



# **WEEKLY ECONOMIC UPDATE**

**16 DECEMBER 2024**

**ECONOMIC RESEARCH**

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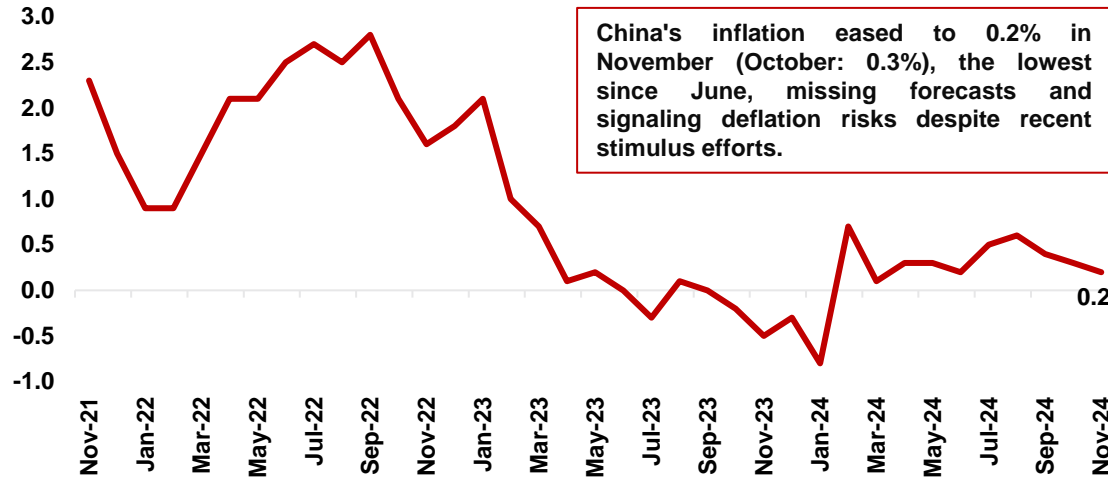
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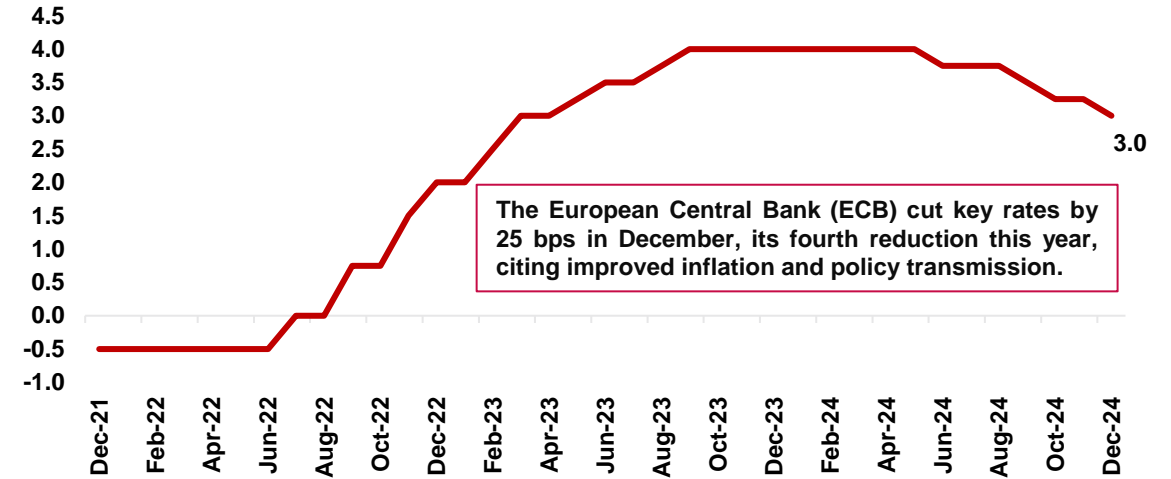
# WEEKLY HIGHLIGHT: CHINA'S INFLATION DATA REFLECTS ONGOING DEMAND WEAKNESS

GLOBAL

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

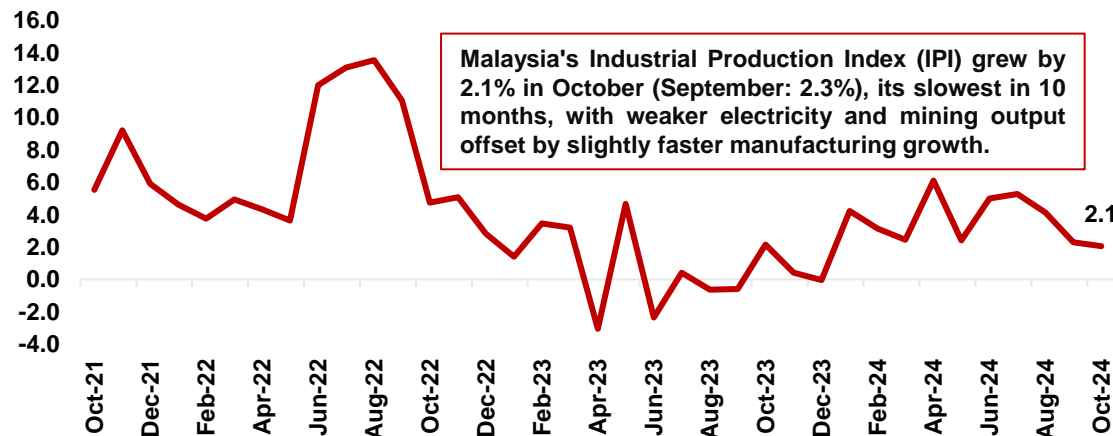


### Euro Area - Deposit Facility Rate, %

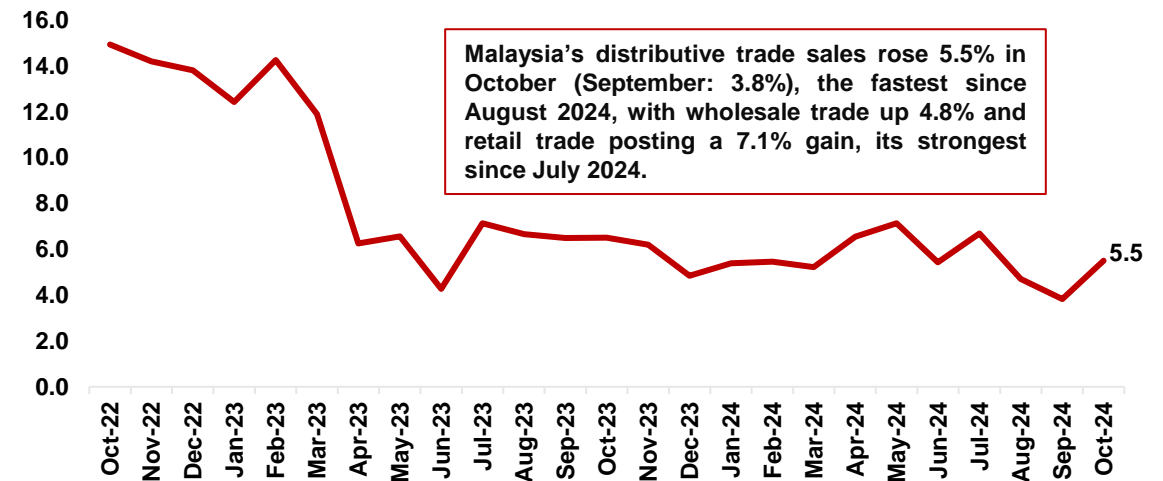


DOMESTIC

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

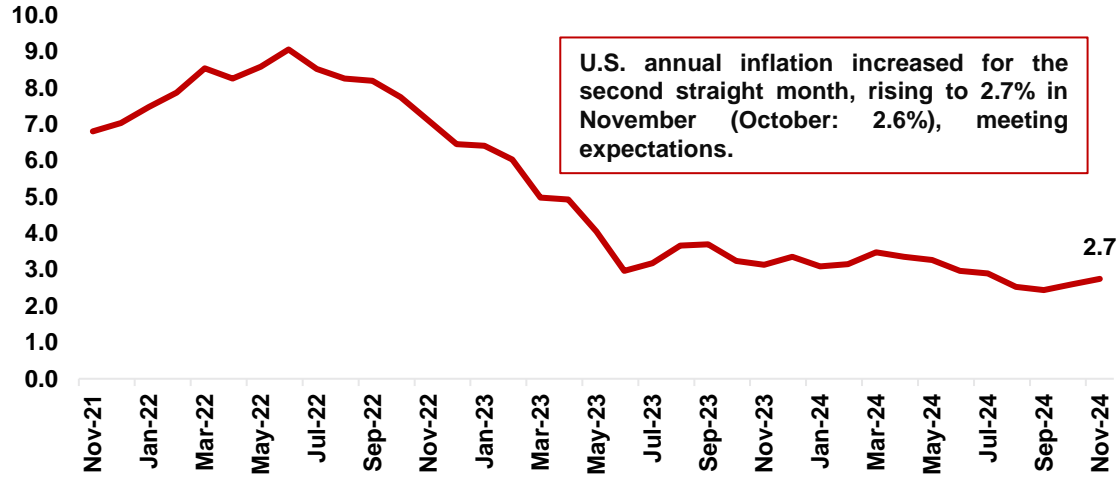


### Wholesale & Retail Trade, y-o-y%

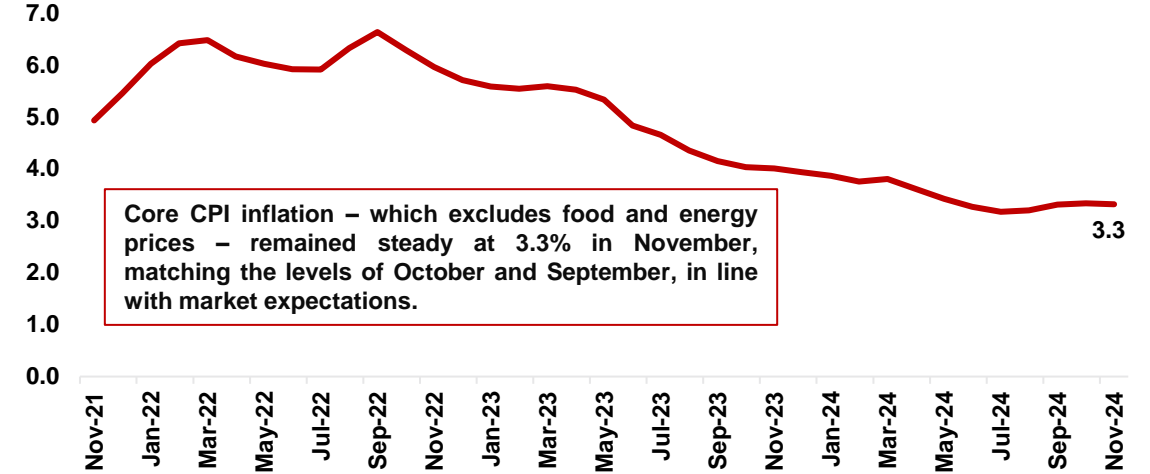


# U.S. WEEKLY HIGHLIGHT: U.S. INFLATION REMAINED STEADY IN OCTOBER

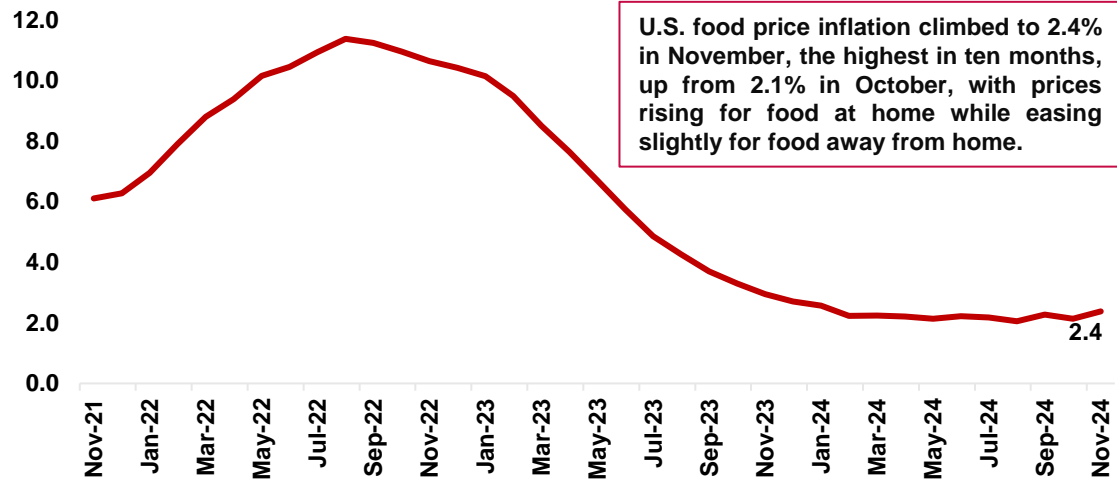
### U.S. CPI, y-o-y%



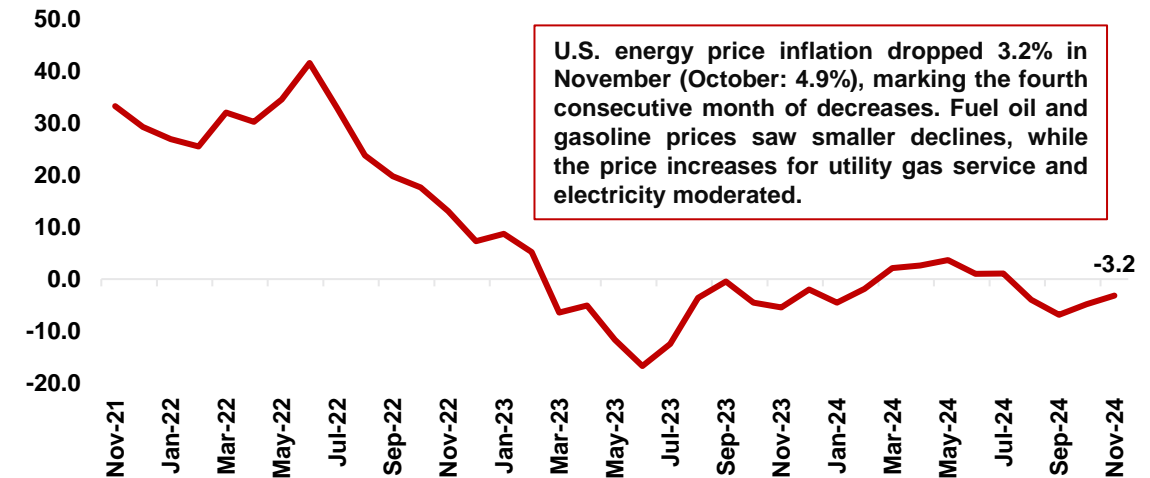
### U.S. CPI (All Items less Food and Energy), y-o-y%



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

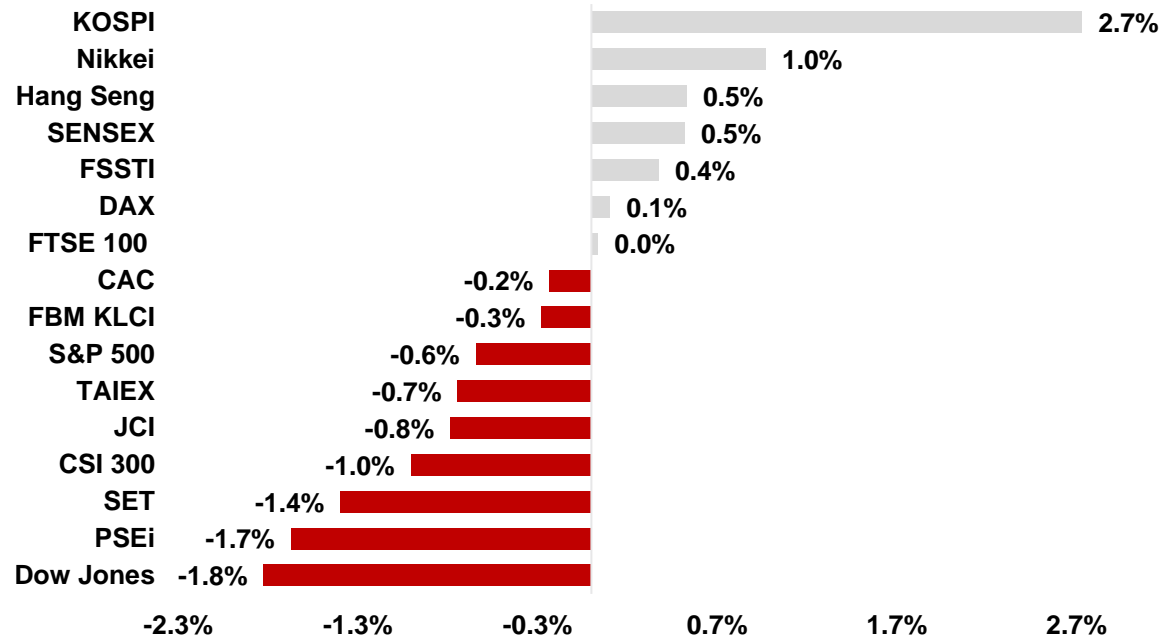


### U.S. CPI (Energy), y-o-y%

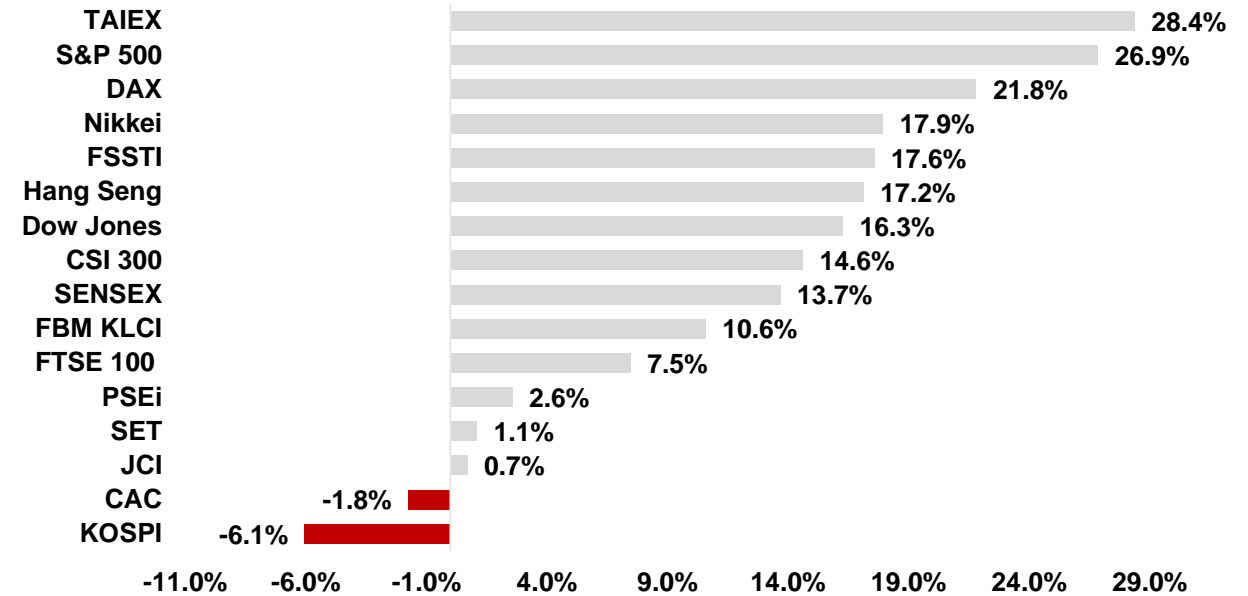


# REGIONAL EQUITY: SOUTH KOREAN STOCKS RALLY AHEAD OF THE IMPEACHMENT

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



YTD Gain/Loss of Major Equity Markets, %  
(As of 13 December 2024)

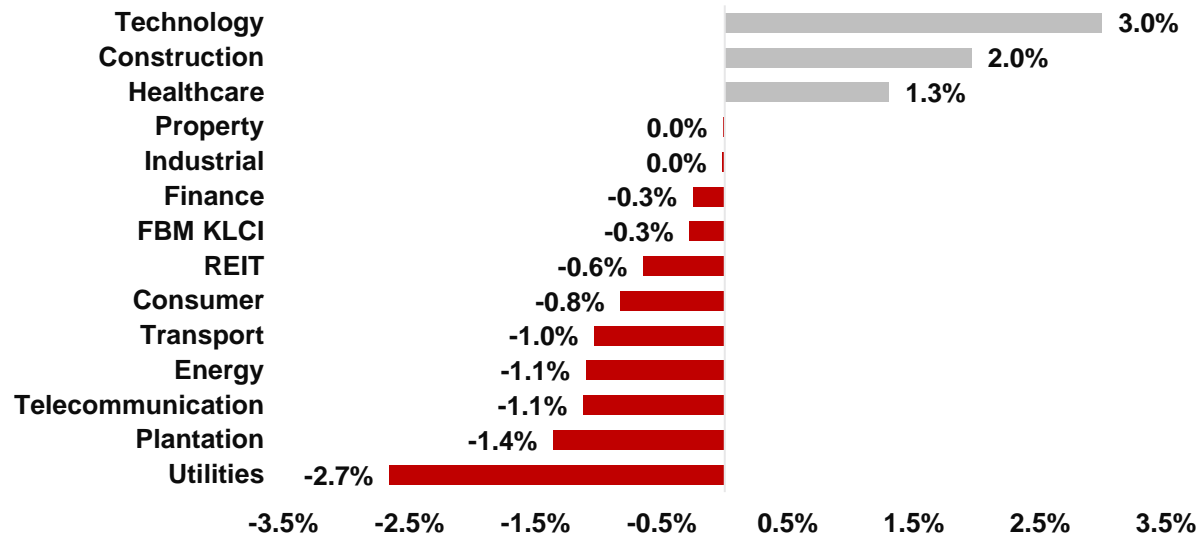


Sources: Bursa, CEIC Data

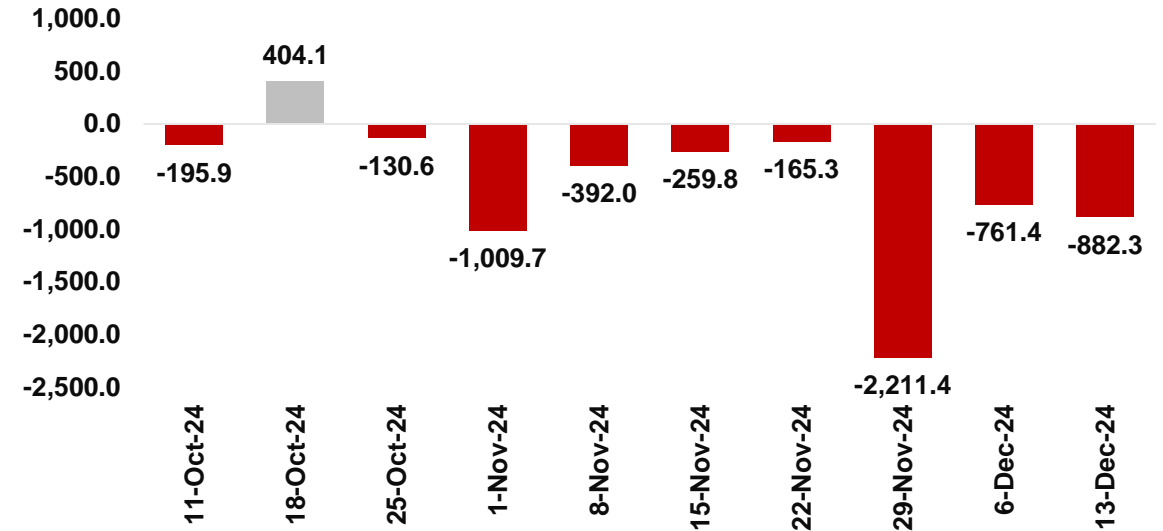
- The global stocks market ended mixed for the week ending December 13, spearheaded by South Korea's KOSPI which grew by 2.7% as investors reassessed the political uncertainty ahead of a parliamentary vote on President Yoon Suk Yeol's impeachment, scheduled for Saturday. The impeachment, launched by the legislature on Saturday, was triggered by Yoon's contentious effort to impose martial law. Opposition leader, Lee Jae-myung supported the action, calling it an essential measure to restore order and stability.
- On the other hand, U.S. stocks – Dow Jones (-1.8%) and S&P 500 (-0.6%) slumped amid worries about the Federal Reserve's (Fed's) upcoming policy decision and economic conditions that could restrict further gains.

# DOMESTIC EQUITY: CAUTIOUS SENTIMENTS BLEED INTO THE LOCAL MARKET

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

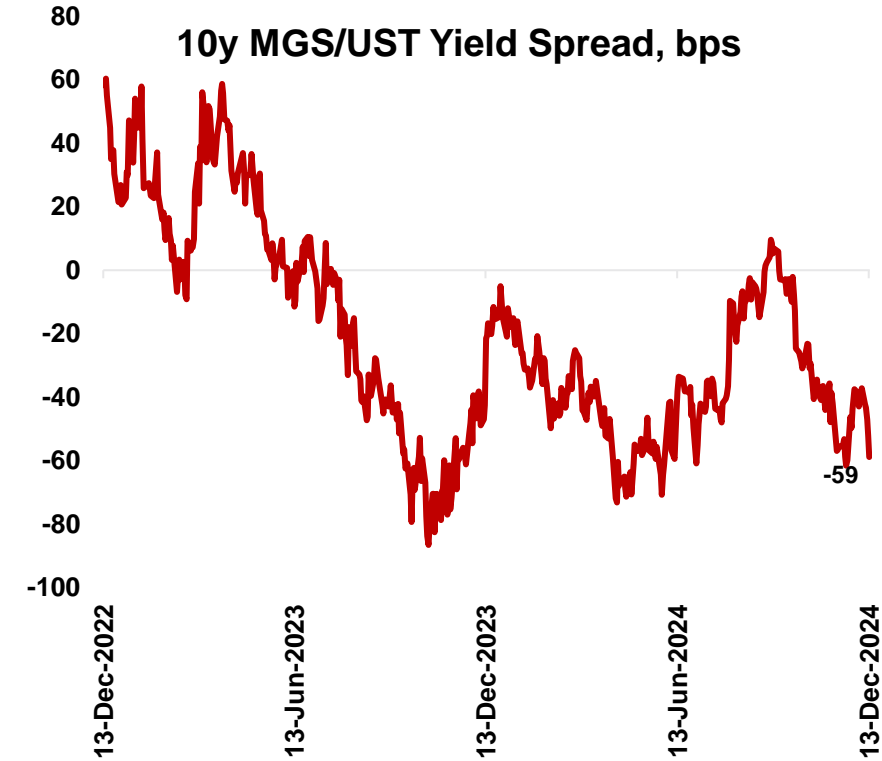
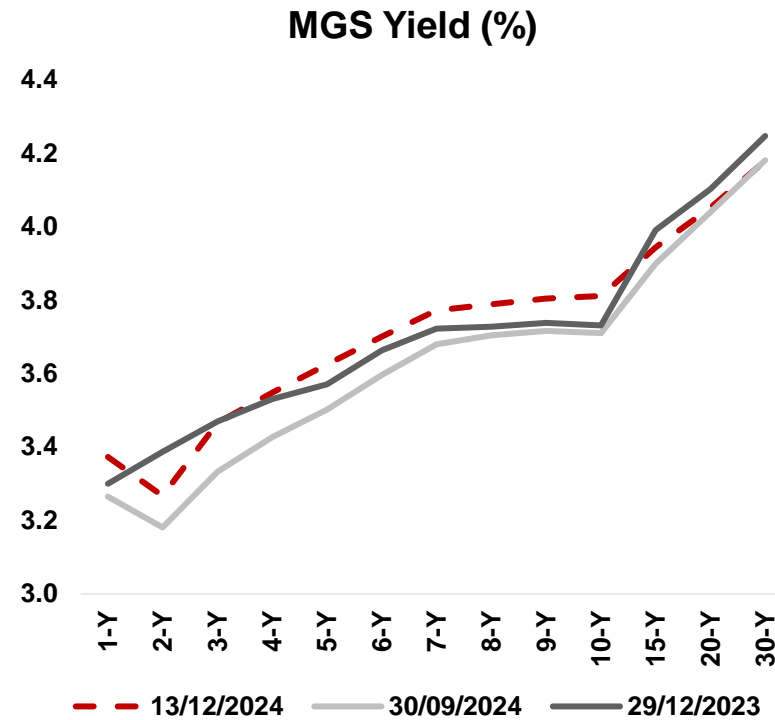


Sources: Bursa, CEIC Data

- The FBM KLCI edged lower by 0.3% w-o-w for the week ending December 13 on late selling activities. While market bets tip in favour of a rate cut during the Fed’s last policy decision this year, investor sentiments remain cautious on broader uncertainties.
- Looking closer, most Bursa indices closed in the red with the Utilities index (-2.7%) as the biggest loser, followed by the Plantation (-1.4%) as well as the Telecommunications and Energy indices, both slipping by 1.1%.
- Nevertheless, data centre-related investments sustained its positive momentum, underpinning the Technology (+3.0%) and Construction (2.0%), which marked the highest level since July, indices. Furthermore, support to the Technology index stems from the optimism surrounding the global technology upcycle as well as the heightened U.S.-China trade war, leading investors to seek profits in other prospective markets.
- Foreign investors persisted as net sellers for the eight straight week, shedding a total of RM882.3 million worth of equities. The net selling activity further increased the cumulative net outflow for the year to RM2.7 billion.

# FIXED INCOME: UST YIELDS CLIMBED AS INVESTORS ADJUST EXPECTATIONS FOR FED RATE CUTS

Weekly Changes, basis points (bps)			
UST	Yields (%) 6-Dec-24	Yields (%) 13-Dec-24	Change (bps)
3-Y UST	4.05	4.21	16
5-Y UST	4.03	4.25	22
7-Y UST	4.09	4.33	24
10-Y UST	4.15	4.40	25
MGS	Yields (%) 6-Dec-24	Yields (%) 13-Dec-24	Change (bps)
3-Y MGS	3.46	3.47	1
5-Y MGS	3.56	3.63	6
7-Y MGS	3.73	3.77	5
10-Y MGS	3.78	3.81	3
GII	Yields (%) 6-Dec-24	Yields (%) 13-Dec-24	Change (bps)
3-Y GII	3.39	3.41	2
5-Y GII	3.59	3.62	4
7-Y GII	3.74	3.77	2
10-Y GII	3.79	3.81	2

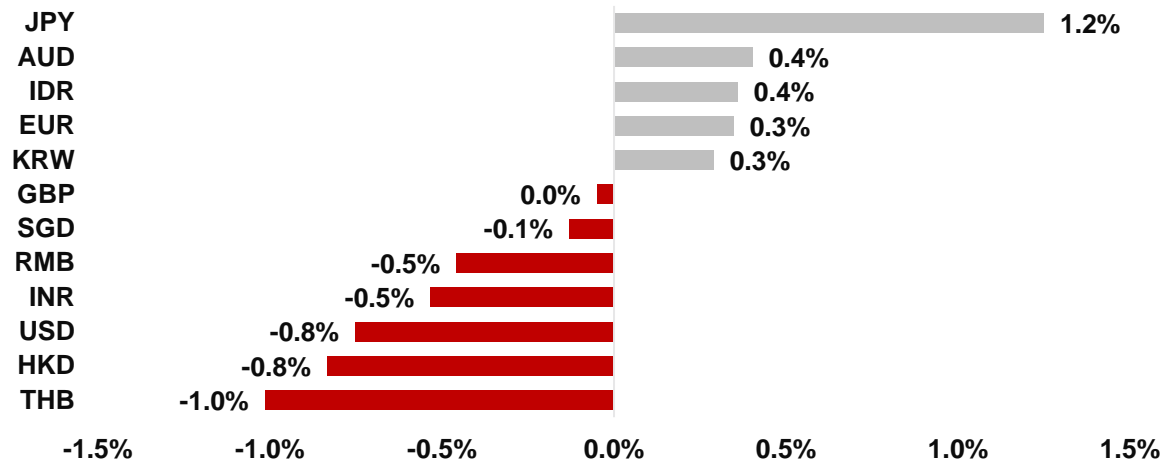


Sources: BNM, Federal Reserve Board

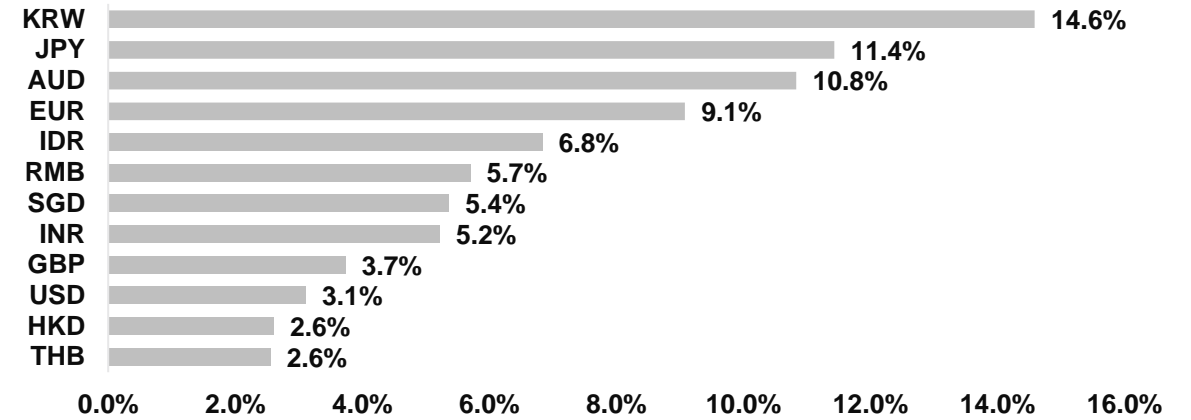
- The U.S. Treasury (UST) yield curve bearishly steepened in the range of 16bps and 25bps for the week ending December 13. The rise occurred as investors reduced their expectations for Fed rate cuts in 2025, although markets have almost fully priced in a quarter-point rate cut for December's meeting. At present, there is a 93% probability that the Fed will implement a rate cut at its upcoming meeting. Additionally, data released on Thursday revealed that the headline producer price index increased more than anticipated. Initial jobless claims also unexpectedly climbed to a nearly two-month high of 242K, significantly surpassing the forecasted 220K.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also ticked higher between 1bp and 5bps.
- The 10y MGS/UST yield spread widened in the negative territory at 59bps relative to -37bps in the previous week.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF THE FED'S DECEMBER MEETING

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 13 December 2024)



Sources: BNM, U.S. Bureau of Labor Statistics (BLS), People's Bank of China (PBoC)

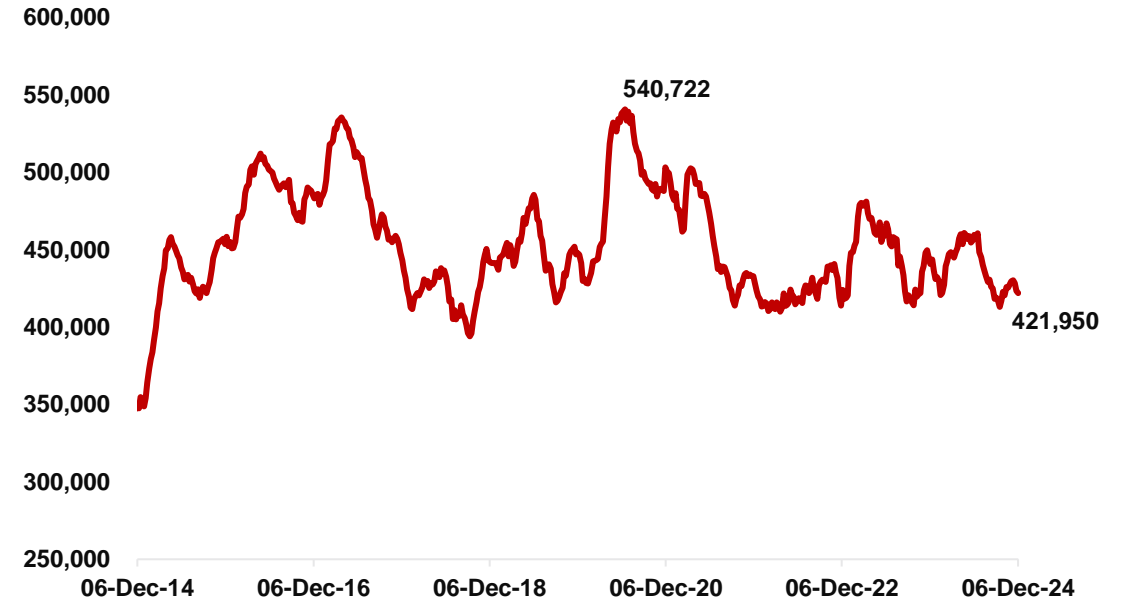
- Ringgit reversed its gain as it depreciated by 0.8% w-o-w against the USD for the week ending December 13 amid the USD's trending closer to the 107-level.
- The greenback was on a roll, despite the overwhelming probability of the Fed easing interest rate, due to lingering concerns of inflation as price pressures on the producers' front exceeded expectations in November (Act: 3.0% vs. Est: 2.6%). Core PPI also rose higher than expected (Act: 3.4% vs. Est: 3.2%) while October's figure is revised upwards to 3.4%. Both sides accelerated at the fastest pace since February 2023, pointing to increasing inflationary pressures.
- Meanwhile, Ringgit had appreciated by 1.2% w-o-w against the Yen following heightened expectations of the Bank of Japan (BoJ) keeping the key interest rate steady in its policy meeting this week. This is supported by the view that the central bank may want to observe incoming data such as the 2025 spring pay negotiations plus Trump's policies once he steps into office.
- Furthermore, the local note weakened against the Renminbi (-0.5%) following China's annual Central Economic Work Conference where the meeting highlighted the need for more proactive fiscal policy and increased government investments in 2025 to stimulate economic growth and encourage domestic demand.

# COMMODITY: OIL HIT THREE-WEEK HIGH AS SANCTIONS ON RUSSIA AND IRAN LOOM

### Brent Crude in USD per barrel



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



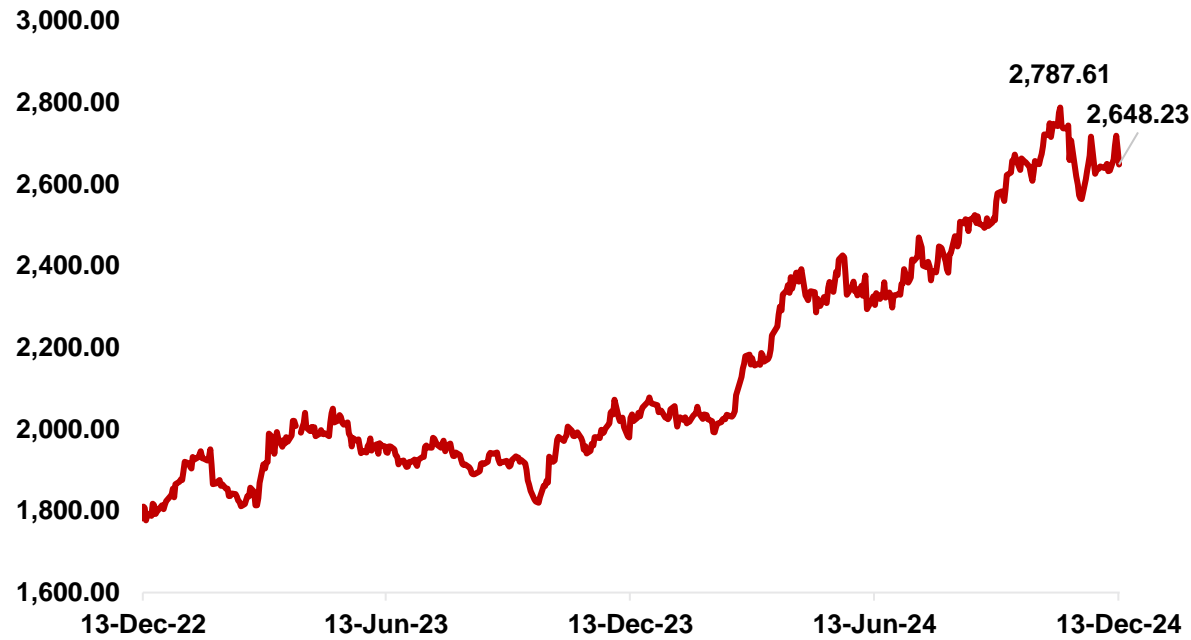
Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices rose about 2%, settling at USD 74.5 per barrel for the week ending December 13, reaching a three-week high, driven by expectations that new sanctions on Russia and Iran could tighten supplies and lower interest rates in Europe and the U.S. could boost fuel demand.
- U.S. crude inventories fell by 0.3% for the week ending December 6, decreasing by about 1.4 million barrels to 422 million, exceeding the market forecast of a 1 million barrel decline.

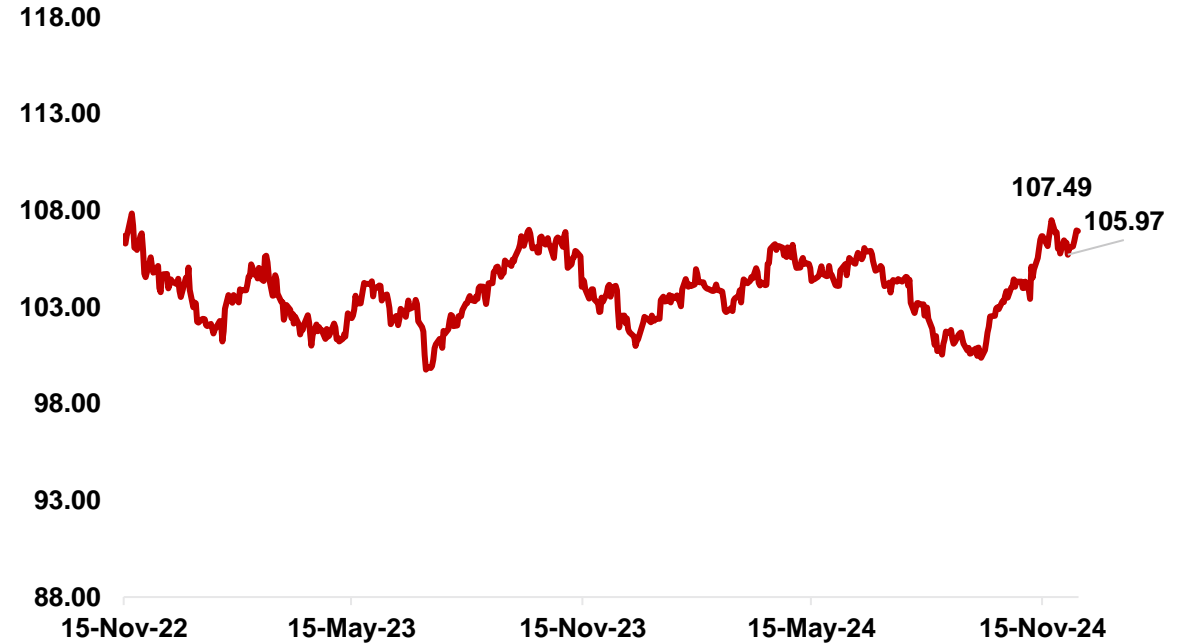


# COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN AMID HEIGHTENING BETS OF FED'S RATE CUT

### Gold in USD per ounce



### U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The likelihood of the Fed's cutting the federal funds rate (FFR) by 25bp rose to more than 93% according to the CME FedWatch tool, prompting the bullion price to increase by 0.6% w-o-w last week.
- The rising confidence among market players was fueled by the steady disinflation trend while weekly job market figures displays signs of cooling.

# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., all eyes will be on the Fed's upcoming monetary policy decision. The Fed is anticipated to lower the federal funds rate by 25bps to a range of 4.25%-4.50%, marking its third rate cut this year. Traders will also be watching for updated economic projections and potential guidance on 2025 policy, with markets now expecting a slower pace of rate cuts, forecasting just three next year. Key economic data to watch include the personal consumption expenditure (PCE) report and retail sales are expected to have increased by 0.5% m-o-m in November, up from October's 0.4%, while industrial production is forecast to rebound with a 0.1% m-o-m rise after a 0.3% decline. Flash S&P Global PMIs for December will provide early insights into private sector activity, with a slight slowdown anticipated. Other significant releases include final GDP growth and corporate earnings figures.
- In the U.K., the Bank of England (BoE) is expected to keep interest rates unchanged on Thursday following a rate cut in November, amid ongoing concerns about persistent inflation. Investors will also be focused on inflation, employment data, and flash PMI readings. The PMI figures will reflect the impact of the recent Budget, which introduced an employee-based tax hike that seems to be dampening business confidence and labor demand, while potentially driving up prices. The manufacturing sector is expected to contract for the third consecutive month, while services activity is forecast to show modest growth.
- In China, the final economic data releases of the year will include November's industrial production, retail sales, unemployment rate, housing prices, and fixed asset investment, providing further insights into the response to monetary stimulus, especially since earlier data showed limited progress in economic activity. Meanwhile, the People's Bank of China (PBoC) is expected to keep its loan prime rates unchanged, despite pledges for more rate cuts in the coming year.

BANK ISLAM

**THANK YOU**