HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rallied on Monday, reacting to Friday's robust job data as well as the record high ISM non-manufacturing PMI reading.** The 916k surge in US hiring alongside the over-8-point jump in the ISM services gauge reaffirmed that the US is on the right track for economic recovery. The Dow Jones (+1.1%) and S&P 500 (+1.4%) closed at record highs while the NASDAQ (+1.7%) outperformed. Gains were led by technology and consumer discretionary shares whereas the energy sector was the only loser amid falling oil prices. Meanwhile, **Treasury Secretary Janet Yellen called for a global minimum corporate tax rate** to level the playing field between countries while speaking at the Chicago Council on Global Affairs on Monday.

- **Treasury yields retreating by 1 to 5.5 basis points after Friday's higher moves**. The yield on 10Y benchmark UST closed 2bps lower at 1.7%. The dollar weakened alongside lower yields while gold futures were little changed at $1727/oz. **Oil prices plunged as concerns over global demand** outweighed OPEC+'s agreement to ease production cut especially amid the delayed recovery of European countries. Brent crude lost 4.2% to $62.15/barrel and WTI was down by 4.6% to $58.65/barrel. The RBA is set to maintain its monetary policy today. Stock futures point to higher openings in Hong Kong and Japan.

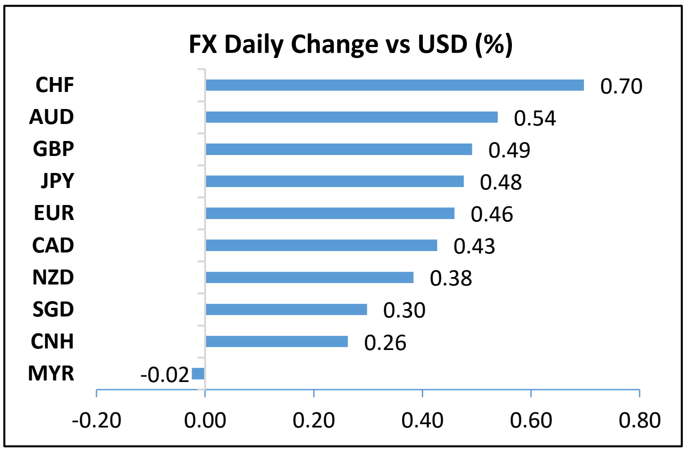
- **Other than the US non-manufacturing PMI, the Markit Services PMI also hit the 60 mark.** The headline factory orders were down in February (-0.8% m/m) and is expected to be a blip. In Japan, the extended fall in wages (-0.2% y/y) inhibited household spending (-6.6% y/y). Its services PMI improved but remained below 50. Elsewhere, Singapore's retail sales gained 5.1% y/y and the official PMI retreated.

- **Dollar fell throughout on Monday, dropping 0.50% to close at 92.60.** The dollar weakened alongside US yields, as it lost out against all G10 currencies where the CHF was the top gainer. This came as sentiments improved alongside strong US data. With elevated dollar at this stage, there is some room for a softening of its current levels. We see a range of 91.80-93.00 for the upcoming sessions.

- **USD/MYR closed on a flat note at 4.1405.** We are neutral to bearish on USD/MYR as the recent bullish USD sentiment retreated. This likely leaves USD/MYR trading within a range of 4.13-4.17 this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,527.19	1.13	9.54
S&P 500	4,077.91	1.44	8.57
FTSE 100	6,737.30	0.35	4.28
Hang Seng	28,938.74	1.97	6.27
KLCI	1,584.24	-0.07	-2.64
STI	3,209.74	0.88	12.87
Dollar Index	92.60	-0.46	2.96
WTI oil ($/bbl)	58.65	-4.56	20.88
Brent oil ($/bbl)	62.15	-4.18	19.98
Gold (S/oz)	1,727.00	0.03	-8.85
CPO (RM/tonne)	4,120.00	0.21	8.76



Source: Bloomberg

Overnight Economic Data			
US	↑	Japan	↓
Singapore	→		

Up Next

Date	Events	Prior
06/04	SI Markit Singapore PMI (Mar)	54.9
	CH Caixin China PMI Services (Mar)	51.5
	AU RBA Cash Rate Target (06 Apr)	0.1%
	EC Sentix Investor Confidence (Apr)	5.0
	EC Unemployment Rate (Feb)	8.1%
07/04	EC Markit Eurozone Services PMI (Mar F)	48.8
	UK Markit/CIPS UK Services PMI (Mar F)	56.8
	US MBA Mortgage Applications (02 Apr)	-2.20%
	US Trade Balance (Feb)	-$68.2b

Source: Bloomberg

Macroeconomics

US' services sector activity surged in March; fall in February's factory orders likely a blip:

- The ISM Non-manufacturing Index added 8.4pts to an all-time-high of 63.7 in March (Feb: 55.3). This was alongside the gain of the Markit Services PMI (from 59.8 to 60.4) in the same month, reflecting the strong gain in US services activity following the loosening of pandemic related restrictions and the weather disruption in parts of the country.
- In a separate note, the headline factory orders in the US fell 0.8% m/m in February (Jan: +2.7%), snapping a nine-month winning streak. Orders of durable goods fell 1.2% m/m and core capital orders were also down by 0.9% m/m. These negative readings are expected to be a blip as the deep freeze in certain parts of the US disrupted demand in February.

Japan's household spending fell 6.6% y/y amid continuous decline in earnings; services sector conditions moving towards stabilisation:

- Household spending in Japan rose 2.4% m/m in February, recovering from the steep 7.3% decline in January when the government had placed 11 of its 47 prefectures under a state of emergency in January amid the third Covid wave. However, spending fell for the third successive month on a y/y basis, by 6.6% in February (Jan: -6.1%).
- This comes as the labour cash earnings fell 0.2% y/y in February (Jan: -0.8%), marking its 11th decline in a row. The decline in wages continued to inhibit consumer spending, dragging on the domestic economic recovery.
- Japan's Jibun Bank Services PMI rose to 48.3 in March, from 46.3 in February. The index, though remaining below 50, signals an improvement in the overall services sector conditions in Japan as the Covid related restrictions eased in March. New orders and output continued to decline but at softer rates, indicating a move towards stabilisation. Employment levels expanded for the second successive month alongside the strengthening of optimism surrounding growth prospects.

Singapore's retail sales rebounded in February:

- Retail sales grew 5.1% y/y in February, after the 6.1% decrease in January. This was a tad disappointing in our view, as the result was buoyed by low base effects. This was slightly supported by Lunar New Year spending. Online retail sales stayed stable at around 10% of total sales. Result was also dragged by motor vehicle sales, down 9.1% y/y (post-Lunar New Year effect). Retail sales ex-autos grew 7.7% y/y. Growth for computer and telecommunications, supermarkets, and recreational goods were strong. Turning base effects helped with less pronounced contractions in department stores, F&B, medical goods, watches and jewellery, clothing.
- In a separate note, Singapore's official PMI rose to 50.8 in March, from 50.5 in February, boosted by faster growth in new orders, new exports orders as well as employment. The electronic sector sub-PMI retreated slightly for the third consecutive month.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR closed on a flat note at 4.1405. We are neutral to bearish on USD/MYR as the recent bullish USD sentiment retreated. This likely leaves USD/MYR trading within a range of 4.13-4.17 this week.

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

- Dollar fell throughout on Monday, dropping 0.50% to close at 92.60. The dollar weakened alongside US yields, as it lost out against all G10 currencies where the CHF was the top gainer. This came as sentiments improved alongside strong US data. With elevated dollar at this stage, there is some room for a softening of its current levels. We see a range of 91.80-93.00 for the upcoming sessions.

EUR (Neutral-to-Bullish)

- EUR/USD rose on Monday, from an intraday low of 1.1738 to close out at 1.1813. Pair benefited from improved market mood which weakened the safe-haven US dollar. At depressed levels, we see some room for EUR/USD to examine 1.1900 big figure. Gains may be capped by Europe's rising Covid-19 cases and lockdowns.

GBP (Neutral-to-Bullish)

- GBP/USD rose most of Monday, to close the day up 0.49% at the 1.39 big figure. Pound was supported by optimism related to progress against Covid-19. UK Prime Minister Boris Johnson has announced that lockdown easing will start from April 12 onwards. We see possibility of pair testing 1.4000 resistance, with support around 1.3780.

JPY (Neutral-to-Bullish)

- USD/JPY pulled back after a high of 110.75 to 110.18 close, after a low of 109.96. The dip corresponded to the pair's lowest value in four days. We now see some room of downsides after prior stretched levels. Support at 109.20 while resistance at 111.00. A fresh wave of Covid-19 infections and lockdowns in Japan may limit yen gains.

AUD (Neutral-to-Bullish)

- AUD/USD rose by 0.54%, up to a close of 0.7651. The pair found the bid tone in a better market mood. The Reserve Bank of Australia is having a monetary policy meeting early on Tuesday, although it is most likely to maintain its rates at a record low of 0.1% and its commitment to yield-curve control. Support close to 0.600, while resistance at 0.7730.

SGD (Neutral-to-Bullish)

- USD/SGD fell mostly on Monday, as the pair closed at 1.3420 region. This came alongside positive PMI data, and a rebound in retail sales growth. The government announced that the vaccine would be extended to below-45-year-old by June. Support at 1.3370 before attention shifts to the 1.33 big figure. Resistance now firming around 1.3470.

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