HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks broadly rose overnight** in the last trading session of the first quarter as investors turned attention to **President Biden's newly unveiled $2.3trillion infrastructure plan.** Some selling towards the end of the session however dragged the Dow Jones to the negative area (-0.3%). The S&P 500 gained 0.4% and the demand for tech shares drove the NASDAQ to outperform (+1.5%). Biden's plan is set to be his next major legislative challenge. **The bill focuses on rebuilding the US' outdated infrastructure as well as addressing climate change. He also called for $2 trillion increases in corporate taxes over 15 years to fund the plan.**

- Elsewhere, stocks fell in Europe as **France announced a new nationwide 4-week lockdown** in a bid to contain the spread of a Covid-19 new variant. Schools and businesses are ordered to close. Markets resumed to sell treasuries where yields were seen increasing by 1 to 5bps across the curve. The benchmark 10Y UST yield rose 4bps to 1.74%. **Gold futures reversed prior losses** and rebounded by 1.8% to $1713.8/oz. **Crude oil prices extended declines on the back of demand concerns ahead of OPEC+ meeting.** Brent oil fell 0.9% to $63.54/barrel and WTI tumbled by more than 2.0% to $59.16/barrel.

- **Locally, BNM unveiled an updated macro projections for 2021.** Real GDP forecast range has been widened to 6.0-7.5% to take into account potential pandemic-related risks. This came in more bullish than ours 5.0%, given the upbeat projection in domestic demand especially private consumption (+8.0%). Headline inflation is expected to average much higher at 2.5-4.0% while core CPI is expected to remain subdued at 0.5-1.5%. BNM also reiterated that monetary policy will remain accommodative and it will be mindful of any premature withdrawal of policy support, prompting us to reaffirm our OPR pause view. (Please refer our commentary sent earlier for more details).

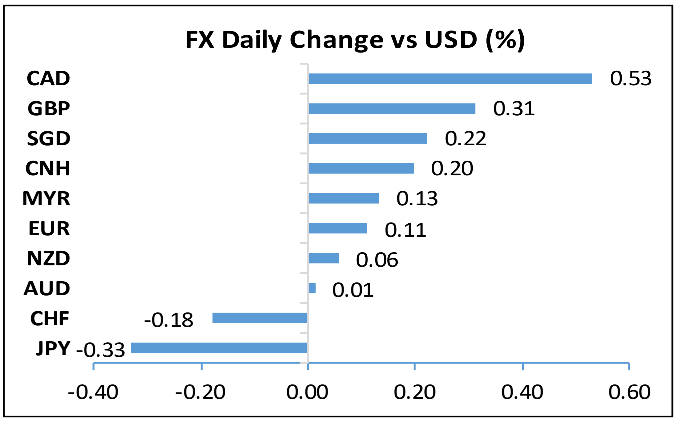
- **Overnight economic releases were positive** by and large. US' private sector added a whopping 517k jobs in March. Eurozone's inflation surged to 0.9% y/y. UK's 4Q GDP growth revised higher to 1.3% q/q. The BOJ's Tankan Survey reported improving Japanese outlook. China's official PMI increased post-festivity. New Zealand's consumer and business sentiments weakened. Australia's manufacturing PMI strengthened. House prices increased in both countries.

- USD slightly pulled back on Wednesday, by around 0.07% for the DXY. This brought DXY to a close of around 93.23. We are **Neutral-to-Bullish on the USD** for the week ahead, examining a range of 91.80-93.50. This is due to elevated long-term US yields. We watch non-farm payrolls data, due on Friday.

- USD/MYR fell 0.1% to 4.1450. We are **neutral to bearish on MYR**, still eyeing a range of 4.13-4.18 amid strong USD supported by higher yields. USD/MYR is still hovering near an overbought level suggesting some consolidation remains possible. Meanwhile, positive momentum indicators signal there is still room for the pair to climb higher.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,981.55	-0.26	7.76
S&P 500	3,972.89	0.36	5.77
FTSE 100	6,713.63	-0.86	3.92
Hang Seng	28,378.35	-0.70	4.21
KLCI	1,573.51	-2.22	-3.30
STI	3,165.34	-0.80	11.31
Dollar Index	93.23	-0.07	3.66
WTI oil ($/bbl)	59.16	-2.30	21.93
Brent oil ($/bbl)	63.54	-0.94	21.12
Gold (S/oz)	1,713.80	1.78	-9.89
CPO (RM/tonne)	4,020.00	0.36	6.12



Source: Bloomberg

Overnight Economic Data			
US	→	Japan	↑
UK	→	China	↑
Eurozone	↑	Australia	↑
		NZ	→

Up Next

Date	Events	Prior
01/04	VN Markit Vietnam PMI Mfg (Mar)	51.6
	MA Markit Malaysia PMI Mfg (Mar)	47.7
	JN Jibun Bank Japan PMI Mfg (Mar F)	52.0
	AU Trade Balance (Feb)	A$10142m
	AU Retail Sales MoM (Feb F)	-1.1%
	CH Caixin China PMI Mfg (Mar)	50.9
	EC Markit Eurozone Manufacturing PMI	62.4
	UK Markit UK PMI Manufacturing SA (Mar	57.9
	US Initial Jobless Claims (27 Mar)	684k
	US Markit US Manufacturing PMI (Mar F)	59.0
	US Construction Spending MoM (Feb)	1.7%
	US ISM Manufacturing (Mar)	60.8
02/04	US Unemployment Rate (Mar)	6.2%
	US Change in Nonfarm Payrolls (Mar)	379k

Source: Bloomberg

Macroeconomics

US' private sector added 517k jobs in March; pending home sales fell:

- The ADP private payrolls rose by 517k in March after the upwardly revised gain of 176k in February. This reflects substantial gains in the services sector's employment (+437k) as well as 80k gain in the goods producing sector. The job market prospects had turned brighter amid the loosening of restrictions, falling Covid infections and the rollout of vaccines alongside stimulus injections.
- The MNI Chicago PMI jumped to 66.3 in March (Feb: 59.5), consistent with other regional manufacturing gauges that indicate strong manufacturing growth.
- Pending Home Sales fell 10.6% m/m in February (Jan: -2.4%), in line with other housing and broader economic indicators as sales were briefly disrupted by the adverse weather conditions.

Eurozone's headline inflation surged:

- The Eurozone's HICP inflation rate accelerated to 0.9% m/m in March, from 0.2% in February. The year-on-year inflation was also higher at 1.3% y/y (Feb: +0.9%), reflecting higher prices of energy and services. However, the underlying inflation eased to 0.9% y/y, from 1.1%.

UK's 4Q GDP revised higher:

- The UK's 4Q21 GDP growth was revised higher to 1.3% q/q, from 1.0% in the initial estimate. This also results in a smaller revised contraction of 7.3% y/y (revised from -7.8%). For the full year of 2020, the UK economy shrank by 10.1%.
- In a separate report, the Nationwide House Price Index fell 0.2% m/m in March (Feb: +0.7%). Compared to the same month last year, house prices were still 5.7% higher (Feb: +6.9%), reflecting the high demand for housing thanks to government's support measures.

Japan's Tankan Survey showed improving outlook:

- The BOJ's Tankan Quarterly Survey showed that the Large Manufacturing Outlook index turned positive (4 vs -8) and the Large Non-manufacturing Outlook was less negative (-1 vs -6), adding to signs of improving economic prospects in the second quarter.
- The current condition index for both Large Manufacturing (5 vs -10) and Non-manufacturing (-1 vs -5) also turned out better compared to their respective readings in the previous quarter although the results confirmed the outperformance in the manufacturing industry, as the services sector remains battered by the pandemic.

China's PMIs surged in post-holiday period:

- China's composite PMI surged to 55.3 in March, from 51.6 in February after the Lunar New Year celebration.
- This was supported by non-manufacturing PMI, up to 56.3 from 51.4 prior. Manufacturing PMI also improved to 51.9 from 50.6. The overall reflects the "return to work" effect. Business activity expectations stayed relatively stable for both, indicating less upside impetus. New orders and output are supportive, alongside improvement in employment as well as upward trajectory in prices.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR fell 0.1% to 4.1450. We are neutral to bearish on MYR, still eyeing a range of 4.13-4.18 amid strong USD supported by higher yields. USD/MYR is still hovering near an overbought level suggesting some consolidation remains possible. Meanwhile, positive momentum indicators signal there is still room for the pair to climb higher.

USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- USD slightly pulled back on Wednesday, by around 0.07% for the DXY. This brought DXY to a close of around 93.23. We are Neutral-to-Bullish on the USD for the week ahead, examining a range of 91.80-93.50. This is due to elevated long-term US yields. We watch non-farm payrolls data, due on Friday.

EUR (Neutral-to-Bearish)

- EUR/USD recovered a little on the last day of March. Pair was up to a close of 1.1730 after a high of 1.1760. This came after the previous close of 1.1717. We see EUR/USD with a bearish bias for the week, within a range of 1.1600-1.1900.

GBP (Neutral-to-Bearish)

- GBP/USD rebounded after two days of losses, up by 0.31%. Pair reached a close of 1.3783 after prior close of 1.3740. We watch a range of 1.3600-1.3800 for the week ahead. GBP may stay more resilient in dollar strength, due to less accommodative stances from the BOE compared to the ECB in the near-term.

JPY (Neutral-to-Bearish)

- USD/JPY remained on the upside, being the main casualty of recent dollar strength. Momentum brought pair to a high of 110.97 on Wednesday, before some retreat to 110.72. We stay bearish of the yen, watching 111.00 on USD/JPY as the next resistance, while support at 109.20. Tankan data will be eyed later the week.

AUD (Neutral-to-Bearish)

- AUD/USD stabilised on Wednesday's session, closing just shy of the 0.76 big figure. Pair opened Thursday with a bearish bias. We still anticipate some downsides for AUD. Support close to 0.7420, while resistance at 0.7730. This is weighed down by falling commodity prices from peaks, alongside rising yields and dollar strength.

SGD (Neutral-to-Bearish)

- The SGD stayed in a position of strength. USD/SGD came off to a close of 1.3448 on Wednesday's session. Resistance of 1.3531 looks solid for now. Support is at 1.3400 should there be some reversal. Still, the SGD should perform better than other currencies.

New Zealand's business and consumer confidence fell; gain in house prices fastest in 15 years:

- New Zealand's ANZ Business Confidence Index fell back to a negative area, at -4.1 in March after sustaining at zero and above levels for four consecutive months. The ANZ Consumer Confidence Index also fell to 110.8 (-2%) in March. The decline in both business and consumer confidence reflects some pull-back in economic activity from the post lockdown surge, pointing to a sluggish growth in businesses ahead given that the country borders remain shut to foreign visitors.
- Meanwhile, the CoreLogic House Prices Index rose 16.1% y/y in March (Feb: +14.5%), its fastest pace in 15 years as house prices continued to gain amid the current housing boom, down under. New Zealand's government has stepped in last week to prevent a housing bubble by removing tax incentives for speculators as well as unlocking more land supply.

Australia saw robust manufacturing growth, higher house prices:

- Australia's AiG Performance of Manufacturing Index rose to 59.9 in March, from 58.8 prior, driven by strong new orders, employment as well as prices and wages, reaffirming the robust state of recovery.
- The headline CoreLogic House Price index rose 2.8% m/m in March (Feb: +2.0%) and 4.8% y/y (Feb: +2.6%) as housing demand continued to increase amid the low interest rate environment.

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