Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock generally retreated on Tuesday as the selloff in tech shares intensified and extended into a third consecutive session.** The S&P 500 fell 0.7% while the NASDAQ slumped 1.9% amid decline in shares of semiconductors and tech giants such as Apple, Microsoft and Facebook. The Dow Jones was little changed (+0.06%). At the WSJ CEO Summit, **Treasury Secretary Janet Yellen clarified** own comments that suggest the Fed may lift rates in response to higher inflation spurred by the Biden Administration's spending plan. Earlier, her remarks "interest rates will have to rise somewhat to make sure our economy doesn't overheat" in a pre-recorded interview had caused some jittery in markets. She repeated, as before, that **there is not going to be an inflationary problem and even there is, the Fed can address it.** JP Morgan's CEO Jamie Dimon predicted a boom in the US economy. **Stocks were down in Europe earlier and saw mixed performances in Asia Pacific.**

- **Treasury yields fell slightly across the curve.** The yield on the benchmark 10Y UST recovered from intraday low of 1.56% and closed at 1.59% (-0.5bps d/d). **The dollar index** retraced prior session's losses by **staging a 0.4% rebound.** All G10s weakened against the US where losses were led by the NZD and AUD. **Gold futures were down** 0.9% to $1776/oz amid strong USD sentiment. **Crude oil benchmarks gained** around 1.9% with WTI and Brent settling respectively at $65.69/barrel and $68.88/barrel. **Focus turns to tonight's ADP job report in the US.**

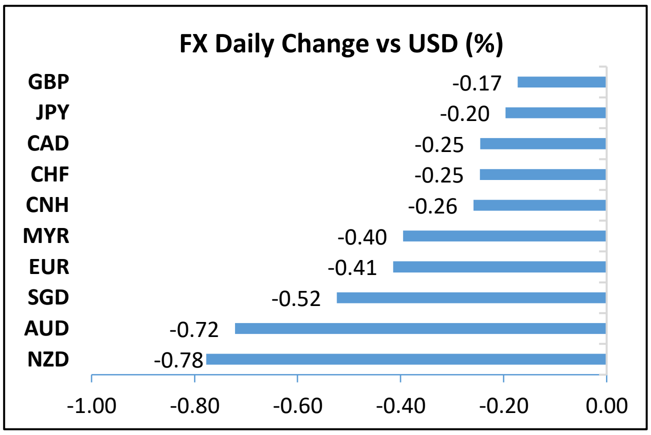
- **Economic releases remained positive overall.** In March, the US' factory orders rebounded 1.1% m/m but was lower than expectations. Trade deficit widened to a fresh record of $74.4b as imports surged to an all-time-high. The UK and Vietnam's manufacturing PMIs came in higher in April. Hong Kong's retail sales fell 6.5% m/m in March but posted second positive y/y reading in a row of 20.1%. Downunder, Australia's exports fell 2.0% m/m while home loans soared 5.5% m/m. Earlier, the RBA had maintained the cash rate at 0.1%. New Zealand's jobless rate fell to 4.7% in 1Q.

- The USD strengthened and wiped out prior day's losses. DXY closed at 91.29 after prior day's close of 90.95. Yellen's various comments overnights about Fed outlook caused some market confusion. Risk off mood also supported the USD. We turn **Neutral** for more two-way movements for the time being. 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 pushed up further by 0.4% to close at 4.1215 on Tuesday. Daily outlook is **Neutral**. The rebound in USD overnight may prompt the pair to gain slightly before some stabilization ahead of tomorrow's BNM meeting. We revise the range to of 4.10-4.14.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,133.03	0.06	11.52
S&P 500	4,164.66	-0.67	10.88
FTSE 100	6,923.17	-0.67	7.16
Hang Seng	28,557.14	0.70	4.87
KLCI	1,588.25	-0.16	-2.39
STI	3,179.13	-0.18	11.79
Dollar Index	91.29	0.38	1.50
WTI oil ($/bbl)	65.69	1.86	35.39
Brent oil ($/bbl)	68.88	1.95	32.97
Gold (S/oz)	1,776.00	-0.88	-6.19
CPO (RM/tonne)	4,505.00	0.11	18.93



Source: Bloomberg

Overnight Economic Data			
US	↑	UK	↑
HK	↑	VN	↑
AU	→	NZ	↑

Up Next

Date	Events	Prior
05/05	SI Markit Singapore PMI (Apr)	53.5
	HK Markit Hong Kong PMI (Apr)	50.5
	SI Retail Sales YoY (Mar)	5.2%
	EC Markit Eurozone Services PMI (Apr F)	50.3
	US MBA Mortgage Applications (30 Apr)	-2.5%
	US ADP Employment Change (Apr)	517k
	US ISM Services Index (Apr)	63.7
06/05	MA Industrial Production YoY (Mar)	1.5%
	MA BNM Overnight Policy Rate (06 May)	1.75%
	UK Markit/CIPS UK Services PMI (Apr F)	60.1
	EC Retail Sales MoM (Mar)	3.0%
	UK Bank of England Bank Rate (06 May)	0.1%
	US Initial Jobless Claims (01 May)	553k

Source: Bloomberg

Macroeconomics

US factory orders rebounded; trade deficit at record high as imports surged:

- Headline factory orders in the US rebounded by 1.1% m/m in March, from the 0.5% decline in the previous month. The increase however fell short of estimate of 1.3% growth as the supply chain bottlenecks and surging raw material costs may have constrained orders. Orders had fallen in February when parts of the US were affected by adversely cold weather.
- The durable goods orders picked up 0.8% m/m (Feb: -0.9%). The core capital orders, a popular gauge of business investment, recorded a solid 1.2% rebound (Feb: -0.8%). The shipments of these goods also rose 1.6% m/m (Feb: -1.2%).
- In a separate report, the US trade surplus widened to a fresh high of $74.4b in March (Feb: -$70.5b) thanks to the record surge in imports (+6.3% m/m to $274.5b) as consumer demand soared in the US. Exports rose 6.6% m/m to $200b.

Manufacturing PMIs rose in the UK and Vietnam:

- UK's Markit Manufacturing PMI surged to a record high in April, from 58.9 in March, as the sector continued to benefit from the gradual economic reopening and pickup in global demand.
- Vietnam's Manufacturing PMI rose to 54.7 in April, from 53.6 in March, marking its highest level since Nov-18.

Hong Kong's retail sales continued to report positive annual rate:

- Hong Kong's retail sales fell for the second month by 6.5% m/m in March (Feb: -9.3%), driven by the sharp decline in sales of food, alcohol & tobacco as well as more modest falls in sales of clothing and footwear, consumer durable goods and jewelry & watches. Sales at department stores also edged lower compared to the previous month. Thanks to the lower base from last year, retail sales rose 20.1% y/y (Feb: +30%), its second consecutive reading in a row.

RBA maintained cash rate as expected:

- The RBA maintained cash rate and its 3-year government bond yield target at 0.1% as expected. The parameters of the Term Funding Facility and the asset purchase program were kept unchanged as well.
- It said the global economic recovery remained uneven and inflation remained low and below central banks' targets, but inflation expectations have lifted from near record lows to be closer to central banks' target
- RBA acknowledged that the economic recovery in Australia was stronger than expected and is forecast to continue. Recovery was particularly strong in employment. It upgraded its GDP forecast to 4.75% for 2021 (from 3.5%) and to 3.5% for 2022 (unchanged from previous forecast). Unemployment rate is expected to decline further to around 5% at the end of this year. With regards to Australia's inflation, the underlying prices are expected to be at 1.5% in 2021
- RBA said that, in the July meeting, it would consider future bond purchases following the completion of the second $100 billion of purchases under the government bond purchase program in September. It is prepared to undertake further bond purchases to meet its inflation and full employment goals. It stressed that it placed high priority to return the economy to full employment.
- RBA added that it is not considering any extension of the Term Funding Facility (to expire in 30 June 2021) and concluded by reiterating its accommodative stance and forward guidance,

Forex

MYR (Neutral)

- USD/MYR pushed up further by 0.4% to close at 4.1215 on Tuesday. The rebound in USD overnight may prompt the pair to gain slightly before some stabilization ahead of tomorrow's BNM meeting. We revise the range to of 4.10-4.14.

USD (Neutral Outlook over 1 Week Horizon)

- The USD strengthened and wiped out prior day's losses. DXY closed at 91.29 after prior day's close of 90.95. Yellen's various comments overnights about Fed outlook caused some market confusion. Risk off mood also supported the USD. We turn Neutral for more two-way movements for the time being. 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)

- EUR/USD fell back on Tuesday's session. Pair closed at 1.2014 after a 1.1999 low for the day. We turn less constructive on EUR gains over a one-week period, due to decreased upside momentum at elevated levels (from technicals). 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 was down by 0.17% to a close of 1.3887, from dollar strength. Pair may stay relatively stable from focus on central bank announcement. Markets anticipate Bank of England's policy announcement on 6 May, where rhetoric may move the pair. 1.4000 remains a critical resistance level, while we peg downside support at 1.3750.

JPY (Neutral)

- USD/JPY was up by 0.24% on Tuesday. Pair closed at 109.33 in the process. We remove our underperformance call on JPY but still see some vulnerability if the USD strengthens further. We watch resistance of 109.80 and support of 108.40.

AUD (Neutral-to-Bullish)

- AUD/USD fell 0.72% to close at 0.7707 for the previous session and underperformed compared to other G10 peers. This came as RBA maintained policy settings and trade surplus faded. If sentiment recovers, momentum can be slightly biased on the upside even as it is looking stretched. We eye resistance of 0.7820, and support of 0.7560 if there is some risk aversion pullback.

SGD (Neutral-to-Bullish)

- USD/SGD continued in a bid tone during Tuesday and closed c.0.5% higher at 1.3366. Concerns on Singapore's increased Covid-19 measures on the economy and MAS tightening is likely to soften the SGD compared to its prior strength. At this stage, we see a relatively firm support of 1.3220. We see resistance level to be tested at 1.3380.

Australia's trade missed forecasts; home loans value recorded strong comeback:

- Australia's total export growth missed expectations in March, as it fell 2.0% m/m compared to the previous month (-1.0%). Consensus estimate had been expecting a strong 4.0% rebound. Import growth also came in weaker than forecast, at 4.0% m/m (Feb: +5.0%). Merchandise exports to most of its trading partners recorded growth on a monthly basis, saves for the US. Exports of iron ores in particular hit a record high of AUD14.04b while shipments and coals and natural gas also saw solid increases.
- In a separate note, home loans value rebounded by 5.5% m/m in March, after the 0.3% decline in the previous month, confirming the strong housing demand in Australia as interest rates remained low. Both owner-occupied and investor segments also reported gains.

New Zealand's 1Q job report better than expected:

- Unemployment rate in New Zealand fell to 4.7% in the first quarter (4Q: 4.9%), beating market expectations for a flat reading. This reflects a solid and steady 0.6% q/q gain in employment in the first quarter (4Q: +0.6%). When compared to the same quarter last year, employment rose 0.3% y/y (4Q: +0.7%).
- The higher participation rate of 70.4% (4Q: 70.2%) added to optimism that more workers returned to the labour market amid recovering consumer and business sentiments. The private wages growth rate was slightly lower at 0.4% q/q (4Q: +0.5%).

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