

Global Markets Research

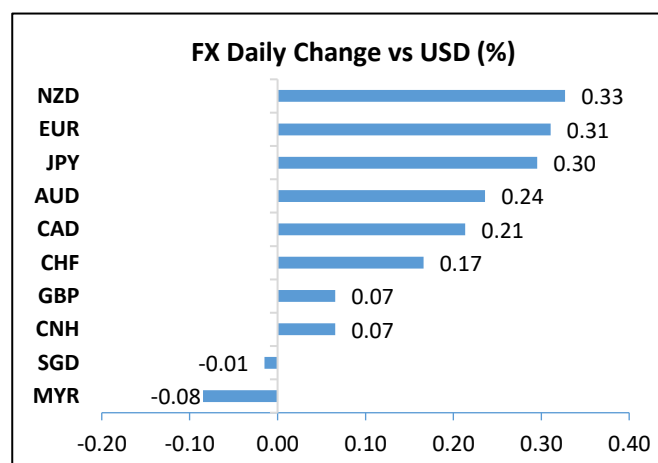
Daily Market Highlights

Key Takeaways

- **US stock benchmarks ended Tuesday's session on a mixed note** as markets weighed higher US CPI data and the halt in Johnson & Johnson's vaccination rollout following six reported cases of rare blood clot although the White House assured that the J&J pause would not have major impact on the current vaccination progress. The Dow Jones retreated by 0.2% while the S&P 500 gained 0.3% to record high, lifted by tech and consumer discretionary shares. The NASDAQ outperformed with over 1% increase. Earlier, stocks closed modestly higher in Europe and saw mixed performances across Asia.
- **Yields fell across the curve as the inflation data were only slightly higher than consensus forecasts**, which eased concerns that prices may have shot up drastically amid the robust economic recovery. 10Y UST yield fell 5bps to 1.62%; the 2s10s curve steepened. The 30s closed 4bps lower at 2.29% after the treasury department's auction of \$24b 30-year bonds attracted stronger demand this round (BTC at 2.47 vs 2.28 prior). The dollar pulled back alongside lower yields where the USD was seen weakening against all its G10 counterparts. Meanwhile, gold future snapped two-day losing streak to gain 0.9% at \$1746.2/oz. Crude futures drifted higher by 0.6-0.8%. Brent crude settled at \$63.67/barrel. Focus now turns to a series of US banks' earnings (JP Morgan, Goldman Sachs and Wells Fargo) for the first quarter of 2021.
- **Headline CPI in the US rose 0.6% m/m in March and 2.6% y/y.** The core inflation readings were at 0.3% m/m and 1.6% y/y. **The UK's monthly nominal GDP growth came in at 0.4% m/m in February**, representing a partial recovery from the decline in January as the country was still in lockdown. Germany's investor confidence over the Eurozone's outlook declined in April. China's exports jumped 30.6% y/y in March, thanks to a low base.
- **USD retreated on Tuesday**, with DXY down by 0.31%. This was largely due to a drop in US yields. 10-year yields fell by more than 5bps to 1.61%. US inflation also came close to expectations, reducing fears from rising PPI. We maintain our view of seeing some downside bias, with support at 91.00 and resistance at 92.50.
- **USD/MYR saw another flat session on Tuesday**, closing little changed at 4.1350. We are neutral to slightly bearish on USD/MYR today following the broad-based weakening of the greenback and maintain the trading range of 4.12-4.1450. Upbeat US data in the coming days continue to pose as downside risk to MYR.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,677.27	-0.20	10.03
S&P 500	4,141.59	0.33	10.26
FTSE 100	6,890.49	0.02	6.66
Hang Seng	28,497.25	0.15	4.65
KLCI	1,597.71	-0.67	-1.81
STI	3,187.90	0.44	12.10
Dollar Index	91.85	-0.31	2.13
WTI oil (\$/bbl)	60.18	0.80	24.03
Brent oil (\$/bbl)	63.67	0.62	22.92
Gold (\$/oz)	1,746.20	0.87	-7.86
CPO (RM/tonne)	4,210.00	-1.45	11.14



Source: Bloomberg

Overnight Economic Data

US	↑	UK	↑
EU	↓	China	↑

Up Next

Date	Events	Prior
14/04	JP Core Machine Orders MoM (Feb)	-4.5%
	SG GDP YoY (1Q A)	-2.4%
	NZ RBNZ Official Cash Rate (14 Apr)	0.25%
	EU Industrial Production SA MoM (Feb)	0.8%
15/04	US Import Price Index YoY (Mar)	3.0%
	US U.S. Federal Reserve Releases Beige	
	AU Unemployment Rate (Mar)	5.8%
	US Initial Jobless Claims (10 Apr)	744k
	US Retail Sales Advance MoM (Mar)	-3.0%
	US Empire Manufacturing (Apr)	17.4
	US Retail Sales Control Group (Mar)	-3.5%
	US Philadelphia Fed Business Outlook (Apr)	51.8
	US Industrial Production MoM (Mar)	-2.2%
	US NAHB Housing Market Index (Apr)	82.0

Source: Bloomberg

Macroeconomics

US CPI inflation beat estimate, driven by higher gasoline prices:

- US CPI inflation beat estimate at 0.6% m/m in March (Feb: +0.4%), marking its largest gain since Aug-12 amid ongoing economic recovery; the consensus estimate was 0.5%. This reflects continued gain in gasoline prices (+9.1% m/m) which accounted for nearly half of the increase of the index. The core CPI reading was also higher at 0.3% m/m (Feb: +0.1%)
- Over the last 12 months, the all-items CPI inflation accelerated to more-than-two-year-high of 2.6% y/y (Feb: +1.7%), also exceeding the consensus estimate of 2.5%. The core rate came in at 1.6% y/y (Feb: +1.3%). Both are inflated by the lower bases in 2020 when prices started to fall at the beginning of the pandemic.
- The NFIB Small Business Optimism Index rose to a four-month high of 98.2 in March, from 95.8 in February as the easing of Covid related restrictions helped boost overall small business confidence.

UK's economy partially recovered in February:

- The UK's nominal GDP grew 0.4% m/m in February, only partially recovering the 2.2% decline in January given that the country remained put under lockdown in that month. February's GDP remained 7.8% below the pre-pandemic level.
- Industrial production rose 1% m/m in February (Jan: -1.8%), supported by manufacturing output growth. Services sector expanded by 0.2% m/m (Jan: -2.5%) as wholesale and retail trade sales picked up a little. The construction output gained 1.6% m/m (Jan: 0%) after the flat-lining in January.
- Meanwhile, good trade deficit widened to £16.4b in February (Jan: -£12.6b), reflecting steeper import growth (+17.4% m/m), versus exports growth of 9.9% m/m. Exports to the EU rebounded by nearly 47% m/m after the steep 42% decline prior when the Brexit transition period ended. Imports from the EU rose merely 7.3% m/m perhaps limited by the stockpiling beforehand. Exports to non-EU countries fell 10.5% m/m while imports rose 10.2% m/m.

Germany's investor confidence declined in April:

- German investors turned gloomier over the Eurozone's economic outlook in April as the ZEW expectation index fell to 66.3 (Mar: 74.0). The same gauge for Germany also retreated to 70.7 (Mar: 76.6) although the current situation index turned less negative.
- The decline in investor confidence came as Germany and broader Europe remained mired in the third Covid wave with vaccination rates lagging behind economic counterparts like the US and UK. There is also renewed concern over stricter lockdowns as the German coalition government is drafting legislation to transfer the power of imposing restrictions to the Federal government from regional leadership.

Continuous growth in China's trade:

- China's trade surplus narrowed substantially in March, compared to trend and a month ago. Surplus went down to \$13.8bn (Feb: \$37.9b). This is seen as a positive news for global exporters as Chinese imports are expanding strongly. Export growth was 30.6% y/y, inflated by base effects (down from 154.9% y/y in February). This is supported by exports to UK, EU while exports to ASEAN were stable.
- Imports rose 38.1% y/y from 17.3% prior, perhaps a positive for private consumption given prior weakness. This is supported by imports from US, UK, Australia and ASEAN. Despite headlines on strained relations, total trade with US grew 59.5% y/y, at USD 55.95bn

Forex

MYR (Neutral-to-Bullish)

- USD/MYR saw another flat session on Tuesday, closing little changed at 4.1350. We are neutral to slightly bearish on USD/MYR today following the broad-based weakening of the greenback and maintain the trading range of 4.12-4.1450. Upbeat US data in the coming days continue to pose as downside risk to MYR.

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

- USD retreated on Tuesday, with DXY down by 0.31%. This was largely due to a drop in US yields. 10-year yields fell by more than 5bps to 1.61%. US inflation also came close to expectations, reducing fears from rising PPI. We maintain our view of seeing some downside bias, with support at 91.00 and resistance at 92.50.

EUR (Neutral-to-Bullish)

- EUR/USD rose sharply on Tuesday's session, breaking 1.1920 decisively and is still in a bid tone at current levels around 1.1950. This was helped by a weakening dollar, even as virus concerns are prevalent in Europe. We anticipate slight upsides for the pair, within a range of 1.1790 to 1.2000.

GBP (Neutral-to-Bullish)

- GBP/USD inched up, underperforming under dollar weakness. Pair was up only around 0.07%, closing around 1.3750. This came as UK GDP rose 0.4% in February. BOE says Andrew Haldane is to step down as the central bank's chief economist. We see range trading between 1.3670-1.3825 for the week ahead.

JPY (Neutral-to-Bullish)

- USD/JPY was coming off with some momentum on 13 April. Pair hit a low of 108.99 in the process, after an intraday high of 109.75. We see slight downsides for the pair within a range, in the absence of momentum. Watch 109.00 support (and 108.10 next) and 109.96 resistance.

AUD (Neutral)

- AUD/USD recovered by 0.24% on Tuesday as dollar weakened. Pair reached a close around of 0.7641 after a low of 0.7586. Pair also saw a bid tone on Wednesday's open. Attention shifts to consumer inflation expectations and employment data on Thursday. Watch a range of 0.7588-0.7660 (before 0.7720), amid volatility in sentiment.

SGD (Neutral-to-Bullish)

- USD/SGD was stable on Tuesday before MAS and 1Q GDP release, ending the day at 1.3413. We continued to see tight intraday range, of 1.3402-1.3437 in this instance. We continue to see slight downsides for the pair for the week ahead, with the MAS decision a key swing factor in case of any surprises. Hence, support at 1.3370 may be tested before 1.3300. Some profit taking may see pair test resistance of 1.3460.

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