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WEEKLY ECONOMIC UPDATE

18 NOVEMBER 2024

ECONOMIC RESEARCH

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WEEKLY HIGHLIGHT: MALAYSIA'S 3Q2024 GDP GROWTH WAS DRIVEN BY THE SERVICES, MANUFACTURING AND CONSTRUCTION SECTORS

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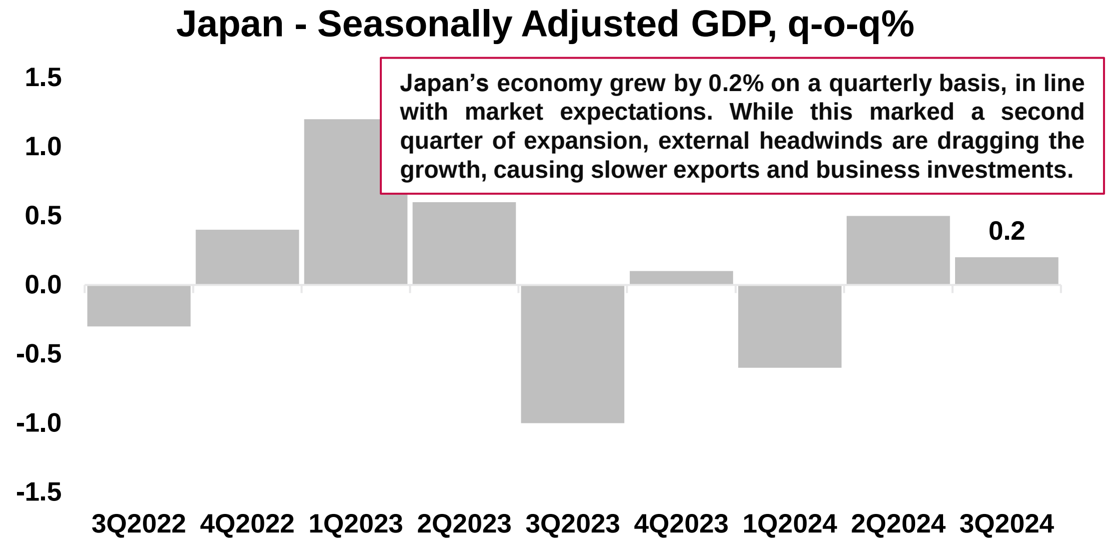
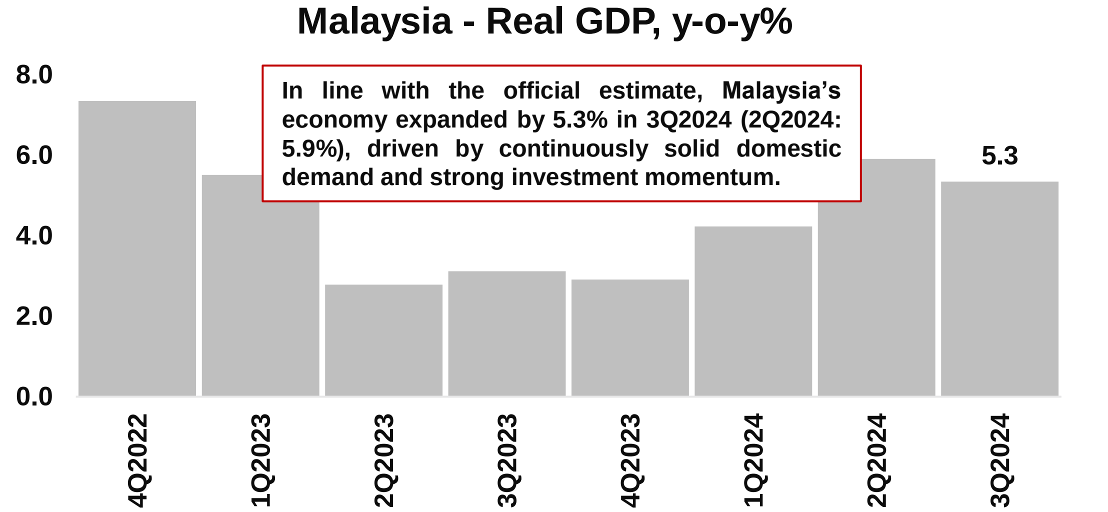
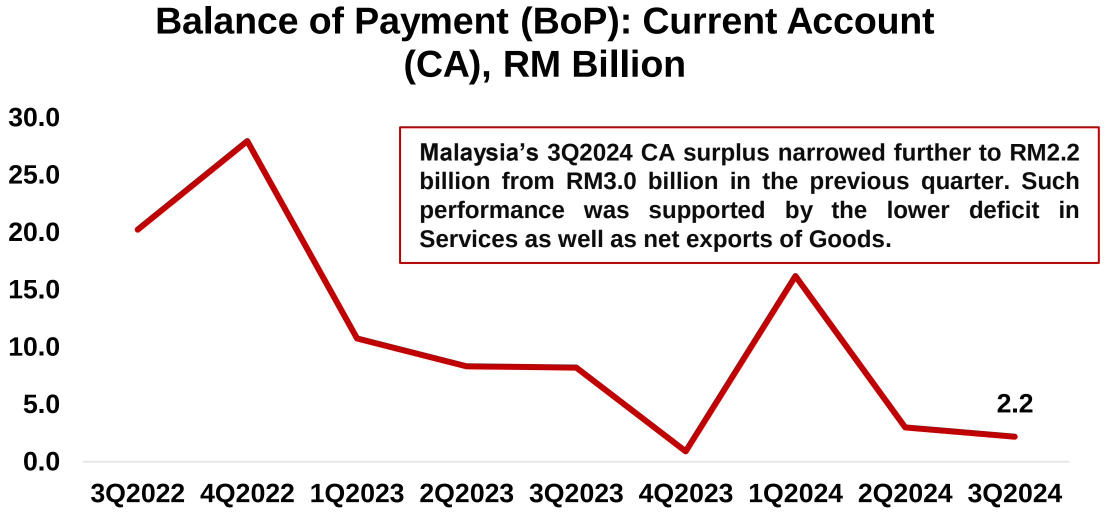
GLOBAL



DOMESTIC





Sources: Japan Cabinet Office, Statistics Indonesia, Department of Statistics Malaysia (DOSM)

U.S. WEEKLY HIGHLIGHT: U.S. INFLATION REMAINED FIRM IN OCTOBER, KEEPING PRESSURE ON FED

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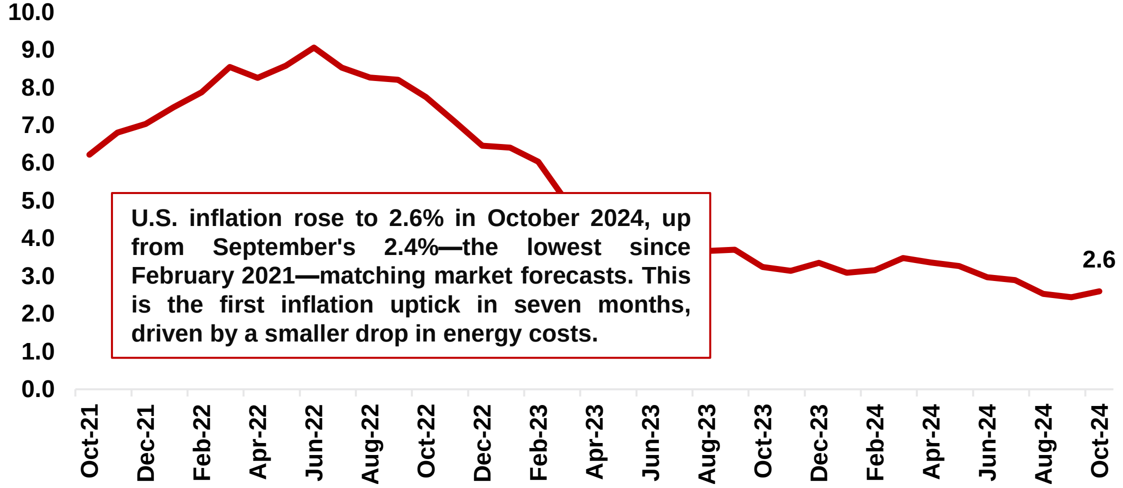
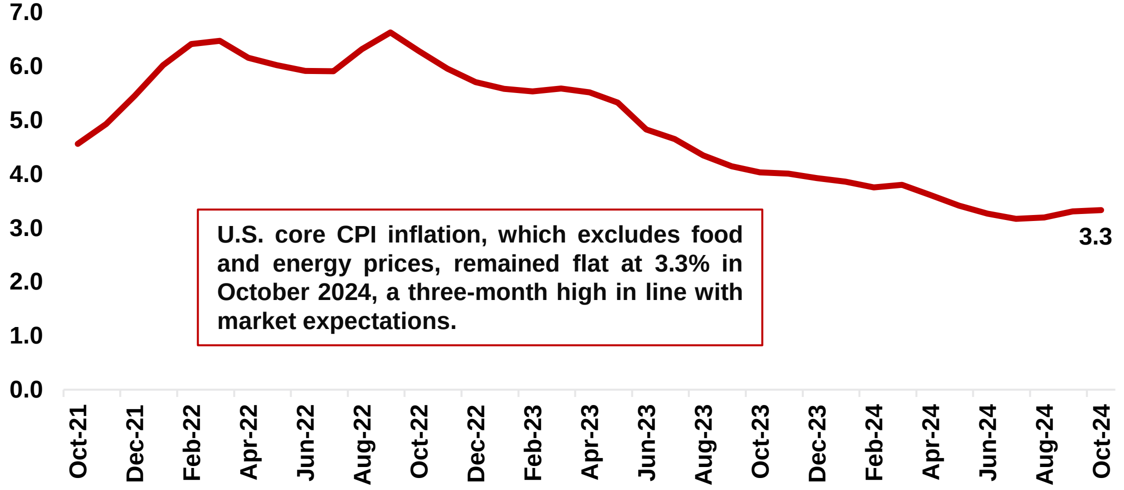
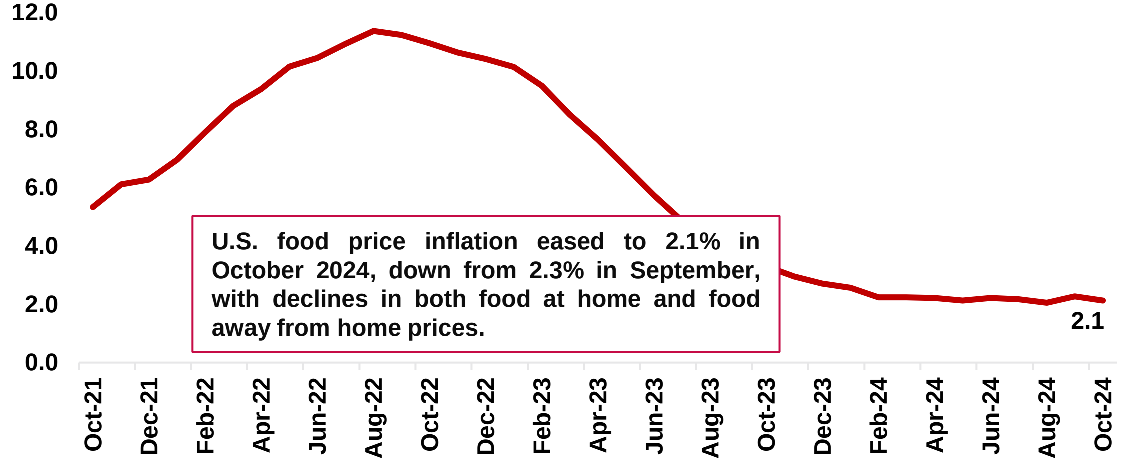
U.S. CPI, y-o-y%



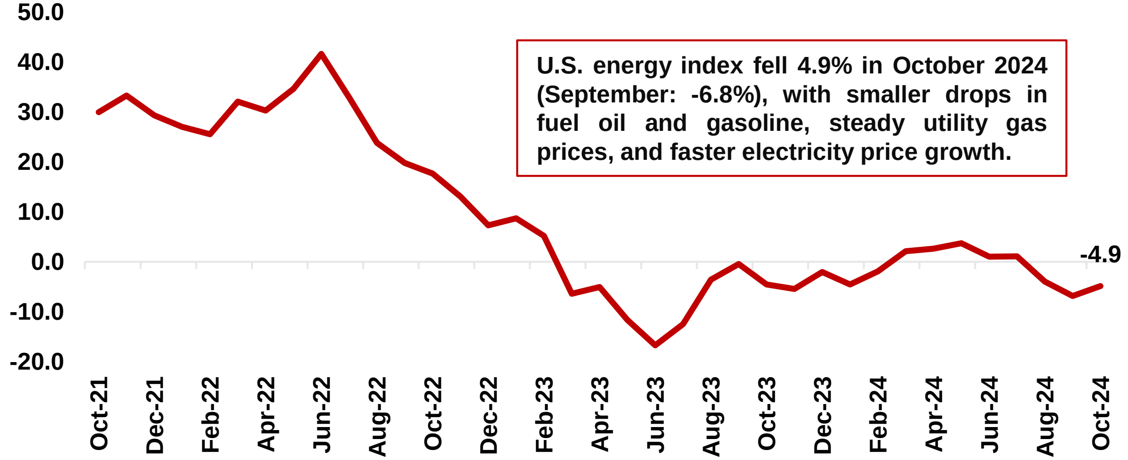
U.S. CPI (All Items less Food and Energy), y-o-y%



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



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



Source: U.S. Bureau of Labor Statistics (BLS)

REGIONAL EQUITY: A RED WEEK FOR GLOBAL STOCKS MARKET AMID UNCERTAINTY IN U.S. RATE CUTS

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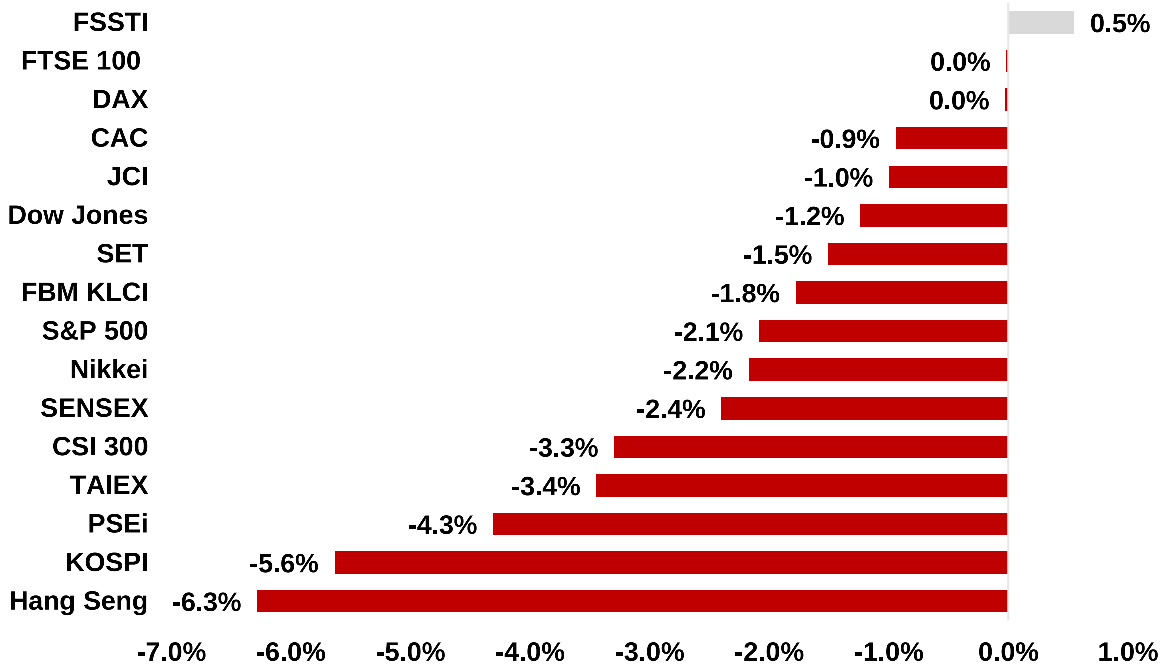

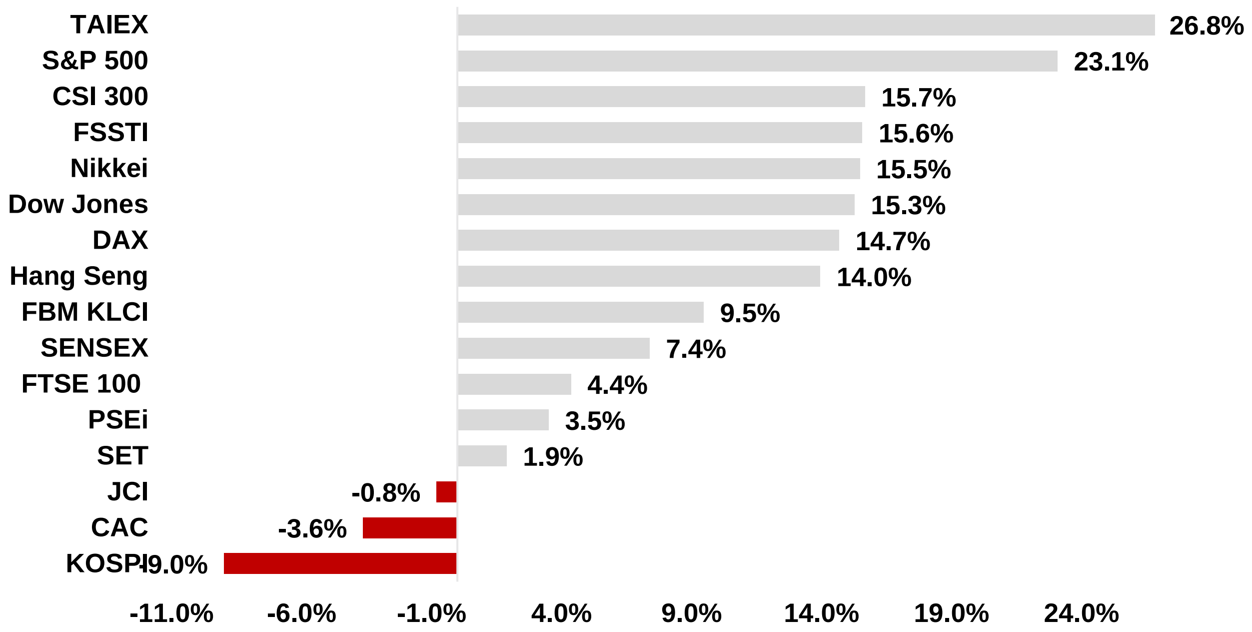

Sources: Bursa, CEIC Data

- The regional equity index mostly in the red last week with Hong Kong's Hang Seng (-6.3%) as the major loser, weighed down by uncertainty over the potential easing of U.S. monetary policy, coupled with concerns about the possibility of renewed trade tensions between the U.S. and China under the second term of Donald Trump's presidency.
- U.S. stocks – S&P 500 (-2.1%) and Dow Jones (-1.2%) also slumped as traders scaled back their expectations for a December interest rate cut by the Federal Reserve (Fed), Chair Powell emphasized that there is no immediate need to lower rates, pointing to the strength of the economy, a robust labor market, and ongoing inflationary pressures.
- In contrast, Singapore's FSSTI was the only winner last week, expanding by 0.5%.

DOMESTIC EQUITY: FBM KLCI ENDED AT THE LOWEST LEVEL SINCE AUGUST

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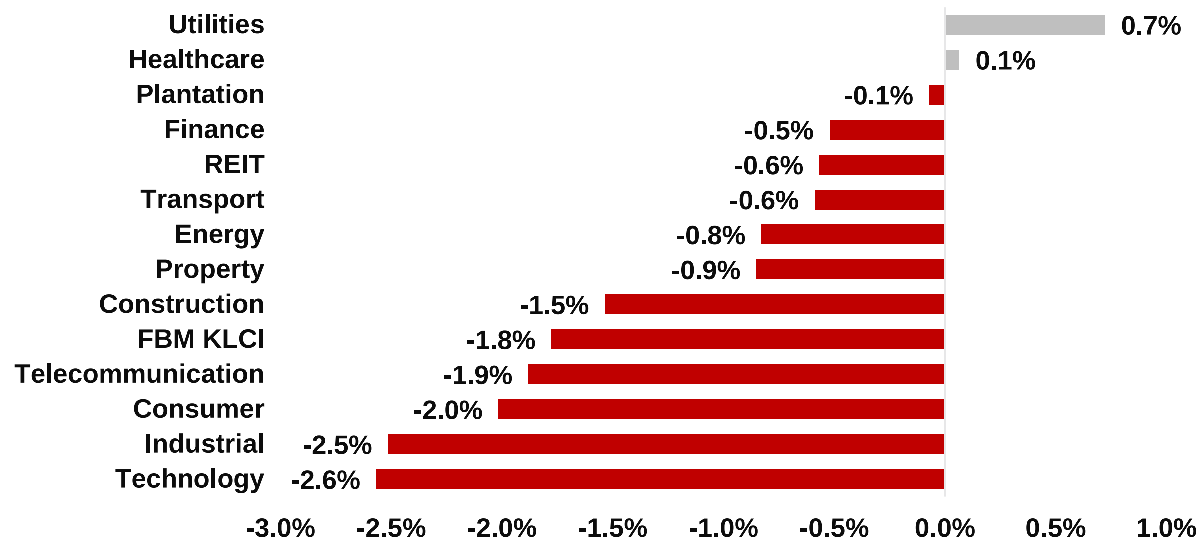

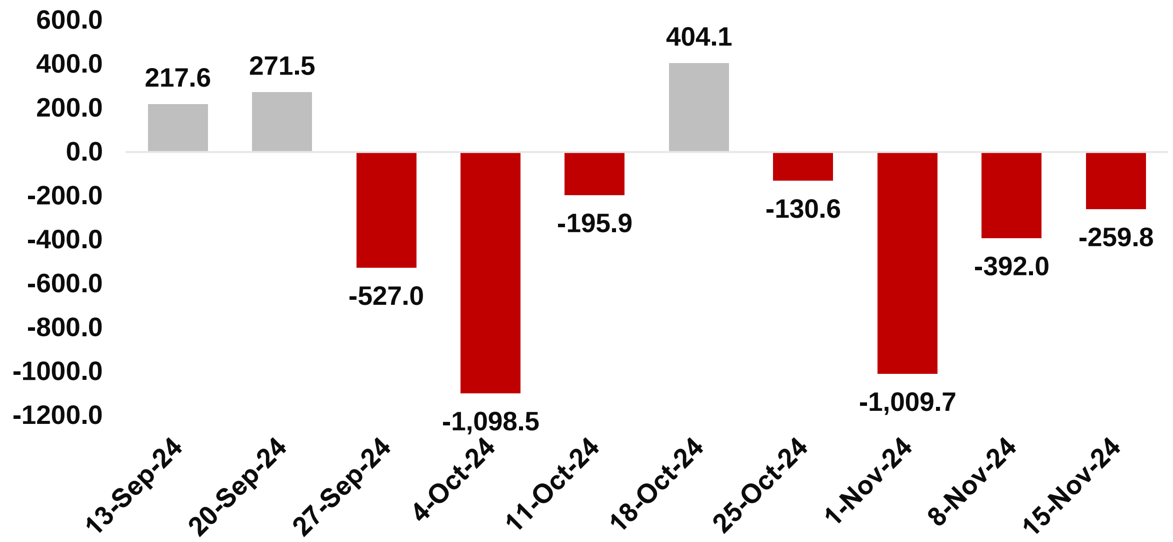

Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI slipped by 1.8% w-o-w for the week ending November 15, falling below the 1,600-level for the first time since early August on late selling activities.
- Investor sentiments were largely dragged by global economic uncertainties and the heightened fears of escalating conflict in the Middle East, reflecting the weakness amongst our regional peers. Such performance was also dragged by lack of catalysts domestically as Malaysia's economy expanded in line with estimates (3Q2024: 5.3% vs. 2Q2024: 5.9%), providing no surprise to the upside.
- Most bursa sectoral indices ended in the red with the Technology index plunging by 2.6%, followed closely by the Industrial (-2.5%) and Consumer (-2.0%) indices.
- Foreign investors net sold for the fourth consecutive week, shedding RM259.9 million worth of equities. The net selling further reduced the cumulative total net inflow this year further to RM1.3 billion.

FIXED INCOME: FOREIGN INVESTORS TURNED NET SELLERS WITH THE LARGEST NET FOREIGN OUTFLOWS SINCE MARCH 2020

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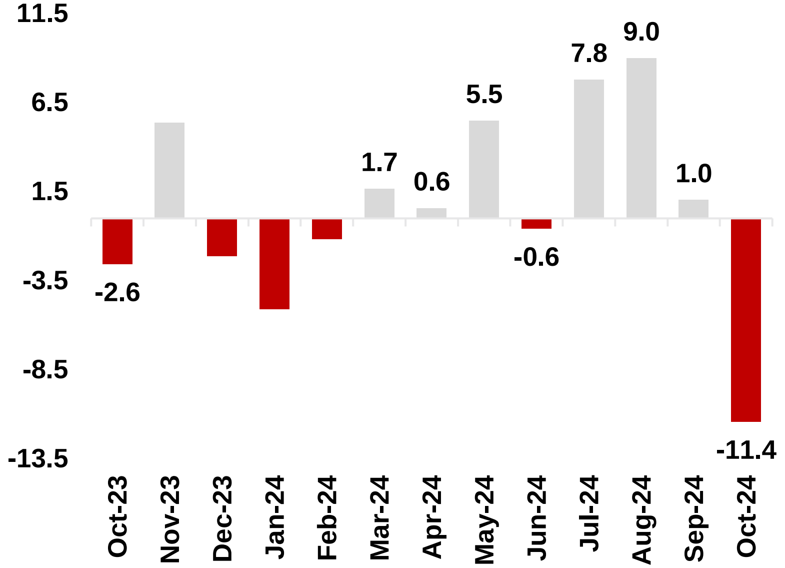
Weekly Changes, basis points (bps)

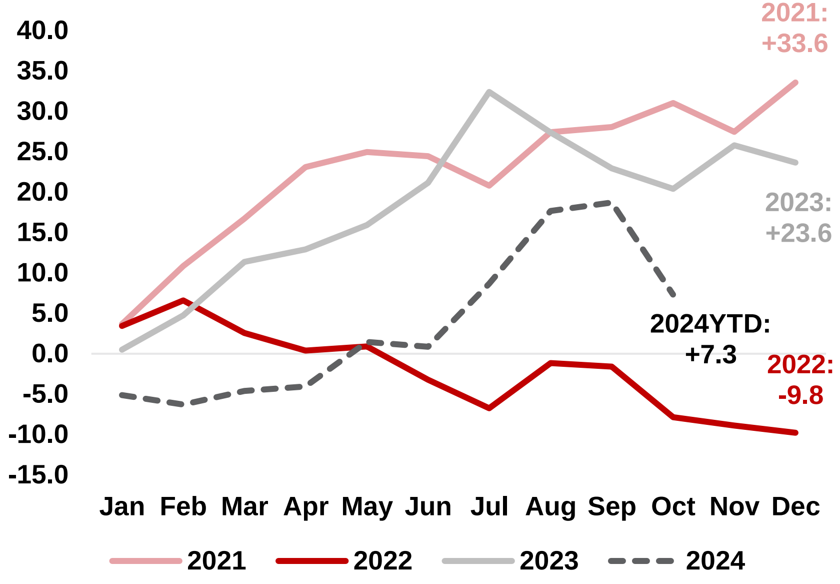
UST	Yields (%) 8-Nov-24	Yields (%) 15-Nov-24	Change (bps)
3-Y UST	4.18	4.27	9
5-Y UST	4.20	4.30	10
7-Y UST	4.25	4.36	11
10-Y UST	4.30	4.43	13
MGS	**Yields (%) 8-Nov-24**	**Yields (%) 15-Nov-24**	**Change (bps)**
3-Y MGS	3.50	3.51	1
5-Y MGS	3.61	3.67	5
7-Y MGS	3.82	3.82	0
10-Y MGS	3.88	3.87	-1
GII	**Yields (%) 8-Nov-24**	**Yields (%) 15-Nov-24**	**Change (bps)**
3-Y GII	3.45	3.44	-1
5-Y GII	3.64	3.67	3
7-Y GII	3.85	3.83	-2
10-Y GII	3.90	3.89	-1

Sources: BNM, Federal Reserve Board

Foreign Fund Flows in Local Bond Market, RM Billion

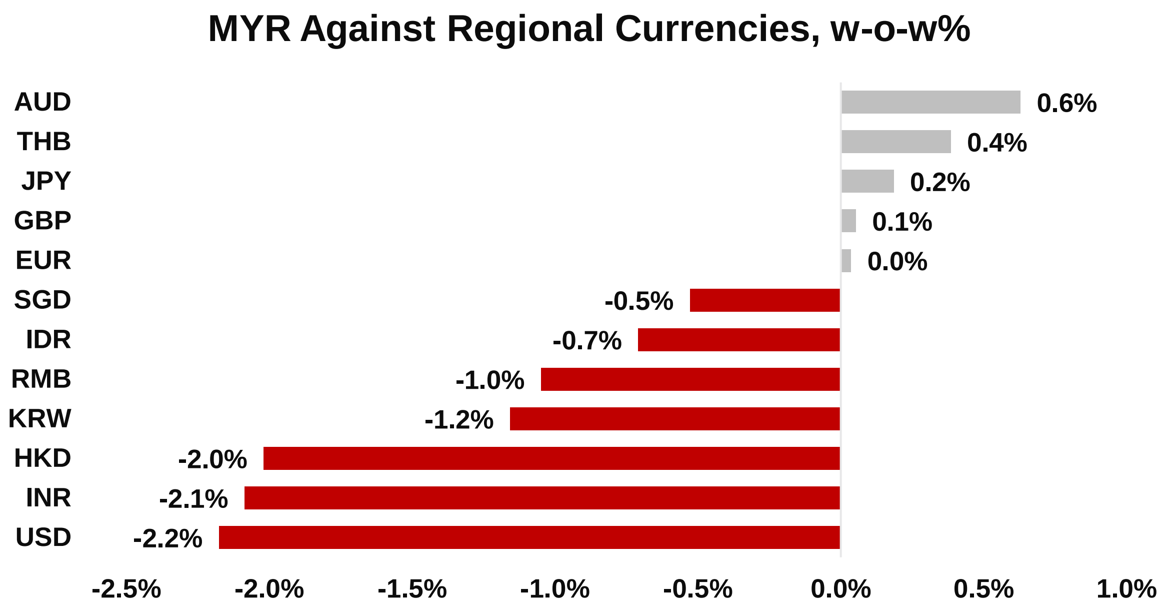


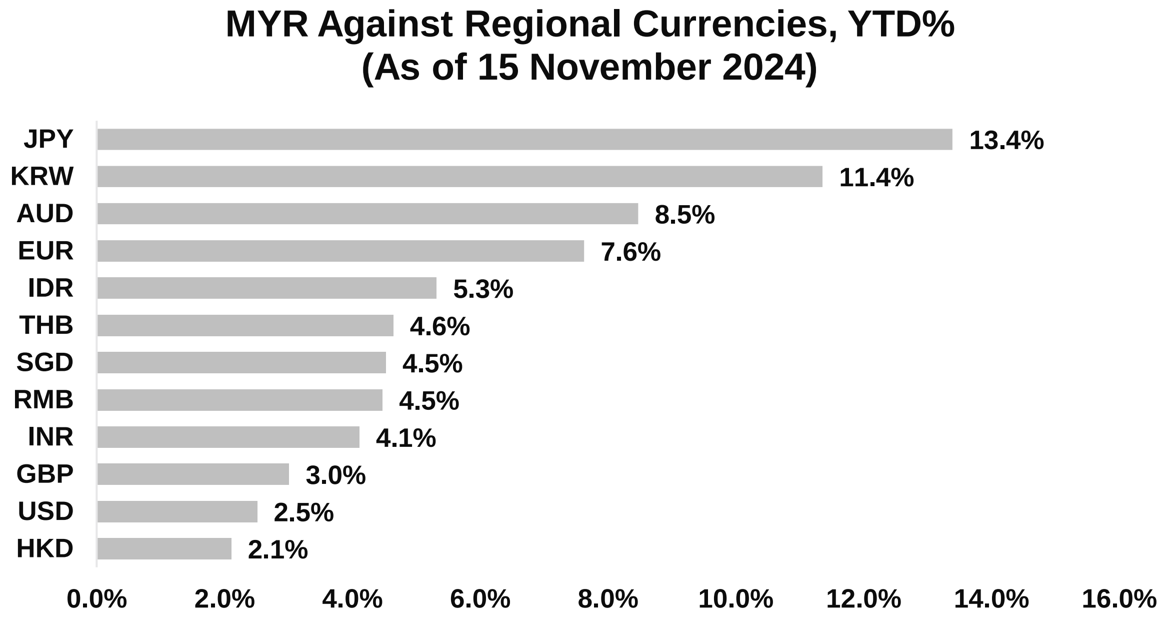
Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)



- The U.S. Treasury (UST) yield curve bearishly steepened in the range of 9bps and 13bps reflecting expectations that the Federal Reserve may implement fewer rate cuts next year than originally anticipated.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields were little changed except for 5-Y MGS yield that edged up by 5bps to 3.67%. Foreign fund flows in the local bond market slumped into negative territory with a net foreign outflow of RM11.4 billion in October (Sep: +RM1.0 billion), the largest since March 2020 amid increased global uncertainty led to a reduced appetite for long-term Malaysian securities. Consequently, local govvies' foreign shareholdings to total outstanding moderated to 21.8% in October (Sep: 22.7%).
- As of the first ten months of 2024, the local bond market recorded the cumulative net foreign inflows of RM7.3 billion, significantly lower than the inflows of RM20.4 billion in the same period in the previous year.

FX MARKET: RINGGIT UNDER PRESSURE AS THE DOLLAR SURGED TO A TWELVE-MONTH HIGH

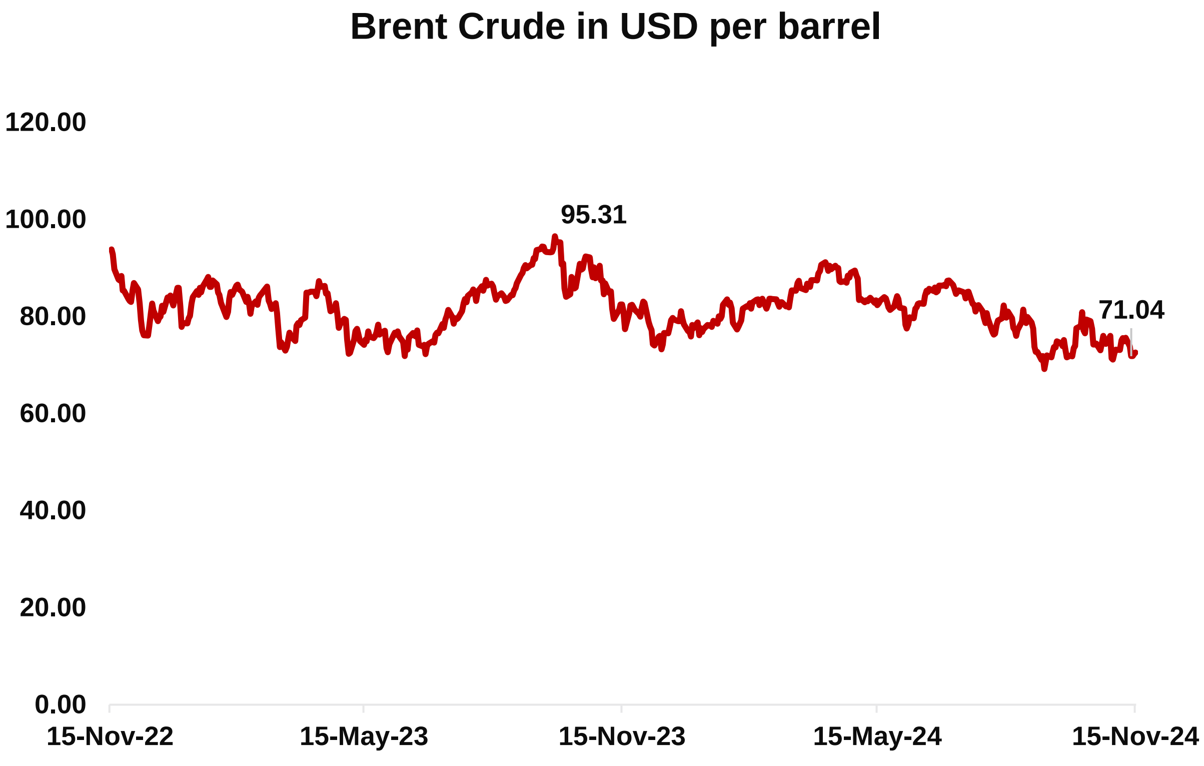


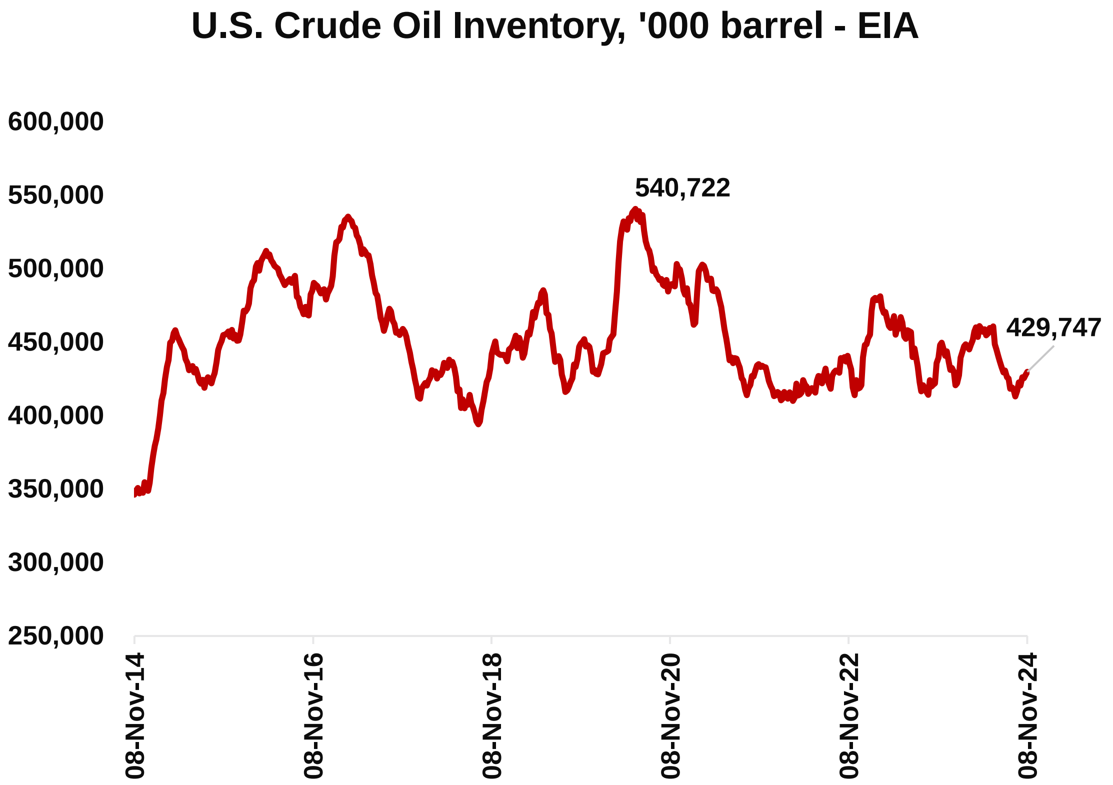


Sources: BNM, Federal Reserve Board, U.S. Bureau of Labor Statistics (BLS)

- Similar to the local market, the local note also slipped to its weakest point since August., depreciating by 2.2% against the USD for the week ending November 15. The slump was attributable to the greenback's continuous climb as it marked the highest level since November 2023.
- Such strength was driven by markets repricing their Fed rate cut bets following Fed Chair Powell's hawkish remarks, hinting that there is no pressing need to reduce interest rates. This had supported expectations of monetary policy taking longer than expected to come down, especially following higher chances of a looser fiscal policy environment under the Trump administration starting next year.
- Furthermore, the job market's resilience, evidenced by the Initial Jobless Claims rising below expectations (Act: 217K vs. Est: 223K), leaves ample room for the Fed to navigate its policy easing.
- Latest figures show that headline inflation rose to 2.6% y-o-y in October (September: 2.4%) while it remained steady on a monthly basis (0.2%). Meanwhile, core inflation (3.3%) remained significantly above target as it rose by 0.3% m-o-m for the third straight month. Such figures necessitate the interest rates to be sufficiently restrictive whilst not impending economic growth.

COMMODITY: OIL PRICES ON TRACK FOR WEEKLY LOSS AS SUPPLY CONTINUED TO RISE

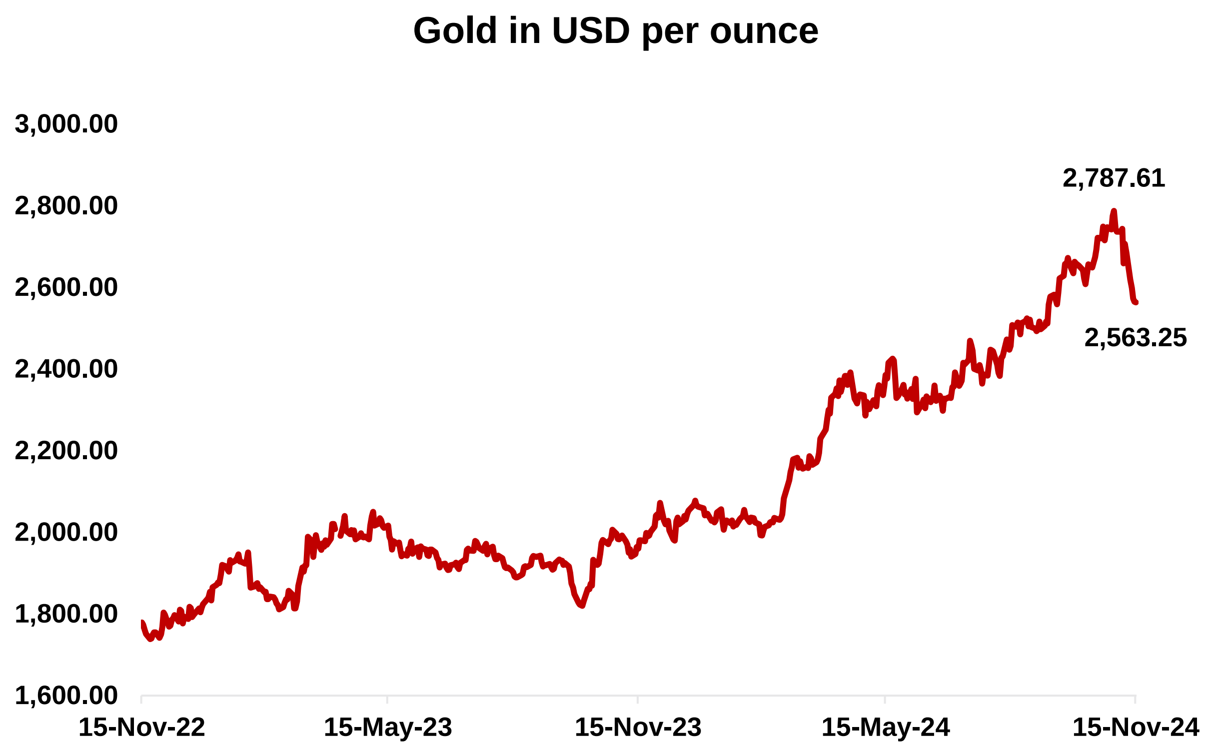


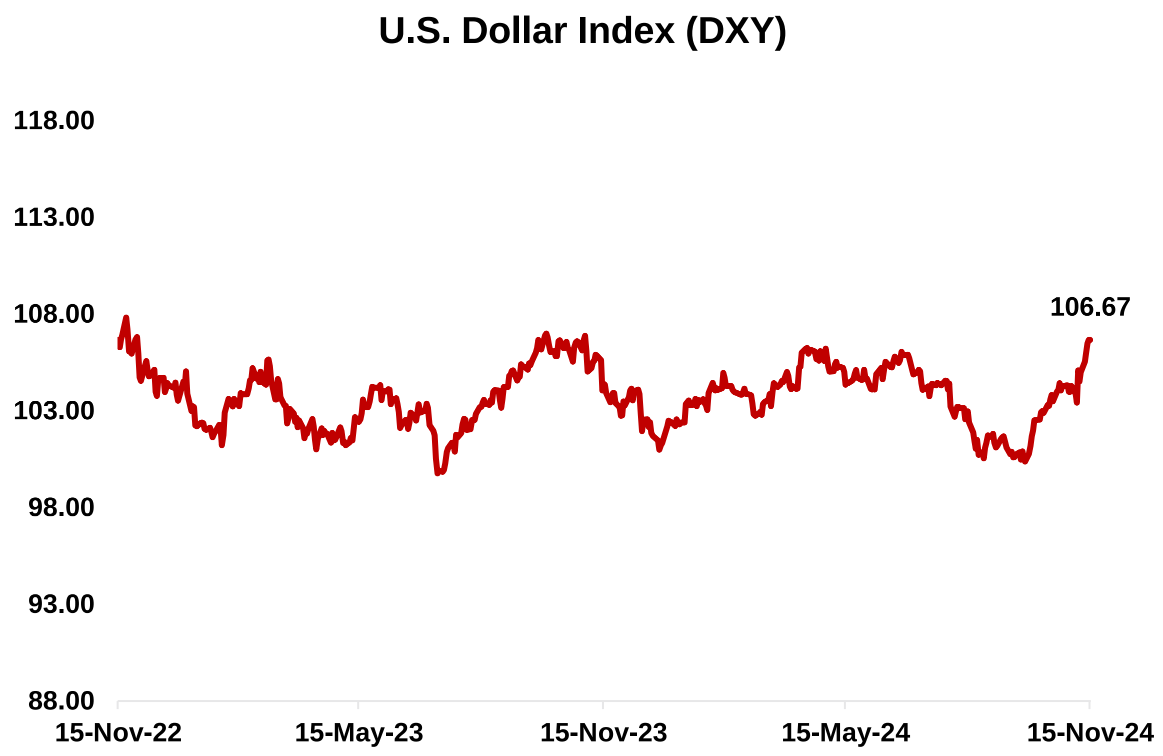


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent prices slipped by 3.8% to USD71.04 per barrel in the past week (November 8: USD73.87) on weaker demand whilst supply remains solid. U.S. crude oil inventories had increased more than expected by 0.5% for the week ending November 8, expanding by 2.1 million barrels as recorded the week before, fueling concerns of an oversupply situation.
- Notably, the International Energy Agency expects global oil supply in 2025 to overgrow the sluggish demand following the rising production and output from the U.S.

COMMODITY: GOLD PRICE SLIPPED TO A THREE-MONTH LOW ON WEAKENED DEMAND





Sources: Bloomberg, CEIC Data

- The bullion price continued its downtrend, plunging by 4.5% for the week ending November 15 following the greenback's strength.
- Demand for the bullion had been dampened by market expectations of delays in the Fed's rate cut path under the Trump administration as it brings about a more inflationary environment.
- As of October, the Producer Price Index (PPI) – gauge for price pressures on the factory front – has already picked up to 2.4% (September: 1.9%).

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- The coming week will see a relatively light slate of U.S. economic data, with attention focused on the flash S&P Global PMIs. The manufacturing sector is projected to remain in contraction, though at a slower pace, while growth in the services sector is expected to pick up. Investors will also be keen to hear from several Federal Reserve officials. On the corporate earnings front, major companies including Nvidia, Walmart, Lowe's, TJX Companies, Palo Alto Networks, Intuit, PDD Holdings, and Deere & Company are set to report their quarterly results.

- Flash Purchasing Managers' Index (PMI) data will be released for the Euro Area, Germany, France, and the U.K. In the Eurozone, services activity is expected to expand for the tenth consecutive month, while manufacturing output is likely to continue its steep decline. In the U.K., October inflation is forecasted to rise to 2.2% y-o-y , aligning with the Bank of England's projection of 2.5% by year-end. Retail sales are anticipated to grow at a slower pace of 3.4% y-o-y from 3.9% in the previous month.

- The Chinese central bank is widely expected to keep interest rates unchanged after last month's aggressive cuts, as the recent surge in the USD has put pressure on the Yuan, limiting room for further easing in mainland China. Meanwhile, Japan will see a busier week of economic data, with key releases including the October inflation rate and trade balance, followed by November's PMI figures. In Australia, markets are looking ahead to the minutes from the Reserve Bank of Australia's last meeting for clues on the timing of future rate cuts. Elsewhere, the Bank of Indonesia (BI) is expected to maintain the BI rate and Thailand will release its third-quarter GDP data

- Malaysia is set to publish its October trade data on Tuesday and October CPI figures on Friday. Forecast for trade suggest a significant improvement in exports year-over-year growth, rising from a contraction of -0.3% in September to an estimated 3.3% growth. Meanwhile, imports are expected to grow at a slower pace of 9.9% YoY compared to the 10.9% growth seen in September. Meanwhile, the annual inflation rate in Malaysia is expected to plateau at 1.8% in October, remaining the lowest reading since April.

THANK YOU