

Global Markets Research

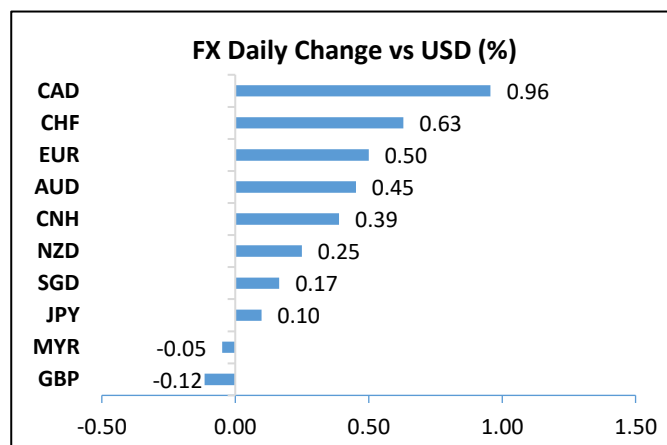
Daily Market Highlights

Key Takeaways

- US stocks rallied overnight in response to the robust initial jobless claims data which fell below 500k for the first time in the pandemic era**, reaffirming views of strong recovery in the US' economy. The Dow Jones added 0.9% to hit another record high while the S&P 500 also rose 0.8%. NASDAQ's performance was more modest at +0.4%. Gains were broad-based across all sectors, led by financials, consumer staples and tech shares. **Stocks were mixed in Europe. The BOE and BNM had maintained their monetary policies earlier. The Biden Administration is likely to maintain a Trump Administration's rule that limits US investment in Chinese companies**, according to unofficial sources. In a semi-annual financial stability report, **the Federal Reserve warned that the continued low level of treasury yields had resulted in historically elevated valuation for some (risky) assets** that may be vulnerable to significant declines if risk appetite falls.
- Treasury yields stabilised after recent pullback as investors anticipate tonight's job report.** The yield on the benchmark 10Y UST closed 0.4bps higher at 1.57%. **The USD weakened against all G10 currencies except the GBP.** CAD outperformed (+1.0%), strengthening to the strongest level since Sep-17. **Gold futures rallied** by 1.7% to \$1815.7/oz as the USD sentiment turned weaker, marking its first closing above \$1800 level since Mid-February. **Oil prices fell more than 1.0% amid renewed concern for global demand.** Brent settled at \$68.09/barrel while WTI at \$64.71/barrel. The job report tonight is set to offer a complete picture of April's labour market condition in the US, where economists are calling for a 1mil gains in jobs according to a Bloomberg survey.
- Recent data were all upbeat.** US' initial jobless claims fell to below 500k last week. The Eurozone's retail sales rose 2.7% m/m in March. The UK's services PMI picked up to above 60. Japan's y/y wage growth rate turned positive. Australia's services PMI also came in above 60 while Malaysia's IPI rose more than expected by 9.3% y/y.
- USD came off during the previous session, with DXY down by 0.39% to a close of 90.95. This was brought about by advances from EUR, and AUD. This comes after lower than expected initial jobless claims figures for the week of 1 May, increasing expectations of higher inflation. We still see **neutral USD with some downside bias** if sentiments improve. Support at 90.60 and resistance at 91.70.
- USD/MYR continued to trade on a flat note, closing little changed at 4.1225 on Thursday. BNM's neutral stance failed to move USD/MYR as the pair is more dollar driven now ahead of tonight's US job report. We continue to maintain our **neutral MYR** view and expect a range of 4.10-4.14.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,548.53	0.93	12.88
S&P 500	4,201.62	0.82	11.86
FTSE 100	7,076.17	0.52	9.53
Hang Seng	28,637.46	0.77	5.16
KLCI	1,578.33	0.17	-3.00
STI	3,173.00	0.62	11.58
Dollar Index	90.95	-0.39	1.13
WTI oil (\$/bbl)	64.71	-1.40	33.37
Brent oil (\$/bbl)	68.09	-1.26	31.45
Gold (\$/oz)	1,815.70	1.76	-4.24
CPO (RM/tonne)	4,555.00	0.53	20.25



Source: Bloomberg

Overnight Economic Data

US	↑	EU	↑
UK	↑	JP	↑
AU	↑	MA	↑

Up Next

Date	Events	Prior
07/05	JP Jibun Bank Japan PMI Services (Apr F)	48.3
	CN Caixin China PMI Services (Apr)	54.3
	CN Exports YoY (Apr)	30.6%
	MA Foreign Reserves (30 Apr)	\$109.3b
	US Change in Nonfarm Payrolls (Apr)	916k
10/05	US Unemployment Rate (Apr)	6.0%
	AU NAB Business Confidence (Apr)	15.0
	AU Retail Sales MoM (Mar F)	1.4%
	EU Sentix Investor Confidence (May)	13.1

Source: Bloomberg

Macroeconomics

The BOE maintained policy and turned more optimistic:

- The Bank of England maintained the bank rate at 0.1% and its QE program at £895b but said in the accompanying minutes that the “pace of these continuing (bond) purchases could now be slowed somewhat”. Governor Andrew Bailey also reaffirmed that this decision should not be interpreted as a change in monetary policy stance.
- It expects the UK’s 1Q GDP to have fallen by around 1.5% q/q, upgraded from the -4.25% q/q rate forecasted in February. Growth is expected to return to positive at +4.25% in 2Q as more people are vaccinated and Covid-related measures are eased. Despite that, GDP would still be around 5% below its 4Q19’s level before the pandemic. After that, GDP is expected to recover “strongly” to pre-Covid levels over the remainder of 2021 presuming that most restrictions are lifted.
- It also expects CPI inflation to rise temporarily above the 2.0% target towards the end of 2021, due to developments in energy prices.
- BOE stressed that the outlook for the economy remains uncertain and repeated that the existing policy stance remained appropriate.

US’ initial jobless claims fell to below 500k last week:

- Initial jobless claims in the US fell to another fresh pandemic low last week, coming in at 498k (prior: 590k) which is better than analysts’ estimates of 538k. This left the four-week average to edge lower to 560k (prior: 621k), as the economic recovery ushered in a period of hiring boom, resulting in fewer claims for unemployment benefits. The job report tonight is set to offer a complete picture of April’s labour market condition, where economists are calling for a 1mil gains in jobs according to a Bloomberg survey.

Eurozone’s retail sales saw extended gain in March:

- Retail sales in the Eurozone rose 2.7% m/m in March, better than analysts’ forecast of 1.6% as the easing of restrictions allowed consumers to spend more last month. Notably, the growth in the previous month was revised substantially upwards from 3.0% to 4.2%. The increase in the headline reading was supported by the sales of food, drink & tobacco, non-food products, as well as online sales. Fuel sales were down. Compared to the same month last year, sales were up by 12% y/y, thanks to low base effect. Sales plunged sharply in March last year as the virus hit the Euro area’s retail sector.

UK’s services PMI posted sharp gain:

- The UK’s CIPS/Markit services PMI rose to 61.0 in April, the highest level since Oct-13, from 56.3 in March. The surge in the services sector activity was driven by sharp increases in business and consumer spending, attributed to looser pandemic restrictions and high levels of optimism regarding the near-term economic outlook.

Japan’s wage growth return to positive in March:

- Japan’s labour cash earnings rebounded by 6.2% m/m in March (Feb: -2.2%) as bonus payment quadrupled compared to the previous month. Contracted payments rose nearly 1.0% m/m, as both regular and overtime earnings also edged higher. This led the y/y cash earnings rate to increase to +0.2% y/y in March (Feb: -0.4%), snapping an 11-month long losing streak that started in April last year when the Japanese government first imposed the State of Emergency.

Forex

MYR (Neutral)

- USD/MYR continued to trade on a flat note, closing little changed at 4.1225 on Thursday. BNM’s neutral stance failed to move USD/MYR as the pair is more dollar driven now ahead of tonight’s US job report. We continue to expect a range of 4.10-4.14.

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

- USD came off during the previous session, with DXY down by 0.39% to a close of 90.95. This was brought about by advances from EUR, and AUD. This comes after lower than expected initial jobless claims figures for the week of 1 May, increasing expectations of higher inflation. We still see two way movements, albeit somewhat biased on the downside if sentiments improve. Support at 90.60 and resistance at 91.70.

EUR (Neutral-to-Bullish)

- EUR/USD outperformed other G10 currencies and was up by 0.50% on Thursday. This brought pair away from 1.2000 support, to a 1.2065 close. Movement was supported by strong retail sales (12% y/y in March). We see two way movements for the pair, albeit with some possibilities for upsides. Immediate resistance at 1.2120 and support at 1.1960.

GBP (Neutral-to-Bullish)

- GBP/USD underperformed the lower dollar movement trend on Thursday and was slightly down to a 1.3889 close, off a 1.3858 low. BOE sounded more upbeat in line with other central banks, although it still flagged that tightening is still a long way off. 1.4000 remains a critical resistance level, while we peg downside support at 1.3750.

JPY (Neutral)

- USD/JPY was roughly stable, closing at 109.09 after an intraday range of 109.00 to 109.43. There has been some risk aversion and some positive data creating cross currents for the pair. 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 was up by 0.45% leading G10 gains against the USD. This caused pair to close at 0.7782 after previous session’s 0.7747. Pair may look to break April-May range of 0.7670 to 0.7810. We eye resistance of 0.7820, and support of 0.7560 if there is some risk aversion pullback.

SGD (Neutral)

- USD/SGD was down by 0.17% after an intraday high of 1.3375. Pair showed signs of some recovery after some SGD underperformance. Current Covid-19 situation seems to be stabilising (although still fluid in developments), with some community cases and new clusters. At this stage, support has firmed at 1.3300. We estimate resistance at the 1.3390 level.

- The unexpected gain in wages alongside lower jobless rate and higher retail sales and industrial output suggest that the economy may have been more resilient than expected. PM Suga is set to decide whether to extend the State of Emergency today for Tokyo and three prefectures as the country is still battling the fourth Covid wave.

Australia's services sector activity grew sharply in April:

- Australia's AiG services PMI also picked up to 61.0 in April, from 58.7 in March, reflecting stronger sales, new orders and employment. Australia had managed to maintain low community Covid cases for months, allowing the services sector to function well but recent increase in cases has led to the reinstating of social distancing measures this week.

BNM maintained a neutral stance:

- BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% at its May policy meeting, marking a pause for the fifth consecutive meeting. The decision did not spring any surprises while the policy statement also closely toed the previous rhetoric and assessment.
- The neutral tone reaffirming improving growth outlook despite lingering downside risks reinforced our view of a stable OPR for the remainder of the year. The MPC statement continued to reiterate that the stance of monetary policy is "appropriate and accommodative", and that the monetary policy stance going forward will continue to be determined by new data and information and their implications on the overall outlook for inflation and domestic growth outlook. We maintain our view for OPR to stay unchanged at 1.75% for the remainder of the year.

Malaysia saw accelerating industrial production growth:

- The industrial production index (IPI) saw growth picking up more than expected to 9.3% y/y in March (Feb: +1.5% y/y), marking its biggest gain in almost eight years. Growth was spearheaded by manufacturing (+12.7%) and electricity (+10.3%) while mining narrowed its decline to only 1.9% y/y, the least since February last year.
- Further relaxation in movement control restrictions during the month coupled with improving growth momentum in the global economy provided the impetus to growth in both domestic- and export-oriented sectors. We continue to expect the Malaysian economy to expand by 5.0% this year, with a small contraction in 1Q before staging a strong comeback in 2Q lifted by low base effect.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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