

Global Markets Research

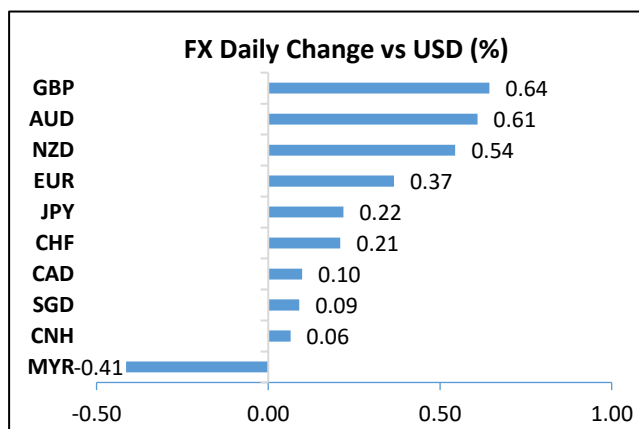
Daily Market Highlights

Key Takeaways

- US stock benchmarks saw mixed performances on Monday as investors sold tech shares** and entered cyclical sectors such as financials, health cares, industrials and energy. The Dow Jones rose 0.7% alongside the modest 0.3% gain in the S&P 500. Tech-focus NASDAQ shed 0.5%, extending the losses from last Friday. This comes as the US' ISM Manufacturing Index pulled back from recent high but continued to paint a strong outlook for the sector. Meanwhile, **Fed Chair Jerome Powell said that the US economic outlook has "clearly brightened" but highlighted the uneven recovery across different social groups** i.e. slower rebound was slower for the lower wages group. **Stocks were up in Europe and mostly fell in Asia.**
- Treasury yields fell in the US after the release of the ISM data which fell short of consensus forecasts.** The yield on the benchmark 10Y UST edged lower by nearly 3bps to 1.6%. This resulted in the simultaneous weakening of the dollar where **all G10 currencies strengthened against the USD.** Gains were led by the GBP and AUD. Gold prices strengthened as the dollar weakened. Futures snapped a four-day losing streak on Monday, picking up 1.4% to \$1791.8/oz. **Crude oils recovered from last Friday's declines.** Brent rose 0.5% to \$67.56/barrel while WTI gained 1.4% to \$64.49/barrel. **The RBA is expected to maintain its cash rate unchanged today;** the UK's manufacturing PMI and the US' factory orders and trade report are in the data docket. Stock markets in Japan and China remained closed.
- The US' ISM manufacturing index retreated from recent high to 60.7 in April. PMIs in the Eurozone, Malaysia and Singapore all showed continuous strength in the manufacturing sectors.** Construction spending in the US missed expectation, with a small 0.2% m/m growth in March. **Hong Kong's GDP expanded by 5.3% q/q in the first quarter** according to the preliminary report, the year-on-year rate **turned positive for the first time in seven quarters, at an impressive 7.8% y/y,** driven by both external and domestic demand as well as low base effect last year.
- USD weakened on Monday, partly retreating after Friday's gain. DXY was down to a close of 90.95 after the previous 91.28. This came as ISM manufacturing retreated slightly but stayed at highly expansionary levels (60.7 vs. 64.7 prior). We see **slight bearishness in the USD** ahead for the week as sentiments gradually recovers. A major risk stems from the fresh global wave of Covid-19 outbreak. Immediate resistance at 91.70 and support at 90.60.
- USD/MYR climbed higher again by 0.4% to 4.1050 on Monday. We maintain a **neutral to slightly bullish view on the MYR,** anticipating slight downside in the USD while a neutral BNM rhetoric at this week's MPC meeting will likely be supportive of the MYR. We maintain a range of 4.09-4.12.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,113.23	0.70	11.46
S&P 500	4,192.66	0.27	11.62
FTSE 100	6,969.81	0.12	7.88
Hang Seng	28,357.54	-1.28	4.14
KLCI	1,590.73	-0.68	-2.24
STI	3,184.76	-1.04	11.99
Dollar Index	90.95	-0.37	1.12
WTI oil (\$/bbl)	64.49	1.43	32.91
Brent oil (\$/bbl)	67.56	0.46	30.42
Gold (\$/oz)	1,791.80	1.36	-5.45
CPO (RM/tonne)	4,400.00	-0.08	16.16



Source: Bloomberg

Overnight Economic Data

US	→	EU	↑
SG	↑	HK	↑
MA	↑		

Up Next

Date	Events	Prior
04/05	VN Markit Vietnam PMI Mfg (Apr)	53.6
	AU Exports MoM (Mar)	-1.0%
	AU RBA Cash Rate Target (04 May)	0.1%
	HK Retail Sales Value YoY (Mar)	30.0%
	UK Markit UK PMI Manufacturing SA (Apr)	60.7
	US Trade Balance (Mar)	-\$71.1b
05/05	US Factory Orders (Mar)	-0.8%
	NZ Unemployment Rate (1Q)	4.90%
	SI Markit Singapore PMI (Apr)	53.5
	HK Markit Hong Kong PMI (Apr)	50.5
	SI Retail Sales YoY (Mar)	5.20%
	EC Markit Eurozone Services PMI (Apr F)	50.3
	US MBA Mortgage Applications (30 Apr)	--
	US ADP Employment Change (Apr)	517k
	US ISM Services Index (Apr)	63.7

Source: Bloomberg

Macroeconomics

Manufacturing PMIs showed growth in the US, Eurozone, Singapore and Malaysia:

- The US ISM manufacturing index came in lower than expected at 60.7 in April, compared to 64.7 in March, indicating that activity has cooled compared to the prior month amid the current chip shortages. However, the index remained at historically high levels and continued to suggest strong expansion of the manufacturing industry. The Markit manufacturing PMI for the US improved further to 60.5 (Mar: 59.1), confirming the view of continuous growth.
- The Eurozone's Markit manufacturing PMI hit a fresh record high of 62.9 in April (Mar: 62.5), slightly lower than preliminary estimate of 63.3. This was driven by large increases in output and new orders. At the same time the lengthening of supplier delivery time fuelled the rapid increase in prices.
- Singapore's official manufacturing PMI was slightly higher at 50.9 in April (Mar: 50.8), a sign of solid and continuous expansion.
- Malaysia's Markit manufacturing PMI surged to 53.9 in April, from 49.9 in March, marking its first 50 and above reading in nine months. The strong upturn implied strong growth in Malaysia's factory activity, amid a synchronised global manufacturing comeback.

Construction spending rebounded less than expected in the US:

- Construction spending in the US rose 0.2% m/m in March (Feb: -0.6%), partially recovering previous month's decline. The reading fell short of expectations for a 1.6% growth. This was mainly because of the continuous fall in non-residential construction spending (-1.1% vs -1.2%) which offset the gain in the residential sector.
- Spending in private residential projects recorded an upturn of 1.7% m/m in March following a flat February. The fall in construction spending suggests that higher costs may have constrained the housing supply in the US, despite strong demand.

Hong Kong's GDP beat estimate in the first quarter:

- Hong Kong's 1Q GDP growth was extremely upbeat at 5.3% q/q, according to a preliminary report, way above consensus estimate for a paltry 0.7% q/q increase, following the 0.2% q/q expansion in the previous quarter. The recovery of the export sectors, alongside improved domestic demand and investment amid a contained pandemic situation had helped drive the recovery.
- The year-on-year growth rate surged to 7.8% y/y (4Q: -3%), doubling the estimate of 3.7%, marking its first positive reading in seven quarters. This was partly inflated by the low base from the same period last year.

Forex

MYR (Neutral to Bullish)

- USD/MYR climbed higher again by 0.4% to 4.1050 on Monday. We maintain a neutral to slightly bullish view on the MYR, anticipating slight downside in the USD while a neutral BNM rhetoric at this week's MPC meeting will likely be supportive of the MYR. We maintain a range of 4.09-4.12.

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

- USD weakened on Monday, partly retreating after Friday's gain. DXY was down to a close of 90.95 after the previous 91.28. This came as ISM manufacturing retreated slightly but stayed at highly expansionary levels (60.7 vs. 64.7 prior). We see slight downsides ahead for the week as sentiments gradually recovers. A major risk stems from the fresh global wave of Covid-19 outbreak. Immediate resistance at 91.70 and support at 90.60.

EUR (Neutral-to-Bullish)

- EUR/USD was up by 0.37% on Monday, closing at 1.2064 after going to the 1.2020 region a day earlier. Attention is on ECB Economic Bulletin and retail sales figures on 6 May. Immediate resistance at 1.2120 and support at 1.1960.

GBP (Neutral-to-Bullish)

- GBP/USD rose by 0.64% on Monday, almost returning back to end-April levels in the process with the 1.3911 close. We anticipate some slight rebounds as the week progresses and sentiments recovers again. 1.4000 remains a critical resistance level, while we peg downside support at 1.3750. Focus for the week ahead is on Bank of England's policy announcement on 6 May, where rhetoric may move the pair.

JPY (Neutral-to-Bearish)

- USD/JPY retreated after two days of gains. Pair reached 109.07 after the intraday high of 109.70. We see slight upsides for the pair for the week ahead. Technicals are showing rebounds after being stretched at low levels. We watch resistance of 109.80 and support of 108.40.

AUD (Neutral-to-Bullish)

- AUD/USD returned to end-April levels on Monday, closing at 0.7763 after previous 0.7716 close. When sentiment recovers, momentum is slightly biased on the upside even as it is looking stretched. For the week ahead, watch RBA's policy announcement on 4 May, and trade numbers. We eye resistance of 0.7820, and support of 0.7560 if there is some risk aversion pullback.

SGD (Neutral-to-Bullish)

- USD/SGD was slightly down by 0.09% to a close of 1.3296. This came as concerns about Singapore's Covid-19 situation increased, even as Singapore manufacturing PMI climbed further to 50.9 from 50.8 a month ago. At this stage, we see a relatively firm support of 1.3220. Any upmove in the pair may test 1.3350 first before resistance of 1.3380.

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