Hong Leong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **The selloffs in US stocks and bonds extended to Thursday after Fed Chair Jerome Powell reaffirmed a dovish policy stance but acknowledged rising consumer inflation.** Speaking at the WSJ's virtual Jobs Summit, Powell repeated that the US is "still a long way" from the Fed's "goals of maximum employment and inflation averaging 2% over time", confirming that it won't tighten policy as had been expected by markets in recent weeks. He predicted strong job growth and said inflation will move up as "the economy reopens and hopefully picks up", citing vaccine rollout. Powell's speech was highly anticipated as markets aimed for any signs of a change in the Fed's tone ahead of the 16-17 March FOMC meeting given the recent surge in treasury yields.

- **The dollar strengthened to the strongest in three months alongside the higher UST yields.** The USD gained substantially across the board with the steepest losses seen in CHF and JPY, the traditional safe currencies. Gold prices weakened by around 0.8%. **Gold futures was down below $1700/oz this morning**, its weakest since June last year. **Crude oil prices rallied by more than 4.0% as OPEC+ surprised the oil market by keeping output unchanged** as opposed to earlier expectations that the cartel would increase supply amid the recovery in prices and demand. **Focus now shifts to the US job report tonight. Stock futures point to lower openings in Hong Kong and Japan.**

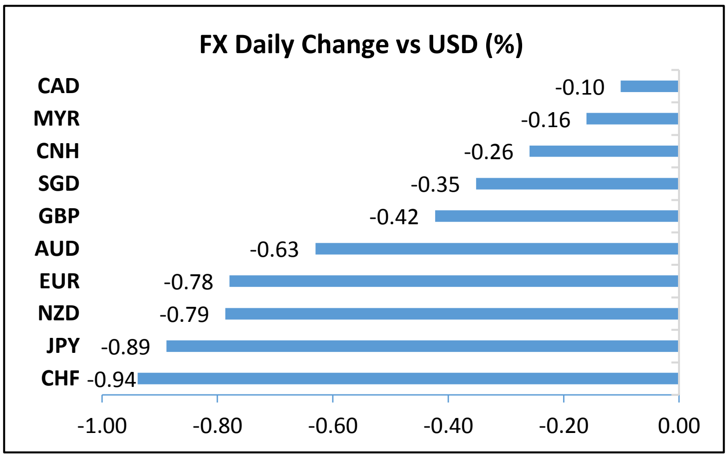
- **The number of new jobless claims filing rose to 745k last week in the US,** higher than the prior week, reflecting the pandemic's continuously adverse impact on the job market. **Factory orders in the US rose** 2.6% m/m in January, reaffirming that the manufacturing sector will strengthen for the rest of 1Q. **Eurozone's unemployment rate was unchanged** at 8.1% in January **while retail sales fell more than expected** by 5.9% m/m. **Australia's trade surplus widened to a record high** of AUD 10.1b thanks to the surge in exports. **BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% for the fourth consecutive meeting and struck a neutral tone.**

- The dollar rose for a second consecutive session, with stronger momentum. DXY gained 0.75% after the 0.18% increase prior, closing at 91.63 from the previous session's 90.95. This came after markets were disappointed with Fed Chair Powell's reluctance to push back against rising bond yields. A break of 91.50 now shifts our resistance focus to 92, with support at 91. Non-farm payrolls data is next to watch for on Friday. We are **neutral-bullish USD**.

- USD/MYR closed slightly higher by 0.2% at 4.0575, unperturbed by BNM's MPC decision and statement which were largely within expectations. **USD/MYR is expected to turn slightly bullish today**, likely breaching 4.06 in tandem with the higher USD overnight ahead of the weekend. Upside could be capped by the surge in oil prices.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,924.14	-1.11	1.04
S&P 500	3,768.47	-1.34	0.33
FTSE 100	6,650.88	-0.37	2.95
Hang Seng	29,236.79	-2.15	7.37
KLCI	1,581.26	-0.45	-2.82
STI	3,014.78	0.48	6.01
Dollar Index	91.63	0.75	1.88
WTI oil ($/bbl)	63.83	4.16	31.55
Brent oil ($/bbl)	66.74	4.17	28.84
Gold (S/oz)	1,700.70	-0.88	-10.73
CPO (RM/tonne)	3,860.00	-0.48	1.90



Source: Bloomberg

Overnight Economic Data					
US	→	EU	↓	AU	↑

Up Next

Date	Events	Prior
05/03	SG Retail Sales YoY (Jan)	-3.6%
	MA Foreign Reserves	$109.7b
	US Change in Nonfarm Payrolls (Feb)	49k
	US Unemployment Rate (Feb)	6.3%
	US Trade Balance (Jan)	-$66.6b
08/03	EC Sentix Investor Confidence (Mar)	-0.2
09/03	JN Labor Cash Earnings YoY (Jan)	-3.2%
	JN Household Spending YoY (Jan)	-0.6%
	JN GDP SA QoQ (4Q F)	3.0%
	NZ ANZ Business Confidence (Mar P)	7.0
	AU NAB Business Confidence (Feb)	10.0
	JN Machine Tool Orders YoY (Feb P)	9.7%
	EC GDP SA QoQ (4Q F)	-0.6%
	US NFIB Small Business Optimism (Feb)	95.0

Source: Bloomberg

Macroeconomics

- ***New jobless claims at 745k in the US; manufacturing orders stayed strong:***

– Initial jobless claims were 9k higher at 745k for the week ended 26 February (prior: 736k) after falling for two consecutive weeks. The still-elevated level of new claims confirmed the pandemic's continuously adverse impact on businesses, leading to layoffs.

– Factory orders in the US rose 2.6% m/m in January (Dec: +1.6%), marking its ninth month of consecutive growth, reaffirming that the manufacturing sector will strengthen for the rest of 1Q. Orders of durable goods rose 3.4% m/m while core capital orders, seen as a gauge of business capex picked up 0.4%.

- ***Eurozone's unemployment rate steadied:***

– Eurozone's unemployment rate was unchanged at 8.1% in January and was revised from 8.3% to 8.1% in December. Jobless rate has stayed at 8.1% for the third consecutive months, suggesting some stabilisation in the job market.

– Retail sales fell more than expected by 5.9% m/m in January (Dec: +1.8%) as stricter social distancing rules and extended lockdowns kept consumers at home. Online sales surged 7.0%.

- ***Australia's trade surplus widened to record high in January:***

– Australia's trade surplus widened to a record high of AUD 10.1b in January (Dec: AUD7.1b) thanks to a surge in exports (+6.0% m/m) that was underpinned by strong demand for its iron ore. This compares to a 2.0% decline in imports. Exports to China retreated from the high in December, still little scathed by the recent Australia-China dispute.

– In a separate note, retail sales rose 0.5% m/m in January (Feb: -4.1%) indicating some stabilisation in spending after the post-lockdown swing observed in 4Q20.

– The AiG Performance of Services Index picked up to 55.8 in February (Jan: 54.3).

- ***Neutral BNM signals unchanged OPR ahead***

– BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% for the fourth consecutive meeting. The decision was in line with ours as well as market expectations. Despite reaffirmation of prevailing downside risks, the policy statement is neutral in our view, offering more sense of confidence over recovery prospects going forward.

– The MPC statement continued to reiterate that the stance of monetary policy is "appropriate and accommodative", suggesting that BNM is comfortable with the current degree of monetary policy. This reaffirms our view for OPR to stay unchanged at the current level this year, based on our decent growth projection of 5.0%.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR closed slightly higher by 0.2% at 4.0575, unperturbed by BNM's MPC decision and statement which were largely within expectations. USD/MYR is expected to turn slightly bullish today, likely breaching 4.06 in tandem with the higher USD overnight ahead of the weekend. Upside could be capped by the surge in oil prices.

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

- The dollar rose for a second consecutive session, with stronger momentum. DXY gained 0.75% after the 0.18% increase prior, closing at 91.63 from the previous session's 90.95. This came after markets were disappointed with Fed Chair Powell's reluctance to push back against rising bond yields. A break of 91.50 now shifts our resistance focus to 92, with support at 91. Non-farm payrolls data is next to watch for on Friday.

EUR (Neutral-to-Bearish)

- EUR/USD broke the 1.2000 psychological level and headed towards a 1.1969 closing, from the previous session's 1.2063. EUR is likely to be adversely affected by any risk off moves. Any move below 1.2000 may trigger more momentum downwards. Watch support of 1.1910 before 1.1850, and resistance of 1.2050.

GBP (Neutral-to-Bearish)

- GBP/USD weakened by 0.42% on Thursday on dollar strength, down to a close of 1.3895 from 1.3954 the day before. Pair stayed on the defensive after recent upward momentum reversed. We now see support at 1.3800 and resistance at 1.3990.

JPY (Bearish)

- USD/JPY rose by 0.9% on Thursday, up to a close of 107.98. Touching the top of the 106.5-108.00 range that we mentioned previously now gives rise to renewed momentum towards further upside risks. We see resistance at 108.90 and support at 107.15.

AUD (Neutral-to-Bearish)

- AUD/USD dipped further on Thursday. Pair was down by more than 0.6%, reaching a low of 0.7709 in the process. With the current development, we turn less optimistic of the AUD. Despite commodity price strength, AUD may be dragged down by risk aversion from bond yields. Support close to 0.76 big figure, while resistance at 0.7810.

SGD (Neutral-to-Bearish)

- USD/SGD is moving to the top of the 1.31-1.34 range that we specified for this week and for March. If 1.3400 is broken, expect attention to shift towards 1.3490 resistance, and support at 1.3270. Momentum is biased on the upside, from dollar strength and rising yield concerns. However, SGD may be more resilient in current environment, compared to other currencies that had rallied more previously.

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