Global Markets Research

Daily Market Highlights

Key Takeaways

- **The US' main benchmarks saw mixed performances on Tuesday as markets reopened**. The blue-chip Dow picked up 0.2% to reach a new record high although the broader stock markets largely pulled back. The S&P500 fell marginally (-0.06%) while tech heavy NASDAQ closed 0.3% lower. Stocks fell in Europe but gained in Hong Kong and Japan earlier. Market remained shut in China for the Lunar New Year celebration. **The selloff in US treasuries continued on the back of stimulus and vaccine optimism. Yield on 10Y UST jumped 10.6bps to 1.31%, the highest level since Feb-20.** The 30s last traded at 2.09% (+8.3bps).

- The dollar strengthened despite rising US yields. **USD strengthened across most currencies; GBP was proven resilient** and held unchanged while JPY continued to be a major loser. The dollar index inched up modestly to 90.51. In the commodity sector, **gold prices plunged further** with futures shedding 1.3% to $1797.2/oz. Crude oil prices were mixed. Brent crude was little changed at $63.35/barrel while US benchmark **WTI added nearly 1.0% to $60.05/ barrel amid an energy crisis in Texas and some parts of central US.**

- **The Eurozone's economy contracted less than initially estimated by 0.6% q/q** in the fourth quarter. This was revised higher from -0.7% in the first estimate. **Germany's investors also turned more optimistic** over the broader Eurozone's outlook in the latest ZEW Expectations Survey. **The US Empire Manufacturing Index surged in February** as price pressures built up further. **Japan's exports rose** for the second month in January. The **RBA meeting minutes** released yesterday **reinforced the central bank's dovish tone.**

- DXY stayed within a narrow range of 90.12-90.64, closing marginally higher compared to the previous day at 90.51. This came as US stocks pulled back from record high and US treasuries yields surged to the highest in a year. We are **neutral-to-bearish** on the USD for the week ahead. We see support close by around 90.30 level. If that is broken, we see attention turning towards the 21 January low of 90.048. Data focus is on PPI, retail sales and industrial production later this week.

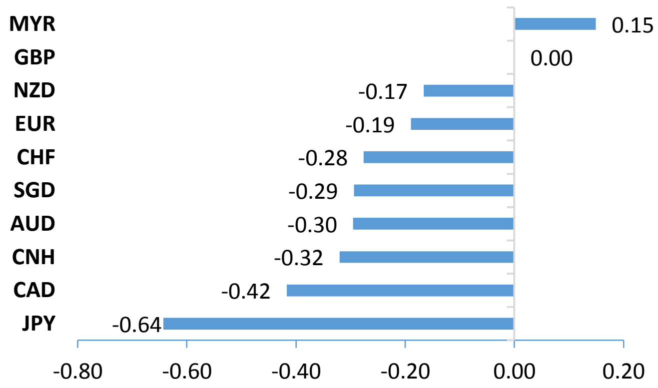
- USD/MYR pulled back further by another 0.2% to 4.0280 on Tuesday. The greenback has strengthened overnight but higher oil prices are likely to remain beneficial to the local currencies, which lead us to maintain our **neutral-to-bearish** call on USD/MYR this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,522.75	0.20	2.99
S&P 500	3,932.59	-0.06	4.70
FTSE 100	6,748.86	-0.11	4.46
Hang Seng	30,746.66	1.90	12.91
KLCI	1,606.14	-0.12	-1.29
STI	2,935.34	0.13	3.22
Dollar Index	90.51	0.03	0.64
WTI oil ($/bbl)	60.05	0.98	23.76
Brent oil ($/bbl)	63.35	0.08	24.31
Gold (S/oz)	1,797.20	-1.30	-5.74
CPO (RM/tonne)	3,897.50	-0.35	2.89

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data			
US	↑	Eurozone	↑
Japan	→		

Up Next

Date	Events	Prior
17/02	SG NODX YoY (Jan)	6.8%
	UK CPI YoY (Jan)	0.6%
	US Retail Sales MoM (Jan)	-0.7%
	US Industrial Production MoM (Jan)	1.6%
	US NAHB Housing Market Index (Feb)	83.0
18/02	US FOMC Meeting Minutes	
	AU Unemployment Rate (Jan)	6.6%
	US Building Permits MoM (Jan)	4.2%
	US Housing Starts MoM (Jan)	5.8%
	US Initial Jobless Claims (13 Feb)	793k

Source: Bloomberg

Macroeconomics

- ***RBA minutes reaffirmed dovish policy stance:***
  - The RBA had maintained the cash rate at 0.1% in its 2 February meeting and had also extended and expanded its QE program (to expire in April 2021) by AUD100b.
  - The RBA's latest meeting minutes showed that the central bank viewed Australia's economic recovery as being well under way and had been stronger than expected previously. It said that its policy actions to date had been working broadly as expected".
  - The Board remained committed to doing what it reasonably could to support the Australian economy, and decided to maintain the existing policy settings. It also concluded that very significant monetary support would be required for some time, as it would be "some years before the Bank's goals for inflation and unemployment were achieved". Withdrawing monetary stimulus would be "premature".

- ***Euro area economy contracted lesser than expected in 4Q:***
  - The Eurozone's 4Q real GDP growth was revised higher to -0.6% q/q (from -0.7%) in the second estimate. This followed a 12.4% growth in 3Q. On a year-on-year basis, GDP fell 5.0% (revised from -5.1% prior), translating to a full year contraction of 6.8%. In 4Q, a new Covid-19 wave hit the broader Eurozone, leading to multiple shutdowns and restrictions across the continents that reversed some of the rebound observed in 3Q.
  - Employment rose 0.3% q/q in 4Q (3Q: +1.0%). The labour market remained supported by government's job protection schemes.
  - On a separate note, Germany's ZEW Expectation Index for the broader Eurozone economy climbed for the third month to 69.6 in February (Jan: 58.3), indicating brighter investor optimism regarding the euro area's outlook amid undergoing vaccination.

- ***US Empire Manufacturing Index surged in February:*** The New York Fed Empire Manufacturing Index jumped to 12.1 in February, from 3.5 in January, pointing to a robust pace of expansion in the New York State's manufacturing activity. Notably prices paid and received by manufacturers continued to surge this month, as part of a broader trend of higher prices amid the economic recovery.

- ***Japan exports rose for the second month:***
  - Japan exports rose 6.4% y/y in January (Feb: +2.0%), marking its second month of growth after having broken a lengthy losing streak. This reflects higher Chinese demand for Japanese goods in the Lunar New Year season. Imports meanwhile fell more than expected by 9.5% y/y (Feb: -11.6%).
  - Core machine orders surprised with a 5.2% m/m gain in December (Jan: +1.5%). This compared to analysts' forecast of a 6.1% decline, offering good signs of business outlook in Japan.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR pulled back further by another 0.2% to 4.0280 on Tuesday. The greenback has strengthened overnight but higher oil prices are likely to remain beneficial to the local currencies, which lead us to maintain our neutral-to-bearish call on USD/MYR this week.

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

- DXY stayed within a narrow range of 90.12-90.64, closing marginally higher compared to the previous day at 90.51. This came as US stocks pulled back from record high and US treasuries yields surged to the highest in a year. We are **neutral-to-bearish** on the USD for the week ahead. We see support close by around 90.30 level. If that is broken, we see attention turning towards the 21 January low of 90.048. Data focus is on PPI, retail sales and industrial production later this week.

EUR (Neutral-to-Bullish)

- EUR/USD pulled back by 0.19% on Tuesday, after reaching recent highs. Pair was briefly down below 1.2100 but recovered to close at 1.2106. 4Q data confirmed continued sluggish economic activity, with GDP down 5% y/y. We are **neutral-to-bullish** on the EUR, with dollar weaknesses resuming. However, gains may be capped as fundamentals are only starting to improve. Watch 1.22 big figure as precursor to further moves to 1.2350 resistance. February PMIs to be released later the week.

GBP (Neutral-to-Bullish)

- GBP/USD closed flat on Tuesday at 1.3903 after reaching a high of 1.3952. This came amid signs that trade between the UK and EU is normalising. Previous moves have now turned attention towards the 1.4000 resistance. We stay **neutral-to-bullish** on the pound, although it may be limited by stretched levels. Only a correction to 1.3800 may turn momentum away from current uptrend.

JPY (Neutral-to-Bearish)

- USD/JPY headed higher on Tuesday, breaking resistance and triggering our more bearish view on JPY. This was partly due to easing safe haven demand, with levels now at a five-month high. We turn **neutral-to-bearish** on the JPY. With USD/JPY now above the 100-105 range, we see a 106.90 resistance as a first step towards moving higher to 108 big figure. Support is at 105.00.

AUD (Neutral-to-Bullish)

- AUD/USD corrected downwards slightly by 0.3% after prior moves higher. This brought pair to a 0.7758 close, after a low of 0.7745. RBA minutes reiterated preference for current stance, hence providing little impact on AUD. Still, elevated crude prices above USD 60/bbl. may be supportive of the AUD. We stay **neutral-to-bullish** on the pair. Strong momentum upwards is turning attention towards a 0.78-0.80 range. Focus will likely be on a 0.7810 resistance and a 0.7564 support.

SGD (Neutral-to-Bullish)

- USD/SGD was slightly up on Tuesday, after Singapore's FY2021 Budget announcements. This brought pair to a close of 1.3270 after an intraday low of 1.3211. As anticipated, much of the positivity from the positive news in Singapore may have been priced in. We stay **neutral-to-bullish** on the SGD. We anticipate a move below 1.3200 to shift focus towards the YTD 1.3157 low (support). If a reversal occurs on the upside, we watch resistance at 1.3290.

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