

Global Markets Research

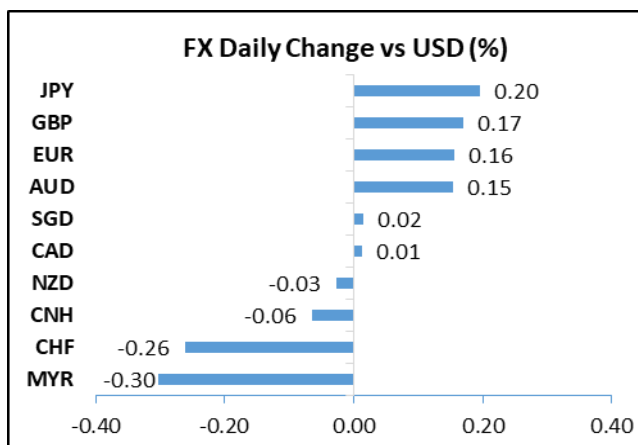
Daily Market Highlights

Key Takeaways

- Global equities saw another round of selloffs yesterday amid escalating inflationary concerns.** The Dow continued to retreat from its record high on Friday, losing 1.4% d/d while the NASDAQ and S&P500 fell 0.1% and 0.9% respectively, led by energy, financials and industrials. Earlier, stocks also plummeted in Europe and Asia, to the tune of 3.0%. **Government bonds also remained under pressure, with more losses (+5bps) in the European markets vs the US (+2bps).** The UST yield curve continued bear steepening, with the 2s added about 1bp to 0.16% while the 10s rose 2bps to 1.62%.
- On the commodity front, **crude oil prices edged marginally higher by 0.3-0.5% on the back of a weaker USD.** The Brent last closed at \$68.55/ barrel while the WTI at \$65.28/ barrel. Gold futures dipped a little but remained high at \$1836.10/ oz. **The USD weakened for the 4th consecutive trading day, underperforming most G10s.** The Dollar Index hit an intraday low of 89.98 before closing 0.08% d/d lower at 90.14 yesterday, its lowest in ten weeks. **Stock futures point to lower openings in Japan and Australia this morning. US CPI and UK GDP and industrial production are among key data to watch for the day.**
- Dataflow remains positive.** Small business confidence in the US rose to its highest in five months while job openings hit a record level. ZEW survey also showed Eurozone investor confidence jump to a 21-year high on vaccine-related optimism. Reports showed quickening prices in China. PPI accelerated to 6.8% y/y while CPI remains relatively muted at 0.9% y/y in April as the decline in food inflation cushioned the rise in non-food inflation. **Malaysia 1Q GDP surprised on the upside with a -0.5% y/y print due to less severe impact from MCO 2.0 and rapid recovery in March. No change to our full year growth forecast of 5.0% amid prevailing uncertainties surrounding the pandemic and containment.** Please refer our Research Alert sent yesterday for more details.
- The USD traded on a bearish tone on Tuesday's session, with DXY overall down by 0.08%. Continued concerns on inflation has persisted, with momentum in the USD still on the downside. We see some **stabilisation** at depressed levels. For the coming days, we watch CPI, PPI and retail sales numbers on whether more concerns on inflationary pressures are warranted.
- USD/MYR closed higher for the first time in three days on Tuesday. The pair touched a high of 4.1230 in late Asian trading before retreating somewhat to settle the day 0.3% up at 4.1175. This came on the back of a firmer greenback in early Asian trading session. We expect continued **rangetrading in USD/MYR today** ahead of the two-day Raya festive holidays starting tomorrow.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,269.16	-1.36	11.97
S&P 500	4,152.10	-0.87	10.54
FTSE 100	6,947.99	-2.47	7.55
Hang Seng	28,013.81	-2.03	2.87
KLCI	1,577.64	-0.40	-3.05
STI	3,144.27	-1.20	10.57
Dollar Index	90.14	-0.08	0.23
WTI oil (\$/bbl)	65.28	0.55	34.54
Brent oil (\$/bbl)	68.55	0.34	42.93
Gold (\$/oz)	1,836.10	-0.08	-3.28
CPO (RM/tonne)	4,715.00	-1.08	24.47



Source: Bloomberg

Overnight Economic Data

US	↑	EU	↑
China	↑	Malaysia	↑

Up Next

Date	Events	Prior
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%
13/05	US CPI YoY (Apr)	2.6%
	UK RICS House Price Balance (Apr)	59.0%
	US Initial Jobless Claims (08 May)	--
	US PPI Final Demand YoY (Apr)	4.2%

Source: Bloomberg

Macroeconomics

Malaysia 1Q21 GDP contracted less than expected by 0.5% y/y:

- The Malaysian economy surprised on the upside again, registering a smaller than expected contraction of 0.5% y/y in 1Q21 (4Q: -3.4% y/y). Less severe impact from MCO 2.0 and rapid recovery in domestic economic activities in March following the easing of movement control measures contributed to the upside surprises. The improvement was broad-based from both the private and government sectors, underpinned by continued policy support and an improving external environment.
- We remain cautiously optimistic on growth prospects going forward. The recovery path will be punctuated by resurging new infections and movement restrictions near term but we continue to expect a hefty double-digit growth in 2Q, skewed by the low base effect in 2Q last year. Moving on to 2H2021, we believe uncertainties and scarring effects from the pandemic will continue to pose downside risks to the recovery momentum, especially when the favourable base effect dissipates. We therefore expect a softer growth outlook in 2H2021 compared to 1H2021. No change to our full year growth forecast of 5.0% for now taking cognizant of prevailing uncertainties surrounding the pandemic. The most recently announced month-long nationwide MCO is expected to shed 0.6ppt off GDP growth, hence potentially negating the upside surprises from 1Q GDP performance.

US small business confidence rose to a 5-month high; job openings at record level:

- NFIB small business confidence climbed for the 3rd straight month to a 5-month high of 99.8 in April (Mar: 98.2), boosted by higher sales expectations and earnings growth on expectations of brighter growth prospects as vaccination gather pace. In line with the recent inflationary concern, more businesses reported higher selling prices (36% vs 26%).
- A separate report on JOLTS survey reaffirmed continuous recovery in the labour market as economic activities recovered. Job openings in the US surged more than expected to a record high of 8.12m in March (Feb: 7.53m upwardly revised), with vacancies available broadly across all sectors particularly in accommodation and food services, manufacturing and construction.

Eurozone's ZEW expectations jumped to a 21-year high:

- Similarly, a survey by ZEW shows investor confidence skyrocketed to a 21-year high of 84.4 in May (Apr: 70.7), spurred by vaccine-related optimism and falling new cases. This significantly raised hopes of a pick-up in economic activities in the next six months.

Quickening producer and consumer price gains in China:

- China's PPI rose by 6.8% y/y in April, above market expectations of 6.5% and quickening from March's +4.4% y/y driven by upstream and midstream industries. This may reinforce market concerns that PPI can translate to higher CPI in the coming months.
- On the contrary, CPI stayed relatively muted at 0.9% y/y for April, from 0.4% in March. Food inflation is down (-0.7% y/y), cushioning the rise in non-food inflation (+1.3% y/y, from 0.7% prior), supported by transport/communications and recreation/education. Consumer goods (1.0% y/y) and services (0.7%) inflation stayed in positive territory.

Forex

MYR (Neutral)

- USD/MYR closed higher for the first time in three days on Tuesday. The pair touched a high of 4.1230 in late Asian trading before retreating somewhat to settle the day 0.3% up at 4.1175. This came on the back of a firmer greenback in early Asian trading session. We expect continued range trading in the pair today ahead of the two-day Raya festive holidays starting tomorrow.

USD (Neutral Outlook over 1 Week Horizon)

- The USD traded on a bearish tone on Tuesday's session, with DXY overall down by 0.08%. This came after hitting a low of 89.98 before recovering to 90.14. Continued concerns on inflation have persisted, with momentum in the USD still on the downside. We see some stabilisation at depressed levels. 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 headed higher by 0.16%, closing at 1.2148. The move came amid dollar weakness. Pair hit a high of 1.2182, indicating immediate resistance to focus on is at 1.2200 while support is at 1.2061. Momentum is on the upside, although we see some stabilisation. The ECB Governing Council member Klaas Knot said that the Eurozone may expand by more than 4% that is currently projected.

GBP (Neutral-to-Bullish)

- GBP/USD consolidated its gains after the past two sessions' increase. Pair closed at 1.4142 after a 1.4166 high. 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. Some concerns on UK's budget deficit may derail the recent rally.

JPY (Neutral)

- USD/JPY was down by 0.17% on Tuesday, closing at 108.62. Intraday range was at 108.62 to 108.98. Dollar weakness may bring pair towards a range of 108.10 to 109.00. Momentum is low around fairly balanced levels. Watch leading index out later, before Japan releases current account balances for March.

AUD (Neutral)

- AUD/USD moved in a bid tone on Tuesday, taking back prior session's losses. This brought the pair to a close of 0.7842. Momentum looks to be easing at stretched high levels. At this stage, we see a range of 0.7770 to 0.7890. Attention is shifting to RBA minutes of policy meeting on 18 May.

SGD (Neutral)

- USD/SGD stayed roughly flat on the previous session, with pair closing at 1.3255. Steady concerns on Covid-19 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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