Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded on Friday as the robust US job data boosted risk-on sentiments**, leading the US main benchmarks to gain 1.5 to nearly 2.0%. On a weekly basis, the Dow Jones outperformed with a 1.8% w/w gain while the S&P 500 picked up 0.8%. The selloff in tech shares throughout the week weighed on NASDAQ, resulting in a weekly loss of 2.1%. Treasury yields stabilised on Friday. **10Y UST yield was little changed at 1.57% on Friday but was 16bps higher compared to the prior week.** The 30s fell 2.3bps to 2.3% on Friday and recorded a weekly gain of nearly 15bps. **On Saturday, the US Senate passed President Biden's $1.9 trillion Covid-19 stimulus package.**

- **Gold prices weakened further alongside the higher USD.** Futures were down to $1698.5/oz on Friday, registering its third weekly decline (-1.8% w/w). Crude oil prices continue to rally by 3.5 to nearly 4.0% on Friday against the risk-on background. For the week alone, Brent crude rose 4.9% to $69.36/barrel while WTI advanced by a whopping 7.5% to $66.09/barrel thanks to tightening gasoline supply in the US as well as OPEC+'s decision to keep oil output steady. This morning, **Saudi Arabia said that one of its key crude facilities came under missile attack, sending Brent crude to soar above $70/barrel as of writing, potentially heightening inflationary concern.**

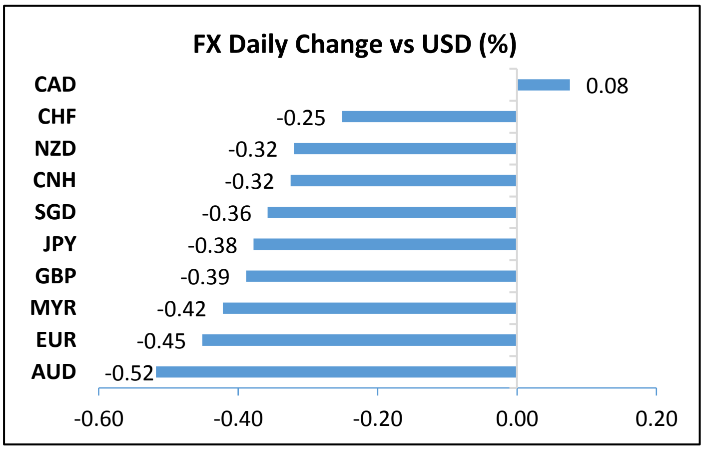
- **The US economy added higher than expected 379k jobs in February** (consensus estimate +200k); January's 49k gain was revised sharply to +166k. **Unemployment rate fell to 6.2%,** from 6.3% prior. In a separate report, the US trade deficit widened to $68.2b in January thanks to a surge in imports. **China's exports surged by 60.6% y/y for the period of Jan-Feb in 2021, partially on low base effect. Import growth also beat expectations at 22.2% y/y in the same period.**

- The dollar strengthened on Friday on positive jobs data. DXY was up by 0.38% to close at 91.98. Without Powell's reassurance the previous week, dollar should stay firm ahead of next upcoming FOMC meeting on 17 March. We have a firm **Neutral-to-Bullish view on the USD** for the week ahead, within a range of 91.00-92.50. Focus is now on CPI, PPI for clues of inflationary pressures, after non-farm payrolls data.

- USD/MYR edged up by 0.4% to close at 4.0745, its highest level since early February amid broad-based USD strength. For the week, USD/MYR registered a 0.6% w/w increase, marking its third consecutive week of positive change. We are turning **bullish on USD/MYR,** expecting a range of 4.05-4.09 in the week ahead. Current market jitters over higher inflation and rising bond yields are expected to keep USD at a bid-tone. Technically, positive momentum in USD/MYR is picking up, paving the way for further up move.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,496.30	1.85	2.91
S&P 500	3,841.94	1.95	2.29
FTSE 100	6,630.52	-0.31	2.63
Hang Seng	29,098.29	-0.47	6.86
KLCI	1,600.12	1.19	-1.66
STI	3,013.85	-0.03	5.98
Dollar Index	91.98	0.38	2.16
WTI oil ($/bbl)	66.09	3.54	36.21
Brent oil ($/bbl)	69.36	3.93	36.10
Gold (S/oz)	1,698.50	-0.13	-9.97
CPO (RM/tonne)	3,900.00	0.88	2.96



Source: Bloomberg

Overnight Economic Data							
US	→	CN	↑	SG	↓	MA	↓

Up Next

Date	Events	Prior
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

- ***US economy added 379k jobs in February; US Senate passed stimulus plan:***
  - Nonfarm payrolls beat expectations at +379k in February (versus consensus estimate of +200k); January's 49k gain was revised sharply to +166k. Job gains came from the manufacturing sector (+21k) and primarily from the services sector (+513k). The construction sector lost 61k jobs due to winter disruption.
  - Unemployment rate went down to 6.2%, from 6.3% prior whereas the participation rate was unchanged at 61.4%. These readings are indications that the US labour market is regaining momentum after weakening considerably in late 2020.
  - In a separate report, the US trade deficit widened to $68.2b in January (Dec: -$67b), thanks to the 1.2% m/m jump in imports to $260.2b, which is also a sign of strengthening domestic demand.
  - On Saturday, the US Senate passed President Biden's $1.9 trillion Covid-19 stimulus package. Individuals earning less than $75,000 a year and married couples earning less than $150,000 will receive $1,400 per person, including children. The Senate also reduced the initial $400 enhancement to unemployment benefit (approved by the House) to $300 through 9 September. Two key pandemic unemployment benefits programs were also extended

- ***China exports surged in Jan-Feb:***
  - China's exports surged by 60.6% y/y for the period of Jan-Feb in 2021, better than analysts' estimate of a 40% increase (China did not publish January trade data this year). The steep growth was partially a result of favourable base effect as exports plunged in the same period last year when the Covid-19 pandemic first hit country. Nonetheless, the impressive gain reflects strong demand for Chinese goods at the start of the year when the global economy continued to recover. Shipments to the US and Canada rose more than 80% while the rest of its key exports destination also recorded at least 45% (saves for Singapore).
  - Import growth also beat expectations at 22.2% y/y in the same period, a sign of solid demand in the Mainland.

- ***Malaysia's foreign reserves at $109b:*** Malaysia's foreign reserves slipped to $109b as at 26 February, from $109.7b prior. This is sufficient to finance 8.6 months of retained imports and is 1.2 times short-term external debt.

- ***Singapore's retail sales slumped in January:*** Singapore retail sales came in below consensus (-2.5%) and our expectations (-2.9%), with a 6.1% decrease in January (Dec: -3.3%). This was supported by rising COE premiums (leading to 10.3% y/y increase in motor vehicles. Underlying retail sales growth was sluggish, with a -8.4% y/y drop excluding motor vehicles. Most other segments contracted on a yearly basis. Supportive segments only include: recreational goods and computers/telecommunications. Base effects now turning against supermarkets (7.8% y/y v. 25.4% a month ago). Base effects to inflate retail sales numbers in the coming months from March onward. Rising petrol prices should inflation growth numbers for petrol service stations sales in the months ahead.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR edged up by 0.4% to close at 4.0745, its highest level since early February amid broad-based USD strength. For the week, USD/MYR registered a 0.6% w/w increase, marking its third consecutive week of positive change. We are turning bullish on USD/MYR, expecting a range of 4.05-4.09 in the week ahead. Current market jitters over higher inflation and rising bond yields are expected to keep USD at a bid-tone. Technically, positive momentum in USD/MYR is picking up, paving the way for further up move.

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

- The dollar strengthened on Friday on positive jobs data. DXY was up by 0.38% to close at 91.98. Without Powell's reassurance the previous week, dollar should stay firm ahead of next upcoming FOMC meeting on 17 March. We have a firm Neutral-to-Bullish view on the USD for the week ahead, within a range of 91.00-92.50. Focus is now on CPI, PPI for clues of inflationary pressures, after non-farm payrolls data.

EUR (Neutral-to-Bearish)

- EUR/USD was down on Friday, hitting a low of 1.1894 and closing at 1.1915. EUR is likely to be adversely affected by any risk off moves. EUR should stay vulnerable for the week ahead, within a range of 1.1850-1.2050. Attention is on ECB meeting on 11 March and January industrial production figures.

GBP (Neutral-to-Bearish)

- GBP/USD had also moved in tandem with dollar strength on Friday, hitting a low of 1.3779 before recovering to 1.3841 at close. Momentum is biased on the downside. We see support at 1.3740 and resistance at 1.3990 for the week ahead.

JPY (Bearish)

- USD/JPY rose by another 0.3% on Friday, up for the third consecutive session. This brought the pair to a high of 108.64 and close of 108.31. We see some scope for the yen to weaken further, after recent weaknesses to CHF. Resistance is at 108.90 and support at 107.15 for the week ahead.

AUD (Neutral-to-Bearish)

- AUD/USD dipped for the third consecutive session, down to a low of 0.7622 and close of 0.7686, from Thursday's 0.7726 close. Risk sentiments and dollar strength remain as headwinds for the AUD near-term, after briefly hitting 0.8007 on 25 February. Support close to 0.76 big figure, while resistance at 0.7810.

SGD (Neutral-to-Bearish)

- USD/SGD has broken the 1.34 big figure on Friday and closed at 1.3421, higher by 0.36% d/d. Momentum is biased on the upside, from dollar strength and rising yield concerns. However, SGD may stay resilient compared to other currencies. After 1.3400 is broken for USD/SGD, expect attention to shift towards 1.3490 resistance, and support at 1.3270.

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