1 March, 2021

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global stocks tumbled on the last trading day of February, closing out the week in the negative territory amid concerns for overheating inflation that have prompted selloff in government bonds.** In the US, tech shares managed to pull off a rebound –NASDAQ rose 0.6% but shed nearly 5.0% for the week. On a week-on-week basis, the Dow fell 1.8% and the S&P 500 lost 2.5%. Elsewhere, the FTSE 100 was down by 2.7% w/w and the pan-European STOXX Europe 600 fell 2.8% w/w. In Asia, Hang Seng dropped 5.5% w/w and the Nikkei 225 lost 4.6% w/w.

- The sell-off in US treasuries turned around on Friday; the higher yields have prompted renewed demand for the government papers, leading yields to fall 4.5 to 14.6bps. The yield on 10Y UST reversed some recent gains, last traded at 1.41% (+7bps w/w). **Gold futures plummeted** 2.6% to $1728.8/oz **amid strong USD**; on a weekly basis, it fell 2.6% too. **Crude oil prices stabilised on Friday** but ending the week higher. Brent rose more than 5.0% w/w to $66.13/barrel and WTI picked up 3.8% w/w to $61.50/barrel. Over the weekend, **the US House of Representatives passed the Biden Administration's $1.9 trillion stimulus bill.** President Biden urged the Senate to quicken the approval of the package.

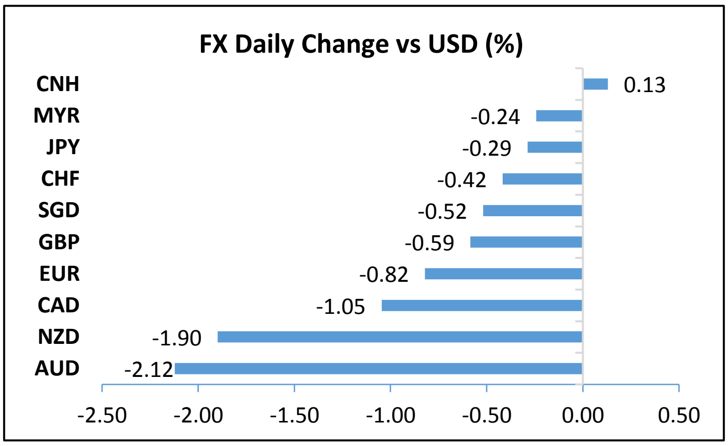
- **US personal income jumped by 10.0% m/m in January as Americans received the $600 stimulus checks** which in turn helped increased overall consumer spending (+2.4% m/m). **The core PCE inflation was slightly higher at 1.5% y/y.** Consumer sentiment was weaker in February according to the University of Michigan. Goods trade deficit widened to $83.7b thanks to record high imports. **Malaysia's exports rose 6.6% y/y in January. Singapore's industrial production jumped 8.6% y/y.**

- DXY rallied strongly by 0.83% on Friday, closing at 90.88. Rising US yields present a concern to the recovery story and we may see some continued volatility for the week ahead. We see **DXY within a range of 89.80-91.10, with some upside risks** if resistance level is breached. For the week ahead, focus is on ISM and non-farm payrolls data.

- USD/MYR climbed higher by 0.24% on Friday to 4.0500 and ended the week 0.2% higher. The spike in UST yields triggered by the shift in inflation expectations last week have roiled markets, with some spill-over effects on the MYR market. We expect **MYR to stay neutral** at 4.04-4.07 this week ahead of BNM's OPR decision where we do not expect any change in rates and policy tone.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,932.37	-1.50	1.06
S&P 500	3,811.15	-0.48	1.47
FTSE 100	6,483.43	-2.53	0.35
Hang Seng	28,980.21	-3.64	6.42
KLCI	1,577.75	-0.24	-3.04
STI	2,949.04	-0.82	3.70
Dollar Index	90.88	0.83	0.94
WTI oil ($/bbl)	61.50	-3.20	26.75
Brent oil ($/bbl)	66.13	-1.12	26.31
Gold (S/oz)	1,728.80	-2.62	-8.30
CPO (RM/tonne)	4,015.00	0.49	5.99



Source: Bloomberg

Overnight Economic Data		
US ↑	Malaysia ↑	Singapore ↑

Up Next

Date	Events	Prior
01/03	AU AiG Perf of Mfg Index (Feb)	55.3
	AU Home Loans Value MoM (Jan)	8.6%
	VN Markit Vietnam PMI Mfg (Feb)	51.3
	MA Markit Malaysia PMI Mfg (Feb)	48.9
	JN Jibun Bank Japan PMI Mfg (Feb F)	50.6
	CH Caixin China PMI Mfg (Feb)	51.5
	EC Markit Eurozone Manufacturing PMI	57.7
	UK Markit UK PMI Manufacturing SA	54.9
	US Markit US Manufacturing PMI (Feb F)	58.5
	US Construction Spending MoM (Jan)	1.0%
	US ISM Manufacturing (Feb)	58.7
02/03	JN Jobless Rate (Jan)	2.90%
	JN Job-To-Applicant Ratio (Jan)	1.06
	AU RBA Cash Rate Target (37316)	0.10%
	EC CPI Estimate YoY (Feb)	0.90%
	SI Purchasing Managers Index (Feb)	50.7

Source: Bloomberg

Macroeconomics

- *Stimulus checks boosted income and spending in January:*
  - Personal income rose 10.0% m/m in January (Dec: +0.6%) as Americans received the $600 stimulus checks from the Federal Government. This helped boost personal expenditure (a key gauge of US consumer spending) by 2.4% m/m (Dec: -0.4%). The same report also showed that the core personal expenditure (PCE) price index rose 0.3% m/m (Dec: +0.3%) which translated to 1.5% y/y increase (Dec: +1.4%). This is core PCE's strongest reading in four months, adding signs to accelerating inflation.
  - The University of Michigan Consumer Sentiment Index fell to 76.8 in February (Jan: 79.0) as few consumers expect the "the type of persistent and robust economic growth that restores employment conditions to the very positive pre-pandemic levels" despite the improving pandemic situations.
  - The MNI Chicago PMI slipped to 59.5 in February (Jan: 63.8), indicating some easing in manufacturing activity.
  - The goods trade deficit widened to $83.7b in January (Dec: -$83.2b) thanks to record high imports.

- *Extended growth in Malaysia's exports:*
  - Malaysia's exports rose for the fifth consecutive month in January, registering a more moderate 6.6% y/y growth to RM89.6b (Dec: +10.8% %). This is supported by exports to its three main destinations (Singapore, China and the US).
  - Imports rose for the second month by 1.3% y/y (Dec: +1.6% to RM73b), better than market expectations. This left the trade surplus to narrow to an eight-month low of RM16.6b, from RM20.7b prior.
  - January's external trade report is in line with our view that net exports will remain the main growth pillar for 2021. We expect demand from the top three trading partners to strengthen further in the coming months in view of easing pandemic situations in the US as well as the continuously low daily cases recorded in both China and Singapore.
  - The global vaccination drives should lead to looser restriction rules in other major economies. This would help offset the negative effect of weak domestic consumption. We are expecting the Malaysian economy to recover and expand 5.0% this year, supported by improving global demand and continuous accommodative policies.

- *Strong Singapore industrial production result supported by electronics:* Singapore's industrial production surpassed expectations, rising 8.6% y/y despite high base effects (16.2% in Dec). Growth was supported by electronics, and precision engineering. Biomedical (lumpy usually) and transport engineering (still in bad shape) were down. Overall result stays supportive of GDP growth, and for manufacturing being an outperformer this year.

Forex

MYR (Neutral)
- USD/MYR climbed higher by 0.24% on Friday to 4.0500 and ended the week 0.2% higher. The spike in UST yields triggered by the shift in inflation expectations last week have roiled markets, with some spill-over effects on the MYR market. We expect MYR to stay neutral at 4.04-4.07 this week ahead of BNM's OPR decision where we do not expect any change in rates and policy tone.

USD (Neutral-to-Bullish Outlook over 1 Week Horizon)
- DXY rallied strongly by 0.83% on Friday, closing at 90.88. Rising US yields present a concern to the recovery story and we may see some continued volatility for the week ahead. We see DXY within a range of 89.80-91.10, with some upside risks if resistance level is breached. For the week ahead, focus is on ISM and non-farm payrolls data.

EUR (Neutral-to-Bearish)
- EUR/USD pulled back from dollar strength, down to a close of 1.2075. We are concerned about the impact of volatility on EUR/USD, placing resistance at 1.2280 and support at 1.2050. Risks are for some downsides and volatility. Attention is on preliminary CPI prints for February, and retail sales data.

GBP (Neutral-to-Bearish)
- GBP/USD was down to 1.3933 close after a low of 1.3888, after dollar strength ravaged across G10 currencies. We see some risks of correction. A correction to below 1.4000 has turned momentum away from the previous uptrend. Support at 1.3850. If GBP moves higher again, the focus is on the 2018 high of 1.4377.

JPY (Bearish)
- USD/JPY headed higher and closed at 106.57 on Friday. We maintain view of yen underperformance for now, given weak prior momentum even in risk averse environment. Any move above 107.00 will likely shift attention towards a 106.50-108.00 range.

AUD (Bearish)
- AUD/USD retreated swiftly on Friday by more than 2% d/d. Pair was down to a 0.7706 close after hitting a 0.7693 low. This is significantly lower than the 0.8007 high on 25 February. We see some volatility ahead, before AUD rallies again. We see eventual upside momentum, with resistance at 0.8000. A pull back to 0.7850 will signal at some consolidation, before the upward movements resume.

SGD (Neutral-to-Bearish)
- USD/SGD headed higher amid dollar strength. Pair was up to a 1.3326 close, after a high of 1.3338. Volatility has returned and may threaten more ups and downs within a relatively anchored SGD. Focus on a range of 1.3100 (support) to 1.3400 (resistance).

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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