Global Markets Research

Daily Market Highlights

Key Takeaways

- **Stock benchmarks in the US closed on a mixed note last Friday and ended the week largely lower.** Investors exited the tech sector and poured into financials, industrials and energy shares. For the week, the blue-chip Dow Index rose 0.2%, the S&P500 fell 0.3% and the tech-heavy NASDAQ shed slightly over 1.0%. **Longer dated treasury yields resumed their climbs on Friday to pre-pandemic levels as the selloff continued**; the yield on the benchmark 10Y UST last traded 4bps higher at 1.336%, its highest level in nearly a year. Compared to the week before, it gained nearly 13bps. The trades were driven by risk of accelerating inflation.

- **Gold futures eked out a small 0.1% d/d gain** on Friday to $1775.8/oz and closed out the week with a 2.5% decline. **Oil benchmarks retreated as the energy crisis in Texas eased**; Brent future was down by 1.6% d/d to $62.91/barrel while WTI retreated 2.1% to below $60/barrel. On a weekly basis, Brent managed to clinch a 0.8% gain while WTI lost 0.4%. **As of writing, stock futures suggest higher openings in Japan and Hong Kong.**

- **Preliminary estimates for February's manufacturing PMIs were strong** in the US (though decelerated from January), Eurozone and UK. **The similar gauges for services activity recorded mixed readings** with improvement recorded in the US and UK but continued deterioration in the Eurozone. Meanwhile, existing home sales in the US unexpectedly rose 0.6% m/m in January. Retail sales in the UK plunged more than 8.0% m/m in the same month.

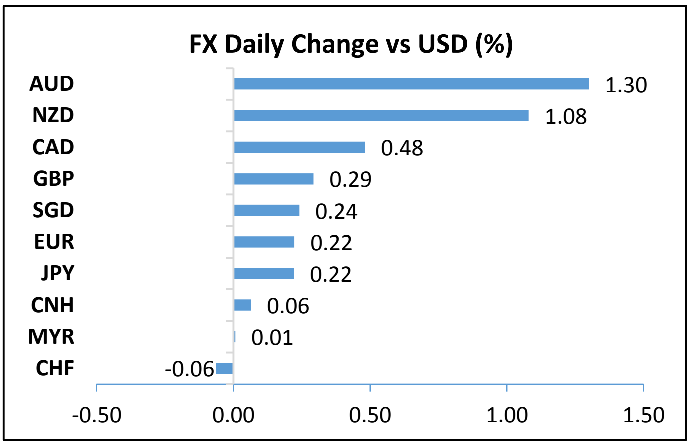
- DXY closed lower on Friday, down to 90.36 for the week after hitting a low of 90.18. AUD, NZD and CAD registered significant gains vs. the dollar, while GBP, EUR and JPY also saw modest gains. This led the dollar index to fall for the second consecutive session by 0.3% to 90.364% and translates to a weekly loss of 0.1%. Looking back, the index has now fallen for two weeks. We see **range movements on the USD** for the week ahead, within a range of 89.80-91.10. For the week ahead, focus is on initial jobless claims data.

- USD/MYR closed at 4.0420 on Friday, barely changed (-0.01%) from the prior session. On a weekly basis, USD/MYR also ended on a flat note (+0.02%) in a mixed trading week that saw the USD strengthened and then staged a reversal. 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** for the week ahead, anticipating a range of 4.03-4.06. Malaysia's CPI and exports data are unlikely to elicit much market movements.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,494.32	0.00	2.90
S&P 500	3,906.71	-0.19	4.01
FTSE 100	6,624.02	0.10	2.53
Hang Seng	30,644.73	0.16	12.54
KLCI	1,584.93	0.58	-2.60
STI	2,880.64	-0.97	1.30
Dollar Index	90.36	-0.25	0.45
WTI oil ($/bbl)	59.24	-2.12	22.09
Brent oil ($/bbl)	62.91	-1.60	21.83
Gold (S/oz)	1,775.80	0.14	-6.30
CPO (RM/tonne)	3,905.00	-2.22	3.09

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	↑	UK	→
Eurozone	→		

Up Next

Date	Events	Prior
22/02	MA Foreign Reserves	$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
23/02	NZ Retail Sales Ex Inflation QoQ (4Q)	28.00%
	SI CPI YoY (Jan)	0.00%
	UK Jobless Claims Change (Jan)	7.0k
	UK ILO Unemployment Rate 3Mths (Dec)	5.00%
	UK Employment Change 3M/3M (Dec)	-88k
	EC CPI YoY (Jan F)	-0.30%
	US FHFA House Price Index MoM (Dec)	1.00%
	US S&P CoreLogic CS 20-City YoY NSA	9.08%
	US Conf. Board Consumer Confidence	89.3
	US Richmond Fed Manufact. Index (Feb)	14

Source: Bloomberg

Macroeconomics

- ***Strong manufacturing PMI data but mixed services PMI readings:***
  - The preliminary estimate of Markit US Manufacturing PMI fell to 58.5 in February (Jan: 59.2), indicating that the robust manufacturing sector recovery is easing this month. Nonetheless the index is still at a comfortably high level. The services PMI meanwhile picked up to 58.9 (Jan: 58.3), its highest level in nearly six years amid a rise in services business activity.
  - The Flash UK CIPS/Markit Manufacturing PMI picked up to 54.9 in February (Jan: 54.1) but firms continued to report severe supply chain disruption; the services PMI improved substantially to 49.7, from 39.5 prior, reflecting near-stabilisation in services activity. This is consistent with the improvement in the UK's pandemic situation.
  - The Eurozone's manufacturing PMI rose to a 3-year high of 57.7 in February (Jan: 54.8) thanks to the surging inflows of new businesses. In contrast, the services PMI slipped to 44.7 (Jan: 45.4) as virus-related restrictions continued to affect many businesses.

- ***US existing home sales slightly in January:*** Existing home sales in the US unexpectedly rose 0.6% m/m to a seasonally adjusted annual rate of 6.69mil in January. This followed an upwardly revised 0.9% m/m growth in December. Analysts had expected sales to fall 2.4% at the start of the year. There were however fewer homes for sales (1.04mil vs 1.06mil prior), as supply remained lean in the US despite rising demand that was fuelled by low interest rates.

- ***UK retail sales plunged more than 8% in January***: Retail sales in the UK tumbled by 8.2% m/m in January, following the small 0.4% gain in December. The fall turned out much sharper compared to consensus forecast of -3.0% and was broad-based. Aside from sales at food stores which recorded a moderate rebound, sales at other physical store categories all saw double-digit declines ranging from 15-35% m/m. The lockdown was re-imposed in January after a brief reopening in December when consumers managed to shop for Christmas. Unsurprisingly, online sales rose 3.7% m/m (Dec: +2.2%).

Forex

MYR (Neutral)

- USD/MYR closed at 4.0420 on Friday, barely changed (-0.01%) from the prior session. On a weekly basis, USD/MYR also ended on a flat note (+0.02%) in a mixed trading week that saw the USD strengthened and then staged a reversal. 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 for the week ahead, anticipating a range of 4.03-4.06. Malaysia's CPI and exports data are unlikely to elicit much market movements.

USD (Neutral Outlook over 1 Week Horizon)

- DXY closed lower on Friday, down to 90.36 for the week after hitting a low of 90.18. AUD, NZD and CAD registered significant gains vs. the dollar, while GBP, EUR and JPY also saw modest gains. We see range movements on the USD for the week ahead, within a range of 89.80-91.10. For the week ahead, focus is on initial jobless claims data.

EUR (Neutral)

- EUR/USD gained early Friday European hours after PMI data release, hitting a high of 1.2145. Pair however, retreated to 1.2119 at close. We expect EUR/USD to stay within a range of 1.2010-1.2180 for the week ahead. Eurozone releases CPI and confidence data the coming week

GBP (Neutral-to-Bullish)

- GBP/USD benefited from positive PMI data and reached a high of 1.4036 and closed above 1.4000. Pair stayed above on Monday open. We anticipate modest gains for the pound. This is helped by leading vaccination rates, compared to other major economies. After the 1.4000 resistance is breached, attention turns towards the 2018 high of 1.4377. Only a correction to 1.3800 may turn momentum away from current uptrend. Watch employment data for the week ahead

JPY (Neutral-to-Bearish)

- USD/JPY touched a low of 105.24 before a 105.45 close on Friday. We stay less optimistic for the yen, examining a range of 106.00-107.00 should positioning continue to go against the yen. For the coming week, CPI, retail sales and IP data are due for release.

AUD (Neutral)

- AUD/USD gained by around 1.3% on Friday, up to a close of 0.7869. Monday open sees a bid tone. We see range movements from the AUD, after recent volatility (but possibly with bias on the upside). A break-away of a 0.7720-0.7820 range signals at upside momentum, with resistance now at 0.8000.

SGD (Neutral)

- USD/SGD was slightly down on Friday, benefitting from some dollar weakness. Pair closed at 1.3240, coming off a high of 1.3285. For a weekly-to-monthly horizon, we expect USD/SGD to stay within a range of 1.3157-1.3390. CPI and industrial production are the key data to watch.

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