

Global Markets Research

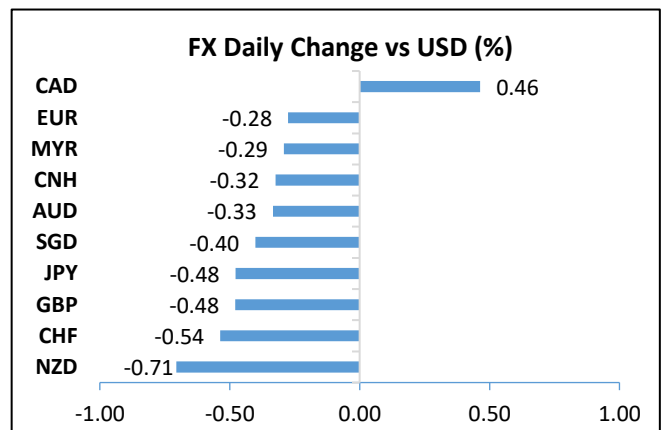
Daily Market Highlights

Key Takeaways

- US stocks scored another broadly positive session on Friday after President Biden signed the \$1.9 trillion Covid-19 stimulus bill into law and directed all states to make vaccines available for all US adults by the end of May this year. The Dow Jones Industrial Average saw another record setting session, adding 293 pts or 0.9% while the S&P 500 inched up slightly higher (+0.1%). Tech shares reversed from the previous rally, leading the NASDAQ index to fall 0.6%. Despite that, the indexes all closed out the week with 2.6- 4.1% gain, with the Dow leading the pack thanks to higher demand for cyclical stocks.
- 10Y UST yield shot above 1.60% on Friday as the selloff in treasuries resumed, reflecting optimism surrounding economic recovery as well as concerns over higher inflation, just ahead of this week's FOMC meeting. It appears that Fed Chair Jerome Powell's dovish remarks in various occasions have thus far failed to appease markets. 10Y UST last traded at 1.63%, its highest level in more than a year. Overall yields rose 0.8 to 9.3bps. The 2s10s curve steepened. Gold futures were down slightly (-0.2%) on Friday \$1719.8/oz. Oil prices consolidated recent gains on Friday after the prior session's rally. Brent crude last traded at \$69.22/barrel. Treasury Secretary Janet Yellen said on Sunday that US inflation risk remains small and is "manageable", reiterating that there are tools to address it, should it materialise. Other than the FOMC meeting, officials at the BOJ, BOE, BI and several other countries also convene this week to decide on their respective monetary policy decision.
- On the data front, US PPI inflation accelerated 2.8% y/y in February while consumer confidence saw marked improvement in early March. Eurozone's industrial production rose 0.8% m/m in January. UK's nominal GDP fell 2.9% m/m in the same month. Japan's core machine orders fell 4.5% m/m. Malaysia's IPI gained 1.2% y/y. New Zealand's services was PMI still below 50.
- On Friday, DXY touched a high of 91.96 but came off to 91.68 at close. We lean towards some **downsides on the USD** for the week ahead, within a range of 90.50-92.00. For the week ahead, focus is on retail sales and industrial production data for signs of February momentum. Markets will also anticipate FOMC meeting on 17 March, for signs of further policy direction against taper tantrum risks.
- USD/MYR strengthened 0.3% to 4.1185 ahead of the weekend. We remain **bullish on USD/MYR**, but note that the pair may consolidate after recent rally before making further climbs higher. Volatility remains but prospects of more cautious trading in the USD ahead of a closely-watched FOMC meeting this week on the Fed stance on inflation and bond yields will likely result in a somewhat more muted move overall. We are eyeing a range of 4.09-4.15 in the week ahead.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,778.64	0.90	7.10
S&P 500	3,943.34	0.10	4.99
FTSE 100	6,761.47	0.36	4.66
Hang Seng	28,739.72	-2.20	5.54
KLCI	1,615.69	-0.84	-0.71
STI	3,095.22	-0.35	8.84
Dollar Index	91.68	0.28	1.94
WTI oil (\$/bbl)	65.61	-0.62	35.22
Brent oil (\$/bbl)	69.22	-0.59	33.63
Gold (\$/oz)	1,719.80	-0.16	-9.25
CPO (RM/tonne)	4,100.00	1.93	8.24



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↑
UK	↓	NZ	↓
Malaysia	↓		

Up Next

Date	Events	Prior
15/03	CH Industrial Production YTD YoY (Feb)	--
	CH Fixed Assets Ex Rural YTD YoY (Feb)	--
	CH Retail Sales YTD YoY (Feb)	--
	US Empire Manufacturing (Mar)	12.1
16/03	AU RBA Minutes of March Policy Meeting	
	JN Industrial Production MoM (Jan F)	4.20%
	EC ZEW Survey Expectations (Mar)	69.6
	US Import Price Index YoY (Feb)	0.90%
	US Retail Sales Advance MoM (Feb)	5.30%
	US Industrial Production MoM (Feb)	0.90%
	US NAHB Housing Market Index (Mar)	84

Source: Bloomberg

Macroeconomics

- **US PPI inflation accelerated in February:**
 - Producer prices index for final demand in the US rose 0.5% m/m in February, slowing from the 1.3% rate prior. The annual PPI inflation rate beat expectation at 2.8% y/y, acceleration from 1.7% y/y recorded in the previous month. This represents PPI's largest y/y increase since Oct-18, adding to signs that inflationary pressures continued to build up amid the current economic recovery. Core PPI inflation also quickened to 2.5% y/y (Jan: +2.0%)
 - The University of Michigan Consumer Sentiment Index rose substantially to 83.0 in March (Jan: 76.8), its highest level in a year, driven by optimism over the ongoing vaccination rollouts and the new \$1.9 trillion stimulus relief.
- **Eurozone's industrial production recorded first y/y growth since Oct-18:** Eurozone's industrial production rose 0.8% m/m in January; in December industrial output fell 0.1% m/m, revised from the -1.6% fall. This translates into small 0.1% y/y growth in January, its first year-on-year gain since Oct-18. This is in line with the stronger manufacturing indicators at the start of the year, affirming views that the manufacturing sector is riding on the broad-based pickup in global demand.
- **UK monthly GDP contracted in January as government imposed lockdowns:**
 - UK's nominal GDP fell 2.9% m/m in January 2021 (Dec: +1.2%) as government restrictions reduced economic activity. The reading was better than the consensus forecast of -4.9%. This reflects fall in services activity and output (-3.5% m/m) as well as the contraction in the industrial production (-1.5% m/m)
 - Within the industrial sector, manufacturing contracted for the first time (-2.3%) since the initial pandemic-driven fall in output in Apr-20. The construction sector managed to grow 0.9% m/m driven by growth in new work.
 - The UK government had imposed a lockdown at the start of the year to curb the pandemic at that point of time when vaccination efforts had just begun.
- **Japan's core machine orders fell in January:** Japan's core machine orders fell 4.5% m/m in January, after the 5.2% growth prior. The reading was slightly better than the expected fall of 5.5%. This suggests a hold back in capex spending after the three consecutive months of gains and especially when the State of Emergency was announced in January.
- **Malaysia's recorded moderate growth in industrial production:**
 - Industrial Production Index (IPI) turned in an easier growth in January, at 1.2% y/y (Dec: +1.7%), but better than ours as well as consensus estimate.
 - The pullback was rather broad-based, with slower growth seen in the manufacturing sector (+3.5% vs +4.1% y/y), and bigger contraction in electricity (-4.6% vs -0.2% y/y). On the other hand, the mining sector continued to see smaller contractions. for the second month in a row (-4.5% vs -5.4% y/y).
 - This is only a marginal setback as most economic activities were still allowed to operate during MCO 2.0.
- **New Zealand's services PMI still below 50:** New Zealand's performance of Services Index rose to 49.1 in February, from 48.0 in January, marking its fourth month of sub-50 reading, reflecting the impact of lockdowns to curb some community cases.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR strengthened 0.3% to 4.1185 ahead of the weekend. We remain bullish on USD/MYR, but note that the pair may consolidate after recent rally before making further climbs higher. Volatility remains but prospects of more cautious trading in the USD ahead of a closely-watched FOMC meeting this week on the Fed stance on inflation and bond yields will likely result in a somewhat more muted move overall. We are eyeing a range of 4.09-4.15 in the week ahead.

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

- On Friday, DXY touched a high of 91.96 but came off to 91.68 at close. We lean towards some downsides on the USD for the week ahead, within a range of 90.50-92.00. For the week ahead, focus is on retail sales and industrial production data for signs of February momentum. Markets will also anticipate FOMC meeting on 17 March, for signs of further policy direction against taper tantrum risks.

EUR (Neutral-to-Bullish)

- EUR/USD was slightly down, with a close of 1.1953 after an intraday range of 1.1910-1.1988. Focus stays on the 1.2000 psychological big figure. We see slight upsides within a range of 1.1900-1.2100 for the week ahead.

GBP (Neutral-to-Bullish)

- GBP/USD came off slightly to close at 1.3924, after hovering around 1.4000 the previous close. We see some upsides, and now place support at 1.3900 and resistance at 1.4070 for the week ahead. Bank of England announces policy decision on 18 March, and markets expect no changes to policy rate and bond targets. If so, it will be GBP-neutral.

JPY (Neutral-to-Bearish)

- USD/JPY moved higher in line with yen underperformance, closing at 109.03. We see some scope for the yen to weaken further, with first resistance at 109.50 (before 110) and support at 108.10 for the week ahead. Trade and CPI data the focus for week ahead. Bank of Japan also announces policy decision on 19 March, whereby they may be considering ditching the JPY 6trn ETF target.

AUD (Neutral-to-Bullish)

- AUD/USD weakened to 0.7764 after touching a low of 0.7725, on Friday. Some recovery for AUD is possible. Support close to 0.77 big figure, while resistance at 0.7920. Market sentiments and commodity price movements the main focus, alongside Australia employment data, RBA minutes and retail sales.

SGD (Neutral-to-Bullish)

- USD/SGD closed higher on Friday, down to 1.3449 close after a 1.3474 high. We are anticipating some possible correction after previous highs. We place a support of 1.3360, before possible moves down to the 1.33 big figure. Resistance estimated at 1.3450. Watch Singapore NODX data for the week ahead.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

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