9 June, 2021

Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US' equities saw another mixed session** on Tuesday while treasury yields fell amid a lack of clear catalyst. **Stocks struggled to find directions as investors weighed the record high job openings data in April while anticipating Thursday's CPI report.** The Dow fell less than 0.1%. The S&P 500 traded near record level before edging lower to finish the day little changed (+0.02%). NASDAQ rose 0.3%, supported by higher growth stocks such as Apple and Amazon. Amid diverging sectorial performances, **consumer discretionary and energy shares led the gains as oil prices climbed further**. Biotech shares retreated from the Alzheimer's drug related rally. Meme stocks gained as retail investors piled into a new SPAC target.

- **US treasuries yields turned lower on Tuesday.** The yield on 10Y UST fell 3.6bps to 1.53%. The dollar index bounced back from the double-session losses, adding 0.1% to just over 90.0. **All G10 currencies weakened modestly against the USD, except the CHF. NZD recorded the biggest decline.** Gold futures saw some small reversal (-0.2%) to $1892.2/oz as the dollar rebounded. Crude oil prices resumed rallies, inching up by more than 1.0% on a strong consumption outlook. Brent crude settled at $72.22/barrel and WTI at $70.05/barrel on Tuesday. **Asian stocks are poised for a muted start this morning, tracking mixed US share movements.**

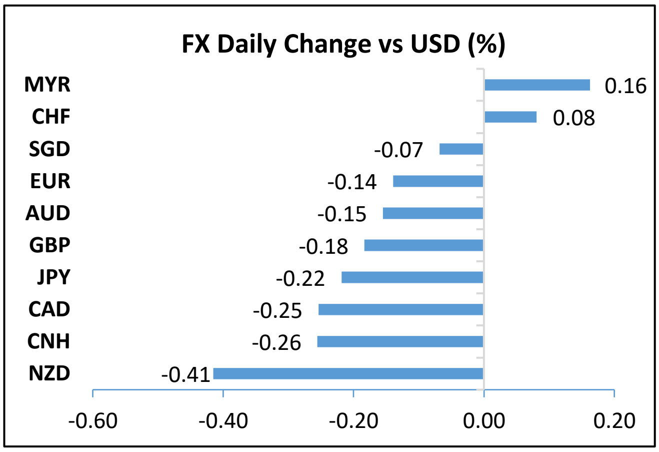
- **The US' JOLTS jobs opening soared to a new high of 9.3m in April.** Trade deficit fell for the first time this year to $68.9b in April. **The Eurozone's GDP growth was revised upwards to -0.3% q/q.** Australia reported strong current business conditions. **Key data releases today are China's CPI and PPI** report and the soaring commodity prices around the world is expected to have driven up the factory gate inflation again in April; PPI had shot up to 6.8% y/y in April.

- DXY bounced back above the 90 mark on Tuesday's session, closing 0.14% up at 90.08. This stemmed two days of weaknesses. We continue to stay **slightly bearish on the USD** from recent momentum and developments. 10-year yields have also fallen recently, lowering pressure on the USD. Focus is on inflation numbers on future near-term dollar direction.

- USD/MYR closed 0.2% lower at 4.1215 on Tuesday. Positive weekly momentum has softened, supporting our view for a **bearish USD/MYR** outlook this week, eyeing a range of 4.10-4.14. The downward momentum may however be limited by expectation of USD strength and intensifying OPR cut chatter in lieu of limited fiscal space to soften the blow from the latest round of lockdown measures in Malaysia.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,599.82	-0.09	13.05
S&P 500	4,227.26	0.02	12.54
FTSE 100	7,095.09	0.25	9.82
Hang Seng	28,781.38	-0.02	5.69
KLCI	1,587.96	0.60	-2.41
STI	3,167.14	-0.27	11.37
Dollar Index	90.08	0.14	0.15
WTI oil ($/bbl)	70.05	1.18	44.37
Brent oil ($/bbl)	72.22	1.02	39.42
Gold (S/oz)	1,892.20	-0.24	-0.15
CPO (RM/tonne)	4,240.50	0.00	11.95



Source: Bloomberg

Overnight Economic Data

US	→	EZ	↓
AU	→	MA	↑

Up Next

Date	Events	Prior
09/06	AU Westpac Consumer Conf Index (Jun)	113.1
	NZ ANZ Business Confidence (Jun P)	1.8
	CN CPI YoY (May)	0.9%
n	CN PPI YoY (May)	6.8%
	JP Machine Tool Orders YoY (May P)	120.8%
10/06	NZ Card Spending Retail MoM (May)	4.0%
	UK RICS House Price Balance (May)	75%
	EZ ECB Deposit Facility Rate (10 June)	-0.5%
	US CPI YoY (May)	4.2%
	US Initial Jobless Claims (05 Jun)	385k

Source: Bloomberg

Macroeconomics

US reported record high job openings; trade deficit narrowed for the first time this year:

- The Labour Department reported that the JOLTS job openings rose to another record high of 9.3 million in April, after having just hit 8.3 million in March. As the US economic recovery gathered momentum, firms set out to hire more staff but many struggled to fill the vacancies.
- The NFIB Small Business Optimism Index was little changed at 99.6 in May (Apr: 99.8), but missed analysts' expectations that called for a stronger reading. The survey painted the same robust picture of economic growth, nevertheless showing the ongoing issue of higher prices and challenges to hire workers.
- The US' goods and services trade deficit narrowed to $68.9b in April, after hitting a record high of $75.0b in March. The higher exports (+1.2% m/m) and fall in imports (-1.4% m/m) had led the deficit to fall for the first time this year. Continuous growth in exports was supported by strong overseas demand as the global economy recovers, while imports retreated as domestic demand normalised from the recent stimulus-driven surge.

Eurozone's GDP growth revised upwards:

- The Eurozone economy contracted less than initially estimated in the first quarter; GDP growth was revised up from -0.6% to -0.3% q/q (4Q: -0.7%). Regardless, this still put the euro area economy in a technical recession. Inventory build-up and a small positive net exports helped offset the fall in household consumption as the region battled the third Covid-19 wave. Government consumption was flat. Compared to the same quarter last year, GDP was 0.2% y/y lower (4Q: -0.3%), its third consecutive decline.
- In a separate note, the ZEW Survey indicated weaker German investor confidence for the Eurozone's outlook. The expectations index fell to 81.3 in June (May: 84), as investors expect higher inflation rate interest rates, both short and long-term as well as lower stock prices.

Australia reported strong business sentiment:

- The NAB Business Confidence Index fell to 20 in May, from downwardly revised 23 in April, indicating some easing in business outlook, possibly because of the rising employment and input costs. The gauge for current business conditions however rose to a record high of 37 (Apr: 32), which reflects strong trading, profitability, employment as well as sales.

Higher Malaysia's foreign reserves:

- Malaysia's foreign reserves rose to $110.9b on 31 May (Apr: $110.6b), which is sufficient to finance 8.4 months of retained imports and is 1.1 times short-term external debt.

Forex

MYR (Neutral-to-Bullish)

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USD (Neutral-to-Bearish)

- DXY bounced back above the 90 mark on Tuesday's session, closing 0.14% up at 90.08. This stemmed two days of weaknesses. We continue to stay slightly bearish of the USD from recent momentum and developments. 10-year yields have also fallen recently, lowering pressure on the USD. Focus is on inflation numbers on future near-term dollar direction.

EUR (Neutral-to-Bullish)

- EUR/USD was down to a close of 1.2173, after finding difficulty in maintaining altitude at 1.22 big figure. We still see modest gains for the euro, and watch a range of 1.2104 to 1.2254. Focus shifts to ECB policy decision on 10 June, where markets will likely anticipate any changes in rhetoric after recently improved economic trends.

GBP (Neutral-to-Bullish)

- GBP/USD dipped slightly by 0.18% to close at 1.4157 the previous session. Overall, pair looks entrenched mostly within a 1.4100 to 1.4250 range since 17 May. Focus is on whether the UK opens up further on 21 June. Watch resistance at 1.4237 and immediate support at 1.4090.

JPY (Neutral-to-Bullish)

- USD/JPY headed northwards for the first time in three sessions, consolidating after prior losses at a close of 109.50. We are slightly bearish on USD/JPY due to current USD weakness, although recent Covid-19 trends and economic fundamentals may limit yen strength. We place support at 109.10 and resistance at 109.90.

AUD (Neutral-to-Bullish)

- AUD/USD came off by 0.15% on Tuesday's session. Pair closed at 0.7742 in the process. Pair overall has stayed mostly within the 0.77-0.78 range, barring a brief dip on 3-4 June to a low of 0.7646. We only see limited gains for the pair to 0.7800 resistance, while support remains at 0.7700.

SGD (Neutral-to-Bullish)

- USD/SGD has crept up slightly on dollar movements. Pair was up by 0.07% to close 1.3240. SGD continue to look relatively anchored without significant drivers affecting it. We anticipate a 1.3189 support and 1.3280 resistance.

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