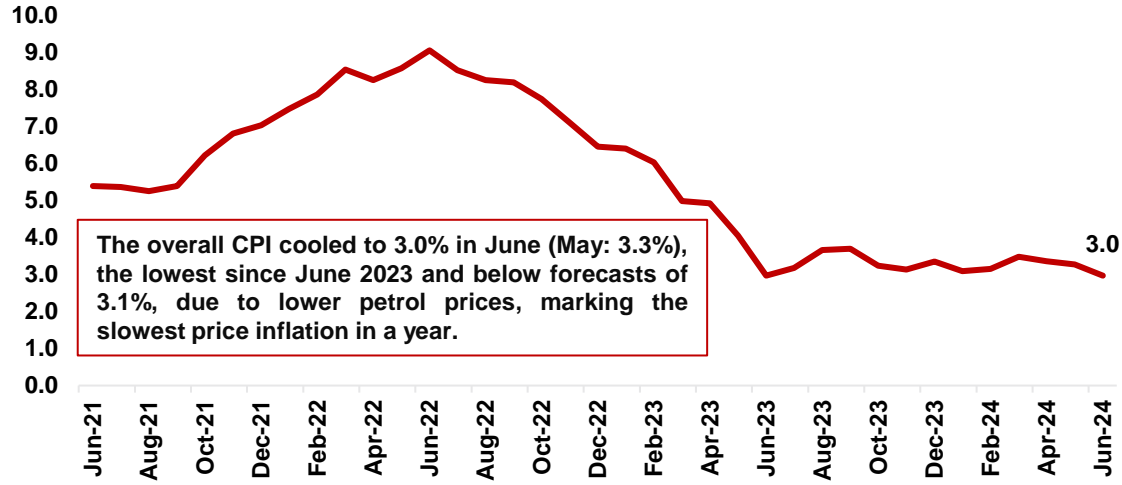


Malaysia - Industrial Production Index (IPI), y-o-y%

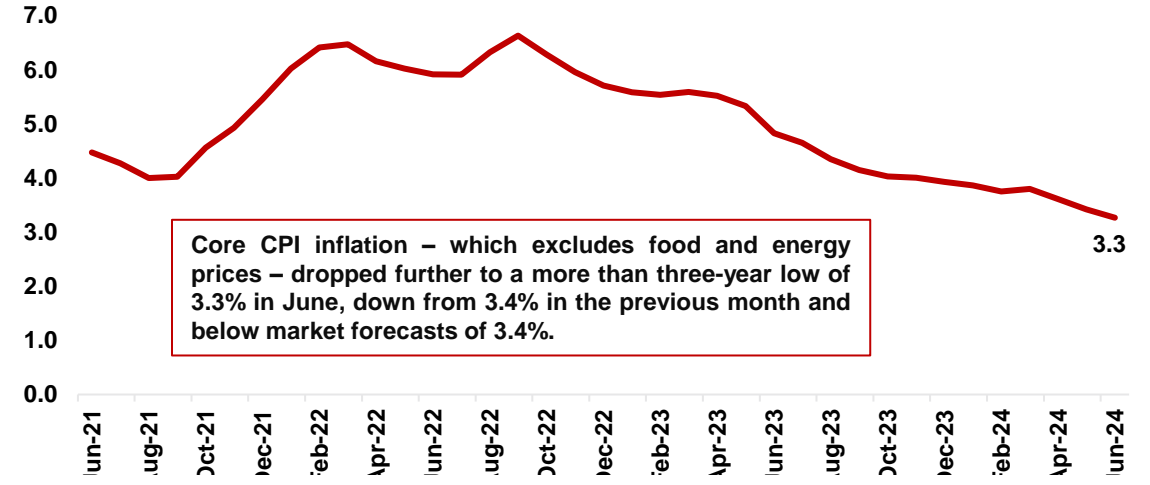


U.S. WEEKLY HIGHLIGHT: U.S. INFLATION COOLS, FUELLING FED RATE CUT EXPECTATIONS

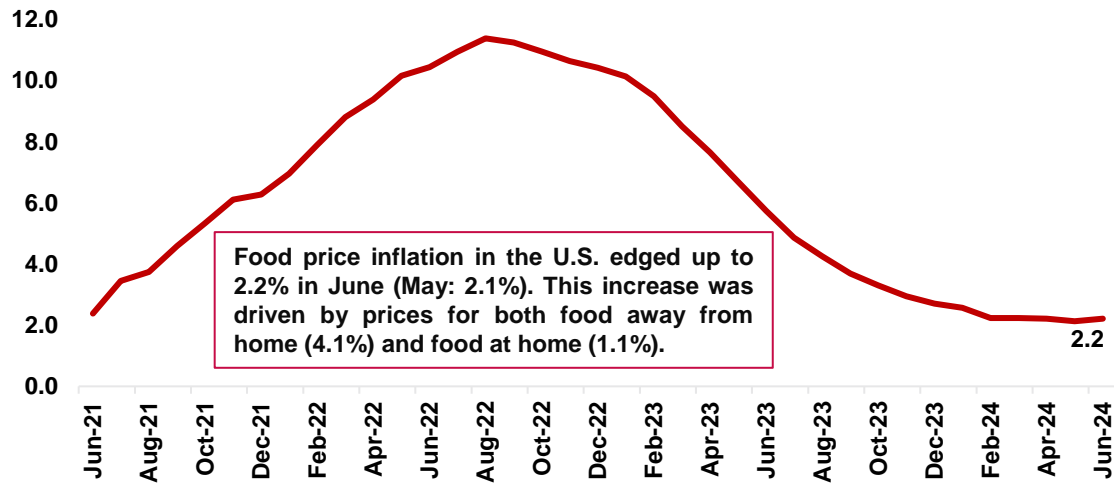
U.S. CPI, y-o-y%



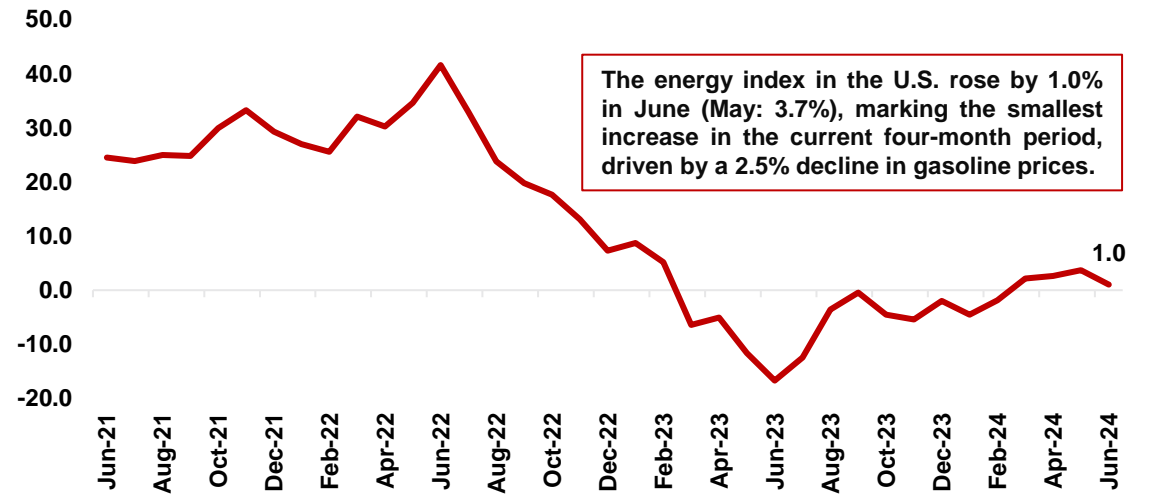
U.S. CPI (All Items less Food and Energy), y-o-y%



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

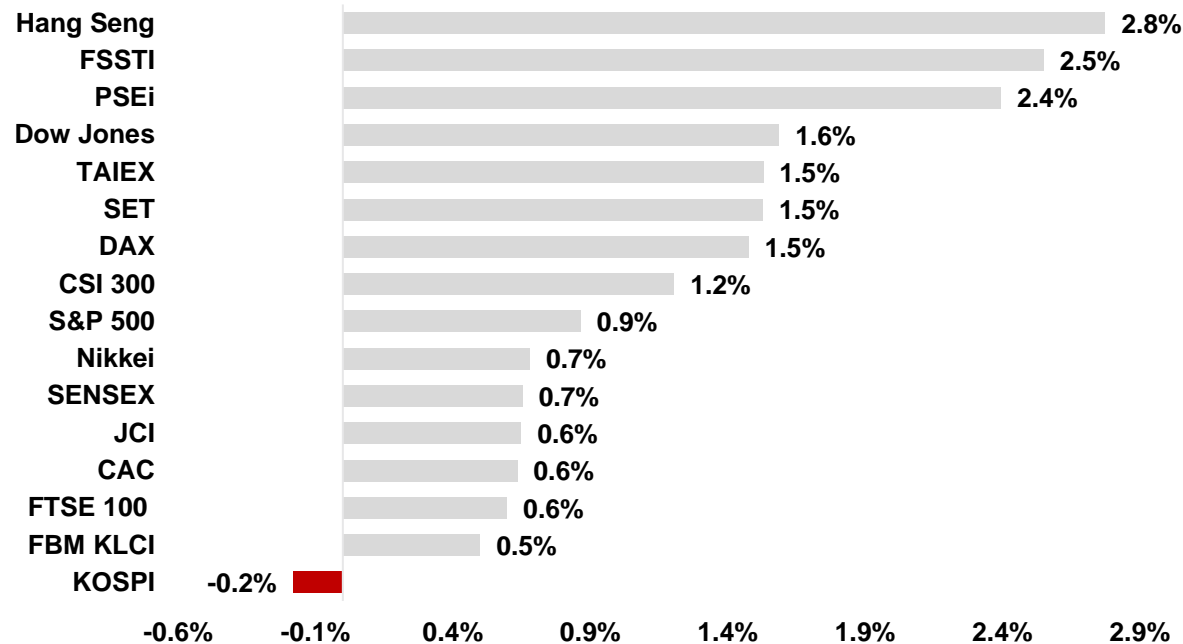


U.S. CPI (Energy), y-o-y%

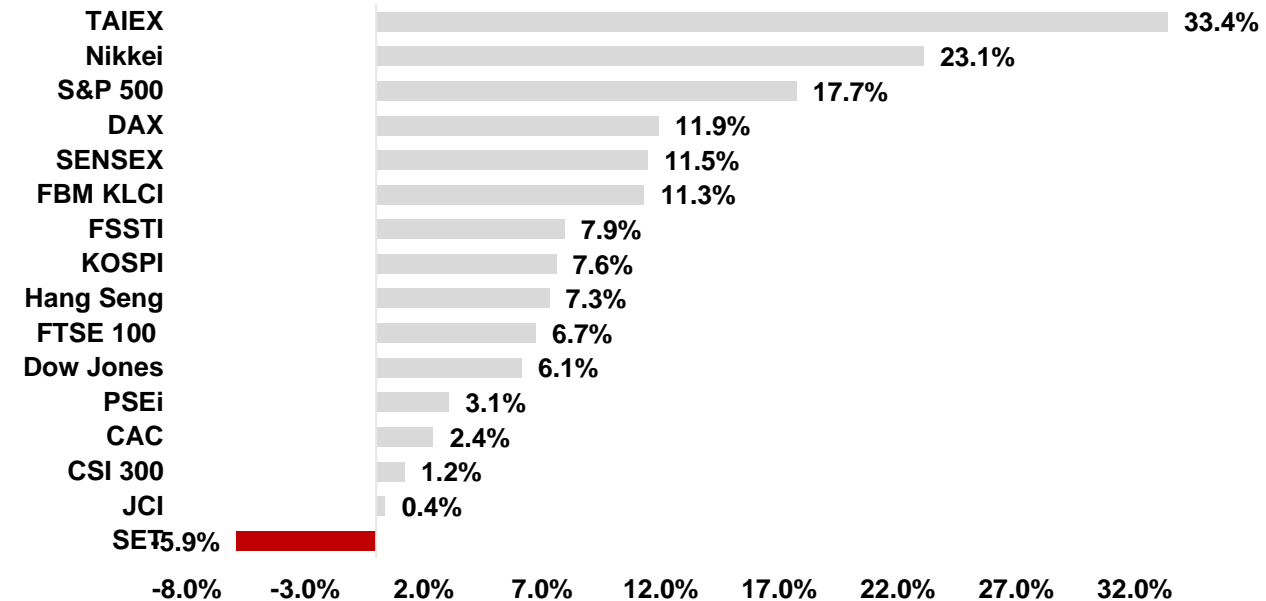


REGIONAL EQUITY: HONG KONG SHARES SURGED ON BETTER EXTERNAL TRADE PERFORMANCE

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



YTD Gain/Loss of Major Equity Markets, % (As of 12 July 2024)

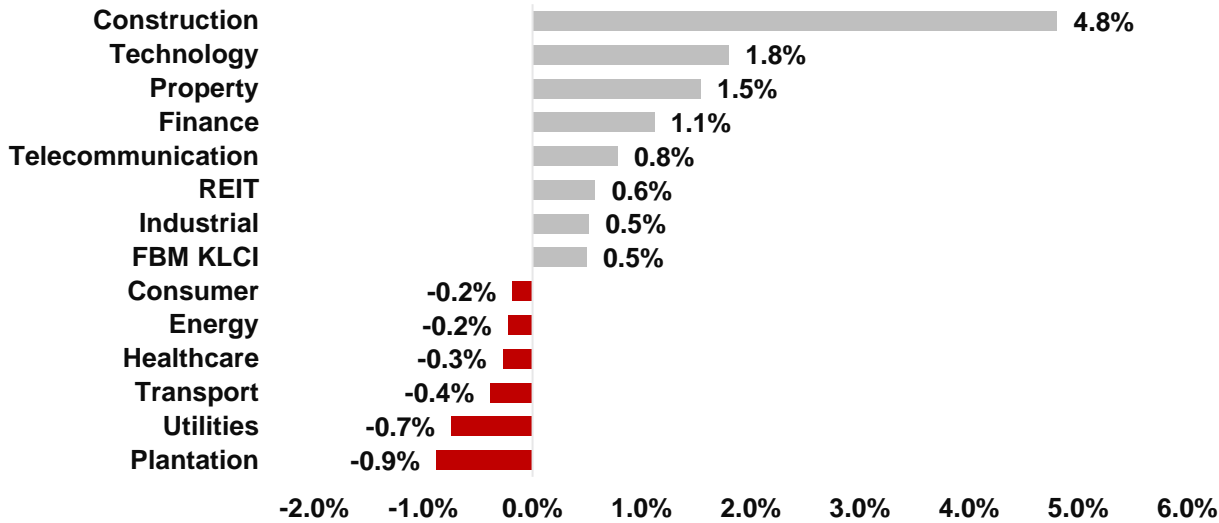


Sources: Bursa, CEIC Data

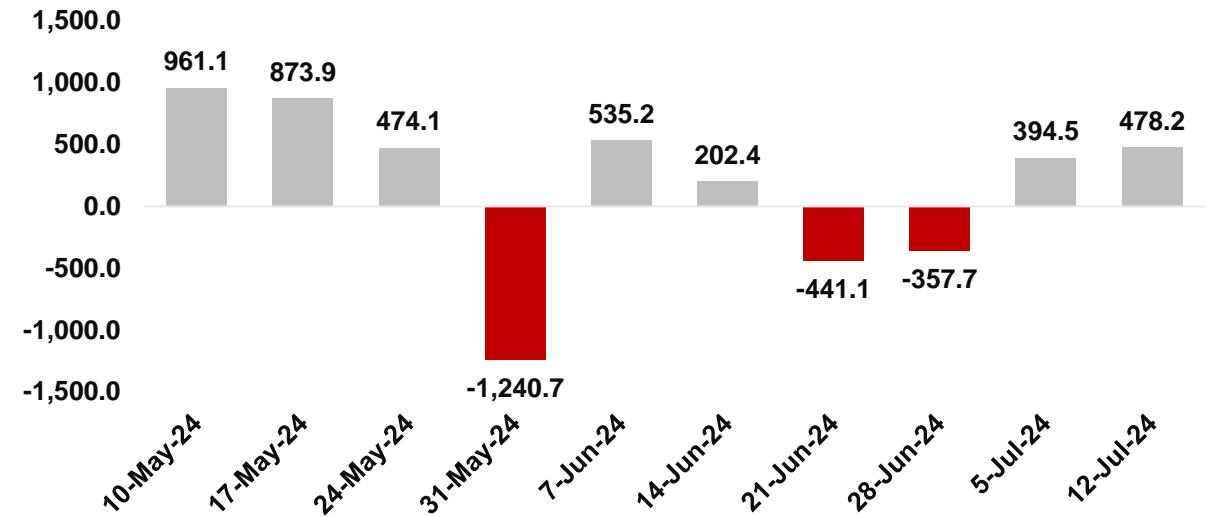
- The global stocks market mostly ended in the green for the week ending July 12, led by Hong Kong's Hang Seng (+2.8%), buoyed by a surge in China's trade surplus in June as exports grew and imports declined.
- Additionally, Singapore's FSSTI also expanded by 2.5% on the heels of better-than-forecast 2Q2024 preliminary GDP growth (Act: 2.9% vs. Est: 2.7%)
- U.S. stocks – Dow Jones (+1.6%) and S&P 500 (+0.9%) also rose, boosted by growing expectations of a September rate cut by the U.S. Federal Reserve (Fed) as inflation cools and upcoming bank earnings season.
- On the other hand, South Korea's KOSPI (-0.2%) was the only loser for last week, pulled down by chipmakers following a decline in their U.S. counterparts after weaker-than-expected U.S. inflation data.

DOMESTIC EQUITY: FBM KLCI CLOSED ON A POSITIVE NOTE AMID JP MORGAN'S RATING UPGRADE

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



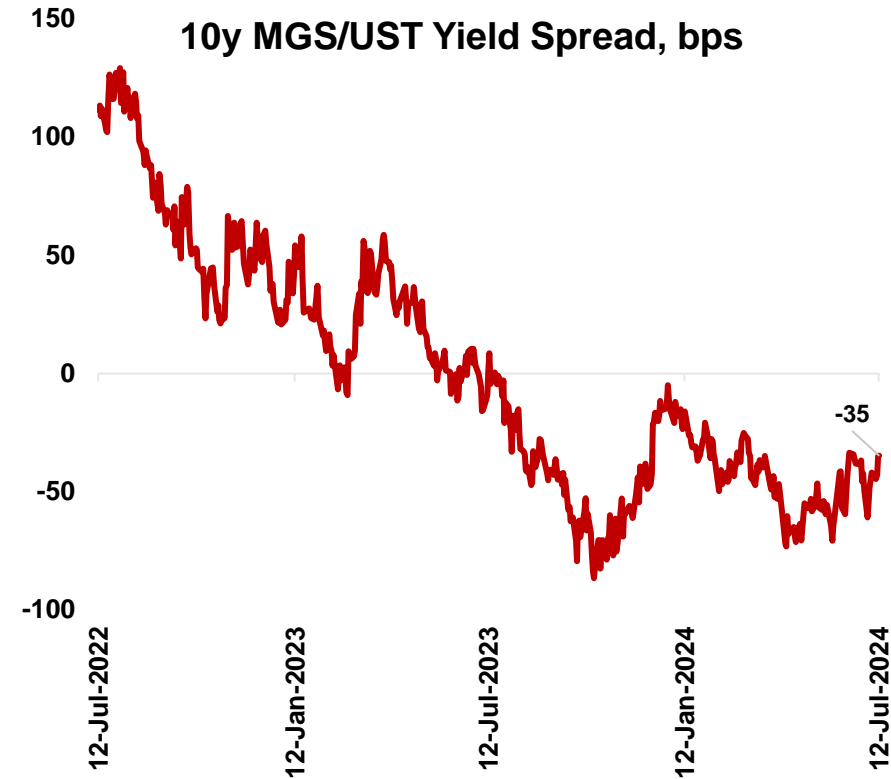
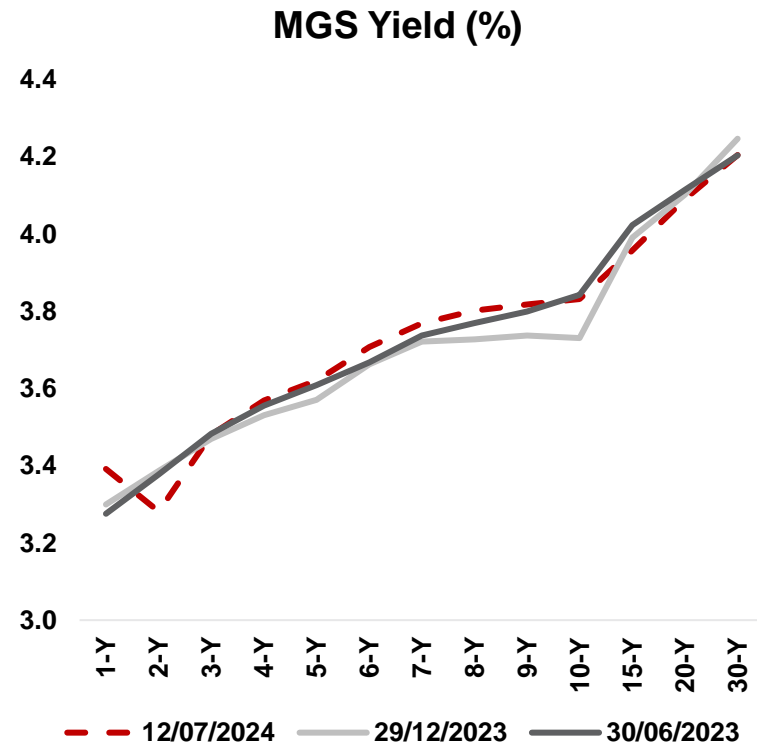
Sources: Bursa, CEIC Data

- The FBM KLCI closed in the green for the week ending July 12 amid bargain hunting activities from both foreign and local investors.
- Investor sentiments were driven by JP Morgan upgrading Malaysia's rating from underweight to neutral, the first after almost six years, on the back of Malaysia's policy reforms, data centre investments and infrastructure build-ups. Furthermore, it increased its FBM KLCI target to 1,650 points from 1,500 points previously.
- Given the upbeat view surrounding the developments prospects, the Construction index topped the gainers with a whopping 4.8% gain. This was followed by the Technology (+1.8%) and Property (+1.5%) indices.
- Meanwhile, the Plantation index (-0.9%) was the biggest loser, followed by the Utilities (-0.7%) and Transport (-0.4%) indices.
- Foreign investors resumed their buying for the second straight week, recording a total net inflow of RM478.2 million. The net buying had increased the cumulative total net inflow this year thus far to RM258.4 million.

FIXED INCOME: YIELDS EDGED LOWER AMID COOLER-THAN-EXPECTED U.S. INFLATION

Weekly Changes, basis points (bps)

UST	Yields (%) 5-Jul-24	Yields (%) 12-Jul-24	Change (bps)
3-Y UST	4.39	4.22	-17
5-Y UST	4.22	4.10	-12
7-Y UST	4.23	4.13	-10
10-Y UST	4.28	4.18	-10
MGS	Yields (%) 5-Jul-24	Yields (%) 12-Jul-24	Change (bps)
3-Y MGS	3.51	3.48	-3
5-Y MGS	3.65	3.62	-3
7-Y MGS	3.80	3.77	-3
10-Y MGS	3.86	3.83	-3
GII	Yields (%) 5-Jul-24	Yields (%) 12-Jul-24	Change (bps)
3-Y GII	3.47	3.43	-4
5-Y GII	3.63	3.60	-2
7-Y GII	3.77	3.76	-1
10-Y GII	3.87	3.85	-2

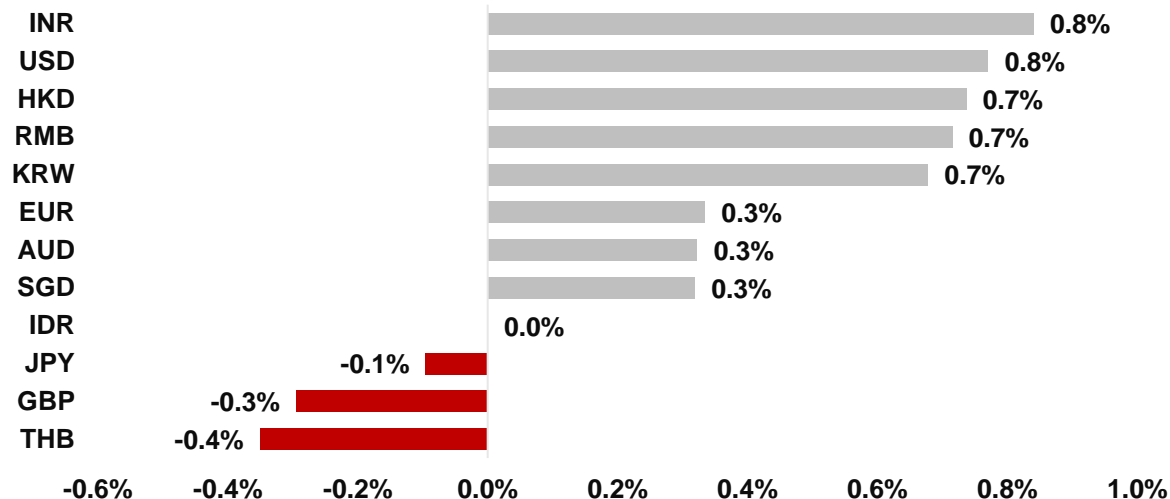


Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

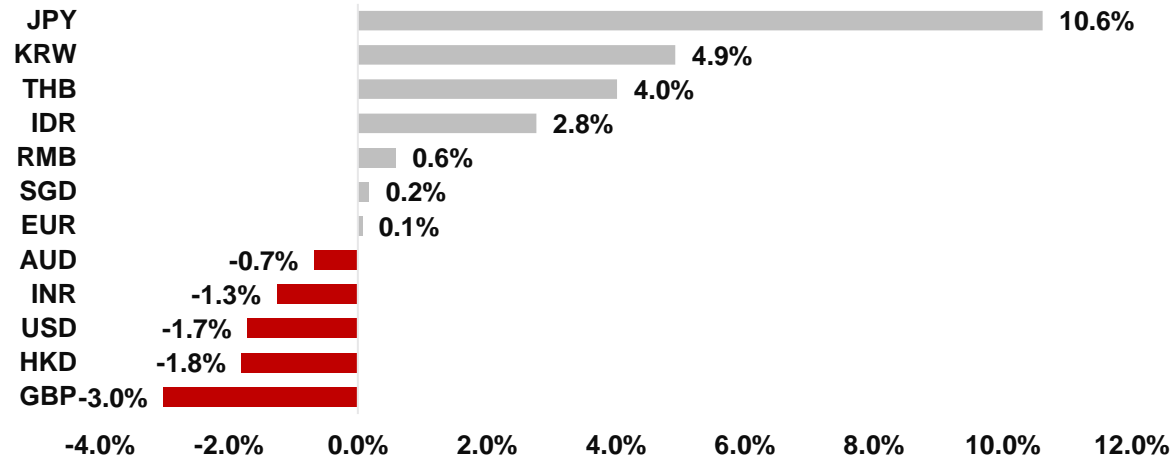
- The U.S. Treasury (UST) yield curve bullishly steepened for the week ending July 12, with yields falling between 10bps and 17bps. Bond buying was driven by lower-than-expected U.S. inflation, which has strengthened bets on a September Fed rate cut.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also edged lower in the range of 1bp and 4bps.
- The RM5.0 billion 10-Y reopening of GII which was issued on July 12 drew a strong demand with a bid-to-cover (BTC) ratio of 2.4x, alike to the previous RM5.0 billion 10-Y reopening of GII in January 2024.
- The 10y MGS/UST yield spread narrowed marginally in the negative territory at -35bps relative to -42bps in the previous week.

FX MARKET: RINGGIT ON TRACK FOR SECOND WEEKLY GAIN AS USD WEAKENED

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 12 July 2024)



Sources: BNM, Federal Reserve Board, BLS

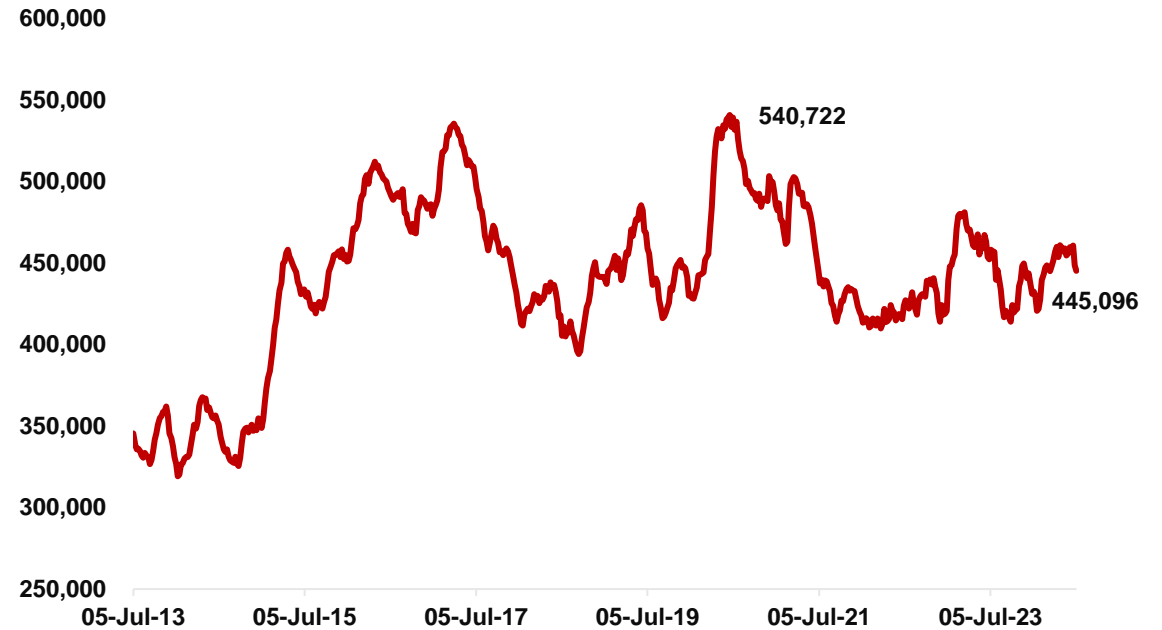
- The ringgit had appreciated to the strongest level against the USD since mid-January (12 July: RM4.672), benefiting from the greenback's continued decline as it traded around the 104-level following the cooler-than-expected U.S. inflation data.
- U.S. headline inflation had eased to 3.0% in June (May: 3.3%), more than the expected 3.1%, whilst the core inflation for the same month slowed to 3.3% (Est: 3.4%). The softer-than-expected figures had reaffirmed market bets of the Fed initiating a rate cut during its September meeting, with the probability rising sharply to 90.3% at the time of writing.
- Furthermore, the greenback weakened following Fed Chair Powell's dovish statement, which indicated that the job market had cooled considerably. This risk to the Fed's dual mandate, which also focuses on maximising employment, puts pressure on the Fed to ease its tight monetary policy to avoid stifling economic growth. Of note, the unemployment rate had ticked up for four straight months, increasing from 3.8% in March to 4.1% in June. Additionally, non-farm payrolls for April and May were sharply revised downwards by a cumulative total of 111K jobs.

COMMODITY: OIL PRICES FALL ON WEAKER U.S. CONSUMER SENTIMENT

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

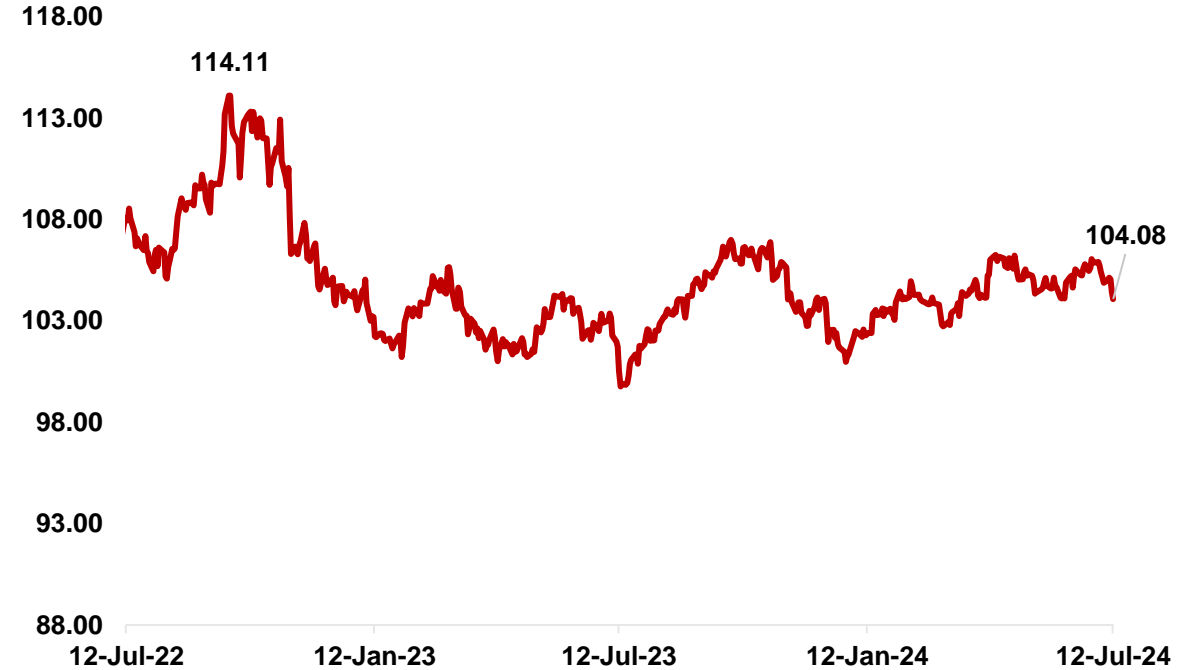
- Oil prices closed slightly lower for the week ending July 12 as investors weighed weaker U.S. consumer sentiment against growing expectations of a Fed rate cut in September.
- In the week ending July 5, U.S. crude oil inventories fell by 3.4 million barrels to 445.1 million barrels, against the market prediction of a 700,000-barrel increase, indicating a potential revival in summer fuel demand.

COMMODITY: GOLD PRICES TRENDED UPWARDS AS U.S. INFLATION COOLED

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, BLS

- The bullion price surged above the USD2,400-level in the past week, marking the highest level since May 21 on Thursday.
- Such upbeat momentum was driven by the softer than expected U.S. inflation figures, heightening bets of a September Fed rate cut.
- Nevertheless, gains on the bullion price were limited as China halts gold buying for the second straight month in June.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- It will be a heavy week for China, with the third plenum of the 20th National Congress of the Communist Party of China set to take place on July 15-18. This event will be closely monitored by the market for any new policy signals. Pressure for further support measures has intensified after fresh data revealed that China's GDP growth in 2Q2024 slowed to 4.7% (1Q2024: 5.3%), falling short of market expectations. The disappointing growth data came as a protracted property downturn and job insecurity continued to weigh domestic demand, raising doubts about China's ability to achieve its full-year growth target of 5.0% without additional stimulus. While China's exports grew at their fastest in 15 months in June (8.6% vs. May: 7.6%), imports hit a four-month low with a decline of 2.3% (May: +1.8%), indicating potential risks of rising trade tensions.
- The European Central Bank (ECB) is expected to hold its interest rates unchanged this week for a pause after delivering a 25bp cut at June's meeting. Several ECB policymakers, including President Christine Lagarde, have indicated in their recent remarks a gradual path for further rate cuts as services inflation and wage growth remain sticky. Nevertheless, the forward guidance, which will be updated following the meeting, will be scrutinised by investors for further clues on the timing of next rate cut. Fresh data showing cooling inflation in the U.S. has raised optimism that Eurozone inflation will follow suit, and that there will be at least one more rate cut by the ECB this year, potentially as early as September.
- As IDR stabilises alongside rising expectations of a Fed rate cut as early as September, no policy changes are expected from Bank Indonesia (BI) when it meets this week. With Indonesia's economy remaining solid and inflation staying within BI's target range of 1.5% to 3.5%, the policy focus will remain on maintaining currency stability. In his remarks to the Parliament on July 8, BI Governor Perry Warjiyo has raised the possibility of a rate cut in 4Q2024, citing the potential for the IDR to strengthen following an anticipated rate cut by the Fed.
- On the domestic front, the DOSM is scheduled to release its advance estimate for Malaysia's 2Q2024 GDP growth alongside June trade data this week. Resilient household spending and a strong turnaround in exports suggest that Malaysia's economic growth is likely to have accelerated from 4.2% in 1Q2024. We estimate that 2Q2024 GDP growth will come in at 5.2%. Exports are expected to continue their growth streak for the third consecutive month in June (May: 7.3%), driven by global semiconductor recovery. Meanwhile, imports are likely to have remained strong (May: 13.8%), supported in part by ongoing development projects.

BANK ISLAM

THANK YOU