HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks and bonds saw another round of selloff on Thursday as investors shifted to focus on the Fed's upgrade on its growth, unemployment and inflation projections for 2021** in the latest FOMC meeting despite having maintained its dovish policy stance. Investors overwhelmingly sold tech shares but losses were broad-based across sectors. Energy shares slumped as oil prices crashed. Financial shares were the sold gainer overnight. The Dow Jones and S&P 500 retreated by 0.5% and 1.5% from their record high levels while NASDAQ was down by 3%.

- Yields rose 2 to 6.7bps across the curve. **The 10Y UST picked up 6.5bps to 1.71%, its highest level since January last year** before the global pandemic. The 2s10s curve steeped for the third session. **The dollar index strengthened, tracking higher yields.** Gold futures were 0.3% higher at $1732.5/oz. **Oil prices saw their biggest single-day losses since April last year** when prices fell into negative territory, erasing the gains for the past three weeks. Brent crude and WTI closed 7% lower at $63.28/barrel and $60/barrel respectively after having fallen for the past four sessions as investors reassessed the outlook for crude oil demand.

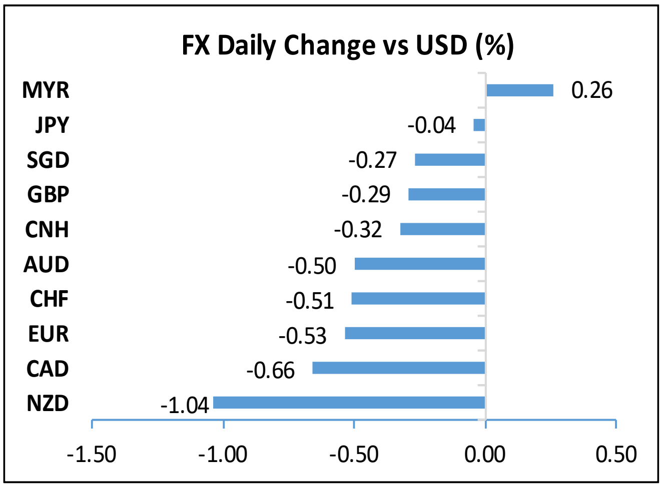
- **The BOJ is expected to announce the result of its policy review around noon and some tweaks to its yield-curve-control operation**, possibly in the form of allowing bigger fluctuations in the benchmark 10Y JGB yield. **The BOE yesterday maintained its monetary policy and remained cautiously optimistic over the growth outlook. Initial jobless claims in the US rose to 770k last week,** Eurozone's two-way trade with the UK fell substantially in January after the transition period ended, Japan's inflation clocked its negative rate for seventh straight month. **Australia reported impressive job data.**

- Dollar strengthened slightly on Thursday, dropping as low as the 91.30 region before rising towards the end of the trading session to close at 91.86. Optimism for FOMC now fading towards market volatility again. We could possibly see a **bullish dollar** above 92 as US Treasury yields remained firm. We see a range of 91.40-92.50 for the coming few sessions.

- USD/MYR fell 0.3% to 4.1105 on Thursday, reversing gains made in the previous two sessions. The rebound in USD alongside the fall in oil prices amid the renewed risk-off sentiment is expected to **weigh on the MYR** today especially ahead of the weekend, potentially leading USD/MYR to trade near the upper side of our weekly 4.09-4.15 range.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,862.30	-0.46	7.37
S&P 500	3,915.46	-1.48	4.24
FTSE 100	6,779.68	0.25	4.94
Hang Seng	29,405.72	1.28	7.99
KLCI	1,627.99	0.19	0.05
STI	3,137.66	0.90	10.33
Dollar Index	91.86	0.46	2.14
WTI oil ($/bbl)	60.00	-7.12	23.66
Brent oil ($/bbl)	63.28	-6.94	22.16
Gold (S/oz)	1,732.50	0.31	-8.64
CPO (RM/tonne)	4,198.50	-0.52	10.84



Source: Bloomberg

Overnight Economic Data			
US	→	Eurozone	↓
Japan	↓	Australia	↑

Up Next

Date	Events	Prior
19/03	AU Retail Sales MoM (Feb P)	0.5%
	JN BOJ Policy Balance Rate	-0.1%
22/03	CH 1-Year Loan Prime Rate (22 Mar)	3.85%
	MA Foreign Reserves (15 Mar)	$109.0b
	HK CPI Composite YoY (Feb)	1.90%
	US Chicago Fed Nat Activity Index (Feb)	0.66
	US Existing Home Sales MoM (Feb)	0.60%

Source: Bloomberg

Macroeconomics

- ***BOE left monetary policy unchanged; shrugged off rising bond yields:***
  - The Bank of England's MPC voted unanimously to keep the bank rate unchanged at 0.1% and its QE program at £895b as widely expected. It said that "the existing stance of monetary policy remains appropriate".
  - As expected, the BOE turned more optimistic over the UK's outlook, citing falling Covid-19 infections and hospitalisations and rapid vaccination pace as well as support from new policy announcements in Budget 2021.
  - It acknowledged the rising yields of longer-term government bonds in advanced economy but said that prices of risky asset have remained resilient and the UK's financial conditions have been "broadly unchanged".
  - CPI inflation is expected to return to around the 2% target in the spring. It concluded cautiously by reiterating its readiness to take "whatever additional action" necessary, should outlook for inflations weaken.

- ***US initial jobless claims at 770k last week:***
  - Initial jobless claims unexpectedly rose 58k to 770k for the week ended 12 March (prior: +725k). The 4-week moving average continued to fall to 746.5k (prior: 762.3k) and the positive downtrend is expected to continue in the coming weeks thanks to fiscal injections and amid quickening vaccination rate.
  - The Philadelphia Fed's Business jumped to 51.8 in March, from 23.1 in February, reflecting a steep rise in prices paid, new orders, shipments and a moderate increase in employment. The sharp gain in unfilled orders showed that supply chain constraint continued to drag on the manufacturing industry in March.
  - The Conference Board Leading Index rose 0.2% m/m in February (Jan: +0.5%), its smallest gain in ten months as the fall in building permit, average workweek and average consumer expectations contributed negatively to the index.

- ***Eurozone's trade surplus narrowed in January; trade with the UK fell after Brexit:***
  - The euro area's trade surplus narrowed to €24.2b in January, from €27.5b prior, reflecting the increase in imports by 1.3% m/m and the 2.8% fall in exports. The international trade remained below pre-pandemic level.
  - There was a significant drop in exports to the UK (-31.9% m/m) following the end of the Brexit transition period. Imports from the UK also slumped by a whopping 57.5% m/m.

- ***Japan's consumer prices fell for the seventh month:*** The CPI-ex fresh food, the BOJ's inflation gauge fell 0.4% y/y in February (Jan: -0.6%), marking its seventh consecutive negative reading since August last year. The trend has started since April 2020 when the government imposed a national lockdown to curb the pandemic. Prior to that, inflation rates were still positive but had stayed below 1% y/y for the entire 2019. Despite this, we do not expect the BOJ to abandon its 2% inflation target.

Forex

MYR (Neutral-to-Bearish)

- USD/MYR fell 0.3% to 4.1105 on Thursday, reversing gains made in the previous two sessions. The rebound in USD alongside the fall in oil prices amid the renewed risk-off sentiment is expected to weigh on the MYR today especially ahead of the weekend, potentially leading USD/MYR to trade near the upper side of our weekly 4.09-4.15 range.

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

- Dollar strengthened slightly on Thursday, dropping as low as the 91.30 region before rising towards the end of the trading session to close at 91.86. Optimism for FOMC now fading towards market volatility again. We could possibly see the dollar above 92 as US Treasury yields remained firm. We see a range of 91.40-92.50 for the coming few sessions.

EUR (Neutral-to-Bearish)

- EUR/USD fell mostly on Thursday, rising as high as 1.1989 before suffering losses to end the day at 1.1915. We turn slightly pessimistic of the pair from market volatility. The European Medicines Agency has ruled that the AstraZeneca vaccine is safe to use again. Anticipate a range of 1.1850-1.1980 for the week ahead.

GBP (Neutral)

- GBP/USD rose to a high of 1.4001 before suffering late losses to close at 1.3925. This came after Bank of England's unchanged monetary policy decision, where the main message appeared to be "keep calm and carry on". We now see a range of 1.3800-1.4000 for the week ahead after market optimism faded.

JPY (Neutral-to-Bearish)

- USD/JPY was as high as 109.30 on Thursday before picking back up towards the end of the trading session to close at the 108.89 region. This comes ahead of the Bank of Japan's policy decision announcement today where they are expected to keep the policy rates unchanged at -0.1% but slightly tweak the yield-curve control strategy. BOJ is reportedly widening the yield target range to 0.25%. We see a range of 108.50-110.00.

AUD (Neutral-to-Bearish)

- AUD/USD traded in an intraday range of 0.7749-0.7849, last dipping to a close of 0.7759. Prior gains were reversed as the US Treasury yields rose and commodity prices fell. Support close to 0.77 big figure, while resistance is at 0.79 big figure.

SGD (Neutral)

- USD/SGD has climbed to a 1.3437 close after briefly heading down the previous session around the 1.34 big figure. Thursday's volatility is unfavourable for SGD and we taper down our expectations. Singapore CPI and industrial production next to focus on. Resistance now estimated at 1.3531's high on 9 March. We place a support of 1.3320.

- ***Australia's impressive February job data:***
- The unemployment rate fell from 5.8% in February (Jan: 6.3%), far surpassing consensus estimate of 6.3%. Impressively, the participation rate was unchanged at 66.1%, indicating that the fall in jobless rate was not the result of shrinking labour force.
- The Australian economy added a total of 88.7k jobs in February, after the 29.5k gain in January. The reading also beat consensus estimate of +30k. Adding to the good news is that all job gains came from the full-time employment segments (+89.1k) which was slightly offset by the 500 losses in part-time jobs. This bodes well for consumer spending, reaffirming that Australia is on the right recovery path.

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