

Global Markets Research

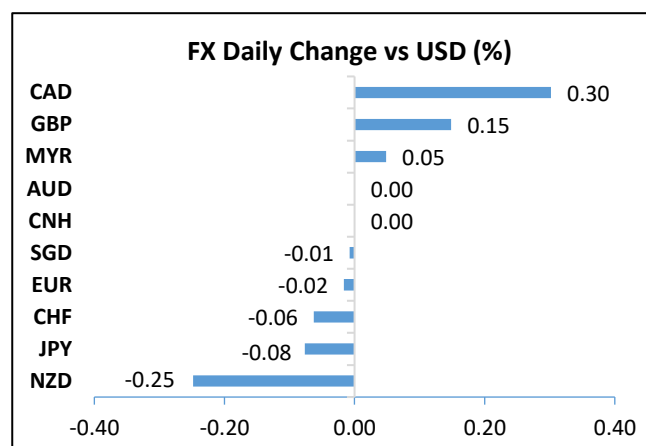
Daily Market Highlights

Key Takeaways

- US stocks edged up modestly overnight, supported by cautious optimism ahead of major US' job data this Friday, even as inflation concerns continued to dominate market sentiment. The Dow Jones rose less than 0.1%, while the S&P 500 and NASDAQ respectively eked out a small 0.14% gain. Energy shares led the gains among the S&P 500 sectors on a strong consumption outlook that pushed oil benchmarks to rally further. The so-called meme stocks soared as well, as seen by the 95% surge in AMC Entertainment's share price. Markets however did not react much to Philadelphia Fed's President Patrick Harker's remarks that it may soon be time to "think about" tapering bond buying.
- The 10Y UST yield was down by nearly 2bps to 1.59% amid a broad-based but **small retreat in overall treasuries yields**. The dollar index held steadily for the second session at 89.91 amid mixed USD performance. **Gold futures extended gain** (+0.2%) to \$1907.5/oz, supported by current bullish sentiment alongside a greenback that lacks direction. Oil prices posted gains as mentioned. The international benchmark, **Brent crude, gained another 1.6% to \$71.35/barrel** while the US WTI rose 1.6% to \$68.83/barrel. **Futures indicate a muted start in Asian stocks today. Apart from the US' ADP job report and initial jobless claims, markets also watch out for a series of services' PMI data. Downunder, Australia's retail sales and trade data are due later in the morning.**
- The latest Federal Reserve's Beige Book said that the economy expanded at a "somewhat faster rate" from early April to late May. Districts reported the positive impacts of higher vaccination rates and relaxed restrictions but also the adverse effects of the supply chain disruption. Data flow was light and limited to US' mortgage applications which fell for the second week by 4.0%. Singapore's official PMI came in lower in May. Australia's GDP growth beat estimate at 1.8% q/q.
- DXY closed slightly higher by 0.09% at 89.91 on Wednesday, pulling back sharply from an intraday high of 90.25 in the European session to close below the 90-handle for a third straight day, amid some selling pressure in the USD. Inflation expectations and Fed chatter on tapering remain the primary drivers for the greenback. We maintain a **neutral USD outlook** today, as markets await job data today and tomorrow.
- USD/MYR was little changed at 4.1245 on Wednesday. We continue to expect USD/MYR to trade on a **neutral** note today, amid a lack of market drivers and mixed USD performances. No change to our weekly range of 4.10- 4.15 ahead of key US data.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,600.38	0.07	13.05
S&P 500	4,208.12	0.14	12.04
FTSE 100	7,108.00	0.39	10.02
Hang Seng	29,297.62	-0.58	7.59
KLCI	1,597.94	0.76	-1.80
STI	3,161.04	-0.82	11.16
Dollar Index	89.91	0.09	-0.03
WTI oil (\$/bbl)	68.83	1.64	41.86
Brent oil (\$/bbl)	71.35	1.57	37.74
Gold (\$/oz)	1,907.50	0.24	0.72
CPO (RM/tonne)	4,026.00	-0.09	6.28



Source: Bloomberg

Overnight Economic Data

US	SG
AU	

Up Next

Date	Events	Prior
03/06	US, EZ, UK, JP, CN Markit Services PMI	
	SG Markit Singapore PMI (May)	51.8
	HK Markit Hong Kong PMI (May)	50.3
	AU Exports MoM (Apr)	-2%
	AU Retail Sales MoM (Apr F)	1.10%
04/06	US ADP Employment Change (May)	742k
	US Initial Jobless Claims (29 May)	406k
	US ISM Services Index (May)	62.7
	JP Household Spending YoY (Apr)	6.2%
	AU Home Loans Value MoM (Apr)	5.5%
	SG Retail Sales YoY (Apr)	6.2%
	EZ Retail Sales MoM (Apr)	2.7%
	US Change in Nonfarm Payrolls (May)	266k
	US Unemployment Rate (May)	6.1%
	US Factory Orders (Apr)	1.1%

Source: Bloomberg

Macroeconomics

Fed's Beige Book reported moderate economic growth:

- The Federal Reserve's fourth Beige Book of 2021 reported that the national economy expanded at a moderate pace from early April to late May, at "somewhat faster rate" compared to the previous period, thanks to increased vaccination rate and relaxed social distancing measures. The adverse impact of supply chain disruptions was felt as well.
- Job growth was modest to moderate across reporting districts but the lack of job candidates in some cases inhibited firms from raising output. Price pressures increased further, where sharp increases were noted in construction and manufacturing raw materials prices.

Mortgage applications fell in the US:

- The MBA mortgage applications fell again by 4.0% last week (prior: -4.2%), driven by falls in both purchasing and refinancing segments. This implies that the surging house prices amid limited supply continued to restrain sales in the housing sector.

Singapore's PMI turned weaker in May:

- Singapore's official purchasing manager index was slightly lower at 50.7 in May (Apr: 50.9), going against analysts' forecast of 51.0. This was due to weaker growth in new orders, new exports orders and output while the shortage in raw materials and their surging prices led to higher order backlog and supplier deliveries time. The electronics sector sub-index fell to 50.4 (Apr: 50.7).

Australia's GDP growth better than expected:

- The Australian economy expanded by 1.8% q/q in the first quarter of 2021, following the upwardly revised 3.2% growth in the fourth quarter of last year. This reading was much better than the consensus estimates of 1.5%.
- Household consumption was the main driver for the 1Q's growth, contributing 0.7ppts to the quarterly index, alongside the 0.4ppts increase in private investment. This came as consumer spending, particularly in the services sector helped boost the economy given Australia's success in containing the pandemic throughout 1Q that has allowed its economic sectors to operate. On a year-on-year comparison, GDP growth was also higher at 1.1% y/y (4Q: -1.0%), compared to the forecasted. 0.6%

Forex

MYR (Neutral)

- USD/MYR was little changed at 4.1245 on Wednesday. We continue to expect USD/MYR to trade on a neutral note today, amid a lack of market drivers and mixed USD performances. No change to our weekly range of 4.10- 4.15 ahead of key US data.

USD (Neutral)

- DXY closed slightly higher by 0.09% at 89.91 on Wednesday, pulling back sharply from an intraday high of 90.25 in the European session to close below the 90-handle for a third straight day, amid some selling pressure in the USD. Inflation expectations and Fed chatters on tapering remain the primary drivers for the greenback. We maintain a neutral USD outlook today, as markets await job data today and tomorrow.

EUR (Neutral-to-Bearish)

- EUR/USD ended little changed at 1.2211, bouncing back from an intraday low of 1.2165 tracking movement in the USD. Daily outlook is neutral with a slight bearish bias, potentially breaking below the 1.22 levels. The pair will likely be USD driven for now ahead of next week's ECB policy meeting. Resistance lies in the 1.23 big figure while support is at 1.2040.

GBP (Neutral-to-Bearish)

- GBP/USD advanced 0.15% to a close of 1.4171 on Wednesday, erasing all losses in the European session (low of 1.4112). We remain neutral to bearish on the sterling today, as markets continue to weigh the risks between Covid-19 variants and improving health statistics showing zero death for the first time since the pandemic yesterday. Watch resistance at 1.4300 and support at 1.4090.

JPY (Neutral)

- USD/JPY continued to range trade near the 109 handle, and was up 0.08% to a close of 109.56 on Wednesday. There is little to influence the pair today, hence we continue to eye a neutral USD/JPY ahead of US job reports that could move the greenback. Immediate resistance is at 110.10 while support is at 109.20.

AUD (Neutral)

- AUD/USD was unchanged at 0.7754, after trading within a low of 0.7716 and high of 0.7773 on Wednesday. Markets seem to have shrugged off a better than expected 1Q GDP reading and rallying commodity prices. Overnight USD strength could exert some downward pressure on the pair today, testing the 0.7710 support level but improving sentiments could keep the pair supported still. Trade and retail sales data are focus of the day.

SGD (Neutral-to-Bearish)

- USD/SGD closed little changed at 1.3225 on Wednesday and continued to hover around the 1.3220 ranges for the fourth consecutive session. We expect slight downward momentum to test the 1.3189 low it set in the previous session. Support is at 1.3157 and resistance at 1.3380. Markit PMI (3 Jun) and retail sales (4 Jun) are up next in the data docket.

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