Global Markets Research

Daily Market Highlights

Key Takeaways

- **US equities faltered overnight as the robust economic data brought renewed concerns that the Fed may withdraw stimulus.** The Dow Jones Industrial Average edged down slightly (-0.07%) whereas the broader S&P 500 index shed 0.4% driven by the selloff in technology shares which had outperformed during the pandemic. Nasdaq was down by 1.0%. **Thursday's jobless claims data** showed that the number of first-time claimers for unemployment benefits **fell below 400k for the first time since the start of the pandemic** while the **ADP National Employment Report estimated a nearly 1 million gains in private payrolls in May. The US ISM Services Index continued to indicate strong growth in services activity.**

- **Concerns over surging inflation lingered in the markets; many also saw the Fed's plan to wind down its portfolio of $13.7b corporate debt acquired last year as early signs of further stimulus withdrawal**. Treasury yields rose 1 to 4.7bps across the curve; the yield on the 10Y benchmark UST went up to 1.63% (+3.7bps). **USD strengthened sharply against all G10** currencies where **losses were led by NZD and AUD**. Gold prices fell nearly 2.0% as the dollar strengthened. Futures were down to $1871.2/oz after hovering above $1900 since last Friday. **Crude oils stayed supported** despite the renewed risk aversion as investors focused on a strong oil consumption outlook. Both Brent and WTI were little changed at $71.31/barrel and $68.81/barrel respectively. **Futures showed that Asian stocks are poised for lower openings, tracking the down moves in US markets overnight. All eyes are set on the NFP job report.**

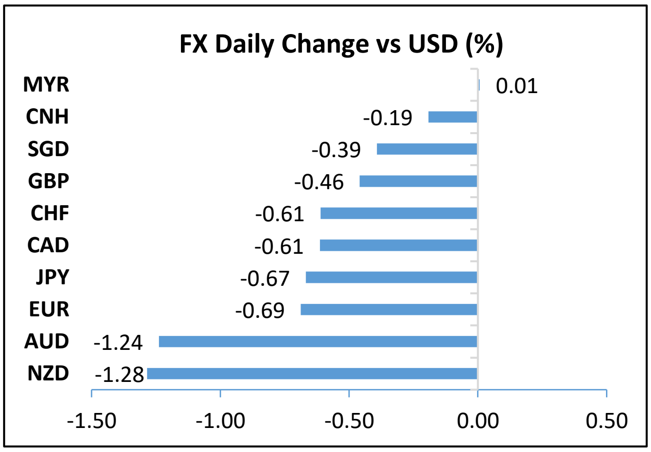
- **Services PMIs in western developed economies registered another strong month in May thanks to the recent relaxation of restrictions.** China's Caixin Services PMI retreated slightly but still at high level. Japan's PMI deteriorated further. Hong Kong and Singapore also reported robust gain in the whole economy PMIs. Japan's household spending rose 13% y/y in April, inflated by low base. **Australia's retail sales rose for the second month but exports growth missed estimate.**

- The DXY was up by 0.67% to a close of 90.51 on Thursday, as market concerns regarding inflation intensified after strong economic data. This may bring about more Fed taper speculation. USD strengthened broadly against more currencies, notably against the AUD. We see slight **upward momentum on the DXY** for Friday, especially if NFP is strong.

- USD/MYR traded steadily for the second session on Thursday, closing little changed at 4.1240. We turned **neutral to bullish on USD/MYR today,** following the sharp up moves in broad USD overnight while risk aversion ahead of the long Malaysian weekend may also trigger some selling pressure in MYR. Pair may return to 4.13-4.14 level, with 4.15 remaining a key resistance ahead of tonight's NFP job report in the US.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,577.04	-0.07	12.97
S&P 500	4,192.85	-0.36	11.63
FTSE 100	7,064.35	-0.61	9.35
Hang Seng	28,966.03	-1.13	6.37
KLCI	1,590.57	-0.46	-2.25
STI	3,165.00	0.13	11.29
Dollar Index	90.51	0.67	0.64
WTI oil ($/bbl)	68.81	-0.03	41.82
Brent oil ($/bbl)	71.31	-0.06	37.66
Gold (S/oz)	1,871.20	-1.90	-1.26
CPO (RM/tonne)	4,061.50	0.84	7.22



Source: Bloomberg

Overnight Economic Data

US	↑	EZ	↑
UK	↑	JP	→
CN	↓	HK	↑
AU	↑	SG	↑

Up Next

Date	Events	Prior
04/06	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%
07/06	CN Exports YoY (May)	32.3%
	CN Imports YoY (May)	43.1%
	EZ Sentix Investor Confidence (Jun)	21.0

Source: Bloomberg

Macroeconomics

Services sector PMIs turned stronger in western developed economies;

- The US ISM Services Index increased to 64.0 in May (Apr: 62.7) while the Markit Services PMI soared to a record high of 70.4 (Apr: 64.7), as relaxed pandemic restrictions led to strong growth in services activity across the US.
- In Europe, the Eurozone's Markit Services PMI surged to 55.2 in May (Apr: 50.5) following the continued reopening of the economy.
- Neighbouring UK also saw its Markit CIPS/Services PMI improving further to 62.9 in May (Apr: 61.0), marking its third consecutive month of growth.
- However, Japan's Jibun Bank Markit Services PMI slipped to 46.5 in May (Apr: 49.5) as the services sector activity was weighed by the reimposition of the State of Emergency in Japan's certain prefectures.
- China's Caixin Services PMI pulled back to 55.1 in May (Apr: 56.3), but still at a comfortably high level.
- Singapore's Markit Whole Economy PMI rose to 54.4 in May (Apr: 51.8), indicating continuous expansion of economic activity despite the reimposition of Phase 2 restrictions.
- Hong Kong's private economy PMI rose to 52.5 in May (Apr: 50.3) after the government eased restrictions further.

US' initial jobless claims fell below 400k; ADP payrolls at +978k in May:

- Initial jobless claims came in at 385k last week, down from the revised 405k prior. This marked a new record low in the pandemic era, suggesting fewer and fewer layoffs after the relaxation of Covid restrictions paved the way for the recovery in the labour market.
- The 978k gains in the May ADP private payroll further confirmed this view, although the previous month's gains were revised down from 742k to 654k. The reading was a big surprise as consensus by economists forecasted only 650k private job growth.

Japan's 13.0% jump in household spending a result of low base:

- Household spending surged 13.0% y/y in April, better than the expected 8.7% forecast. The reading followed the 6.2% gain in the previous month and was in large part, inflated by the low base from the same period last year. Household spending had plunged tremendously in April when the Japanese government first ordered a National State of Emergency.
- On a seasonally adjusted basis, household spending rose a mere 0.1% m/m in May (Apr: +7.2%) after two consecutive gains. The 3-month average growth also turned positive for the first time since December last year, but risked being dragged down again by the new restrictions placed in certain Japanese prefectures.

Australia's retail sales, exports rose in April:

- Australia's retail sales rose for the second month by 1.1% m/m in April (Mar: +1.3%), supported by spending in food, household goods, apparel as well as in café and restaurants, despite the expiry of the stimulus support.
- International trade surplus widened to AUD 8.0b in April (Mar: 5.8b). Export growth missed expectations at 3.0% m/m (Mar: -1.0%), as shipments of iron ores declined. Imports fell 3.0% m/m (Mar: +5.0%).

Forex

MYR (Neutral-to-Bearish)

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USD (Neutral-to-Bullish)

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EUR (Neutral-to-Bearish)

- EUR/USD was down by 0.69% on Thursday's session, hitting a low of 1.2118 in the process. A strong USD may cause the pair to be examining the 1.2040 support, with 1.2200 as resistance.

GBP (Neutral-to-Bearish)

- GBP/USD was hit by a strong wave of USD strength, with pair down to a low of 1.4087 before recovering to 1.4106. We are slightly bearish on the pair, due to strong USD momentum at the immediate term. Look towards a support at 1.4050 and next 1.4000. Conversely, resistance is at 1.4180.

JPY (Neutral-to-Bearish)

- USD/JPY surged to the highest levels since 9 April, hitting a high of 110.32 before settling down to 110.29 close on Thursday's session. We are neutral to bullish on USD/JPY, on inflation differentials and market concerns. Watch resistance at 110.97, while support is at 109.50.

AUD (Neutral-to-Bearish)

- AUD/USD fell to an intraday low of 0.7646 before recovering slightly to a 0.7658 close. The 1.24% lower close is more than other currency pairs and we stay bearish of the pair near-term. We see support at 0.7600 and resistance at 0.7750.

SGD (Neutral-to-Bearish)

- USD/SGD was up by 0.39% on Thursday's session, closing at 1.3277 in the process. This brought the pair to now eye the 1.33 resistance. We are neutral to bullish on USD/SGD in the immediate term. We see resistance at 1.3330 and support at 1.3250. Retail sales numbers may be looking at rear mirror and unable to affect SGD movements.

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