

Global Markets Research

Daily Market Highlights

Key Takeaways

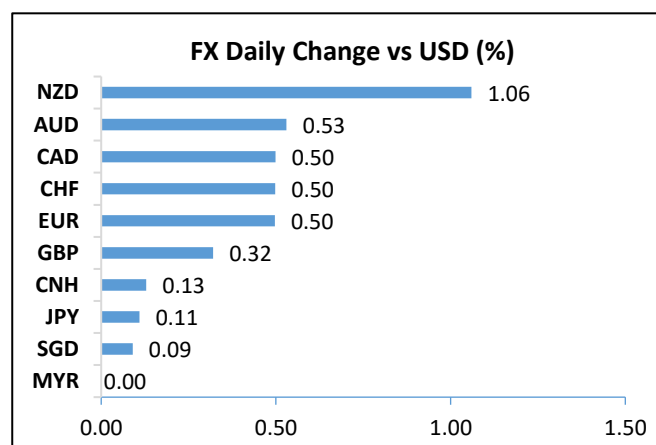
- US stocks extended gains to Friday, as they continued to recover from the losses earlier of the week amid an easing of inflation fear.** The Dow Jones added 1.1% alongside the 1.5% increase of the broader S&P 500 index whereas the NASDAQ outperformed with a 2.3% daily gain. The rally was broad-based across all sectors, led by energy and tech shares. **The Federal Reserve remained consistent on its accommodative policy stance** as several officials reaffirmed that it has no plan to withdraw monetary support despite surging US inflation. **The flat retail sales reading (at 0% m/m) may have played a role in calming the markets as well.** Despite two consecutive positive sessions, stocks still closed out the volatile week in reds with the Dow and S&P registering 1.1% and 1.4% losses. NASDAQ was down by 2.3% for the week.
- Treasury yields retreated on Friday** by 0.6 to 4.5bps following disappointing retail sales data. The yield on the benchmark 10Y UST edged 3bps lower to 1.63%. **Gold prices rose amid the dollar weakness.** Gold futures picked up 0.8% to \$1838.10/oz and secured a modest 0.4% weekly gain. **Crude oil prices rebounded** from recent selloff where the Brent benchmark surged by 2.5% to \$68.71/barrel on Friday. The US WTI rose 2.4% to \$65.37/barrel. For the week, both benchmarks rose 0.6-0.7%. **Futures pointed higher this morning in Asia, suggesting that stocks will kick off the week on a positive note.** China's key economic indicators are due this morning and the Fed is expected to publish its meeting minutes this week.
- US' retail sales came in flat in April after the stimulus-fuelled surge in March. Consumer sentiment also weakened on higher inflation expectations. Industrial production rose 0.7% m/m. House prices in the UK shot to another record high in May; Hong Kong's final GDP growth reading was slightly higher at 5.4% q/q. New Zealand's manufacturing and services PMIs were both positive in April.
- The USD weakened on Friday's session after prior gains. This came as disappointing retail sales helped to dampen threat of rising inflation and early Fed tightening. DXY was 0.47% down to a close of 90.32. We see some **range movements** (90.00 to 91.40). Data focus is on FOMC meeting minutes and Markit PMIs for May, after retail sales and industrial production data.
- USD/MYR closed 0.2% higher on 12 May, before the public holidays. GDP growth came in above expectations for 1Q at -0.5% and the government has reimposed MCO 3.0, although most economic sectors are allowed to operate. We are **neutral on MYR** as the pair is likely to stay within a 4.10-4.14 range.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,382.13	1.06	12.34
S&P 500	4,173.85	1.49	11.12
FTSE 100	7,043.61	1.15	9.03
Hang Seng	28,027.57	1.11	2.92
KLCI*	1,582.52	0.31	-2.75
STI	3,055.02	-2.18	7.43
Dollar Index	90.32	-0.47	0.39
WTI oil (\$/bbl)	65.37	2.43	34.73
Brent oil (\$/bbl)	68.71	2.48	32.99
Gold (\$/oz)	1,838.10	0.77	-2.58
CPO (RM/tonne)**	4,705.00	-1.13	24.21

*Last Price for 12 May

** Last Price for 11 May



Source: Bloomberg

Overnight Economic Data

US	↓	UK	↑
HK	↑	NZ	↑

Up Next

Date	Events	Prior
17/05	CH Retail Sales YoY (Apr)	34.20%
	CH Industrial Production YoY (Apr)	14.10%
	JN Machine Tool Orders YoY (Apr P)	65.10%
	US Empire Manufacturing (May)	26.3
	US NAHB Housing Market Index (May)	83
18/05	JN GDP SA QoQ (1Q P)	2.80%
	AU RBA Minutes of May Policy Meeting	
	UK ILO Unemployment Rate 3Mths (Mar)	4.90%
	UK Employment Change 3M/3M (Mar)	-73k
	EC GDP SA QoQ (1Q P)	-0.60%
	US Building Permits MoM (Apr)	2.30%
	US Housing Starts MoM (Apr)	19.40%

Source: Bloomberg

Macroeconomics

US' retail sales missed forecasts in April; consumer sentiment fell in early May:

- Retail sales in the US were unchanged in April (0.0% m/m), following the upwardly revised 10.7% stimulus-fuelled surge in March. This was lower than consensus forecast of a 1.0% gain. The retail sales for control group, a core gauge fell 1.5% m/m (Mar: +7.6%). Despite the flat reading, retail sales may continue to benefit from the economic reopening, particularly in the food and beverages sector, especially when the CDC has now allowed fully vaccinated individuals to go mask-less.
- The University of Michigan Consumer Sentiment Index slumped to 82.8 in early May, from 88.3 in April due to higher inflation expectations which weighed on real income expectations.

US' industrial production rose for the second month in April:

- US' industrial production rose 0.7% m/m in April, after the 2.4% growth in March. This was supported by gain in output of manufacturing (+0.4%), mining (+0.7%) as well as utilities (+2.6%). The Fed said manufacturing output managed to increase despite "a drop in motor vehicle assemblies that principally resulted from shortages of semiconductors". It added that the overall rise in April's factory output was the return of operation of plants that were damaged by February's severe weather which had remained offline in March.

UK's house prices at record high:

- The UK's Righmove House Price Index rose 1.8% m/m to a record high of £333,564 in May, extending from the 2.1% gain in April. This marked home prices' fourth consecutive months of growth as last year's post-Brexit boom resumed this year.

Hong Kong's final 1Q GDP growth reading at 5.4% q/q:

- Final reading confirmed that Hong Kong's 1Q GDP growth was revised upwards from 5.3% to 5.4% q/q, following the 0.2% q/q expansion in the previous quarter. The recovery of the export sectors, alongside improved domestic demand and investment amid a contained pandemic situation had helped drive the recovery. The year-on-year growth rate surged to 7.9% y/y (4Q: -3%), marking its first positive reading in seven quarters. This was partly inflated by the low base from the same period last year.

New Zealand's PMIs showed manufacturing and services activity still expanding:

- New Zealand's BusinessNZ Manufacturing PMI slipped to 58.4 in April, from the record high of 63.6 prior. The index however continued to signal solid mode of expansion in the manufacturing industry with all sub-components registering above 50.
- The services PMI meanwhile surged to an all-time-high of 61.2 in April, from 52.9 in March as services sector activity gathered momentum following a few months of subdued trend.

Singapore's NODX saw easier gain:

- Singapore's non-oil domestic exports came in at 6.0% y/y in April, from 11.9% in March. Numbers retreated 8.8% m/m (seasonally adjusted). Growth remained supported by electronics, up by 10.9% y/y in April. Non electronics exports eased to 4.7% y/y from 9.2% prior, as chemicals and pharmaceuticals were down.

Forex

MYR (Neutral)

- USD/MYR closed 0.2% higher on 12 May, before the public holidays. GDP growth came in above expectations for 1Q at -0.5% and the government has reimposed MCO 3.0, although most economic sectors are allowed to operate. We are neutral on MYR as the pair is likely to stay within a 4.10-4.14 range.

USD (Neutral Outlook over 1 Week Horizon)

- The USD weakened on Friday's session after prior gains. This came as disappointing retail sales helped to dampen threat of rising inflation and early Fed tightening. DXY was 0.47% down to a close of 90.32. We see some range movements (90.00 to 91.40). Data focus is on FOMC meeting minutes and Markit PMIs for May, after retail sales and industrial production data.

EUR (Neutral)

- EUR/USD recovered after prior session's losses, with the pair having closed at 1.2141 after previous 1-week low of 1.2052 on 13 May. We anticipate a range of 1.1980 to 1.2200. Technical momentum has upside bias but EUR/USD has been at relatively high levels. Focus is on Eurozone GDP, CPI and Markit PMIs ahead.

GBP (Neutral)

- GBP/USD was up by 0.32% on Friday's session, closing at 1.4097. We see range movements for the GBP ahead, within a range of 1.3900 to 1.4120. Momentum is low at high levels. The UK releases CPI, PPI, retail sales and Markit PMI the coming days.

JPY (Neutral-to-Bearish)

- USD/JPY was slightly down for the second consecutive session. Pair closed at 109.35 for the week and comes after the 1-week high of 109.79 on 13 May. Even so, we see slight upsides to USD/JPY for the week ahead, noting that upside technical momentum may be building. Japan releases GDP, exports and CPI data for the week ahead. Resistance at 110.70 if 109.80 is broken, will support is estimated at 108.40.

AUD (Neutral-to-Bearish)

- AUD/USD strengthened by 0.53% on Friday's session, closing at 0.7771. We think that possible risk aversion is unfavourable for the pair, alongside possible commodity price correction. Hence we anticipate slight downsides ahead. Support is at 0.7650 while resistance is at 0.7840. Markets will likely focus on employment data, Markit PMIs and retail sales figures.

SGD (Neutral-to-Bearish)

- USD/SGD was slightly up by 0.09% on Friday, underperforming other currencies in an environment of dollar weakness. Pair closed at 1.3323 and opens Monday on a bid tone. This is due to rising community Covid-19 cases in Singapore and increased Covid-19 restrictions which will dampen the economic recovery. We see some stabilisation around 1.3280 to 1.3380. However, a break of the 1.3380 resistance will likely shift attention towards the 1.3400-1.3500 range.

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