

## Global Markets Research

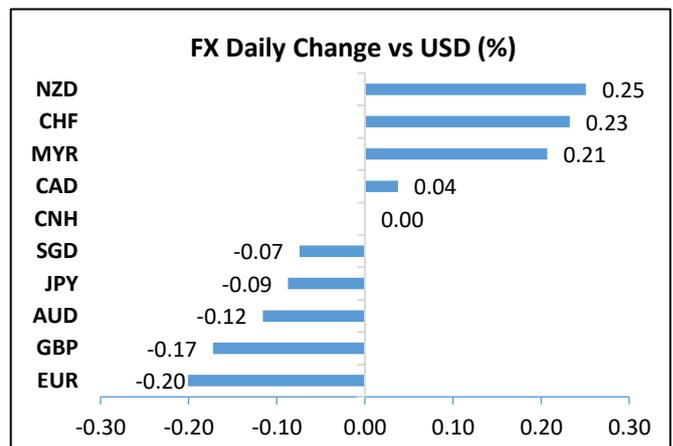
### Daily Market Highlights

#### Key Takeaways

- US stocks extended gains to the start of the week, supported by economic and vaccine optimism.** Shares gained across nearly all sectors except for financials and energy shares; the latter being pressured by falling oil prices. The Dow Jones and S&P 500 rose 0.6% and 0.5% respectively in another record setting session. NASDAQ gained 1%. **Treasury yields fell as investors await the FOMC meeting's outcome;** 10Y UST yield lost 2bps to 1.61%. For now, Officials will wrap up their two-day meeting on Wednesday, followed by Fed Chair's Jerome Powell press conference.
- Oil prices fell amid the higher USD.** Brent crude slipped 0.5% to \$68.88/barrel. WTI lost 0.3% to \$65.39/barrel. Gold prices gained 0.6% to \$1729.2/oz. **Several European countries (Germany, France, Italy, Spain and Portugal) halted use of the AstraZeneca vaccine following multiple reports of serious blood clotting. Retail sales and industrial production of the US are in the data docket today;** consensus are expecting a decline in retail sales in February as the deep freeze might have disrupted spending. Industrial production growth is also expected to slow.
- On Monday, **the US's Empire State Manufacturing Index** rose more than 5pts in March driven by higher prices while reflecting the supply constraints faced by most manufacturers across the country. **China's monthly key indicators were positive,** with retail sales, industrial production and fixed investments all recorded more than 30% increase in the January-February period, partly inflated by the low base effects from last year's Covid-19 lockdown.
- The dollar broadly strengthened for the second session as the USD was seen gaining against most G10 currencies except NZD and CHF. CAD was little changed. We now see **slight dollar strength** over the coming week, within a range of 91.40-92.20. 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 fell 0.2% to 4.11 on Monday. 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 continue to eye a range of 4.09-4.15 this week.
- We have adjusted our G10 and Asia FX forecasts, taking into account a stronger dollar profile for 1H-2021,** before some weakness from 2H-2021. Our fundamental views for each currency remain similar to our [FX Outlook](#) dated 1-March. Notably, we forecast DXY peaking at 92.50 by end-June, before coming off to 91.50 by end-2021. **For USD/MYR, we forecast a peak of 4.15 by the end of June 2021, before a return to 4.08 by the end of December 2021.**

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,953.46	0.53	7.67
S&P 500	3,968.94	0.65	5.67
FTSE 100	6,749.70	-0.17	4.48
Hang Seng	28,833.76	0.33	5.89
KLCI	1,620.92	0.32	-0.39
STI	3,106.00	0.35	9.22
Dollar Index	91.83	0.17	2.11
WTI oil (\$/bbl)	65.39	-0.34	34.77
Brent oil (\$/bbl)	68.88	-0.49	32.97
Gold (\$/oz)	1,729.20	0.55	-8.73
CPO (RM/tonne)	4,190.00	2.03	10.61



Source: Bloomberg

#### Overnight Economic Data

US	China
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#### Up Next

Date	Events	Prior	
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	
	17/03	AU Westpac Leading Index MoM (Feb)	0.26%
		JN Exports YoY (Feb)	6.40%
		SI Non-oil Domestic Exports YoY (Feb)	12.80%
EC CPI YoY (Feb F)		0.90%	
US MBA Mortgage Applications		-1.30%	
US Building Permits MoM (Feb)		10.70%	
US Housing Starts MoM (Feb)		-6.00%	

Source: Bloomberg

## Macroeconomics

- **US Empire State Manufacturing Index rose more than 5 points:** The New York Fed's Empire State Manufacturing Index rose to 17.4 in March, from 12.1 prior, adding to signs of a strong economic recovery. The increase was driven by a sharp rise in the prices paid index that indicates that factories had to pay more to source for raw materials. Despite the positive reading, the increase in delivery time alongside the smaller number of employees reaffirmed the manufacturing industry's supply chain constraints.
- **China's January and February data indicate strength in economic growth:**
  - China's industrial production rose 35.1% y/y in the January-February period (Note: There is no similar data for the prior corresponding period for comparison).
  - Retail sales also jumped 33.8% y/y in the same period while Fixed asset investment jumped 35% y/y (Jan-Feb 2020: -24.5%). All readings are inflated by low base effect from last year's Covid-19 lockdown, but are positive nonetheless. This suggests a strong GDP growth for 1Q21.

## Forex

### MYR (Neutral-to-Bearish)

- USD/MYR fell 0.2% to 4.11 on Monday. 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 continue to eye a range of 4.09-4.15 this week.

### USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- Dollar broadly strengthened on Monday, for a second successive session. We now see slight dollar strength over the coming week, within a range of 91.40-92.20. 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-Bearish)

- EUR/USD was slightly down for the second successive session. Without momentum up towards the 1.2000 psychological big figure, focus now turns to a 1.1880 support. We now turn less optimistic of the pair, anticipating a range of 1.1870-1.1990 for the week ahead.

### GBP (Neutral)

- GBP/USD retreated slightly on late Monday, dipping to a low of 1.3853 before a recovery to the 1.3900 big figure. The break of the 1.39 support now shifts focus towards a range of 1.3820-1.34005. 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 (Bearish)

- USD/JPY continued to grind higher, although gains were capped after the 109.36 intraday high. Pair closed at 109.13. 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-Bearish)

- AUD/USD dipped lower for the second successive session, hinting at a lack of momentum above the 0.78 big figure after briefly touching it on 12 March. Pair closed at 0.7755 after an intraday range of 0.7706-0.7776. Support close to 0.77 big figure, while resistance is at 0.7790. AUD may stay defensive on dollar strength, even as sentiments have turned brighter after recent market concerns.

### SGD (Neutral-to-Bearish)

- USD/SGD was slightly higher on Monday, partly from dollar strength. Pair closed at 1.3459 after a high of 1.3484. We turn less bullish on the SGD after USD/SGD broke resistance level. Resistance now estimated at 1.3531's high on 9 March. We place a support of 1.3400. 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](mailto:HLMarkets@hlbb.hongleong.com.my)

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