HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded overnight,** snapping three days of losing streak, driven by the surge in tech shares as the recent inflation concerns that had been holding markets back gave way to a renewed sense of economic optimism. **Investors focused on the down trend of the weekly jobless claims data and shrugged off the Fed's hint of possible taper talks. The easing in crypto market volatilities also helped lift overall sentiment.** The Dow rose 0.6% while the S&P 500 picked up 1.1%, reflecting a broad-based rally across sectors (Energy sector was the sole loser). NASDAQ outperformed by recording a 1.8% daily gain. **Stocks were also higher in Europe earlier, while Asia recorded mixed performances with stocks down in Hong Kong but up in Japan.**

- **US treasury yields fell as markets weighed the FOMC meeting minutes and the job data.** Despite the current downtrend in the jobless claims data, it remained higher compared to the pre-pandemic level, suggesting that the Fed may not rush to tighten policy as it watches its full employment mandate. Treasury yields retreated by 1 to 4.7 bps across the curve. The yield on 10Y UST fell to 1.63% (-4.6bps). **Gold futures pared gains to close on a flat note at $1881.9/oz. Oil benchmarks shed over 2.0% on a potential Iran deal that could raise oil supply** in the global market. President Hassan Rouhani said that the US is ready to lift sanctions on Iran but a key Iranian negotiator remarked that some issues needed further discussion. Brent crude fell 2.3% to $65.11/barrel and WTI was down by 2.1% to $62.05/barrel. **Stock futures are pointing up in Asia, tracking the gain in the US' markets. Focus is on the preliminary PMI readings for the US, Eurozone, UK and Japan.**

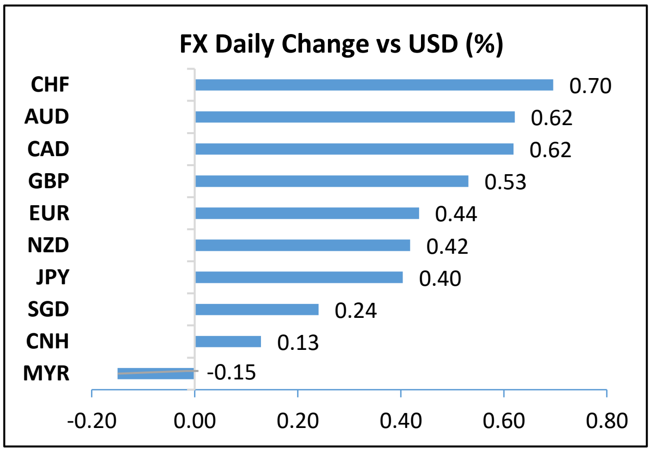
- The US' weekly first-time jobless claims fell to 444k last week, another pandemic era low. The slump in the Philly Fed's manufacturing index highlights the supply chain bottlenecks. Consumer sentiment improved in the UK. Japan's inflation was consistent at -0.1% y/y. Australia reported job losses.

- The US dollar weakened on Thursday's session, with the DXY giving back Wednesday's gains. DXY was down by 0.42%, back to a close of 89.81. We continue to anticipate **slight dollar weakness**, with attention on Markit PMIs for May.

- USD/MYR strengthened modestly by nearly 0.2% to 4.1460 on Thursday. on Wednesday. The retreat in broad USD overnight suggests that USD/MYR may retreat back to 4.13-4.14 today but with limited downside amid pre-weekend risk aversion, and concerns over a stricter lockdown. Overall daily outlook is **neutral** in our view.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	34,084.15	0.55	11.36
S&P 500	4,159.12	1.06	10.73
FTSE 100	7,019.79	1.00	8.66
Hang Seng	28,450.29	-0.50	4.48
KLCI	1,575.32	-0.33	-3.19
STI	3,109.81	0.18	9.35
Dollar Index	89.81	-0.42	-0.14
WTI oil ($/bbl)	62.05	-2.07	27.89
Brent oil ($/bbl)	65.11	-2.33	25.69
Gold (S/oz)	1,881.90	0.02	-0.98
CPO (RM/tonne)	4,681.50	-2.35	23.59



Source: Bloomberg

Overnight Economic Data			
US	→	UK	↑
JP	→	AU	↓

Up Next

Date	Events	Prior
21/05	Preliminary PMIs for US, EZ, UK, JP (May)	
	AU Retail Sales MoM (Apr P)	1.3%
	UK Retail Sales Inc Auto Fuel MoM (Apr)	5.4%
	EZ Consumer Confidence (May A)	-8.1
	US Existing Home Sales MoM (Apr)	-3.7%
24/05	NZ Retail Sales Ex Inflation QoQ (1Q)	-2.70%
	SG CPI YoY (Apr)	1.30%
	US Chicago Fed Nat Activity Index (Apr)	1.71

Source: Bloomberg

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Macroeconomics

US' initial jobless claims fell to 444k last week:

- Initial jobless claims continued to trend lower, hitting a new pandemic era low of 444k last week, down from the 478k prior. The four-week moving average fell to 504.75k (prior: 535.25k), marking its sixth consecutive week of decline, suggesting fewer layoffs as the economy recovered further amid easing of social distancing restrictions.
- The Philadelphia Fed's manufacturing index slumped to 31.5 in May, from the high of 50.2 in April, as the supply chain bottlenecks, struggle to workers and surging material costs weighed on new orders and shipments. The sub-index that gauges unfulfilled orders rose 13.2pts while the delivery time index also surged nearly 14pts.
- The Conference Board's Leading Index rose 1.6% m/m in April (Mar: +1.3%), driven by falling jobless claims, higher stock prices, higher ISM new orders and more positive consumer expectations, which is consistent with general views that US growth would improve further this year.

The UK's consumer confidence improved in May:

- Consumer sentiment in the UK turned less pessimistic in May, according to the GfK Consumer Index which came in better than expected at -9, compared to -15 in the previous month. The improvement came as consumers upgraded their outlook for the economic situation for the next 12 months (+15pts).
- The climate for major purchases index also rose 5pts, suggesting that consumers are more comfortable with spending on big ticket items as the labour market conditions improved further in the UK, amid a contained pandemic situation and easing restrictions. Retail sales data due today would offer more insights.

Japan's inflation reading came in better than expected:

- Japan's CPI ex-fresh food index, the BOJ's key inflation gauge, fell 0.1% y/y in April (Mar: -0.1%), better than expectations that called for a -0.2% fall. This marked its ninth consecutive month of declines.
- The smaller negative reading and its consistency from previous month offers hope that price pressure began to build up amid economic recovery but the low base from last year could also have played a role, as prices began to fall in April last year when the Japanese government first imposed the State of Emergency.

Australia shed jobs in April:

- Australia's economy recorded a total job loss of 30.6k in April, instead of the expected gains of 20k. This followed the upwardly revised 77k job increases in March. This was a result of the 64.4k loss in part-time jobs which more than offset the 33.8k new full-time employment. Unemployment rate meanwhile fell to 5.5%, from the revised 5.7%, as the labour force appeared to have shrunk based on the lower participation rate (66% vs 66.3%).
- April's job losses came following six months of recovery and were also driven partly by seasonal factors such as the school and Easter holidays. The expiry of the wage subsidy program may have also played a minor role. Job growth may return in May as economic recovery continues, judging from the positive reading of more forward-looking indicators such as services PMI.

Forex

MYR (Neutral)

- USD/MYR strengthened modestly by nearly 0.2% to 4.1460 on Thursday. on Wednesday. The retreat in broad USD overnight suggests that USD/MYR may retreat back to 4.13-4.14 today but with limited downside amid pre-weekend risk aversion, and concerns over a stricter lockdown.

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

- The US dollar weakened on Thursday's session, with the DXY giving back Wednesday's gains. DXY was down by 0.42%, back to a close of 89.81. We continue to anticipate slight dollar weakness, with attention on Markit PMIs for May.

EUR (Neutral-to-Bullish)

- EUR/USD was up 0.44%, heading above 1.22 once again to close at 1.2228. Pair may still move slightly higher from optimism in Eurozone's Covid-19 situation and economic recovery. Watch Markit PMIs, as we eye resistance of 1.2349 while support is at 1.2120.

GBP (Neutral-to-Bullish)

- GBP/USD rose by 0.53% to a close of 1.4190, taking back previous session's losses. Pair may well move in line with the EUR due to similar conditions and optimism. 1.4237 high seen on 24 February is the resistance to watch before 1.4300. Support around 1.4060.

JPY (Neutral)

- USD/JPY was down by 0.40% to a close of 108.78. Coming after better than expected inflation prints, we still see a range of 108 to 110 for USD/JPY for the week ahead. JPY may underperform other currencies in an environment of dollar weakness, unless risk aversion return.

AUD (Neutral)

- AUD/USD was higher by 0.62%, closing at 0.7776 on Thursday's session. Resistance remains at 0.7840 before further moves towards 0.7900, while support looks to have firmed up around 0.7710. We note modest job gains for full time jobs but part time jobs plummeted. Meanwhile, composite PMI came in strong at 58.1 in May from 58.9 a month ago.

SGD (Neutral)

- USD/SGD headed in an offered tone to close at 1.3312, down 0.24% in the process. We see USD/SGD hovering mostly around 1.3220 to 1.3380 for the week ahead. Focus is still on Singapore's Covid-19 situation, which is not deteriorating significantly further but still looks bad. CPI, industrial production and GDP will be released over the coming week.

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