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WEEKLY ECONOMIC UPDATE

19 AUGUST 2024

ECONOMIC RESEARCH

IMRAN NURGINIAS IBRAHIM
LEE SI XIN
NOR LYANA ZAINAL ABIDIN
KHAYRIN FARZANA FAZLI
AMIRATUL HUSNA MOHAMMAD

WEEKLY HIGHLIGHT: MALAYSIA'S 2Q2024 GDP GROWTH HITS A 1.5-YEAR HIGH

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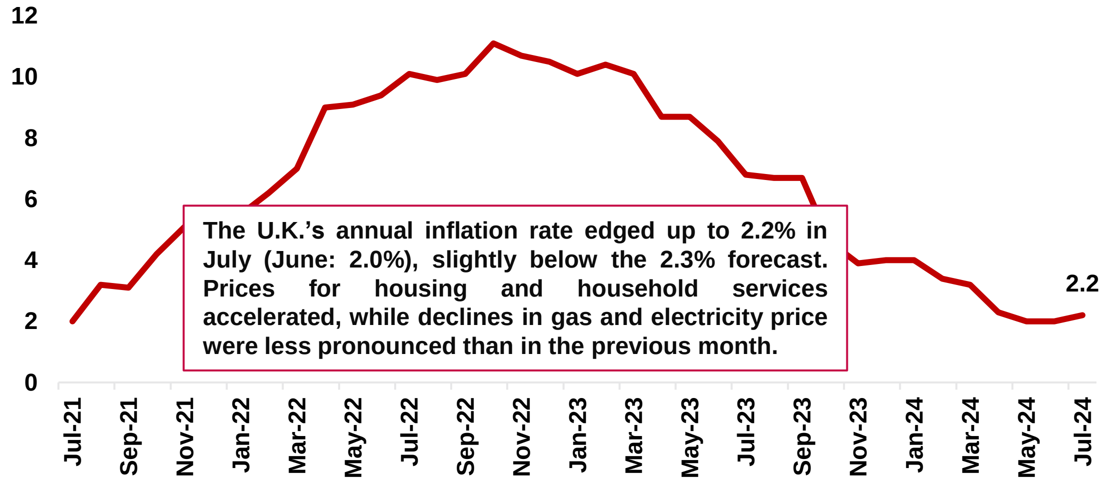
GLOBAL

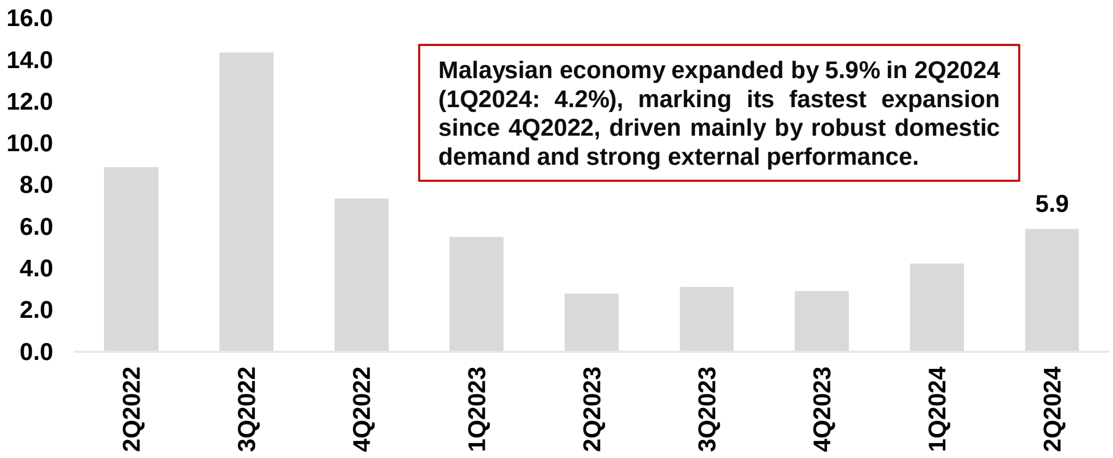
U.K. - Consumer Price Index (CPI), y-o-y%



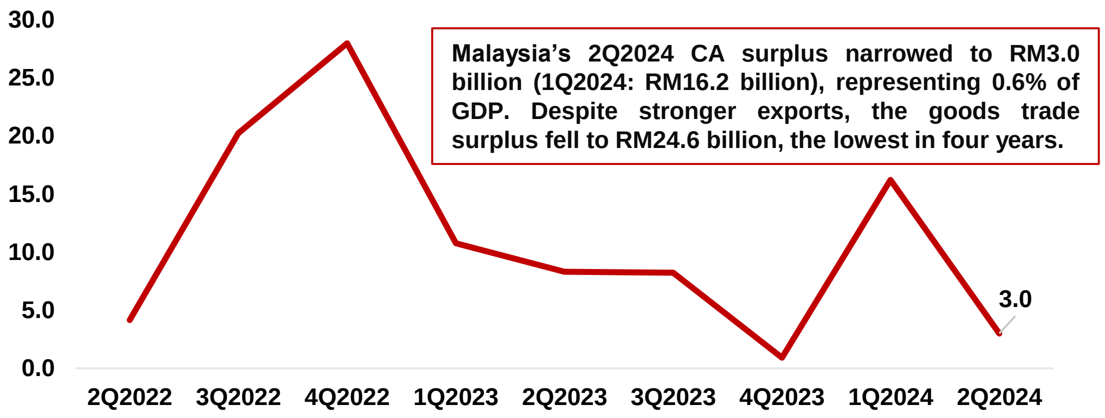
Indonesia: Exports, y-o-y%

DOMESTIC

Malaysia - Real GDP, y-o-y%



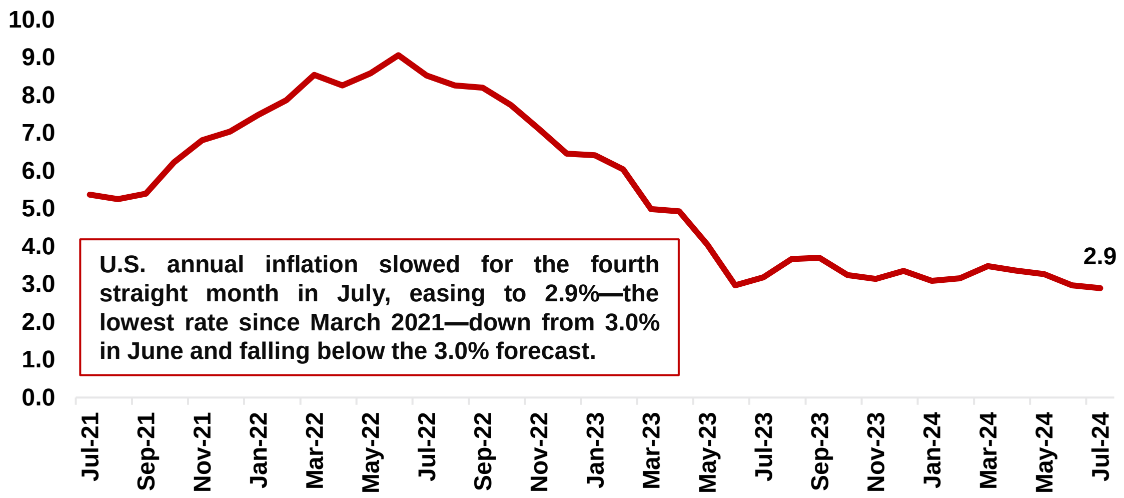
Balance of Payment (BoP): Current Account (CA), RM Billion



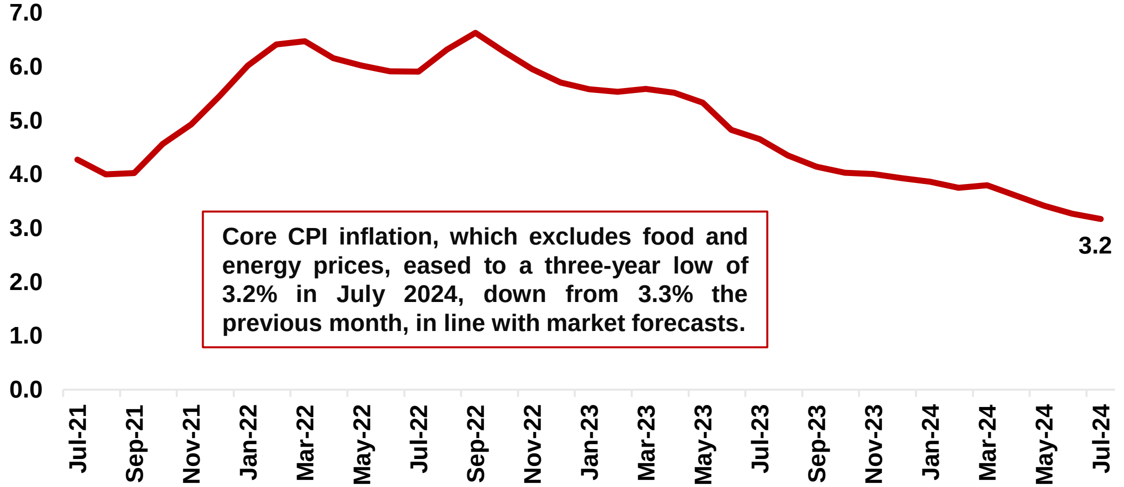
 *Sources: Office for National **Statistics**, Statistics Indonesia,, Department of Statistics Malaysia (DOSM)*

U.S. WEEKLY HIGHLIGHT: U.S. INFLATION EASED IN JULY, HINTING AT A POTENTIAL RATE CUT

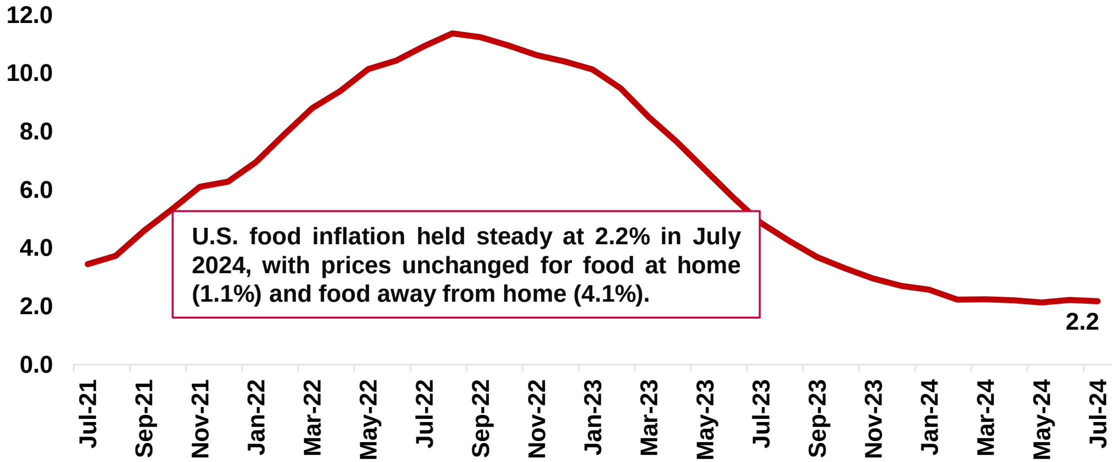
U.S. CPI, y-o-y%



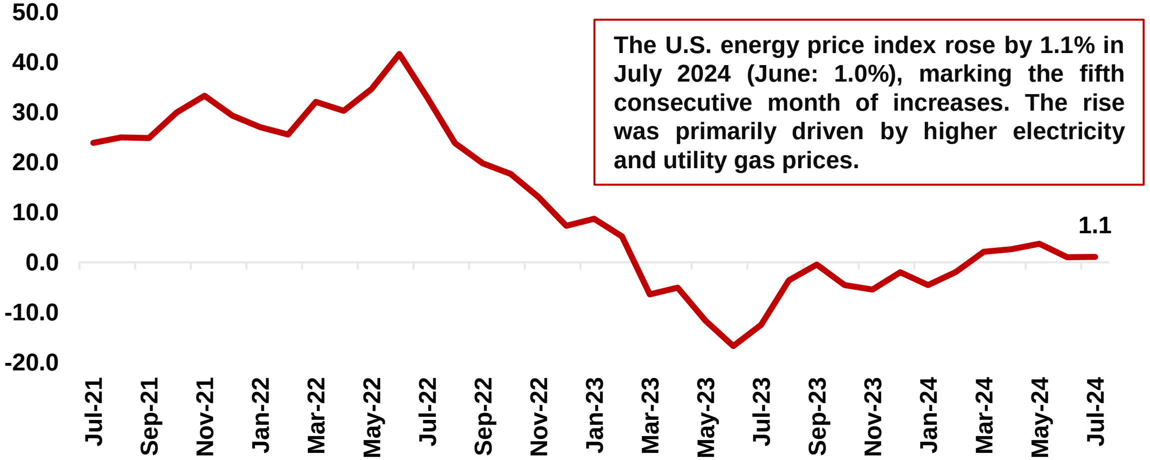
U.S. Core CPI, y-o-y%



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



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



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

REGIONAL EQUITY: STOCKS REBOUND SHARPLY, ERASING EARLY AUGUST LOSSES

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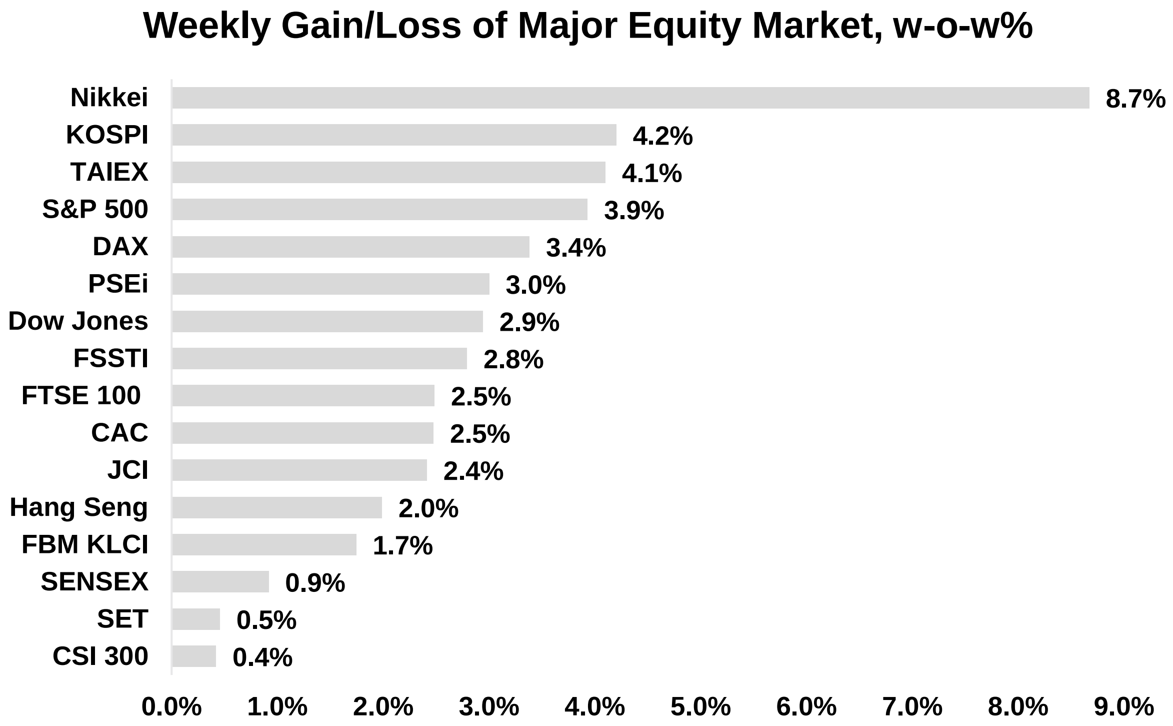

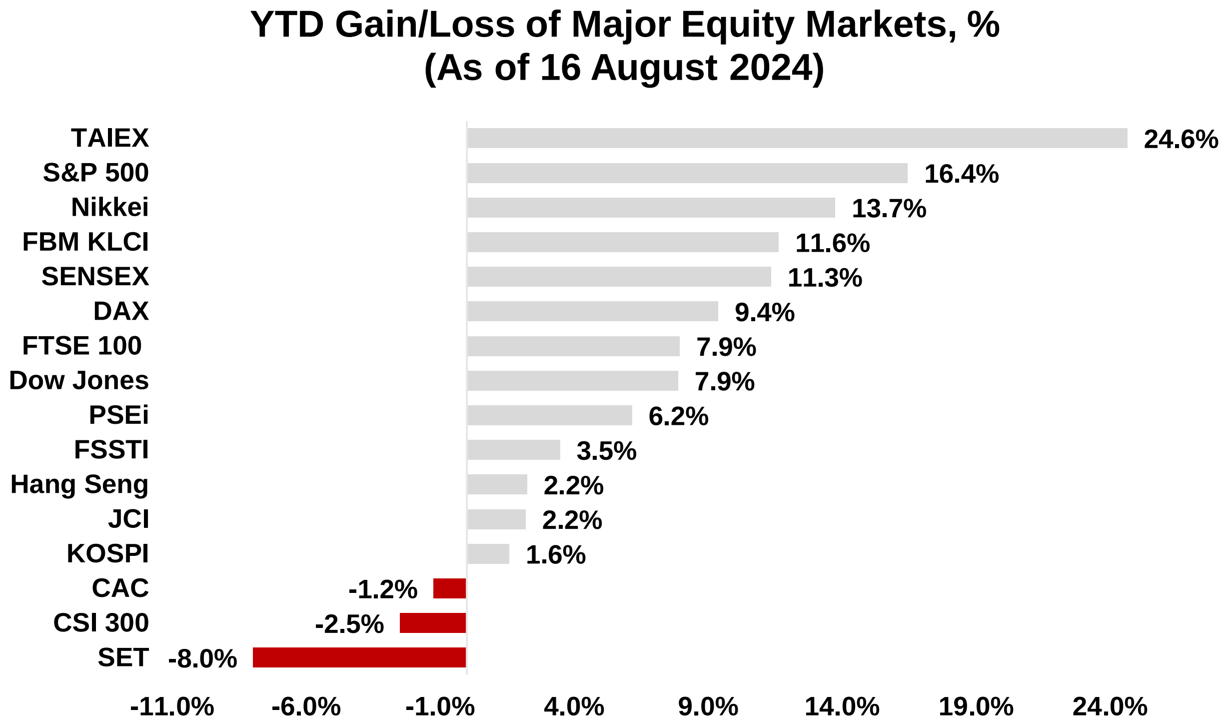

Sources: Bursa, CEIC Data

- The global stocks market ended in the green for the week ending August 16, with a rally pushing all major indices to their best weekly performance of the year as robust U.S. economic data calmed investor nerves.
- Exceeding expectations, unemployment claims dropped by 7K to 227K (Est: 235K) for the week ending August 10, easing concerns of an imminent recession that had triggered a global stock market downturn earlier in the month. Additionally, recent inflation figures reinforced optimism about a potential soft landing for the economy.
- Japan's Nikkei led gains with a rise of 8.7%, benefiting from both strong U.S. economic performance and a decline in the yen's value against the dollar.

DOMESTIC EQUITY: LOCAL MARKET REBOUNDED ON ROBUST 2Q2024 GROWTH

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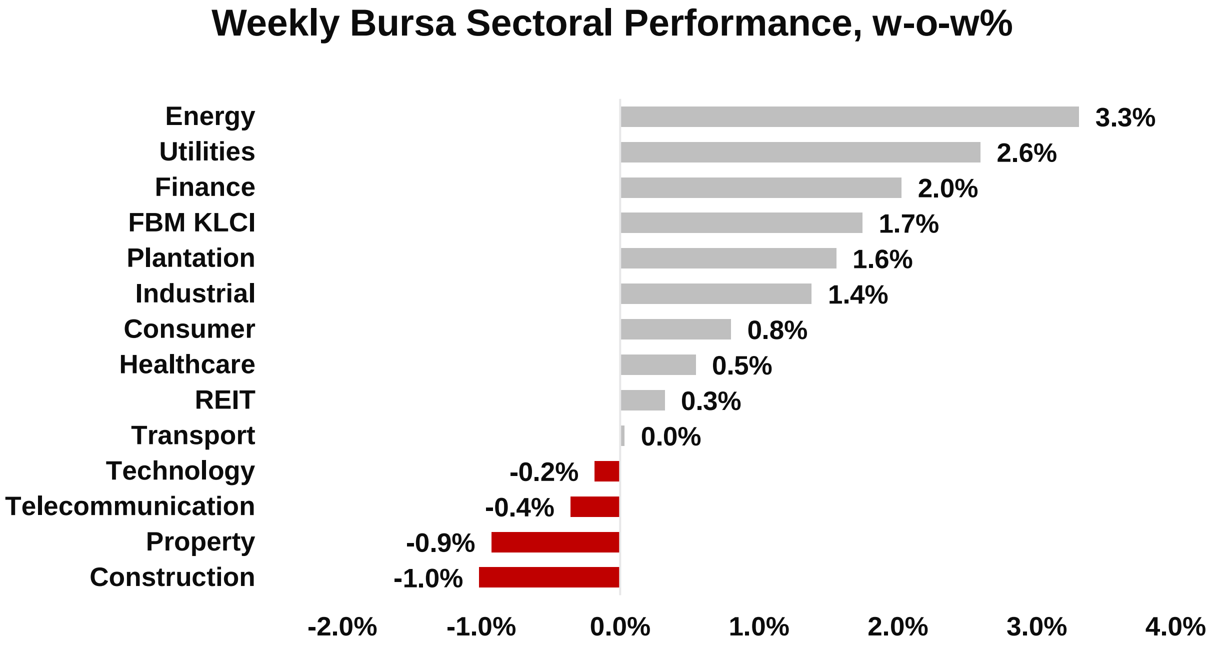

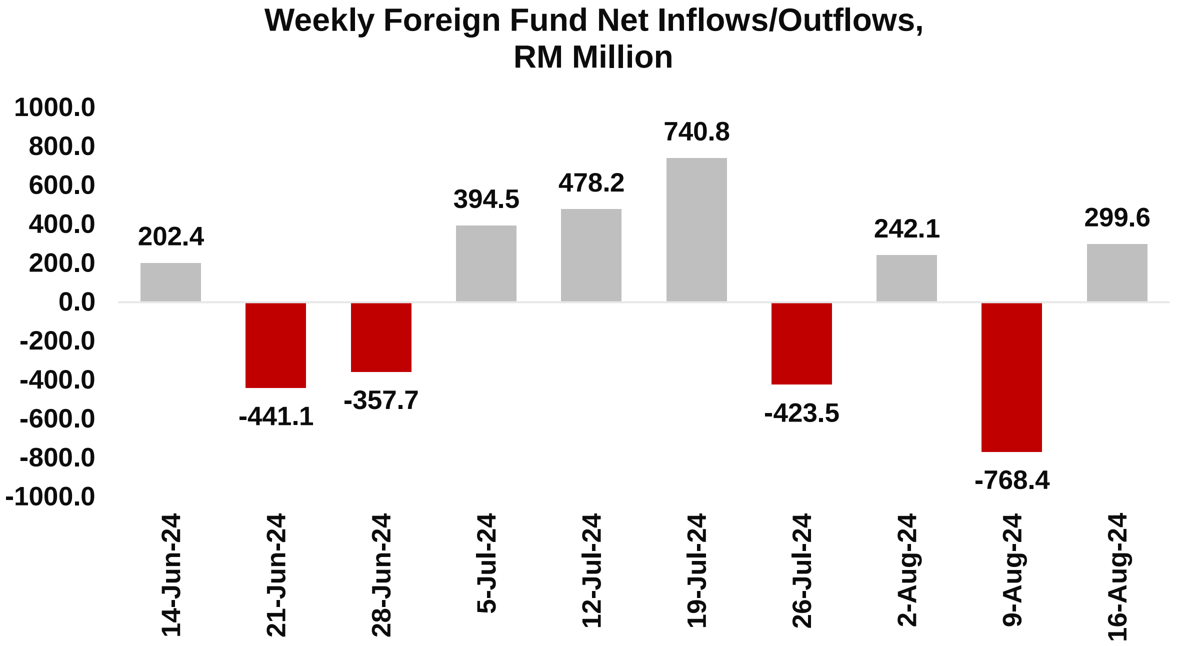

Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI gained 1.7% for the week ending August 16, driven by bargain hunting activities following the previous week's slump. Foreign investors were seen returning to the market, while local investors remained as crucial support.
- Investor sentiment was also lifted by Malaysia's strong economic fundamentals, as the economy expanded by 5.9% in 2Q2024 (1Q2024: 4.2%), with all sectors posting positive growth.
- Leading the gainers was the Energy index (+3.3%), followed by the Utilities index and Finance index at 2.6% and 2.0%, respectively.
- The Construction index (-1.0%) emerged as the biggest loser, followed by the Property (-0.9%) and Telecommunications (-0.4%) indices.
- Foreign investors returned as net buyers last week, acquiring a total of RM299.6 million worth of equities. The net buying had increased the cumulative total net inflow this year thus far to RM349.0 million.

FIXED INCOME: INVESTORS BET ON FED EASING, PUSHING DOWN UST YIELDS

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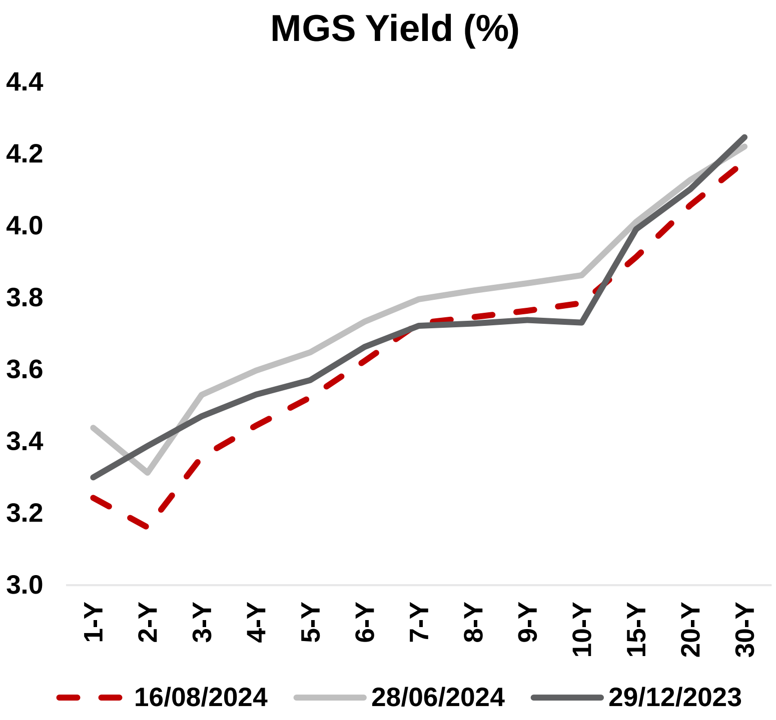
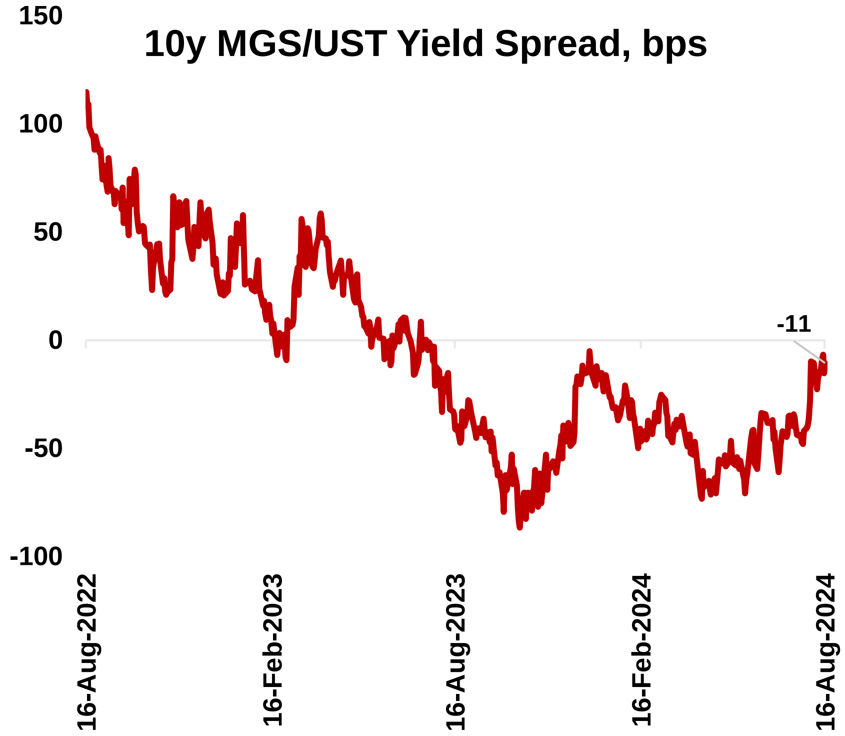
Weekly Changes, basis points (bps)

UST	Yields (%) 9-Aug-24	Yields (%) 16-Aug-24	Change (bps)
3-Y UST	3.86	3.87	1
5-Y UST	3.80	3.77	-3
7-Y UST	3.85	3.81	-4
10-Y UST	3.94	3.89	-5
MGS	**Yields (%) 9-Aug-24**	**Yields (%) 16-Aug-24**	**Change (bps)**
3-Y MGS	3.33	3.36	2
5-Y MGS	3.50	3.52	2
7-Y MGS	3.70	3.73	3
10-Y MGS	3.77	3.79	2
GII	**Yields (%) 9-Aug-24**	**Yields (%) 16-Aug-24**	**Change (bps)**
3-Y GII	3.33	3.33	1
5-Y GII	3.49	3.49	0
7-Y GII	3.71	3.72	1
10-Y GII	3.78	3.80	2

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

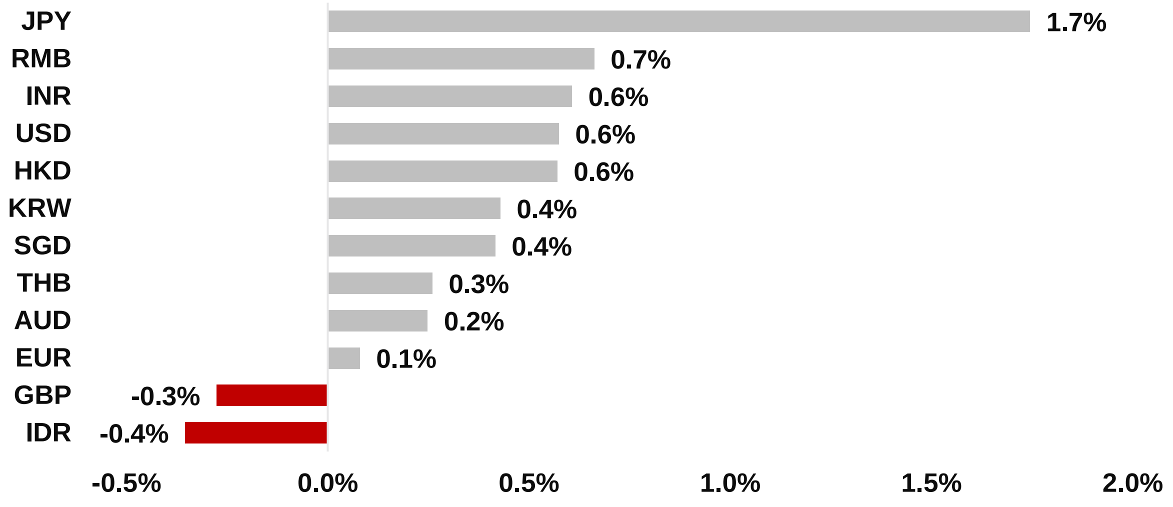




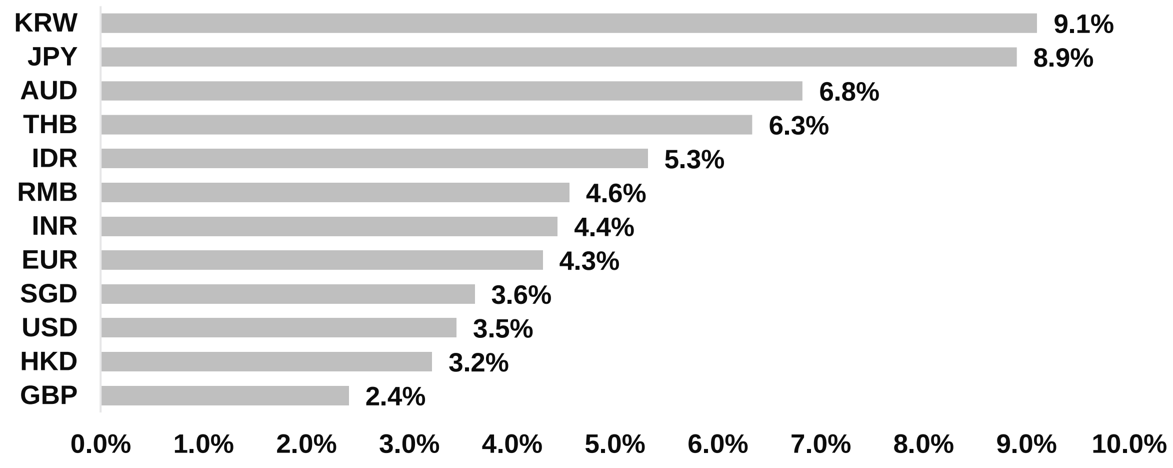
- The U.S. Treasury (UST) yields mostly edged lower between 3bps and 5bps for the week ending August 16, with buying buoyed by signs of strong consumer spending and easing inflation that has firmed expectations for a 25bp rate cut by the U.S. Federal Reserve (Fed) next month.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ticked higher in the range of 1bp and 3bps. Meanwhile, 5-Y GII yield plateaued at 3.49%.
- The RM5.0 billion 30-Y reopening of MGS which was issued on August 15 drew a solid demand with a bid-to-cover (BTC) ratio of 2.0x, albeit lower compared to the previous RM5.0 billion 30-Y reopening of MGS in January 2024.
- The 10y MGS/UST yield spread narrowed marginally in the negative territory at -11bps relative to -17bps in the previous week.

FX MARKET: RINGGIT ON TRACK FOR WEEKLY GAIN AMID HEIGHTENED BETS OF SEPTEMBER CUT

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 16 August 2024)



Sources: BNM, Federal Reserve Board, BLS

- The ringgit appreciated against the USD for the week ending August 16, closing at RM4.438 (August 9: RM4.4635) as the USD index slipped to its weakest point since January on Friday.
- The greenback was pressured throughout the week following releases of several key U.S. economic data which was kicked off by the Producer Price Index (PPI) rising by 0.1% m-o-m in July (June: 0.2%, Est: 0.2%), pointing to softer price pressures on the factory front.
- Furthermore, U.S.' headline inflation beat expectations as it further moderated to 2.9% y-o-y in the same month (June: 3.0%, Est: 3.0%) while core CPI eased to 3.2% y-o-y (June: 3.3%). On a monthly basis, both headline and core CPI ticked up by 0.2% in July. The favourable disinflation trend, coupled with previously softer than expected job market data, had reinforced the case of a September Fed rate cut.
- Additionally, some support to the local note was lent by Malaysia's solid 2Q2024 growth, one catalyst that we posit will buoy the strength of Ringgit in 2H2024.

COMMODITY: OIL PRICES FALL AMID CHINA DEMAND CONCERNS

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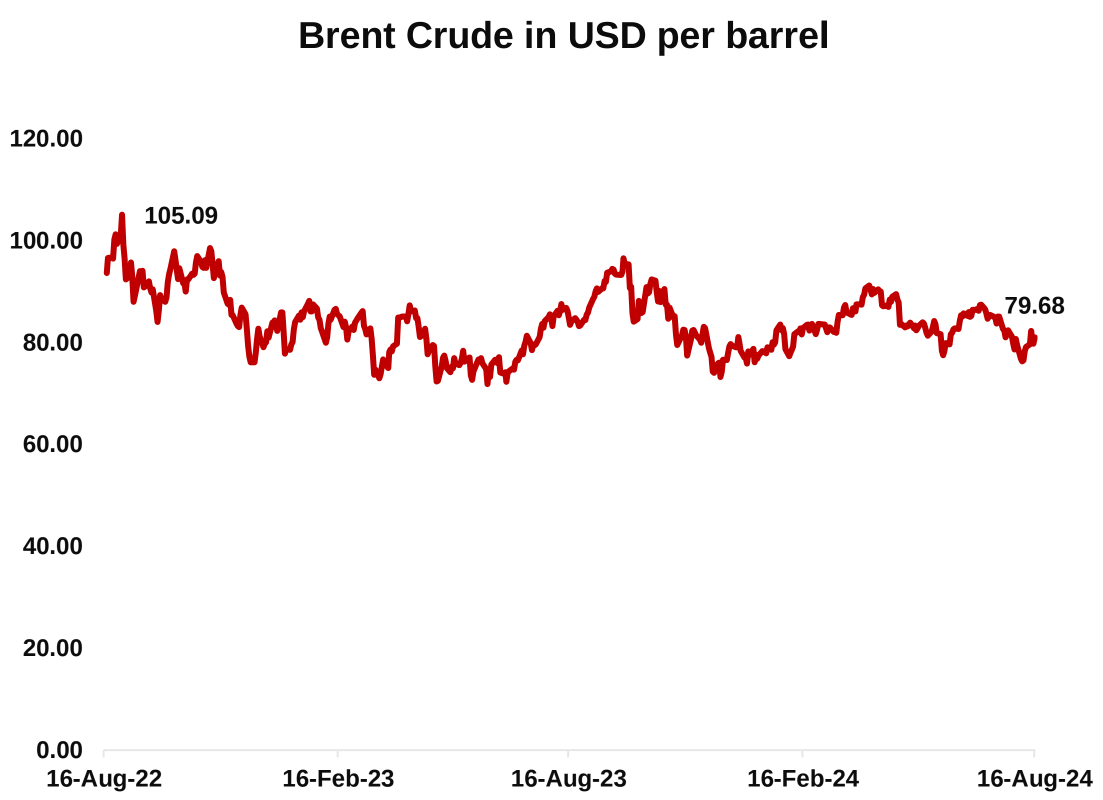

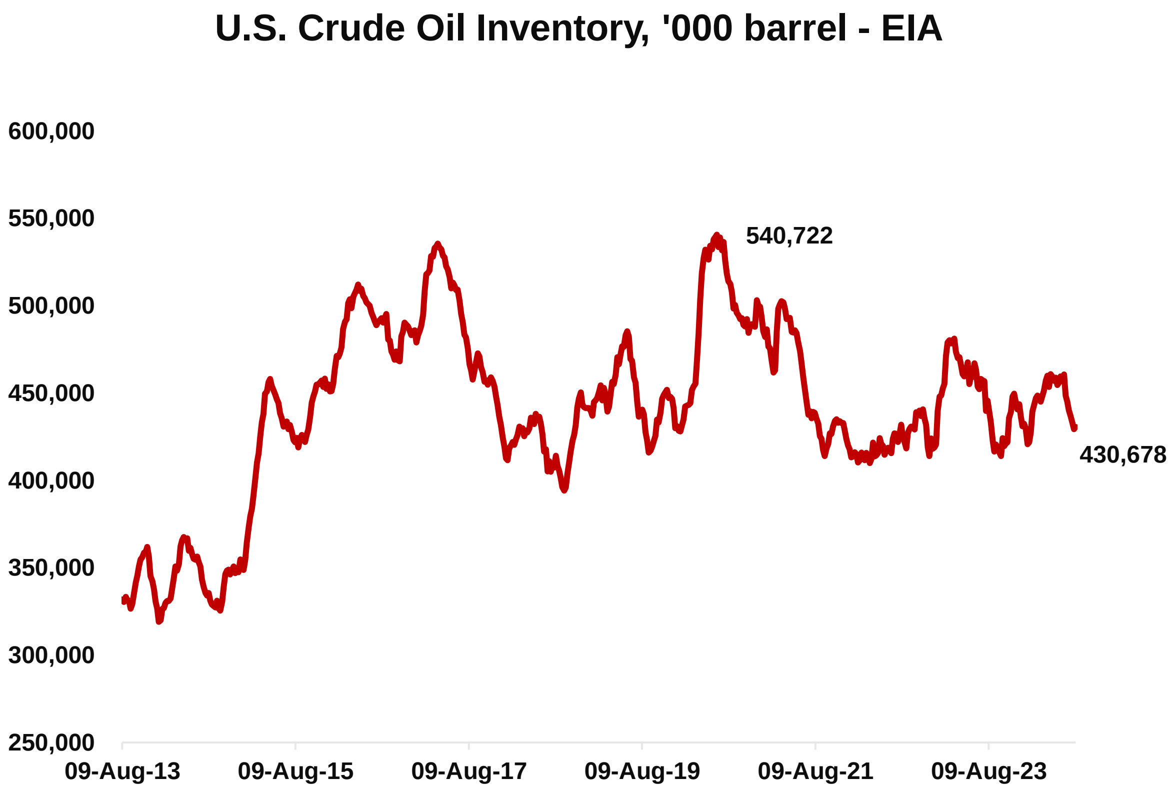

Sources: Bloomberg, Energy Information Administration (EIA)

- Brent prices fell 2.0% to USD79.68 per barrel for the week ending August 16, amid Qatar's call for Iran to ease tensions with Israel and concerns over weakening demand from China.
- Nevertheless, U.S. crude oil inventories unexpectedly rose by 1.4 million barrels in the week ending August 9, 2024, ending a six-week decline and defying forecasts of a 2.0 million barrel drop.

COMMODITY: GOLD PRICES MARKS FRESH HIGH AS FED RATE CUT INCHES CLOSER

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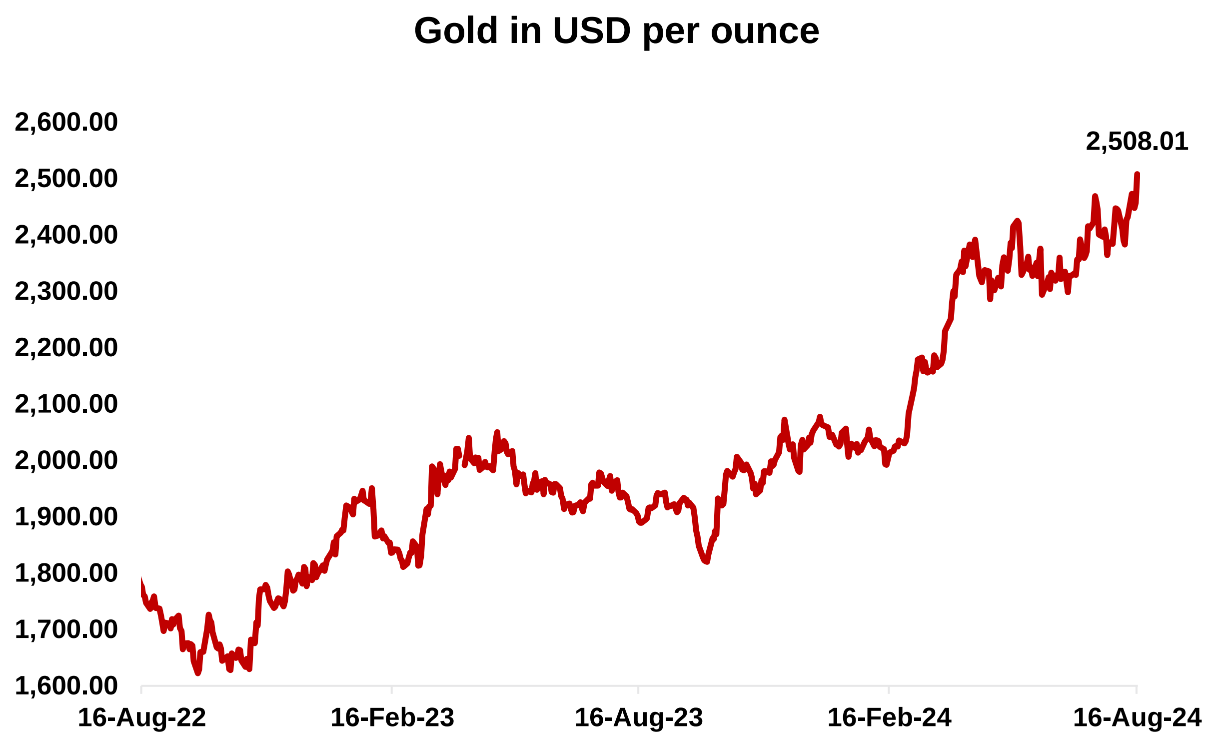

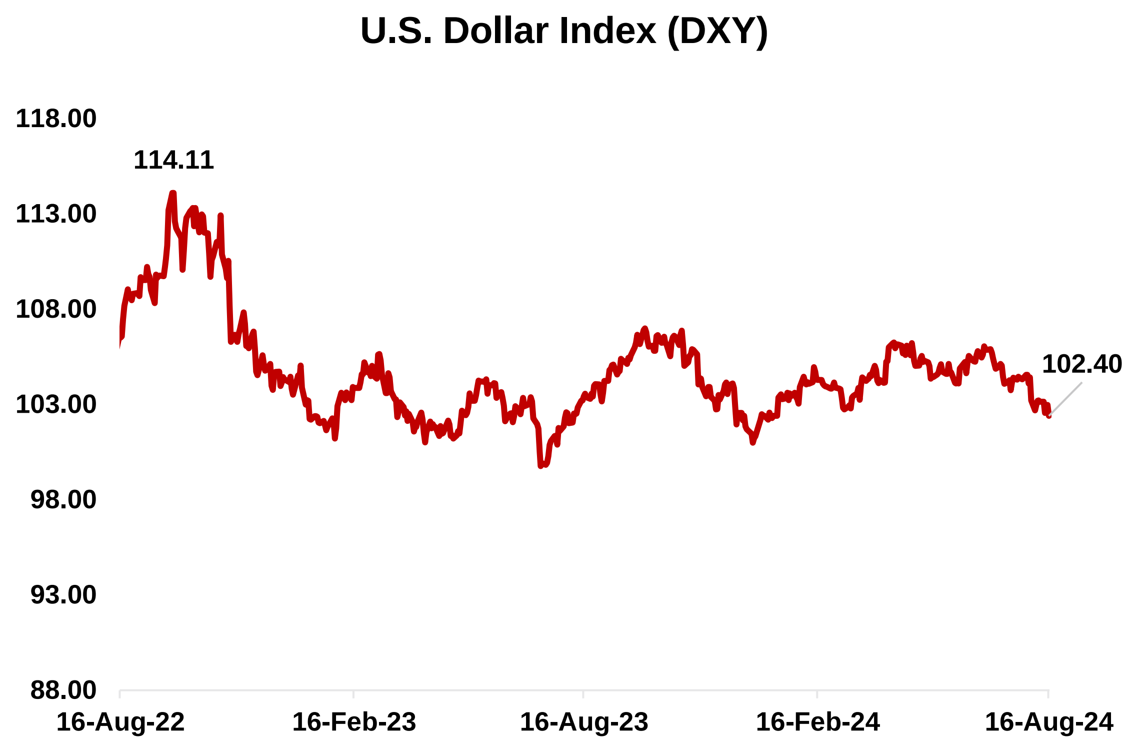

Sources: Bloomberg, BLS

- The bullion price surged by 3.2% last week to record a historical high of USD2,508.0 per ounce.
- Such performance was driven by the weakening greenback as expectations of a September rate cut ramped up amid further moderation in U.S. inflation.
- Moving forward, markets are eyeing the upcoming Jackson Hole Symposium on 22-24 August, where they hope to glean further hints on the Fed's policy path from Fed Chair Jerome Powell's remarks.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

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- With the Fed expected to pivot towards easing to counter an impending slowdown, market attention is turning to the July FOMC meeting minutes and the Fed's Jackson Hole symposium this week, where Chair Jerome Powell will deliver remarks on the economic outlook. Investors are anticipating signals of a rate cut in September, along with guidance on the timing and pace of subsequent cuts. Based on the Fed Fund Futures, a rate cut in September is fully priced in, with 75.0% of bets on a 25bp cut and the remaining 25.0% on a 50bp cut at the time of writing.

- The People's Bank of China (PBoC) is widely expected to hold its loan prime rates (LPR) steady this week, as both the medium-term lending facility (MLF) and 7-day reverse repo rates have remained unchanged this month following July's surprise rate cuts. However, the PBoC is likely to reiterate its commitment to supporting the economy given the tepid domestic demand and more challenging external backdrop. We believe there is still room for further rate reductions, especially with the Fed anticipated to start cutting rates soon.

- Bank Indonesia (BI) will likely maintain its policy rate at an all-time high of 6.25% in this week's monetary policy update, where it has remained since April. Although modest inflation and a strengthening Indonesian Rupiah have opened up the possibility for monetary easing, BI is expected to hold off on reducing rates until after the Fed begins its own rate cuts.

- Malaysia is scheduled to release trade and inflation data for the month of July this week. Malaysia's trade performance showed strong improvement in July, with growth accelerating to 18.3% from 8.7% in June. Exports rose by 12.3% (up from 1.7% in June), driven by increased shipments of palm oil and palm-based agricultural products, as well as machinery, equipment, and parts. Meanwhile, imports surged by 25.4% (compared to 17.8% in June), indicating robust domestic demand. Meanwhile, inflation is expected to rise slightly in July from the 2.0% recorded in June, as the high base effect fades and the full impact of diesel subsidy rationalisation is reflected.

THANK YOU