

Global Markets Research

Daily Market Highlights

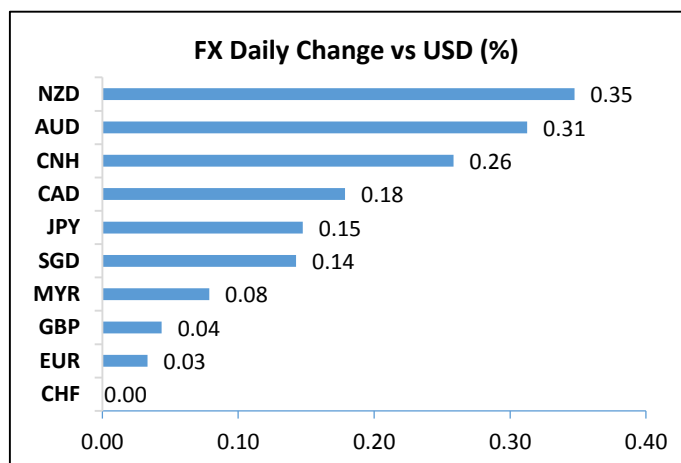
Key Takeaways

- **US stocks powered on overnight with the main indexes all hit record highs.** Investors continued to anticipate the passage of President Biden's \$1.9trillion coronavirus stimulus package as Democrats lawmakers took steps to approve the bill without Republican's support. Treasury Secretary Janet Yellen had also earlier predicted full employment for the US economy if this relief could be passed. The Dow Jones and S&P 500 rose 0.8% and 0.7% respectively while NASDAQ gained nearly 1.0%. **Stock prices also rose in Europe and in most Asian markets.**
- **Treasury yields traded on a mixed note**, moving -0.6 to +1.6bps across the curve as the yields at the front end picked up. 10Y UST yield last traded at 1.17%. **Gold futures rallied** for the second session to \$1831.90/oz as the dollar turned weak. The dollar index barely changed (-0.1%) at 90.963 as EUR, GBP and CHF were flat against the USD while the Swedish krona weakened. **The bullish sentiment in crude oil prices continued;** Both Brent crude and WTI jumped around 2.0% to \$60.56/barrel and \$57.97/barrel.
- On the data front, the **February's Eurozone Sentix Investor Confidence Index slipped back to negative territory** at -0.2. **Japan's wages fell for the ninth successive month** in December dragged by lower overtime and bonus payments. **Malaysia's industrial production staged a surprise 1.7% y/y rebound** in December, potentially posing some upside surprise to 4Q GDP.
- DXY rose to a high of 91.24 on Monday but fell overall to close the day lower at the 90.90 region. We remain **neutral-to-bullish** on the USD for the week ahead as we focus on CPI and initial jobless claims data. The US dollar has been pressured following Friday's Nonfarm Payrolls report. Our attention turns to the 90.50-92.30 range.
- USD/MYR ended on a flat note on Monday at 4.0665. The reversal in USD strength overnight as well as the higher crude oil prices are likely to support MYR, keeping it in **rangebound** mode today, but we maintain our weekly range of 4.05-4.09 in a holiday-shortened week. Market also anticipates the release of Malaysia's 4Q GDP growth on Thursday for further guidance. We expect a slightly bigger contraction in GDP in the wake of reintroduction of conditional movement control orders during the last quarter of the year.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,385.76	0.76	2.55
S&P 500	3,915.59	0.74	4.25
FTSE 100	6,523.53	0.53	0.98
Hang Seng	29,319.47	0.11	7.67
KLCI	1,573.33	-0.34	-3.31
STI	2,931.40	0.84	3.08
Dollar Index	90.93	-0.12	1.11
WTI oil (\$/bbl)	57.97	1.97	19.48
Brent oil (\$/bbl)	60.56	2.06	16.91
Gold (\$/oz)	1,831.90	1.16	-3.33
CPO (RM/tonne)	3,875.00	1.96	2.30

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

Eurozone
Malaysia

Japan

Up Next

09/02	AU NAB Business Confidence (Jan)	4
	US NFIB Small Business Optimism (Jan)	95.9
10/02	AU Westpac Consumer Conf Index (Feb)	107
	CH CPI YoY (Jan)	0.20%
	CH PPI YoY (Jan)	-0.40%
	UK Industrial Production MoM (Dec)	-0.10%
	UK Visible Trade Balance GBP/Mn (Dec)	-£16012m
	UK GDP QoQ (4Q P)	16.00%
	UK Monthly GDP (MoM) (Dec)	-2.60%
	US MBA Mortgage Applications (38384)	8.10%
	US CPI YoY (Jan)	1.40%

Source: Bloomberg

Macroeconomics

- **Investors more gloomy on Eurozone's outlook:** The Sentix Investors' confidence Index slipped back to the negative territory of -0.2 in February, from 1.3 prior. This reflects investors' deteriorating assessment of the current situation and also their weaker expectations for growth outlook six month out. Sentiments may have worsened in the wake of weaker economic indicators and slower vaccination rollouts in the Eurozone.
- **Japan's wages fell in December:** Japan's labour cash earnings fell 3.2% y/y in December (Nov: -1.8%), marking its ninth consecutive decline. This is mainly a result of lower overtime as well as bonus payments. Base earnings also fell slightly though. Overall hours worked fell for the second month, adding to poor signs of the pandemic-weakened economy. This does not bode well for the subdued consumer spending.
- **Surprised rebound in Malaysia's industrial production:**
 - Industrial Production Index (IPI) staged a surprised rebound to increase 1.7% y/y in December (Nov: -2.2% y/y), better than ours as well as consensus estimate for continuous decline.
 - Permission to allow more businesses to operate during the Conditional Movement Control Order (CMCO) could have kept the disruption to production level minimal in our view. Compared to the preceding month of November, overall industrial production increased 4.7% m/m (Nov: -2.7%).
 - The upside surprise in today's IPI report suggests the contraction in 4Q GDP may be smaller than our initial projection of 4.8% y/y (3Q: -2.7% y/y). This could push full year growth closer to mid-5.0%, towards the lower end of BNM forecast range of -3.5% to -5.5%.
 - In a separate note from BNM, the international reserve rose to \$108.6b as at 29 January, from \$107.8b prior. This is sufficient to finance 8.6 months of retained imports and is 1.2 times short-term external debt.

Forex

MYR (Neutral)

- USD/MYR ended on a flat note on Monday at 4.0665. The reversal in USD strength overnight as well as the higher crude oil prices are likely to support MYR today, but we maintain our weekly range of 4.05-4.09 in a holiday-shortened week. Market also anticipates the release of Malaysia's 4Q GDP growth on Thursday for further guidance. We expect a slightly bigger contraction in GDP in the wake of reintroduction of conditional movement control orders during the last quarter of the year.

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

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EUR (Neutral-to-Bearish)

- EUR/USD had a positive day of trading and ended the day at 1.2050 after recovering from Asian lows of 1.2020. This came as the European stock market broke new highs on Monday. We keep our neutral-to-bearish stance on the EUR as concerns with the vaccinations that began in late December have faced numerous rollout issues across the region. Industrial production will likely be the data focus, with markets expecting subdued growth figures.

GBP (Neutral)

- GBP/USD fell to as low as 1.3681 on Monday before bounced back towards the end of the session to close at the 1.3740 region. The UK currency remains among the best performers against the USD, supported by the latest BOE's monetary policy decision. Optimism may stem from the positive inoculation rates against the coronavirus. We view a weekly range of 1.3600-1.3800 for now.

JPY (Neutral-to-Bearish)

- USD/JPY retreated from a daily high of 105.66 to trade in the negatives for most of the American trading window to close the day near the daily low of 105.15. Japan's current account surplus for December came in a tad lower at JPY 1,165.6bn from JPY 1,878.4bn a month ago, despite a higher trade surplus. We look towards a range of 105.00-106.50 should the dollar strength persist.

AUD (Neutral-to-Bearish)

- AUD/USD traded mostly upwards on Monday as the pair rose for the second consecutive day and rose to a fresh two-week high of 0.7715 amid the more positive mood. Additionally, news that the Australian ambassador to the US urged America to reconsider transatlantic partnerships may also support sentiments. We remain **neutral-to-bearish** however as a second outbreak appeared in Melbourne. Focus will likely be on a 0.7564-0.7810 range near term.

SGD (Neutral-to-Bearish)

- USD/SGD came off on Monday to a close of 1.3327, after an intraday high of 1.3366. We remain **neutral-to-bearish** on the SGD for the week ahead. Positivity may come from vaccination drive in Singapore extending to its second phase where it will include the elderly alongside the medical industry workers. A retreat back to 1.3300 will signal a reversal of momentum downwards. Watch 1.3450 as resistance.

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