Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rallied** on the first trading day of the second quarter, **leading the S&P 500 to cross 4,000 for the first time. Investors continued to eye robust economic recovery** and higher stock prices on the back of **quick vaccination rate and stimulus injections in the US.** Tech shares drove the gain, alongside higher financials, consumer discretionary as well as higher energy and real estate stocks. The Dow Jones rose 0.5% while the S&P 500 gained 1.2%. NASDAQ outperformed with 1.8% increase. Elsewhere, stocks had also gained in Europe as well as Asia.

- Meanwhile, bond yields fell 0.2 to 8.1 bps, leaving the curves to steepen as **markets braced for a strong nonfarm payroll reading tonight.** The benchmark 10Y UST yield retreated by 7bps to 1.67%. Gold futures climbed 0.7% to $1726.5/oz as the dollar weakened. **Oil prices jumped after OPEC+ agreed to gradually increase oil output** by more than 2millions barrels per day from May-July. There will also be a gradual rollback on Saudi Arabia's previous 1million bpd cut for the next three months. Brent oil surged over 2.0% to $64.86/barrel; WTI jumped 3.9% to $61.45/barrel.

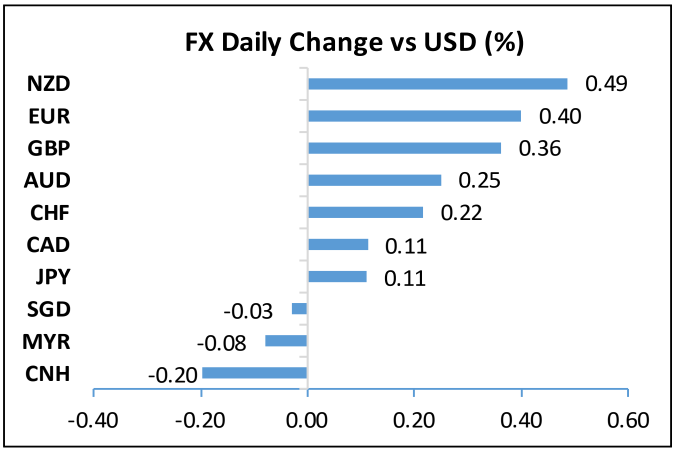
- **Initial jobless claims in the US rose by 61k to 719 last week, but the four-week moving average remained on the downtrend, a positive sign for the labour market.** Construction spending retreated by 0.8% m/m in February, its first decline in five months. **The US ISM Manufacturing Index jumped to its highest level since 1983 in March.** Meanwhile, a **series of Markit PMI data also painted a robust picture** of the global manufacturing industry. **Malaysia's PMI also closed in to the neutral level.** Australia's retail sales retreated 0.8% m/m in February while exports fell 1%.

- Tracking the lower yields, the dollar weakened across the board. NZD led the gain. The dollar index hit an intraday high of 93.3 before pulling back to close at 92.9 (-0.3% d/d). We are still **Neutral-to-Bullish on the USD** for the week ahead, examining a range of 92.50-93.50. This is due to elevated long-term US yields. Focus turns to tonight's nonfarm payroll where consensus estimate currently stands at a whopping 660k. A positive surprise could trigger another round of treasuries selloff, sending the dollar higher.

- USD/MYR closed on a rather flat note on Thursday at 4.1485. We are **neutral on MYR** today, as the reversal in broad USD alongside the anticipation for the US job data might cap the movement in the pair. USD/MYR is still hovering near an overbought level suggesting some consolidation remains possible especially ahead of the weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,153.21	0.52	8.32
S&P 500	4,019.87	1.18	7.02
FTSE 100	6,737.30	0.35	4.28
Hang Seng	28,938.74	1.97	6.27
KLCI	1,582.64	0.58	-2.74
STI	3,181.68	0.52	11.88
Dollar Index	92.93	-0.32	3.33
WTI oil ($/bbl)	61.45	3.87	26.65
Brent oil ($/bbl)	64.86	2.08	25.21
Gold (S/oz)	1,726.50	0.74	-8.90
CPO (RM/tonne)	3,980.00	-0.16	5.07



Source: Bloomberg

Overnight Economic Data			
US	→	Eurozone	↑
UK	↑	China	↓
Japan	↑	Australia	↓
Vietnam	↑	Malaysia	↑

Up Next

Date	Events	Prior
02/04	US Unemployment Rate (Mar)	6.2%
	US Change in Nonfarm Payrolls (Mar)	379k
05/04	JN Jibun Bank Japan PMI Services (Mar F)	46.5
	SI Retail Sales YoY (Feb)	-6.1%
	SI Purchasing Managers Index (Mar)	50.5
	US Markit US Services PMI (Mar F)	60.0
	US ISM Services Index (Mar)	55.3
	US Factory Orders (Feb)	2.6%
	US Durable Goods Orders (Feb F)	-1.1%
	US Cap Goods Orders Nondef Ex Air (Feb F)	-0.8%

Source: Bloomberg

Macroeconomics

First-time jobless benefit claims rose to 719k last week; construction spending fell in February:

- Initial jobless claims rose to 719k for the week ended 27 March, from the downwardly revised 658k in the previous week. The 4-week moving average, which smooths out the volatile weekly changes continued to trend down, coincidentally also at 719k (prior: 729.5k), a positive sign for the labour market.
- Construction spending pulled back 0.8% m/m in February (Jan: +1.2%), marking its first decline in five months as spending in both residential and commercial constructions were down, a result of poor weather conditions in mid-February and higher construction costs.

Stronger manufacturing PMIs as global manufacturing sector continued to pick up in March:

- The US' ISM Manufacturing Index inched higher to 64.7 (Feb: 60.8), its highest level since 1983, a clear sign of robust manufacturing activity. The Markit Manufacturing PMI managed to climb slightly higher to 59.1 (Feb: 58.6).
- Eurozone's Markit Manufacturing PMI jumped to 62.5 (Feb: +57.9).
- The UK's Markit/CIPS Manufacturing PMI surged to 58.9 (Feb: 55.1).
- Japan's Jibun Bank Manufacturing PMI rose to 52.7 (Feb: 51.4).
- China's Caixin Manufacturing PMI slipped to 50.6 in (Feb: 50.9).
- Malaysia's Markit Manufacturing PMI improved to 49.9 (Feb: 47.7).
- Vietnam's Markit Manufacturing PMI rose to 53.6 in (Feb: 51.6).

Australia's retail sales pulled back in February:

- Australia's retail sales fell 0.8% m/m in February after the small 0.3% growth in January, mainly driven by the decline in sales of food. Meanwhile safes at restaurants managed to increase further, suggesting that more people are dining out instead of cooking at home as the number of Covid-19 cases in Australia remained well contained.
- In a separate report, Australia's exports fell 1% m/m in February, a minor retreat from the sharp 6.0% growth in January. Meanwhile, imports recorded a better-than-expected 5% m/m increase (Jan: -2%), a sign of stronger domestic demand, leaving the surplus at AUD7.5b (Jan: AUD9.6b).

Forex

MYR (Neutral)

- USD/MYR closed on a rather flat note on Thursday at 4.1485. We are neutral on MYR today, as the reversal in broad USD alongside the anticipation for the US job data might cap the movement in the pair. USD/MYR is still hovering near an overbought level suggesting some consolidation remains possible especially ahead of the weekend.

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

- Tracking the lower yields, the dollar weakened across the board. NZD led the gain. The dollar index hit an intraday high of 93.3 before pulling back to close at 92.9 (-0.3% d/d). We are still Neutral-to-Bullish on the USD for the week ahead, examining a range of 92.50-93.50. This is due to elevated long-term US yields. Focus turns to tonight's nonfarm payroll where consensus estimate currently stands at a whopping 660k. A positive surprise could trigger another round of treasuries selloff, sending the dollar higher.

EUR (Neutral-to-Bearish)

- EUR/USD continued to recover alongside lower US yields. Pair closed the day 0.4% higher at 1.1777 and is expected to be driven by the NFP job data. A positive reading risks sending EUR/USD lower.

GBP (Neutral-to-Bearish)

- GBP/USD extended gains to the second session, closing 0.4% higher at 1.3833 amid the broad dollar weakness. GBP may hover at 1.38-1.3950 range in the Asian and European sessions ahead of tonight's US job data. We maintain view that 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 snapped a six-day winning streak, closing on a flat note at 110.62, despite lower US yields. We stay bearish of the yen, watching 111.00 on USD/JPY as the next resistance, while support at 109.20.

AUD (Neutral-to-Bearish)

- AUD/USD strengthened modestly (+0.3%) on Thursday back above 0.76. 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 was little changed at 1.3452 at closing. 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.

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