

Global Markets Research

Daily Market Highlights

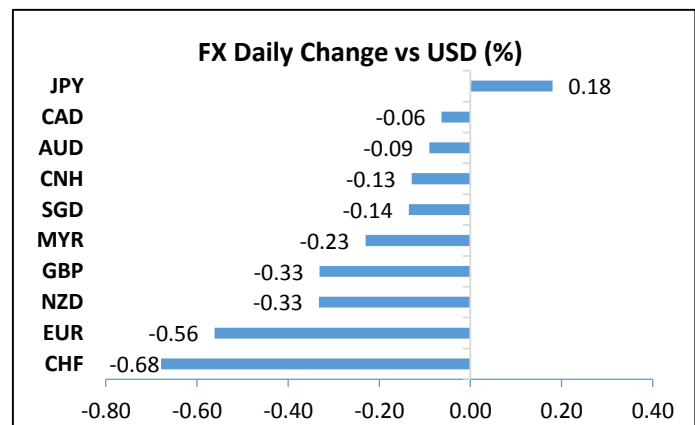
Key Takeaways

- US stocks broadly pulled back overnight as tech shares tumbled.** Stock benchmarks ended on a mixed note with the blue chip index Dow gaining 0.3%; the S&P 500 was flat (-0.03%) and NASDAQ fell for the second session (-0.6%). Stocks had fallen in Europe and in most of Asia (saves for Japan). **The Chinese market will reopen today** after a long Lunar New Year break. **The selloff in US treasuries halted**, leading yields to fall by 1.6 to 5.5bps across the curve. The yield on 10Y UST last traded at 1.27%, 4bps lower than the prior session. **No surprise in the Federal Reserve's minutes as it reaffirmed dovish monetary policy stance.**
- The dollar strengthened further despite falling yields.** The dollar index rose 0.5% to 90.95. Most currencies weakened against the greenback but the JPY rebounded. In the commodity sector, **gold prices extended decline** (-1.5%) to \$1771.1/oz amid stronger dollar. **Brent crude jumped** 1.6% to \$64.34/barrel and WTI picked up 1.8% to \$61.14/barrel. Saudi Arabia is reportedly planning to increase its oil output in the coming months, reversing a recent production cut (1million barrels in Feb-Mar) amid recovering oil prices.
- US data were upbeat.** Retail sales spiked 5.3% m/m in January thanks to the stimulus bill approved in December. Industrial productions also came in strong at 0.9% m/m growth in the same month. The NAHB Housing Market Index also improved slightly in February. Meanwhile in the **UK, CPI inflation accelerated to 0.7% y/y in January but is unlikely to steer the BOE's policy.**
- DXY gained by 0.49% on Wednesday, reaching a high of 90.951 in the process.** This came after strong retail sales performance amid some concerns about inflation. However, dollar strength was halted late session as it partially retreated for the day. We are **neutral on USD** now and see selectivity in dollar performance versus G10 and Asia currencies. Overall for the dollar, we eye a resistance of 91.20 and support at 90.40. Differentials in Markit PMI data may determine dollar movements against various G10 currencies.
- USD/MYR snapped a six-day losing streak to close 0.2% higher at 4.0375.** The trend is likely to extend into today's session as the greenback continued to firm up across the board. Rising US yields is likely to help support the pair in the short term as the 10s looks set to hit 1.5%. Higher oil prices remain an influence for USD/MYR but the effect is fading compared to a firmer USD if the selloff in USTs resumes. We are **neutral to bullish on USD/MYR** for the remainder of the week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,613.02	0.29	3.29
S&P 500	3,931.33	-0.03	4.67
FTSE 100	6,710.90	-0.56	3.88
Hang Seng	31,084.94	1.10	14.15
KLCI	1,595.29	-0.68	-1.96
STI	2,920.43	-0.51	2.69
Dollar Index	90.95	0.49	1.13
WTI oil (\$/bbl)	61.14	1.82	26.01
Brent oil (\$/bbl)	64.34	1.56	26.26
Gold (\$/oz)	1,772.80	-1.46	-6.46
CPO (RM/tonne)	3,940.00	0.57	4.01

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US



UK



Up Next

Date	Events	Prior
18/02	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
19/02	JN Natl CPI Ex Fresh Food YoYJan	-1.0%
	UK GfK Consumer Confidence (Feb)	-28
	JN Jibun Bank Japan PMI Mfg (Feb)	49.8
	JN Jibun Bank Japan PMI Services (Feb) P	46.1
	AU Retail Sales MoM (Jan)	-4.10%
	UK Retail Sales Inc Auto Fuel MoM (Jan)	0.30%
	EC Markit Eurozone Manufacturing (Feb)	54.8
	EC Markit Eurozone Services PMI (Feb)	45.4
	UK Markit UK PMI Manufacturing (Feb)	54.1
	UK Markit/CIPS UK Services PMI (Feb)	39.5
	US Markit US Manufacturing PMI (Feb)	59.2
	US Markit US Services PMI (Feb)	58.3
	US Existing Home Sales MoM (Jan)	0.7%

Source: Bloomberg

Macroeconomics

- **Fed minutes reaffirmed dovish policy stance:**
 - The latest Federal Reserve minutes revealed that Fed officials viewed that the prospect of an effective vaccine program, the recently enacted fiscal support, and the potential for additional fiscal actions had led them to judge that the medium-term outlook had improved.
 - The path ahead however remained highly uncertain with the pandemic continuing to pose considerable risks to the outlook.
 - Economic conditions were currently far from the Fed's longer-run goals and that the stance for policy would need to remain accommodative.
 - With regards to inflation, officials reaffirmed that they would allow inflation to go moderately above the 2.0% target for some time to make up for the long period of low inflation.
- **US retail sales jumped in January, thanks to stimulus checks; industrial production rose for the fourth month:**
 - The \$900b stimulus bill passed in December which includes a \$600 payment to individuals helped boost American spending at the start of 2021. January's retail sales growth beat expectations at 5.3% m/m (Dec: -1.0%), compared to consensus forecast of 1.1%. This broke the three-month losing streak started in October last year. The retail sales for control group, a gauge of core consumer spending also jumped 6.0% m/m (Dec: -2.4%).
 - Meanwhile, industrial production rose for the fourth consecutive month by 0.9% m/m in January (Dec: +1.3%), adding to signs of a resilient manufacturing industry in the US. The reading is better than consensus forecast of a 0.4% growth.
 - Producer prices index for final demand jumped 1.3% m/m in January (Dec: +0.3%) which translated to a sharper 1.7% y/y growth (Dec: +0.8%) thanks to higher prices of energy as well as services in general.
 - The NAHB Housing Market Index rose slightly to 84 in February (Jan: 83). Solid demand continued to underpin overall homebuilding sentiment but record high lumber prices became a chief worry for builders.
- **UK inflation accelerated in January:** CPI inflation accelerated to 0.7% y/y in January, from 0.6% December. This is better than consensus estimate of 0.6% and is the quickest pace recorded in three months, driven by gains in prices of food, alcohol and tobacco and also household products. Rising inflation has been expected by the BOE, this is thus unlikely to steer the central bank's monetary policy.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR snapped a six-day losing streak to close 0.2% higher at 4.0375. The trend is likely to extend into today's session as the greenback continued to firm up across the board. Rising US yields is likely to help support the pair in the short term as the 10s looks set to hit 1.5%. Higher oil prices remain an influence for USD/MYR but the effect is fading compared to a firmer USD if the selloff in USTs resumes. We are neutral to bullish on USD/MYR for the remainder of the week.

USD (Neutral Outlook over 1 Week Horizon)

- DXY gained by 0.49% on Wednesday, reaching a high of 90.951 in the process. This came after strong retail sales performance amid some concerns about inflation. However, dollar strength was halted late session as it partially retreated for the day. We now see selectivity in dollar performance versus G10 and Asia currencies. Overall for the dollar, we eye a resistance of 91.20 and support at 90.40. Differentials in Markit PMI data may determine dollar movements against various G10 currencies.

EUR (Neutral)

- EUR/USD found a low of 1.2023 on Wednesday, before settling slightly higher at close at 1.2038. Momentum has now turned against further gains. We taper our bullishness for EUR, fearing that continually sluggish PMIs can weigh on EUR sentiments. Resistance around 1.2120 while support at the 5 February low of 1.1952 if 1.2000 is broken.

GBP (Neutral-to-Bullish)

- GBP/USD corrected further the previous session, after the high reached on 16 February (1.3952) Pair closed at 1.3857 after a low of 1.3830. We stay slightly constructive on the pound, although it may be limited by stretched levels. Focus on 1.3952 resistance before 1.4000. Only a correction to 1.3800 may turn momentum away from current uptrend.

JPY (Neutral-to-Bearish)

- USD/JPY retreated after the 106.22 high registered in the previous session. Pair managed to close at 105.87. 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)

- AUD/USD was relatively range bound around 0.7724-0.7772 intraday in the previous session. We also taper our slightly bullish view on the AUD, as we see some reluctance to move towards the 0.78 big figure. Focus will likely be on a 0.7810 resistance and a 0.7674 support.

SGD (Neutral)

- USD/SGD stayed within a relatively narrow 1.3268-1.3311 intraday range on Wednesday. This came after dollar weakness abated. We now turn less optimistic for the SGD and other Asian currencies for the remainder of the week, without the impetus for further volatility. 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 1.3310.

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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