

Global Markets Research

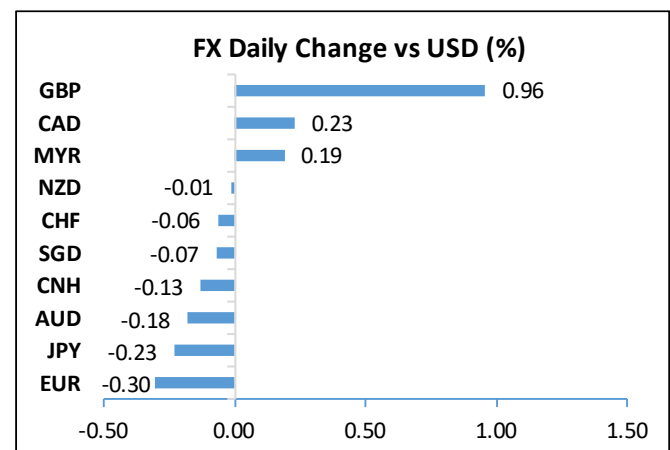
Daily Market Highlights

Key Takeaways

- US equities ended in the red led by technology shares on renewed inflationary concerns.** The Dow pulled back from its fresh intraday record high to settle 0.1% d/d lower, while the S&P500 and NASDAQ shed 1.0% and 2.6% respectively dragged by the selloff in tech and consumer discretionary shares. Inflationary concerns resurfaced and stirred fear that it could prompt premature policy tightening and derail economic recovery. This followed the Colonial Pipeline shutdown earlier that prompted a surge in energy commodity prices which has since quickly retreated following the phased restoration of the Line with full restoration expected later in the week. **The Brent and WTI pared gains to settle the day little changed** at \$68.32/ barrel \$64.92/ barrel respectively yesterday, off their respective high of \$69.20 and \$65.75/ barrel. **Gold futures rose** 0.34% to \$1837.60/ barrel on haven bids.
- US treasuries came under pressure with the yield curve bear steepening on inflationary concern.** The front end added 1bps while the 30Y long bonds added 5bps. The most watched 10Y note yields climbed 2.5bps back to the 1.60% level. **The greenback traded mixed against the majors**, losing the most against the sterling that rallied past the 1.40 key resistance to a 1.4118 close. The USD advanced against the EUR, JPY and AUD. As a result, the DXY slipped marginally by 0.02% to 90.2, paring early session losses of an intraday low of 90.04. **Stock futures point to lower openings in Japan, Hong Kong and Australia this morning.** China CPI/PPI and Malaysia 1Q GDP are among data to watch for the day.
- Economic releases were scanty and generally positive, reaffirming continuous recovery in the world economy.** Investor confidence in the Eurozone surged to a 3-year high, driven by upbeat expectations for both the current and future. Business confidence also improved in Australia while retail sales rebounded after the lockdown. Japan and New Zealand also saw a similar increase in spending as economic activities resumed.
- The USD gained against the EUR, JPY and AUD on Monday, but weakened against the GBP and CAD. DXY was overall slightly down, by 0.02% to a close of 90.21. Concerns on inflationary pressures are rising. Momentum appears low at depressed levels, hence our **neutral USD** outlook. For the coming days, we watch CPI, PPI and retail sales numbers on whether more concerns on inflationary pressures are warranted.
- USD/MYR extended its move down to close 0.19% lower at 4.1050 yesterday. We maintain our view for a **neutral MYR** possibly within the 4.10-4.14 range in the week ahead. Announcement of a nationwide MCO is not expected to have a significant impact on economic recovery as all the economic sectors are still allowed to operate albeit with some restrictions. We are also expecting the MYR to be supported by potential upside to 1Q GDP due to be released at noon today.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,742.82	-0.10	13.51
S&P 500	4,188.43	-1.04	11.51
FTSE 100	7,123.68	-0.08	10.26
Hang Seng	28,595.66	-0.05	5.01
KLCI	1,583.92	0.22	-2.66
STI	3,182.41	-0.56	11.91
Dollar Index	90.21	-0.02	0.31
WTI oil (\$/bbl)	64.92	0.03	33.80
Brent oil (\$/bbl)	68.32	0.06	42.45
Gold (\$/oz)	1,837.60	0.34	-3.37
CPO (RM/tonne)	4,735.00	1.74	25.00



Source: Bloomberg

Overnight Economic Data

EU	↑	AU	→
Japan	↑	NZ	↑

Up Next

Date	Events	Prior
11/05	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
12/05	UK GDP QoQ (1Q P)	1.3%
	UK Monthly GDP (MoM) (Mar)	0.4%
	UK Industrial Production MoM (Mar)	1.0%
	UK Visible Trade Balance GBP/Mn (Mar)	-
	EC Industrial Production SA MoM (Mar)	-1.0%
	US MBA Mortgage Applications (07 May)	-0.9%
	US CPI YoY (Apr)	2.6%

Source: Bloomberg

Macroeconomics

Eurozone's investor sentiment surged in May:

- Investor sentiment in the Eurozone improved considerably in May, according to the Sentix Investor Confidence Index which soared to 21.0, compared to 13.1 a month ago. The survey result shows that the current situation index recorded its first positive reading (6.3) in the pandemic era while the expectation index rose for the third straight month, reflecting investors' upbeat outlook for the current vaccination progress and its subsequent benefit for the economy.

Australia's retail sales rose in March:

- March retail sales growth was revised down to 1.3% m/m, from 1.4% in the flash estimate. Nonetheless, it was still a rebound from the 0.8% m/m decline in February, driven by sharper growth in sales of apparels as well as sales at department stores, alongside higher sales at cafes and restaurants. Sales of food were down for the second consecutive month while household goods were little changed. The shows that residents gradually return to the outdoor (buying new outfits and eating out) instead of staying at home as the number of Covid-19 cases in Australia remained at single-digit low.
- The NAB Business Confidence Index rose to 26 in April, from 17 prior; the Business Condition Index also increased to 32, from 24, pointing to optimistic sentiment among Australian firms.

Japan's household spending rebounded strongly in March:

- Household spending staged a stronger than expected rebound, increasing 6.2% y/y in March (Feb: -6.6%). This marked its first gain in four months and the best gain since Sept-19, driven by a temporary reopening of the economy and skewed by the low base effect in March last year. We expect this lift to be shortlived as the country continues to struggle with new infections and state of emergency, but readings in the next few months will be supported by low base effect nonetheless.

New Zealand's retail card spending jumped:

- Retail card spending saw a higher growth of 4.0% m/m in April (Mar: +0.8% m/m), its best since Sept-20. The 5.1% m/m spike in spending on fuel and 4.1% m/m increase in core spending signalled more robust consumer spending as New Zealand continues to recover from the pandemic following the reopening of the economy.

Forex

MYR (Neutral)

- USD/MYR extended its move down to close 0.2% lower at 4.1050 yesterday. We maintain our view for a neutral MYR possibly within the 4.10-4.14 range in the week ahead. Announcement of a nationwide MCO is not expected to have a significant impact on economic recovery as all the economic sectors are still allowed to operate albeit with some restrictions. We are also expecting the MYR to be supported by potential upside to 1Q GDP due to be released at noon today.

USD (Neutral Outlook over 1 Week Horizon)

- The USD gained against the EUR, JPY and AUD on Monday, but weakened against the GBP and CAD. DXY was overall slightly down, by 0.02% to a close of 90.21. Concerns on inflationary pressures are rising. Momentum appears low at depressed levels, hence our Neutral outlook. For the coming days, we watch CPI, PPI and retail sales numbers on whether more concerns on inflationary pressures are warranted.

EUR (Neutral)

- EUR/USD was down by 0.3% the previous session, perhaps from some profit taking. After hitting a high of 1.2178, pair was down to a close of 1.2129. Result came despite strong investor sentiment. 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 buoyed by a receding risk of Scotland referendum. The pair rose by almost 1.0% in the process, closing at 1.4118. The UK releases 1Q preliminary GDP data on 12 May, where economists are expecting a contraction compared to a quarter ago. 1.4200 is the next resistance to watch, while support at 1.3910.

JPY (Neutral)

- USD/JPY rebounded upwards to close 108.81 after three successive sessions on the downside. A resurgent dollar may push the pair towards resistance of 109.80, while support is at 108.40. Momentum is low around fairly balanced levels. Japan will release current account balances for March the coming week.

AUD (Neutral)

- AUD/USD was slightly down to a close of 0.7830 during the previous session. This followed three successive sessions of gains. Momentum looks to be easing at stretched high levels. At this stage, we see a range of 0.7770 to 0.7890 at this stage, after breaking the previous 0.7700 to 0.7800 range on the upside.

SGD (Neutral)

- USD/SGD corrected by 0.07% upwards to a close of 1.3257, after three successive moves downwards. A stabilising situation in Singapore, with the USD now possibly stabilising after prior weakness, may trigger some range movements. We eye a weekly range of 1.3220 to 1.3460 (latter particularly if community cases rise again).

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