Global Markets Research
Daily Market Highlights

Key Takeaways

- **Global stocks ended on a mixed note on Tuesday's session after the rally at the start of the week.** US main indexes pulled back by 0.5-1.7% driven by selling of technology and consumer discretionary shares. **The Senate has yet to pass the $1.9trillion stimulus bill. Federal Reserve Governor Lael Brainard** reiterated the Fed's policy stance and **said that the US economy is far from a point where the central bank can start pulling back some support.** Elsewhere, European benchmarks closed modestly higher while Asian markets saw mixed performances.

- **The US treasuries further consolidated** as yields largely fell moderately. The 10Y UST yield slipped 2.6bps to 1.39% while the 30s was flat. **The greenback weakened across the board**, leaving the dollar index 0.3% lower at 90.79. As the dollar fell, **gold prices snapped a five-day losing streak** to register a 0.6% gain to $1733.6/oz. **Oil prices continued to trend lower in anticipation of Thursday's OPEC+ meeting.** Brent crude and WTI settled respectively at $62.70/barrel and $59.75/barrel. As at writing, stock futures are pointing to muted openings in Hong Kong and Japan. **US President Joe Biden said that it may have enough vaccines for all adults in the US by the end of May as Merck & Co said it will help make Johnson & Johnson's vaccines. The number of new cases in the US has continued to trend down.**

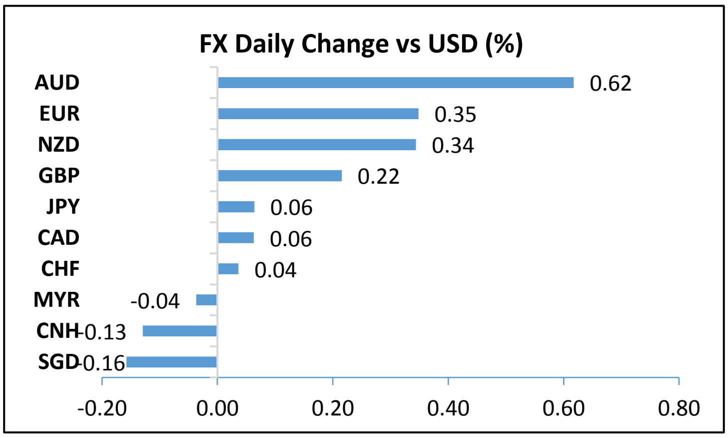
- **The RBA left the cash rate unchanged yesterday at 0.1% and said that it is committed to defend its 3-year yield target (also at 0.1%).** The Eurozone's HICP inflation steadied at 0.9% y/y in February according to preliminary estimate. Singapore's official PMI was slightly lower at 50.5 in February (Jan: 50.7).

- DXY closed lower at 90.79 on Tuesday, from a close of 91.04 the previous session touching a low of 90.725 in the process. This came as market optimism faded. We see a range of 90.60-91.50 for the DXY as it may strengthen again, hence a **slight bullish** bias today. Non-farm payrolls data is next to watch for on Friday.

- USD/MYR was little changed at 4.0570 on Tuesday. 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.	31,391.52	-0.46	2.56
S&P 500	3,870.29	-0.81	3.04
FTSE 100	6,613.75	0.38	2.37
Hang Seng	29,095.86	-1.21	6.85
KLCI	1,569.87	0.17	-3.52
STI	2,973.87	0.03	4.57
Dollar Index	90.79	-0.28	0.94
WTI oil ($/bbl)	59.75	-1.47	23.15
Brent oil ($/bbl)	62.70	-1.55	21.04
Gold (S/oz)	1,733.60	0.62	-8.43
CPO (RM/tonne)	3,970.00	-0.25	4.80



Source: Bloomberg

Overnight Economic Data

EU	→	SG	↓

Up Next

Date	Events	Prior
03/03	US, EU, UK, Japan, China Markit Services PMI	
	HK, SG Private Sector PMI	
	AU GDP SA QoQ (4Q)	3.30%
	HK Retail Sales Value YoY (Jan)	-13.2%
	EC PPI YoY (Jan)	-1.1%
	US MBA Mortgage Applications (46054)	-11.4%
	US ADP Employment Change (Feb)	174k
	US ISM Services Index (Feb)	58.7
04/03	AU Exports MoM (Jan)	3%
	AU Retail Sales MoM (Jan F)	0.60%
	MA BNM Overnight Policy Rate (38047)	1.75%
	EC Unemployment Rate (Jan)	8.30%
	EC Retail Sales MoM (Jan)	2.00%
	US Initial Jobless Claims (46419)	--
	US Factory Orders (Jan)	1.10%

Source: Bloomberg

Macroeconomics

- ***RBA maintained dovish policy but expressed more optimism for recovery outlook:***
  - RBA maintained cash rate at 0.1% and its quantitative easing program as widely expected. It expressed more optimism for Australia' economic growth outlook- GDP is expected to grow by 3.5% over both 2021 and 2022. GDP is expected to return to its end-2019 level by the middle of this year.
  - The unemployment rate will still be around 6.0% at the end of this year and 5.5% at the end of 2022. Underlying inflation is expected to be 1.25% over 2021 and 1.5% over 2022 – temporary increase due to the reversal of some COVID-19-related price reductions.
  - With regards to the recent rise in housing credit growth, it added that "Lending standards remain sound and it is important that they remain so in an environment of rising housing prices and low interest rates".
  - It said it remained committed to its 3-year yield target and recently purchased bonds to support the target and will continue to do so as necessary. It is prepared to make further adjustments to its purchases in response to market conditions. It reinforced the dovish policy stance that it would maintain highly supportive monetary conditions until its goals are achieved. The yield on 10-year Australian government bonds spiked to near 1.73% after the announcement.

- ***Eurozone's inflation steadied in February:*** The HICP inflation held steadily at 0.9% y/y for the second month in February according to preliminary reading. This followed five months of negative print in Aug-Dec 2020. The less negative energy inflation (-1.7% vs -4.2%) helped maintain the headline index as other categories (food/alcohol/tobacco, non-energy industrial goods and services) recorded smaller increases in prices. Core inflation was lower at 1.1% y/y, compared to 1.4% prior but still markedly above the 0.2% y/y rate in the Sep-Dec 2020 period. Inflation is expected to increase further in March, reflecting the effect of higher energy prices.

- ***Singapore PMI slightly lower in February:*** Singapore's official PMI was slightly lower at 50.5 in February (Jan: 50.7). The electronic sub-index also retreated to 50.8 (Jan: 51.0). Nonetheless, the manufacturing condition is expected to remain strong in Singapore, supported by the pick-up in external demand in 2021.

Forex

MYR (Neutral)

- USD/MYR was little changed at 4.0570 on Tuesday. 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 closed lower at 90.79 on Tuesday, from a close of 91.04 the previous session touching a low of 90.725 in the process. This came as market optimism faded. We see a range of 90.60-91.50 for the DXY as it may strengthen again. Non-farm payrolls data is next to watch for on Friday.

EUR (Neutral-to-Bearish)

- EUR/USD reached a high of 1.2094 before closing nearby on Tuesday, as pair rebounded after recent weakness. The pair outperformed most other G10 movements in the process. We see support at 1.2000 and resistance at 1.2120. Attention is on preliminary CPI prints for February, and retail sales data.

GBP (Neutral-to-Bearish)

- GBP/USD recovered by 0.22% on Tuesday, up to a close of 1.3955 after a high of 1.3977. A correction to below 1.4000 has turned momentum away from the previous uptrend. Support at 1.3850. If GBP moves higher and pushes beyond 1.4000 again, the focus is on the 2018 high of 1.4377.

JPY (Bearish)

- USD/JPY was relatively unchanged from the previous day's close of 106.76 on Tuesday, tied in an intraday range of 106.68-106.96. We maintain view of yen underperformance for now, given prior weakness even in risk averse environment. Any move above 107.00 will likely shift attention towards a 106.50-108.00 range.

AUD (Neutral)

- AUD/USD gained for a second consecutive session, up to a close of 0.7820 after a high of 0.7838. AUD was the best performer among G10 currencies on Tuesday. We upgrade our 1-week view on AUD, away from bearishness. Still, we see some zig zag movements ahead, before AUD rallies again. Immediate resistance at 0.7890, before psychological level of 0.8000. Support is at 0.7670.

SGD (Neutral-to-Bearish)

- USD/SGD was slightly higher, partially reversing prior day's moves. Pair was last at the 1.33 big figure, after an intraday range of 1.3271-1.3339. 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 retail sales data will be released this week.

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