Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stock benchmarks closed on a mixed note** overnight as markets digested the FOMC meeting minutes. **Fed officials remained committed to maintaining accommodative stance and viewed inflation as being under control, suggesting that it is in no hurry to raise rates or withdraw any economic support.** Meanwhile, **Treasury Secretary Janet Yellen unveiled a detailed plan for President Biden's proposed revision to the US corporate tax code.** The Dow Jones was marginally higher (+0.05%) while the S&P 500 gained nearly 0.2%. NASDAQ fell 0.07%. Tech, financial and energy shares picked up.

- Longer-dated treasury yields picked up by 2-4bps where 10Y UST yield last closed at 1.67% in Wednesday's session. Yields at the front end were little changed. The curves steepened. **The greenback made a comeback amid higher yields. Gold futures were flat** at $1740.1/oz. **Crude oil prices extended recovery** - Brent crude rose 0.7% to $63.16/barrel and WTI went up 0.7% to $59.77/barrel. **Focus shifts to the US' jobless claims data tonight and Fed Chair Jerome Powell's IMF panel discussion.**

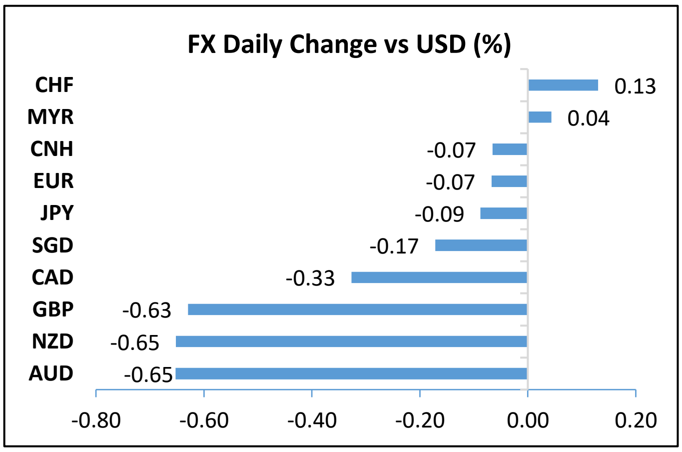
- **The US' trade deficit widened to a record high** of $71.1b in February as exports saw a sharper fall compared to imports. Higher borrowing costs dampened mortgages demand, bringing down overall applications by 5.1% last week. Elsewhere, the **Eurozone's services PMI improved considerably but remained below 50. The UK's services PMI meanwhile returned back above expansion level** and its housing activity were exceptionally robust thanks to government support.

- The USD rebounded on Wednesday's session, as US yields also rebounded. DXY was up by 0.13%, outperforming against GBP and AUD. This brought DXY to a close of around 92.46. Result came as Fed officials backed Chair Powell's stance despite a brighter outlook. With elevated dollar at this stage, there is some room for a softening of its current levels. We are **neutral to bearish on USD** and see a range of 91.80-93.00 for the upcoming sessions.

- USD/MYR drifted below 4.13 to hit an intraday low of 4.1220 before bouncing back to close at 4.1315 on Wednesday, little changed from the previous session. The rebound in USD overnight likely leads the pair back into a more **neutral** movement back into the 4.13-4.14 levels ahead of the US jobless claims data and Fed Chair Jerome Powell's IMF panel discussion.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,446.26	0.05	9.28
S&P 500	4,079.95	0.15	8.62
FTSE 100	6,885.32	0.91	6.58
Hang Seng	28,674.80	-0.91	5.30
KLCI	1,600.59	1.37	-1.64
STI	3,195.76	-0.37	12.38
Dollar Index	92.46	0.13	2.80
WTI oil ($/bbl)	59.77	0.74	23.19
Brent oil ($/bbl)	63.16	0.67	21.93
Gold (S/oz)	1,740.10	-0.08	-8.18
CPO (RM/tonne)	4,160.00	0.37	9.82



Source: Bloomberg

Overnight Economic Data			
US	↓	Eurozone	↑
UK	↑		

Up Next

Date	Events	Prior
08/04	HK Markit Hong Kong PMI (Mar)	50.2
09/04	EU PPI YoY (Feb)	0.0%
	US Initial Jobless Claims (03 Apr)	719k
	AU AiG Perf of Services Index (Mar)	55.8
	CH CPI YoY (Mar)	-0.2%
	CH PPI YoY (Mar)	1.7%
	MA Industrial Production YoY (Feb)	1.2%
	US PPI Final Demand YoY (Mar)	2.8%

Source: Bloomberg

Macroeconomics

FOMC minutes showed Fed's commitment to maintain accommodative policy stance:

- In the latest FOMC minutes, officials noted that the risks to the outlook for inflation were broadly balanced. The notable rise in longer-term Treasury yields generally viewed as a reflection of the improved economic outlook. The overall financial conditions were accommodative.
- Officials agreed that despite positive economic indicators and an improved public health situation, the economy "remained far from the Committee's longer-run goals and that the path ahead remained highly uncertain" with the pandemic continuing to pose considerable risks to the outlook.
- Officials remained committed to its accommodative policy stance until its economic outcomes (maximum employment and inflation moderately above 2% for some time) were achieved.

US' monthly trade deficit at record high; mortgage applications declined as rates increased:

- The US reported a record trade deficit of $71.1b in February which further widened from the -$67.8b gap in January. This reflects 2.6% m/m decline in exports as adverse weather conditions disrupted business activity in parts of the country. Imports also fell, but at a smaller 0.7% m/m pace.
- In a separate report, mortgage applications were lower by 5.1% for the week ended 2 April (previous: -2.2%), marking its fifth consecutive weekly decline. Both purchases and refinancing applications were down as borrowing rates firmed up again last week, affecting the overall affordability to own houses.

Eurozone's services PMI still below 50:

- The Eurozone's Markit Services PMI rose to 49.6 in March, from 45.7 in February, indicating a smaller rate of contraction in its services business activity. The latest reading's marks the PMI's seventh consecutive month below 50 as the sector remained battered by pandemic-related restrictions.

The UK saw jump in services activity, robust housing market:

- The UK's CIPS/Markit Services PMI rose sharply to the expansion area, at 56.3 in March, from 49.5 in February. This marked its first above-50 reading since Oct-20. The rising activity was linked to a recovery in business and consumer spending and partly due to a boost from higher residential property transactions.
- Meanwhile, the RICS House Price Balance Index rose to 59% in March (Feb: 54%), driven by jumps in price and sales expectations as well as new buyer inquiries and new instructions. Agreed sales also saw a massive increase. The robust housing activity reflects the impact of government support where the stamp duty holiday (initially to expire on 31 March) was extended.

Forex

MYR (Neutral)

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

- The USD rebounded on Wednesday's session, as US yields also rebounded. DXY was up by 0.13%, outperforming against GBP and AUD. This brought DXY to a close of around 92.46. Result came as Fed officials backed Chair Powell's stance despite a brighter outlook. 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 came off after an intraday high of 1.1915, after some profit taking. This brought pair overall lower, closing at 1.1868. At depressed levels, we see some room for EUR/USD to examine 1.1900 big figure again. Gains may be capped by Europe's rising Covid-19 cases and lockdowns.

GBP (Neutral-to-Bearish)

- GBP/USD was significantly down a second consecutive day, feeling AstraZeneca vaccine concerns. Pair was down to a close of 1.3737, lower by 0.63% d/d. Pound was dampened by some profit taking and short positions post-Easter, despite positive fundamentals. A break of 1.3780 support now shifts focus to the 1.3670 low (25 March) as next support. Resistance at 1.3830.

JPY (Neutral-to-Bullish)

- USD/JPY was steady on Wednesday, closing below the 110 big figure after an intraday range of 109.85-109.94. 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)

- AUD/USD corrected by 0.65% the previous session, hitting a low of 0.7601 in the process. This brought pair to a close of 0.7614 after previous 0.7664. A softer dollar may place some emphasis on 0.77-and-above levels. Support close to 0.7600, while resistance at 0.7730.

SGD (Neutral-to-Bullish)

- USD/SGD was up for the first session in three days, reaching a high of 1.3425 before closing at 1.3413. This was affected by rising US yields. We see some SGD resilience ahead of MAS meeting, now confirmed on 14 April. With SGD resilience, focus is on support at 1.3370 before attention shifts to the 1.33 big figure. Resistance now firming around 1.3470.

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