

## Global Markets Research

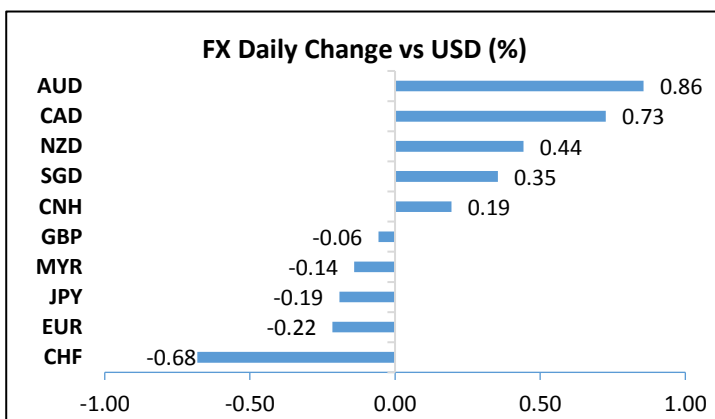
### Daily Market Highlights

#### Key Takeaways

- Global stocks rallied on Monday as investors piled back into risk assets following last week's selloff.** In the US, stocks saw a broad-based rally as the **bond market stabilised**, leading the Dow Jones to gain over 600pts or nearly 2.0%; the S&P500 jumped by 2.4% while NASDAQ outperformed with a 3.0% gain. Stocks turned around in the UK and Europe as well as Japan, Hong Kong and China. Yields at the short end fell by 0.8 to 3.5bps indicating the easing of rate hike expectations while long-dated bond yields picked up 1.2 to 3.9bps. 10Y UST yield last traded at 1.42% (+1.2bps). Bond yields fell in the UK, Germany.
- Gold prices extended its declining streak** to this week where futures was seen shedding 0.3% to \$1723/oz. The **dollar saw mixed performances** across other major currencies. The dollar index gained 0.2% to 91.0 as the USD strengthened against CHF, EUR and JPY. GBP was flat. **Commodity currencies rallied despite retreating oil prices.** Brent crude lost 3.7% to \$63.69/barrel and WTI fell 1.4% to \$60.64/barrel ahead of this Thursday's OPEC+ meeting where investors are expecting the returns of some supply in the markets. Stock futures point to higher openings in Japan and Hong Kong this morning. **The RBA is expected to hold its cash rate steady at 0.1% today but the focus is on how the central bank intends to manage the surge in global bond yields** that have put pressures on its 3-year yield target as well as its assessment of the elevated Aussie dollar.
- A series of manufacturing PMI report showed that the **manufacturing sectors across global economies continued to expand in February.** China's manufacturing industry expanded too, albeit more moderately amid the Lunar New Year holiday month. Construction spending in the US rose further in January. Japan's jobless rate was steady at 2.9% while Australia's home loan approvals jumped by more than 10% m/m.
- DXY was slightly up on Monday, by 0.2% to a 91.04 close. This came after the dollar strengthened against the EUR and JPY, despite weakening against commodity related currencies. After closing onto the top end previous 89.80-91.10 range, we now see a **neutral USD** in the range of 90.60-91.50. Non-farm payrolls data is next to watch for on Friday.
- USD/MYR edged up by 0.1% to 4.0555. We maintain our **neutral call on USD/MYR**, expecting a range of 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.	31,535.51	1.95	3.04
S&P 500	3,901.82	2.38	3.88
FTSE 100	6,588.53	1.62	1.98
Hang Seng	29,452.57	1.63	8.16
KLCI	1,567.14	-0.67	-3.69
STI	2,973.00	0.81	4.54
Dollar Index	91.04	0.18	1.23
WTI oil (\$/bbl)	60.64	-1.40	24.98
Brent oil (\$/bbl)	63.69	-3.69	22.95
Gold (S/oz)	1,723.00	-0.34	-9.19
CPO (RM/tonne)	4,000.00	-0.34	5.60



Source: Bloomberg

#### Overnight Economic Data

US	↑	EU	↑	UK	↑	Japan	→	China	↓
AU	↑	MA	↓	VN	↑				

#### Up Next

Date	Events	Prior
02/03	AU RBA Cash Rate Target	0.1%
	EC CPI Estimate YoY (Feb)	0.9%
03/03	SI Purchasing Managers Index (Feb)	50.7
	AU GDP SA QoQ (4Q)	3.30%
	SI Markit Singapore PMI (Feb)	52.9
	HK Markit Hong Kong PMI (Feb)	47.8
	JN Jibun Bank Japan PMI Services (Feb F)	45.8
	CH Caixin China PMI Services (Feb)	52.0
	HK Retail Sales Value YoY (Jan)	-13.2%
	EC Markit Eurozone Services PMI (Feb F)	44.7
	UK Markit/CIPS UK Services PMI (Feb F)	49.7
	EC PPI YoY (Jan)	-1.1%
US MBA Mortgage Applications (46054)	-11.4%	
US ADP Employment Change (Feb)	174k	
US Markit US Services PMI (Feb F)	58.9	
US ISM Services Index (Feb)	58.7	

Source: Bloomberg



## Macroeconomics

- **Manufacturing PMIs indicates resilient factory expansions across major economies:**
  - The US ISM Manufacturing Index beat expectations, coming in stronger at 60.8 in February (Jan: 58.7); the expansion in activity was driven by surge in new orders as well as higher prices. In a separate note, the Markit Manufacturing PMI for the US retreated to 58.6 in February (Jan: 59.2) but remained at robust level.
  - The Markit Eurozone Manufacturing PMI picked up sharply to 57.9 in February (Jan: 54.8).
  - The Markit/CIPS UK Manufacturing PMI improved to 55.1 in February (Jan: 54.1)
  - Japan's Markit Manufacturing PMI rose to 51.4 in February, from 49.8 in January; this marks its first above-50 reading since Apr-19.
  - The Caixin Manufacturing PMI slipped to 50.9 in February (Jan: 51.5); this is in line with the lower official manufacturing reading (50.6 vs 51.3). Both PMI readings stayed above 50, indicating expansion in activity despite the celebration of Lunar New Year in China.
  - Malaysia's Markit Manufacturing PMI fell to 47.7 in February (Jan: 48.9), suggesting deteriorating manufacturing conditions amid the Movement Control Order.
  - Vietnam's Markit Manufacturing PMI was slightly higher at 51.6 in February (Jan: 51.3), an indication of a resilient manufacturing sector.
  - Australia's Performance of Manufacturing Index rose to 58.8 in February (Jan: 55.3), the highest level since Mar-18.
- **US construction spending gained further in January:** Construction spending increased more than expected by 1.7% m/m in January (Dec: +1.1%). This compares to analysts' estimation of 0.8% growth and marks construction spending's seventh monthly gain for the past eight months. The spending on private residential construction continued to register a fairly solid increase (+2.5% vs 3.8% prior) although the smaller gain added to signs that the housing boom could be easing. Rising construction costs especially higher lumber prices may have contributed to the smaller gain in spending at the start of the year.
- **Japan's jobless rate stable at 2.9%, job-to-applicant ratio climbed:**
  - Japan's jobless rate was unchanged at 2.9% in January (Dec: 2.9%) despite the tightening of social distancing measures in January. This is better than consensus estimate of 3.0%.
  - A separate report shows that the job-to-applicant ratio picked up sharply to 1.1 in January (Dec: 1.05), a welcoming news for the economy that indicates that businesses want to increase hiring. Job offers rose 3.1% m/m in January although there was a slide in total applicants.
- **Australia's home loan jumped in January:** Australia's approved home loan (in value) jumped more than expected by 10.5% m/m to a fresh record in January (Dec: +8.6%), driven by strong increase in both owner-occupied and investor segments. This reflects the strong housing demand that was boosted by record low interest rates in Australia, leading to speculations that some macro-prudential policies may be reinstated to curb a potential housing bubble.

## Forex

### MYR (Neutral)

- USD/MYR edged up by 0.1% to 4.0555. We maintain our neutral call on USD/MYR, expecting a range of 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 was slightly up on Monday, by 0.2% to a 91.04 close. This came after the dollar strengthened against the EUR and JPY, despite weakening against commodity related currencies. After closing onto the top end previous 89.80-91.10 range, we now see a range of 90.60-91.50. Non-farm payrolls data is next to watch for on Friday.

### EUR (Neutral-to-Bearish)

- EUR/USD stayed on the downside on the first day of the month, down by more than 0.2% after hitting a 1.2028 low. Risks are for some downsides. A break of the 1.2000 level brings attention to 1.1950 support. Resistance at 1.2120. Attention is on preliminary CPI prints for February, and retail sales data.

### GBP (Neutral-to-Bearish)

- GBP/USD stayed below the 1.4000 big figure on Monday, hovering around a range of 1.3904-1.3999. Overall GBP was slightly weaker against the dollar. 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 remained on the upside bias on Monday, reaching a high of 106.89 and closing nearby, after closing the previous day at 106.57. 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 recovered by almost 0.9% on Monday, reaching a high of 0.7787 from the previous day's close of 0.7706. We see some zig zag movements ahead, before AUD rallies again. We see eventual upside momentum, with resistance at 0.8000. Support is at 0.7670. RBA meeting in focus today.

### SGD (Neutral-to-Bearish)

- USD/SGD headed lower, helped by risk sentiment improvements. Pair moved to a low of 1.3268, after closing at 1.3326 on Friday. SGD stayed relatively anchored despite near term zig zag movements for most currencies. Focus on a range of 1.3100 (support) to 1.3400 (resistance). Singapore PMI and retail sales data will be released this week, with focus on the latter for signs of consumer related recovery.

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