

Global Markets Research

Daily Market Highlights

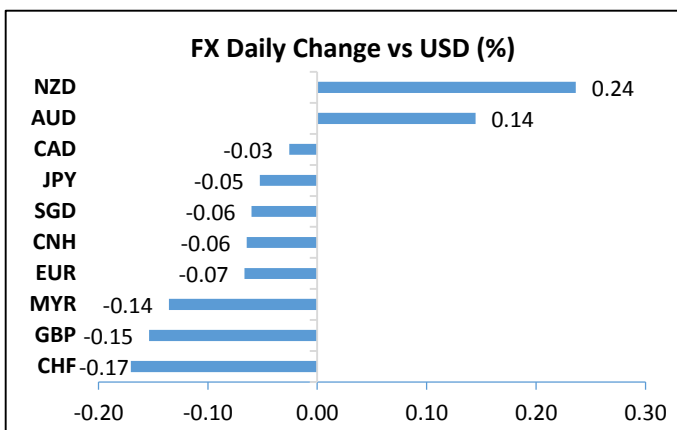
Key Takeaways

- **U.S. stocks broadly gained overnight amid solid corporate earnings.** Google's parent Alphabet and Amazon have reported better-than-expected earnings the day before. The Dow Jones and S&P500 gained modestly by 0.1% while NASDAQ was little changed (-0.02%). Energy shares led the gains amid higher crude oil prices. **Bond yields continued to gain** by another 0.4 to 5.6bps, **the yield curves steepened.** 10Y UST yield last traded at 1.137% (+4bps).
- **The dollar index was little changed** as the USD saw mixed performances against major currencies. **Crude oil benchmarks climbed further** by another 1.7%; Brent settled at \$58.46/barrel while WTI at \$55.69/barrel. **The Bank of England is expected to leave its benchmark rate unchanged at an all-time low of 0.1% but the focus is more on the central bank's latest review of negative rates as a policy tool.**
- On the data front, **US services PMI continued to outperform those of its peer** while the **ADP job report also beat expectations**, adding to signs that economic recovery is gathering some momentum amid easing Covid-19 infections. **The services sector in the Eurozone, UK and Japan meanwhile contracted further** in January amid extended lockdowns. **China's Caixin PMI** remained at above 50 albeit **recorded lower reading.** Eurozone's CPI jumped in January, reflecting the end of Germany's tax holiday.
- DXY was stable on Wednesday, ended little changed at 91.10. The USD saw mixed performances against major currencies, weakening against AUD but strengthening against EUR and JPY. We remain **neutral on the USD** for the rest of the week. Focus is on the coronavirus-aid package that US Democrats are aiming to pass legislation with the Republican support. A major swing factor remains on Covid-19 containment efforts on US fundamentals. A break significantly above 91 however, may shift momentum to the upside, with the next range of 92-93.
- USD/MYR was firmer for the second session, picking up 0.15% to 4.0515. Nonetheless we maintain our **neutral outlook on USD/MYR**, expecting the pair to continue trading within a tight range of 4.04-4.06, with the USD remaining the biggest influence. Moody's reaffirmation of Malaysia sovereign rating at A3 with a stable outlook which has eliminated another event risk would help support the MYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,723.60	0.12	0.38
S&P 500	3,830.17	0.10	1.97
FTSE 100	6,507.82	-0.14	0.73
Hang Seng	29,307.46	0.20	7.62
KLCI	1,582.99	0.16	-2.72
STI	2,927.47	0.35	2.94
Dollar Index	91.17	-0.03	1.37
WTI oil (\$/bbl)	55.69	1.70	14.78
Brent oil (\$/bbl)	58.46	1.74	12.86
Gold (\$/oz)	1,832.20	0.09	-3.32
CPO (RM/tonne)	3,850.00	-1.17	1.64

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Eurozone	↓	Hong Kong	↓
New Zealand	↑	Singapore	↑

Up Next

04/02	NZ ANZ Business Confidence (Feb P)	9.4
	AU Exports MoM (Dec)	3.0%
	AU NAB Business Confidence (4Q)	-10.0
	EC Retail Sales MoM (Dec)	-6.1%
	UK Bank of England Bank Rate	0.1%
	US Initial Jobless Claims	--
	US Factory Orders (Dec)	1.0%
05/02	AU AiG Perf of Services Index (Dec)	52.9
	JN Household Spending YoY (Dec)	1.1%
	AU Retail Sales MoM (Dec F)	-4.2%
	SI Retail Sales YoY (Dec)	-1.9%
	US Change in Nonfarm Payrolls (Jan)	-140k
	US Unemployment Rate (Jan)	6.7%
	US Average Hourly Earnings YoY (Jan)	5.1%
	US Trade Balance (Dec)	-\$68.1b

Source: Bloomberg

Macroeconomics

- **US services indices rose in January, outperforming major economies again:**
 - The US ISM services index picked up to 58.7 in January, from 57.7 prior while the Markit Services PMI jumped to 58.3 in the same month (Dec: 54.8); Echoing the stellar manufacturing readings, both services indexes defied broader global trends that saw services activity retreating at the start of the year.
 - Eurozone Markit Services PMI was down to 45.4 in January, from 46.4 as extended lockdowns across the continent weighed further on services activity.
 - UK Markit/CIPS Services PMI dipped to 39.5 in January, a sharp decline from 49.4 in the month prior, reflecting the third lockdown's impact on the services sector.
 - Japan Markit Services PMI fell to 46.1 in January, from 47.7 in December as services business conditions deteriorated further.
 - Caixin China Services PMI plunged to 52 in January, from 56.3 prior as services activity eased at the start of the year.
 - Hong Kong Private Sector PMI improved to 47.8 in January (Dec: 43.5) suggesting moderating contraction in the private sector economy.
 - Singapore Private Sector PMI rose to 52.9 in January (Dec: 50.5), a strong indication of an economic recovery gathering steam.
- **US ADP payrolls beat expectations:**
 - The US private sector added 174k jobs in January; latest estimates also showed that the job losses recorded in December were fewer than expected (revised from -123k to -78k). This is better than consensus estimate that called for 70k gain, adding to signs of growing economic activity amid easing rate of Covid-19 infections.
 - Job gains came from both services (+156k) and manufacturing (+19k).
- **Eurozone CPI jumped in January:**
 - Eurozone's HICP inflation rose 0.2% m/m in January, translating to a 0.9% y/y gain, its first positive reading in six months. This mostly reflects the impact of the end of sales tax holiday in Germany and may not be due to increase in price pressure. The core CPI also surged by 1.4% y/y, from 0.2% prior.
 - Producer prices inflation also quickened to 0.8% m/m and represents a smaller 1.1% y/y decline (Dec: -1.9%).

Forex

MYR (Neutral)

- USD/MYR was firmer for the second session, picking up 0.15% to 4.0515. Nonetheless we maintain our neutral outlook on USD/MYR, expecting the pair to continue trading within a tight range of 4.04-4.06, with the USD remaining the biggest influence. Moody's reaffirmation of Malaysia sovereign rating at A3 with a stable outlook which has eliminated another event risk would help support the MYR.

USD (Neutral Outlook over 1 Week Horizon)

- DXY was stable on Wednesday, ended little changed at 91.10. The USD saw mixed performances against major currencies, weakening against AUD but strengthening against EUR and JPY. We remain **neutral** on the USD for the rest of the week. Focus is on the coronavirus-aid package that US Democrats are aiming to pass legislation with the Republican support. A major swing factor remains on Covid-19 containment efforts on US fundamentals. A break significantly above 91 however, may shift momentum to the upside, with the next range of 92-93.

EUR (Neutral-to-Bearish)

- EUR/USD closed slightly down at 1.2036. The pair traded as low as 1.2011 before recovering slightly towards the end of the trading session. Released services PMIs revealed contraction for a fifth consecutive month. A break of the 1.2000 big figure will likely turn momentum on the downside towards a 1.1800-1.1900 range.

GBP (Neutral)

- GBP/USD fell to around 1.3650 level on Wednesday, slightly down 0.15% d/d. We are **neutral** on the pound as the vaccination programme in the UK continues to post stellar numbers. For the week ahead, focus is on the Bank of England's policy decision taking place on 4 February. The bank is expected to outline its decision on whether or not to include the potential use of negative interest rate policy. Support remains unchanged at 1.3580.

JPY (Neutral-to-Bearish)

- USD/JPY traded slightly upwards on Wednesday to close the day at 105.03. The pair spent the day confined to a tight range around the 105.00 figure. We maintain our **neutral-to-bearish** stance on the JPY for the rest of the week. Data coming from Japan showed that the Jibun Services PMI contracted to 46.1 in January. Support levels are at 102.71 and 104.20, with resistance around 105.20.

AUD (Neutral-to-Bearish)

- AUD/USD closed the day slightly higher, benefitting from positive sentiments and mostly welcome data despite RBA Governor's downbeat comments. This consolidated levels above the 0.76 big figure. Still, we are **neutral-to-bearish** on the AUD for the week ahead. A break below 0.7600 may turn attention to the next support at 0.7420.

SGD (Neutral)

- USD/SGD dropped as low as 1.3306 before recovering towards the end of the day to end at 1.3333. With USD/SGD hovering around the 1.33 big figure, we are **neutral** and see weekly range movements between 1.3200-1.3400. A break of this range will likely signal at momentum either way. Singapore private sector PMI rose to 52.9 in January, indicating strong signs of an economic recovery.

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