



WEEKLY ECONOMIC UPDATE

29 JULY 2024

ECONOMIC RESEARCH

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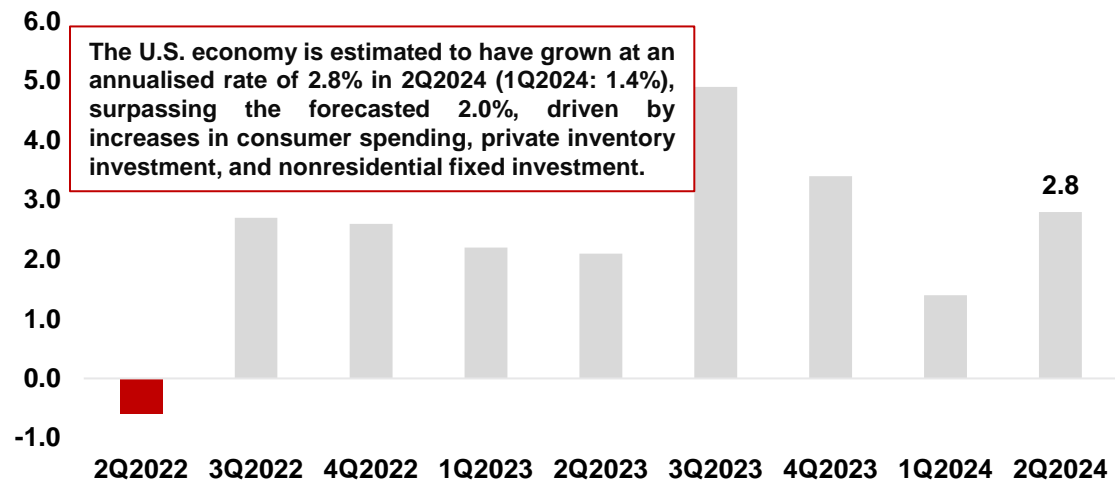
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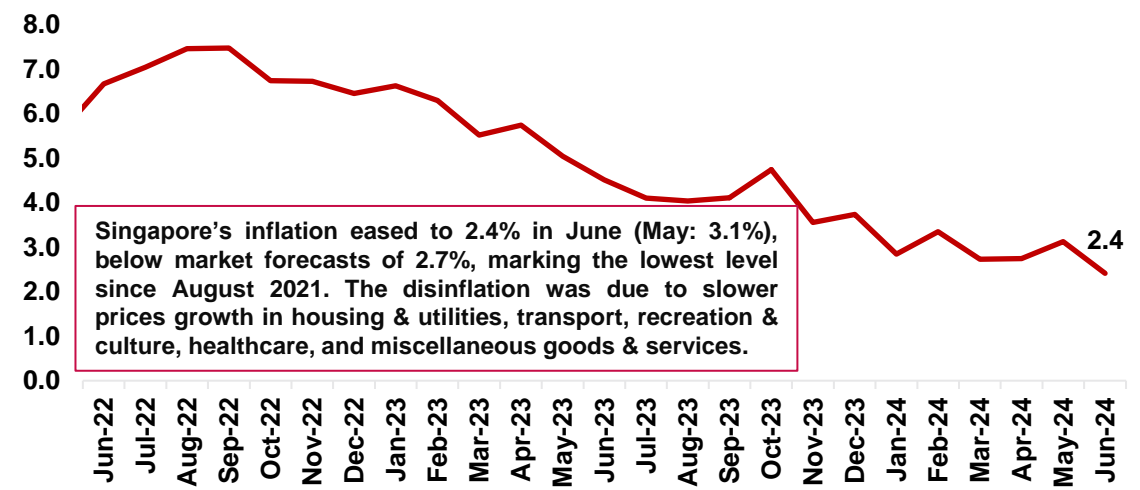
WEEKLY HIGHLIGHT: MALAYSIA'S INFLATION HOLDS STEADY DESPITE DIESEL SUBSIDY RATIONALISATION

GLOBAL

U.S. - Real GDP, annualised rate

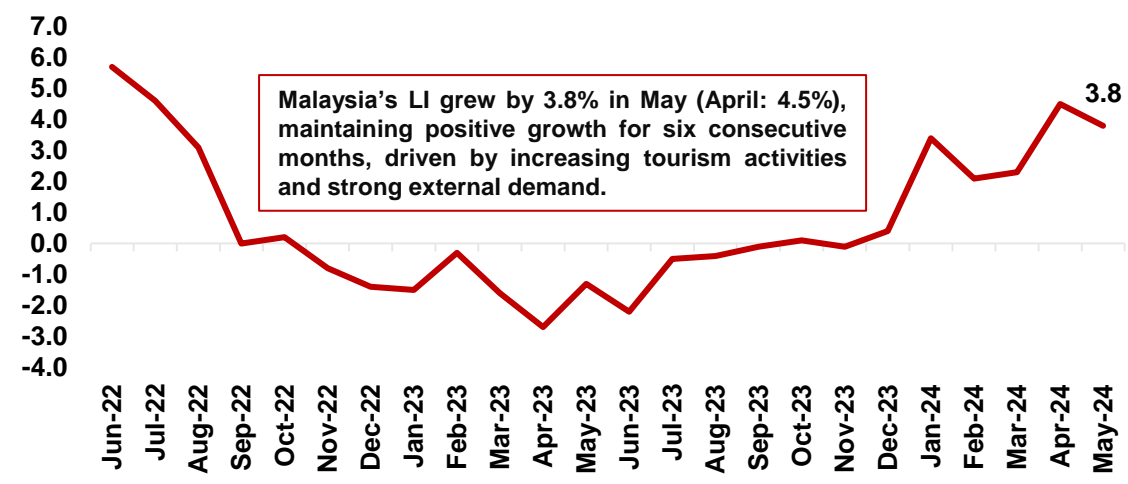


Singapore - Consumer Price Index (CPI), y-o-y%

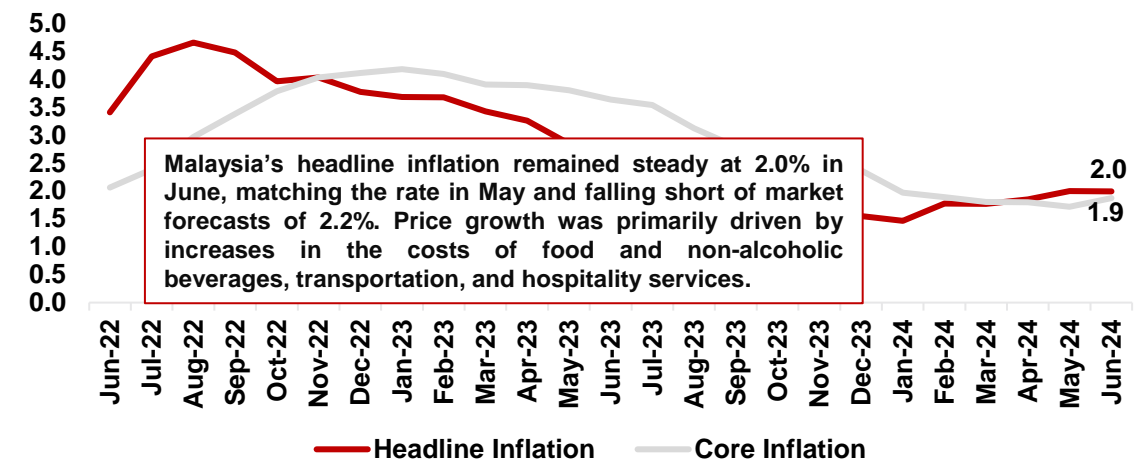


DOMESTIC

Malaysia - Leading Index (LI), y-o-y%

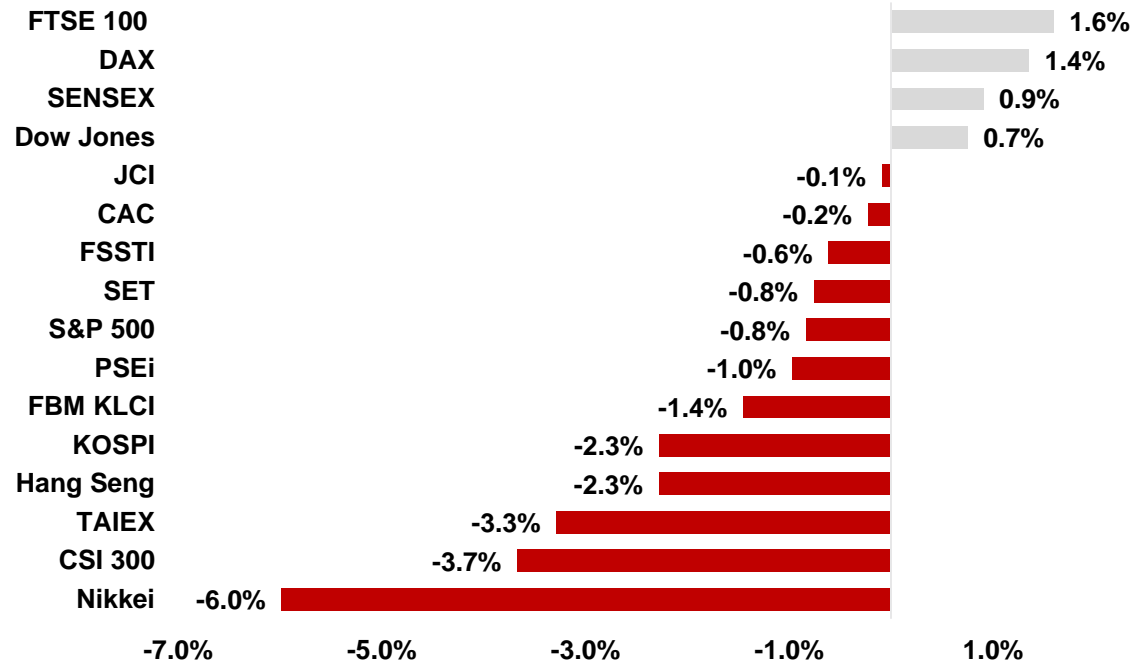


Malaysia - CPI, y-o-y%

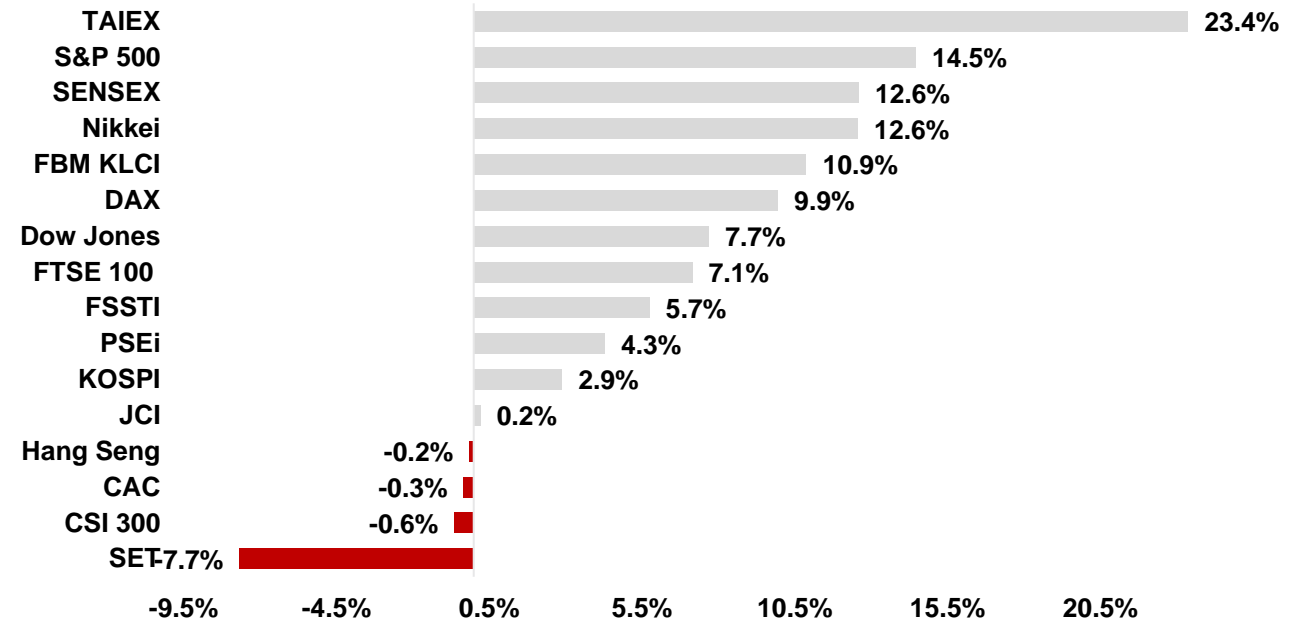


REGIONAL EQUITY: JAPANESE STOCKS DECLINED AHEAD OF BANK OF JAPAN POLICY MEETING

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



YTD Gain/Loss of Major Equity Markets, %
(As of 26 July 2024)

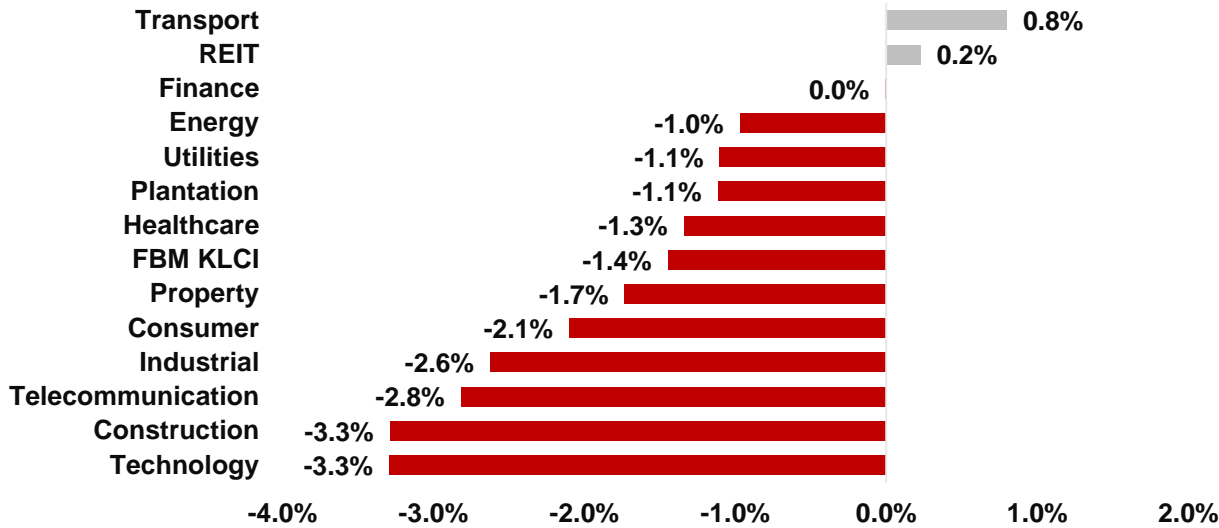


Sources: Bursa, CEIC Data

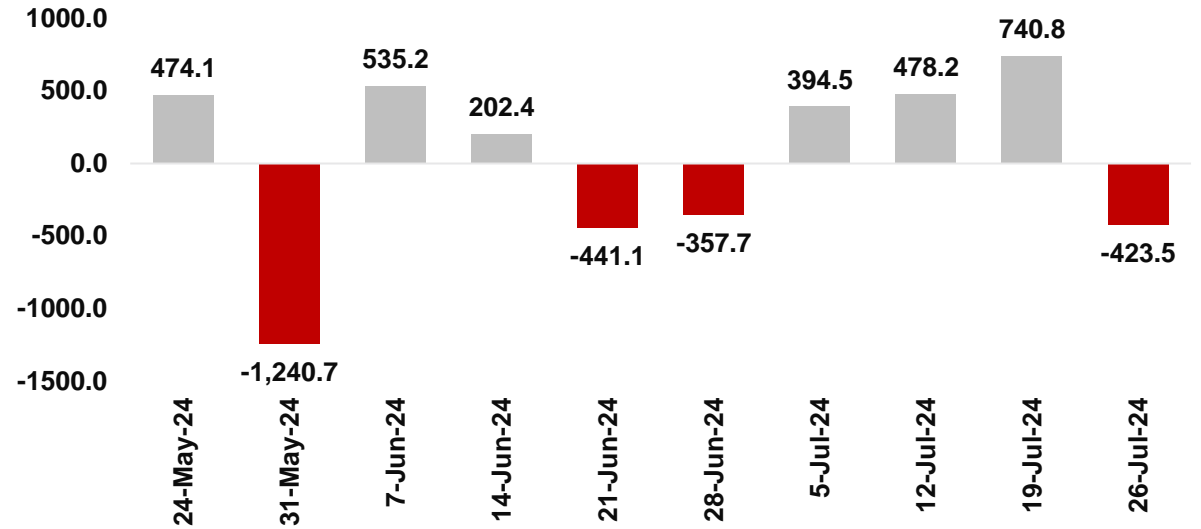
- The regional equity index mostly declined last week with Japan’s Nikkei (-6.0%) as the major loser. Investors braced for the upcoming Bank of Japan (BoJ) policy meeting, anticipating potential interest rate hikes. Japan's core inflation, which excludes volatile fresh food prices continued its upward trend, rising by 2.6% in June (May: 2.5%), reinforcing expectations of a tighter monetary policy stance.
- China’s CSI 300 also contracted by 3.7% as persistent economic challenges muted the positive impact of the central bank's stimulus efforts on mainland stocks.
- In contrast, U.K’s FTSE 100 (+1.6%), Germany’s DAX (+1.4%) and India’s SENSEX (+0.9%) were the major gainers last week.

DOMESTIC EQUITY: SEA OF RED IN THE LOCAL MARKET AMID CAUTIOUS INVESTOR SENTIMENT

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million

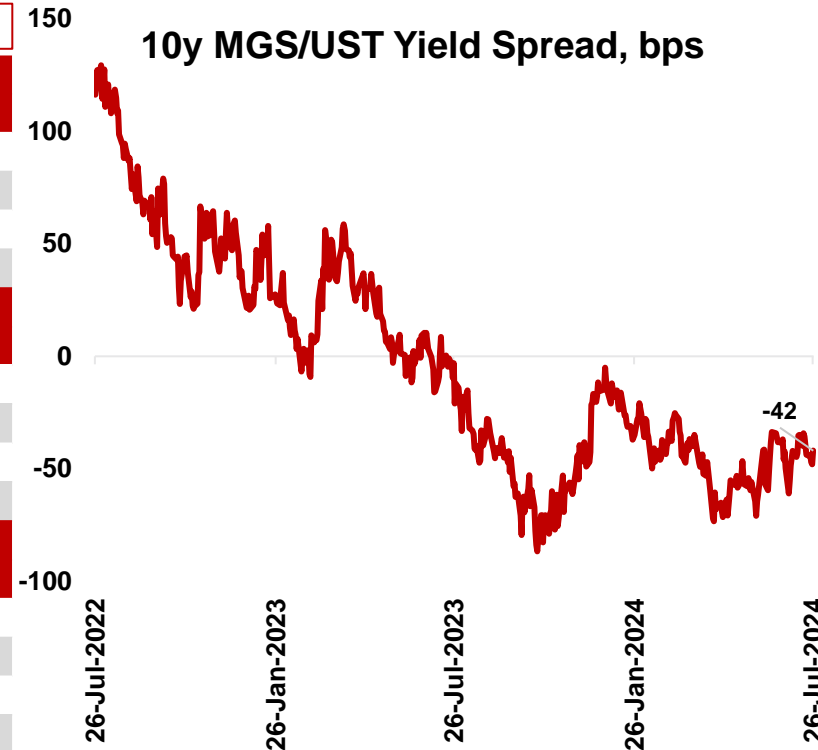


Sources: Bursa, CEIC Data

- The FBM KLCI slipped by 1.4% the week ending July 26, amid profit taking activities following its recent winning streak.
- Additionally, investor sentiment was cautious amid recent developments surrounding the U.S. presidential election where Harris substitutes Biden as the Democrat’s presidential candidate following the latter dropping out of the race. Furthermore, reflective of the underperforming U.S. stocks, buying interest in the local market had diminished during the week.
- Looking closer, most Bursa indices trended in the negative territory with the Technology and Construction indices slumping by 3.3%, followed by the Telecommunications (-2.8%) and Industrial (-2.6%) indices.
- Meanwhile, the Transport and REIT indices were the only winners, gaining by 0.8% and 0.2%, respectively.
- Foreign investors turned net sellers following three weeks of net buying, shedding off a total of RM423.5 million worth of equities. The net selling had reduced the cumulative total net inflow this year thus far to RM575.7 million.

FIXED INCOME: UST YIELDS EDGED LOWER AS ADVANCED GDP ESTIMATE SHOWED RESILIENT U.S. ECONOMY

Weekly Changes, basis points (bps)			
UST	Yields (%) 19-Jul-24	Yields (%) 26-Jul-24	Change (bps)
3-Y UST	4.28	4.20	-8
5-Y UST	4.16	4.06	-10
7-Y UST	4.18	4.10	-8
10-Y UST	4.25	4.20	-5
MGS	Yields (%) 19-Jul-24	Yields (%) 26-Jul-24	Change (bps)
3-Y MGS	3.47	3.44	-3
5-Y MGS	3.60	3.57	-3
7-Y MGS	3.75	3.73	-2
10-Y MGS	3.81	3.78	-3
GII	Yields (%) 19-Jul-24	Yields (%) 26-Jul-24	Change (bps)
3-Y GII	3.42	3.40	-2
5-Y GII	3.58	3.56	-3
7-Y GII	3.75	3.72	-3
10-Y GII	3.81	3.78	-3



YTD Issuances of MGS and GII				
YTD	Issuances (RM Million)	Average bid-to- cover (BTC, x)	Max (BTC, x)	Min (BTC, x)
MGS	55,000	2.3	3.1	1.7
MGII	54,500	3.0	4.4	1.7

Upcoming Auctions of MGS and GII – August 2024

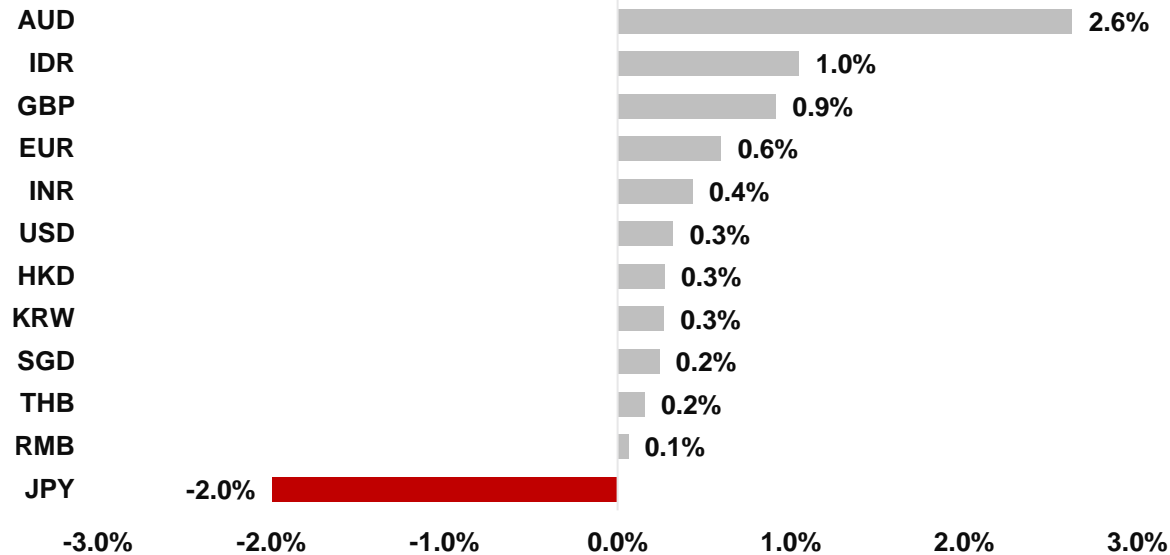
Issues	Issue Month	Private Placements
7-yr Reopening of MGII (Mat on 10/31)	August	No
30-yr Reopening of MGS 03/53 4.457%	August	Yes
5-yr Reopening of MGII 07/29 4.130%	August	No
10-yr Reopening of MGS 07/34 3.828%	August	No

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

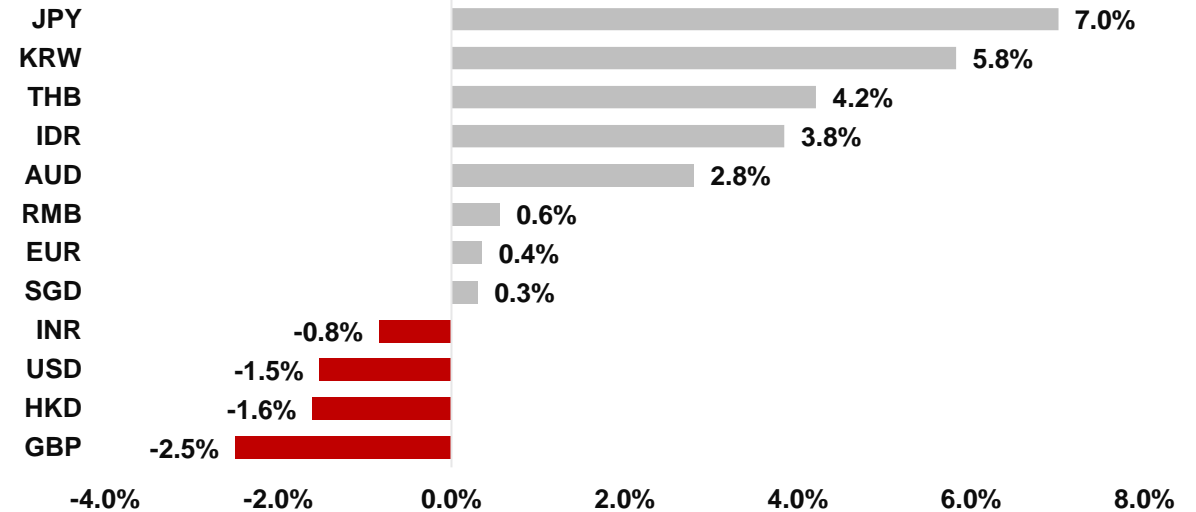
- The U.S. Treasury (UST) yields edged lower in the range of 5bps and 10bps for the week ending July 26, as the advanced GDP estimate showed that the U.S. economy outperformed expectations in 2Q2024 (Act: 2.8% vs. Est: 2.0%), expanding at a faster rate despite President Biden's decision to withdraw from the upcoming November elections.
- Likewise, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also inched down between 2bps and 3bps.
- The 10y MGS/UST yield spread narrowed marginally in the negative territory at -42bps relative to -44bps in the previous week.
- On the local bond issuance, the upcoming auction is the 7-Y reopening of GII in August without any private placement.

FX MARKET: RINGGIT HITS THE STRONGEST LEVEL IN MORE THAN SIX MONTHS

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 26 July 2024)

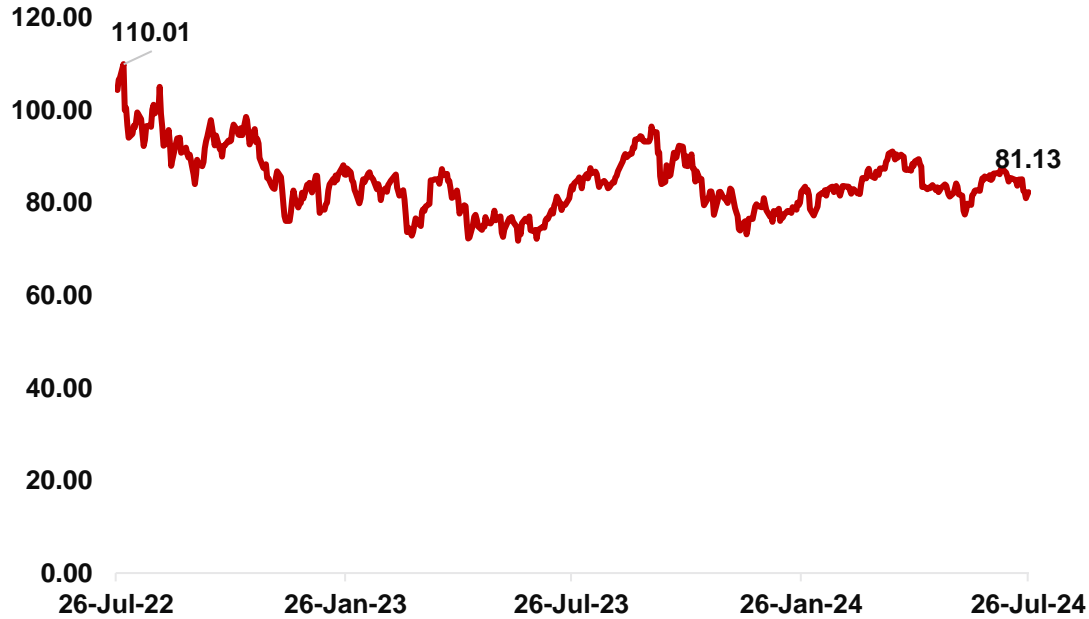


Sources: BNM, Federal Reserve Board, Bureau of Labor Statistics (BLS)

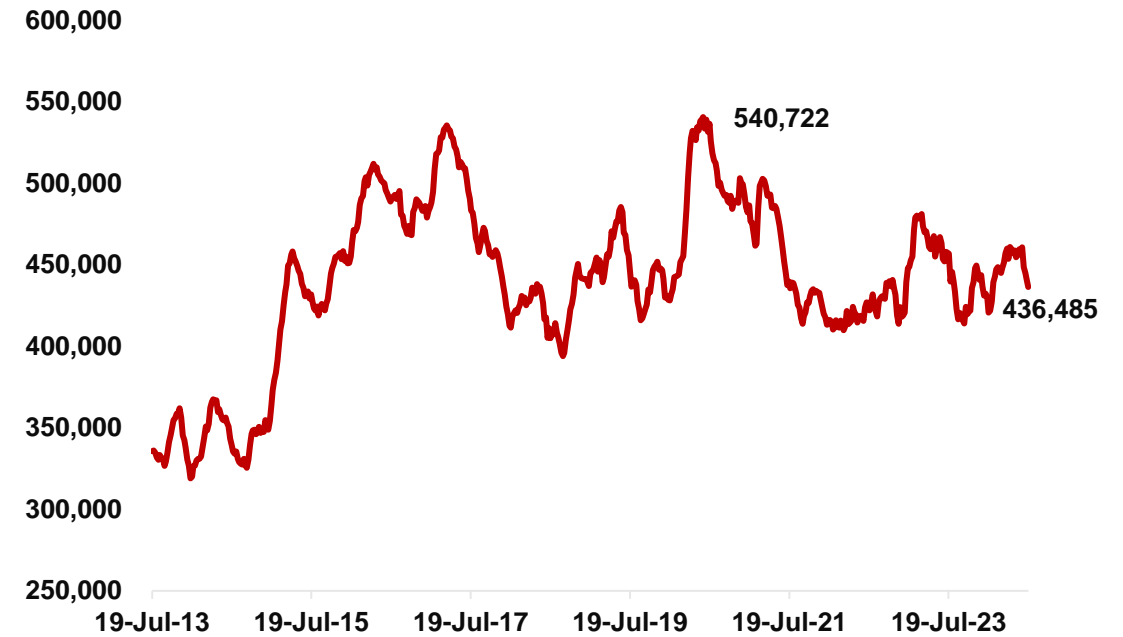
- The ringgit appreciated against the USD for the week ending July 26, closing at the strongest level since mid-January at RM4.6625 (July 19: RM4.6775) on the back of a weaker dollar.
- Following the mixed release of the U.S. Personal Consumption Expenditure (PCE) data, the market held steady on rate cut expectations which casted a bearish light on the greenback. Data shows that the core PCE – the U.S. Federal Reserve (Fed)’s preferred inflation gauge – for June rose by 0.2% on a monthly basis (Est: 0.1%) while it remained at 2.6% y-o-y. However, the annual PCE reading slowed to 2.5% from May’s 2.6%.
- Moving forward, we believe the local note to trade cautiously ahead of the Federal Open Market Committee (FOMC) meeting where markets expect the rates to be held pat. Moreover, markets hope to glean some hints on the future policy path following the surprise inflation readings.
- The only red mark on the local note last week was its depreciation against the JPY as investors expect the BoJ to hike interest rates this week.

COMMODITY: OIL ENDED LAST WEEK LOWER ON CHINA DEMAND CONCERNS

Brent Crude in USD per barrel



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



Sources: Bloomberg, Energy Information Administration (EIA)

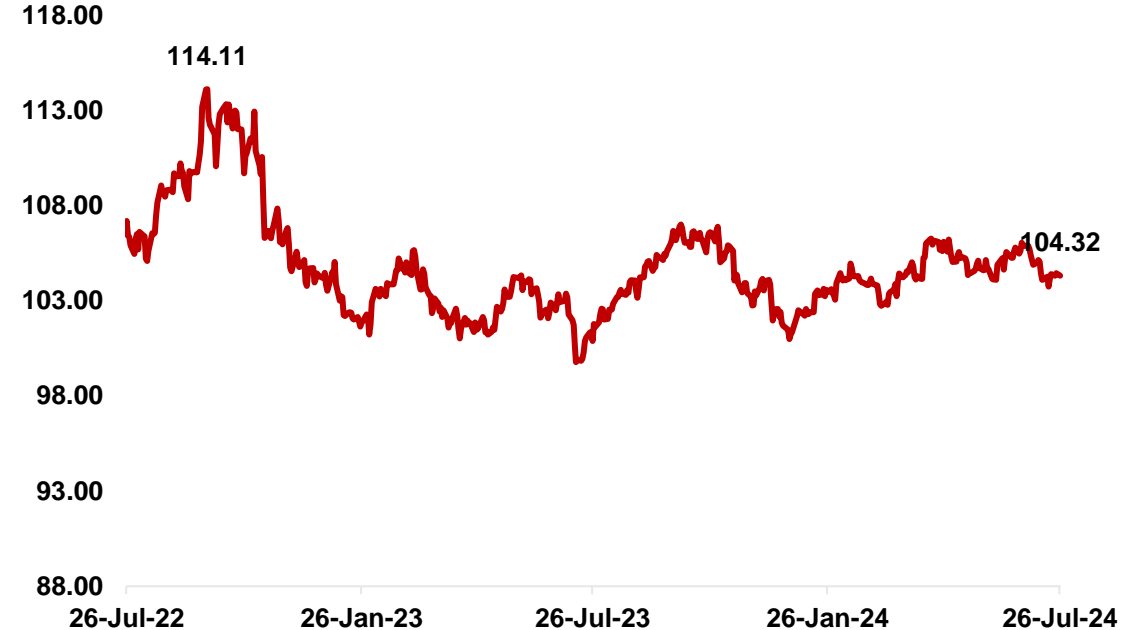
- Brent prices ended the week of July 26 on a lower note due to reduced Chinese demand and hopes for a Gaza ceasefire agreement that might alleviate Middle East tensions and related supply concerns.
- However, latest data showed U.S. crude oil inventories fell by 0.9%, or 3.741 million barrels, in the week ending July 19, surpassing market expectations of a 2.05 million draw. This marks the fourth consecutive week of decreases.

COMMODITY: GOLD PRICES ON TRACK FOR WEEKLY LOSS AHEAD OF FOMC MEETING

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, BLS

- The bullion price fell alongside the mellow slip of the greenback as markets hold demand ahead of the FOMC meeting this Wednesday.
- Despite the U.S. economic growth and inflation print beating expectations on both fronts, markets remain firm on their bets of the rate cut to only happen in September, capping the losses to the bullion price.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- While no changes in interest rates are expected at this week's Fed policy meeting, moderating U.S. inflation and softening labour market conditions may prompt the Fed to signal the start of a rate-cutting cycle as early as September. Recent remarks from Fed policymakers indicate that they recognise the progress made toward bringing inflation firmly back to the 2.0% target. In addition, focus has also shifted towards the cooling labour market, with Fed Chair Jerome Powell cautioning that cutting rates “too late or too little could unduly weaken economic activity and employment”. At the time of writing, the market has priced in an over 90.0% chance of a rate cut in September and is also anticipating a potential second rate cut in November.
- Elsewhere in the U.K., the market has priced in just under a 50% chance of a rate cut at the Bank of England (BoE)'s policy meeting this week. Persistently high services inflation and wage growth, both running at more than double the rate the BoE considers compatible with its 2.0% inflation target, remain significant concerns. These factors could lead BoE policymakers to postpone a rate cut until their next meeting in September. Besides the policy decision, the BoE will also release its growth and inflation forecasts, which investors will scrutinise for hints about the future interest rate path.
- The BoJ is also scheduled to meet this week, where more details on its plan to taper bond purchases anticipated. While the conditions for another 10bp rate hike following the initial hike in March have matured, with Japan's core inflation consistently exceeding the 2.0% target, recent weak consumption and consumer sentiment may lead the BoJ to stand pat this time.
- This week features PMI readings from around the world, including Malaysia. Malaysia's manufacturing PMI eased back into contraction territory, registering 49.9 in June, after showing the first growth since August 2022 with a reading of 50.2 in May. The decline was due to new orders increasing at a slower rate.

BANK ISLAM

THANK YOU