

Global Markets Research

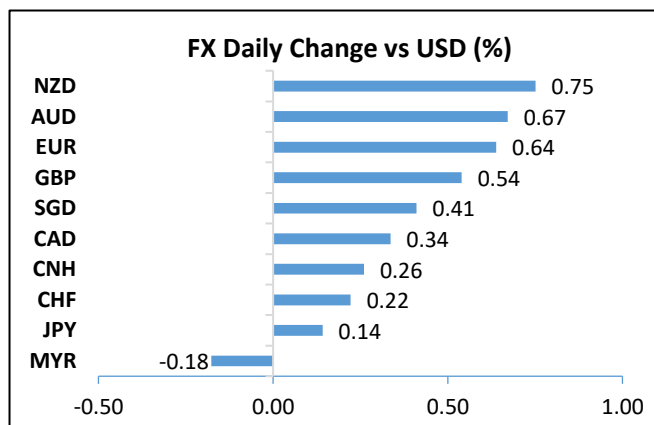
Daily Market Highlights

Key Takeaways

- US stocks rose modestly overnight as the Fed held rates steady and kept its dovish policy stance.** The Dow Jones Industrial Average Index crossed 33000 (+0.6%) for the first time, marking a new 1000-pt milestone in less than ten days. The S&P 500 gained 0.3% to close at record high as well. NASDAQ picked up 0.4%. Gains were led by cyclical stocks such as investors purchased shares of consumer discretionary, industrials, energy and financials in anticipation of a positive recovery outlook. Meanwhile **the yield curve steepened post-FOMC. Yields were flat at the short end as Fed officials expected rates to be at near-zero through 2023.** Longer-dated yields rose up to 5bps, adding to signs of optimistic future growth. 10Y UST last traded at 1.67%.
- The dollar weakened against all G10 currencies after FOMC.** The dollar index fell for the first time in four sessions, shedding 0.5% to 91.44. Gold futures gained 0.2% to \$1727.1/oz amid weaker USD. Crude oil benchmarks fell 0.3-0.5%. Brent crude settled at \$68/barrel. **Malaysia announced its 6th stimulus package in a year, the RM20b “Pemeriksaan” program,** that includes a RM5b vaccination allocation in a bid to spur the domestic tourism sector and quicken the vaccination progress amid falling rate of Covid-19 infections. This brings the total value of stimulus packages to RM340bn or 23% of GDP to-date. **The Bank of England’s MPC meeting is due today and we expect no change in its policy stance. It is likely to remain cautiously optimistic over the growth outlook as the pandemic eases in the UK.**
- The US homebuilding activity stalled in February amid winter disruption and higher construction costs.** Housing starts and building permits both fell by more than 10% m/m. Eurozone’s HICP inflation was unrevised at 0.9% y/y in February. **New Zealand’s GDP unexpectedly contracted by 1.0% q/q in 4Q21, risking a double-dip recession.**
- Dollar weakened on Wednesday post FOMC meeting, with DXY down to a close of 91.44 after a low of 91.37. DXY was down by 0.46% after three succession days of increases. With markets taking FOMC favourably, there is some scope of **dollar weakness.** We see a range of 90.90-91.90 for the coming few sessions.
- USD/MYR inched higher by 0.2% to 4.1215 on Tuesday ahead of FOMC announcement. The Fed’s dovish policy stance is expected to erase some gains in USD/MYR as seen in the overnight broad-based selloff of the USD. We are **bullish on MYR today** but continue to eye a range of 4.09-4.15 this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	33,015.37	0.58	7.87
S&P 500	3,974.12	0.29	5.81
FTSE 100	6,762.67	-0.60	4.68
Hang Seng	29,034.12	0.02	6.62
KLCI	1,624.97	0.06	-0.14
STI	3,109.65	0.13	9.35
Dollar Index	91.44	-0.46	1.67
WTI oil (\$/bbl)	64.60	-0.31	33.14
Brent oil (\$/bbl)	68.00	-0.57	31.27
Gold (\$/oz)	1,727.10	-0.22	-7.84
CPO (RM/tonne)	4,215.00	-0.87	11.27



Source: Bloomberg

Overnight Economic Data

US	↓	Eurozone	→
NZ	→		

Up Next

Date	Events	Prior
18/03	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	712k
	US Philadelphia Fed Business Outlook	23.1
19/03	US Leading Index (Feb)	0.5%
	JN Natl CPI Ex Fresh Food YoY (Feb)	-0.6%
	UK GfK Consumer Confidence (Mar)	-23.0
	AU Retail Sales MoM (Feb P)	0.5%
	JN BOJ Policy Balance Rate	-0.1%

Source: Bloomberg

Macroeconomics

- **Fed maintained easy monetary policy; Powell reassured appropriate stance despite rising bond yields:**
 - The Federal Reserve kept the fed fund rates at 0-0.25% and its monthly bond purchases pace at \$120b unchanged as expected. It continued to maintain its dovish policy outlook, repeating that it “expects to maintain an accommodative stance of monetary policy”. Officials also predicted interest rates to be at near-zero through 2023 according to the latest dot-plot.
 - Compared to the previous statement, the Fed has now turned more optimistic over the US’ economic outlook, adding that economic indicators have turned up in recent months but caution that sectors adversely affected by the pandemic remained weak. It said that “inflation continues to run below 2%”.
 - This optimism is reflected in the latest set of economic projections where GDP growth for 202 revised upwards to 6.5% (December projection: +4.2%). Unemployment rate is also revised lower from 5.0% to 4.5% in 2021. The Fed’s key inflation gauge, the core PCE inflation gauge, is revised upwards from the previous projection of 1.8% to 2.2%.
 - In a post-meeting virtual press conference, Fed Chair Jerome Powell reiterated that the current stance of monetary policy is appropriate, citing the \$120b monthly pace to be the “right place” for asset purchases. With regards to the recent rise in bond yields and speculations on Fed’s potential tightening of monetary policy, he said that overall financial conditions are highly accommodative, repeating that there was currently an absence of any disorderly conditions in markets or persistent tightening of financial conditions.
- **US homebuilding activity disrupted by cold temperature and higher construction cost in February:**
 - Housing starts fell 10.3% m/m to a seasonally adjusted annual pace of 1.42mil units in February, following the 5.1% decline in January. The deep freeze in South-Central US and overall colder temperature and rising construction costs particularly prices of lumber had disrupted construction activity in February.
 - The number of building permits, a leading indicator for future housing starts also fell 10.8% m/m (Jan: +10.7%). This is likely to be temporary given that the number of approved but not started constructions rose to the highest level since Aug-06. The return of warmer temperature is a positive sign for homebuilding activity in the medium term. Downside is continuous rise in construction cost and higher mortgages rates that could affect affordability.
- **Eurozone’s headline inflation steady in February:** The euro area’s February’s HICP inflation rate was unrevised at 0.9% y/y in the final reading. This represents a steady reading, from January’s 1.9% y/y rate after five successive months of negative prints as energy inflation turned less negative. Core inflation eased from 1.4% y/y in January to 1.1% y/y in February.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR rose 0.2% to 4.1215 on Tuesday. The Fed’s dovish policy stance is expected to erase some gains in USD/MYR as seen in the overnight broad-based selloff of the USD. We continue to eye a range of 4.09-4.15 this week.

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

- Dollar weakened on Wednesday post FOMC meeting, with DXY down to a close of 91.44 after a low of 91.37. DXY was down by 0.46% after three successive days of increases. With markets taking FOMC favourably, there is some scope of dollar weakness. We see a range of 90.90-91.90 for the coming few sessions.

EUR (Neutral-to-Bullish)

- EUR/USD surged higher to almost 1.2000 big figure post FOMC. Overall, pair was 0.64% up on Wednesday, eliminating the losses for the past three sessions. We have turned slightly optimistic of the pair, anticipating a range of 1.1900-1.2050 for the week ahead.

GBP (Neutral-to-Bullish)

- GBP/USD rebounded higher to a close of 1.3966 after the previous session’s 1.3891. We now see a range of 1.3900-1.4100, depending on monetary policy outcomes tonight. 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 (Neutral-to-Bearish)

- USD/JPY was slightly lower on Wednesday, for a second consecutive day. Pair was down to 108.84 close after the previous 109.00. Bank of Japan announces policy decision on 19 March, whereby they may be considering ditching the JPY 6trn ETF target. We stay slightly pessimistic on the JPY, with BOJ decision a swing factor.

AUD (Neutral-to-Bullish)

- AUD/USD rose by 0.67% on Wednesday, the first after three successive sessions of losses. Improved sentiments help pair move up to a close of 0.7798, after an intraday low of 0.7699. Dollar volatility will likely swing AUD/USD, even as sentiments have turned brighter after recent market concerns. Support close to 0.77 big figure, while resistance is at 0.79 big figure.

SGD (Neutral-to-Bullish)

- USD/SGD fell sharply towards the 1.34 big figure after the FOMC meeting. This helped USD/SGD to give back prior gains after a weekly high of 1.3484 on 15 March. We have turned tactically more bullish on the SGD after markets took the FOMC meeting well. Resistance now estimated at 1.3531’s high on 9 March. We place a support of 1.3320.

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- *New Zealand's economy unexpectedly contracted in 4Q20, risks double-dip recession:*
 - The New Zealand economy contracted 1.0% q/q in the final quarter of 2020 (3Q: +13.9%), a disappointing reading given that consensus had called for a small 0.2% growth. This reflects falls in output in the agricultural, manufacturing and construction sectors whereas the services sector managed to eke out a small 0.1% growth.
 - GDP for 4Q 2020 contracted 0.9% y/y (3Q: +0.2% revised), translating to a full-year contraction of 1.2%.
 - The initially sharp recovery from the first Covid-19 slump has proven to be less resilient given that New Zealand relied hugely on its tourism sector which remains closed to foreigners, for growth. The partial lockdown in January to curb the community cases is expected to have a substantially negative impact on 1Q21 GDP, risking a double-dip recession.

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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