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.

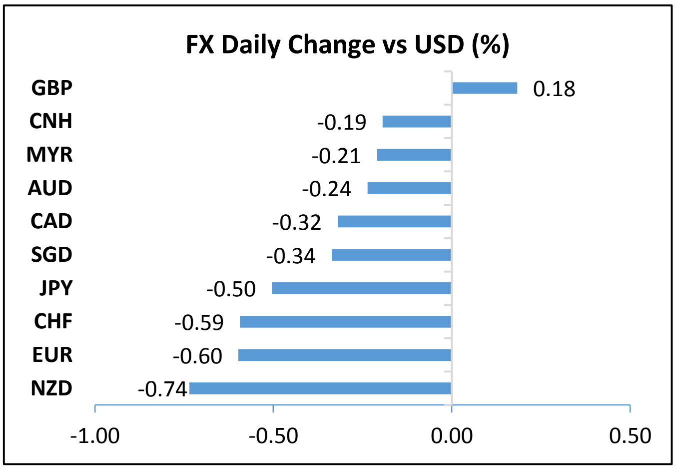
- DXY gained 0.4% d/d even as US stocks rallied, signalling upward trend is set to persist medium term. This has come as economic data improved in January, helping to boost sentiment compared to other G10 peers which saw fundamentals stay sluggish. We henceforth turn **neutral-to-bullish on the dollar**. 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 (S/oz)	1,788.90	-2.36	-5.60
CPO (RM/tonne)	3,705.00	-4.73	-2.19

Source: Bloomberg



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.

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