

Global Markets Research

Daily Market Highlights

Key Takeaways

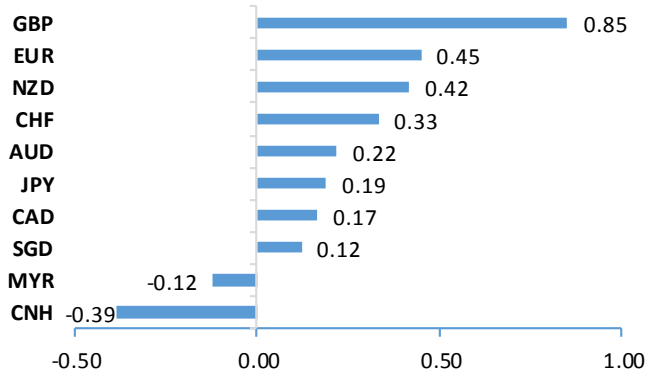
- **US stocks retreated further as investors turned more cautious over the past couple of days with stimulus optimism taking a backseat for the time being.** The Dow Jones and S&P 500 lost around 0.4% while NASDAQ fell more sharply by 0.7%. The sell down of tech shares continued but energystocks were the biggest losers. **Investors resumed selling longer-dated treasuries**, leading yields to climb at the longer end. 10Y UST yield last traded at near 1.3% (+2.5bps) while the 30s rose to 2.08% (+4.5bps). Yield curves generally steepened.
- The greenback broadly weakened across all major currencies as investors reassessed the needs for President Biden to go ahead with his \$1.9trillion stimulus bills following a fresh rebound in US retail sales and other upbeat US economic data. **GBP surged by 0.9% to 1.3975, just shy of the 1.4 critical level.** In the commodity sector, gold prices consolidated recent losses to stabilise at \$1773.4/oz (+0.1%) amid a weaker USD. Crude oil prices retreated from the multi-day rally; Brent crude fell 0.6% to \$63.93/barrel while WTI shed 1% to \$60.52/barrel.
- **US initial jobless claims data disappointed at a four-week high of 861k**, confirming views that the labour market remains weak in the US despite recently upbeat US data. In the housing sector, housing starts fell for the first time in five months by 6% m/m in January. The more than 10% surge in building permits offered some respites. Japan's core CPI inflation improved to -0.6% y/y in January, a sign of easing deflationary pressure. The UK GfK Consumer Confidence Index rose to its strongest reading in five months albeit still at negative levels. Australia reported upbeat job data.
- **DXY fell back after the 91.056 high hit on 18 February, hitting a low of 90.541 in the process on Thursday.** We 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 closed modestly higher (+0.1%) at 4.0425. The rally in USD took a breather overnight** as markets reassessed upbeat US economic data and the potential stimulus bills. We maintain the view that rising US yields is likely to help support USD/MYR in the short term as the 10s looks set to hit 1.5%. USD could firm up further if the selloff in USTs resumes. Having said that, markets are now reassessing the potential difficulties for Biden's \$1.9trillion stimulus bills to pass at Congress. We turned neutral on USD/MYR today ahead of the weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,493.34	-0.38	2.90
S&P 500	3,913.97	-0.44	4.20
FTSE 100	6,617.15	-1.40	2.42
Hang Seng	30,595.27	-1.58	12.35
KLCI	1,575.84	-1.22	-3.16
STI	2,908.85	-0.40	2.29
Dollar Index	90.59	-0.39	0.73
WTI oil (\$/bbl)	60.52	-1.01	24.73
Brent oil (\$/bbl)	63.93	-0.64	25.45
Gold (\$/oz)	1,775.00	0.12	-6.54
CPO (RM/tonne)	3,985.00	1.37	5.20

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	→	UK	↑
Japan	→	Australia	→

Up Next

Date	Events	Prior
19/02	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
22/02	US Existing Home Sales MoM (Jan)	0.7%
	MA Foreign Reserves (42036)	\$108.6b
	HK CPI Composite YoY (Jan)	-0.7%
	US Chicago Fed Nat Activity Index (Jan)	0.52
	US Leading Index (Jan)	0.3%
	US Dallas Fed Manf. Activity (Feb)	7.0

Source: Bloomberg

Macroeconomics

- **Initial jobless claims rose in the US; housing starts snapped gaining streak:**
 - Initial jobless claims unexpectedly rose to a four-week high of 861k for the week ended 13 Feb (previous: revised higher to 848k), dealing a blow to fresh optimism surrounding the US economy amid falling Covid-19 infections and the ongoing vaccines rollouts. The weaker reading followed a series of strong January data such as the rebound in retail sales and solid industrial production, confirming that the US labour market remains weak.
 - Housing starts fell for the first time in five months by 6% m/m in January, more than analysts' forecast of -0.5%. This came alongside a sharp upward revision to December's gain (revised to +8.2% from +5.8%). This suggests that rising construction costs alongside lower temperatures may have led developers to delay their projects. Outlook for demand remains high in the sector as reflected in the 10.4% m/m surge in building permits (Dec: +4.2%).
- **Japan's deflationary pressure eased in January; February PMIs are mixed:**
 - The CPI ex-fresh food fell 0.6% y/y in January (Dec: -1%), marking its smallest decline in four months. This is core inflation's sixth consecutive month of negative reading. The improvement suggests some easing in deflationary pressures in Japan and supports the BOJ's view that the sharper fall in CPI was temporary. The BOJ's monetary policy review is due next month.
 - According to a preliminary report, Japan's Jibun Bank Manufacturing PMI rose to 50.6 in February, from 49.8 in January, indicating a renewed improvement in the manufacturing sector. The services PMI meanwhile fell to 45.8 (Jan: 46.1) to signal a quicker deterioration in business activity across the services industry.
- **UK consumer sentiment improved in February:** The UK GfK Consumer Confidence Index improved to -23 in February, from -28 in January. This is the index's strongest reading in five months as consumers turned more optimistic on personal finance and less gloomy over the economic outlook for the next 12 months. This fits with the overall more upbeat sentiment in the UK amid easing Covid-19 infections and quick vaccines rollouts.
- **Australia continued to report job growth:**
 - The Australian economy added 29.1k jobs in January (Dec: +50k), marking its fourth consecutive month of job gains since October. This reflects a whopping number of 59k new full time jobs which was offset by the loss of 29.8k part-time employments.
 - Unemployment rate also fell to 6.4% in January, from 6.6% prior. This was alongside a lower participation rate of 66.1% that indicates a smaller labour force. The recovery in Australia's job market extended to the start of 2021 as virus remained well contained; this should bode well for consumer spending outlook and the overall economy in the coming months.
 - In a separate note however, initial estimate shows that retail sales fell for the second month by 2.6% m/m in January (Dec: -4.1%). Sales had last surged by more than 7% in November.

Forex

MYR (Neutral)

- USD/MYR closed modestly higher (+0.1%) at 4.0425. The rally in USD took a breather overnight as markets reassessed upbeat US economic data and the potential stimulus bills. We maintain the view that rising US yields is likely to help support USD/MYR in the short term as the 10s looks set to hit 1.5%. USD could firm up further if the selloff in USTs resumes. Having said that, markets are now reassessing the potential difficulties for Biden's \$1.9trillion stimulus bills to pass at Congress. We turned neutral on USD/MYR today ahead of the weekend.

USD (Neutral over 1-Week Horizon)

- DXY fell back after the 91.056 high hit on 18 February, hitting a low of 90.541 in the process on Thursday. We 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 rebounded after the low of 1.2023 on 17 February, now almost reaching the 1.21 big figure. We have tapered our bullishness for EUR, fearing that continually sluggish PMIs can weigh on EUR sentiments. We put resistance around 1.2130 while support at the 5 February low of 1.1952 if 1.2000 is broken.

GBP (Neutral-to-Bullish)

- GBP/USD outperformed EUR and other G10 currencies on Thursday. Pair was up by more than 0.8%, touching a high of 1.3986 in the process. We stay slightly constructive on the pound, although it may be limited by stretched levels. If the 1.4000 resistance is breached, attention may shift towards the 2018 high of 1.4377. Only a correction to 1.3800 may turn momentum away from current uptrend.

JPY (Neutral-to-Bearish)

- USD/JPY remained an underperformer, although it saw modest downsides as USD strength abated. Pair retreated from a recent high of 106.22 on 17 February and is now close to the mid-105 levels. With USD/JPY now ostensibly 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 eked out modest gains on Thursday, hitting a high of 0.7790 in the process. We see range movements from 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 also saw modest downsides against the greenback on Thursday. Pair was down to as low as 1.3262, after Wednesday's close of 1.3288. We see range movements for USD/SGD, and 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.

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