

Global Markets Research

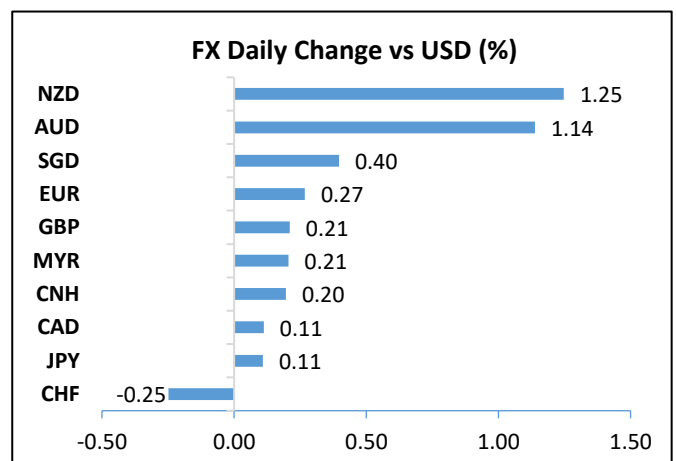
Daily Market Highlights

Key Takeaways

- US stock benchmarks saw another session of mixed performances** as investors weighed record-high bank earnings and the Federal Reserve's Beige Book that said US' economic activity accelerated to moderate pace. JP Morgan and Goldman Sachs notched their best quarterly profits thanks to robust trading and investment banking activity as well as the release of credit reserves previously set aside to cover loan losses. The Dow Jones pared back intraday gains, to close only 0.2% higher compared to the prior session. The S&P 500 lost 0.4% while NASDAQ was down by 1% as investors sold tech stocks.
- Yields rebounded modestly across the curve. The 10Y UST yield rose nearly 2bps to 1.63%** as markets parsed the Fed's latest Beige Book which reported a strengthened consumer spending and rising prices expectations. **Fed Chair Jerome Powell said that the central bank may taper its bond purchases first before it considers to raise rates** in future in a virtual event by the Economic Club of Washington. Meanwhile, gold futures made a reversal on Wednesday, closing 0.7% lower at \$1734.9/oz. Crude oil prices rallied by 4.6-5% in response to the large withdrawal in US' crude stockpiles. **The IEA also upgraded its global oil demand. Brent crude settled at \$66.58/barrel**, its highest level since mid-March. Markets continued to anticipate the release of the US Treasury Department's Foreign Exchange Report. Focus also shifts to key US data tonight. Stock futures pointed to muted openings in Asia.
- In the US, mortgage applications fell for the fifth consecutive week by 3.7% while March's import price index recorded smaller m/m gain of 1.2%. The euro area's industrial production was down by 1% in February. Japanese firms cut core machine orders (-8.5% m/m) in the same month. **Singapore's advance 1Q GDP growth came in at 0.2% y/y; The MAS maintained its policy.** The RBNZ also kept its policy intact.
- The USD weakened for the third consecutive session.** DXY reached a low of 91.57 after previous close of 91.85, although recovering to 91.69. This came after stocks retreated from record highs and Powell gave his thoughts that the Fed will taper its QE program before considering rate hikes. We maintain range of 91.00-92.50.
- USD/MYR shed 0.2% to 4.1265 as the MYR strengthened alongside its Asian counterparts against the greenback.** We are neutral to bearish on USD/MYR today as the dollar extended its weakness, the pair may break 4.12 support and slip comfortably to 4.11 levels ahead of key events and data. Expect trading range of 4.11-4.14. Upbeat US data may be a saving grace to USD, we watch out for today's initial jobless claims, retail sales and industrial production in the US.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,730.89	0.16	10.21
S&P 500	4,124.66	-0.41	9.81
FTSE 100	6,939.58	0.71	7.42
Hang Seng	28,900.83	1.42	6.13
KLCI	1,598.28	0.04	-1.78
STI	3,179.39	-0.27	11.80
Dollar Index	91.69	-0.18	1.95
WTI oil (\$/bbl)	63.15	4.94	30.15
Brent oil (\$/bbl)	66.58	4.57	28.53
Gold (\$/oz)	1,734.90	-0.65	-8.45
CPO (RM/tonne)	4,177.50	-1.02	10.28



Source: Bloomberg

Overnight Economic Data

US	→	EU	↓
JP	↓	SG	↑

Up Next

Date	Events	Prior
15/04	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
	NZ BusinessNZ Manufacturing PMI (Mar)	53.4
	SG Non-oil Domestic Exports YoY (Mar)	4.2%
16/04	CH GDP YoY (1Q)	6.5%
	EC Trade Balance SA (Feb)	24.2b
	EC CPI YoY (Mar F)	0.9%
	US Housing Starts MoM (Mar)	-10.3%

Source: Bloomberg

Macroeconomics

Fed Beige Book reported robust economic activity; mortgages applications fell for fifth straight week:

- The Federal Reserve's third Beige book of 2021 reported that the US national economic activity accelerated to a moderate pace from late February to early April. Services activity generally improved with tourism turning more upbeat amid an easing of pandemic restrictions, rising vaccinations and stimulus injections. Manufacturing activity remained robust despite widespread supply chain disruptions. Wage growth accelerated slightly overall and hiring remained a widespread challenge. Prices accelerated slightly as input costs rose across the board.
- The import price index rose at slower pace of 1.2% m/m in March (Feb: +1.3%) due to the smaller gain in imported petroleum prices in the month where the USD has strengthened; the y/y gain was at a whopping 6.9% (Feb: +3.1%), again thanks to lower base from last year.
- Mortgage applications fell for the sixth consecutive week 3.7% last week (prior: -5.1%) despite lower interest rates. Both refinancing and purchasing applications were down as potential homebuyers and homeowners may have adopted a wait-and-see approach on US rates.

Eurozone's industrial production fell in February:

- Industrial production fell 1% m/m in February (Jan: +0.8%) amid a broad-based decline in output across all categories of goods. Compared with February 2020, industrial production decreased by 1.6% y/y in the euro area. This reflects the supply chain constraint in the manufacturing sector which had disrupted overall output. The strong manufacturing PMI suggests that the weak February reading is only temporary as global demand continues to recover.

Japan's core machine order fell in February:

- Japanese firms cut back on capital spending, adding mixed signals to the recovery picture. Core machine orders unexpectedly dropped by 8.5% m/m in February (Jan: -4.5%) as orders for both manufacturing and non-manufacturing recorded declines. Y/y, core machine orders also observed a negative reading of -7.1%.

RBNZ kept policy intact:

- The RBNZ maintained its Official Cash Rate at 0.25% in a widely expected move. The large scale asset purchase (LSAP) programme at NZ\$100 billion and the Funding for Lending Programme (FLP) operation were also unchanged.
- RBNZ said that "uncertainty remains elevated and divergences in economic growth both within and between countries are significant". It maintained its medium-term outlook for growth from the February statement.
- It would take time to observe the effect of the government's new housing policies on house price growth, hence CPI and employment.
- It said that medium-term inflation and employment would likely remain below its remit targets in the absence of prolonged monetary stimulus. It would not remove monetary stimulus until it is confident that the CPI and employment objectives are achieved sustainably.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR shed 0.2% to 4.1265 as the MYR strengthened alongside its Asian counterparts against the greenback. We are neutral to bearish on USD/MYR today as the dollar extended its weakness, the pair may break 4.12 support and slip comfortably to 4.11 levels ahead of key events and data. Expect trading range of 4.11-4.14. Upbeat US data may be a saving grace to USD, we watch out for today's initial jobless claims, retail sales and industrial production in the US.

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

- The USD weakened for the third consecutive session. DXY reached a low of 91.57 after previous close of 91.85, although recovering to 91.69. This came after stocks retreated from record highs. Fed Chair Powell gave his thoughts that the Fed will taper its QE program before considering rate hikes. We maintain range of 91.00-92.50.

EUR (Neutral-to-Bullish)

- EUR/USD rose for the third consecutive session, up 0.27% to close at 1.1980. Dollar weakened despite modest gains in US yields. This shifts attention to the 1.2000 resistance, where a break will see current range of 1.1790-1.2000 shift towards 1.1900-1.2100. Industrial production contracted (-1% m/m), but was better than expected.

GBP (Neutral-to-Bullish)

- GBP/USD rose by 0.21% after a muted previous session, closing at 1.3779 after a high of 1.3809. A break away of 1.3825 resistance will likely shift attention to 1.3900 big figure. Support hardening around the 1.3710 level.

JPY (Neutral-to-Bullish)

- USD/JPY inched down on Wednesday's session down to a close of 108.93. Thursday open sees a slight offered tone as dollar stayed soft. The break of 109.00 support shifts the focus towards a lower range of 108.40 to 109.70.

AUD (Neutral)

- AUD/USD outperformed other G10 currencies, gaining by more than 1.1% on Wednesday's session. This was due to a strong resurgence in energy prices overnight. Pair was up to a close of 0.7728 after previous session's 0.7641. The break of prior resistance now shifts focus towards some further upsides, within a range of 0.7650 to 0.7830.

SGD (Neutral-to-Bullish)

- USD/SGD outperformed most G10 and Asian currencies on Wednesday's session. Aftermath of the MAS policy decision sees focus shifting towards tightening expectations, between October 2021 to April 2022. This has caused USD/SGD to break prior support, closing at 1.3360 after a 1.3350 low. We now watch 1.3300 support, and resistance of 1.3430.

Singapore's MAS maintained policy; 1Q GDP growth at 0.2% y/y:

- Singapore's economy grew for the first time since 4Q-2019. Advance estimates showed that the economy expanded by 0.2% y/y in 1Q-2021, after a 2.4% decrease in 4Q-2020. The result was supported by manufacturing. Construction and services registered narrower contractions compared to a quarter ago.
- The Monetary Authority of Singapore (MAS) has kept its monetary policy stance unchanged on 14 April. In doing so, it has maintained a zero-appreciation policy on the Singapore Dollar Nominal Effective Exchange Rate (SGD NEER). It has also kept the midpoint and band of its SGD NEER constant.
- We are of the opinion that the MAS has maintained a neutral stance in its monetary policy statement. We think that they are likely to refrain from moving towards a modest and gradual appreciation of the SGD NEER over the coming meeting. At this stage, we pencil in a potential April 2022 tightening, to a 0.5% per annum appreciation. However, that is subject to downside and upside risks. Expectations of MAS tightening will likely support SGD outperformance in 2021.

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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