

Global Markets Research

Daily Market Highlights

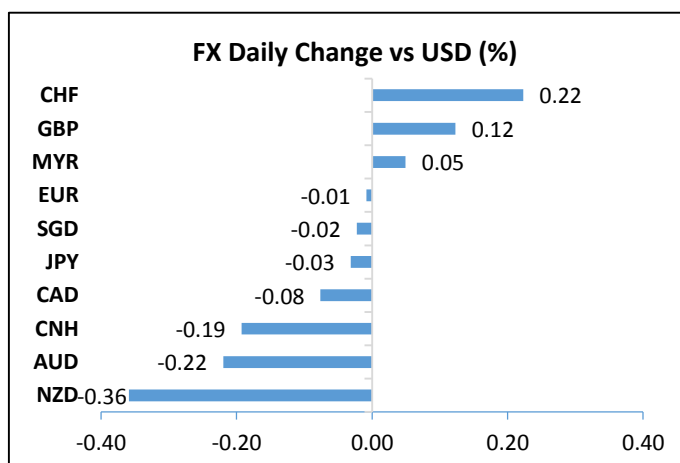
Key Takeaways

- **US stocks continued to retreat marginally overnight ahead of major corporate earnings.** Investors also weigh the muted inflation data and anticipate more stimulus-related headlines. The Dow Jones rose slightly by 0.2%, the S&P 500 was little changed (-0.03%) and NASDAQ fell by 0.3%. Major European benchmarks ended in the reds while Asian markets mostly recorded positive performances. **Treasury yields fell** by 0.8 to 4bps following disappointing CPI data. Markets had worried that the upcoming passage of the \$1.9trillion stimulus package alongside fast vaccination rollouts could spur consumer spending and lead to overheating price pressures. The 10Y UST yield last traded at 1.12%.
- **The greenback saw mixed performances** across the FX board, with the JPY, EUR and CAD holding steadily against USD. In the commodity markets, gold futures picked up modestly (+0.3%) while Brent crude erased intraday gains to close at \$61.47/barrel. WTI was up by 0.6% to \$58.68/barrel. **Speaking at the Economic Club of New York, Fed Chair Jerome Powell reiterated the role of a “patiently accommodative monetary policy stance” to support the economy, implying that the Fed would maintain its low interest rates and QE program.**
- **US annual CPI inflation was steady at 1.4% y/y while core inflation slowed to 1.4%,** from 1.6% prior. The lacklustre readings soothed some anxiety that consumer inflation is heating up in the US. **In China, CPI also missed estimates,** falling 0.3% y/y after a 0.2% increase a month ago. **PPI recovered to +0.3% y/y from -0.4% a month ago.**
- DXY ended the Wednesday trading session slightly down, closing at 90.37. US inflation fell short of expectations and has soothed some anxiety that consumer inflation is heating up. The greenback saw mixed performances across the FX board, with the JPY, EUR and CAD holding steadily against USD. We maintain our **neutral-to-bearish** stance on the USD for the rest of the week.
- USD/MYR fell marginally by 0.05% to 4.0445. A flat USD and the anticipated release of Malaysia's 4Q GDP growth today (at noon time) are likely to keep USD/MYR on a **neutral** note. 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.	31,437.80	0.20	2.72
S&P 500	3,909.88	-0.03	4.09
FTSE 100	6,524.36	-0.11	0.99
Hang Seng	30,038.72	1.91	10.31
KLCI	1,596.85	0.68	-1.87
STI	2,925.84	-0.32	2.88
Dollar Index	90.37	-0.08	0.48
WTI oil (\$/bbl)	58.68	0.55	20.94
Brent oil (\$/bbl)	61.47	0.62	18.67
Gold (\$/oz)	1,840.60	0.29	-2.88
CPO (RM/tonne)	3,900.00	0.96	2.96

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US  China 

Up Next

		Prior
11/02	MA GDP YOY (4Q)	-2.7 %
	US Initial Jobless Claims	779k
12/02	NZ BusinessNZ Manufacturing PMI (Jan)	48.7
	UK Industrial Production MoM (Dec)	-0.1%
	UK Visible Trade Balance GBP/Mn (Dec)	-£16,012m
	UK GDP QoQ (4Q P)	16.0%
	UK Monthly GDP (MoM) (Dec)	-2.6%
	EC Industrial Production SA MoM (Dec)	2.5%
	US U. of Mich. Sentiment (Feb P)	79.0

Source: Bloomberg

Macroeconomics

- **US CPI fell short of expectations:**
 - The consumer price index rose 0.3% m/m in January (Dec: +0.2%) while the core CPI was unchanged (+0.0% m/m).
 - Smaller gains in prices of food, a flat housing cost and continued decrease in prices of recreation offset the larger rise in costs of apparel, transportation and medical care.
 - The annual CPI inflation was also steady at 1.45 y/y, same as the month prior while core CPI growth eased to 1.4% y/y (Dec: +1.6%).
 - The lacklustre readings soothed some anxiety that consumer inflation is heating up amid low interest rates that could trigger the Fed to taper its bond-buying programs or raise rates.
- **China's consumer inflation came off in January:**
 - CPI came in below expectations, falling 0.3% y/y after a 0.2% increase a month ago. Consensus forecast was for 0% y/y. The result came despite rising food and energy prices, highlighting disinflationary consumer price pressures in other segments.
 - Meanwhile, PPI recovered to +0.3% y/y from -0.4% a month ago. This continued the trend of rising input prices for producers, and is a positive for the industrial profits and manufacturing sector.
 - Yesterday's monetary metrics from China showed that M2 growth eased to 9.4% y/y in January from 10.1% previously. New Yuan Loans increased from the previous month to CNY 3,580bn (Dec: 1,255bn). However, trends were consistent compared to the previous years (CNY 3,340bn in Jan 2020).

Forex

MYR (Neutral)

- USD/MYR fell marginally by 0.05% to 4.0445. A flat USD and the anticipated release of Malaysia's 4Q GDP growth today (at noon time) are likely to keep USD/MYR on a neutral note. 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-Bearish Outlook over 1 Week Horizon)

- DXY ended the Wednesday trading session slightly down, closing at 90.37. US inflation fell short of expectations and has soothed some anxiety that consumer inflation is heating up. The greenback saw mixed performances across the FX board, with the JPY, EUR and CAD holding steadily against USD. We maintain our **neutral-to-bearish** stance on the USD for the rest of the week.

EUR (Neutral-to-Bullish)

- EUR/USD stayed in a 1.2109-1.2144 range and closed flat at 1.2118. The pair continues to move away from the 1.2000 big figure and trigger momentum on the upside. With US dollar weakness resuming, we maintain our **neutral-to-bullish** outlook on the EUR. Watch 1.22 big figure as further move to 1.2350 resistance.

GBP (Neutral-to-Bullish)

- GBP/USD continued its upwards momentum on Wednesday to close the day out at 1.3834, a fresh multi-year high. The pound benefitted from the broad dollar weakness in the absence of relevant factors affecting the UK currency. This has been buoyed by improving fundamentals in the Covid-19 fight. Focus ahead in this week is on Friday when the UK publishes 4Q GDP. Watch resistance of 1.3900 and support of 1.3750.

JPY (Neutral-to-Bullish)

- USD/JPY ended the American session little changed in the 104.60 zone. The pair was up at the start of the trading session but dismal US data sent it back down again. The pair is at risk of resuming its decline, observing a range of 100-105. Japanese markets will be close on Thursday amid a national holiday.

AUD (Neutral-to-Bullish)

- AUD/USD slightly retreated to close around 0.7720 as the pair suffered its first negative daily performance after the previous four sessions. This stemmed partly from some consolidation in our view. We maintain our **neutral-to-bullish** stance on the pair, particular if commodity prices support. We observe a 0.77-0.80 range for now.

SGD (Neutral-to-Bullish)

- USD/SGD stayed relatively range bound as the pair closed the day at 1.3262. Given developments, we now see pair testing a support of 1.3210 before looking for further moves downwards. Watch 1.3450 as resistance. Singapore markets will be closed on Friday in lieu of the Lunar New Year Holiday.

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