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WEEKLY ECONOMIC UPDATE

26 AUGUST 2024

ECONOMIC RESEARCH

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

WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION REMAINED SUBDUED

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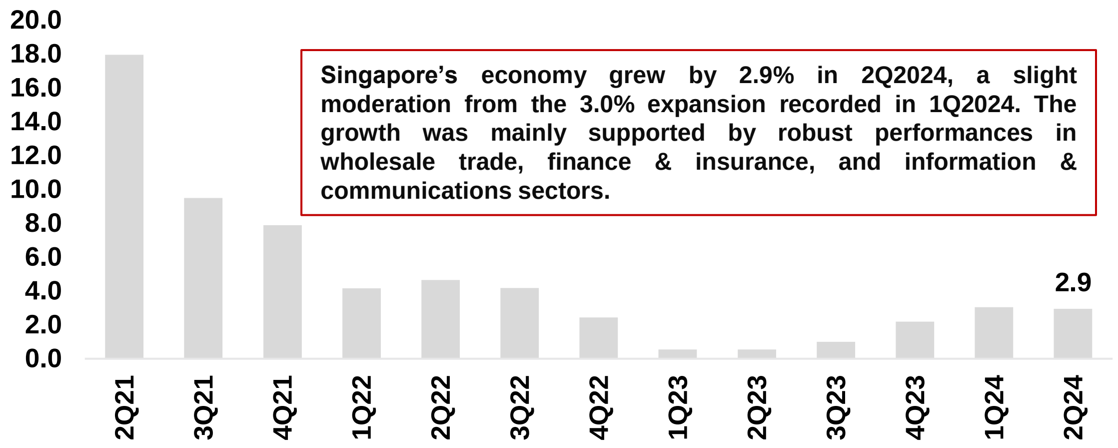
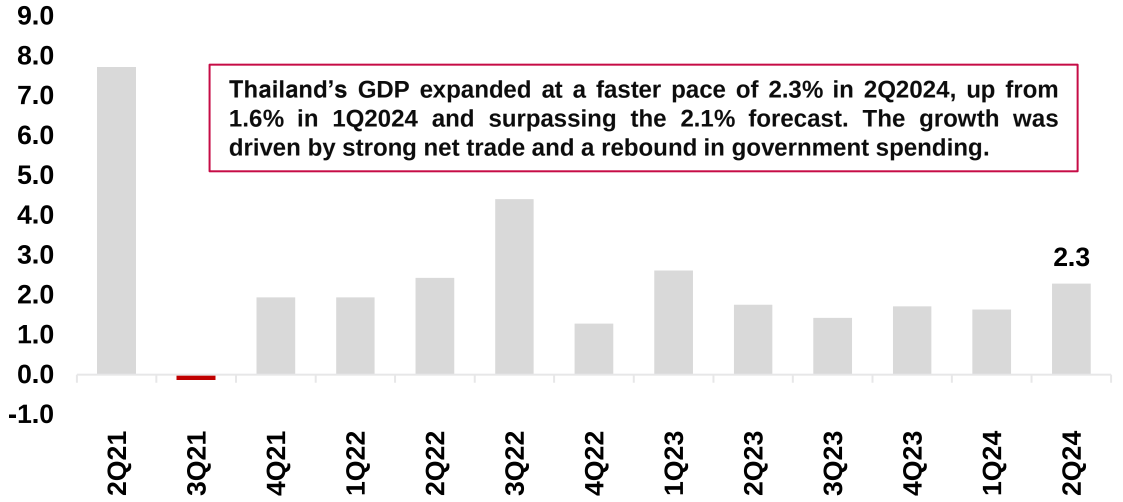
GLOBAL

Singapore - Real Gross Domestic Product (GDP), y-o-y%



Singapore's economy grew by 2.9% in 2Q2024, a slight moderation from the 3.0% expansion recorded in 1Q2024. The growth was mainly supported by robust performances in wholesale trade, finance & insurance, and information & communications sectors.

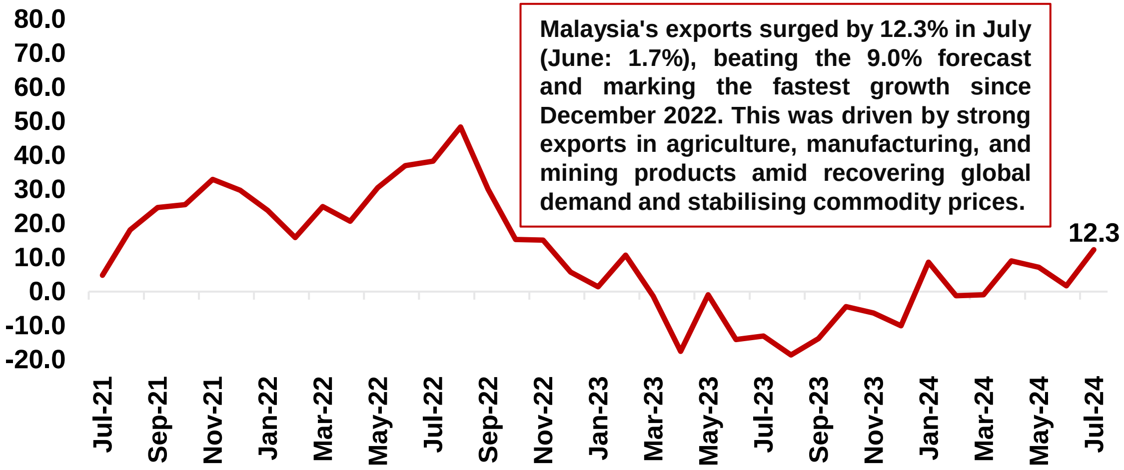
Thailand - Real GDP, y-o-y%



Thailand's GDP expanded at a faster pace of 2.3% in 2Q2024, up from 1.6% in 1Q2024 and surpassing the 2.1% forecast. The growth was driven by strong net trade and a rebound in government spending.

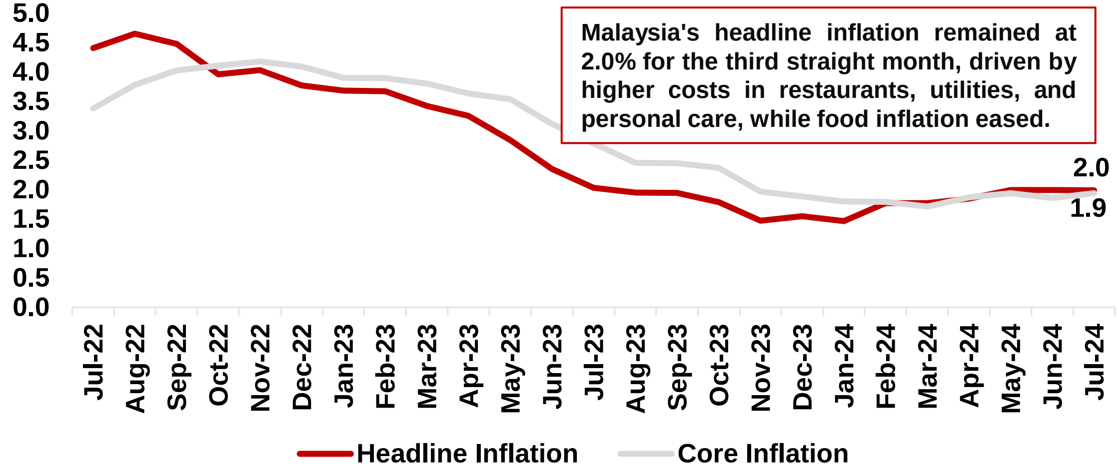
DOMESTIC

Malaysia - Exports, y-o-y%



Malaysia's exports surged by 12.3% in July (June: 1.7%), beating the 9.0% forecast and marking the fastest growth since December 2022. This was driven by strong exports in agriculture, manufacturing, and mining products amid recovering global demand and stabilising commodity prices.

Malaysia – Consumer Price Index (CPI), y-o-y%



Malaysia's headline inflation remained at 2.0% for the third straight month, driven by higher costs in restaurants, utilities, and personal care, while food inflation eased.

Sources: Singapore Department of Statistics, The Office of the National Economic and Social Development Council (NESDC), Department of Statistics Malaysia (DOSM)

REGIONAL EQUITY: THAILAND'S STOCKS EMERGED AS MAJOR GAINER AMID EASING OF POLITICAL UNCERTAINTY

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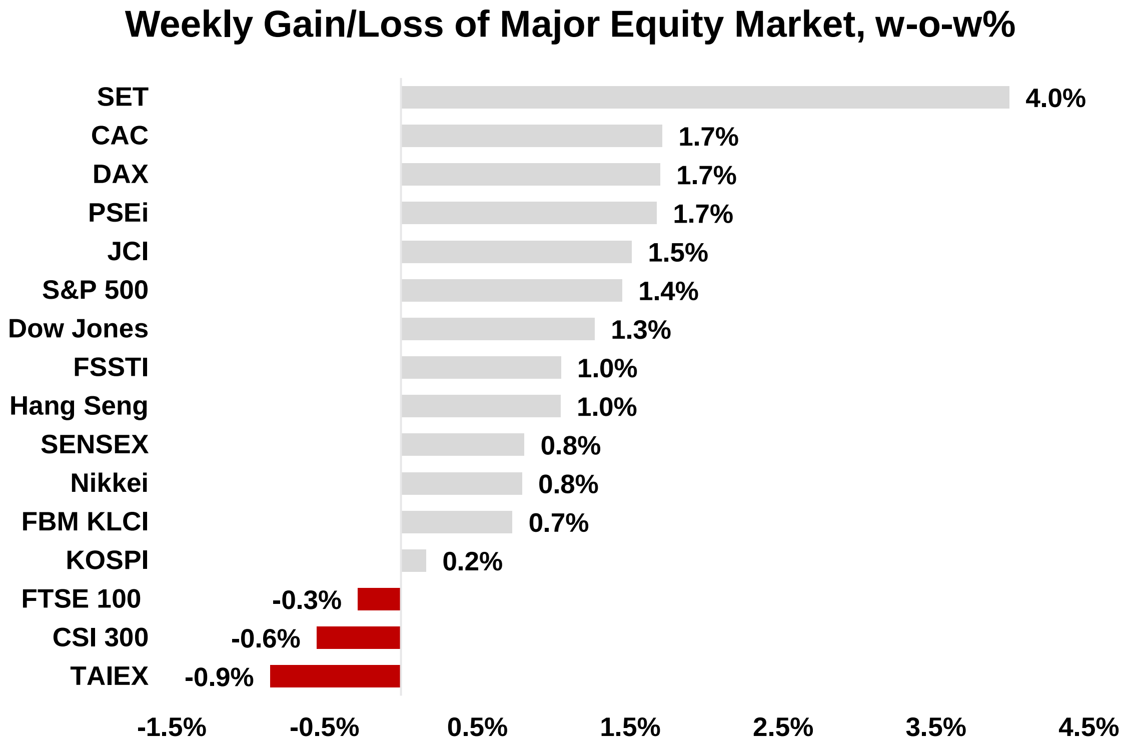

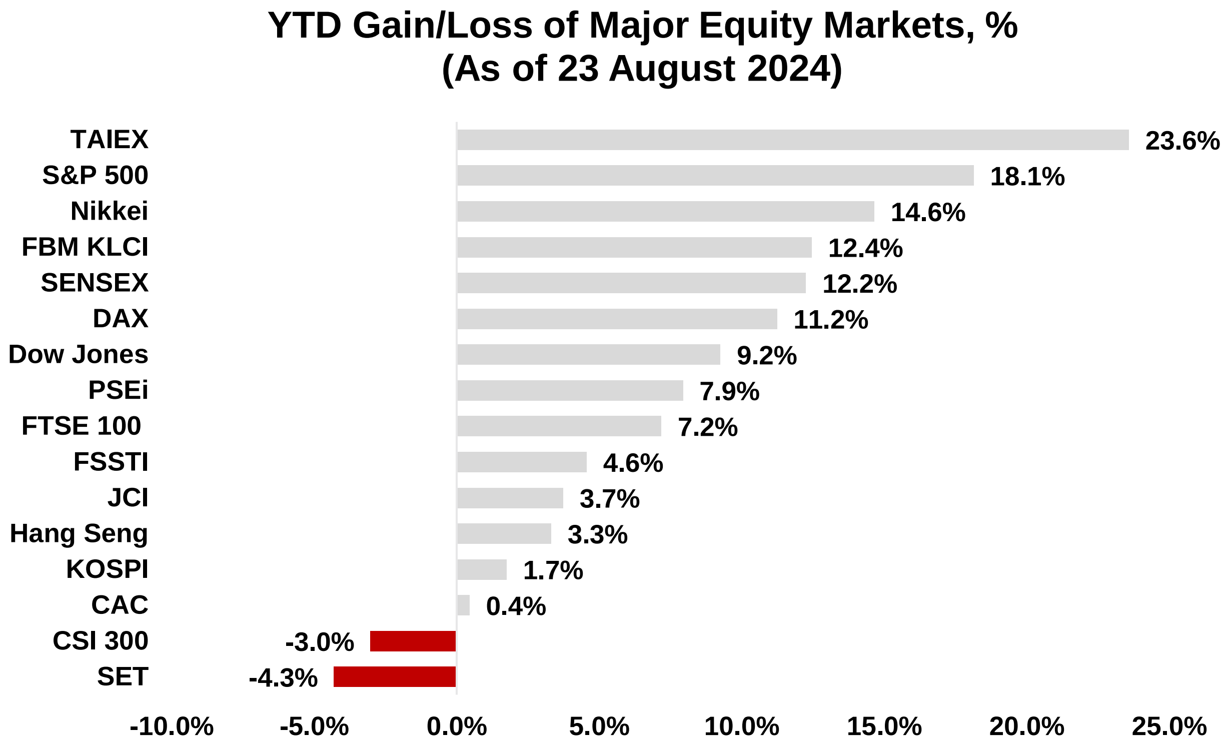

Sources: Bursa, CEIC Data

- The regional equity index mostly in the green last week with Thailand's SET expanded by 4.0%, driven by easing political tensions and economic stimulus plans that have bolstered investor interest. Optimism is growing around Thailand's planned debt restructuring and revised cash handout programme, which are expected to spark a rebound in consumer spending.
- U.S. stocks – S&P 500 (+1.4%) and Dow Jones (+1.3%) also surged after the U.S. Federal Reserve (Fed) Chair Jerome Powell hinted that interest rates are likely to decrease soon, indicating an upcoming easing of interest rates from their 23-year highs.
- In contrast, Taiwan's TAIEX (-0.9%), China's CSI 300 (-0.6%) and U.K.'s FTSE 100 (-0.3%) were the major losers last week.

DOMESTIC EQUITY: LOCAL MARKET CLOSED HIGHER ON HEAVYWEIGHT GAINS

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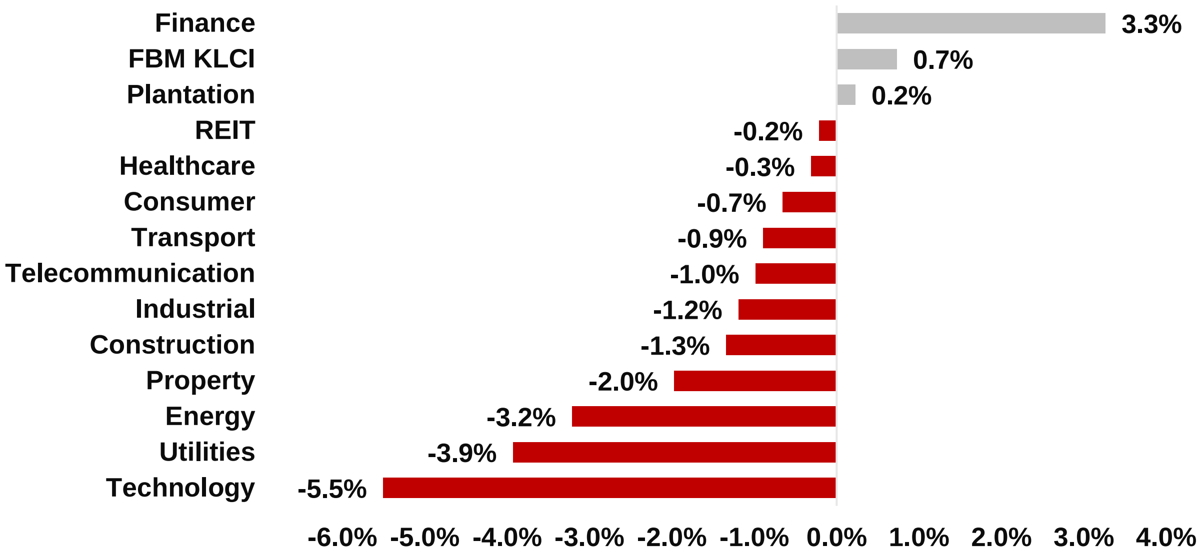
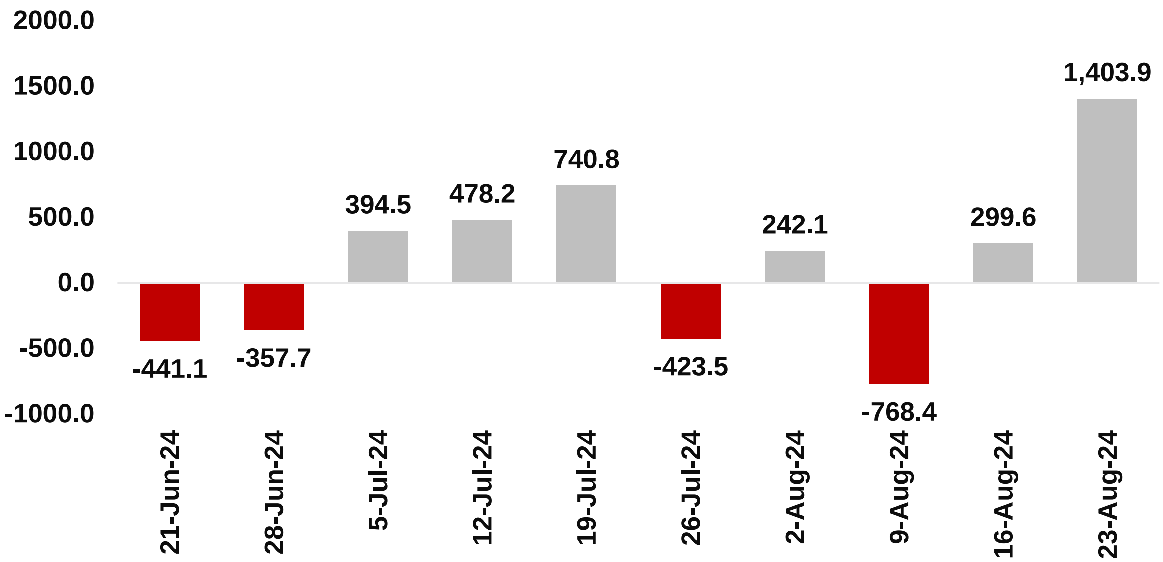
Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- Following Malaysia's robust 2Q2024 growth, the FBM KLCI was lifted to the highest level since mid-December 2020 on Monday (August 19: 1,648.7 points) and closed higher by 0.7% w-o-w for the week ending August 23, supported by strong buying interest on selected heavyweights.
- However, in the broader market, the Finance (+3.3%) and Plantation (+0.2%) indices were the only gainers in the past week.
- Most indices ended in a sea of red on profit-taking activities, with the Technology index (-5.5%) closing the week as the biggest loser, followed by the Utilities (-3.9%) and Energy (-3.2%) indices.
- The past week saw a significant surge in foreign inflows, with RM1.4 billion worth of equities secured, marking the highest net inflow in 2024. This was driven by expectations of U.S. policy easing, which fuelled investor interest in emerging market assets. As a result, the cumulative net inflow this year rose to RM1.8 billion.

FIXED INCOME: BONDS YIELDS RALLIED AS FED CHAIR HINTED THAT INTEREST RATE CUTS ARE IMMINENT

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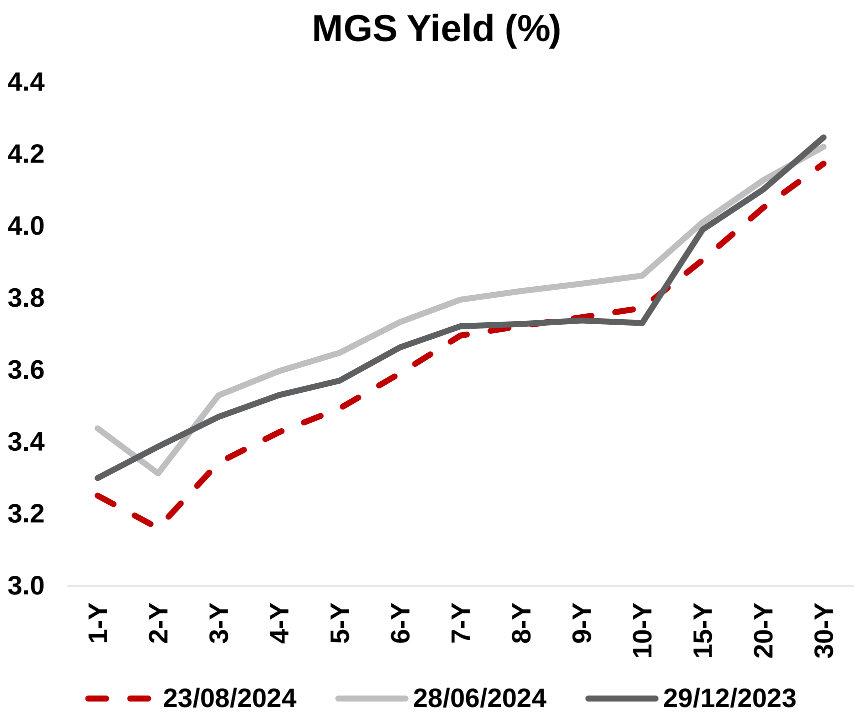
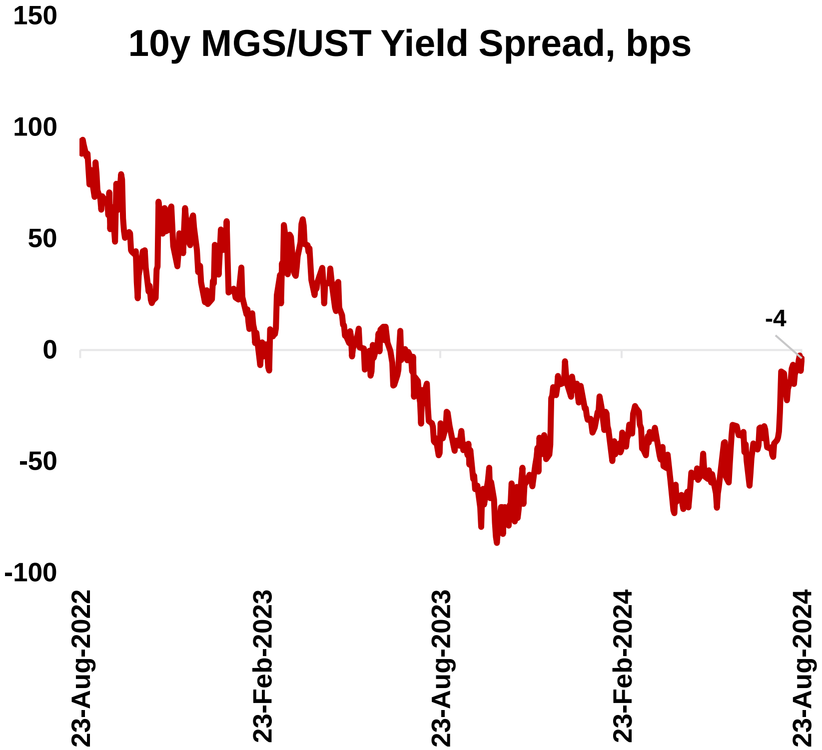
Weekly Changes, basis points (bps)

UST	Yields (%) 16-Aug-24	Yields (%) 23-Aug-24	Change (bps)
3-Y UST	3.87	3.73	-14
5-Y UST	3.77	3.65	-12
7-Y UST	3.81	3.71	-10
10-Y UST	3.89	3.81	-8
MGS	**Yields (%) 16-Aug-24**	**Yields (%) 23-Aug-24**	**Change (bps)**
3-Y MGS	3.36	3.34	-1
5-Y MGS	3.52	3.49	-3
7-Y MGS	3.73	3.70	-3
10-Y MGS	3.79	3.77	-1
GII	**Yields (%) 16-Aug-24**	**Yields (%) 23-Aug-24**	**Change (bps)**
3-Y GII	3.33	3.32	-1
5-Y GII	3.49	3.49	0
7-Y GII	3.72	3.70	-2
10-Y GII	3.80	3.78	-1

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





- The U.S. Treasury (UST) yield curve bullishly steepened, with yields falling in the range of 8bps and 14bps for the week ending August 23, after Fed Chair Powell signalled that an imminent rate cut.
- Additionally, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched lower between 1bp and 3bps. Meanwhile, 5-Y GII yield remained at 3.49%.
- The auction of 5-Y reopening of GII worth RM4.0 billion which was issued on August 22 drew a strong demand with a bid-to-cover (BTC) ratio of 3.7x, albeit still lower compared to the previous RM5.0 billion 5-Y reopening of GII in January 2024.
- The 10y MGS/UST yield spread narrowed in the negative territory at -4bps relative to -11bps in the previous week.

FX MARKET: RINGGIT'S UPTREND CONTINUES FOLLOWING FED POWELL'S DOVISH STATEMENT

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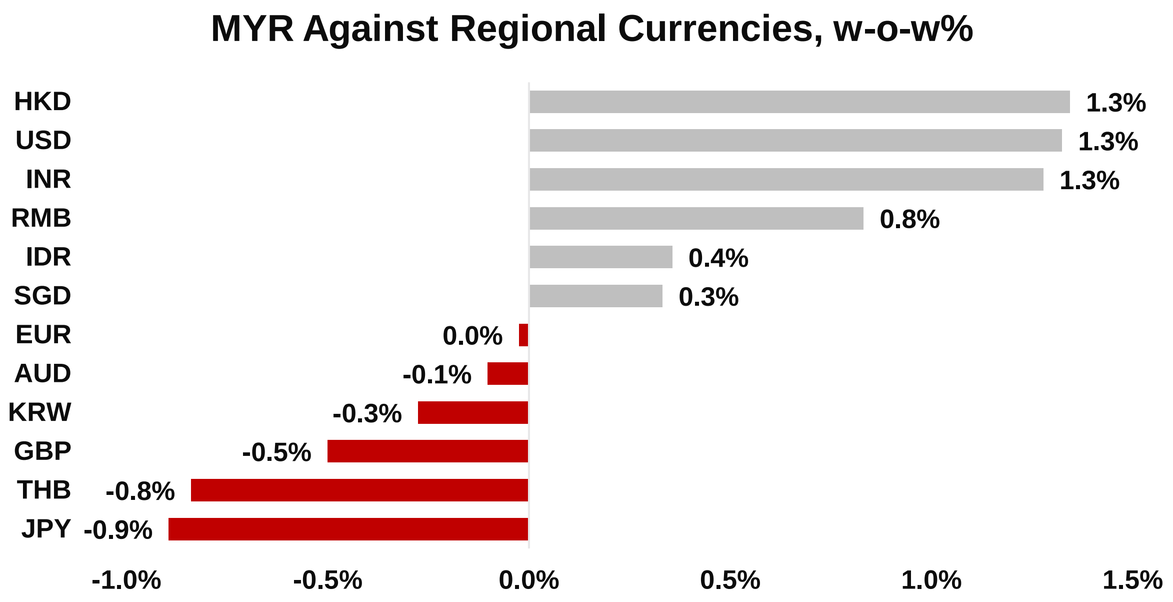

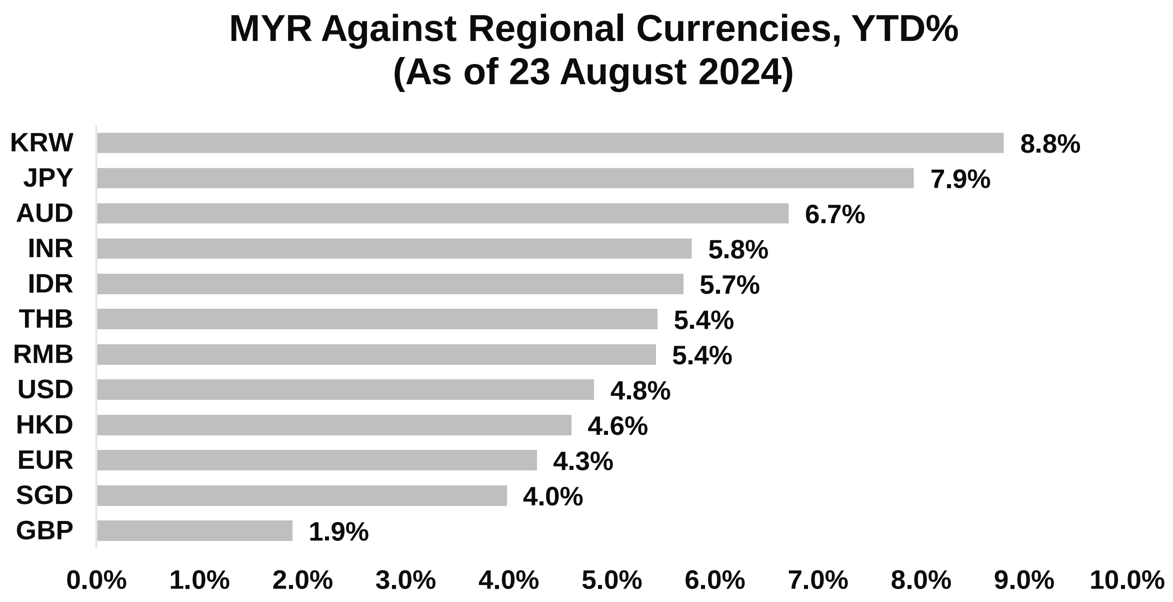

Sources: BNM, Federal Reserve Board, BLS

- The ringgit rose by 1.3% against the USD for the week ending August 23, as the USD index slipped to a 13-month low of just above the 100-level. The local note's recent appreciation saw it reaching RM4.3715 on Monday, the strongest level since mid-February 2023.
- Markets reacted strongly following Fed Chair Powell's Jackson Hole statement where he remarked that the time has come for policy to adjust, with investors' risk-on sentiments on the rise whilst the greenback was dragged further.
- Another key highlight of Powell's speech was the Fed's shift in prioritising its full employment mandate following the U.S.' favourable disinflationary trend while the job market had cooled considerably. Earlier in the week, the annual Non-Farm Payroll (NFP) revision saw that the economy created 818k fewer jobs than initially reported for the year to March 2024, pointing to a much weaker than anticipated job market.
- In the coming week, we believe the Ringgit will trade cautiously ahead of the release of the second estimate of U.S.' GDP growth and its core Personal Consumption Expenditure (PCE) price index.

COMMODITY: OIL RISES 2.0% ON FED RATE CUT HINTS

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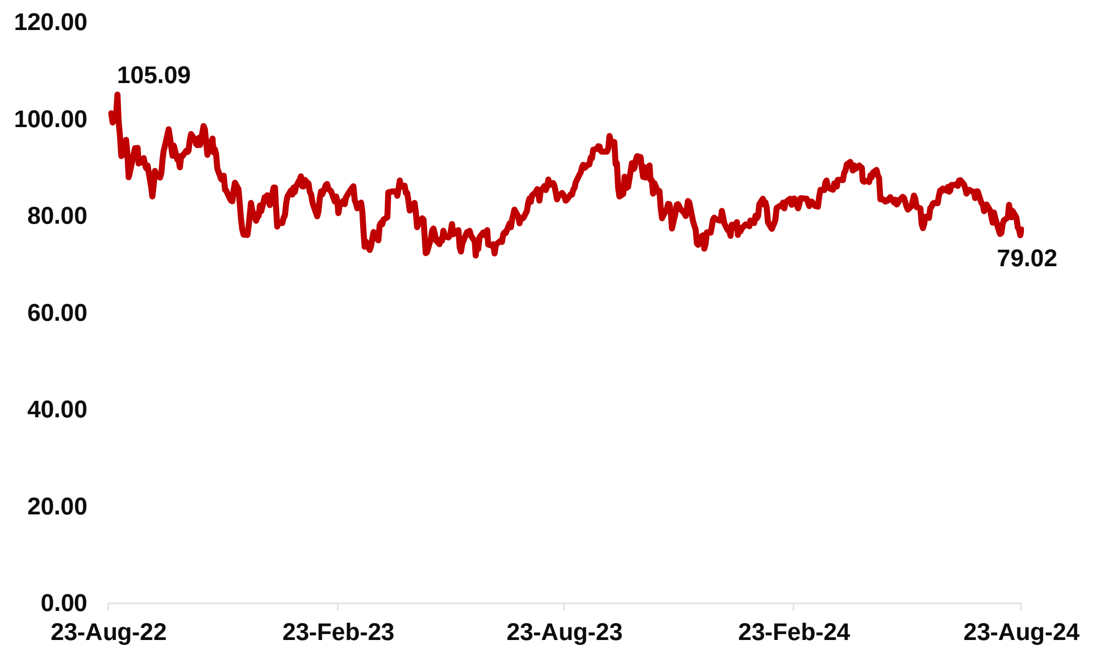
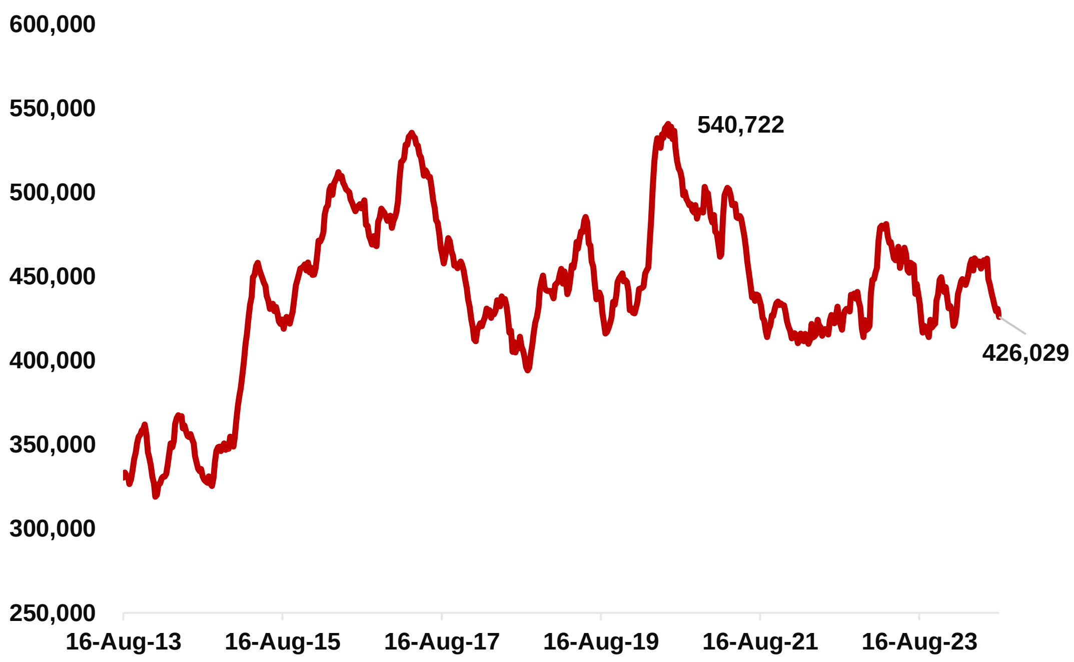
Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

- Brent prices climbed over 2.0% to USD79 per barrel for the week ending August 23, driven by comments from Fed Chair Jerome Powell indicating a possible rate cut by the central bank.
- U.S. crude oil inventories fell by 4.6 million barrels to 426 million, exceeding the expected drop of 2 million barrels due to increased demand and exports.

COMMODITY: GOLD PRICE ON A WINNING STREAK AS THE CASE FOR A SEPTEMBER RATE CUT SOLIDIFIES

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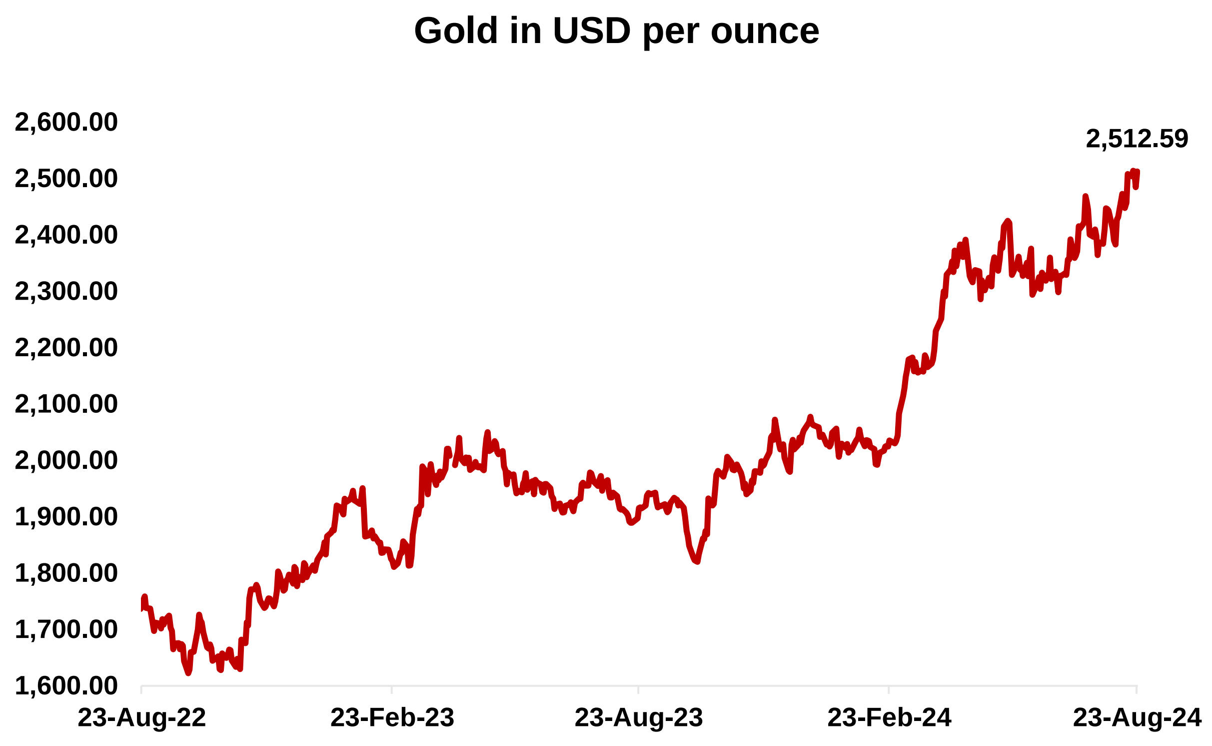

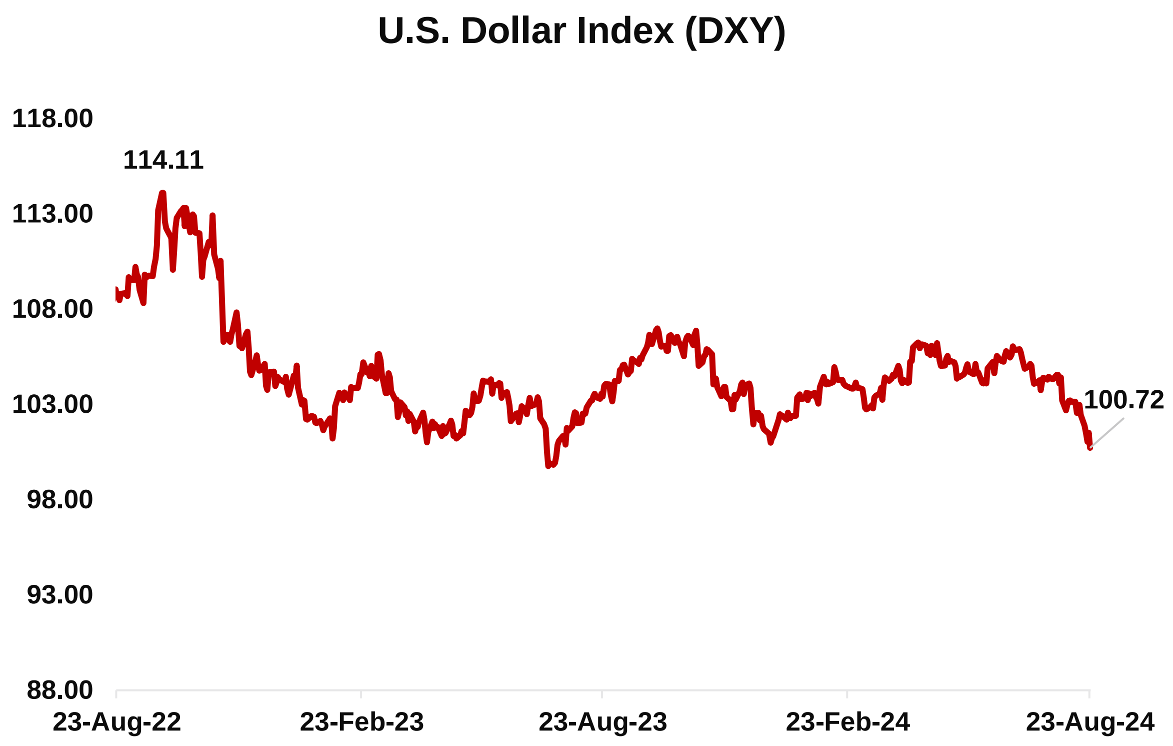

Sources: Bloomberg

- The bullion price was on a roll, marking a fresh record high of USD2,513.99 on Tuesday before closing the week at USD2,512.59.
- Such performance was underpinned by Fed Chair Powell’s dovish remarks, essentially highlighting that it is time for the Fed’s policy easing. Subsequently, the bullion price surged as markets fully price in a rate cut in the Fed’s upcoming meeting.
- Moving forward, markets are keen to place bets on the magnitude of the Fed’s rate cuts this year, looking for clues in the inflation and job market figures.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- A rate cut in September appears increasingly likely after Fed Chair Jerome Powell indicated that it is time for a policy adjustment during his remarks at the Jackson Hole Symposium last Friday. The latest minutes from the Fed's policy meeting also revealed growing concern among policymakers about weakening employment, with some supporting a rate cut back then. The market, as indicated by Fed Fund Futures, has fully priced in a September rate cut, with 76.0% of bets on a 25bp cut and the remaining 24.0% on a 50bp cut. Given this backdrop, this week's core PCE inflation data, the Fed's preferred inflation gauge, is expected to elicit a muted market response unless there is a significant upside surprise. Market consensus anticipates core PCE inflation to hold steady at 2.6% in July.

- The flash eurozone inflation print for August, also due this week, will be closely monitored for further clues on the timing and pace of the data-dependent European Central Bank (ECB)'s upcoming rate cuts. While market pricing suggests a strong likelihood of a second rate cut in September, the ECB may be cautious given the upside risks to inflation, particularly after Eurozone inflation unexpectedly rose to 2.6% in July (June: 2.5%).

- This week will feature a slew key data releases for Japan, including the unemployment rate, retail sales, and industrial production figures for July. Japan's unemployment rate fell to 2.5% in June, having remained steady at 2.6% from February through May. With a tight labour market and rising wages, retail sales are expected to remain strong following a 3.7% increase in June. Industrial production is projected to recover, driven by improved auto output and semiconductor demand, after a 7.9% decline in June. If these data align with expectations, they could support the case for further policy normalisation by the Bank of Japan (BoJ).

THANK YOU