HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rose on Monday, led by gains in technology shares.** The Dow Jones and S&P 500 recorded more modest increases of 0.3% and 0.7% respectively while NASDAQ outperformed with 1.2%% gain. In the bond market, **treasuries recovered modestly** as well **ahead of a few government auctions**. Yields fell 0.2 to 3.9bps across the curve where the 10Y UST yield last traded at nearly 1.70% (-2.6bps). The yield curves continued to steepen. On the commodity front, **gold futures fell** 0.2% to $1738.1/oz while **crude oil benchmarks recorded small increases** of 0.1-0.2%. Brent crude settled at $64.62/barrel.

- **The Biden Administration is said to be eyeing an infrastructure and economic plan worth as much as $3 trillion that would focus on rebuilding the US' infrastructure as well as includes climate change initiatives**, part of his "Build Back Better" campaign agenda in 2020. **Fed Chair Jerome Powell and Treasury Secretary Janet Yellen** (a former Fed Chair) **would appear before the House Financial Services Committee** as part of the congressional oversight of the government's pandemic response, before testifying again on Wednesday before the Senate Banking Committee.

- **US' Chicago Fed National Index fell to negative for the first time since April,** indicating that economic growth had declined in February. **Existing home sales also fell more than expected** by over 6.0% m/m in the same month amid higher rates and limited home supply. **Hong Kong's CPI inflation slowed considerably** to 0.3% y/y. **Malaysia recorded higher foreign reserves of $109.2b.**

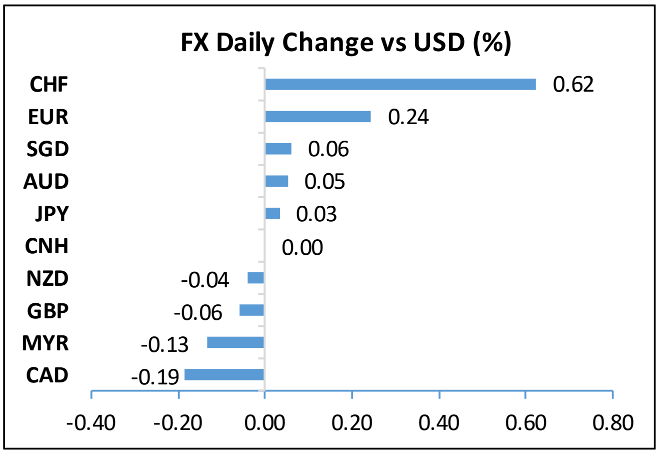
- **Key economic data today are the UK's job numbers which have likely to have weakened in January** as the government reimposed national lockdown at the start of the year to curb the still-raging pandemic at that point of time.

- USD weakened on 22 March, as EUR and CHF advanced. DXY was down by 0.19% to close at 91.74. Dips in US yields helped, although a rebound may trigger some dollar strength. We examine a **slightly higher** range of 91.40-92.50 for the week. Focus is on Markit PM, personal income and spending, as well as PCE data. Economic outperformance may also support some dollar strength.

- USD/MYR rose 0.1% to close on 4.1155 on Monday. We remain **neutral** on the pair, eyeing a range of 4.10-4.14, as the USD will likely remain supported by risk-off sentiments, as we eye another potential round of selloff in the US treasuries and other factors such as the new Covid-19 wave in Europe.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	32,731.20	0.32	6.94
S&P 500	3,940.59	0.70	4.91
FTSE 100	6,726.10	0.26	4.11
Hang Seng	28,885.34	-0.36	6.07
KLCI	1,616.73	-0.58	-0.64
STI	3,128.08	-0.21	10.00
Dollar Index	91.74	-0.19	2.01
WTI oil ($/bbl)	61.55	0.21	26.85
Brent oil ($/bbl)	64.62	0.14	24.75
Gold (S/oz)	1,738.10	-0.21	-8.28
CPO (RM/tonne)	3,995.00	-3.16	5.46



Source: Bloomberg

Overnight Economic Data			
US	↓	HK	↓
MA	↑		

Up Next

Date	Events	Prior
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
24/03	US, EU, UK, JP Preliminary Markit PMIs	
	NZ Trade Balance 12 Mth YTD NZD (Feb)	2745m
	MA CPI YoY (Feb)	-0.20%
	UK CPI YoY (Feb)	0.70%
	US MBA Mortgage Applications (19 Mar)	-2.20%
	US Durable Goods Orders (Feb P)	3.40%
	EC Consumer Confidence (Mar A)	-14.8

Source: Bloomberg

HongLeong Bank

Macroeconomics

US' Chicago Fed National Index fell to negative level; existing home sales at six-month low:

- The Chicago Fed National Activity Index unexpectedly fell to -1.09 in February, from 0.75 in January. This marks its first negative reading since April last year at the start of the pandemic and suggests that economic growth had declined in February. Analysts had been expecting a positive reading of 0.72. The fall of the index was driven mainly by the negative contribution from production-related indicators as the winter disruption in parts of the US led to a fall in the US' industrial production.
- In a separate note, existing home sales in the US fell more than estimated by 6.6% m/m in February following the downwardly revised 0.2% gain in January. Consensus forecast was for a smaller 3.0% decline. This left the sales of previously owned homes at a six-month low of an annualised pace of 6.22million units. Higher mortgages rates which tracked the surging treasury yields in February alongside limited supply in the market have raised the price and thus overall costs of owning a house in the US, weighing on sales.

Hong Kong CPI inflation slowed in February:

- Hong Kong's CPI inflation slowed considerably to 0.3% y/y in February, from the 1.9% increase in January. The higher prices of food during the lunar new year celebration were offset by the normalized gain in public rent (which were distorted by government subsidies in January) as well as the continuous decline in cost of clothing. The underlying inflation which excludes impact of government's subsidies printed a smaller negative at -0.1% y/y (Jan: -0.5%).

Higher Malaysia's foreign reserves:

- Malaysia's foreign reserves rose to $109.2 billion as at 15 March, from $109.0b prior. The reserves position is sufficient to finance 8.5 months of retained imports and is 1.2 times total short-term external debt.

Forex

MYR (Neutral)

- USD/MYR rose 0.1% to close on 4.1155 on Monday. We remain neutral on the pair, eyeing a range of 4.10-4.14, as the USD will likely remain supported by risk-off sentiments, as we eye another potential round of selloff in the US treasuries and other factors such as the new Covid-19 wave in Europe.

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

- USD weakened on 22 March, as EUR and CHF advanced. DXY was down by 0.19% to close at 91.74. Dips in US yields helped, although a rebound may trigger some dollar strength. We examine a range of 91.40-92.50 for the week. Focus is on Markit PM, personal income and spending, as well as PCE data. Economic outperformance may also support some dollar strength.

EUR (Neutral-to-Bearish)

- EUR/USD recovered on Monday, up 0.24% d/d to a close of 1.1933. Still, 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 down a third consecutive session, reaching a low of 1.3818 before closing around 1.3860. 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 (Neutral-to-Bearish)

- USD/JPY remained steady post-BOJ announcements. Pair was 0.03% up within a tight 108.51-108.96 range, closing at 108.85. 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 found slight footing as dollar strength abated. Pair closed at 0.7746. AUD may stay defensive on dollar strength, even as sentiments have turn 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 stayed relatively steady on Monday, closing just above the 1.3400 big figure. 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 support and resistance at 1.3400 and 1.3531 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