

Global Markets Research

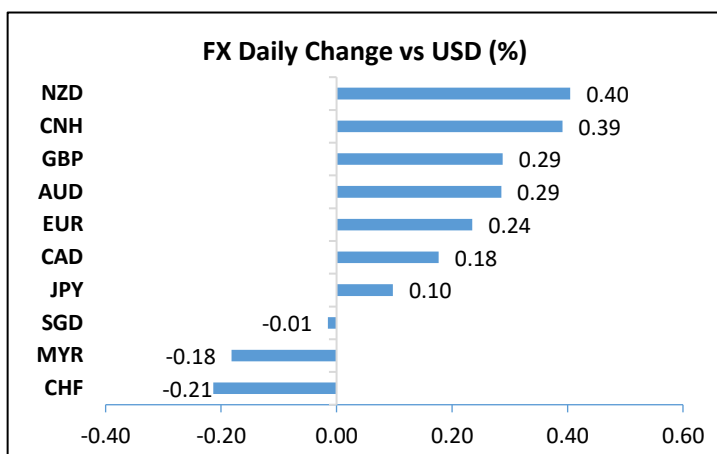
Daily Market Highlights

Key Takeaways

- US stock broadly gained overnight as investors piled into cyclical stocks markets and exited tech shares.** Industrials, financials and energy shares led the broad-based increase while the tech sector was down. The Dow Jones Industrial Average crossed 32000 for the first time, gaining more than 460pts or 1.5% to close at a record high. The S&P 500 was modestly higher by 0.6% while NASDAQ was marginally lower (-0.04%). **Treasury yields stabilised over the muted US core CPI reading.** This helped tame expectations and concerns that rapid recovery is fuelling higher inflation in the US that could trigger Fed's tightening. Overall yields saw minor movements across the curve (-1.6 bps to +0.7bps). 10Y UST yield was nearly 1bp lower at 1.52%. The US treasury's auction of \$38b 10Y notes drew a steady BTC of 2.38x (last round: 2.37x).
- The dollar weakened for the second session. Gold prices extended gains;** futures picked up moderately (+0.3%) to \$1721.8/barrel. **Crude oil prices rebounded despite build-up in US crude inventory.** WTI gained 0.7% to \$64.44/barrel. The global benchmark Brent crude rose 0.6% to \$67.90/barrel. **President Biden's \$1.9 trillion stimulus package was passed in Congress.** The Bank of Canada left its monetary policy unchanged, keeping the overnight rate at 0.25% and the QE programme of "at least C\$4bn per week". It also appeared to be more upbeat over the near term economic outlook, citing a more resilient Canadian economy than anticipated. **Focus turns to the ECB's Governing Council decision in the evening today and notably the ECB president Christine Lagarde's press conference.**
- Latest data points to well-contained inflation.** As mentioned, US annual rate CPI matched expectation at 1.7% y/y in February but the core reading was a tad lower at 1.3% y/y, indicating that underlying inflation remained benign. US' mortgage applications fell 1.3% last week thanks to the fall in refinancing applications amid higher interest rates. China CPI and PPI inflation rates for February came in higher than expected at -0.2% y/y and 1.7% y/y respectively.
- DXY initially headed higher on Wednesday open above 92.20, but soon came off to close just below the 92.0 level.** This came as US stocks were up, supported by raw material and banking stocks. US yields also came off. We still see some possible **USD resilience** for the week ahead, within a range of 91.00-92.50. US PPI is an important upcoming data, after CPI came in within expectations.
- USD/MYR closed 0.2% higher at 4.1265 on Wednesday.** We expect the pair to **stabilise today** after the broad retreat in USD alongside steadier US yields. The prediction of a bond selloff triggered by accelerating inflation did not materialise, this should return some semblance of calm to the market. Expect a range of 4.10-4.13.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,297.02	1.46	5.52
S&P 500	3,898.81	0.60	3.80
FTSE 100	6,725.60	-0.07	4.10
Hang Seng	28,907.52	0.47	6.16
KLCI	1,639.83	0.93	0.78
STI	3,079.72	-0.93	8.30
Dollar Index	91.82	-0.15	2.10
WTI oil (\$/bbl)	64.44	0.67	32.81
Brent oil (\$/bbl)	67.90	0.56	31.08
Gold (\$/oz)	1,721.80	0.29	-8.97
CPO (RM/tonne)	4,005.00	-0.35	5.73



Source: Bloomberg

Overnight Economic Data

US → China ↑

Up Next

Date	Events	Prior
11/03	UK RICS House Price Balance (Feb)	50%
	EC ECB Deposit Facility Rate (11 Mar)	-0.50%
	US Initial Jobless Claims (06 Mar)	--
12/03	NZ BusinessNZ Manufacturing PMI (Feb)	57.5
	JN BSI Large Manufacturing QoQ (1Q)	21.6
	MA Industrial Production YoY (Jan)	1.70%
	UK Industrial Production MoM (Jan)	0.20%
	UK Visible Trade Balance GBP/Mn (Jan)	-£14315m
	UK Monthly GDP (MoM) (Jan)	1.20%
	EC Industrial Production SA MoM (Jan)	-1.60%
	US PPI Final Demand YoY (Feb)	1.70%
	US U. of Mich. Sentiment (Mar P)	76.8

Source: Bloomberg

Macroeconomics

- **US recorded higher inflation but underlying reading missed expectations:**
 - Consumer Price Index rose 0.4% m/m in February (Jan: +0.3%), matching consensus estimate, driven by higher energy as well as services and housing prices. The core CPI inflation was also higher at 0.1% m/m (Jan: 0%) but fell short of estimate.
 - The annual CPI rate matched estimate at 1.7% y/y (Jan: +1.4%) but the core reading came to be weaker at 1.3% y/y compared to the previous month (Jan: +1.4%). This eased the concerns of quick rise in inflation.
 - In a separate note, the US MBA mortgage applications fell 1.3% last week after the meagre 0.5% gain prior. This mainly reflects the fall in refinancing applications amid higher interest rates. The applications to fund purchases of houses rose for the second week, suggesting some resilience in housing demand.
- **China's inflation supported by non-food; producer prices by mining:**
 - China's February inflation figures came in higher than expected. CPI inflation improved to -0.2% y/y in February, from -0.3% prior while PPI inflation was also higher at 1.7% y/y (Jan: +0.3%).
 - Food inflation (-0.2% y/y from 1.6% prior) is now coming off after previous highs in pork prices. However, there is potential upside risk from African swine fever in Asia. Non-food inflation improved to -0.2% y/y from -0.8% previously. Transport inflation was also on the rise, from energy prices. Factories reportedly hiked prices for exports, resulting in the highest PPI rise in more than two years. Mining prices saw a big jump (6.8% y/y from 1% prior). Raw materials also up to 2.9% from -0.8% previously. Consumer goods, food, clothing, consumer durables prices stayed stable.

Forex

MYR (Neutral)

- USD/MYR closed 0.2% higher at 4.1265 on Wednesday. We expect the pair to stabilise today after the broad retreat in USD alongside steadier US yields. The prediction of a bond selloff triggered by accelerating inflation did not materialise, this should return some semblance of calm to the market. Expect a range of 4.10-4.13.

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

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EUR (Neutral-to-Bearish)

- EUR/USD rose by more than 0.2% during the previous session. This brought the pair up around the 1.1930 level, after closing around the 1.19 big figure the previous day. Attention is on ECB meeting on 11 March and January industrial production figures. Move above 1.1910 now changes immediate resistance to 1.1960, while support is at 1.1860.

GBP (Neutral)

- GBP/USD saw a rise of almost 0.4% on Wednesday. The move now sees GBP/USD closing on to 1.3950 levels after the previous day's close below the 1.39 big figure. We turn cautiously less bearish, although downside risks prevail if dollar strength resumes. We see support at 1.3840 and resistance at 1.3990 for the week ahead.

JPY (Neutral-to-Bearish)

- USD/JPY consolidated around the 108.40 level after reaching an intraday high of 108.92, after prior closing of 108.48. The moves downward after the 109.23 high on 9 March leads us to see less momentum on the upside. Resistance is at 109.20 and support at 108.00 for the week ahead.

AUD (Neutral)

- AUD/USD headed higher for the second consecutive session, although gains were more limited. This brought AUD/USD to a close of 0.7736 after hitting a high of 0.7746. Risk sentiments and dollar strength stay as headwinds for the AUD near-term, after the 0.8007 high on 25 February. Support level is close to 0.76 big figure, while resistance at 0.7810.

SGD (Neutral)

- USD/SGD close at levels near the previous day's 1.3436, being stuck to a relatively tight range of 1.3424-1.3487. We still see some potential concerns derailing a SGD recovery, possibly from dollar strength and rising yield concerns. A 1.3400-1.3500 range is forming at the moment.

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