

Global Markets Research

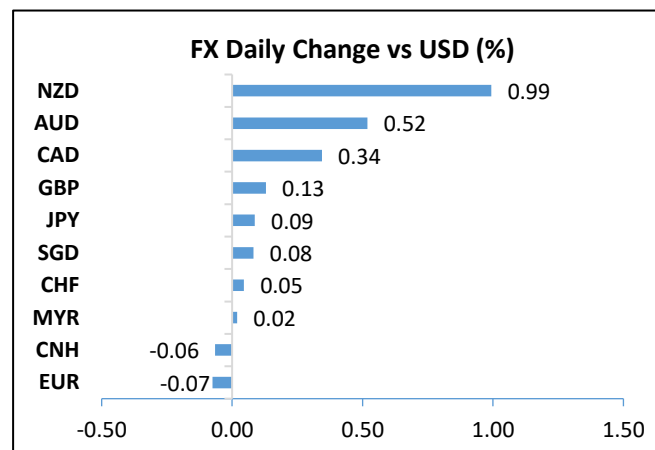
Daily Market Highlights

Key Takeaways

- US stock benchmarks saw another session of mixed performances overnight as investors sold tech shares for the fourth day.** The blue-chip Dow Jones Industrial Average rose nearly 100pts (or 0.3%) to a fresh record amid excellent corporate earnings and strong economic optimism. The broader S&P 500 rose less than 0.1% as the gains in energy, materials, financials, healthcare and industrials were offset by the fall in tech and consumer stocks. The NASDAQ shed another 0.4%. **The US Administration supports the World Trade Organisation's proposal to lift the patent protections for Covid-19 vaccines in a bid to ramp up global vaccination productions.** Earlier, **European stocks surged following a recent selloff, owing to strong corporate earnings and upbeat reopening sentiment.** The Pan-European STOXX 600 closed 1.8% higher.
- Treasury yields continued to retreat moderately** as investors weighed the private payroll figures which came in fewer than expected as well as the US Treasury's quarterly refunding report. **The Treasury Department announced an unchanged refunding size of \$126b.** The yield on the benchmark 10Y UST was down by 2.6bps to 1.57%. **The dollar was mixed** across the board. NZD outperformed with nearly 1% gain, alongside stronger AUD and CAD. EUR and CHF were flat. **Gold futures rebounded** by 0.5% to \$1784.3/oz. **Crude oil benchmarks held steadily** at recent levels. Brent (+0.1%) picked up to \$68.96/barrel and WTI (-0.1%) closed at \$65.63/barrel. **The Bank of England and BNM's MPC meetings are the major events for the day.**
- The US' ADP private payrolls came in lower than expected, at 742k,** as opposed to forecast of 850k. **The ISM Non-Manufacturing Index retreated from recent high to 62.7** in April, still a strong reading. **Services PMI for the Eurozone rose above 50** for the first time in eight months. Hong Kong's PMI stayed above 50 for the third time in a row. Singapore's retail sales rose 6.2% y/y in March as expected.
- DXY was moving within a relatively tight range of 91.17 to 91.44, closing roughly flat for the day. This came despite some further retreat in equity markets and drop in US yields. We still see a **neutral USD** 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 closed on a flat note at 4.1205, in line with our expectation that the pair may **stabilise ahead of today's BNM meeting.** The trend may extend to today's session as BNM's meeting is scheduled in the afternoon. We continue to eye a range of 4.10-4.14 for the week and expect BNM to maintain its neutral stance. Recent selective reimposition of stricter movement controls is expected to have a minimal impact on overall growth as most economic sectors are still allowed to operate.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,230.34	0.29	11.84
S&P 500	4,167.59	0.07	10.96
FTSE 100	7,039.30	1.68	8.96
Hang Seng	28,417.98	-0.49	4.36
KLCI	1,575.67	-0.79	-3.17
STI	3,153.59	-0.80	10.89
Dollar Index	91.31	0.02	1.52
WTI oil (\$/bbl)	65.63	-0.09	35.26
Brent oil (\$/bbl)	68.96	0.12	33.13
Gold (\$/oz)	1,784.30	0.47	-5.77
CPO (RM/tonne)	4,530.00	0.03	19.59



Source: Bloomberg

Overnight Economic Data

US	→	EU	↑
HK	→	SG	→

Up Next

Date	Events	Prior
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
	EU Retail Sales MoM (Mar)	3.0%
07/05	UK Bank of England Bank Rate (06 May)	0.1%
	US Initial Jobless Claims (01 May)	553k
	AU AiG Perf of Services Index (Apr)	58.7
	JN Labor Cash Earnings YoY (Mar)	-0.20%
	JN Jibun Bank Japan PMI Services (Apr F)	48.3
	CH Caixin China PMI Services (Apr)	54.3
	CH Exports YoY (Apr)	30.6%
	MA Foreign Reserves (30 Apr)	\$109.3b
	US Change in Nonfarm Payrolls (Apr)	916k
	US Unemployment Rate (Apr)	6.0%

Source: Bloomberg

Macroeconomics

The US' private sector added 742k jobs last month; ISM non-manufacturing PMI retreated from recent high:

- The ADP National Employment Report shows that the US' private sector added 742k jobs in April, following the upwardly revised 565k in March. While this fell short of consensus forecast of 850k gain, it is still the largest increase in seven months, reflecting the ongoing hiring boom. Friday's NFP report will offer a more complete picture of the labour market.
- The ISM Non-Manufacturing Index slipped to 62.7 in April, from the recent high of 63.7 in March, but nonetheless a very strong reading. The Markit's services PMI for the US rose to 64.7 in April (Mar: 63.1), confirming the continuous recovery of the US' services industry.
- Mortgage applications fell 0.9% last week (prior: -2.5%), dragged by new purchases (-2.5%) as borrowing costs increased slightly.

Eurozone's services PMI back to expansionary level:

- The Eurozone's Markit services PMI rose to 50.5 in April, from 49.6 in March. This marks its return to the expansionary level after hovering below 50 for seven consecutive months. While this indicates marginal improvement in services activity, the performances were mixed across the region with Spain and France registering growth while Germany and Italy recording contraction.

Hong Kong's Markit PMI stayed above 50:

- Hong Kong's Markit private sector PMI edged lower to 50.3 in April, from 50.5 prior, marking its third above-50 reading since February which indicates a marginal improvement in overall economic activity. The survey shows expansion in output, stabilisation in new orders and strongest optimism in seven years.

Singapore retail sales increased in March; whole market PMI showing signs of stabilisation:

- Singapore retail sales grew 6.2% y/y in March (5.3% in February), in line with our expectations of 6.0%. Rising COE and overall car prices pushed motor vehicle sales up to a 15.6% y/y expansion, from -9.1% in February (LNY effect). Earlier, The Markit's whole economy PMI moderated to 51.8 in April from 53.5, a sign of stable growth (we possibly see some deterioration in May).
- Excluding autos, retail sales grew 4.4% y/y. Price effects were in play for petrol service stations. Strong discretionary spending growth in recreational goods, watches/jewellery, computer/telecommunication equipment. Retail sales may see some downside risks from tighter measures against Covid-19, although base effects turn highly favourable. We see slight downside pressures, as essential spending continues, although upside opportunities are now limited for May and possibly June.

Forex

MYR (Neutral)

- USD/MYR closed on a flat note at 4.1205, in line with our expectation that the pair may stabilise ahead of today's BNM meeting. The trend may extend to today's session as BNM's meeting is scheduled in the afternoon. We continue to eye a range of 4.10-4.14 for the week and expect BNM to maintain its neutral stance. Recent selective reimposition of stricter movement controls is expected to have a minimal impact on overall growth as most economic sectors are still allowed to operate.

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

- DXY was moving within a relatively tight range of 91.17 to 91.44, closing roughly flat for the day. This came despite some further retreat in equity markets and drop in US yields. We still see 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 weakened for the second consecutive session, down to a close of 1.2005 after a low of 1.1986. PPI numbers showed higher m/m and y/y growth, in line with other major regions. Markit service PMI was revised higher. 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 up by 0.13% on Wednesday's session, closing at 1.3905. Pair may stay relatively stable from a 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 down by 0.11% on the previous session, with the pair looking entrenched around the 109.10-107.70 level. We had removed 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 saw a bid tone and partly took back lost territory a day earlier. Pair was back up to 0.7747 at close. Despite some volatility, the pair looks stuck in a range of 0.7670 to 0.7810. 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)

- USD/SGD steadied around 1.3360 after hitting a high of 1.3392 on the 5 May. Pair closed at 1.3355, slightly lower than previous session's 1.3366. The SGD may stay around current ranges from some uncertainty regarding Covid-19 impact on the economic activity. At this stage, support is firming higher at 1.3300. We estimate resistance at the 1.3390 level.

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