

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rallied overnight leading both the S&P500 and NASDAQ to hit record highs as strong US economic data and easing Covid-19 infection rates buoyed overall market sentiment.** The market frenzy started by retail traders continued to die down and investors now focused on President Biden's proposed stimulus package while monitoring the vaccines rollout in the US. All major US indexes clinched more than 1.0% daily gain. Stocks had broadly risen in Europe but finished on a mixed note in Asia.
- **US treasury yields saw modest movements** of -0.6 to +1.3bps. 10Y UST yield last traded at 1.14%. **Gold futures plummeted** by 2.4% to \$1788.9/oz, the lowest level since late November as investors exited the gold market for riskier assets. The greenback rebounded on the back of strong US data; the dollar index gained 0.4% to 91.53. **All majors weakened against the USD except for the GBP that strengthened post-BOE meeting that offered a more favourable growth outlook.** **Crude oil prices extended gains** to Thursday's session. Brent crude rose 0.7% to settle at \$58.84/barrel and WTI added nearly 1% to \$56.23/barrel. **Attention turns to tonight's nonfarm payroll report.**
- **The Bank of England** left the benchmark Bank Rate unchanged at 0.1% and maintained its QE program at £895b. It **did not mention negative interest rates as a potential policy tool** in the accompanying February Monetary Policy Report. On the data front, **US initial jobless claims fell for the third successive week** while factory orders rose for the eighth month. Eurozone's retail sales rose m/m in December. Japan's household spending rose m/m but fell on a yearly basis. Australia's trade surplus widened.
- DXY gained 0.4% d/d even as US stocks rallied, signalling upward trend is set to persist medium term. This has come as economic data improved in January, helping to boost sentiment compared to other G10 peers which saw fundamentals stay sluggish. We henceforth turn **neutral-to-bullish on the dollar**. A break above 91 now shifts momentum and focus to the upside, with the next range of 92-93.
- USD/MYR saw an extended strength for the third session, finishing 0.2% higher at 4.06. We are **neutral to bearish on MYR** today. The bullish USD overnight is expected to propel the pair further above 4.06, exceeding our weekly range of 4.03-4.06. Stimulus optimism and strong US data are expected to continue supporting the greenback in the short term. Failure to break 4.06 is likely to send the pair back into the comfortable levels of circa 4.05.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,055.86	1.08	1.47
S&P 500	3,871.74	1.09	3.08
FTSE 100	6,503.72	-0.06	0.67
Hang Seng	29,113.50	-0.66	6.91
KLCI	1,584.90	0.12	-2.60
STI	2,905.58	-0.75	2.17
Dollar Index	91.53	0.39	1.77
WTI oil (\$/bbl)	56.23	0.97	15.89
Brent oil (\$/bbl)	58.84	0.65	13.59
Gold (\$/oz)	1,788.90	-2.36	-5.60
CPO (RM/tonne)	3,705.00	-4.73	-2.19

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↑
Japan	↓	Australia	↑

Up Next

05/02	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
08/02	MA Industrial Production YoY (Dec)	-2.20%
	MA Foreign Reserves (47119)	\$107.8b
	EC Sentix Investor Confidence (Feb)	1.3

Source: Bloomberg

Macroeconomics

- **Bank of England left policy intact; did not mention negative rates:**
 - The Bank of England's MPC voted to maintain the benchmark Bank Rate at 0.1% and keep its bond buying program at £895b. It did not mention negative interest rates as opposed to what most economists have been expecting. Instead, its more optimistic assessment of outlook helped spur the sterling's rise.
 - BOE said that the vaccination program has improved the economic outlook. "UK GDP is expected to have risen a little in 2020 Q4 to a level around 8% lower than in 2019 Q4". GDP is expected to fall by around 4% in 2021 Q1, compared to expectations of a rise in the November Report. A further rise in unemployment is also expected over the next few quarters.
 - CPI inflation is expected to increase sharply towards the 2% target in spring on the back of higher energy prices as well as the end of the reduction in VAT for certain services.
 - The outlook for the economy however "remains unusually uncertain". It judged that the existing stance of monetary policy remains appropriate.
- **US initial jobless claims fell for third week straight; factory order made strong finish at year-end:**
 - The number of new filings for jobless benefits fell for the third straight week to 779k for the week ended 30 Jan (prior: 812k). This also marked new claims' lowest level since November. This adds to a series of recently upbeat US data that hint at the possibility that the economic recovery gathering speed amid easing rate of infections and vaccines rollout.
 - Headline factory order rose more than expected by 1.1% m/m in December (Nov: +1.3%), extending its ongoing gaining streak to an impressive 8-month long since the reopening of the economy in May. The growth in orders of durable goods was revised higher to 0.5% m/m (Nov: +1.3%) while the core capital orders, a key gauge of businesses' spending on equipment also picked up 0.7% m/m (Nov: +1.2%). The upbeat report points to robust manufacturing recovery in the US, in line with the strong ISM and Markit PMIs.
- **Eurozone's retail sales rose during the holiday season:** Eurozone's retail sales rose 2.0% m/m in December, after the sharper 5.7% decline in November. The increase results from higher consumer spending during the holiday season but fell short of analysts' expectations (+2.8%). Sales of food, drink, tobacco, non-food products, clothing and fuel rose. Online sales declined. Compared to the same month last year, retail sales was only 0.6% higher.
- **Japan's household spending fell at year end:** Japan's household spending fell 0.6% y/y in December after a temporary 1.1% y/y increase in November. The decline was smaller than economist's expectation of -1.8%. On a m/m basis, spending rose 0.9% (Nov: -1.8%). Household spending has registered y/y declines for 10 months out of 12 months in 2020; the Oct-19 sales tax followed by a pandemic downturn weighed on overall consumption as households became even more cautious to spend.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR saw an extended strength for the third session, finishing 0.2% higher at 4.06. The bullish USD overnight is expected to propel the pair further above 4.06, exceeding our weekly range of 4.03-4.06. Stimulus optimism and strong US data are expected to continue supporting the greenback in the short term. Failure to break 4.06 is likely to send the pair back into the comfortable levels of circa 4.05.

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

- DXY gained 0.4% d/d even as US stocks rallied, signalling upward trend is set to persist medium term. This has come as economic data improved in January, helping to boost sentiment compared to other G10 peers which saw fundamentals stay sluggish. We henceforth turn **neutral-to-bullish** on the dollar. A break above 91 now shifts momentum and focus to the upside, with the next range of 92-93.

EUR (Neutral-to-Bearish)

- EUR/USD broke the 1.2000 psychological big figure, losing 0.6% d/d to a close of 1.1958. We are **neutral-to-bearish** on the EUR, as market attention focuses on fundamentals. A break of the 1.2000 big figure will likely push EUR/USD towards a 1.1800-1.1900 range.

GBP (Neutral)

- GBP/USD was resilient, up almost 0.2% in an environment of dollar strength. Daily range at 1.3672-1.3698, as the Bank of England tells banks to prepare for negative rates, starting work on a rate-tiering system. BOE stressed that it is not sending a signal that a negative interest rate policy is imminent. We are **neutral** on the GBP. Anticipate weekly range of 1.3600-1.3800. Support at 1.3580.

JPY (Neutral-to-Bearish)

- USD/JPY was biased on the upside on Thursday, breaking the 105 big figure to a close around the 105.50 level. We stay **neutral-to-bearish** on the JPY for the coming week, due to technicals showing momentum for JPY weakness. A break of the 105s now shifts focus towards a 106-107 range.

AUD (Bearish)

- AUD/USD dipped by more than 0.2% on Thursday, breaking the 0.76 big figure in the process and hitting a 0.7588 low. We are **bearish** on the AUD for the week ahead, mainly concerned about correction from prior rallies and risk aversion. A break below 0.7600 now shifts attention to the immediate support of 0.7564 before the next support at 0.7420.

SGD (Neutral-to-Bearish)

- USD/SGD moved away from the 1.3200-1.3400 range on Thursday as a result of dollar strength. Pair touched a high of 1.3383 in the process, leading to us to revise our view towards a **neutral-to-bearish** SGD view. We see immediate resistance at 1.3450.

- ***Australia trade surplus widened in December:***

- Australia's trade surplus widened to AUD6.8b in December, from AUD5.0b prior. This reflects the steady 3% m/m growth in exports compared to the 2% decline in imports. Imports have retreated from the jump in the prior month. Exports to China continued to increase 21% m/m and it remained Australia's major trading partner despite the deteriorating relations and also the biggest buyer of Australia's iron ore. Exports of iron ore (to all other countries including China also rose 21%.
- The AiG Performance of Services Index rose to 54.3 in January, from 52.9 in December, pointing to improvement in services activity in Australia amid sustainably low Covid-19 cases.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.