

Global Markets Research

Daily Market Highlights

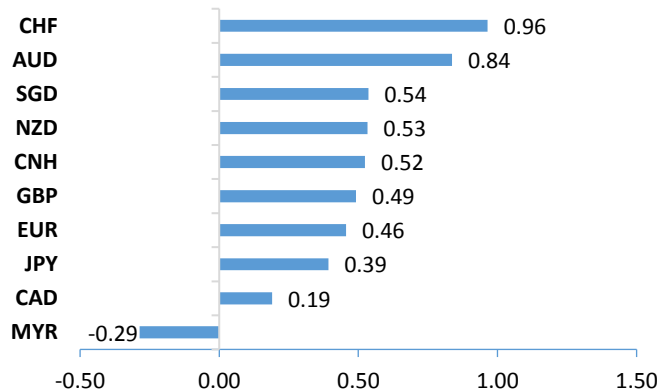
Key Takeaways

- **US stock benchmarks rose overnight, driven by the reversal in tech shares** as investors piled into the likes of Tesla, Apple and Intel in a bargain hunting session. NASDAQ rebounded by 3.7%, its strongest session since early November last year, after having just slumped to correction territory in the previous day. Financials, industrials and energy shares retreated, resulting in only a small increase of the Dow Jones (+0.1%). The S&P 500 picked up 1.4%. **Treasury yields fell** 0.2 to 8.2bps across the curve after the US Treasury's auction of \$58b 3-year notes drew solid demand. The yield on 10Y UST traded 6.4bps lower at 1.53%, its first decrease since last Tuesday.
- **The dollar tracked lower UST yields as it weakened across the board while gold prices rebounded.** Futures rose 2.3% to \$1716.9/oz. **Crude oil prices extended decline** with Brent crude trimming 1.1% to \$67.52/barrel and WTI down by 1.6% to \$64.01/barrel. **RBA's governor Philip Rowe pushed back on tightening expectations that were spurred by the strong Aussie dollar and recently higher Australian yields.** He said that the central bank did not agree with the market on the timing of a rate hike and also signalled that it may maintain its yield curve control policy. The RBA's benchmark cash rate has been kept at 0.1% all-time low since November last year.
- On the data front, US' Small Business Optimism improved modestly in February. Eurozone's 4Q GDP contracted 0.7% q/q, more than initially estimated. Japan's machine tool orders jumped 36.7% y/y in February, implying strong global demand. Australia's business and consumer confidences picked up while New Zealand's retail card spending fell. **Focus shifts toward the sales of \$38b worth of 10-year UST bonds on Wednesday and \$24b 30-year bonds on Thursday as well as tonight's US CPI.**
- The dollar consolidated from recent strength and weakened on Tuesday, as the US yields declined after recent surges. The dollar weakened against G10 and Asian currencies, as DXY was down to a low of 91.91. Still, dollar should stay firm ahead of next upcoming FOMC meeting on 17 March. We still see some possible **USD resilience** for the week ahead, within a range of 91.00-92.50. Focus is now on CPI, PPI for clues of inflationary pressures.
- USD/MYR rallied on Tuesday, reaching as high as 4.1365 before pulling back to close at 4.1190, resulting in a modest 0.3% d/d gain. The broad retreat in USD alongside the oversold RSI condition for MYR continues to pave the way for correction in the short term, with support at 4.1000 and resistance at 4.1350. We are therefore **neutral** on the pair today.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,832.74	0.10	4.01
S&P 500	3,875.44	1.42	3.18
FTSE 100	6,730.34	0.17	4.18
Hang Seng	28,773.23	0.81	5.66
KLCI	1,624.78	0.80	-0.15
STI	3,108.53	1.22	9.31
Dollar Index	91.96	-0.38	2.25
WTI oil (\$/bbl)	64.01	-1.60	31.92
Brent oil (\$/bbl)	67.52	-1.06	30.35
Gold (\$/oz)	1,716.90	2.32	-9.56
CPO (RM/tonne)	4,002.50	1.70	5.66

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
Japan	↑	Australia	↑
New Zealand	↓		

Up Next

Date	Events	Prior
10/03	CH CPI YoY (Feb)	-0.30%
	CH PPI YoY (Feb)	0.30%
	US MBA Mortgage Applications (05 Mar)	0.50%
	US CPI YoY (Feb)	1.40%
11/03	UK RICS House Price Balance (Feb)	50%
	EC ECB Deposit Facility Rate (11 Mar)	-0.50%
	US Initial Jobless Claims (06 Mar)	--

Source: Bloomberg

Macroeconomics

- **Modest gain in US small business optimism:** The NFIB Small Business Optimism Index improved slightly to 95.8 in February, from 95 in January as the winter disruption restrained economic activity and held back overall business confidence. The various sub-indicators generally paint a brighter economic picture in the months to come with the Uncertainty Index retreating further by 5pts.
- **Eurozone's GDP contracted 0.7% in 4Q, more than initially estimated:**
 - Eurozone's 4Q GDP contracted more than initially estimated according to the final reading; the new reading was revised down to -0.7% q/q (from -0.6% prior). The annual rate was a tad better, revised higher to -4.9% y/y (from -5.0%). In 3Q, GDP expanded by 12.5% q/q and contracted 4.2% y/y. This reflects the impact of tighter restrictions put in place by governments as new waves of coronavirus spread across Europe in the last quarter of 2020.
 - Despite that, employment rose 0.3% q/q in 4Q (3Q: +1.0%) and was 1.9% y/y lower compared to the same quarter in 2019, supported by more robust job protection schemes.
- **Surge in Japan's machine tool orders implies strong global demand:** Japan's machine tool orders jumped 36.7% y/y in February (Jan: +9.7%), marking its fourth consecutive gain since November. On a m/m basis, orders picked up by 19.1%, driven by increase in both domestic and foreign orders, implying that strong global demand would fuel Japan's manufacturing growth in the months to come.
- **Australia's business and consumer confidences picked up in February:**
 - The NAB Business Confidence Index picked up to 16 in February, from 12 in January. This reflects stronger assessment of business conditions (+6pts) as well as other factors such as trading, profitability, employment as well as forward orders. Businesses also expect capex to improve, pointing to solid recovery ahead towards the end of 1Q and beyond barring from any spike in new Covid-19 cases.
 - In a separate report, the Westpac Consumer Confidence Index rose 2.6% m/m to 111.8 in March (Feb: 109.1), marking its second monthly gain in a row. This reflects favourable assessment of current condition as well as the climate to buy major household items. Consumers trimmed their overall economic expectations as well as family finances and the economy one year ahead.
- **New Zealand's retail card spending fell in February:** New Zealand's retail card spending fell 2.5% m/m in February, more than consensus estimate of -1.0%. This follows a small 0.4% decline in the previous month. StatNZ said that February's Covid-19 restrictions might have curtailed spending. Total card spending also fell 3.2% m/m (Jan: -1.2%)

Forex

MYR (Neutral)

- USD/MYR rallied on Tuesday, reaching as high as 4.1365 before pulling back to close at 4.1190, resulting in a modest 0.3% d/d gain. The broad retreat in USD alongside the oversold RSI condition for MYR continues to pave the way for correction in the short term, with support at 4.1000 and resistance at 4.1350.

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

- The dollar consolidated from recent strength and weakened on Tuesday, as the US yields declined after recent surges. The dollar weakened against G10 and Asian currencies, as DXY was down to a low of 91.91. Still, dollar should stay firm ahead of next upcoming FOMC meeting on 17 March. We still see some possible USD resilience for the week ahead, within a range of 91.00-92.50. Focus is now on CPI, PPI for clues of inflationary pressures.

EUR (Neutral-to-Bearish)

- EUR/USD recovered by almost 0.5% on Tuesday. This brought the pair to a high of 1.1916, settling close to the 1.19 big figure. EUR should stay vulnerable for the week ahead, with next support at 1.1800 and resistance at 1.1910. Attention is on ECB meeting on 11 March and January industrial production figures.

GBP (Neutral-to-Bearish)

- GBP/USD recovered by almost 0.5% d/d, similar to the EUR. Pair has closed near the 1.39 big figure, after an intraday low of 1.3802. Momentum may be biased on the downside, especially if dollar strength resumes. We see support at 1.3740 and resistance at 1.3990 for the week ahead.

JPY (Bearish)

- USD/JPY consolidated and moved lower by around 0.4% after dollar strength abated. This brought pair to close around 108.50 after an intraday range of 108.42-109.23. After breaching prior resistance, resistance is at 110.00 and support at 108.10 for the week ahead.

AUD (Neutral-to-Bearish)

- AUD/USD was up for the first session in 5 days. Pair returned above the 0.77 big figure after closing at 0.7650 the previous day. Risk sentiments and dollar strength will remain as headwinds for the AUD near-term, after briefly hitting 0.8007 on 25 February. Support level is close to 0.76 big figure, while resistance at 0.7810.

SGD (Neutral-to-Bearish)

- USD/SGD came off on Tuesday after the 1.3531 intraday high. Pair closed near the 1.3434 low as dollar strength faded for now. We still see some concerns later on, possibly from dollar strength and rising yield concerns. 1.3500 is resistance for now, while immediate support (not firm) is at 1.3420.

Hong Leong Bank Berhad

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.