Global Markets Research

Daily Market Highlights

Key Takeaways

- **The Dow Jones retreated further from recent record high on Friday** while the S&P 500 was little changed. Tech shares rebounded from the previous selloff, leading NASDAQ to gain 0.8% d/d. All three indexes closed out the week in reds after an eventful week of choppy trading, where the Fed has maintained its policy stance. **Financial shares fell sharply after the Fed announced that it would not extend a yearlong pandemic exemption that lowered a bank's capital requirement after 31 March.** At the onset of the pandemic, the Fed has relaxed the supplementary leverage ratio (SLR) rules and allowed banks to exclude treasuries and deposits from their reserve requirement.

- **Treasury yields were mixed after the announcement.** 10Y UST yield last traded at 1.72%, up by 1basis point. Gold futures gained 0.5% d/d to $1741.7/oz and marked its second consecutive weekly gain (+1.3% w/w). Crude oil prices saw some reprieves (increased around 2.0% d/d) after the steep selloff in the previous session but ended the week with over 6.0% losses nonetheless. Brent crude last settled at $64.53/barrel.

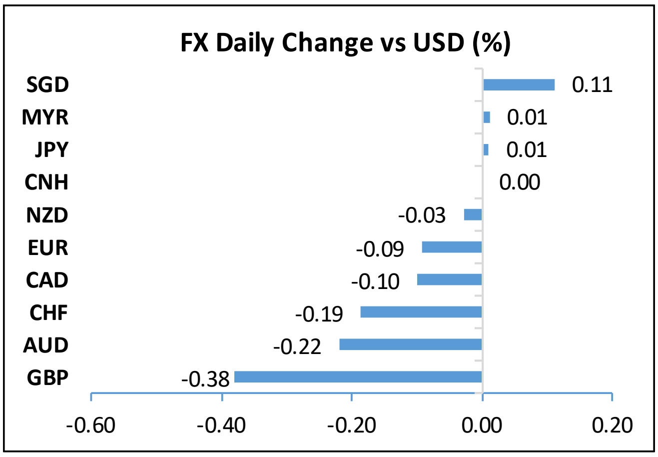
- **The US-China's Alaska talks between high level officials that ended on Friday highlights the sharp difference between Washington and Beijing on issues such as Hong Kong and cyberattacks,** although both sides were said to be exploring some area with similar interests such as climate change, North Korea and Iran, according to the WSJ. **The Bank of Japan maintained its overall policy level. It tweaked the yield curve control operation by allowing plus/minus fluctuation of 0.25% around the 10Y JGB yield target of 0%. It also abandoned the annual buying target for ETFs and J-REITs.**

- The dollar inched up on Friday, with DXY slightly up by 0.06%. This brought DXY to a close to 91.92. We see **slight dollar strength** for the week ahead, examining a range of 91.40-92.50. For the week ahead, focus is on Markit PM, personal income and spending, as well as PCE data. Economic outperformance may also support some dollar strength.

- USD/MYR was little changed at 4.1100 on Friday and was 0.2% lower for the week. In the week ahead, we expect **USD/MYR to stay neutral** potentially eying a range of 4.10-4.14, as the USD will likely remain supported by higher US yields as the selloff in treasuries is expected to extend to next week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,627.97	-0.71	6.60
S&P 500	3,913.10	-0.06	4.18
FTSE 100	6,708.71	-1.05	3.84
Hang Seng	28,990.94	-1.41	6.46
KLCI	1,626.19	-0.11	-0.06
STI	3,134.54	-0.10	10.22
Dollar Index	91.92	0.06	2.20
WTI oil ($/bbl)	61.42	2.37	26.59
Brent oil ($/bbl)	64.53	1.98	24.58
Gold (S/oz)	1,741.70	0.53	-8.09
CPO (RM/tonne)	4,125.00	-1.75	8.90



Source: Bloomberg

Overnight Economic Data

Nil

Up Next

Date	Events	Prior
22/03	CH 1-Year Loan Prime Rate (22 Mar)	3.85%
	MA Foreign Reserves (15 Mar)	$109.0b
	HK CPI Composite YoY (Feb)	1.9%
	US Chicago Fed Nat Activity Index (Feb)	0.66
	US Existing Home Sales MoM (Feb)	0.6%
23/03	SI CPI YoY (Feb)	0.2%
	JN Machine Tool Orders YoY (Feb F)	36.7%
	UK ILO Unemployment Rate 3Mths (Jan)	5.1%
	UK Employment Change 3M/3M (Jan)	-114k
	US New Home Sales MoM (Feb)	4.3%
	US Richmond Fed Manufact. Index (Mar)	14.0

Source: Bloomberg

Macroeconomics

The Bank of Japan to allow ±0.25% fluctuation around yield-curve-control target; dropped annual ETF and J-REITs annual buying target:

- The BOJ maintained the policy balance rate at -0.1%. The 10Y JGB yield target remains at 0% but is allowed a plus and minus fluctuation of 0.25% around the said level.
- The upper limit of the ETF and J-REITs purchases are kept unchanged at ¥12 trillion and ¥180 billion respectively. However, the annual buying targets of ¥6 trillion for ETF and ¥90 billion for J-REITs were abandoned, matching Governor Kuroda's previous remarks of buying ETFs "flexibly".
- It also introduced a new Interest Scheme to Promote Lending where interest rates linked to short-term policy rate will be applied to a certain amount of a financial institution's current account balance. The 2% inflation was kept as expected as the BOJ reaffirmed its goal of having the CPI-ex fresh food exceeding 2% and staying above the level in a stable manner.

Forex

MYR (Neutral)

- USD/MYR was little changed at 4.1100 on Friday and was 0.2% lower for the week. In the week ahead, we expect USD/MYR to stay neutral potentially eying a range of 4.10-4.14, as the USD will likely remain supported by higher US yields as the selloff in treasuries is expected to extend to next week.

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

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EUR (Neutral-to-Bearish)

- EUR/USD inched down on Friday, closing the week at 1.1904 after a low of 1.1874. We see slight downsides, within a range of 1.1850-1.1980. Better-than-expected Markit PMI readings (markets expect deterioration) may support some EUR resilience during dollar strength. ECB publishes economic bulletin on 25 March.

GBP (Neutral)

- GBP/USD was 0.38% down on Friday, closing at 1.3874 after a low of 1.3831. For the pair, we see a range of 1.3800-1.4000 for the week ahead. GBP may stay more resilient in dollar strength, due to less accommodative moves from the BOE compared to the ECB in the near-term.

JPY (Nuetral-to-Bearish)

- USD/JPY was relatively unchanged from Thursday's close at the end of Friday, despite some intraday volatility from BOJ decision. Pair had a range of 108.61-109.13, but closed at 108.88. We see some scope for the yen to weaken further, with first resistance at 109.50 (before 110) and support at 108.50 for the week ahead.

AUD (Neutral-to-Bearish)

- AUD/USD was 0.22% down on Friday, closing at 0.7742. AUD may stay defensive on dollar strength, even as sentiments have turned brighter after recent market concerns. Support close to 0.77 big figure, while resistance at 0.79 big figure. This is weighed down by falling commodity prices from peaks, alongside rising yields and dollar strength.

SGD (Neutral)

- USD/SGD was slightly down by 0.11% to a close of 1.3422 on Friday. We see USD/SGD within a range for the week ahead. Focus between now and mid-April is on central bank policy decision. Hence, Singapore's February CPI in focus for the following week. Attention will be on any change to the inflation outlook for the rest of the year, after recent energy price gains. We estimate resistance and support at 1.3531 and 1.3400 respectively.

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