



# **WEEKLY ECONOMIC UPDATE**

**24 JUNE 2024**

**ECONOMIC RESEARCH**

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# WEEKLY HIGHLIGHT: MALAYSIA'S TRADE HITS 20-MONTH HIGH

GLOBAL

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

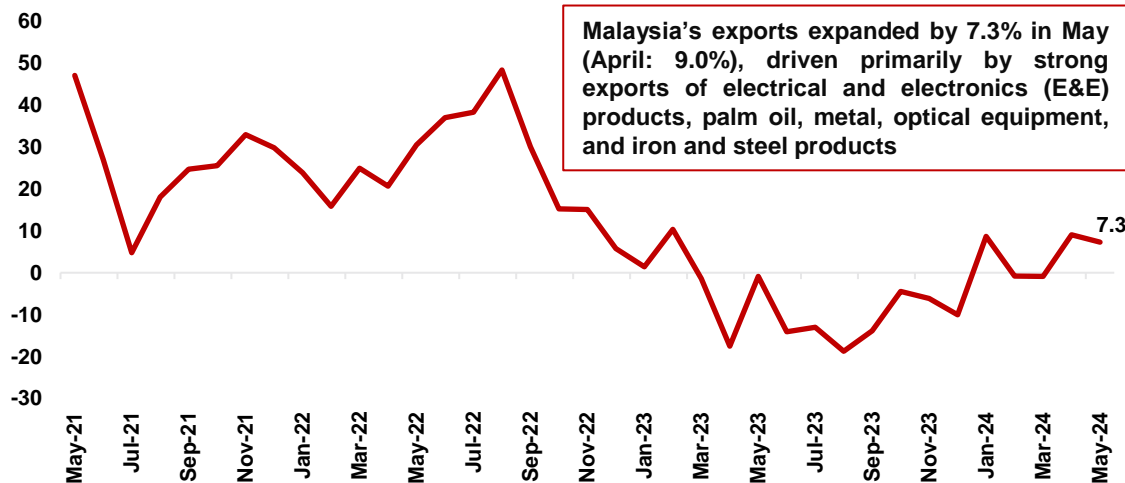


### Indonesia: Exports, y-o-y%

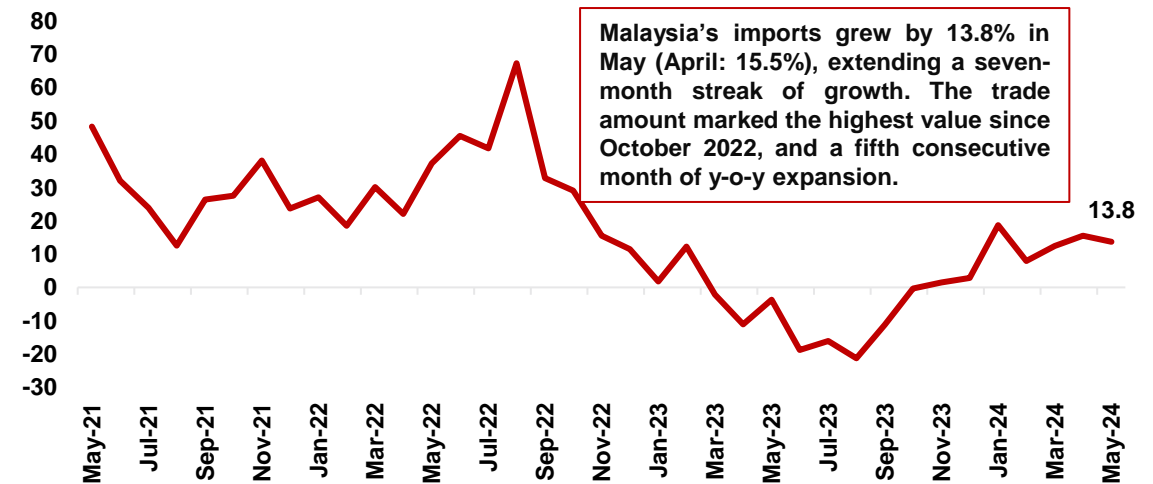


DOMESTIC

### Malaysia - Exports, y-o-y%

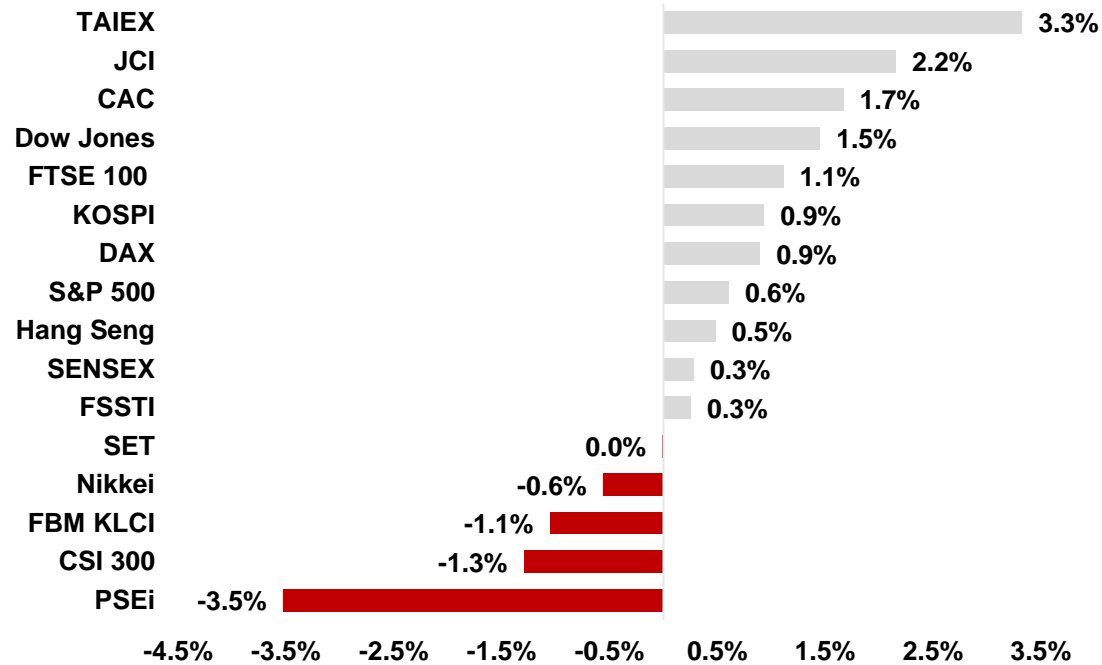


### Malaysia - Imports, y-o-y%

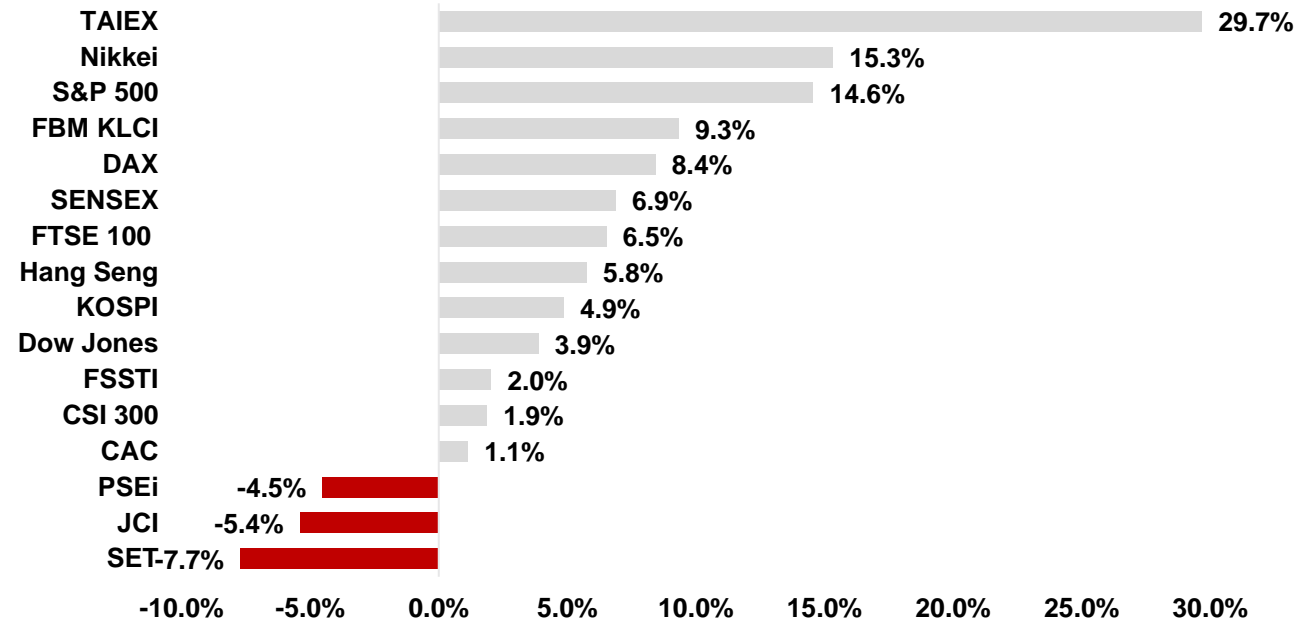


# REGIONAL EQUITY: TAIWANESE STOCKS SURGED, FUELLED BY POSITIVE OUTLOOK FOR A.I. TECHNOLOGY

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



YTD Gain/Loss of Major Equity Markets, % (As of 21 June 2024)

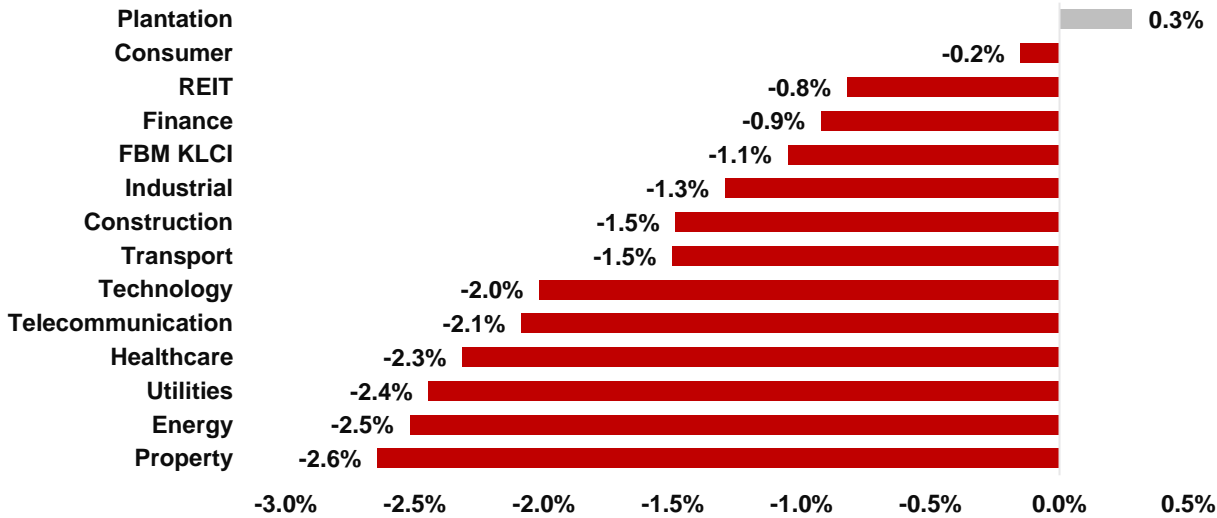


Sources: Bursa, CEIC Data

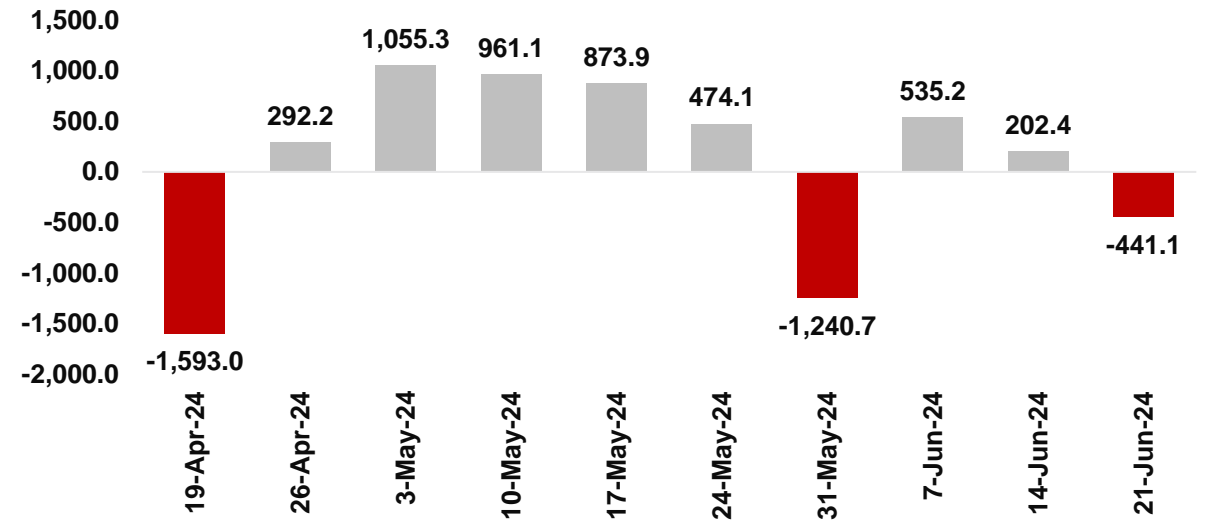
- Most stocks closed higher for the week ending June 21, with Taiwan’s TAIEX leading the gainers with a 3.3% increase. This surge was fuelled by rising optimism surrounding the future of artificial intelligence (A.I.), causing shares of leading global chip manufacturers to soar.
- U.S. stocks – Dow Jones and S&P 500 also jumped by 1.5% and 0.6%, respectively as financial markets were scrutinising fresh economic indicators where flash S&P Purchasing Managers’ Index data revealed that both manufacturing (Act: 51.7 vs. Est: 51.0) and service sectors (Act: 55.1 vs. Est: 53.4) in the U.S. grew faster than anticipated in June.
- In contrast, Philippines’ PSEi (-3.5%), China’s CSI 300 (-1.3%) and FBM KLCI (-1.1%) were the major losers last week.

# DOMESTIC EQUITY: SEA OF RED IN THE LOCAL MARKET AMID FOREIGN SELLING PRESSURE

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

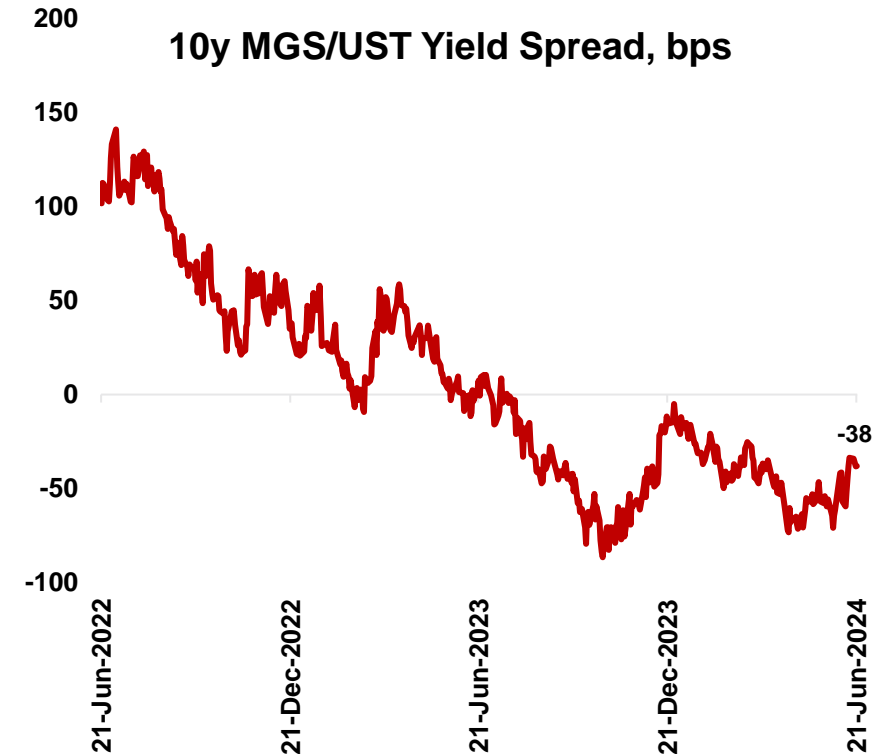
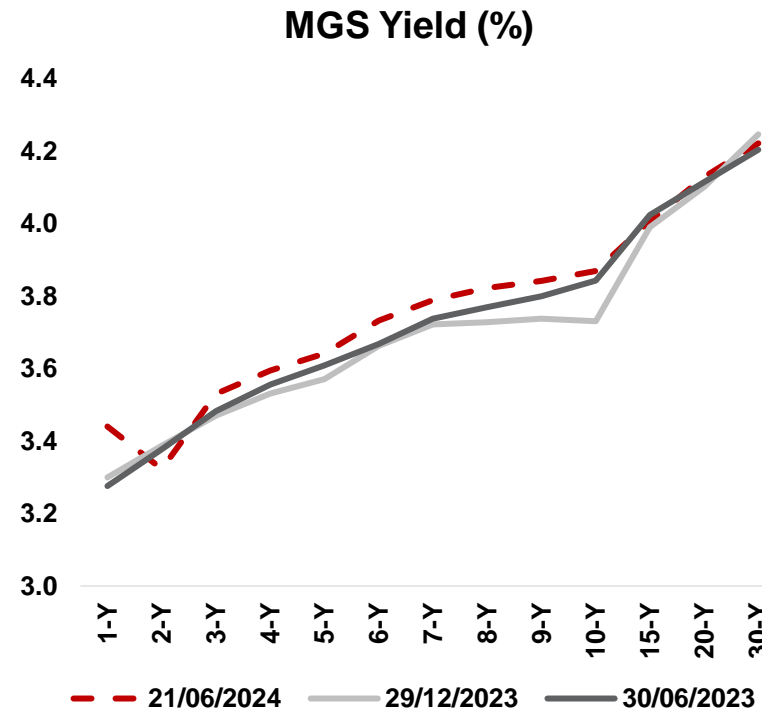


Sources: Bursa, Malaysian Palm Oil Council (MPOC), National Bureau of Statistics China, CEIC Data

- The FBM KLCI extended its losses for the week ending June 21, slipping below the 1,600-level, due to profit taking activities following the recent winning streak in the local bourse. As such, most Bursa indices closed in the negative territory with the Property (-2.6%) index as the biggest loser. Following behind was the Energy and Utilities indices, declining by 2.5% and 2.4%, respectively.
- Furthermore, investor sentiment was dampened by the slower growth of China's Industrial Production Index (IPI), which increased by 5.6% in May (April: 6.7%), lower than the forecasted 6.0%.
- The Plantation (+0.3%) index emerged as the only winner on the back of higher Crude Palm Oil (CPO) prices (20 June: RM3,959 per Metric Tonne (MT) vs. 14 June: RM3,946 per MT).
- Foreign investors turned net sellers last week, shedding off RM441.1 million worth of equities. The net selling had reduced the cumulative total net outflow this year thus far to RM256.6 million.

# FIXED INCOME: UST YIELDS CLIMBED AMID STRONG U.S. ECONOMIC DATA

Weekly Changes, basis points (bps)			
UST	Yields (%)	Yields (%)	Change (bps)
	14-Jun-24	21-Jun-24	
3-Y UST	4.41	4.45	4
5-Y UST	4.22	4.26	4
7-Y UST	4.20	4.25	5
10-Y UST	4.20	4.25	5
MGS	Yields (%)	Yields (%)	Change (bps)
	14-Jun-24	21-Jun-24	
3-Y MGS	3.54	3.53	-1
5-Y MGS	3.66	3.64	-1
7-Y MGS	3.80	3.79	-1
10-Y MGS	3.86	3.87	1
GII	Yields (%)	Yields (%)	Change (bps)
	14-Jun-24	21-Jun-24	
3-Y GII	3.49	3.47	-2
5-Y GII	3.64	3.64	0
7-Y GII	3.80	3.79	-1
10-Y GII	3.87	3.87	0

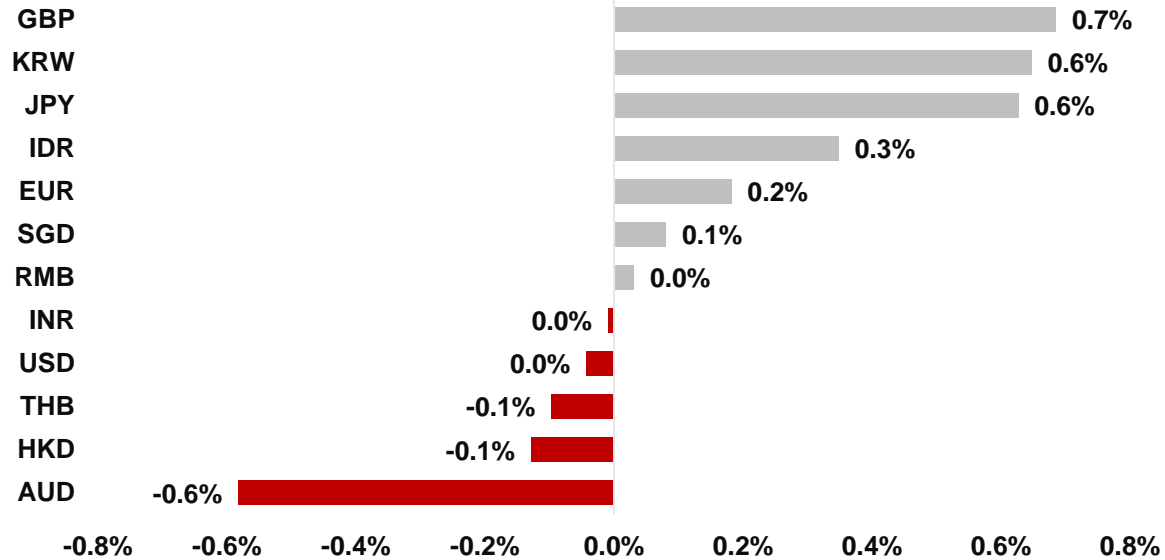


Sources: Bank Negara Malaysia (BNM), Federal Reserve Board

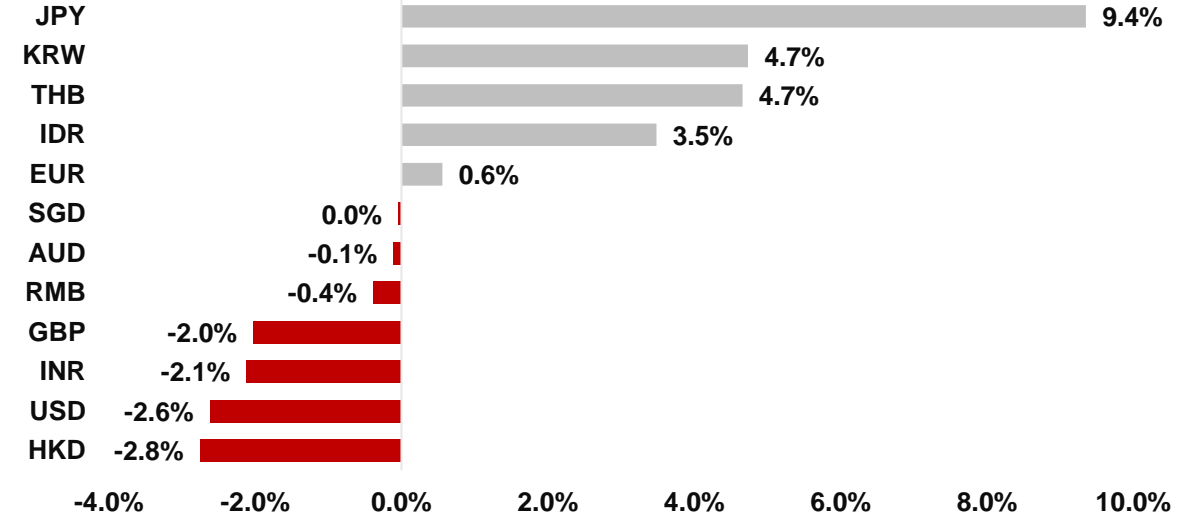
- The U.S. Treasury (UST) yield curve bearishly steepened between 4bps and 5bps for the week ending June 21, following the release of strong U.S. economic data, reducing the need for the U.S. Federal Reserve (Fed) to cut interest rates in 3Q2024.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended little changed amid a lack of fresh catalysts.
- The RM5.0 billion 30-Y reopening of GII which was issued on June 21 drew a robust demand with a bid-to-cover (BTC) ratio of 2.5x, albeit lower relative to the previous RM5.0 billion 30-Y reopening of GII in March 2023, which garnered a BTC ratio of 3.2x
- The 10y MGS/UST yield spread widened marginally in the negative territory at -38bps relative to -34bps in the previous week.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY THIS WEEK AHEAD OF THE RELEASE OF U.S. PCE INFLATION DATA

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 21 June 2024)



Sources: BNM, Federal Reserve Board, S&P Global

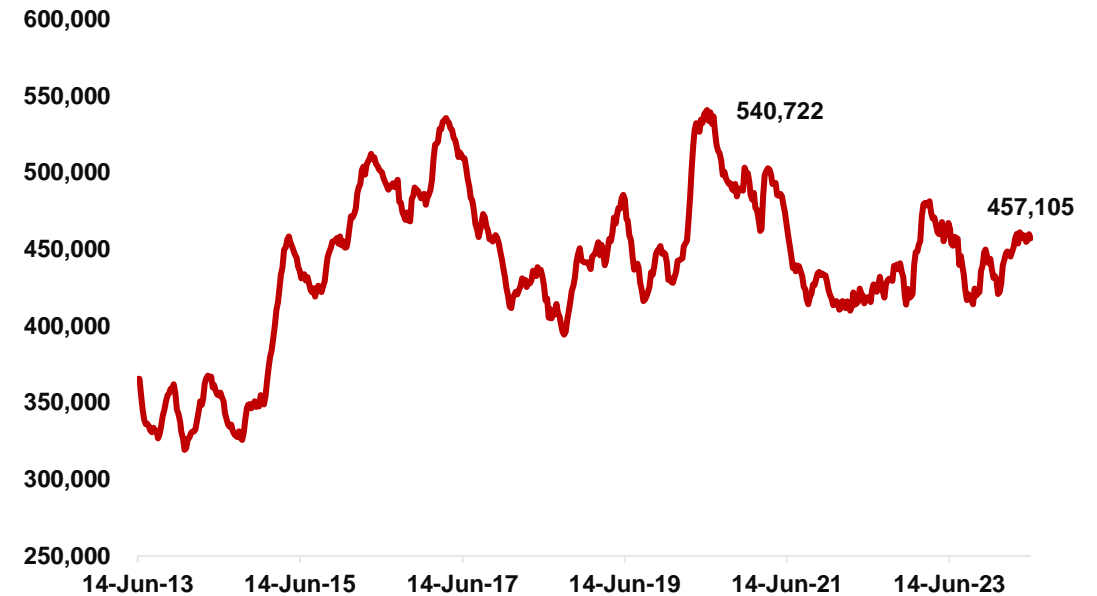
- Ringgit ended flat against the USD for the week ending June 21 although the strength of the USD index had exerted downwards pressure on it.
- The greenback appreciated during the week as Fed rate cuts hopes dims following the preliminary U.S.' June PMI beating market estimates. The Manufacturing PMI ticked up to 51.7 points (Est: 51.0 points) and the Services PMI rose to 55.1 points (Est: 53.7 points).
- Such continuous strength in household spending is also demonstrated by the growth in retail sales (May: 0.1% vs. Apr: -0.2%), which provides the Fed with leeway in easing their monetary policy at the desired pace as the worry of stifling the economy is curbed for now.
- Moving forward, we posit that Ringgit will trade cautiously with the release of the May U.S. Personal Consumption Expenditure (PCE) report. The scheduled report on Friday will bear much weight on market bets of the trajectory of the Fed's policy path.

# COMMODITY: OIL PRICES REMAIN STEADY DESPITE A DROP IN U.S. CRUDE INVENTORIES

Brent Crude in USD per barrel



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

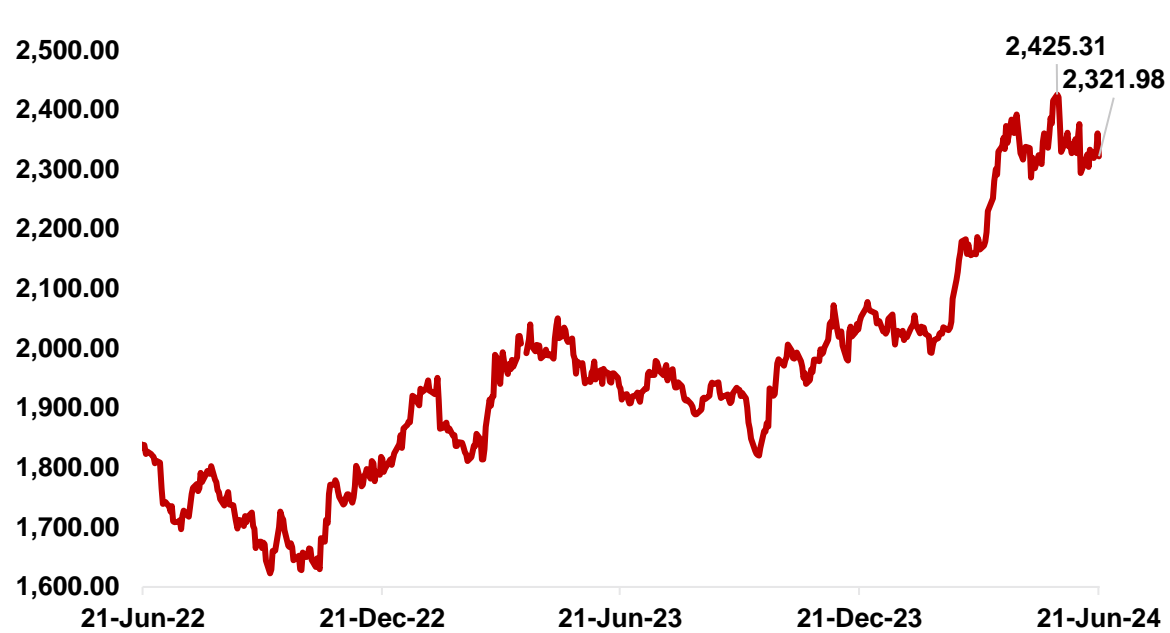


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent prices fell 0.5% to USD85.24 per barrel on Friday on concerns of lower global demand due to a strong USD and Middle East tensions, despite improved U.S. demand and lower inventories.
- In addition, U.S. crude oil inventories fell by 2.547 million barrels last week, exceeding the forecasted 2 million barrels draw.

# COMMODITY: GOLD PRICE SLIPPED AS U.S. FLASH PMI SURPRISES

### Gold in USD per ounce



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



Sources: Bloomberg, S&P Global

- The bullion price experienced a roller coaster run last week when it reached USD2,360.09 on Thursday, buoyed by both softer than expected retail sales and job market prints in the U.S.
- Nevertheless, the bullion price reversed its gains on Friday as the flash PMI estimates came in stronger than expected, signaling the resilience of the U.S. economy. Consequently, these data releases trimmed market expectations of Fed rate cuts this year, although they still largely anticipate the first cut happening in September



## WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Markets currently price in more rate cuts than the Fed's latest dot plot projects, anticipating two cuts by the end of this year, with more than a 65% chance of the first cut being delivered in September. The U.S. core PCE inflation, the Fed's preferred inflation gauge, due this week for May, is likely to confirm that inflation is easing amid signs of cooling consumer spending, thus keeping rate cut expectations alive. There are also several Fed speeches scheduled throughout this week, which will be closely monitored by investors for additional clues on the Fed's future policy path.
- Another focus will be the scheduled U.S. presidential debate between President Joe Biden and former President Donald Trump this week, which is the first of at least two debates before the election on November 5. While uncertainties loom as the two presidential candidates remain closely tied in the polls, it is expected that they will advocate for fiscal expansionary and protectionist policies, which could impact growth, inflation and even interest rates.
- Elsewhere, the Bangko Sentral ng Pilipinas (BSP) is anticipated to hold its key policy rate steady at a 17-year high of 6.50% for the fifth consecutive meeting this week. The chance of a rate cut has diminished given the currency weakness and inflationary pressures. Inflation in the Philippines edged higher to 3.9% in May (from 3.8% in April), nearing the upper limit of the BSP's target range of 2.0% to 4.0%.
- On the domestic front, there will be an update on inflation. Malaysia's headline consumer price inflation is expected to remain modest in May after stabilising at 1.8% for three consecutive months. Meanwhile, producer price inflation is foreseen to increase further from 1.9% in April.

BANK ISLAM

**THANK YOU**