



# **WEEKLY ECONOMIC UPDATE**

**28 OCTOBER 2024**

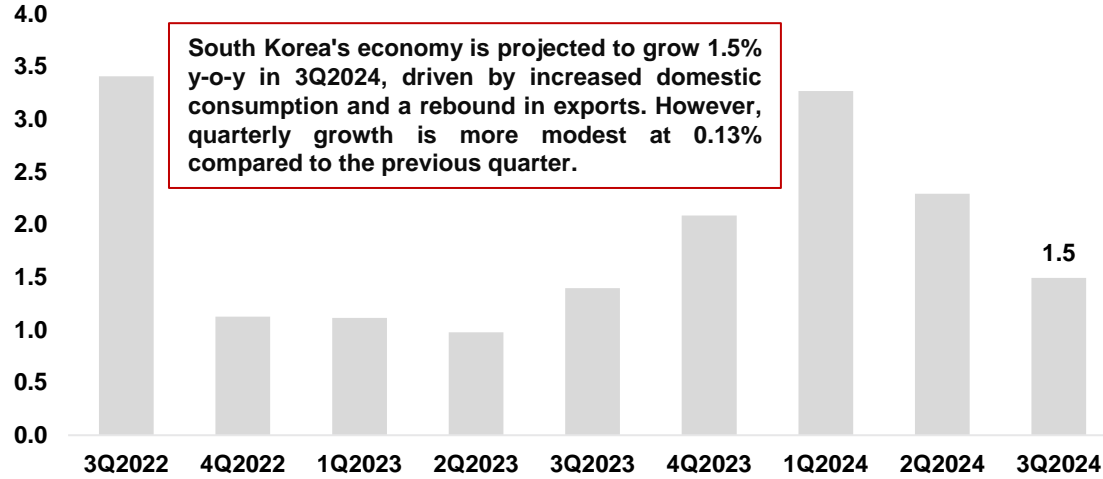
**ECONOMIC RESEARCH**

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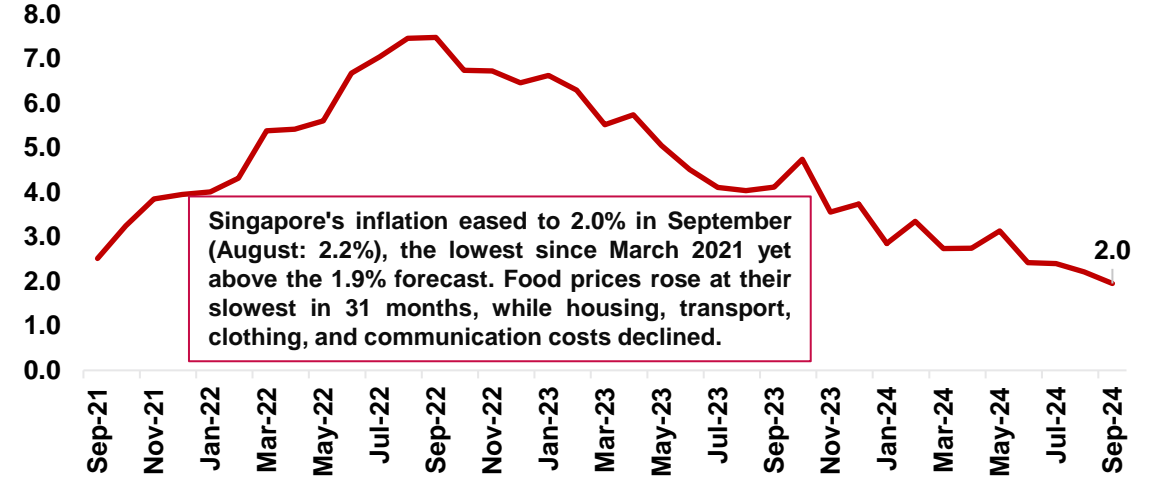
# WEEKLY HIGHLIGHT: MALAYSIA'S 3Q GROWTH SET TO EXCEED FORECASTS, DRIVEN BY SERVICES & MANUFACTURING SECTORS

GLOBAL

### South Korea - Real GDP, y-o-y%

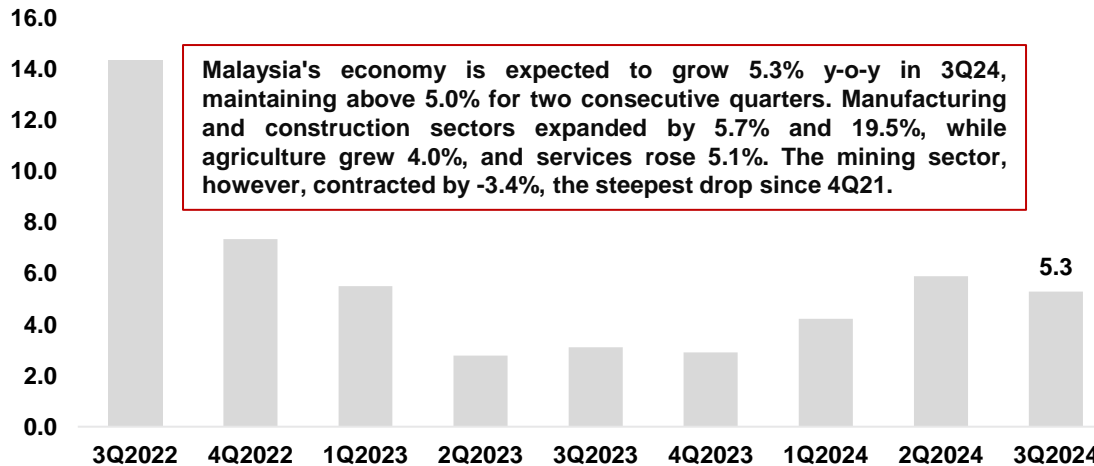


### Singapore - Consumer Price Index (CPI), y-o-y%

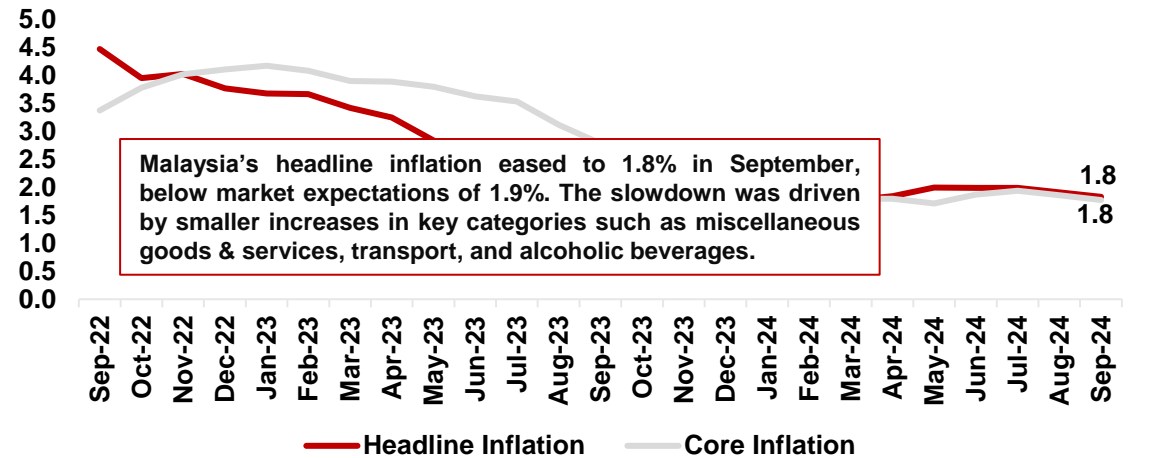


DOMESTIC

### Malaysia - Real GDP, y-o-y%

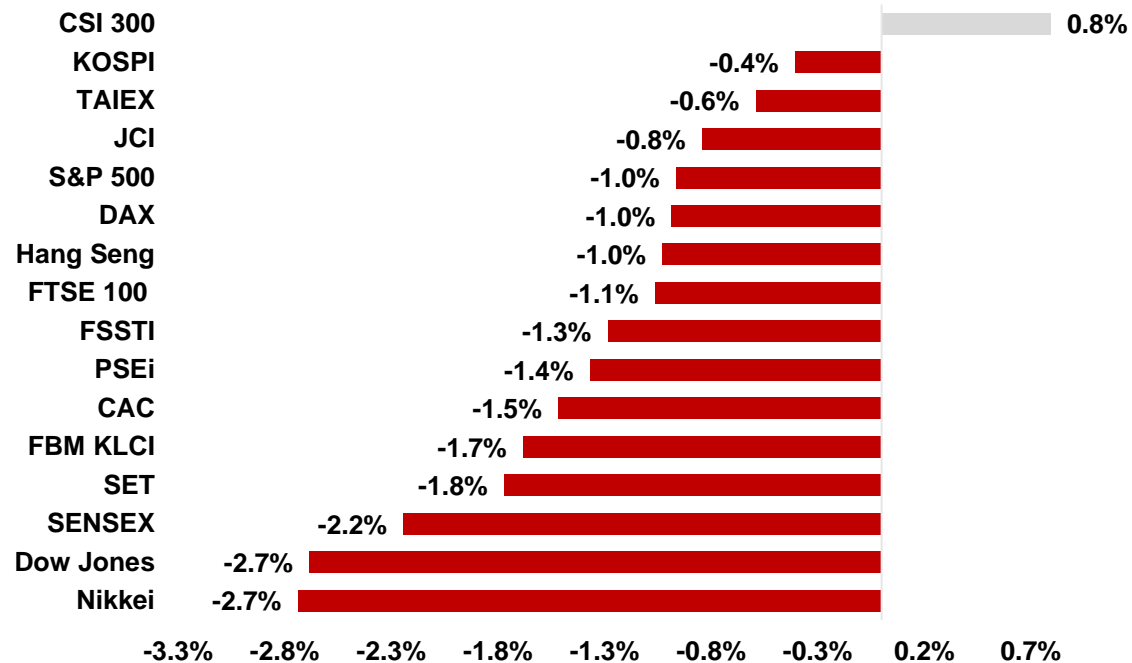


### Malaysia - CPI, y-o-y%

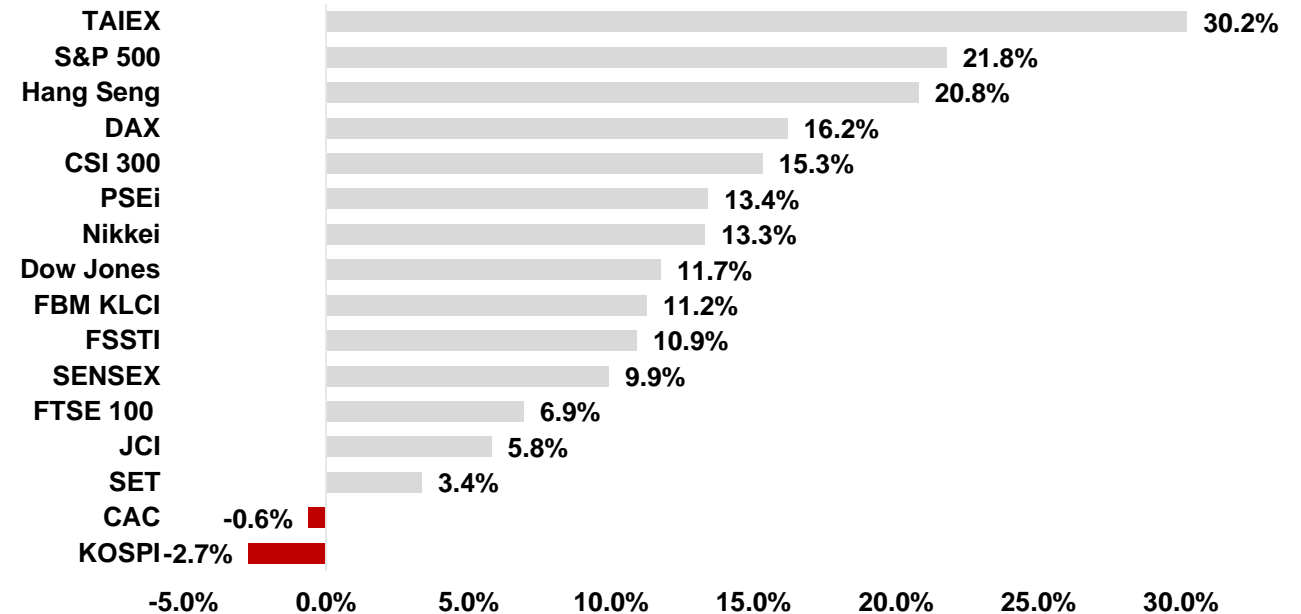


# REGIONAL EQUITY: JAPAN'S NIKKEI LEADS DECLINE AMID ELECTION CONCERNS

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



YTD Gain/Loss of Major Equity Markets, % (As of 25 October 2024)

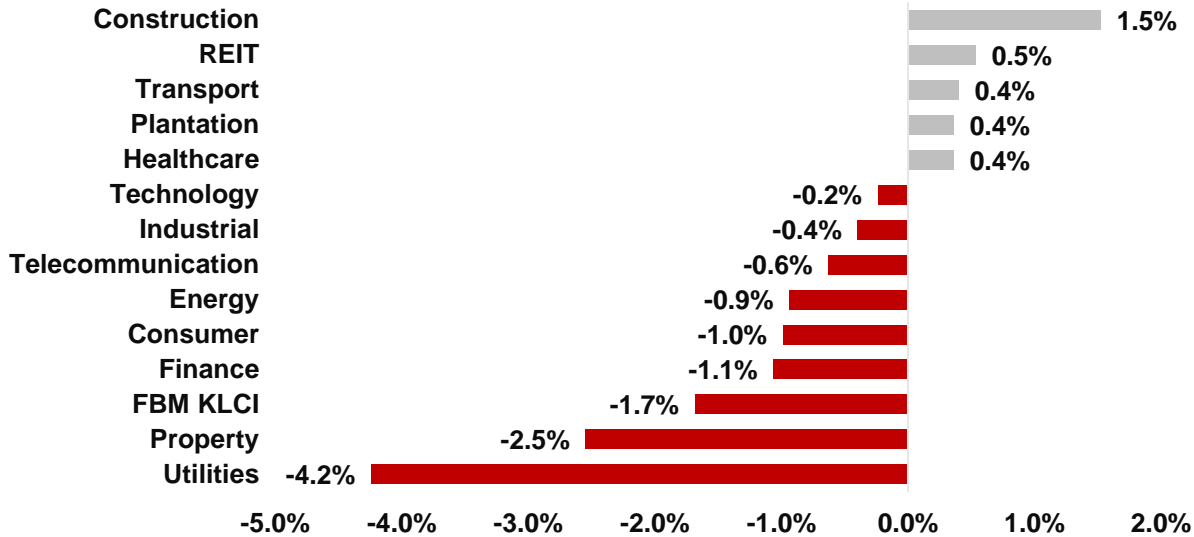


Sources: Bursa, CEIC Data

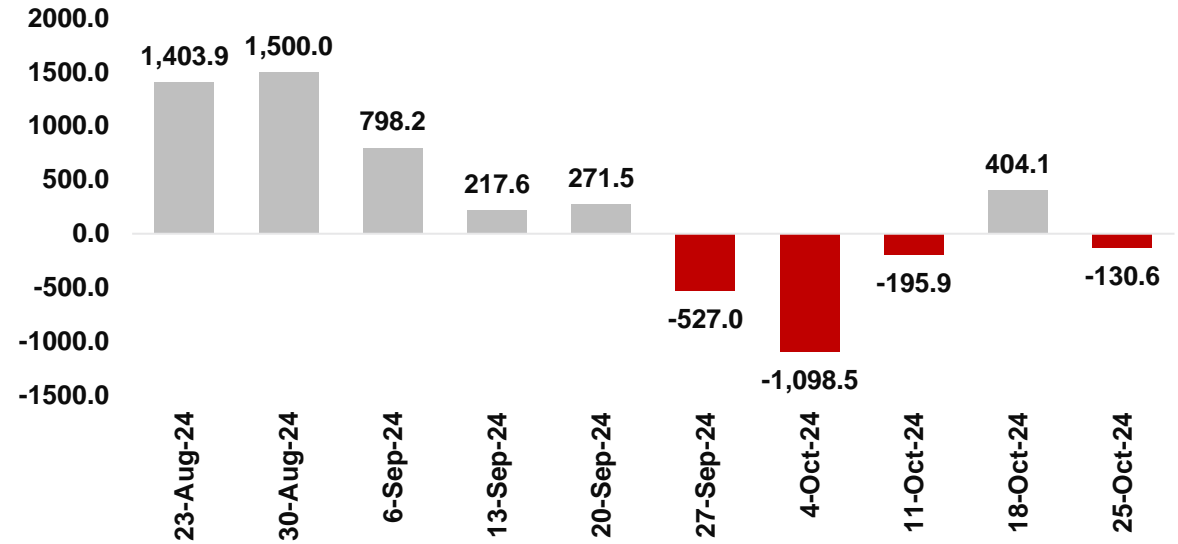
- The global stocks market were mostly in the red sea last week with Japan's Nikkei as the major loser, contracting by 2.7% as investors prepared for Japan's general election this weekend, there was concern that the coalition government might lose its parliamentary majority.
- U.S. stocks were lower – Dow Jones (-2.7%) and S&P 500 (-1.0%) as declines in the banking sector overshadowed gains in technology. The financial sector was particularly impacted, with Bank of America and Wells Fargo fell more than 1.5%, while Morgan Stanley and Goldman Sachs saw declines of over 2%.
- On the other hand, China's CSI 300 (+0.8%) was the only winner last week as investors continued to evaluate the effects of Beijing's stimulus measures on the economy and markets.

# DOMESTIC EQUITY: CAUTIOUS GLOBAL SENTIMENTS BLEED INTO THE LOCAL MARKET

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

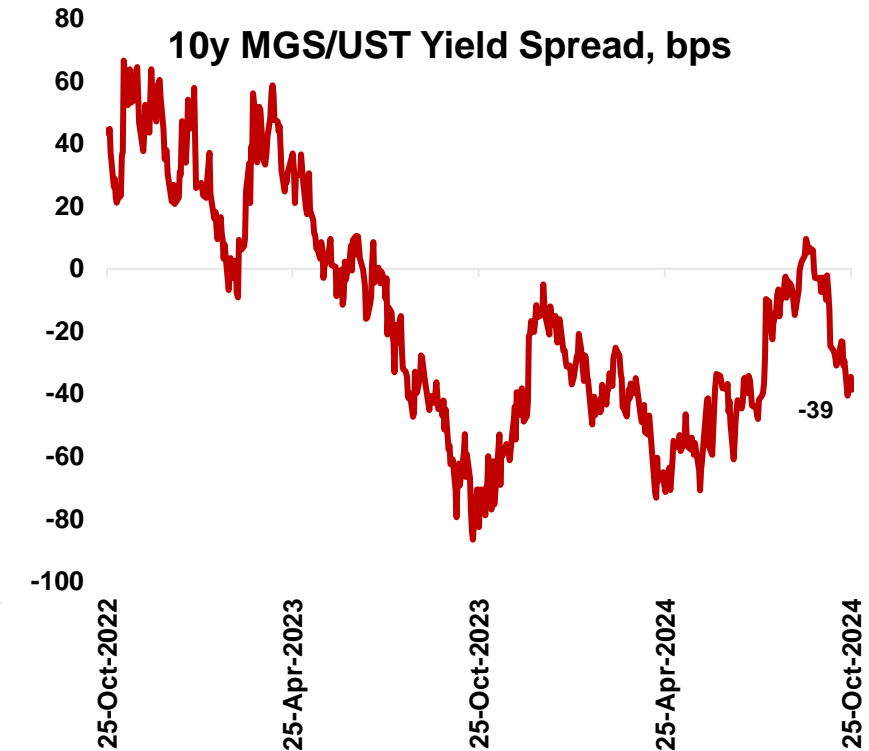
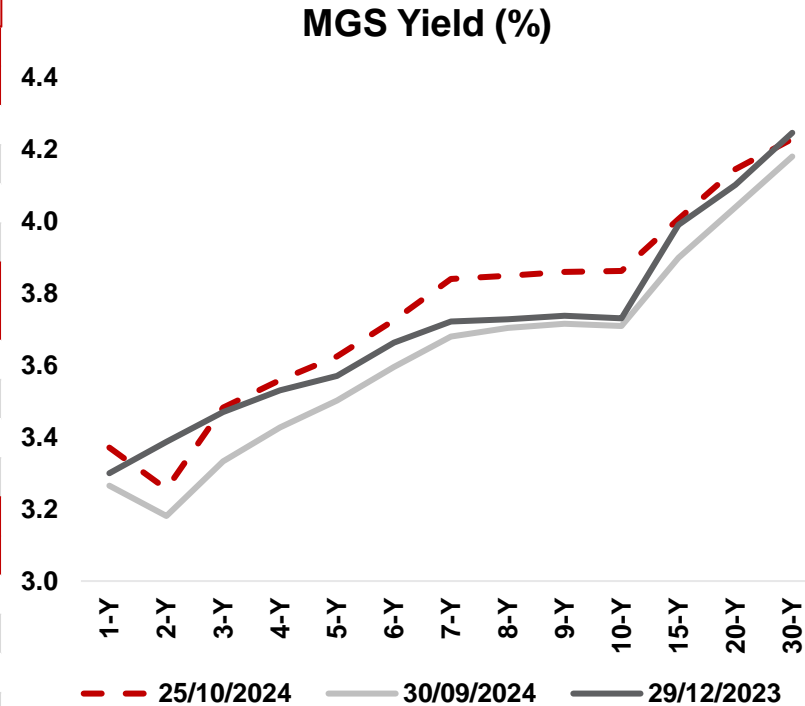


Sources: Bursa, DOSM, CEIC Data

- The FBM KLCI slipped by 1.7% for the week ending October 25, marking the lowest level in more than two months.
- Earlier in the week, the local market was riding high on the upbeat domestic outlook following the release of the official estimate for Malaysia's 3Q2024 GDP growth (3Q2024: 5.3% vs. 2Q2024: 5.9%).
- Nevertheless, its performance was later dragged by cautious sentiments ahead of elections in major economies, namely the U.S. and Japan, resulting in heavy selling pressure among foreign investors.
- Looking closer, the Utilities index plunged by 4.2%, followed by the Property and Finance indices by 2.5% and 1.1%, respectively.
- Meanwhile, the Construction (+1.5%) index topped the gainers, followed by the REIT (+0.5%) index.
- Foreign investors reverted to net selling last week, offloading RM130.6 million worth of equities. The net selling had reduced the cumulative total net inflow this year to RM3.0 billion.

# FIXED INCOME: UST YIELDS INCHED HIGHER AS ECONOMIC DATA ALTERS RATE-CUTTING OUTLOOK

Weekly Changes, basis points (bps)			
UST	Yields (%) 18-Oct-24	Yields (%) 25-Oct-24	Change (bps)
3-Y UST	3.86	4.05	19
5-Y UST	3.88	4.07	19
7-Y UST	3.97	4.15	18
10-Y UST	4.08	4.25	17
MGS	Yields (%) 18-Oct-24	Yields (%) 25-Oct-24	Change (bps)
3-Y MGS	3.42	3.48	6
5-Y MGS	3.55	3.63	8
7-Y MGS	3.75	3.84	9
10-Y MGS	3.79	3.86	8
GII	Yields (%) 18-Oct-24	Yields (%) 25-Oct-24	Change (bps)
3-Y GII	3.36	3.42	6
5-Y GII	3.55	3.64	9
7-Y GII	3.75	3.85	10
10-Y GII	3.83	3.91	8

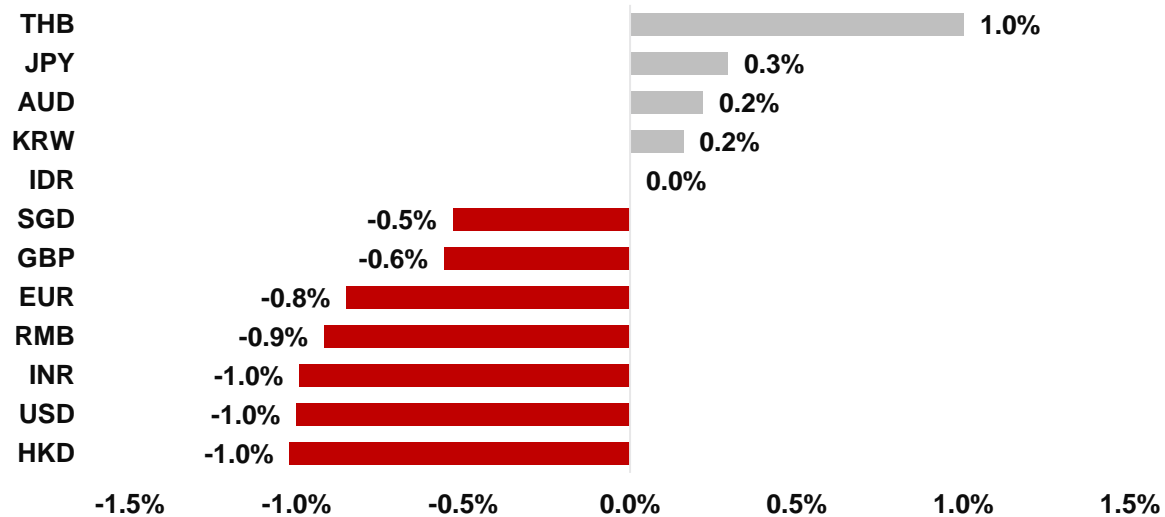


Sources: BNM, Federal Reserve Board

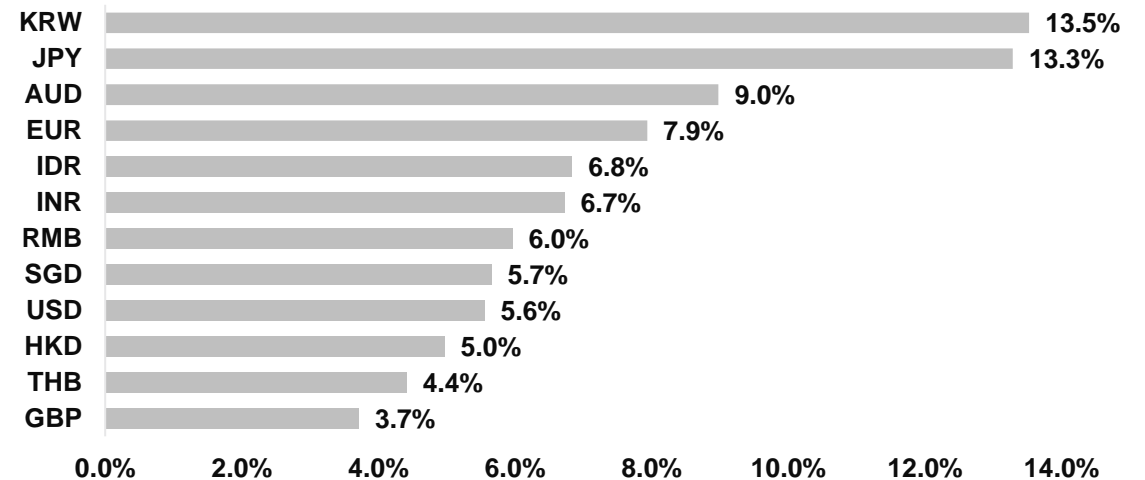
- The U.S. Treasury (UST) yield curve bearishly flattened in the range of 17bps and 19bps for the week ending October 25, as robust economic data fueled increasing speculation that the Federal Reserve's (Fed's) rate-cutting cycle will be less aggressive than anticipated.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched higher between 6bps and 10bps.
- The auction of 20-Y reopening of MGS worth RM5.0 billion which was issued on October 22 drew a strong demand with a bid-to-cover (BTC) ratio of 2.0x, albeit lower compared to the previous RM5.0 billion 20-Y reopening of MGS in May 2024 with a BTS ratio of 3.1x.
- The 10y MGS/UST yield spread widened in the negative territory at -39bps relative to -29bps in the previous week.

# FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. INFLATION AND JOB MARKET FIGURES

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 25 October 2024)

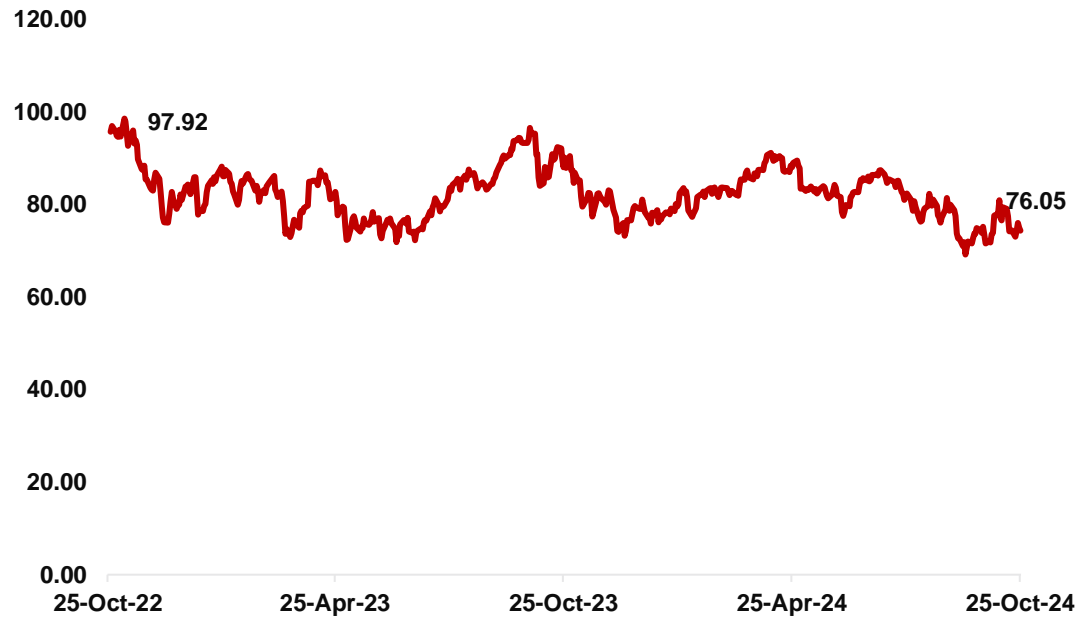


Sources: BNM, U.S. Bureau of Labor Statistics (BLS)

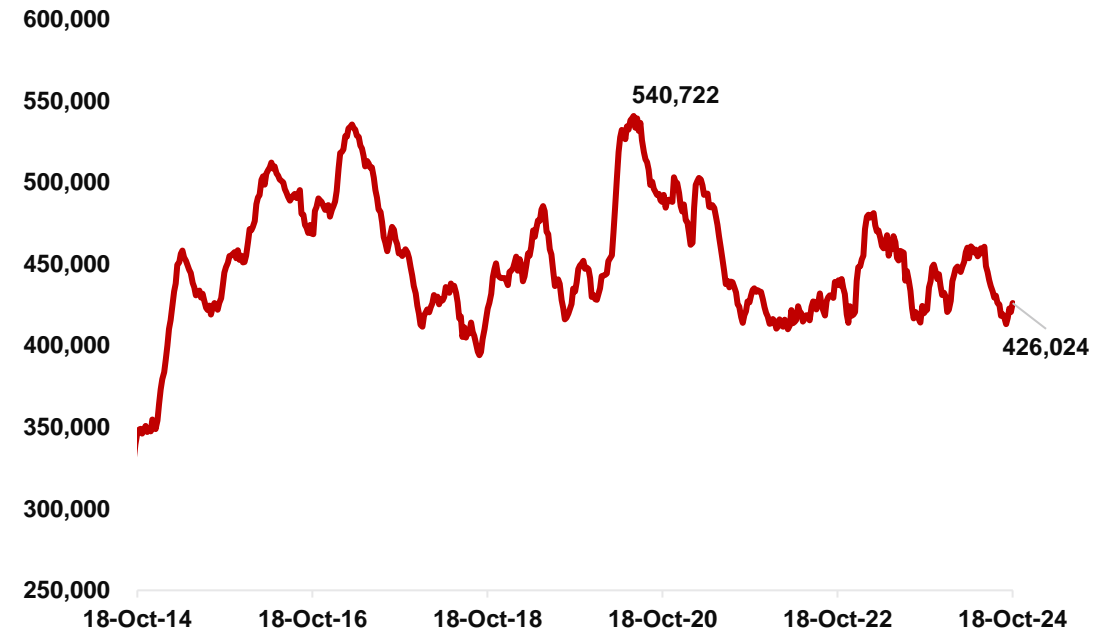
- The local note persisted in its downtrend to slip by 1.0% against the USD for the week ending October 25, pressured by the continuous appreciation of the greenback as it breached the 104-level.
- Despite the quiet calendar on U.S. data releases in the past week, the greenback gained on safe-haven demand following the heightened fears of an intensifying conflict in the Middle East and the uncertainties surrounding the close race in the U.S. presidential election.
- On a lesser note, weekly job market data showed the resilience of the job market with the Initial Jobless Claims (IJC) figure for week ending October 19 falling below market expectations (Act: 227K vs. Est: 242K). As such, the probability of the Fed cutting interest rates by 25bp in its next meeting rose to nearly 95.0%, at the time of writing.
- Moving forward, the local note will trade cautiously ahead of the release of U.S. core Personal Consumption Expenditure (PCE) – the Fed’s preferred inflation gauge – as well as a slew of key U.S. job market figures.

# COMMODITY: OIL POISED FOR WEEKLY GAIN AMID MIDDLE EAST TENSIONS

### Brent Crude in USD per barrel



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



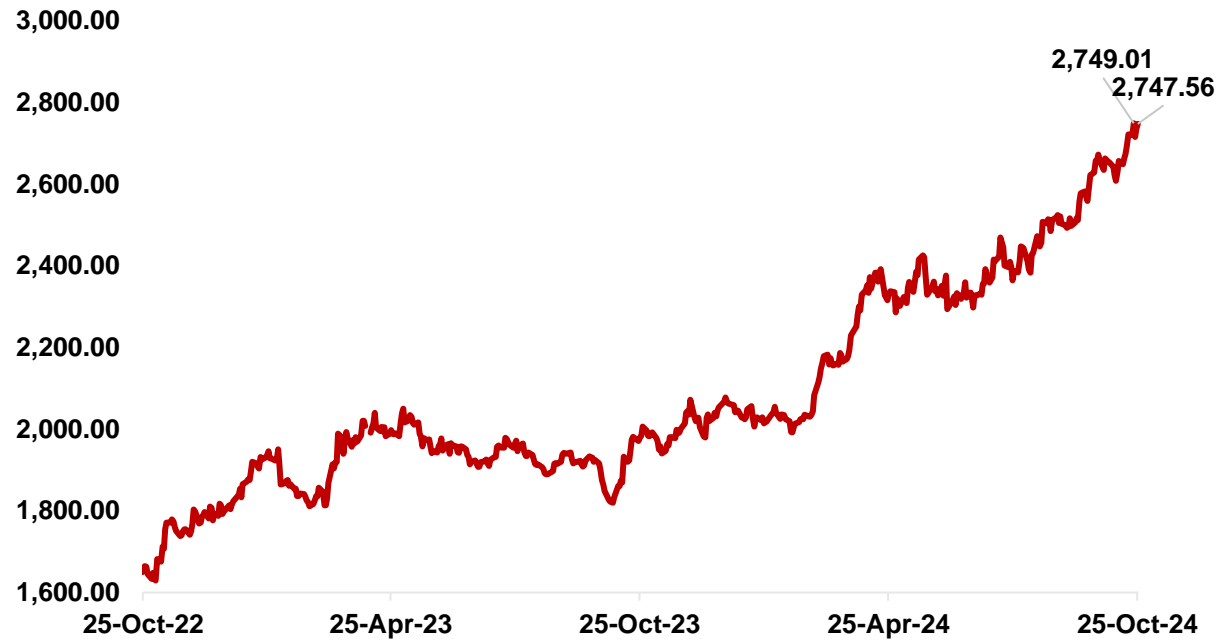
Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices settled at USD76 for the week ending October 25, achieving a 4% weekly gain as heightened Middle East tensions and expected Gaza ceasefire talks maintained a cautious market atmosphere.
- Meanwhile, U.S. crude oil inventories rose by a higher-than-expected 5.5 million barrels for the week ending October 18, fueled by record production and increased imports. This inventory surge suggests weaker oil demand, signaling a bearish outlook for crude prices.

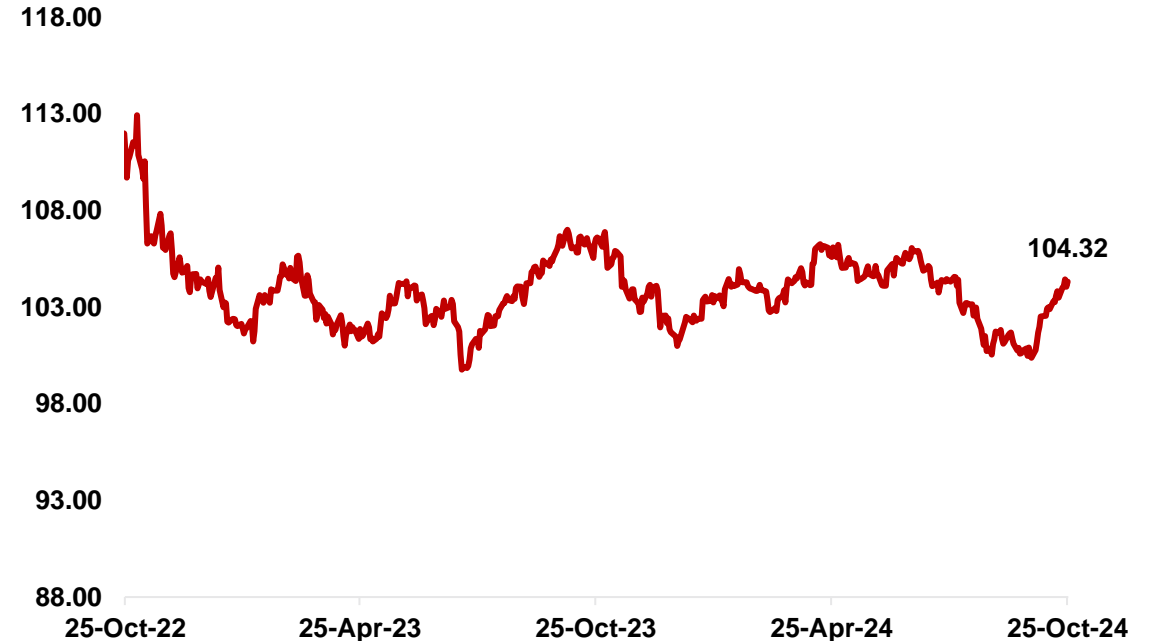


# COMMODITY: GOLD PRICE MARKED RECORD HIGH, DRIVEN BY UNCERTAINTIES ACROSS THE WORLD

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price continued its winning streak to breach the USD2,700 level, marking a fresh high of USD2,749.01 on Tuesday.
- The bullion significantly gained on its safe-haven status following fears of intensifying tensions in the Middle East.
- On another front, recent polls show a tight race in the U.S. presidential election with presidential candidate Trump leading in several swing states. Coupled with the Japan's general elections, heightened global uncertainties had bolstered demand for the bullion.



# WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- In the U.S., key economic indicators including GDP, labor, and PCE data are set to take center stage. The advance estimate for 3Q2024 GDP is expected to show a 3.0% growth, matching 2Q2024 figure, driven by strong consumer spending. The PCE report is anticipated to reveal an uptick in both consumer income and spending for September, with core PCE prices likely rising at a quicker pace of 0.2% m-o-m (Aug: +0.1%). Additionally, nonfarm payrolls are projected to increase by 140K in October, a significant drop from September's figures of 254K, influenced by Hurricane Milton and the Boeing strike. The unemployment rate is expected to remain stable at 4.1%. Other important reports will include JOLTs Job Openings and ADP Employment Change, On the earnings front, next week will be crucial as results from five of the 'Magnificent 7'—Apple, Microsoft, Amazon, Meta, and Alphabet—are set to be released.
- Key inflation and 3Q2024 GDP data releases from major economies will be the highlight of the week. Euro Area GDP is projected to grow by 0.2%, matching last quarter's pace. France's economy is expected to expand by 0.4%, while Italy is forecasted to grow by 0.3%. Conversely, Germany is likely to experience a contraction of 0.3%. Inflation in the Euro Area is anticipated to rise slightly to 1.9% in October, largely driven by increases in Germany. German unemployment may reach its highest level since February 2021, while Euro Area unemployment is projected to remain at a record low of 6.4%.
- In China, the official National Bureau of Statistics (NBS) Purchasing Managers' Indexes (PMIs) and the broader Caixin manufacturing PMI will be the first significant releases for October, expected to show that economic activity remains subdued despite the aggressive monetary stimulus introduced earlier in the month. Meanwhile, the Bank of Japan (BoJ) is anticipated to keep its key interest rate steady, though investors will closely monitor the quarterly outlook report for clues on the timing of policy normalization. Japan will also release consumer confidence data for October, along with September figures for industrial production, retail sales, unemployment rate, and housing starts. In India, the budget balance for the first half of the financial year could influence one of the world's most closely watched bond markets.

BANK ISLAM

**THANK YOU**