HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks broadly fell on Tuesday, snapping the record-setting streak while treasury yields saw minor increases as investors digested the latest set of US economic data while the two-day FOMC meeting began.** Energy shares led the losses, weighed by lower oil prices, followed by industrials and financials shares. The Dow Jones fell 0.4% and the S&P 500 was 0.2% lower. Meanwhile, NASDAQ managed to record a marginal increase (+0.1%) as tech stocks rose. Treasury yields rose slightly at the longer end where the 10Y UST yield was last seen trading at 1.62% (+1.2bps).

- **Gold prices were flattish** with futures barely moved at $1730.9/oz (+0.1%). **Crude oil prices fell for the third session.** WTI was down by 0.9% to $64.80/barrel and Brent futures shed another 0.7% to $68.39/barrel. **The RBA's minutes reaffirmed the central bank's goal to meet its inflation target before hiking the cash rate,** citing the need for wages growth to go above 3% sustainably. Focus shifts to the FOMC meeting where the Fed's latest statement will be published tomorrow, followed by Chair Jerome Powell's press conference. **Investors are anticipating the Fed to address the issue of rising bond yields, some were hoping for some actions or signs of any potential actions to be announced by the Fed. We maintained our base case scenario for the Fed to maintain its policy stance.**

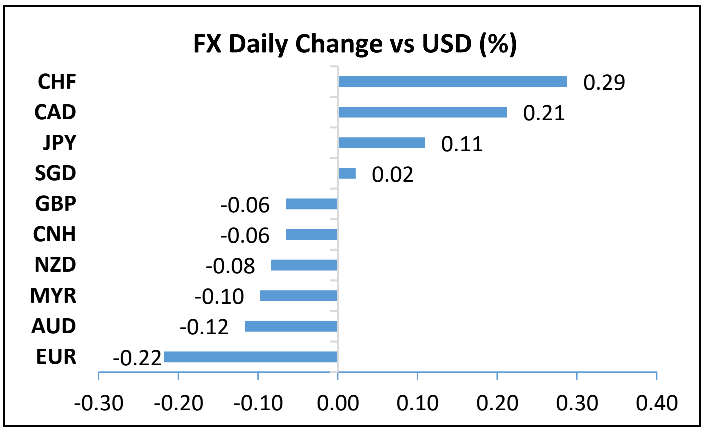
- On the data front, **the deep freeze in mid-February led to declines in the US**' retail sales (-3.0% m/m) and industrial production (-2.2% m/m). The NAHB Housing Market Index slipped to a seven-month low as higher construction cost weighed on sentiment. **German investors turned more upbeat** over economic outlook in March. **Japan's industrial production recovered** in January (+4.3% y/y) **but exports fell** 4.5% y/y in February. Meanwhile, **Singapore's non-oil domestic exports increased at a slower pace** of 4.2% y/y in February, supported by electronics exports which was up by 7.4% y/y.

- DXY hovered around an intraday range of 91.68-92.03, closing somewhat in the middle at 91.87, up slightly overall. The USD strengthened against EUR and AUD but weakened against the CHF, CAD and JPY. GBP and NZD were little changed. We now see **slight dollar strength** over the coming week, within a range of 91.40-92.20. Markets are anticipating FOMC meeting on 17 March, for signs of further policy direction against "taper tantrum" risks.

- USD/MYR rose marginally by 0.1% to 4.1140 on Tuesday. 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.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,825.95	-0.39	7.25
S&P 500	3,962.71	-0.16	5.50
FTSE 100	6,803.61	0.80	5.31
Hang Seng	29,027.69	0.67	6.60
KLCI	1,623.96	0.19	-0.20
STI	3,105.51	-0.02	9.20
Dollar Index	91.87	0.03	2.14
WTI oil ($/bbl)	64.80	-0.90	33.55
Brent oil ($/bbl)	68.39	-0.71	32.03
Gold ($/oz)	1,730.90	0.10	-8.70
CPO (RM/tonne)	4,252.00	1.15	12.25



Source: Bloomberg

Overnight Economic Data			
US	↓	Eurozone	↑
Japan	→	Australia	↓

Up Next

Date	Events	Prior
17/03	SG Non-oil Domestic Exports YoY (Feb)	12.8%
	EC CPI YoY (Feb F)	0.9%
	US MBA Mortgage Applications	-1.3%
	US Building Permits MoM (Feb)	10.7%
	US Housing Starts MoM (Feb)	-6.0%
18/03	US FOMC Rate Decision (Upper Bound)	0.25%
	NZ GDP SA QoQ (4Q)	14.0%
	AU Unemployment Rate (Feb)	6.4%
	EC Trade Balance SA (Jan)	27.5b
	UK Bank of England Bank Rate	0.1%
	US Initial Jobless Claims	--
	US Philadelphia Fed Business Outlook (Mar)	23.1
	US Leading Index (Feb)	0.5%

Source: Bloomberg

Macroeconomics

- ***Deep freeze in mid-Feb disrupted US's industrial production and retail sales:***
- Industrial production recorded its first decline in five months in February, coming in at -2.2% m/m (Jan: +1.1%) due to disruption caused by the severe winter weather in the US' south-central region in mid-Feb. Both manufacturing and mining outputs fell 3.1% and 5.4% while utilities rose 7.4%. Compared to the same month last year, total production was still 4.2% y/y lower.
- Retail sales fell more than expected by 3.0% m/m in February, following the upwardly revised 7.6% growth in January. Sales of all categories of goods (except gasoline) declined, again because of the weather disruption. The retail sales for the control group, a gauge of core sales fell 3.5% m/m (Jan: +8.7%).
- The NAHB Housing Market Index slipped to a seven-month low of 82 in March, from 84 prior, reflecting softer home builders' sentiment in the US as they faced higher building material costs particularly that of the lumber prices, which added $24k to the price of a new home. The recently higher mortgages rates also affect affordability, weighing on current demand.
- Import price index rose 1.3% m/m in February (Jan: +1.4%), reflecting higher fuel and non-fuel prices. The annual rate came in stronger at 3% y/y (Jan: +1%), its largest year-on-year jump since Jun-18

- ***Germany's investor sentiment improved in March:*** The ZEW Investor Expectation Index for Germany gained more than 5pts to 76.6 in March (Feb: 71.2) as investors turned more optimistic towards the economic outlook as the government's plan to gradually end the lockdowns offered some certainty. The same index for the broader Eurozone also picked up over 4pts, indicating positive sentiment.

- ***Japan's industrial production recovered in January; exports declined:***
- Japan's industrial productions rose 4.3% m/m in January, more than making up the declines recorded in the previous two months (Dec: -1.0%). This was also better than initially estimated growth of 4.2% m/m. The reading is a welcoming sign that reflects the industrial output's attempt to climb back to its pre-pandemic level, but we also caution that there may be some ramping up in production to meet the accelerating demand in Asia ahead of the Lunar New Year celebration.
- In a separate report, exports fell 4.5% y/y in February after the 6.4% gain prior, affected by the changes in demand during the Lunar New Year celebration. Imports jumped nearly 12% y/y (Jan: -9.5%).

- ***Australia's leading index indicates positive outlook:*** The Westpac Leading Index' six-month annualised growth rate fell to 2.6% in February, from 3.6% in January. Despite clocking in at slower rate, the index remained comfortably in the positive territory, adding to optimism for Australia's growth outlook.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR rose marginally by 0.1% to 4.1140 on Tuesday. 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 was slightly up overall, as DXY hovered around an intraday range of 91.68-92.03, closing somewhat in the middle at 91.87. We now see slight dollar strength over the coming week, within a range of 91.40-92.20. Markets are anticipating 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 third successive session, closing at 1.1903. Without momentum up towards the 1.2000 psychological big figure, focus now turns to a 1.1880 support. We have turned less optimistic of the pair, anticipating a range of 1.1870-1.1990 for the week ahead.

GBP (Neutral)

- GBP/USD inched lower on Tuesday towards a 1.3891 close. The previous break of the 1.39 support now shifts focus towards a range of 1.3820-1.3400. 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 headed lower for the first time since 19 March, closing around the 109 big figure after an intraday range of 108.77-109.29. 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. 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 recovered after a brief dip to a 0.7711 low, and closed at 0.7746 on Wednesday. AUD may stay defensive on dollar strength, even as sentiments have turn brighter after recent market concerns. Support close to 0.77 big figure, while resistance is at 0.7790.

SGD (Neutral-to-Bearish)

- USD/SGD stayed in a narrow 1.3439-1.3470 range on Tuesday, consolidating for the second consecutive day. We have turned 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