Hong Leong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks extended gains to last Friday as the surprisingly weaker NFP job data eased recent fear of higher inflation that may have prompted the Fed to tighten policy.** The Dow Jones and S&P 500 rose 0.6-0.7% to hit fresh records; notably this marked the blue-chip index's third successive record setting session in last week alone. Friday's broad-based rally was driven by strong demand for tech shares, leaving the NASDAQ to outperform slightly with a 0.9% gain. **The US economy added merely 266k jobs in April, way below expectation of a one million gains.** The unexpectedly slow job growth helped support the Fed's continuously accommodative stance; it had repeatedly said that it was in no hurry to raise rates or taper the QE program with millions of Americans remaining unemployed. For the week, the Dow was the major winner, adding 2.7% w/w while the S&P 500 rose 1.2%. NASDAQ closed out the week in red (-1.5%) due to the selloff in the early week.

- On Friday, **treasury yields recorded mixed performances across the curve.** Yields on the front end pulled back modestly in response to NFP disappointment. Yields at the longer end picked up. 10Y UST yield closed little changed (+0.7bps) at 1.58% following the NFP knee-jerk reaction. The dollar weakened on weak NFP data. The dollar index tumbled by 0.8% to 90.23 as the USD fell against all G10s. **Gold futures picked up further on Friday as the dollar slumped.** Futures rose for the third session by 0.9% to $1831.3/oz and notched a weekly gain of 3.6%. **Oil prices stabilised** by 0.3% after recent declines. Brent crude settled at $68.28/barrel while WTI at $64.90/barrel. **Stock futures were slightly higher in Japan and Hong Kong this morning, the same goes to the US. US CPI, retail sales and industrial production are this week's data highlights.**

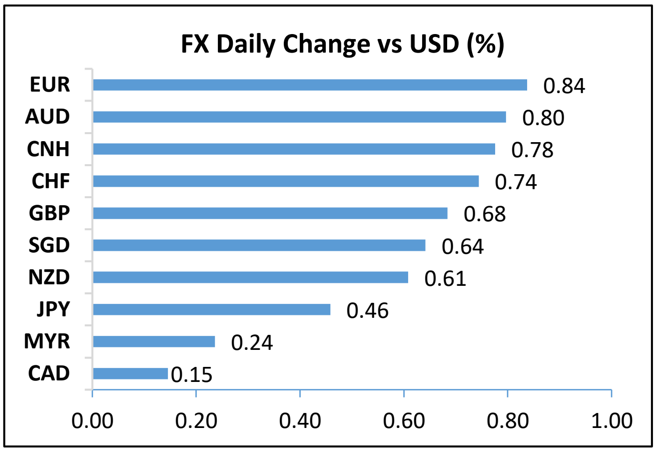
- The US economy added only 266k jobs in April, compared to the 1million gain expected. The unemployment rate rose slightly to 6.1%. Japan's Markit services PMI stayed below 50 in April but has potentials to move towards stabilisation. China's trade balance widened to $42.9b in April thanks to strong export growth.

- DXY was down by 0.79% on Friday, as a weaker-than-expected jobs report meant accommodative policies may persist longer. DXY closed the week at 90.23. We **are neutral to bearish USD** and continue to see slight losses ahead. Momentum appears low at depressed levels. For this week, we watch CPI, PPI and retail sales numbers on whether more concerns on inflationary pressures are warranted.

- USD/MYR closed 0.2% lower at 4.1130 on Friday. The pair snapped its 5-week losing streak to end the week with a 0.6% advance. We are holding on to our view for a **neutral MYR** possibly within the 4.10-4.14 range in the week ahead. MYR will predominantly be USD driven and we do not expect tomorrow's release of Malaysia 1Q GDP that will likely show a small contraction of 1.9% y/y, to have any material impact on the MYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,777.76	0.66	13.63
S&P 500	4,232.60	0.74	12.69
FTSE 100	7,129.71	0.76	10.36
Hang Seng	28,610.65	-0.09	5.07
KLCI	1,587.45	0.58	-2.44
STI	3,200.26	0.86	12.53
Dollar Index	90.23	-0.79	0.24
WTI oil ($/bbl)	64.90	0.29	33.76
Brent oil ($/bbl)	68.28	0.28	33.01
Gold (S/oz)	1,831.30	0.86	-3.20
CPO (RM/tonne)	4,660.00	2.41	23.02



Source: Bloomberg

Overnight Economic Data			
US	↓	JP	↑
CN	↑	MA	↑

Up Next

Date	Events	Prior
10/05	AU NAB Business Confidence (Apr)	15.0
	AU Retail Sales MoM (Mar F)	1.4%
	EU Sentix Investor Confidence (May)	13.1
11/05	NZ Card Spending Retail MoM (Apr)	0.9%
	JN Household Spending YoY (Mar)	-6.6%
	CH CPI YoY (Apr)	0.4%
	CH PPI YoY (Apr)	4.4%
	MA GDP YoY (1Q)	-3.4%
	EC ZEW Survey Expectations (May)	66.3
	US NFIB Small Business Optimism (Apr)	98.2
	US JOLTS Job Openings (Mar)	7367k

Source: Bloomberg

Macroeconomics

US' job report severely missed forecasts:

- The US economy added only 266k jobs in April (Mar: +770k), while the net job gains for the previous two months were also revised down by 78k. The unemployment rate rose slightly to 6.1% in April, from 6.0% prior, thanks to a higher participation rate that indicates expansion of the labour force. Job growth came primarily from the private services industry, concentrating in the leisure and hospitality segments as the economy reopened further in the US.
- April's reading fell short of expectation for a 1million job gain, highlighting employers' challenges in finding workers to fill positions despite the ongoing hiring boom. This also ignited talks that businesses may still refrain from adding staff due to cautious business sentiment.

Japan's services sector still below 50 but showing signs of improvement:

- Japan's Markit services PMI improved to 49.5 in April (Mar: 48.3), reflecting a smaller contraction in activity last month and a potential move towards neutral. After the sharp fall at the start of the pandemic last year and the subsequent recovery, the services PMI had been hovering between 45 to 48 levels since Jun-20, underscoring the sector's difficulties to regain growth.
- The government had just announced the extension of the State of Emergency in Tokyo and three other regions, amid the fourth Covid-19 wave. The high cases may continue to inhibit services sector recovery but the upcoming summer Olympics offers some hope.

China's trade surplus improved in April:

- China's trade balance improved to $42.9b in April, from $13.8b a month ago. This was on the back of strong export and import growths. Trade surplus with the US climbed ($28.0bn vs. $21.4b) alongside higher surplus with ASEAN ($9.7b vs. $4.1b), and the EU ($13.1b vs. $9.0b). Exports grew 32.3% y/y, similar to the March print. Meanwhile, imports growth stayed strong at 43.1% y/y. This is a signal of continued intermediate goods (input prices supported) and consumer goods demand.
- In a separate report, the Caixin Markit's services PMI picked up further to 56.3 in April (Mar: 54.3), indicating continuous expansion of the services sector activity in China.

Malaysia's foreign reserves rose to $110.8b in April:

- Malaysia's foreign reserves rose to $110.8b at the end of April, the highest level since Jan-15, compared to $109.3b in March. This is sufficient to finance 8.7 months of retained imports and is 1.3 times external debt.

Forex

MYR (Neutral)

- USD/MYR closed 0.2% lower at 4.1130 on Friday. The pair snapped its 5-week losing streak to end the week with a 0.6% advance. We are holding on to our view for a neutral MYR possibly within the 4.10-4.14 range in the week ahead. MYR will predominantly be USD driven and we do not expect tomorrow's release of Malaysia 1Q GDP that will likely show a small contraction of 1.9% y/y, to have any material impact on the MYR.

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

- DXY was down by 0.79% on Friday, as a weaker-than-expected jobs report meant accommodative policies may persist longer. DXY closed the week at 90.23. We continue to see slight losses ahead. Momentum appears low at depressed levels. For this week, we watch CPI, PPI and retail sales numbers on whether more concerns on inflationary pressures are warranted.

EUR (Neutral-to-Bullish)

- EUR/USD surged on Friday, up by 0.84% to a close of 1.2166 after dollar weakness. We remain slightly constructive. Momentum previously slowed on the upside, as pair stays northwards of 1.2000. For the week ahead, watch March industrial production result. Immediate resistance at 1.2200 and support at 1.2061.

GBP (Neutral-to-Bullish)

- GBP/USD was up by 0.68% on Friday's session, closing at 1.3984 after touching a 1.4006 high. This is likely to push for further moves above 1.4000, with Monday open's bid tone. The UK releases 1Q preliminary GDP data on 12 May, where economists are expecting a contraction compared to a quarter ago. 1.4100 is the next resistance to watch, while we peg downside support at 1.3750.

JPY (Neutral)

- USD/JPY came off to a close of 108.60 the previous session, after the intraday high of 109.29. Dollar weakness may pull the pair downwards slightly, although we are Neutral on JPY over a one-week period. Momentum is low around fairly balanced levels. Japan releases current account balances for March the coming week. We watch resistance of 109.80 and support of 108.40.

AUD (Neutral-to-Bullish)

- AUD/USD climbed 0.80% to a close of 0.7844 on the last day of the previous week. We still see some gains for the week ahead, from dollar weaknesses. Momentum was easing at stretched high levels. The week ahead sees retail sales figures. We eye resistance of 0.7820, and support of 0.7560 if there is some risk aversion pullback.

SGD (Neutral-to-Bullish)

- USD/SGD was down by 0.64% previously, to a weekly close of 1.3248. Covid-19 community cases remain a concern towards risks of further closures to businesses and economic activity. We stay Neutral from some possible underperformance, although USD weakness may push USD/SGD downwards more. We eye a weekly range of 1.3220 to 1.3460 (latter particularly if community cases rise again).

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