HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- **US stock broadly pulled back overnight as investors continued to rotate out of the tech sectors amid the anticipation for further economic recovery.** The Dow Jones closed marginally (+0.1%) higher while the S&P500 shed some 0.8% losses. The tech-focus NASDAQ index recorded a sharper 2.5% decline. Elsewhere, **stocks were also down in Europe while key Asian markets saw mixed performance. The sell-off in US treasuries extended to Monday**, boosting overall yields by another 1 to 4bps. The yield on 10Y UST rose 3bps to 1.365% while the 30s added another 4bps to 2.173%.The yield curves steepened.

- **Gold prices were higher as the greenback weakened**; futures climbed 1.7% to $1806.7/oz. **Oil prices spiked by 3.7-3.8% after Goldman Sachs projected that oil prices would climb into the $70s** territory over the next few months. Brent crude settled at $65.24/barrel and WTI at $$61.49/barrel. **The US House Budget Committee approved the $1.9 trillion stimulus plan and is now moving forward to set up a vote on Friday**. The bill includes an additional $400 unemployment benefit and a direct pay-out of $1400 to individuals.

- **Data were mostly second-tiered and positive on Monday**. In the US, the Chicago Fed National Activity Index picked up further to 0.66 in January. The Conference Board Leading Index rose 0.5% m/m in the same month. The Dallas Fed Manufacturing Index jumped to 17.2 in February. Meanwhile, Hong Kong's CPI inflation accelerated by 1.9% y/y in January. New Zealand's retail sales pulled back in 4Q. Malaysia's foreign reserves rose to $109.7b as at 15 February 2021.

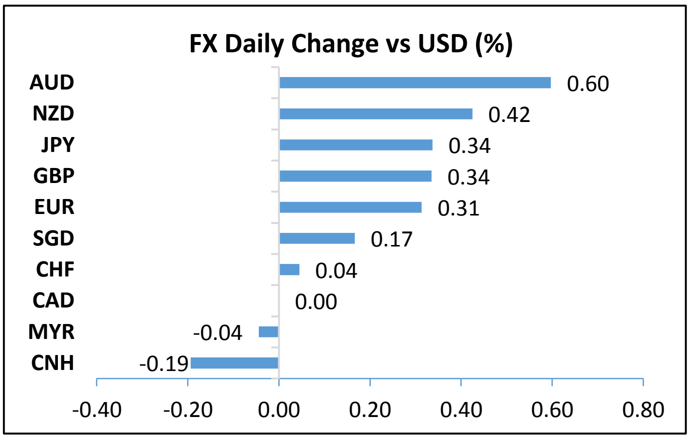
- DXY closed lower around the 90 mark, weakening for the third successive session. Dollar was broadly weaker, notably against AUD and NZD. With momentum now building on the downside, we tweak our view in anticipation of **slight dollar weakness.** We now eye a range of 89.40-90.60. For the week ahead, focus is on ISM and initial jobless claims data.

- USD/MYR little changed (+0.04%) at 4.0440. Despite rising bond yields, the greenback remained weighed down by bullish sentiments. We turn **neutral to bearish on USD/MYR**, expecting the pair to be slightly driven by broader USD movement, anticipating a range of 4.0250-4.0600. Malaysia's CPI and exports data are unlikely to elicit much market movements.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,521.69	0.09	2.99
S&P 500	3,876.50	-0.77	3.21
FTSE 100	6,612.24	-0.18	2.35
Hang Seng	30,319.83	-1.06	11.34
KLCI	1,570.46	-0.91	-3.49
STI	2,881.21	0.02	1.32
Dollar Index	90.01	-0.39	0.08
WTI oil ($/bbl)	61.49	3.80	26.73
Brent oil ($/bbl)	65.24	3.70	25.95
Gold (S/oz)	1,806.70	1.74	-4.66
CPO (RM/tonne)	3,910.00	-0.29	3.22

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	↑	Hong Kong	↑
New Zealand	↓	Malaysia	↑

Up Next

Date	Events	Prior
23/02	SG 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
24/02	AU Wage Price Index YoY (4Q)	1.40%
	NZ RBNZ Official Cash Rate	0.25%
	MA CPI YoY (Jan)	-1.40%
	HK GDP YoY (4Q F)	-3.00%
	US MBA Mortgage Applications	-5.10%
	US New Home Sales MoM (Jan)	1.60%

Source: Bloomberg

Macroeconomics

- ***US economic growth to pick up further based on indicators:***
  - The Chicago Fed National Activity Index picked up further to 0.66 in January, from 0.41 prior, suggesting quicker economic growth at the start of 2021. The index's gain was led by personal consumption-related indicators.
  - The Conference Board Leading Index rose 0.5% m/m in January (Dec: +0.4%), extending its ongoing winning streak to nine months. Higher ISM new orders, surge in building permits and higher stock prices were among other factors that drove the index higher.
  - The Dallas Fed Manufacturing Index jumped to 17.2 in February (Jan: 7.0), in line with other strong manufacturing leading indicators.

- ***Hong Kong's headline CPI jumped in January:*** Consumer price index jumped 1.9% y/y in January, rebounding from -0.7% in December. This is CPI's first positive changes in seven months. This reflects higher cost of housing (+6.1%) as well as utilities compared to the same month last year as government's waiver assistance expired. Overall data painted a mixed picture of spending even ahead of the Lunar New Year celebration - prices of food declined while alcohol & tobacco saw sharper gain. Clothing & footwear prices also fell.

- ***New Zealand's retail sales pulled back in 4Q:*** New Zealand retail sales fell 2.7% q/q in 4Q of 2020, more than consensus forecast of -0.5%. The decline was still minor in our view, considering the fact that retail sales had staged a robust (27.8%) rebound in 3Q after suffering a 14.9% fall in 2Q at the onset of the pandemic.

- ***Malaysia's foreign reserves went higher in mid-February:*** The international reserves of Bank Negara Malaysia rose to $109.7b as at 15 February 2021 (prior: $108.6b) The reserves position is sufficient to finance 8.6 months of retained imports and is 1.2 times total short-term external debt.

Forex

MYR (Neutral-to-Bullish)

- USD/MYR little changed (+0.04%) at 4.0440. Despite rising bond yields, the greenback remained weighed down by bullish sentiments. We turn neutral to bearish on USD/MYR, expecting the pair to be slightly driven by broader USD movement, anticipating a range of 4.0250-4.0600. Malaysia's CPI and exports data are unlikely to elicit much market movements.

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

- DXY closed lower around the 90 mark, weakening for the third successive session. Dollar was broadly weaker, notably against AUD and NZD. With momentum now building on the downside, we tweak our view in anticipation of slight dollar weakness. We now eye a range of 89.40-90.60. For the week ahead, focus is on ISM and initial jobless claims data.

EUR (Neutral-to-Bullish)

- EUR/USD moved higher by more than 0.3% on Monday, hitting a high of 1.2169 before closing slightly lower in the process, from the previous close of 1.2119. We now turn slightly constrictive on EUR/USD, placing resistance at 1.2280 and support at 1.2050. Eurozone releases CPI and confidence data this week.

GBP (Neutral-to-Bullish)

- After breaking 1.4000, GBP/USD stayed on the offensive, hitting a high of 1.4086 before a slight pullback. 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.

JPY (Neutral-to-Bullish)

- USD/JPY has now closed lower for the fourth successive session around the 105 mark. This comes after hitting a high of 106.22 on 16 February. We now turn slightly optimistic for modest gains in the yen, examining a range of 104.50-105.90. CPI, retail sales and IP data are due for release in the coming days.

AUD (Neutral-to-Bullish)

- AUD/USD gained by more than 0.5% on Monday, after the 1.3% increase on Friday. This brought pair to a high of 0.7929 on Monday. We turn slightly optimistic on AUD, after recent volatility. A break-away of a 0.7720-0.7820 range signals at upside momentum, with resistance now at 0.8000.

SGD (Neutral-to-Bullish)

- USD/SGD registered modest downsides for the third successive session, closing around 1.3220 after a low of 1.3210. Over the coming week, we expect USD/SGD to stay within a range of 1.3157-1.3390. We expect the SGD to benefit from dollar weakness, although it may underperform other currencies' rallies. CPI and industrial production are the key data to watch.

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